

Interview with Jakkie Cilliers

## The future of South Africa - dealing with risks of populism

Based on his recent book, Jakkie Cilliers describes three scenarios for South Africa's future, mainly depending on the character of the new leadership of the governing African National Congress, possible changes in government in 2018 and the national elections in 2019. The future of populism in South Africa seems also tied to these scenarios: populist elements of the ANC could try to consolidate their positions, and the Economic Freedom Fighters (EFF) may gain power and influence. In the interview, specific strategies to facilitate job intense economic growth and social cohesion are described as well, including a public service reform, land transfer in rural areas and a new social compact.

### Keywords:

Populism - political parties - poverty - inequality - unemployment - corruption - state capture - job intensive growth - inclusive growth - social cohesion - social compact - economic policies - social value - scenarios

# The future of South Africa - dealing with risks of populism\*

|| Interview with Jakkie Cilliers

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The future of populism in South Africa seems also tied to these scenarios; populist elements of the ANC could try to consolidate their positions, and the Economic Freedom Fighters (EFF) may gain power and influence.



Source: HSS

Dr Jakkie Cilliers is the Chairman of the Board of Trustees of the ISS and Head of African Futures and Innovation at the Pretoria office of the Institute for Security Studies.

He is an Extraordinary Professor in the Centre of Human Rights and the Department of Political Sciences, Faculty of Humanities at the University of Pretoria and a well-known author and analyst. Dr Cilliers founded the ISS in 1991 and, until 2015, served as its executive director. The ISS is a regional think- and do-tank with offices in Dakar, Addis Ababa, Nairobi and Pretoria.

Dr Cilliers has presented numerous papers at conferences and seminars and published a number of books on matters relating to peace and security in Africa. He serves on the editorial boards of the African Security Review and the South African Journal of International Affairs. His current interests relate to issues around South Africa and Africa's long-term future plans.

The economic situation in the country would also have an impact on the risk of growing populism. Suffering from the largest inequality in the world as well as huge and deteriorating unemployment and poverty, South Africa needs to achieve inclusive, sustainable economic growth to address these crises. Currently, political uncertainty largely connected to systematic corruption, "state capture", hinders investment and cross sector collaboration necessary to achieve this. Jakkie Cilliers describes specific strategies a responsible government should follow to facilitate job intense economic growth and social cohesion. He calls for a public service reform, land transfer in rural areas and a new social compact.

The business sector in South Africa has been criticized for insufficient transformation of its culture in several respects. Recently, it also made headlines through corrupt practices in large multinational companies which enable widespread corruption in the government and seriously profit from it. Corporate South Africa must take a stand. It also can and should do more to address inequality and commit to creating social value on a much larger scale than it has done so far.

Business should increase its support for resource-strapped think tanks and NGOs in South Africa as well. This could assist with the focused development of solution oriented socio-economic policies, to be considered by political parties and, hopefully

soon, a more receptive government. Academia and civil society can promote a necessary productive discourse and the strengthening of democracy which are crucial to proactively addressing the dangers of populism.

**HSS:** *You just published a book called "Fate of the Nation: 3 Scenarios for South Africa's Future". Based on the possible outcomes of the ANC leadership elections mainly at its conference in December 2017, in your book, you describe 3 potential scenarios for the country, "Mandela Magic" (the high road), "Bafana Bafana" (muddling through, more of the same) and "A Nation Divided" (worst case scenario, almost).*

*Populism looms large as a theme in your book as well. Could you tell us, in just a handful of points, your views on the best-case and worst-case scenarios for the role of populism in South Africa over the next few years, and describe what you see as the most likely scenario?*

**Cilliers:** The type of populism we see in South Africa is probably generally described as left-wing populism, it's epitomized by the Economic Freedom Fighters (EFF) led by Julius Malema who previously was the leader of the ANC Youth League. Traditionally the ANCYL have played a black nationalist role within the ANC, always of a left-wing, populist, nature. The ANC itself is often accused of talking left and walking right. The main challenge, looking forward: there is a large group of ANC supporters who are disgruntled with the ANC. They are simply not voting or staying away but are not (yet) prepared to vote for an opposition party. This grouping is a potential pool of support for populism.

