

South Africa: Zuma appoints cabinet to please investors

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After being sworn in as president of South Africa last week, Jacob Zuma has chosen a cabinet that has largely pleased the business and financial community, both in South Africa and internationally. He has appointed a new finance minister, Pravin Gordhan, who assured the *Financial Times* in an interview that the “cornerstone of the previous government and Mr. Zuma’s government is still overall fiscal prudence, and he has made it very clear that the kind of fiscal prudence that South Africa has exercised will still inform the way decisions are made.”

Gordhan has been head of South Africa’s tax collecting agency for the last 10 years, and although not known outside South Africa, the *Financial Times* says “he has won a formidable reputation in business circles for his no-nonsense management style.” Chris Hart, chief economist at Investment Solutions in South Africa, told the BBC, that Gordhan was an “excellent choice,” and that he is “quite capable of standing up to any ‘looniness’ in terms of economic policy.” This is a reference to nervousness that Zuma could be pressurized into increasing state spending by his supporters in the South African Communist Party (SACP) and the trade union federation Cosatu.

Although there were concerns in ruling class circles that Zuma has removed Trevor Manuel from his post as finance minister, where he had become widely respected by investors for driving free market policies for the last 13 years, Manuel has been retained as head of a new National Planning Commission with wide powers for strategic planning and coordination between government departments.

Rudolf Gouws, chief economist for Rand Merchant Bank, told the *New York Times*, “I’m sad to see Trevor go, but I know Pravin personally, and he is an excellent

choice.”

It may well be however that Manuel will have even more influence than before, as along with another minister, Collins Chabane, he will be responsible for overall policy from the presidential office. Ivor Jenkins of the Institute for Democracy in South Africa told the *Economist* that Zuma had “no clear-cut ideology of his own” and would “be seen as the public face, the reconciler, the good guy, and have someone in the back room running the thing.”

Zuma has presented a “left” face by including leading members of Cosatu and the SACP into the cabinet, with a leading trade union bureaucrat Ebrahim Patel appointed as head of a new economic development ministry and SACP central committee member Rob Davies as trade and industry minister.

Zuma gained the substantial vote of 65 percent in the election by promising to alleviate the growing poverty and unemployment faced by the majority of the population. He presented the image, backed by Cosatu and the SACP, of turning away from the economic orthodoxy of Thabo Mbeki, and promising “change.”

The appointment of Patel and Davies is designed to continue this façade, Cosatu having played a crucial role over the last decade of calling strikes and demonstrations to head off the anger of working people whilst remaining loyal to the ANC. One of their roles will be to develop cosmetic schemes to create a limited number of jobs and small businesses as a sop to the huge expectations that have been built up in the election campaign.

The inclusion of leading Cosatu and SACP members into the cabinet has been criticized by the more right-wing press. Most commentators however recognized their essential role in diffusing the widespread demands for improving living standards. Zuma has also

cultivated an “all-inclusive” approach in his cabinet by appointing multi-millionaire ANC businessman Tokyo Sexwale to the post of human settlement minister, and Pieter Mulder of the right wing Afrikaaner Freedom Front Plus, to the post of deputy minister of agriculture. The education sector will now have two ministers, with SACP leader Blade Nzimande appointed to minister of higher education. However the ex-wife of Nelson Mandela, Winnie Madikizela-Mandela, a favorite of the ANC Youth League, was not appointed.

CNN commented that Zuma’s inclusive approach, promising in his inaugural speech to return South Africa to the “values of the Mandela era”—the aging Mandela was on the platform—has “done much to win him the respect of his former detractors.” They claim that a “quiet if somewhat skeptical reappraisal” is taking place among wealthy sections of the South African population.

Zuma’s removal of Barbara Hogan from the post of health minister, and her replacement by a relative unknown, Dr Aaron Motsoaledi, has concerned AIDs campaigners. They had backed Hogan who took over the health post last September after the resignation of Mbeki, replacing the renowned opponent of HIV-AIDs medication, Manto Tshabalala-Msimang, known as Dr. Beetroot. Hogan has been moved to a less important position of minister for public enterprise, apparently because she spoke out against the ANC government blocking the visit of the Dalai Lama, as part of its closer relationship with China.

The cabinet appointments to the ministers of justice, defense, police and state security were all Zuma supporters in the conflict with Mbeki supporters that raged in the ANC until Mbeki was eventually forced out of office after his interference in the court case against Zuma for fraud was revealed. Presumably they will make sure that the charges against Zuma will not be reinstated and that he will be kept out of the courts.

Latest figures from South Africa’s manufacturing sector show a fall of 11.7 percent compared to last year, after a record drop of 15 percent in February. There were 60,000 job losses in the first quarter of the year, on top of last year’s official unemployment of 21.9 percent but more like 40 percent in reality.

Economic output as a whole contracted by 6.8 percent in the first quarter this year, compared to the previous quarter. It expected that an announcement will be made

later this month that the South African economy has moved into recession, and the new finance minister will be under pressure from Cosatu to lower interest rates. However, Gordhan said that South Africa could not spend its way out of a recession because of the “limited fiscal space” available. “Tax revenue will be going down as it is in the rest of the world, so we have to keep a tight hand on the spending side.”

The government has already decided on a limited increase of spending up to \$1 billion that will have to be raised by loans on the international markets. Yields on long term South African government bonds have already increased with the expectation that government borrowing will create inflation and higher interest rates, showing how limited is Gordhan’s—and Zuma’s—room for maneuver.

The disparity between what Zuma’s government will do and the expectations of the millions of South Africans who voted for him because they believed his promises of more jobs and better services will inevitably lead to social conflict. There is a fundamental incompatibility between the interests of the majority of the South African population and the interests of the thin layer of business people who dominate the country’s official political life. The SACP and the trade unions have propagated the illusion that Zuma can bridge that fundamental social divide. The free market model pursued so diligently by Trevor Manuel has failed on a global scale, and it offers no future for emerging economies and the majority of the world’s population who live in them. Zuma’s cosmetic changes will not alter the fact of that failure which is still working its way through the world economy.

What is required if workers and the rural poor are to resist the attacks that will be made on their already low living standards is a new political leadership that rejects the old nationalist perspective and aligns itself with the international working class rather than big business.



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