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# South Africa: Politics, Economy, and U.S. Relations

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## Summary

South Africa is a multi-racial, majority black southern African country of nearly 52 million. It held its first universal suffrage elections in 1994, after a transition from white minority rule under apartheid, a system of state-enforced racial segregation and socioeconomic discrimination. South Africa entered a period of mourning in late 2013, upon the death of its first post-apartheid president, Nelson Mandela. He is viewed as the founding father of the country's nonracial democratic system, the 20<sup>th</sup> anniversary of which was recently celebrated prior to national elections on May 7. South Africa is influential regionally, due to its political, trade, and investment ties across Africa and its active role within the African Union. It is viewed as a U.S. strategic partner in Africa, despite periodic foreign policy differences. In mid-2013, President Obama traveled to South Africa, among other African countries. Key issues addressed in South Africa included bilateral political and trade and investment ties, development cooperation, and shared U.S.-South African aims regarding similar issues across Africa, as well as democracy, youth leadership development, and peace and security.

Congress has long been engaged with South Africa, notably during the anti-apartheid struggle, and with regard to post-apartheid socioeconomic development efforts, a key focus of bilateral ties. Since 1992, South Africa has been a leading recipient of U.S. foreign aid, mostly devoted to addressing HIV/AIDS and other health challenges. Aid oversight has drawn the bulk of South Africa-related congressional attention in recent years. U.S. policy makers are also increasingly focused on efforts to strengthen already growing U.S.-South African trade and investment ties. Other key areas of bilateral engagement include security cooperation and an ongoing U.S.-South African Strategic Dialogue. Established in 2010, the Dialogue centers on health, education, food security, law enforcement, trade, investment, and energy, among other issues.

South Africa has the largest, most diversified, and highly industrialized economy in Africa. It has enjoyed moderate economic growth in most recent years. Average per capita incomes and access to education have grown across racial groups, notably for blacks. Despite post-apartheid national socioeconomic gains, South Africa remains a highly unequal society with respect to wealth and income distribution and access to jobs, social services, utilities, and land. Most blacks are poor, and average black incomes are far smaller than those of the historically privileged white minority. Blacks also suffer very high unemployment rates (36% in 2011), and have far less access to education. Shortages of quality housing, utilities, and social services in townships—the vast, high-density housing settlements where many of the poor live—spur ongoing social and political tensions. Other key problems include public corruption and widespread violent crime. Vigilante justice and mob violence is not uncommon, and heavy-handed police tactics sometimes result in human rights abuses. South Africa also suffers high rates of HIV/AIDS.

In late 2012, the governing African National Congress (ANC) party, despite some reported internal divisions, reelected as its president Jacob Zuma, ahead of the May 2014 national elections. The parliament elected Zuma to his first term as president of South Africa in 2009. The ANC government faces the substantial challenges noted above, along with others, including labor unrest, rising dissatisfaction within key labor constituencies, and dissatisfaction among youths. Youth populations face particularly high jobless rates and may lack older generations' continuing allegiance and gratitude to the ANC for helping to end apartheid. To address these diverse challenges, all of which are electoral issues, the government is investing billions of dollars to upgrade infrastructure and improve public service delivery, but is likely to face continuing challenges in meeting popular expectations.

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## Key Current Issue: Elections

On April 27, 2014, South Africa celebrated Freedom Day—marking the 20<sup>th</sup> anniversary of the first non-racial democratic elections in 1994 and “the end of over three hundred years of colonialism, segregation and white minority rule”—ahead of the fifth democratic post-apartheid national election on May 7.<sup>1</sup> The governing African National Congress (ANC) political party is widely expected to maintain an electoral majority after the polls, though its share of the vote may shrink. As discussed in this report, the ANC faces substantial, increasing criticism focusing on its governance record by many in the general public, a range of civic leaders, and by rival political parties, the number of which has recently grown by two. An early 2014 opinion poll pegged the ANC’s level of support at 53%, while it garnered about 66% in two recent polls. The latter figure is in line with its share of the parliamentary vote in the last election in 2009.<sup>2</sup> These issues and the elections are discussed below.

