



# South Africa: Current Issues and U.S. Relations

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## Summary

Over fifteen years after the South African majority gained its independence from white minority rule under apartheid, a system of racial segregation, the Republic of South Africa is firmly established as a regional power. With Africa's largest Gross Domestic Product (GDP), a diverse economy, and a government that has played an active role in promoting regional peace and stability, South Africa is poised to have a substantial impact on the economic and political future of Africa. The country is also playing an increasingly prominent role in the G20 and other international fora. South Africa is twice the size of Texas and has a population of almost 50 million. Its political system is regarded as stable, but South Africa faces serious long-term challenges arising from poverty, unemployment, and AIDS.

The United States government considers South Africa to be one of its strategic partners on the continent, and the two countries commenced a new Strategic Dialogue in 2010, with the encouragement of the U.S. Congress. Bilateral relations are cordial; however, the U.S. and South African administrations have expressed differences with respect to the situations in Zimbabwe and Iran, among other foreign policy issues. South Africa begins a two-year term as a non-permanent member of the United Nations Security Council in 2011; U.S. officials articulated frustration with the South African government on positions it took during its last term on the Council in 2007-2008.

The African National Congress (ANC), which led the struggle against apartheid, has dominated the political scene since the end of apartheid and continues to enjoy widespread support among the population. The party has suffered internal divisions, though, some of which contributed to the resignation of President Thabo Mbeki in 2008 and the formation of a breakaway party, the Congress of the People (COPE). The ANC fell short of retaining its two-thirds majority in the parliament during the most recent elections, held in April 2009. Jacob Zuma, elected as head of the ANC in late 2007, weathered a series of corruption charges and was chosen by the ANC-dominated parliament after the 2009 elections to serve as the country's newest President.

South Africa has the largest HIV/AIDS population in the world, with almost 6 million people reportedly HIV positive. The Mbeki Administration's policy on HIV/AIDS was controversial, but the Zuma Administration has made significant commitments to addressing the disease. The country has weathered a series of corruption scandals, and continues to struggle with high crime and unemployment rates. Mounting social tensions related to the competition for jobs, resources, and social services led to an eruption of xenophobic violence against immigrants in 2008; some resentment against foreign workers in the country lingers. South Africa, with its wealth of mineral resources and diverse manufacturing sector, has benefitted from steady economic growth in recent years, but the country weathered a recession in 2009 and economists predict weaker growth prospects for the near future. Job creation remains a major challenge for the government.

In 2010, South Africa successfully hosted the largest event ever held on the African continent, the FIFA World Cup, an international football (soccer) competition. The government and the private sector undertook a wide variety of construction and infrastructure projects in preparation for the event, which was attended by over three million people and drew over 300,000 tourists. South Africa defied many expectations during the event—six new stadiums were finished on time, crime was low, and South Africans introduced the world to a long (and loud) plastic horn known as the *vuvuzela*. Americans bought more tickets to the event than any other nationality. The games were a point of pride, not only to South Africans, but to many across Africa.



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## Background

The people of South Africa are highly diverse. Black Africans make up more than three-quarters of the population, but come from several different ethnic backgrounds. Most whites are Afrikaans speakers of Dutch, German, and French Huguenot ancestry, but there is a substantial English-speaking white minority. The remainder of the population are Asian, largely of Indian descent, and people of mixed race.

South Africa's economy, the largest on the continent, is diverse as well. South Africa produces wine, wool, maize and other agricultural products for export, although only about 12% of the country's land is suitable for agriculture. Moreover, South Africa is the world's leading producer of gold, platinum, and chromium. Major industrial sectors include automobile assembly, chemicals, textiles, foodstuffs, and iron and steel production. South African cell phone companies and other firms are active throughout Africa, and SABMiller, formerly South African Breweries, operates on a global scale. The country's stock exchange is among the 20 largest in the world, and South Africa is one of the few countries on the continent to rank as an upper middle income country. Despite its many economic strengths, however, the country ranks as one of the most unequal societies in the world in terms of income distribution. The majority of black South Africans live in poverty, and South Africa's cities are surrounded by vast informal housing settlements known as "townships."

Shortages of water, electricity, and other social services in the townships have contributed to growing tensions, as evidenced by a rise in township protests in recent years.

South Africa is an influential actor in the international relations of Africa. South Africa served from 2007 through 2008 as one of the 10 non-permanent members of the United Nations (U.N.) Security Council; it has been elected to serve another two-year term beginning in January 2011. The country remains a member of the U.N. Human Rights Council. Its voting record on both bodies has been considered by some to be controversial. South Africa was a founding member of the African Union (AU), successor to the Organization of African Unity (OAU), and then-President Thabo Mbeki served as the AU's first chairperson. President Mbeki also took a lead role in the creation of the New Partnership for Africa's Development (NEPAD), an African-designed plan for improved governance within Africa and increased western aid, trade, and investment that was adopted by the AU as a blueprint for the continent's economic development. South Africa has repeatedly put itself forward as a venue for major international conferences, such as the 2002 World Summit on Sustainable Development, the 2001 World Conference on Racism. In 2010, South Africa was the first African nation to host the soccer World Cup, and in December 2011,

### South Africa in Brief

Population: 49 million

African, 79%; whites, 9.6%; mixed race, 9%; Asian, 2.5%

Religion: 80% Christian, 2% Muslim, 4% Other, 15% None

Language most often spoken at home:

Zulu, 24%; Xhosa, 18%; Afrikaans, 13%; Sepedi 9.4%, English 8.2%, Setswana 8.2%, Sesotho 7.9%, Xitsonga 4.4%

Population Growth Rate: -0.051%

Life Expectancy: 49.2 years

Prevalence of HIV/AIDS: 18.1%

Literacy: 86.4%

Gross Domestic Product (GDP): \$287.2 billion (2009)

GDP per capita: \$5,820 (2009); \$7,100 (2010 estimate)

Unemployment: 24%

Comparative Area: twice the size of Texas

Capitals: Pretoria (administrative); Cape Town (legislative); Bloemfontein (judicial)

Sources: CIA World Factbook, IMF data.

the country will host the U.N. Framework Convention on Climate Change. South Africa is the only African member of the G20, the premier forum for international economic cooperation.

Weak regimes and instability elsewhere in the region have historically had a negative impact on South Africa, and the country continues to face a large influx of illegal immigrants. By some estimates, more than three million Zimbabweans currently reside illegally in South Africa. Some South Africans blame these immigrants for the country's high crime and unemployment rates, and in May 2008 tensions erupted in the townships, sparking a wave of xenophobic attacks that displaced over 25,000 and left over 60 dead. Isolated attacks have occurred since then, and the potential for further violence cannot be ruled out.

In order to promote greater stability, South African officials have played prominent mediator roles in African conflicts, and South African troops actively support peacekeeping missions throughout the continent. In 2002, they helped to persuade the parties to the prolonged conflict in the Democratic Republic of the Congo (DRC) to sign a peace agreement following negotiations in South Africa. President Thabo Mbeki was less successful in mediating the conflict in Cote d'Ivoire, a country which continues to face political turmoil. Former President Nelson Mandela played a leading role in brokering a peace agreement in Burundi, and South Africa contributed hundreds of troops to the peacekeeping mission there. Over 1,200 South African troops are currently participating as peacekeepers in the U.N. Stabilization Mission in the DRC (MONUSCO), and over 900 South African soldiers and police serve under the U.N.-African Union Mission in Darfur (UNAMID). In a move believed by many to protest the Sudanese government's policies in Darfur, the Mbeki government was instrumental in preventing Sudan from attaining the chairmanship of the African Union in 2006. It has, however, protested the imposition of tougher U.N. sanctions against Sudan and an International Criminal Court (ICC) indictment of Sudanese President Omar al Bashir as counterproductive.<sup>1</sup> Former President Mbeki continues to play an active mediation role in Sudan. The country has supported democratic advances on the continent, providing millions of ballots in 2006 for elections in the DRC. In 2007, the heads of state of the Southern African Development Community (SADC) nominated then-President Mbeki as mediator between the Zimbabwean government and the opposition in an effort to resolve its political and economic crises. Mbeki's role was controversial. President Jacob Zuma and a team of his own mediators took over in late 2009.

## **Political Situation**

The Republic of South Africa held its first universal suffrage elections in April 1994. The African National Congress (ANC), which led the struggle against white minority rule and the apartheid system of state-enforced racial segregation, won control of the National Assembly. The Assembly chose as President Nelson Mandela, the ANC leader who had been released from prison in 1990, after serving 27 years. His release followed years of secret contacts between the ANC and key white business and political figures. These contacts had led both sides to conclude that a settlement could be negotiated that would protect the interests of all South Africans. The negotiations themselves encountered many difficulties, including several outbreaks of violence that threatened to destroy the peace process. Finally, however, in November 1993, all-party negotiations resulted in a final agreement on a new constitution and free elections, held in 1994. South Africa's second universal suffrage elections were held in June 1999, and the ANC retained

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<sup>1</sup> CRS Report RL34665, *International Criminal Court Cases in Africa: Status and Policy Issues*, by Alexis Arieff et al.

control of the National Assembly. Deputy President Thabo Mbeki, who had served in key ANC posts overseas during the anti-apartheid struggle, was chosen by the Assembly to succeed Mandela. Mbeki retained his position as President following the April 2004 parliamentary elections, in which the ANC won almost 70% of the votes.

South Africa's politics continue to be dominated by the ANC, which has enjoyed support among many black South Africans because of its role in spearheading the long struggle against white minority rule. Until December 2007, when he lost the party presidency to a rival, Thabo Mbeki served as president both of the party and the country.<sup>2</sup> He was expected to remain President of South Africa until the 2009 elections but resigned from the position in September 2008. He was replaced by an interim president, former Deputy ANC leader Kgalema Motlanthe. Following Mbeki's resignation, several prominent members of the party led a breakaway faction, now known as the Congress of the People (COPE).

