



So where does the Zuma fight in the ANC and tripartite alliance leave investors?

The current tensions arise from people who are **unhappy with President Mbeki's** policies and/or his leadership style. For some he is too open economy orientated (“neo-liberal” is the accusation) and for others he is too dictatorial in the way he runs the ANC and government (“conspiratorial” and “too distant” are the accusations). These two groups do of course overlap.

Mr Zuma is the beneficiary of these sentiments. What Mbeki is seen not to be, Mr Zuma is seen to be. People are thus rallying behind Zuma, not for what he is, but for what he is not. Throw into this pot a bit of ethnicity (Zulu vs. Xhosa), spice it up with local unrest protesting weak and corrupt local governments, and the scene is set for a fight.

Which way will the fight go? Broadly, there are three scenarios.

The first is that the **law will decide**. If Mr Zuma is found guilty, the decision to dismiss him will be vindicated. It will strengthen Mbeki's position in the party and government; and help him to shape the future direction of the party. Cosatu and the other backers of Mr Zuma will be discredited. They will no doubt feel the whip (as will many of those who appeared to be sitting on the fence during these turbulent times). If Mr Zuma is found not guilty, he could make a comeback.

But then the fight will move into the ANC and the second scenario - **politics will decide** - will unfold. Different options can play out under this scenario.

The worst is the PW Botha option. A decade and a half ago Mr Botha was kicked out by his own party, his position as a non-party president

became untenable and he resigned. The forces mobilised by the two anti-Mbeki strands (anti his economic policies; anti his leadership style) will do their utmost to weaken Mr Mbeki's position. Their aim will be to “re-capture” the ANC from Mr Mbeki's modernising influence. This option is unlikely, because Mr Mbeki remains in firm control of the administrative apparatus of the ANC and has the full backing of the cabinet. Mr Botha lost both.

Another option will be the lame duck option. Mr Mbeki stays on as party leader till 2007 when the National Conference meets and a new party leader is elected. He is reduced to a nominal leader of the ANC only. This option is also unlikely. He wants to leave his legacy behind, has four years to ensure that and is quite determined to modernise both SA and the ANC. Most importantly, he has the power of his office.

This takes us into forget-the-party-and-govern option. This is, in my opinion, the most likely. Mr Mbeki is going to use his power as government head to push his agenda. Such agenda will benefit the economy. Thus expect tax cuts, relief for small business on labour laws and lower transactions costs (watch telecom and bank charges) amongst others. But, Mr Mbeki cannot go it completely alone. He still needs the party (all elected leaders do). He could therefore offer some sacrifices. The Scorpions, for example, may be incorporated into the SA Police Service.

Under this option, an uncomfortable peace may be maintained. It will be difficult to maintain, because being an activist in government, whilst being weaker in the party, will further alienate those who do not like Mbeki's pro-business moves. It will

set the scene for the mother of all battles at the ANC's 2007 national conference where a leader for the ANC must be elected (or re-elected).

Mr Mbeki will cast the fight between him and his adversaries in the ANC as a fight between those who are for the constitution, and those who are against. This is where he has Cosatu et al on a moral low ground, and he will try and keep them there.

A third scenario is that **tensions will decide**. The broad centre of the ANC may not hold and split. This will be the major development in SA politics that everybody has been waiting for. It will turn the political scene upside down, put SA in the final lap of its evolution to a full democracy and could result in huge numbers of minorities joining and supporting the ANC.

Local protests against municipalities on delivery and corruption and the rise of social movements like the recent formation of the "new UDF" in the Western Cape may encourage people to seek election in the coming local government elections. If they do well, it may embolden them to challenge Mr Mbeki in the ANC. Coming on top of current tensions, a split may develop.

For the time being we will be under scenario 2, **politics will decide**. That means uncertainty and a messy interlude. At some stage the markets might even become nervous and lose confidence. But if growth remains strong, confidence will remain strong. We stand under the Chinese curse: may you live in interesting times!