

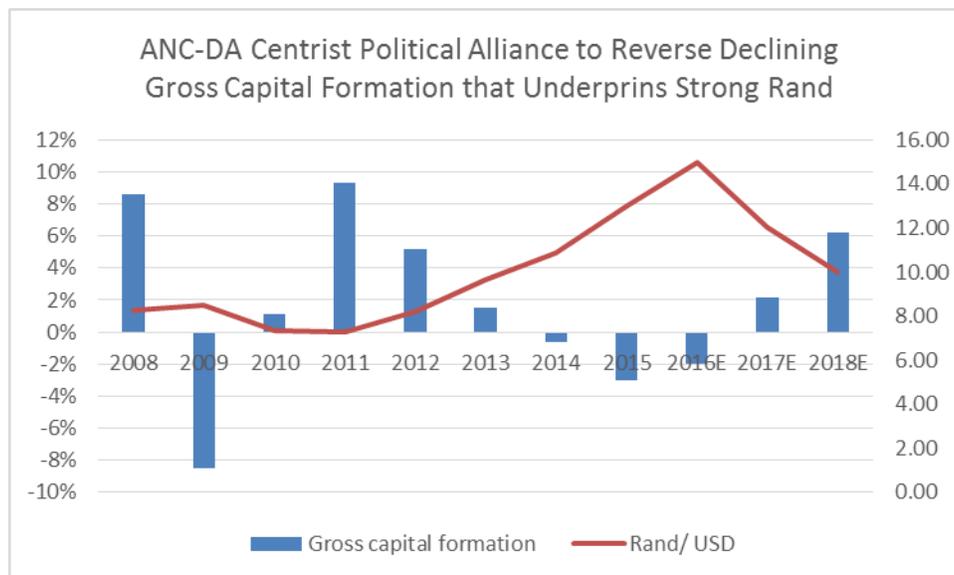
South Africa’s rattled ANC to surprise capital markets by turning right to DA, rather than left to EFF

August 8, 2016

By: Sebastian Spio-Garbrah

Chief Africa Frontier Markets Analyst & Global Managing Director

Despite the widespread expectation that South Africa’s rattled ruling African National Congress (ANC) party will form an unstable radical left governing alliance with the Economic Freedom Party (EFF) because of the ANC’s own socialist credentials, the weary and panicked ruling party hierarchy is actually more likely to harness the party’s current electoral crisis to finally re-position the party firmly in the ideological center of the country’s political spectrum by entering into an alliance with the center-right opposition Democratic Alliance party (DA). The party has since 1999 attempted unsuccessfully to ideologically re-position the party to the center, it will now make the move. Since the EFF and DA have both made the resignation of politically damaged President Jacob Zuma a categorical imperative for any alliance deal – Zuma’s resignation is likely imminent. The ANC is poised to offer Zuma’s political scalp to the DA in exchange for a deal to form a stable governing centrist majority. During the just ended 3 August municipal elections the ANC won 54% of the vote, while the DA won 27% and with the EFF picking up only 8.2%. An alliance between the DA and ANC will not only see them cooperating to govern most of the 27 hung municipal councils, but also cooperating at the national level on policy and taking up cabinet appointments.



Source: UN DESA/DaMina Advisors

An unexpected ANC-DA stable governing alliance will send a positive political earthquake through South Africa’s capital markets as it will banish many of the incipient anti-business fears spawned by the EFF such as: forced mine nationalizations, forced expropriation of white-owned agricultural lands and banks. Fears about an imminent leftward policy tilt by the ANC since the EFF emerged onto the political scene 2013 have haunted

the country's business elites and negatively impacted the process of gross capital formation as well as FDI inflows into the country.

A move by the ANC to the center-right will politically expose the party's ideological left flank to the EFF, effectively making it the country's main opposition revolutionary radical alternative to the mainstream ANC-DA governing alliance. Believing that their moment as a kingmakers had finally arrived, if the ANC swerves the EFF and moves right to ally with the DA, the EFF is likely to lash out and become even more obstructive than it has been both at the national and municipal level. Inter-party violence, a phenomenon which saw hundreds killed in the early 1990s may reemerge again as the EFF, a resurgent Inkatha Freedom Party (IFP) and ANC-DA battle for control over 27 electorally hung municipal districts, where neither party holds an outright majority.

Despite its reputation as a socialist-leftist revolutionary party, the ANC, which was formed in 1912, is actually at its concentric core a petit bourgeoisie/ middle class-focused centrist party with most of the party's early founders being conservative protestant ministers who were primarily concerned about the socio-political well-being of the black middle and professional classes – rather than the revolutionary aspiration of the working classes. In 1948 as the party mobilized the masses to defeat Apartheid and Prime Minister Malan's racist policies, the party expanded its base to include women, labor unions, communists and other blue collar workers. However with the end of apartheid in 1994, the party has been in quiet retreat back to its historical position as the defender of the black middle classes, rather than a revolutionary Marxist radical party seeking to overthrow capitalism and erect on its corpse a socialist state. The ANC is therefore likely in coming days and weeks to move rightward, rather than leftwards as many expect, egged on by its own teaming class of Black Economic Empowerment (BEE) millionaires and the large professional classes which the party has placed in senior managerial positions at over 72 state owned companies throughout the country and in the private sector through BEE labor codes.

DaMina Advisors is a preeminent Africa-focused independent frontier markets risk research, due diligence and Africa M&A transactions consulting and strategic advisory firm. DaMina Advisors is legally registered and has offices in the US, Canada, The UK and Ghana.

Follow us on Twitter  @DaMina_Advisors

Contact: Stephanie Dei
VP, Corporate Affairs & Media
Stephanie@daminaadvisors.com
Tel: +1 647 808 9671

EUROPE

3 Abercorn Mansions
17 Abercorn Place
London NW8 9DY

AFRICA

10 Abokobi Road
East Cantonments, Accra
Ghana, West Africa

AMERICAS

55 Fifth Ave,
Suite 1702, NY 10003
New York

GLOBAL HQ

103 The Queensway, Suite 714
Toronto, ON, M6S 5B3

Tel: +1 647 808 9671/ +1 416 276 1997
E-mail: info@daminaadvisors.com