Prior to the 2009 elections, the ANC held a 72% majority of the seats in the 400-member National Assembly, where the country's legislative power principally resides, far ahead of its nearest rival, the Democratic Alliance (DA), which had 12% of the seats. The Inkatha Freedom Party (IFP), headed by Mangosuthu Buthelezi, had about 6% of Assembly seats. Buthelezi, who has been active in South African politics for decades, holds a Zulu chieftainship, and the party is largely Zulu in membership. The IFP has experienced a steady decline in parliamentary seats since the 1994 election, while the ANC and the DA have gained electoral support. Other parties represented in parliament include the New National Party (NNP), the United Democratic Movement (UDM), the Independent Democrats (ID), and the African Christian Democratic Party (ACDP). In addition to the National Assembly, there is a higher legislative body, the National Council of Provinces (NCOP), with limited powers. Its members are chosen by the governments of the nine provinces.

## **The Democratic Alliance**

The second-largest party in the National Assembly, the Democratic Alliance (DA), was created in 2000 through a merger of the Democratic Party (DP) and the New National Party (NNP) to challenge ANC dominance of the political system. The merger surprised many analysts, since the NNP was directly descended from the National Party, which had created apartheid and established the white minority regime that ruled South Africa for more than 40 years. In contrast, the DP, though also largely white in its membership, advocated a classical liberal platform and was heir to the Progressive Party, which had strongly opposed apartheid and campaigned on human rights issues. However, by allying, the two parties were able to ensure their control of the legislature of Western Cape Province and of many local governments in the province, including the government of Cape Town, in the 2000 local elections.<sup>3</sup>

Former DP leader Tony Leon, an articulate critic of the ANC with respect to the slow pace of privatization, transparency, and other issues, became DA leader, with NNP head Marthinus van Schalkwyk as his deputy. The alliance soon fragmented in a way that has further enhanced the power of the ANC in South African politics. In October 2001, van Schalkwyk announced that the NNP would leave the DA and enter into a cooperative agreement with the ANC. The NNP leader

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<sup>2</sup> Under the South African constitution, the President is elected by the National Assembly.

<sup>3</sup> Tom Lodge, "The Future of South Africa's Party System," *Journal of Democracy*, Vol 17, No. 3, July 2006, p. 154.

explained that the move would promote national unity and progress, while critics suggested that he was primarily interested in securing government appointments for NNP leaders.<sup>4</sup>

The city of Cape Town remains a major urban opposition bastion, and the DA won control of the surrounding Western Cape Province from the ANC in the 2009 elections. Former Cape Town mayor Helen Zille, who won the seat in a close race in 2006, replaced Tony Leon as head of the DA party when he stepped down in 2007. She became Premier of the Western Cape following the 2009 elections. In 2010, another opposition party, the Independent Democrats, announced that it would merge with the DA.

## Strains in the ANC Alliance

The ANC has long worked in an interlocking tripartite alliance with the Congress of South African Trade Unions (COSATU) and the South African Communist Party (SACP). Leaders of COSATU and the SACP sit on the National Executive Committee (NEC) of the ANC, which is the party's principal decision-making body. However, there has been considerable disagreement among the ANC and its allies over the government's economic reform programs. The government's first major economic strategy, known as Growth, Employment, and Redistribution (GEAR), sought to spur economic growth by attracting foreign investment, strengthening the private sector, and privatizing state-owned enterprises. COSATU and the SACP have argued that this approach has failed to benefit South Africa's poor. They favor the creation of programs that would use state resources to create jobs and a moratorium on privatization. In 2005, the general secretary of COSATU announced in a union meeting,

We want the ANC to be maintained as an organization primarily of the workers and the poor. We will never hand over this weapon, built up with our blood, sweat, and tears, to the other side on a silver platter. We will never let the ANC be privatized by the rich. It is a working class formation and a left-wing liberation movement—it must remain ours.<sup>5</sup>

Former President Mbeki, on the other hand, argued that the ANC was a “broad church” capable of representing socialists and nationalists and bridging class divisions.

COSATU was highly critical of Mbeki's stance on the AIDS epidemic and his approach toward the Zimbabwe situation (see below). In 2006, COSATU launched a general strike to protest the loss of 100,000 jobs over the prior three years, primarily from the textile and mining industries. In June 2007, the country's trade unions launched what was reported to have been the biggest strike since the end of apartheid, costing the economy over \$400 million.<sup>6</sup> The unions, who were demanding a 12% pay raise for public servants, accepted the government's offer of a 7.5% raise after four weeks of protest. Strikes in mid-2008 brought the country's mining industry to a standstill as workers protested rising food, fuel, and electricity costs. These strikes were considered significant acts of defiance against the policies of the Mbeki government. Speculation regarding a splintering of the ANC grew as the rift between COSATU, its populist allies, and Mbeki supporters within the ANC widened.

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<sup>4</sup> Mbeki Gives Van Schalkwyk Space with New Positions,” *Business Day*, November 5, 2002.

<sup>5</sup> “Mbeki, Nzimande Clash Over Splits in Alliance,” *Business Day*, October 9, 2006.

<sup>6</sup> “S Africa Unions Call Off Strike,” *BBC*, June 28, 2007.



## The Succession Debate and Mbeki's Resignation

As President Mbeki neared the end of his second term as president of the ANC, there was considerable speculation on whom the party might choose for the position at the ANC's national congress in December 2007. Mbeki had suggested that he would not run for a third term. His successor would be widely expected to succeed him as President of the country following the national elections in 2009. Although the ANC's party constitution allows for a competitive leadership race, no party presidential candidacy had ever been contested. Mbeki's dismissal of Jacob Zuma as the country's Deputy President in 2005 (see below) exposed divisions in the party (Zuma remained deputy president of the party). He had been widely considered to be the likely successor to Mbeki prior to these scandals. Zuma, a populist who has elicited strong support from both youth and labor groups, as well as from his Zulu ethnic base, has been linked with a number of controversies, including a 2006 rape allegation for which he was acquitted, and a high-profile corruption case (see "The Arms Deal and Other Corruption Scandals" below). Zuma made his intention to vie for the party leadership post clear, and he was vocally supported by leaders from COSATU and SACP, who claim he has been a victim of political conspiracy. After months of speculation, Mbeki, rather than put his support behind a chosen successor, chose to run for a third term as ANC president. Zuma won a decisive victory over Mbeki in a secret ballot vote at the party congress, suggesting that Mbeki had alienated many party members.

Although he prevailed in the rape and initial corruption trials, Zuma continued to face legal challenges. In November 2007, the Supreme Court of Appeal overturned a lower court decision that had made documents seized from Zuma and his lawyer inadmissible in future proceedings. Zuma was expected to go on trial again in August 2008 for racketeering, money laundering, fraud, and corruption, but the date of his trial was postponed. In September, a High Court judge ruled that the case should be thrown out on procedural grounds and suggested in his findings that Mbeki and members of his administration had interfered in the case.

On September 20, 2008, after nine years in office, Thabo Mbeki announced that he had accepted a request by the ANC's National Executive Council to resign as President of South Africa in the wake of the High Court decision. One-third of Mbeki's cabinet resigned with their leader. Among them was Finance Minister Trevor Manuel who, along with Reserve Bank Governor Tito Mboweni, had been widely credited with guiding the country's economic progress since the end of white rule. The inflation rate rose to its highest level since the end of apartheid amid speculation of Manuel's resignation; he was later reappointed. Other resignations followed.<sup>7</sup> The parliament elected ANC Deputy Leader Kgalema Motlanthe as interim President. Motlanthe, a former mine union leader who was imprisoned on Robben Island with Mandela, had recently been appointed by the party as a Member of Parliament, which made him eligible to assume the presidency.<sup>8</sup> Zuma, who did not hold a parliamentary seat, was ineligible to assume the office.

The judge issuing the High Court verdict on which the request for Mbeki's resignation was based made no findings on Zuma's guilt or innocence. Prosecutors filed an appeal, and in January 2009,

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<sup>7</sup> Among the resignations was that of the including the premier of Gauteng province, who said that he would not be able to "publicly explain or defend the national executive committee's decision on comrade Thabo Mbeki." "Manuel Plays Down Chance of ANC Split," *Mail and Guardian*, September 30, 2008.

<sup>8</sup> In South Africa, parties make appointments to fill vacant parliamentary seats, rather than holding by-elections. Motlanthe was appointed as a member of parliament in May 2008 and was appointed to Mbeki's cabinet in July 2008 as a Minister without Portfolio.

the Supreme Court of Appeal overturned the High Court ruling. Zuma filed an appeal with the Constitutional Court to have the charges, which he claimed were politically motivated, dropped. In March 2009, evidence of collusion between prosecutors, Mbeki, and several senior ANC officials emerged, and, after extensive internal debate, the head of the National Prosecuting Authority (NPA) dropped all charges against Zuma on April 5. Some analysts suggest that the evidence does not affect the merits of the case, and questions have been raised on how that evidence, recorded phone conversations, was obtained. The DA party strongly criticized the NPA for “grossly inadequate reasons” for its dismissal of Zuma’s case.<sup>9</sup> If Zuma’s trial had proceeded and if he were to have been found guilty prior to the elections, he would have been ineligible to become President of South Africa.<sup>10</sup>

## **A New Party Emerges: The Congress of the People**

In the wake of Mbeki’s resignation, several high-profile ANC figures joined former Defense Minister Mosiuoa Lekota to formally launch a new, centrist political party, the Congress of the People (COPE) in December 2008. The new party fared well in its first electoral contest, winning one-third of the 27 seats in Western Cape municipal by-elections in December 2008.<sup>11</sup> The party maintained momentum in the press in early 2009 with a series of high-profile defections from the ANC, including former South African Deputy President Phumzile Mlambo-Ngcuka and businessman Saki Macozoma. COPE selected Reverend Mvume Dandala as its presidential candidate. Dandala, who formerly served as Presiding Bishop of the Methodist Church of Southern Africa and as head of the All Africa Council of Churches, is well known for his role in campaigning against apartheid, but was criticized by the ANC for his relative lack of political experience. In the party’s early months, some analysts suggested that COPE’s prospects in the election would be tied to Jacob Zuma’s legal challenges. Although the charges against him were dropped, COPE and other opposition parties publicly maintained that the ANC manipulated the justice system to clear their candidate for the elections.