On top of high levels of poverty and extreme inequality, South Africa has, at the latest count, 28 % unemployment rate. With low growth, these things all feed into populism, and in two of the scenarios, "Bafana

Bafana" and "A Nation Divided", it is possible that the EFF become a kingmaker to the ANC. A kingmaker role would mean that the ANC is forced to rely on an alliance with the EFF to govern. Such an alliance would accelerate the tendency of an ANC under Nkosazana Dlamini-Zuma to adopt fiscally irresponsible policies.

The challenge with left wing populism is that you live beyond your means, and in time, the market punishes a country that does this. South Africa is highly integrated into the global financial system, so our ability to grow without Foreign Direct Investment (FDI) is very limited. If populism becomes mainstream in South Africa, FDI will not flow and South Africa will not grow, because our domestic savings rate is very low and we now again have a high debt burden. But while South Africa's ability to really pursue left wing populism is constrained by those considerations, populism is ultimately about the promise of short term gain at the expense of long-term pain. The main challenge I think is that the traditionalist faction within the ANC, led by Nkosazana Dlamini-Zuma, who have a more socialist black nationalist orientation, may eventually be forced to enter into an alliance with the EFF – making the EFF the kingmakers in South African politics.

**HSS:** *Assuming that another administration will be in power early next year, or after the 2019 elections - the likelihood of rising populism also appears to depend on economic development and growth. Which economic policies would you recommend that could address slow growth, high unemployment and poverty in South Africa?*

**Cilliers:** Growing employment in the formal sector lies at the heart of responsible, long term efforts to reduce South Africa's challenges. That can really only happen if a strong, developmentally oriented government seizes every opportunity to grow employment, and that can only happen in partnership with the private sector. South

Africa has run out of the means to expand employment in the public sector in a responsible way. We have a very large public service, 80 % of the South African employment is in the private sector. It is only the private sector that can provide employment and growth, so we need a partnership between government, business and labour – a growth oriented, employment intensive strategy for the future.

That means steering away from huge capital investment projects, like the proposed nuclear build in South Africa, and rather to go for decentralized systems of renewable energy. In the concluding chapter of “Fate of the Nation” I quote extensively from a study done by Prof. Anthony Black at the University of Cape Town (UCT), in pointing to areas where in particular we can expand in the manufacturing sector.

I mention manufacturing because, you know, there are three traditional sectors, the primary, manufacturing and services sectors. Mining is a sunset sector, and like in many other countries, the service sector expands without any help but cannot provide sufficient employment. South Africa really needs to focus on expanding its manufacturing sector which has contracted sharply in recent years. Because of water constraints, South Africa cannot really expand the agricultural sector to the extent that is envisaged in the National Development Plan. We have done various forecasts on the availability of water, and water is the most important constraint on South Africa’s future development prospects.

So, employment expansion through expansion of the agricultural sector offers limited future opportunities. What we need is a partnership between government, labour and business. Looking to create a much more flexible, open economy, I think is absolutely prerequisite for South Africa to grow and to reduce poverty and unemployment.

***HSS:** I am wondering if some of the economic policies you are speaking about that could “remedy” the current malaise are prone to be potentially “unpopular” with voters? If so, what could be done to accompany them by further measures that support the poor, that make them more “acceptable” and that show them to be in the interest of the country and the majority? In your book, you refer to public service reform, land transfer in rural areas, you voice some innovative ideas for initiatives on “giving back”, and you mention “economic growth coalitions” including businesses as well.*

**Cilliers:** In general, streamlining government practice and policy can go a long way in creating a more facilitating growth environment. We have a very large cabinet in South Africa, an absence of leadership, and incoherent and contradictory government policies. The business regulatory environment in South Africa is extremely onerous. On the ease of doing business index, South Africa is not doing well. Simply aligning government policies such that they all point in the same direction, reducing the regulatory burden and creating more flexibility in the economy can already unleash significant growth. The ANC since 1994 has invested significantly in the provision of education, water, sanitation and other areas of human and social capital development. But it is as if government policy and practices within the private sector collude with one another to create disincentives to job creation. Collectively, they serve as a wet blanket over the ability to grow employment and the economy. So, a framework where government policy facilitates small and medium enterprises and really makes it as easy as possible to establish businesses, will already go a long way.

