

## **“The slide towards US\$1:20 Rand gathers pace as Zuma eyes mine nationalizations with new obscure finance minister pick”**

*Spooked and blindsided by Anglo American’s audacious restructuring plan to lay off up to 50,000 workers in South Africa, the largest ever in the country’s post-Apartheid labor history; President Jacob Zuma has fired his orthodox technocrat finance minister and replaced him with an obscure legislator, a close liberation era aide, who favors state-owned mines and re-nationalization of critical economic sectors within the country*

*Faced with multiple economic challenges, stagflation, persistently high unemployment, and an increasingly alienated public drawn to populist appeals by firebrand Julius Malema, Zuma looks set to block Anglo American’s restructuring plans and effectively push the state to take over their loss marking mines at distressed prices*

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South Africa’s government may be on the verge of crossing a major policy Rubicon. Faced with the prospect of tens of thousands of mine sector workers at risk of imminent layoffs, a further fracturing of the ruling Tripartite alliance, and a boost in popularity for the firebrand former ANC Youth Leader Julius Malema, President Jacob Zuma has turned to an obscure trusted former liberation era military aide, Des David Van Rooyen, who favors state-owned mines and a re-nationalization of critical state assets to take the helm at the Treasury. Zuma is set to walk away from the cautious orthodox economic policies of Mandela and Mbeki.

Since the end of Apartheid in 1994, despite boasting strong socialist and communist credentials, the governments of Presidents Mandela, Mbeki and Zuma – have until now pursued orthodox macroeconomic policies. The finance ministry and central bank under the long stewardships of Trevor Manuel and Tito Mboweni kept to a mainstream macro-stability agenda, even at the risk of rising unemployment, persistent structural inequalities and a woeful inadequate investments into public infrastructure. In return the international capital markets remained open to South Africa and Apartheid era captains of industry were simply nudged by the Black Economic Empowerment laws to bring top blacks onto boards and divest equity.

However 21 years later with millions of unemployable South Africans blacks unable to understand why they keep voting every five years for the ANC, and yet still remain unemployed, live in Apartheid-era shanty towns and often lack access to basic affordable services, a revolution in ANC economic policy was inevitable and likely overdue. It is against this stark backdrop, and deep schisms within the ANC ruling coalition, between the ‘moderate status quo reformers’ increasingly led by Deputy President Cyril Ramaphosa, and the anti-status quo radicals led by Julius Malema (from outside the party), but supported by many within the ANC including a former wife of Nelson Mandela, Winnie, and many more within Zuma’s close KwZulu Natal circles, that the seemingly brazen Anglo American decisions have nudged Zuma, finally into the radical camp. Zuma’s appointment of van Rooyen is definitely a harbinger of a major upcoming policy shift leftwards!

*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.*

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