## **The April 2009 Elections**

South Africans went to the polls on April 22, 2009, for parliamentary and provincial elections. Approximately 18,000 South Africans living abroad reportedly registered to vote after a court ruling the month prior confirmed their right to participate in the elections. In their campaigns, the opposition parties took similar stances on a number of issues. Unlike the ANC, which supports the current electoral system, the opposition advocated for the direct election of the President, provincial premiers, and mayors. The parties also challenged the ANC’s decision to disband the country’s former elite anti-corruption unit, the Scorpions. Media reports suggested that public disapproval over several recent ANC decisions, such as the government’s refusal to issue a visa to the Dalai Lama, could affect voter support for the party.<sup>12</sup>

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<sup>9</sup> “DA Slams Dismissal of Probe into ‘Mbekigate’ Tapes,” *Mail and Guardian*, March 31, 2009.

<sup>10</sup> South Africa’s constitution required elections to be held within 90 days of the expiration of the National Assembly’s five year term, on April 13, 2009. The new Assembly chooses the president after they are seated.

<sup>11</sup> A ruling by the Electoral Commission barred ANC party candidates from standing in 12 of the 27 constituencies.

<sup>12</sup> The Dalai Lama had been invited to attend a peace conference in March 2009 along with several other Nobel laureates. Some reports suggest pressure from China influenced the decision, although government spokesman claims the visa was denied because the Tibetan’s visit would have distracted from the World Cup, which was the focus of the conference. Fellow laureate Desmond Tutu was publicly critical, as were opposition leaders and then-Health Minister (continued...)

Voter turnout, estimated at 77%, was high for the April elections. The ANC maintained its dominance but fell short of retaining its two-thirds majority in the parliament. The ANC now holds 264 seats in the 400-seat assembly, while the main opposition party, the DA, holds 67 seats and gained control of one of the country's nine provinces. COPE received 7.4% of the 2009 vote, picking up 30 seats in the 400-seat parliament, while the Inkatha Freedom Party received acquired only 18 seats. Jacob Zuma was subsequently chosen by the new parliament to serve as South Africa's newest President. Motlanthe now serves as Deputy President.

## The Zuma Administration

Zuma was inaugurated as South Africa's newest President on May 9, 2009. He named his cabinet the following day. Long-serving Finance Minister Trevor Manuel was replaced by the well-respected former head of South Africa's Revenue Service, Pravin Gordhan. Manuel was named to head a new national planning commission to formulate government strategy. The appointments allayed market concerns that Zuma would shift the country's economic policy to the left. Secretary of State Hillary Rodham Clinton welcomed the Zuma government's pledge to continue "a strong economic program."<sup>13</sup> Health Minister Barbara Hogan was moved to the Ministry of Public Enterprises and replaced at the Health Ministry by a physician and former provincial official, Aaron Motsoaledi. Businessman and senior ANC member Tokyo Sexwale, who was once considered a possible successor to Mbeki, was named Minister of Human Settlements.

Zuma's victory has not entirely allayed the tensions within the ANC, which may be exacerbated by the country's recent recession and growing budget deficit. COSATU remains highly critical of the macroeconomic policies supported by the party's "right," policies that Zuma's finance minister has maintained. In November 2009, COSATU announced a "war" against anti-left elements within the ANC.<sup>14</sup> Strains between SACP and the ANC Youth League, led by the controversial and outspoken Julius Malema, have increased during the Zuma Administration. Malema, who has been a vocal proponent of nationalizing the country's mines, was disciplined by the party in 2010 and ordered to apologize for insulting Zuma, who still serves as president of the ANC. Some observers contend that this infighting may prove distracting for Zuma in advancing his policy goals. In October 2010, the President ordered his first major cabinet reshuffle, reportedly in an effort improve service delivery, sacking seven ministers, including the outspoken Barbara Hogan, and moving two to other posts. Municipal polls are scheduled for 2011.

## The Arms Deal and Other Corruption Scandals

A \$5.5 billion arms purchase from several European countries announced by South Africa in 1999 has posed political problems for senior members of the ANC, including Jacob Zuma, for over a

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(...continued)

Barbara Hogan, who told reporters that the decision implied that the government was "dismissive of human rights." Nelson Mandela's grandson, an organizer of the event, suggested that the decision "tainted" South Africa's democratic efforts. The event was postponed, and President Zuma's new Foreign Minister later reportedly announced that the Dalai Lama would be welcome to visit South Africa at any time. "Govt: Hogan's Dalai Lama Comments 'Unfortunate,'" *Mail and Guardian*, March 25, 2009; "S. Africans Angered by Decision to Deny Visa to Dalai Lama," *Washington Post*, March 24, 2009.

<sup>13</sup> Secretary of State Hillary Rodham Clinton Interview with Manelisi Dubase of the South African Broadcasting Corporation, May 19, 2009.

<sup>14</sup> "South Africa's COSATU Says to Take On the ANC Right," Reuters, November 30, 2009.

decade. Questions remain over the country's need for aircraft, submarines, and surface vessels which were to be acquired under the deal with five European firms. More pressing, though, have been allegations of corruption associated with the purchase. Tony Yengeni, the ANC's former chief whip in the National Assembly, was arrested in 2001 on charges of corruption, forgery, and perjury in connection with a large discount he received for the purchase of a luxury car, allegedly in return for assuring that the deal went ahead. He pled guilty to fraud in exchange for acquittal on corruption charges. President Mbeki later fired then-Deputy President Jacob Zuma, after a judge declared Zuma had a "generally corrupt" relationship with his former financial advisor, Schabir Shaik, who was convicted of fraud and corruption in connection with the arms deal. Zuma was indicted but acquitted in 2006, after prosecutors failed to build a case against him. Shaik lost an appeal of his conviction, with the judges ruling that evidence overwhelmingly supported the charge that payments totaling about \$165,000 made by Shaik to Zuma were bribes.<sup>15</sup> Shaik was released on medical parole in March 2009. The Hawks, a new special police investigative unit (see below), closed the last two investigations related to the arms deal probe, including one involving British defense firm BAE Systems, in October 2010, arguing that there was little prospect of convictions. Critics maintain that several questions related to the deal remain unresolved, and some are concerned that promised "offsets"—that is, investments by the arms suppliers in South African industry—have not materialized.<sup>16</sup>

Another corruption scandal that has drawn attention is the "Travelgate" scam, in which 31 current and former members of parliament, most from the ruling ANC party, have appeared in court since 2005 on charges of corruption. Accused of abuse of official travel privileges, the MPs reportedly stole some \$3 million in government funds. According to Transparency International, the prosecutions have shown that "the anti-corruption bodies and judiciary have a fair degree of independence and are able to carry out their functions without hindrance, even when high ranking members of the ANC were involved."<sup>17</sup> Some of the MPs who pled guilty have left parliament, but some still serve in office. "Travelgate" was followed by another reported scandal popularly referred to as "Oilgate," an allegedly corrupt oil deal between a state-owned oil company and a black economic empowerment company (see below), in which public funds were reportedly illegally diverted into an ANC party campaign fund.

Several corruption scandals have centered on the country's justice organs themselves. South Africa's former chief prosecutor, Vusi Pikoli, was suspended in 2007 on charges of prosecutorial excess by then-President Mbeki. Many suggest that the subsequent arrest of national police commissioner Jackie Selebi amid allegations that he might have ties to organized crime was directly linked to Pikoli's suspension.<sup>18</sup> Pikoli had been preparing warrants for Selebi's arrest when he was suspended. Selebi, a senior ANC member, was considered to be a Mbeki supporter within the party, and some South Africans accused Mbeki of trying to prevent Selebi's arrest. Pikoli was later cleared of wrongdoing, but was not reappointed to his post. Selebi was replaced as police commissioner, and in July 2010, he was convicted on charges of bribery and sentenced to 15 years in prison.

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<sup>15</sup> Shaik was released on medical parole in March 2009.

<sup>16</sup> "The Arms Deal—The Shadows Lengthen," *Business Day*, September 20, 2006; "SA Laureates Demand Arms Inquiry," BBC, December 4, 2008.

<sup>17</sup> Berlin-based Transparency International (TI) describes itself as a non-governmental organization devoted to combating corruption. TI, *Global Corruption Report 2006*.

<sup>18</sup> See, for example, "Lets All Arrest One Another," *The Economist*, January 17, 2008, and "Party Power Struggle Entralls South Africa," *New York Times*, October 12, 2007.

The Pikoli and Selebi cases may indicate political tensions within the country's law enforcement agencies. As chief prosecutor, Pikoli oversaw the Scorpions (the Directorate of Special Operations), South Africa's former premier financial crimes investigative unit. Several leading ANC officials led efforts to have the Scorpions, who prosecuted several high-profile corruption cases, including that of Zuma, disbanded. Zuma and his allies criticized the Scorpions' prosecution of him as politically motivated and suggested in 2008 that the Scorpions' duties should be subsumed by the national police. Others, including DA and COPE leaders, argued that the unit's "special status" under the National Prosecuting Authority (NPA) was needed to tackle corruption at the highest levels. Allegations of collusion between Mbeki allies and former heads of both the Scorpions and the NPA in the Zuma case further compounded the debate.<sup>19</sup> Despite strong opposition from the opposition and civil society, the unit was officially moved by parliament under the authority of the police service in late 2008. The unit, now known as the Directorate for Priority Crime Investigations (DCPI), or "the Hawks," leads investigations against organized and economic crimes.

President Zuma's initial judicial appointments have been well received, including that of a new chief justice, but his appointment in December 2009 of Menzi Simelane as director of the NPA, the post formerly held by Pikoli, has drawn criticism. Critics suggest that Simelane, former director general of the Justice Ministry, is partisan and may have interfered with the independence of the NPA when he was with the ministry. The DA lost a case challenging Simelane's appointment, but the bar council continues to investigate complaints filed against him. In January 2010, Simelane changed the NPA's media policy, prohibiting prosecutors from speaking to the media without prior authorization.