But a so-called market friendly environment will of course run into problems in South Africa. The ANC historically has been in an alliance with the trade unions COSATU and the Communist Party (SACP), and labour in South Africa have effectively framed South Africa’s economic policy. In practice

these policies have been orientated towards poverty reduction, but not towards growth. Organised labour has lost a significant degree of coherence and the partnership with the ANC is fracturing. A new ANC government will have much greater leeway and flexibility in shaping more employment friendly policies, because labour in South Africa no longer represents poor metal workers, or poor mine workers. Most COSATU members are salaried government employees.

One of the most important proposals I make is to simply move towards individual free hold land titles in the former homelands. Government sits on significant amounts of land. But a lot of that land is held under communal land title. By transferring land into individual title hold, government can significantly provide poor rural Africans with a bankable asset and empower them to get involved in agriculture, to enable small business and so on.

So, if one packages greater labour market flexibility with these types of measures it would be much more palatable. Clearly, there need to be more market friendly policies given our integration into the global economy, our dependence on FDI and low domestic rates of savings. But that can be married with a variety of other measures that can offset some of the worst of these measures. In my view, it is really part of a messaging issue. Many of the so-called populist voters in South Africa remain loyal to the ANC but not to an ANC under president Jacob Zuma. Their vote for the EFF is often a protest vote against the ANC, it is not really a vote in favour of many of the policies of the EFF. When I speak to EFF supporters, that is very clearly the image that I get – they see an EFF vote as a protest vote against the ANC.

***HSS:** You have touched on this already now: do you think the “main parties” have distinguishable policies, regarding the*

*economy specifically, which are communicated reasonably well to the voters?*

**Cilliers:** I think the EFF as a populist left-wing party struggles with a coherent policy framework, as very often is the case with populist parties. They come up with a series of general statements about free education and work for all, but these policies are not practical and implementable – and South Africa does not have the fiscal space to implement them. Currently the ANC has an incoherent set of policies that is often characterized as “talking left walking right”.

I expect that we will have a new president early next year (2018) who will bring in a new cabinet including a new Finance Minister, which will have to go back to responsible macroeconomic policies – and these are going to be conservative policies that will try to reduce our debt and get South Africa to grow, so that we can avoid a full local currency debt downgrade.

The Democratic Alliance (DA) is the one that struggles the most, without any doubt, despite the fact that it has undergone both a leadership and a policy evolution over the last 3 to 4 years. It has got a black leader, Mmusi Maimane, who has won his own election, and has shifted the DA which had seemed to be very pro big business, into a party that seeks to attract black voters, so it has changed its stance on a variety of areas of South African policy that may have been unthinkable 5 or 6 years ago. But the DA struggles to communicate that reality. The ANC uses the DA’s pro-business background as a kind of a big bat to beat them down, and I think the DA really struggles.

It is difficult to know what the ANC policies are. We have a large incoherent cabinet, we don’t have direction, we don’t have leadership. The implementation of the National Development Plan (NDP) should lie at the heart of the next cabinet and be the most important function of the president. In Fate of the Nation I argue that a new government should first update the NDP, and

then implement it. The NDP presents a coherent set of policies and frameworks for a South Africa that I think the majority of citizens can unite behind.

**HSS:** *Maybe to just touch on something that I thought was quite a beautiful vision. In your book, you are speaking about giving back, about community based, joined initiatives, where business comes to the party as well, if I can put it that way, in individual communities contributing, in innovative ways. Maybe you can tell us about that briefly.*

**Cilliers:** Yes, I think it is important that South Africans rediscover a sense of a common destiny, that we really invest in building a common South Africa by bringing labour into business ownership and boards, and where middle class and upper class South Africans really invest in helping poor children and communities, that we create a common sense of destiny in South Africa. That is easy said, but it's really difficult to create, it requires leadership, a sense of empathy, and common engagement from South Africans.

At the moment, South Africa is extremely unhappy and divided, and unnecessarily so. And particularly people in the white community are exceptionally negative about the future of the country. There needs to be a turnaround, that we start to believe in South Africa. We need to really build on a common vision that all South Africans can cohere around. That also means that the ANC needs to go back to its roots. It has a proud history of a non-racial party which it stepped away from under president Jacob Zuma. It has become a black nationalist movement, and that really needs to change.

