



TROUBLE BREWING

Tamara Naidoo explains how fragmentation within the ANC could lead to political turmoil in the lead up to the general elections

This July, former South African president Thabo Mbeki warned that South Africa will experience an Arab Spring-like uprising, due to dissatisfaction with rising living costs and disillusionment with the political leadership. His comments naturally re-awakened business concerns about the country's long-term outlook; such dissatisfaction had already come to a head in July 2021 when a wave of unrest resulted in almost ten days of mass rioting and looting.

For now, those worries seem exaggerated and Mbeki's warning overblown, although it was a useful

way to prompt South Africans to focus on systemic governance issues. While there are seemingly constant protests, most fall far short of the widespread unrest of 2021 and typically only cause localised disruptions for businesses. Since the unrest last year, the government and businesses are employing mitigation strategies, which seem to have worked well. So even though the unrest is unlikely to worsen, it's unlikely to get much better either – for now.

Trouble is on the horizon. South Africa is due to hold general elections in 2024 and the governing party, the African National Congress (ANC), is likely to lose its majority in

There were 1,178 protests in South Africa between January and July 2022

parliament for the first time in 30 years. This will result in a far more unpredictable terrain for businesses.

When the ANC successfully negotiated the end of the Apartheid regime in 1994 this was only the beginning of its mammoth task to rectify severe inequality in South African society. Over the decades since, South Africa benefited immensely from the ANC's ability to channel diverging political stances under its broad church. The party led the restructuring and liberalisation of the South African economy. This was made possible as it brought together both powerful unionists and business leaders from its membership to strengthen policy debate and facilitate compromise.

But while the ability to compromise was once its strength, now the party's emphasis on negotiation has become its curse. This is because polarisation within the ANC has resulted in political indecision and delays that have both elevated strategic risks for businesses and accentuated the drivers for protests in the country; these are primarily relating to economic hardship, poor service delivery and political infighting.

In recent years, political and community-based activists have frequently organised protests in central urban areas and the low-income periphery of cities. Data from the Armed Conflict Location and Event Data Project (ACLED) shows that the frequency of these has consistently increased; there were 1,178 protests nationwide between January and July 2022, up from 876 during the same period in 2019. Most demonstrations occurred in Gauteng, Kwa-Zulu Natal and the Western Cape and were relatively small, causing minimal disruptions for businesses. Community protests typically attract up to a few hundred people and pockets of violent protesters often attempt to block roads and throw stones at security forces.

Protest data shows that the three drivers often run concurrently in any given protest. Economic hardship was already worsening in the country prior to the pandemic in 2020. This fed a high frequency of protests well before the subsequent global economic slowdown. Poverty and stubbornly high rates of inequality were partly caused by systemic policy failures. For example, poor policy led to unnecessary delays in national electricity provision reforms, and this has similarly led to sub-standard infrastructure on a municipal level. For businesses, this has meant that their day-to-day operations are an ongoing challenge due to deteriorating water and road maintenance.

Then there's the ANC's internal politics. Far from its initial role as mediator, today's ANC has become a driver of protest. The ANC has always had factions. But in recent years infighting between the two factions, those aligned with ANC president Cyril Ramaphosa and those aligned with former ANC president Jacob Zuma, have increasingly used subversive tactics, such as stirring protests. The risk of these is most acute over the short-term in the run-up to the ANC electoral conference this December where party members elect the 'top six' positions in the party, including the president (of both state and party).

As this draws closer, jockeying between rival factions in the ANC is likely to prompt more frequent protests in major metropolises along with increased incidents of targeted political violence in Kwa-Zulu Natal, Eastern Cape and Mpumalanga. In previous ANC elections politicians or hired thugs have instigated anti-government protests to boost their profile for nomination at the ANC electoral conference. In low-income areas these would probably turn violent, for example in July protesters burnt two trucks in

Pietermaritzburg. Still most violent incidents would be unlikely to spread because the instigators tend to have highly localised support bases.

However, this fragmentation in the ANC presents businesses with greater risks including those pertaining to violent rioting and wildcat strikes. The potential for security incidents of this kind is related to two dynamics. The first is the use of subversive tactics by competing factions and the second is the governance risk emanating from the ANC's alliance with worker unions breaking

THE FRAGMENTATION OF THE ANC IS SET TO UNDERMINE BASIC BUSINESS PRACTISES

The widespread rioting of July 2021 stemmed from competition between the Ramaphosa camp and the Zuma camp. Official state and media-led investigations have suggested that high-level ANC affiliates orchestrated the July unrest to pressure the Ramaphosa government into halting criminal proceedings against Zuma. Based on this precedent, the ANC electoral conference is an important monitoring point.