Finance Minister Pravin Gordhan has estimated that corruption is costing South Africa an estimated \$3.6 billion a year, approximately 1% of the country's GDP, and some analysts suggest that figure could be much higher.<sup>20</sup> The government announced a series of new initiatives to counter public sector corruption, including the creation of a new anti-corruption authority that would investigate tender fraud.

## **Press Freedoms**

Several media and advocacy groups have raised concerns that the South African government might be attempting to restrict press freedoms. In 2005, one of the country's leading newspapers, the *Mail & Guardian*, was banned by the courts from publishing a report on the "Oilgate" scandal. According to media reports, the court ruling found that publishing the report would damage the oil company's right to privacy and was potentially defamatory.<sup>21</sup> The gag order was reportedly the first placed on an independent paper since apartheid, and was denounced as "an extraordinarily dangerous precedent" to press freedom by the Media Institute for Southern Africa, a press watchdog group. Concerns were also raised regarding the editorial independence of the public South African Broadcasting Corporation (SABC), the country's largest broadcaster.<sup>22</sup>

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<sup>19</sup> Some have questioned whether the allegations, reportedly based on recorded telephone conversations, affect the merits of the case against Zuma, and the method by which Zuma allies obtained the evidence has also been called into question.

<sup>20</sup> The Economist Intelligence Unit, "South Africa," Country Report, December 2010.

<sup>21</sup> The Media Institute of Southern Africa, "Media Freedom Has 'Suffered Major Blow,'" May 28, 2005.

<sup>22</sup> See, e.g., The Department of State, "South Africa," *Country Reports on Human Rights Practices*, March 2010.

In 2010, advocacy groups focused on two ANC proposals, one to create a Media Appeals Tribunal that could impose legal penalties related to complaints against the press, and another, the Protection of Information bill, which would impose stiff penalties for journalists reporting on classified information and which could be used to punish whistleblowers. The Committee to Protect Journalists has called the legislation “reminiscent of apartheid-era regulations,” and even some veteran ANC members have criticized the proposals.<sup>23</sup> Parliament is currently reviewing the legislation and has indicated a willingness to modify sections deemed not to be in compliance with human rights standards. Rights groups also protested the arrest of a local journalist in August on charges of forgery, allegedly related to stories he was investigating on a provincial ANC leader and on the police. Prosecutors later withdrew the charges against him.

## **HIV/AIDS**

South Africa is believed to have the largest HIV/AIDS epidemic in the world, with almost six million people estimated to be living with the disease. According to the Joint United Nations Program on HIV/AIDS (UNAIDS), an estimated 18.1% of South African adults, aged 15-49, were HIV positive in 2007, the most recent year for which figures are available.<sup>24</sup> UNAIDS also reports that as many as 280,000 children under the age of 15 were HIV positive that year. AIDS is the leading cause of premature death in South Africa, and the number of AIDS-related deaths there in 2007, some 350,000, was more than double that reported for Nigeria, which has the second-highest global mortality figure at 170,000 deaths but almost three times South Africa’s population. Approximately 1.4 million children currently living in the country have been orphaned by the disease. As these figures show, the situation is grave.

Thabo Mbeki’s stance on HIV/AIDS was a major political issue in South Africa during his tenure. Critics maintain that the former President’s ambiguous statements about the disease and lack of leadership on the issue diverted attention and funding from the pandemic at a critical time. In 2000, President Mbeki wrote to then-President Clinton and other heads of state defending dissident scientists who maintain that AIDS is not caused by the HIV virus. In 2001, he rejected appeals that the National Assembly declare the AIDS pandemic a national emergency. In 2002, President Mbeki drew criticism from the media and others for reportedly insisting that tuberculosis rather than AIDS was the leading cause of death in South Africa, even though the country’s Medical Research Council had reported that AIDS was the leading cause, accounting for 40% of mortality among adults aged 15-49.<sup>25</sup> The reasons for Mbeki’s stance on AIDS have been difficult to discern. Some speculate that he feared that AIDS could undermine his vision of South Africa as a leader in an African renaissance sparked by NEPAD and the African Union and thus tended to minimize the importance of the epidemic.

The Mbeki government gradually modified its stance on HIV/AIDS under mounting domestic and international pressure. In 2002, the government announced that it would triple the national AIDS budget, end official opposition to the provision of antiretrovirals for rape victims, and launch a program for universal access to drugs to prevent mother-to-child transmission (MTCT) of HIV. That year, a South African court ordered the government to begin providing the

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<sup>23</sup> Committee to Protect Journalists, Letter to President Zuma, August 16, 2010, available at <http://www.cpj.org>; “Pallo Jordan Opposes Media Tribunal,” *Mail & Guardian*, November 23, 2010.

<sup>24</sup> UNAIDS, *2008 Report on the Global AIDS Epidemic*, August 2008.

<sup>25</sup> “South Africa President Mbeki Criticizes U.N. AIDS Fund Grant,” *Associated Press*, July 25, 2002, and “Research Affirms Disease Is Nation’s Leading Cause of Death,” *The Washington Post*, October 19, 2001.

antiretroviral (ARV) drug Nevirapine nationwide to reduce MTCT. The South African Treatment Action Campaign (TAC) had launched the suit in 2001, maintaining that MTCT prevention trials were inadequate and that 20,000 babies could be saved yearly by a nationwide program.<sup>26</sup> At its 2002 party conference the ANC announced that it was putting AIDS at the top of its agenda.<sup>27</sup> The Department of Health in 2003 declared that the government would provide free antiretroviral drugs, but after what observers considered a very slow implementation of the policy, TAC threatened another lawsuit. Under pressure, the government began providing treatment at five hospitals in 2004 and has gradually expanded access to the program. Reports suggest that access to treatment for those with advanced HIV has since increased significantly, from only 4% of those in need receiving antiretroviral therapy (ART) in 2004 to 21% in 2006 and over 30% in 2008.<sup>28</sup>

Despite this commitment by the government to providing ART, many critics still did not consider the Mbeki administration to be serious about the epidemic. In August 2006, then-Health Minister Manto Tshabalala-Msimang drew international criticism for a controversial display of traditional remedies such as garlic, lemons, and beetroot, which she reportedly claimed provided an alternative defense to AIDS, at the International AIDS Conference in Toronto. Stephen Lewis, the U.N. Special Envoy to Africa on AIDS, proclaimed South Africa's AIDS policies as "wrong, immoral, and indefensible" and "worthy of a lunatic fringe" during the conference, and 81 international scientists delivered a petition to Mbeki urging the health minister's dismissal.<sup>29</sup> Many observers consider the Toronto Conference to have prompted a key shift in the government's position. Weeks after the conference, Mbeki appointed his Deputy President, Phumzile Mlambo-Ngcuka, as head of a new national AIDS commission charged with halving the country's infection rate by 2011. She emphasized that the government did believe that HIV causes AIDS and acknowledged "shortcomings" in the government's response to the epidemic. The government also reached out to the AIDS advocacy community, which responded with cautious optimism. TAC, the most vocal critic of the Mbeki Administration's efforts, was cited in late 2006 saying that there was now "a growing enthusiasm, across the board, around the possibility of what we can do as a country in a united fashion" to combat the disease.<sup>30</sup> However, TAC again questioned Mbeki's commitment to fighting the epidemic after the August 2007 firing of Tshabalala-Msimang's deputy, who was outspoken about problems with the nation's health services and critical of the Health Minister's controversial views on AIDS.

Although experts believe the country's prevalence rates have begun to stabilize, the South African government still faces many challenges in its response to HIV/AIDS.<sup>31</sup> The emergence of extensively drug resistant tuberculosis (XDR-TB), high rates of HIV/TB co-infection, and significant HIV prevalence rates among health care workers place major strains on the health care system. AIDS activists responded positively to then-President Motlanthe's appointment of a new health minister, Barbara Hogan. She was replaced by President Zuma with Aaron Motsoaledi,

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<sup>26</sup> "AIDS Activists Sue South Africa," *Associated Press*, August 21, 2001.

<sup>27</sup> President Mbeki was criticized by some for not giving AIDS greater prominence in his address to the conference.

<sup>28</sup> UNAIDS, *2008 Report on the Global AIDS Epidemic*, August 2008 and *Celebrating Life: The U.S. President's Emergency Plan for AIDS Relief 2009 Annual Report to Congress*.

<sup>29</sup> The letter, titled "Expression of Concern by HIV Scientists," can be found at <http://www.aidstruth.org/letter-to-mbeki.php>. See also "Under Fire, South Africa Shakes Up Its Strategy Against AIDS," *The New York Times*, September 3, 2006, and "In South Africa, a Dramatic Shift on AIDS; Treatment, Prevention Get New Emphasis as Deputy President Takes Key Role," *The Washington Post*, October 27, 2006.

<sup>30</sup> "Under Fire, South Africa Shakes Up Its Strategy Against AIDS," *The New York Times*, September 3, 2006.

<sup>31</sup> UNAIDS, "Country Factsheets," available at <http://cfs.unaids.org>.

who in late 2009 appeared to publicly link the doubling of South Africa's death rate in the last decade, largely due to AIDS, to the Mbeki Administration's policies on the epidemic.<sup>32</sup> President Zuma, in a speech on December 1, 2009, World AIDS Day, announced a nationwide campaign to encourage all South Africans to be tested for HIV and pledged to provide treatment for all infants under one year who test positive for HIV by April 2010. He also pledged that ART would be more readily available to pregnant women and those with both TB and HIV, and that a larger number of health clinics would be prepared to provide counseling, testing, and, where possible, treatment. Activists praised the President, who has made some controversial personal choices in the past, for his speech and his proposed policies, commending the government's "new-found commitment to fighting HIV/AIDS in an open, serious, and evidence-based manner."<sup>33</sup>

## Land Reform

In order to address historic injustices, the South African government began a land reform program in the late 1990s to restore land rights to those in the black majority forcibly dispossessed of their land under racially discriminatory apartheid legislation. The government set a number of targets, including the settlement of all land claims<sup>34</sup> by the end of 2008 and the more ambitious transfer of 30% of agricultural lands owned by whites in 1994 to African owners by 2014. While the government's "willing buyer, willing seller" land reform policies have reportedly met with little resistance from white landowners, and the Land Affairs Department reports that almost all land claims have been settled, critics charge that the transfers are going too slowly. According to media reports, the government announced in mid-2006 that negotiations with white farmers over the price of land marked for restitution would be limited to six months, after which expropriation could take place if no settlement was reached.<sup>35</sup> Two months later, two white-owned farms claimed by black South Africans were marked for expropriation, a process through which the government would seize the land and pay the owners a price set by independent assessors.<sup>36</sup>

In a 2005 speech on the perceived slow pace of land transfers, then-Deputy President Mlambo-Ngcuka said that South Africa might learn from Zimbabwe's land reform process, igniting considerable controversy. President Mbeki dismissed critics of the speech, saying that her words were misinterpreted and that Zimbabwe's policies were only one among many the government had studied. The media reported a similarly controversial discussion document circulated by the Land Affairs Department suggesting replacing the "willing buyer, willing seller" approach with a "Zimbabwean model," or forced-sale principle (Zimbabwe's policy that preceded land invasions there). The discussion paper was said to propose the expropriation of commercial agricultural land to meet the government's target of 30% redistribution. Government officials stressed that the document was for internal discussion only and did not reflect official policy.<sup>37</sup>

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<sup>32</sup> "Minister Reveals 'Shocking' Figures on AIDS-Related Deaths," *Mail and Guardian*, November 10, 2009.