**HSS:** *It is often said that, in South Africa, there is mistrust between the business sector and the government. Critics also note that the business sector has not convincingly atoned for its role in the Apartheid years, or explicitly shown regret for its role as a*

*beneficiary of Apartheid. It has certainly not done enough to address poverty and other ailments, at times taking a "tick box approach" to Black Economic Empowerment (BEE) and Corporate Social Investment (CSI) regulations. It has allowed excessive executive salaries and even often perpetuated an organisational culture that is not addressing the need to respect and leverage diversity deeply enough.*

*In the past few months, on top of that, South Africa and the global business world were rocked by scandals, revelations of widespread corruption practiced in South Africa, also by global giants such as KPMG, McKinsey, SAP. Recently, we have seen a business umbrella organisation, Business Leadership South Africa, for instance, coming forward with pledges to stop these practices, to expose them and to prosecute those guilty in their midst, and to work towards addressing societal problems.*

*In your opinion (and you speak to many captains of industry, as well as to other stakeholders in South Africa), what steps - some of them could be symbolic, some could be more practical - could corporate South Africa take to play a more significant role in addressing the current political and economic crisis (granted that it's difficult with the current government, but that could change soon as we said), to build trust as a major stakeholder in the country, and to work on solutions?*

**Cilliers:** The South African economy is highly concentrated and monopolistic. So, we have the challenge that the current South African private sector and business environment is not conducive to the kind of employment growth we need. Business by its nature defends itself and tries to protect its dominance in whichever sector it operates. For many years after 1994, business thought that South Africa had achieved a political settlement and stepped away from political engagement. I think that those chickens have come home to roost. Business has, I

think, in the last year, realized that much greater effort is required, both from itself and from government. Business wants a clear regulatory framework and it wants stability and predictability. The current government does not provide that. Therefore business is not investing domestically but outside of South Africa, so, hard-nosed discussions and negotiations are required where business and government agree to a set of redistribution targets that are set in stone and that will not be changed, that can provide certainty, for instance within the mining sector.

What is required are clear long-term transformational goals that government and business commit and hold to. We really need a compact, where, across sectors, we agree where we want to go and hold one another to those commitments.

There is a chapter in the book which is called “The republic of no consequences”, which I think describes accurately where South Africa finds itself – nobody is held accountable for anything. And we need to really build accountability, so that there are also transformation targets that we hold one another accountable to. That goes back to the vision of a smaller, more capable, still strong developmental state that empowers the private sector to grow the economy (because only the private sector can grow the economy and employment), but that is regulated and sticks to its goals. The kind of transformation that South Africa is embarking upon is necessarily a long-term task. We have created a culture of entitlement in South Africa and of easy money ... And that unfortunately is a function of the way in which we have implemented Black Economic Empowerment, which is not aimed at supporting broad based black ownership and shareholding but is really aimed at the entitlement of a small group of well-connected black business men and women, and it does very little if anything to change employment levels. We have a fractured country.

The kind of visioning work that was done in “Fate of the Nation” is hugely important for South Africa, that is setting out where the country wants to go and then framing a social compact across business, government and labour to get there. That was very important in the run-up to 1994 and I think it is hugely necessary if we are going to dig ourselves out of the current hole that we are in.

*HSS: In terms of the policies that you mention and that you have developed also in your book, generally, do you find that there are quite a few competing think tanks, institutions, academics that develop policies in South Africa? Are they well enough resourced, and capacitated? And what is the situation with political decision makers and potential decision makers, leaders of parties in terms of engaging, being willing to listen, interested? Do you find their ear? And do you think business could also do more to support this policy development, in terms of funding, and to facilitate a stronger public discourse about policies?*

**Cilliers:** I think there is a huge gap in that Government is not drawing upon civil society and think tanks / academia. We have an anti-intellectual president in Jacob Zuma, and an ethos that is actively hostile towards civil society. And this is at a time when the think tank / research community in South Africa is under severe pressure. South Africa has a small number of quality policy institutes such as the Centre for Development and Enterprise in Johannesburg, and others, but the government does not draw on them. There is very little engagement and discussion and debate on policy. It is a highly partisan, divided environment that detracts from our future. So, much more can be done. Business needs to come to the table to support the development of policy, but there needs to be an open and facilitating environment.