A clash between factions is unavoidable because several high-level cadres associated with Zuma's faction, with open criminal cases against them, are ineligible to compete in the December elections. So it's possible that these excluded members would at least attempt to instigate a more coordinated campaign of local riots in an effort to undermine both Ramaphosa's popularity and his credibility as a leader, before December. For now though, aside from Zuma there is no other single convenor capable of mobilising inter-provincial riots like those that happened last year; so any such riots would probably remain local.

The second dynamic that has emerged with the fragmentation of the ANC is the increasing likelihood of wildcat strikes. These can have a debilitating impact for industrial players. Until now wildcat strikes have only been occasional due in part to the ANC's internal negotiation capacity with trade union members. But many unionists seem to feel unrepresented by union leaders as the leadership is increasingly perceived to be in cahoots with unreliable ANC leadership. Unionist distrust of the official ANC alliance has prompted more brazen unionist action in recent months. In August unionists interrupted electricity supply in major economic hubs for several days due to a wage dispute. And within weeks of this, trucker unionists blocked a major freight route over the employment of foreigners.

Still there have not been signs to suggest union leaders would follow through on threats to break the ANC alliance. This implies some discipline among lower-rung unionists is likely to be maintained and with that the ANC would earn the largest proportion of parliamentary seats in the next election.

Where protests do break out, the government seems intent to adhere to its strategy of negotiation along with reinforcement from security forces, equipped with tear gas and water cannons. However, with the breakdown in ANC leadership and the salience of other protest drivers, these efforts would at most shorten disruptions, rather than reduce the number of strikes and protests. They are

unlikely, however, to retain their majority, which makes the 2024 elections a game-changer for both the general political environment and for businesses.

Based on Ramaphosa's popularity in opinion polls, the ANC will keep Ramaphosa as president of the party for the election, irrespective of factional battles. Ramaphosa has so far struggled to uphold the business-friendly approach for which he is known. But a strong Ramaphosa camp in the ANC would stick to their initial mandate of increasing private sector participation in the economy, along with other needed reforms such as sprucing up anti-corruption measures, removing barriers for new businesses.

ECONOMIC HARDSHIP WAS ALREADY WORSENING IN THE COUNTRY PRIOR TO THE PANDEMIC IN 2020

Nonetheless in the scenario where there is strong representation of Zuma's camp in high-level ANC decision-making, Ramaphosa's pro-business approach would be challenged by those pushing for radical policies, related to nationalisation and land expropriation. Such attempts in 2023 would be tempered by the current parliament, but post-2024 this would depend on the political values of an entirely new governing coalition.

With shifting factional battles ongoing in the ANC, it is not yet clear who would be selected to partner in a coalition government. If the Zuma camp has a strong presence in ANC leadership, it would likely partner with the third most popular party in the country, the Economic Freedom Fighters. This is a leftist, disruptive party that would assist the Zuma faction to push for radical economic policies to dismantle the 'capitalist

monopoly'. Though there are signs that socioeconomic pressure would probably make this more difficult for the coalition to carry out, the threats of such policies would shake investor confidence further.

Even if a strong Ramaphosa camp is elected at the ANC conference in December and the ANC selects the second-most popular party – the liberal Democratic Alliance party – the outcome would be the same. Prolonged policy debate and political deadlock is inevitable, meaning there will be a period of policy uncertainty for several months at least.

Based on the current deterioration of national and local government administration, after the 2024 general elections most South African institutions would not be robust enough to adequately respond to protest triggers such as spiralling living costs or politically instigated unrest without clear guidance from the central government. And this would have a negative impact on systemic issues such as corruption and critical infrastructure because any pre-2024 government plans would be re-evaluated by the new coalition government, causing delays. As such a far more challenging operational environment awaits businesses after 2024.

Going forward, the fragmentation of the ANC and factional infighting between the Ramaphosa and the Zuma camp is set to undermine basic business practises in the country. And instead of mitigating the impact of ANC infighting, the general elections will only embroil another set of political actors in policy discourse and execution. As a result, businesses will have to contend with an even more unstable government in addition to an already high frequency of protests. This will stifle the economy, escalate protests and deepen the litany of issues which the country is already grappling with – not least, as far as businesses are concerned – the security risks of unchecked and increasingly brazen attacks by sophisticated criminal networks. Civil unrest, therefore, may prove to be a distraction from South Africa's larger problem, which is the breakdown of its political leadership ●

Tamara Naidoo is an intelligence analyst for the Africa desk at Dragonfly, a geopolitical and security intelligence service for professionals who guide decision making in world leading organisations.

Jockeying between rival factions in the ANC will cause more frequent protests in major metropolises