<sup>33</sup> Treatment Action Campaign (TAC), "TAC Commends President Zuma for his Strong Leadership on HIV/AIDS and Welcomes the Death of AIDS Denialism," December 3, 2009. For more information on President Zuma's approach to the epidemic, see Celia Dugger, "In South Africa, An Unlikely Leader on AIDS," *New York Times*, May 14, 2010.

<sup>34</sup> Black citizens filed over 79,700 land claims between 1999 and 2006, according to a report by Michael Wines, "South Africa to Seize Two White-Owned Farms," *New York Times*, October 10, 2006.

<sup>35</sup> "ANC Gives Ultimatum to White Farmers," *The Daily Telegraph*, August 14, 2006.

<sup>36</sup> "South Africa to Seize Two White-Owned Farms," *New York Times*, October 10, 2006.

<sup>37</sup> Under this proposed model, farmers who want to sell their land must offer the government the right of first refusal. If they refused a government offer, they could not sell the land on the open market. "'Zimbabwe' Land Option Mooted by Officials," *Business Day*, October 16, 2006.



The South African government has made several attempts to speed up the transfer of commercial agricultural lands. Official figures in 2009 suggest that the government had met only 6% of its 30% target for state-funded transfers. The Mbeki Administration proposed legislation in 2008 that would accelerate the process by adding a constitutional provision for expropriation of a property “for a public purpose.” Critics, including the Democratic Alliance, argued that the proposed law, which would restrict property owners’ rights to judicial appeal and force sales at below market prices, was unconstitutional and would undermine confidence in property rights and deter investment.<sup>38</sup> They also suggest that while the rate of state-funded transfers has been slow, substantial transfers have been made privately through the property market. The legislation was shelved, but the Zuma Administration is expected to resubmit it in 2011. The Zuma Administration has maintained its commitment to a controversial “use it or lose it” initiative introduced in 2008 that allows farms that have been transferred to black beneficiaries to be taken by the government if they are deemed unproductive.

In late 2009, officials from the Department of Land Affairs announced that South Africa would not meet its deadline to redistribute one-third of farmland by 2014, and would extend the deadline to 2025, due to a shortage of funds needed to buy the remaining land. COSATU has referred to the redistribution issue as a “social time-bomb.”<sup>39</sup> In a 2004 survey of South Africans of all races, 72% of black respondents agreed with the statement: “All the land whites own, they stole from blacks.”<sup>40</sup> According to an independent South African think tank,

The most universal and immediate land need in South Africa is for ‘a place to stay’ rather than ‘a place to farm’.... Even among employed agricultural workers, land demand is modest. Among people living on the land without alternative sources of income, however, aspirations for land or more land can reach high levels, and become very intense. Although this is a minority group, it is large in numerical terms, and hence constitutes a significant policy challenge.<sup>41</sup>

## Crime

Violent crime remains a serious problem in South Africa, although the country’s murder rate has dropped significantly in the past 15 years.<sup>42</sup> House and business robberies and car hijackings are prevalent, and the country has the world’s highest prevalence of rape outside countries experiencing sustained armed conflict. Some analysts attribute the high rate of crime to the country’s high level of wealth disparity, but also to shortcomings within the police force and in the lack of a comprehensive government approach to the problem. President Zuma has stressed his commitment to fighting crime, and has pledged to reduce serious and violent crimes by 7% to 10% annually.<sup>43</sup>

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<sup>38</sup> “Expropriation Must Be a Land Resort,” *Business Day*, May 30, 2008.

<sup>39</sup> “SA ‘to Miss Land Reform Deadline,’” BBC, November 4, 2009.

<sup>40</sup> Survey cited in “Land Issue Illustrates Social Rift,” *Business Day*, 5 May 2004.

<sup>41</sup> The Centre for Development and Enterprise, *Land Reform in South Africa: a 21<sup>st</sup> Century Perspective*, Johannesburg: June 2005, p. 30.

<sup>42</sup> Johan Burger and Chandre Gould, “Violent Crime in South Africa: What the Latest Crime Statistics Tell Us,” Institute for Security Studies, September 22, 2010.

<sup>43</sup> State of the Nation Address by President Jacob Zuma at a Joint Sitting of Parliament in Cape Town, June 3, 2009.

The South African government continues to battle perceptions that the country is not safe for tourists because of its high crime rate. Several surveys suggest that some potential tourists were deterred from visiting South Africa for the World Cup out of fear of becoming victim to a criminal act.<sup>44</sup> The government deployed over 40,000 new police officers for the World Cup, new positions that the force has retained. South Africa also set aside more than 50 special courtrooms to handle crimes committed during the games. Reports suggest that the country's crime rate dropped during the event, which was held in June and July, and that the special courtrooms consequently did not see the number of caseloads originally anticipated.<sup>45</sup> Fears of a terrorist incident, possibly one similar to that conducted in Mumbai in 2008, during the games also went unfounded. The South African Police coordinated closely with INTERPOL and other international partners, in preparation for the games, and received special training through the State Department's Anti-Terrorism Assistance program.

## **The Economy**

In 2009, South Africa weathered its first recession in 17 years. The rate of growth in Gross Domestic Product (GDP) averaged 3% per year in the first decade after apartheid and rose to an average of 5% from 2004 to 2007. The growth rate fell to 3.7% in 2008 and -1.8% in 2009, due in part to the global economic downturn; it rose to an estimated 2.8% in 2010. The growth rate is expected to rise to 3.7% in 2011.<sup>46</sup> Much higher rates will be needed if South Africa is to substantially increase employment among the black majority and reduce the sharp inequalities in income distribution among the races. Unemployment estimates range from 25% to 40%, far above the government's target of 15%. The vast, poverty-stricken townships surrounding South Africa's cities remain a potential source of political instability. In recent years periodic riots have erupted in several poor municipalities to protest local government corruption and inadequate service delivery. Although turnout and support for the ANC remained high nationally in the country's last nationwide municipal elections, voters boycotted the polls in a number of townships in which the ANC had formerly enjoyed strong support, and several hundred former ANC supporters stood as independent candidates. Conditions in the townships have improved marginally with the expanded availability of electricity and the provision of clean water taps. However, the widening gap between the rich and poor is likely to pose a continuing challenge.

## **Economic Policies Under Thabo Mbeki**

South Africa won praise from international economists for its reform-oriented macro-economic policy in the late 1990s, which, according to the U.S. Department of Commerce, "demonstrated its commitment to open markets, privatization, and a favorable investment climate, moving away from the former government's strategy of import substitution and industrial development that protected local industries with high tariff barriers."<sup>47</sup> The policy, known as the Growth, Employment and Redistribution (GEAR) strategy, delivered mixed results—it engendered macroeconomic stability, fiscal discipline, and trade liberalization. However, unemployment

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<sup>44</sup> See for example, "Crime 'Deters' SA 2010 Tourists," *BBC*, July 23, 2007; and "South Africans Fear Crime Could Mar World Cup," *CNN*, January 29, 2009.

<sup>45</sup> Gloria Edwards, "Increase in Crime After World Cup," *News24*, September 13, 2010.

<sup>46</sup> The Economist Intelligence Unit (EIU), *Country Report: South Africa*, December 2010.

<sup>47</sup> U.S. Department of Commerce, *South Africa Country Commercial Guide, Fiscal Year 2003*, July 2002.

continued to rise, and income distribution remained highly skewed, largely along racial lines. Nevertheless, the income of the average black household almost doubled in the first decade after the end of apartheid. In late 2007, the government announced that the average national income had risen 22% since 1999.<sup>48</sup>

In 2005, the government unveiled a new economic plan, the Accelerated and Shared Growth Initiative for South Africa (ASGISA). It was designed to raise the economic growth rate to 4.5% from 2004-2009 and to at least 6% from 2010-2014 through targeted interventions, including public investment in infrastructure, and to cut unemployment rates in half by 2014. These targets, optimistic prior to the economic downturn, are likely now unattainable in the near term.

Some economists attribute South Africa's economic difficulties, in part, to the slow pace of privatization. Despite its commitment to privatization, the Mbeki government remained heavily involved in transportation, communications, energy production, and the defense sector, and after the 2004 elections expressed a desire to restructure most remaining state-owned enterprises rather than expand privatization. Further privatization delays were due in part to government concerns that privatization would boost unemployment temporarily, fueling criticism from COSATU and the SACP. According to COSATU and SACP, the job cutbacks that often follow privatization are contributing to the country's unemployment and growing income gap.