I think that will happen. With every change in president in South Africa we have

had a brief spring. I think that next year, we will find that suddenly, a Ramaphosa government, because that is what I expect, will try and open up and provide space for greater public debate and discourse, and I think we need to seize that – and the private sector needs to come to the table with some support for think tanks, and for research, and government, so that we can once again get back to where we were in the late 1990s and mid 1990s, when there was an active exchange of ideas. That space has shrunk, and civil society, think tanks, academia, is almost fighting with government. The business sector can make a significantly larger contribution.

**HSS:** *We have now talked quite a bit about your proposals to facilitate a South Africa that can stem the danger of rising populism. Of course, your research is always also about demographics. You speak about the growing percentage of younger voters, “born frees” as they are often called in South Africa, those born after the transition to democracy in 1994, and that percentage will of course grow over the next few years. Maybe that is another demographic dividend in this case. On the one hand, you say that these younger voters are less prone to buy into the myth of the ANC as the everlasting liberator of South Africa and be more critical and measure the party more along the lines of current delivery? At the same time, you also point out that a large youth bulge in many countries can contribute to protest potential. So, where do you see South Africa along those two dimensions, in terms of populism and demographics, for the next few elections?*

**Cilliers:** The median age in South Africa is between 25 and 26 years. Typically, countries with a high youth bulge, defined as a high percentage of population from 15 to 29 years in age, are most at risk of instability and social turbulence. South Africa is therefore exiting this dangerous period – but we have huge inequality, extremely high unemployment, and a stagnant economy. So, the-

se are all driving populism in South Africa. These are characteristics that few other countries share, particularly our high levels of inequality. Structurally, these contribute to the rise of populism. So, we are finely balanced in my view, in terms of the impact that populism can have on South Africa.

South Africa has often been in the “5 minutes to midnight” territory, and that’s more or less where we are again. I think we will again pull back, but our margin for error is becoming decidedly thin.

**HSS:** *Do you have some additional thoughts you would like to share with us on the theme?*

**Cilliers:** When we spoke about what can be done: the reality is that even the “Mandela Magic” forecast with its forecast of 3.3 % growth is not sufficient for South Africa, and that much more needs to be done if we are going to reduce poverty and inequality.

The problems that we face are long term structural problems that require long term solutions. There are no short-term solutions to South Africa’s unemployment, poverty and inequality – they are going to be with us for at least the next generation. And that is also a huge concern. So, South Africa will remain volatile, it will remain turbulent, and I think the best answer to this is to grow the economy and to use that growth inclusively – that is the only way you can get out of this.

**HSS:** *Thank you. Do you see a “Mandela Magic II” as a possibility ... if Cyril Ramaphosa manages to craft these coalitions you spoke about?*

**Cilliers:** “Mandela Magic” will be very difficult to achieve but not impossible. The first step is a victory for the reformist camp within the ANC during the ANC’s December national conference. Then it requires reform of the ANC. The damage that has been done



to the ANC under Zuma, and the patronage that has seeped into the system, will take a long time to undo. So, the major challenge facing Ramaphosa would be how do you take the ANC that has become a rural, traditionalist, big man party that is deeply corrupt and modernize that towards a party able to manage a South Africa fit for the 21st century?

The more likely scenario is that South Africa will continue to bumble along, it will not implode, but it will take us much longer to work ourselves out of the current challenges that we have. But with the right leadership South Africa can really do much better. We have grown at more than 5% under the Mbeki GEAR program and can do so again.

*HSS: Thank you. I hope you will be able to join hands with all the willing ones, to propel us into a "Mandela Magic III".*

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|| Das Interview wurde von Karin April, Project Officer bei der Hanns-Seidel-Stiftung in Südafrika, geführt.

Das besprochene Buch "Fate of the Nation: 3 Scenarios for South Africa's Future" ist 2017 bei Jonathan Ball Publishers erschienen.

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