

South Africa's ANC to ink electoral pact with radical EFF

Ramaphosa dumps Zuma for Malema ahead of tight 2019 polls



Source: The SA Citizen

South Africa's ruling African National Congress (ANC) is poised to ink a 'non-aggression' pact with the radical Economic Freedom Fighters (EFF) party. Smarting from the loss of popular party campaigner former President Jacob Zuma, and fearing a massive hemorrhage of ethnic Zulu voters in 2019, the party is moving to embrace Malema. Between 2012 and 2017, 65% of all lost ANC party members hailed from Zuma's stronghold, KwaZulu Natal province.

An ANC-EFF pact will shift the general national policy orientation in a radical leftward direction to the detriment of foreign investors. In exchange for the EFF's support for the ANC to govern several hung municipalities, and in the 2019 polls, the ANC will agree to support some of the more radical policy platforms of EFF's leader Julius Malema, a former ANC youth executive. While Malema was virulently opposed Zuma and helped trigger his ouster, he has maintained excellent working relations with President Cyril Ramaphosa and his deputy, David Mabuza.

The early 2018 ascension of billionaire ex-trade union executive Ramaphosa to the presidency delighted foreign investors who had grown tired of the seeming incompetence and cronyism of the Jacob Zuma era. However a tactical electoral alliance between the ANC and EFF ahead of the 2019 polls will dramatically alter the country's future policy trajectory in a hostile non-friendly investor direction.

The EFF favors a wider fiscal deficit, higher corporate taxes, the expropriation of white owned lands, a nationalization of the mining sector and a de-privatization of the country's central bank. Its quasi military structures envisage a more militant Castro/Mao-style political revolution. Since taking office Ramaphosa has backed the EFF's land expropriation bill. He may yet be politically coerced to support more radical measures ahead of 2019 poll. 2018 may yet see the country's credit fall into junk status amid renewed capital flight.

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DaMina Advisors is a preeminent Africa-Asia focused independent frontier markets political risk research, due diligence, M&A transactions consulting and strategic geopolitical risks advisory firm.

DaMina Advisors is legally registered and has offices in the US, Canada, The UK and Ghana. DaMina is headquartered in Toronto.

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ANC Membership Trends ('The 2012 Zuma Effect')						
	2010	2012	2015	2017	2012-2017 Change	% of Members Lost since '12/ Total
Gauteng	70,305	134,909	87,759	99,245	-35664	15%
KwaZulu-Natal	192,618	331,820	158,199	181,860	-149960	65%
Limpopo	101,971	161,868	84,413	130,347	-31521	14%
Mpumalanga	46,405	132,729	96,799	158,598	25869	-11%
North West	57,911	75,145	78,922	119,830	44685	-19%
The Eastern Cape	161,161	187,585	124,050	140,696	-46889	20%
The Free State	41,627	121,074	51,088	91,910	-29164	13%
The Northern Cape	37,122	36,428	38,680	38,791	2363	-1%
The Western Cape	40,427	38,499	49,960	28,459	-10040	4%
Totals	751,557	1,222,069	771,885	991,753	-230316	

Source: ANC Party/ DaMina Advisors

Despite the early 2018 un-ceremonious ousting of Zuma by the ruling African National Congress (ANC), in favor of Ramaphosa, which delighted the international investment community, the recent moves by Ramaphosa to cover his left flank by moving to embrace the EFF, will ultimately shift the country's policies beyond its current relatively center-left position, jeopardizing the country's relative economic stability.

South Africa's big banks, who own the lion's share of immovable assets such as land, are likely to be hardest hit by the ANC's leftist move.

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