## **Black Economic Empowerment (BEE)**

The government has sought to promote "black empowerment" by assuring that a significant portion of the shares in privatized companies would be acquired by black South Africans rather than by wealthy whites or foreign investors. Its Black Economic Empowerment (BEE) program, initiated in 1994, was designed to address racial inequalities in the business sector. In 1994, blacks owned less than 5% of the country's private enterprises. As of 2008, there were over 15 black-owned and 29 black-empowered companies listed on the South African stock exchange. The rise in black ownership has been echoed by a significant increase in the black middle class. Nevertheless, the lack of skilled labor may be hampering the program, as may complicated or unclear regulations. In 2007, the government instituted the BEE Codes of Good Practice, which make both listed and unlisted companies subject to empowerment requirements and targets, but offer concessions to small businesses and foreign investors.<sup>49</sup> A new economic growth strategy introduced by the government in November 2010 (see below) proposes a "major re-think" and "substantial revision" of the BEE codes to increase jobs, skills development, and investment.

## **Foreign Investment**

In the first decade of post-apartheid rule, analysts expressed concern over the government's ability to attract foreign investment at the levels needed to spur growth. Sound macroeconomic policies, including reduced tariffs and export subsidies, the loosening of exchange controls, improved enforcement of intellectual property laws, and legislation designed to improve

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<sup>48</sup> The average household income for blacks increased by 71% from 1996 to 2004, according to the South African Institute for Race Relations' *South Africa Survey 2004/2005*. See also "South Africa: Gap Between Haves and Have-Nots Yawns Wider," IRIN, November 7, 2007.

<sup>49</sup> Multinational corporations can maintain 100% ownership provided they meet other BEE criteria, including employment and procurement targets.

competition have been cited by observers as responsible for the country's economic growth. A World Bank study finds that South Africa is one of the top 35 easiest countries in which to do business.<sup>50</sup> Investors are, however, reportedly worried by labor relations, high crime rates, and corruption. Transparency International ranks South Africa 54 out of 178 in its 2010 Corruption Perceptions Index, indicating that it is perceived as less corrupt than other Sub-Saharan African countries (only four African countries ranked less corrupt than South Africa), but more corrupt than many competitors for investment in other parts of the world.<sup>51</sup> Its ranking has fallen from 43 in 2007. Political risks arising from potential instability in Zimbabwe are regarded as another deterrent to investors, and South Africa's own racial, class, and political divisions are seen as sources of concern. Analysts have also highlighted the country's executive "brain drain" as one of the greatest threats to South Africa's economic progress.

## Changes Under Zuma or Business as Usual?

Some international investors initially expressed concern over the prospect of a Zuma presidency, in view of his close relationship with the labor unions. He sought to reassure them in the early days of his presidency, promoting long-serving Finance Minister Trevor Manuel to head a new national planning commission that would formulate government strategy, and replacing him as finance minister with the well respected former head of South Africa's Revenue Service, Pravin Gordhan. Gordhan has stressed that he will continue the economic policies pursued by his predecessor. Gill Marcus, who replaced Tito Mboweni as Reserve Bank Governor in late 2009, has maintained Mboweni's monetary policy. She formerly served as both Deputy Finance Minister and Deputy Reserve Bank Governor, and more recently served as an executive with several corporations and public bodies, including Absa, one of South Africa's four main banking groups. The appointments appear to have allayed market concerns.

President Zuma has actively sought for South Africa to play an increasing role in world economic fora. The country is a member of the G20, and was invited in late 2010 by China to join the BRIC (Brazil, Russia, India, and China), a formation of major emerging market economies. Some economists, including the Goldman Sachs analyst who originally coined the term "BRIC," argue that the country's economy is considerably smaller than several other emerging markets, such as South Korea, Mexico and Turkey, and question China's motives for extending the invitation.<sup>52</sup> China became South Africa's largest trading partner, in both imports and exports, in 2009.

## The Global Economic Crisis and The New Growth Path

Like many countries, South Africa was affected by the global economic downturn. By some estimates, one million South Africans may have lost their jobs in 2009. In response, President Zuma pledged to create half a million new jobs by the end of 2009 and a further four million jobs by 2014 through an expanded public works program. The effort was hampered by reduced government revenues, and the government failed to meet the 2009 target. Zuma's ability to fulfill his pledges to create new jobs may continue to be hindered by revenue shortfalls and private

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<sup>50</sup> See the *Doing Business* section of the World Bank's website at <http://www.worldbank.org>.

<sup>51</sup> The Transparency International index is based on the reported perceptions of business people and country analysts. A country with the rank of 1 has the least corruption.

<sup>52</sup> "What's Behind China's Move to Include South Africa in the BRIC Grouping?" *International Business Times*, January 3, 2011.

sector retrenchment. The Administration also continues to face challenges from the labor unions, who brought the country to a standstill in August 2010 with a public sector strike that paralyzed schools and health services for almost three weeks before agreeing to a 7.5% pay raise.

In November 2010, the South African Government launched a new growth strategy, with job creation as its central theme. The strategy, known as the New Growth Path, aims to create five million new jobs and reduce unemployment from 25% to 15% by 2020. It also commits the government to fiscal discipline and emphasizes a role for the private sector. Structural barriers such as skills shortages may create obstacles in the government's efforts to meet its goals. Some aspects of the new strategy, including a proposal to cap wages and bonuses, have met with resistance, not only from ANC partner COSATU, but also from the business community, who argues caps would deter foreign investment.

## **The 2010 World Cup**

In June and July 2010, South Africa hosted the 2010 FIFA World Cup, games which the government hoped would draw global attention to the country and boost tourism and economic growth. The games also had significant symbolic value to many South Africans. Racially-mixed sporting teams were banned under the country's apartheid-era constitution, and South Africa was suspended from the international soccer body, FIFA, in 1961, in one of the first acts of what became an international sports boycott against the apartheid government. After a temporary lifting of the suspension in 1963, South Africa was again banned from playing the sport internationally, and was formally expelled from FIFA after the Soweto riots in 1976. A new multi-racial team was readmitted to FIFA in 1992. The sport of soccer (referred to in South Africa as football) played an important role in the lives of the political prisoners held on Robben Island during the apartheid years. Wardens initially banned prisoners from playing the sport, but, after intervention by the International Red Cross, the prisoners formed the Makana Football Association. Nelson Mandela, who was kept isolated during his imprisonment, was unable to play, but Jacob Zuma was a founding member.<sup>53</sup> Other players included Kgalema Motlanthe, Mosiuoa Lekota, and Tokyo Sexwale. South Africa was selected in 2004 by FIFA to host the 2010 World Cup. The country had hosted other international sporting events, including the 2003 Cricket World Cup and the 2009 soccer Confederations Cup, but nothing of this magnitude.

In preparation for the games, South Africa invested almost \$5 billion in construction and infrastructure improvements, refurbishing the Johannesburg and Cape Town international airports and building a new one in Durban; adding commuter rail links; widening highways; building stadiums; and improving telecommunications infrastructure. The government also made significant investments to ensure security during the event. Nine cities hosted the 64 matches, which were held in 10 new, refurbished, or upgraded stadiums. Ticket costs were high for non-South Africans, and there was a lack of affordable tickets for citizens other African countries. The tourist draw was lower than expected, with approximately 310,000 visitors coming to South Africa rather than the anticipated 450,000. Nevertheless, over 3 million fans attended the games, marking the third highest turnout in FIFA history. The World Cup drew approximately \$500

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<sup>53</sup> For more information, see Chuck Korr and Marvin Close, *More Than Just a Game: Soccer vs. Apartheid: The Most Important Soccer Story Ever Told*, (Thomas Dunne Books: New York) April 27, 2010.

million in foreign spending to the economy. By some estimates, the event may have added an additional 0.5% to the country's 2010 GDP growth.<sup>54</sup>

## Electricity Shortages and "Green" Energy Proposals

The country's economic growth is also threatened by an overstretched electricity network. In spite of abundant coal resources, South Africa currently lacks sufficient generating capacity to meet its power needs. In January 2008, South Africans experienced severe electrical power cuts throughout the country. Estimates indicate that the cuts may have cost the economy millions.<sup>55</sup> The crucial mining sector was hit particularly hard, causing global gold and platinum prices to rise. Many mines closed for several days as the power cuts threatened worker safety. Electricity from South Africa was also temporarily cut to neighboring countries. State-owned Eskom, one of the world's largest power companies, and the Mbeki Administration blamed one another for the crisis. The government began rationing electricity and has accelerated plans to build new power plants and rehabilitate old ones. South Africa is investing significant resources to upgrade its electricity infrastructure, in part through a \$3.7 billion loan from the World Bank to Eskom. Experts suggest the shortages may nevertheless continue for several years, and consumers have faced steep increases in their power bills.

The South African government has announced plans to increase the percentage of the country's electricity that comes from renewable sources and to ultimately cut its carbon emissions by 42% over the next 15 years. It also hopes to create 300,000 "green" jobs in the next decade. Eskom currently produces an estimated 95% of the country's electricity, but a new subsidy plan announced in 2009 to buy energy from renewable sources through independent producers is scheduled to begin in 2011. To date the government's investment in renewable energy has been limited, and some question the government's commitment to implementing the new policies.<sup>56</sup>

## U.S. Relations

U.S. policymaking toward South Africa and the anti-apartheid struggle was contentious from the 1960s through the 1980s, with many arguing that the United States was doing too little to promote human rights and democratic rule. Congress enacted the Comprehensive Anti-Apartheid Act of 1986 (P.L. 99-440) over President Reagan's veto in order to affirm U.S. support for democratic change. The legislation imposed a number of sanctions against South Africa. The Reagan Administration, by contrast, had been pursuing a policy of "constructive engagement" (i.e., dialogue) with the white South African regime, regarding this approach as the most effective way to promote change.

In the early 1990s, the United States assumed a lead role in supporting South Africa's transition to democracy. Policy makers at that time saw the South African democratization process as a model for other African countries, and expected that the country would soon become a stabilizing force

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<sup>54</sup> "S Africa Asks 'Was World Cup Worth It?'" *Agencé France-Press*, December 9, 2010.

<sup>55</sup> EIU, "South Africa: Power Down," January 31, 2008.

<sup>56</sup> Pew Charitable Trusts, *Who's Winning the Clean Energy Race? Growth, Competition and Opportunity in the World's Largest Economies*, 2010; Simon Mundy, "South Africa Moves Forward on Green Power Subsidies," *Financial Times*, December 7, 2010.

as well as an engine for economic growth throughout the sub-Saharan region. South Africa's need to focus on domestic economic and social problems meant that U.S. expectations for the country's regional role were perhaps not met in full in the first post-apartheid years. But South Africa's leadership in the launching of NEPAD; the deployment of South African peacekeepers to Burundi, Cote d'Ivoire, and Sudan; and intensive South African involvement in the peace process in the Democratic Republic of the Congo have highlighted South Africa's capabilities as a regional actor. South Africa also assisted U.S. efforts to resolve Haiti's political crisis in 2004 by providing an exile location for former President Bertrand Aristide. Given South Africa's role in conflict mediation and resolution throughout the continent, the United States has worked to expand the country's peacekeeping abilities.<sup>57</sup>

Since 1992, South Africa has been among the leading African recipients of U.S. aid. U.S. assistance to South Africa has increased in recent years, rising from an estimated \$224 million in FY2006, to an estimated \$574 million for FY2008, almost \$545 million for FY2009, and an estimated \$578 million in FY2010. The overwhelming majority of this funding goes to HIV/AIDS and related health programs. In its FY2008 congressional budget justification, the State Department reported that "the U.S. Government's relationship with South Africa is transforming from that of donor to one of strategic partnership," and accordingly, "activities in Peace and Security will continue to increase in importance while development programs will be phased out in the next couple of years." U.S. assistance continues to focus on fighting HIV/AIDS and tuberculosis, promoting economic growth, and improving South Africa's capacity to support regional peacekeeping operations and counter transnational crime. USAID programs have supported efforts to promote good governance, reduce unemployment and poverty, increase access to shelter and municipal services, and improve the quality of education and healthcare. The South African government places a strong emphasis on budget transparency, ranking second, after the United Kingdom, in public spending transparency in the Open Budget Index.<sup>58</sup>

The United States provides significant assistance to South Africa's fight against HIV/AIDS through the President's Emergency Plan for AIDS Relief (PEPFAR), having contributed more than \$2 billion since the program's inception in FY2004. In FY2010, the PEPFAR program provided ARV therapy to an estimated 917,700 patients, transmission prevention treatment to over 682,400 pregnant HIV-infected women, counseling and testing for over five million, and palliative and/or tuberculosis care for 2,160,300 South Africans. PEPFAR's South Africa program also funds public education efforts to promote abstinence, faithfulness, and healthy behavior to reduce the risk of transmission among high-risk groups. In December 2010, the United States and South Africa signed a five-year Partnership Framework to improve coordination on PEPFAR.

The Obama Administration has publically emphasized South Africa's important leadership role, both regionally and globally.<sup>59</sup> The United States supports South Africa's efforts to deliver foreign assistance to other African countries through a \$1.3 million Trilateral Assistance Program. This

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<sup>57</sup> For more information see CRS Report RL32773, *The Global Peace Operations Initiative: Background and Issues for Congress*, by Nina M. Serafino.

<sup>58</sup> The Open Budget Index is compiled by the International Budget Partnership, based in Washington, DC, based on the findings of independent civil society organizations in the participating countries. It measures the extent to which governments make information on key budget documents available to the public during the budget process at the national level. The United States ranked fifth on the Index in 2008, the most recent year available. South Africa is one of only 5 of 85 countries surveyed that makes extensive information on their budgets publicly available.

<sup>59</sup> Statement by Assistant Secretary of State for African Affairs Johnnie Carson, "Current Status of U.S.-South African Relations," June 10, 2009.

partnership began in 2008 with the two countries working together to develop local government structures in the DRC; the programs currently supports South African efforts in Southern Sudan and Malawi. During Secretary of State Hillary Clinton's visit to South Africa in August 2009, she pledged to "deepen and broaden our engagement with South Africa" and noted that the two governments had agreed to reengage in a "high-level, bilateral, strategic dialogue."<sup>60</sup> That dialogue was launched in April 2010, and the first round of bilateral meetings were held in December 2010. The working-level meetings focused on law enforcement, trade, transportation, human rights, health, and agriculture. Prior to the December talks, according to the State Department, U.S.-South Africa cooperation had already resulted in progress on renewable energy, nuclear power, AIDS and other health programs, and defense cooperation.

## **Cooperation in Fighting Terrorism**

U.S. and South African law enforcement authorities have cooperated on terrorism investigations, including investigations into the possibility that Islamic militants from outside the region have had a presence in or ties to support groups within South Africa. In 1999, South African authorities arrested Khalfan Khamis Mohamed, a Tanzanian later convicted in the bombing of the U.S. embassy in Dar es Salaam, and deported him to the United States. Khalfan had reportedly sought to hide among Cape Town's Muslim community after he fled Tanzania. There is continuing concern that other terrorists may seek to hide in South Africa, or make use of its modern transportation and communications systems for transit, smuggling, and money-laundering.<sup>61</sup>

There is concern over the potential use of South African travel documents by would-be terrorists. Several foreign nationals with suspected ties to terrorism have been apprehended at U.S. and British borders, as well as in Pakistan and elsewhere in Africa, with South African travel documents. South African passports were found during raids by British police on suspected terror groups in London in 2004 and 2005. The U.S. State Department's Office of the Coordinator for Counterterrorism has repeatedly noted concern regarding fraudulent South African travel documents, linking them to a lack of institutional capacity and corruption within the Department of Home Affairs, which is responsible for immigration services.<sup>62</sup>

The United States provides assistance to a range of South African authorities, including the South African Police Service, to support their efforts to counter terror in South Africa and the region, and to prevent illicit trade in weapons of mass destruction. The Department of Homeland Security Customs and Border Protection (CBP) assisted South Africa in the development of a dedicated law enforcement unit within the South African Revenue Service (SARS) focused on WMD issues. SARS has a CBP Container Security Initiative team that screens containers passing through the port of Durban. U.S. assistance has also supported training for security contingencies related to the 2010 World Cup, including airport security management, border control management, critical incident management, and preventing attacks on soft targets.

The U.S. Department of Treasury's Office of Foreign Assets Control (OFAC) includes several South African nationals in its Specially Designated Nationals List (SDN), which sanctions individuals and groups believed to have links to terrorism. In a controversial move, the South

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<sup>60</sup> Remarks by Secretary of State Hillary Clinton at an Embassy Meet and Greet in Pretoria, August 7, 2009.

<sup>61</sup> For more recent information, see the State Department's *Country Reports on Terrorism*.

<sup>62</sup> U.S. Department of State, *Country Reports on Terrorism*, 2010.



African government used its position in 2007 as a member of the U.N. Security Council's Al-Qaeda and Taliban Sanctions Committee, also known as the 1276 Committee, to block United Nations travel and financial sanctions on two of these individuals, Farhad Ahmed Dockrat and Dr. Junaid Ismail Dockrat. South Africa argued that the evidence against the two was insufficient.<sup>63</sup>

The South African government has expressed differences with the United States in the latter's designation of Hamas and Hezbollah as terrorist organizations. In May 2007, prior to the Hamas military seizure of the Gaza Strip, the South African Minister of Intelligence met with Hamas leader and then-Prime Minister of the Palestinian Authority Ismail Haniyeh. According to some media reports, he publically praised Hamas and invited Haniyeh to visit South Africa.

## **Diplomatic Differences**

Despite the cordial relations that officially exist between South Africa and the United States, some analysts suggest that diplomatic differences in recent years highlighted what a former U.S. Assistant Secretary of State for African Affairs referred to as a "rough patch" in U.S.-South African relations.<sup>64</sup> As one U.S. official pointed out, the country has had close ties with the Non-Aligned Movement countries, and has exhibited "marked sympathy toward countries that exert their independence from the West."<sup>65</sup> Some South African officials expressed opposition to the Bush Administration's initial proposal to locate the new U.S. combatant command, Africa Command or AFRICOM, on the continent.<sup>66</sup> However, the government later allowed a historic visit by a U.S. aircraft carrier, the USS Theodore Roosevelt, in late 2008, and its navy engaged in a range of training exercises with the USS Arleigh Burke, a guided missile destroyer, in 2009. Military relations are reportedly improving. South Africa took a critical stance toward the war in Iraq, and former President Nelson Mandela was vocal in his opposition to what he viewed as U.S. unilateralism on Iraq. South Africa has also differed significantly with the United States on Iran.<sup>67</sup>

## **The United Nations**

South Africa's role as a non-permanent member of the U.N. Security Council from 2007 through 2008 was controversial, and the Mbeki Administration was criticized by the United States as well as by many human rights activists for its lack of support for human rights issues raised before the Council.<sup>68</sup> In January 2007, South Africa voted against a resolution on political prisoners in

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<sup>63</sup> "Terrorism Financing Blacklists at Risk; Global System Faces Multiple Challenges," *Washington Post*, November 2, 2008.

<sup>64</sup> Janine Zacharia, "U.S. Finds an Antagonist in a Country on the Rise," *International Herald Tribune*, June 27, 2007.

<sup>65</sup> Remarks by Deputy Assistant Secretary of State Linda Thomas-Greenfield, "U.S.-South Africa Relations: The View from Washington," Washington, D.C., September 14, 2006.

<sup>66</sup> According to South African media reports, in July 2007, then-U.S. Ambassador to South Africa, Eric Bost, publicly expressed frustration that the country's defense minister would not respond to requests for a meeting with General Kip Ward, commander of AFRICOM. For more information, see CRS Report RL34003, *Africa Command: U.S. Strategic Interests and the Role of the U.S. Military in Africa*, by Lauren Ploch.

<sup>67</sup> During a 2006 visit by the Iranian Foreign Minister to Pretoria, South Africa affirmed its support for Iran's "inalienable right to pursue nuclear energy for peaceful purposes," at the same time that the Mbeki government announced its intention to consider renewing its uranium enrichment program. South Africa, which dismantled its own nuclear weapons program after the fall of apartheid, insisted that any enrichment program would be strictly peaceful in nature. "South Africa's Support for Iran's Nuclear Program 'Holds Firm,'" *BBC Monitoring Africa*, September 1, 2006.

<sup>68</sup> See, for example, Colum Lynch, "South Africa's U.N. Votes Disappoint Some," *Washington Post*, April 16, 2007; James Kirchick, "Why, the Beloved Country?," *Los Angeles Times*, July 29, 2007.

Burma, arguing that alleged human rights abuses in sovereign countries are not covered by the mandate of the Security Council as defined by the U.N. Charter. It argued that because the abuses do not pose a direct threat to international peace and security, they would be more appropriately addressed by the U.N. Human Rights Council.<sup>69</sup> In March 2007, while serving a one-month term as President of the Security Council, South Africa reportedly blocked discussion of human rights abuses in Zimbabwe.<sup>70</sup> Nobel laureate Archbishop Desmond Tutu said of the Burma vote, in which China and Russia cast a double veto, “I am deeply disappointed by our vote. It is a betrayal of our own noble past.... The tyrannical military regime is gloating, and we sided with them. If others had used the arguments we are using today when we asked them for their support against apartheid, we might still have been unfree.”<sup>71</sup> Former DA leader Tony Leon expressed similar sentiments on his government’s alleged refusal to address the Zimbabwe situation, calling it “extraordinary irony” that the ANC government would use the same argument used to block debate on the abuses of the former apartheid regime in South Africa.<sup>72</sup>

In July 2008, South Africa voted with Russia, China, Vietnam, and Libya in opposition to a U.S.-sponsored resolution on Zimbabwe (S/2008/447) that called for targeted sanctions on select members of the Mugabe regime, an international arms embargo, the appointment of a U.N. Special Representative on Zimbabwe, and the creation of a Panel of Experts to monitor and evaluate the situation and the effects of the sanctions.

South Africa and the United States also differed on Middle East issues addressed by the Security Council. In 2007, South Africa abstained from a U.S.-sponsored resolution to establish an international tribunal to investigate political killings in Lebanon, arguing that although it supported a tribunal with “Lebanese ownership,” it was not appropriate for the Security Council to impose a tribunal upon the country and “politicize international criminal law.”<sup>73</sup> The country was vocal in its opposition to sanctions on both Sudan and Iran, arguing that they would ultimately harden the target governments’ positions rather than reduce tensions. However, after efforts to modify resolution language, South Africa ultimately did vote for sanctions against Iran in March 2007, “to remind Iran of its responsibility towards the IAEA and the Nonproliferation Treaty.”<sup>74</sup> South Africa began a new term on the Security Council in January 2011.

## **Zimbabwe**<sup>75</sup>

Political and economic turmoil in neighboring Zimbabwe over the last decade led to a massive exodus of Zimbabweans in search of work. A nationwide outbreak of cholera in Zimbabwe in 2008 and early 2009 exacerbated the flight. Some sources estimate that as many as four million Zimbabweans (30% of the total population) may have left the country by 2009. Zimbabwe’s other neighbors, Zambia, Botswana, and Mozambique, also saw a significant rise in immigration during

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<sup>69</sup> U.N. document, S/2007/14, January 12, 2007.

<sup>70</sup> “Britain Wants U.N. Security Council Attention on Zimbabwe,” *Voice of America*, March 16, 2007.

<sup>71</sup> “Desmond Tutu ‘deeply disappointed with South Africa’s vote against U.N Security Council resolution on Myanmar,” *International Herald Tribune*, January 21, 2007.

<sup>72</sup> “South Africa Reportedly Blocking U.N. Debate on Zimbabwe Crisis,” *Business Day*, March 20, 2007.

<sup>73</sup> China, Indonesia, the Russian Federation, and Qatar also abstained. U.N. document, S/2007/315, May 30, 2007.

<sup>74</sup> U.N. Document S/Res/1747, March 24, 2007. For South African government statements on the vote, see “Iran Keeps Up Nuclear Consultation with SA,” *Business Day*, July 9, 2007.

<sup>75</sup> For more information on South Africa’s policies on Zimbabwe, see CRS Report RL34509, *Zimbabwe: The Transitional Government and Implications for U.S. Policy*, by Lauren Ploch

that period. Those who were caught by South African police entering the country illegally were sent back to Zimbabwe. Zimbabwe's economy has recovered slightly since the formation of the new government in early 2009, and basic goods are again available in Zimbabwe. Nevertheless, less than 10% of the population is estimated to be formally employed in Zimbabwe, and many who fled the country in the last decade currently see little economic opportunity at home.

In April 2009, the South African government suspended the deportation of illegal Zimbabwe immigrants, but in September 2010, the government announced an end to the special dispensation, requiring Zimbabweans to apply for a residency permit before 2011 or be deported. Over one million Zimbabweans are estimated to currently reside in South Africa, and those who are unemployed or hold part-time jobs are ineligible for permits. With thousands lining up in December 2010, the government relaxed requirements that applicants show a Zimbabwean passport, a document that is reportedly expensive and difficult to acquire. Advocacy groups have expressed concern that deportations may begin in April 2011.<sup>76</sup>

As mentioned above, tensions over perceived competition for resources led in mid-2008 to xenophobic attacks on Zimbabweans and other immigrants in townships throughout South Africa. Many were rendered homeless and forced to seek shelter in temporary camps established by the South African government, while others chose to return to their country of origin. Resentment against immigrants remains a potential flashpoint for violence in South Africa.

During his 2003 visit to Africa, President George W. Bush called then-President Mbeki his "point man" on Zimbabwe.<sup>77</sup> The United States has been outspoken in its criticism of the policies of Zimbabwe's President Robert Mugabe with respect to human rights, democracy, and land reform, and has imposed "targeted sanctions" prohibiting travel to the United States by Zimbabwe leaders. President Mbeki, by contrast, chose to deal with President Mugabe through "quiet diplomacy," or diplomatic engagement. Mbeki's Zimbabwe policies drew criticism from within South Africa; former President Mandela, Archbishop Tutu, former opposition leader Tony Leon, and even the ANC's ally, COSATU, were vocal detractors.

South African officials have called for western countries to reconsider the penalties they have imposed on Zimbabwe. Although the United States has expressed support for Zimbabwe's coalition government, U.S. officials remain critical of the presence of Mugabe and other "hardliners" in the government, and have been reluctant to ease sanctions. The United States and other donor governments remain concerned with the lack of progress on several outstanding issues related to political and press freedoms and government appointments. The opposition and others, including the United States, have requested that SADC, as mediator and guarantor of the political agreement between the opposition and Mugabe's party, press for reforms.

As Zimbabwe's largest trading partner, many observers consider South Africa to be in a position to exert substantial leverage on its neighbor. At the same time, South Africa must weigh the unintended effects of such leverage—increasing instability or state collapse across its northern border could produce a sharp increase in illegal migration and have a substantial impact on South Africa. For more information, see CRS Report RL34509, *Zimbabwe: The Transitional Government and Implications for U.S. Policy*, by Lauren Ploch.

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<sup>76</sup> "South Africa Could Deport 1.2 Million Zimbabweans, Lawyers Say," *Bloomberg Businessweek*, January 3, 2010.

<sup>77</sup> Comments made by President Bush during press conference on July 9, 2003, in Pretoria <http://www.whitehouse.gov/news/releases/2003/07/20030709.html>.

## Trade

The United States and South Africa enjoy a strong trade relationship. The two countries signed a Trade and Investment Framework Agreement (TIFA) in 1999, and the United States signed a Trade, Investment, and Development Cooperative Agreement (TIDCA) with South Africa and the other countries in the Southern African Customs Union (SACU) in 2008. South Africa is the largest market for U.S. goods on the continent. Leading U.S. exports include transportation equipment, chemicals, and electronic products, while leading imports include minerals and metals, and transportation equipment.<sup>78</sup> U.S. officials point out that South Africa continues to enjoy major benefits from the African Growth and Opportunity Act (AGOA, P.L. 106-200), with nearly all of its exports qualifying for duty-free entry into the United States. South Africa, the largest and most diversified supplier of non-fuel products under AGOA, exports vehicles, chemicals, minerals, metals, and agricultural, textile, and apparel products to the United States.

The Obama Administration's FY2010 foreign assistance budget request included \$13 million for programs aimed at supporting South Africa's economic development. These programs are designed to support the productivity and competitiveness of small and medium-sized enterprises (SMEs), expand financial services, and strengthen the financial and business sectors. They also aim to address South Africa's critical skills shortages. In addition to these funds, the U.S. government leverages resources from commercial banks and other sources, including a \$43 million U.S. Agency for International Development (USAID) Development Credit Authority to provide agriculture commodity input and term loan financing for emerging black farmers.

## Prospects for the Future

Analysts seem generally confident that South Africa will remain politically stable for some time to come. There are tensions in rural areas over land, but South Africa seems far from a rural upheaval over the issue, as has been the case in Zimbabwe. Social tensions over perceived inequalities in the distribution of wealth and inadequate service delivery, which resulted in violent attacks on African immigrants in 2008, are likely to continue in the near term as the government struggles to address the needs of its poorest citizens. South Africa's longer-term stability is linked to the success of the South African government and its partners in fighting poverty and reducing the toll of the AIDS pandemic.

The principal worry for some analysts has been that South Africa would become a de facto one-party state under the ANC, weakening checks and balances in the political system. Should this happen, some fear that the regime could become increasingly authoritarian and unresponsive to the needs of its citizens. ANC leaders reject this view, arguing that their party is a national liberation movement committed to transforming South Africa and fulfilling the aspirations of the poor.<sup>79</sup> Others have argued that the power of the ruling party is limited by the country's very active press, independent judiciary, and a bill of rights enshrined in the constitution. In any event, ANC leaders want their country to be seen as a leader in Africa, and as a spokesman for Africa and developing countries generally in world affairs. To play such roles, South Africa must continue to be recognized as a successful democracy.

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<sup>78</sup> U.S. International Trade Commission.

<sup>79</sup> See, for example, President Mbeki's December 16, 2002, address to the ANC national conference <http://www.anc.org.za/ancdocs/history/mbeki/2002/tm1216.html>.

**Figure I. Map of South Africa's Provinces**



**Note:** South Africa highlighted; all shaded areas are independent countries.

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