## Introduction: U.S. Relations with South Africa

In late June 2013, President Obama traveled to South Africa after visiting Senegal, prior to a visit to Tanzania. His trip to the African continent highlighted U.S.-African cooperation and policies in the areas of trade and investment, development, democracy, and peace and security, which the President addressed in a “framing speech” at South Africa’s University of Cape Town. The President also announced plans to host a U.S.-Africa heads of state summit in the United States in 2014, now slated to be held in early August, and the roll-out of Power Africa, “a new initiative that will double access to [electrical] power in sub-Saharan Africa.”<sup>3</sup> While in South Africa, the President held a meeting and a joint press conference with President Jacob Zuma of South Africa, which he described as a “critical partner” of the United States. Their meeting focused on U.S.-South African bilateral relations, which President Obama said are “extraordinarily strong,” and a wide range of regional and global political, security, economic, and development issues.<sup>4</sup>

Among other activities in South Africa, the President also held a town hall meeting as part of his Young African Leaders Initiative, initiated in 2010;<sup>5</sup> met with the African Union Commission chair on continental issues and regional organization capacities; and visited the Desmond Tutu

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<sup>1</sup> Apartheid was a system of white minority rule and state-enforced racial segregation and socioeconomic discrimination. Freedom Day quote from Government of South Africa, “Freedom Day 2014,” April 27, 2014.

<sup>2</sup> Ed Copley, “South Africa’s ANC Set for Two-Thirds Majority: Poll,” *Reuters*, April 20, 2014; and Rebecca Davis, “Of Punditry, Polling and Psychics: The Madness of Election Predictions,” <http://www.dailymaverick.co.za>, April 29, 2014.

<sup>3</sup> White House, “Remarks by President Obama at the University of Cape Town,” June 30, 2013. Power Africa is designed to provide up to \$7.8 billion in aid and project financing by U.S. development, trade, and investment agencies to support public-private projects and spur private sector investments aimed at expanding power generation and transmission infrastructure across Africa. It also seeks to enhance related institutional and regulatory capacities and “leverage private sector investments. As of early March 2014, investment pledges or commitments under Power Africa totaled over \$14.7 billion.. White House, “Fact Sheet: Power Africa,” both dated June 30, 2013; and U.S. Agency for International Development (USAID), *Power Africa*, <http://www.usaid.gov/powerafrica>.

<sup>4</sup> White House, “Remarks by President Obama and President Zuma of South Africa at Joint Press Conference,” June 29, 2013.

<sup>5</sup> During the meeting, the President announced a fellowship program under the initiative, which seeks to support young African leaders’ efforts to “spur growth and prosperity, strengthen democratic governance, and enhance peace and security” in Africa. White House, “Fact Sheet: The President’s Young African Leaders Initiative,” June 29, 2013; and Kasie Coccaro, “President Obama Holds a Town Hall with Young African Leaders,” White House Blog, June 30, 2013.

HIV Foundation Youth Center. The Center visit was intended to highlight community-based solutions to healthcare challenges and the Administration's global health agenda, in particular efforts to help improve public health systems in South Africa and elsewhere in Africa.

### The Late Former President Nelson Mandela

President Obama's 2013 trip to Africa came at a time of growing international concern over the frail health of former South African President Nelson Mandela, widely revered as an icon of the anti-apartheid struggle. Mandela, born in 1918 and imprisoned for his anti-apartheid activities from 1962 until 1990, was elected as South Africa's first black president in 1994. He led the transition to non-racial democracy and as president prioritized efforts to foster national reconciliation and end socioeconomic inequalities created by apartheid. He was awarded the Nobel Peace prize for these efforts in 1993, along with his apartheid era predecessor, Frederik Willem de Klerk. As president and later, as an elder statesman, Mandela also worked to advance international peace and security. While in Africa, President Obama repeatedly paid tribute to Mandela's legacy, which he said had profoundly informed his own entry into public and political affairs.

Mandela died at the age of 95 on December 5, 2013. His passing immediately elicited a wave of eulogies and tributes from around the world, including from President Obama and multiple Members of Congress,<sup>6</sup> citing his work as an internationally renowned advocate of freedom, social justice and equality of opportunity, and non-racial democracy.<sup>7</sup> President Obama stated that Mandela was

one of the most influential, courageous, and profoundly good human beings [ ... ] Through his fierce dignity and unbending will to sacrifice his own freedom for the freedom of others, Madiba [Mandela's clan name, a term of endearment] transformed South Africa—and moved all of us. His journey from a prisoner to a President embodied the promise that human beings—and countries—can change for the better. His commitment to transfer power and reconcile with those who jailed him set an example that all humanity should aspire to [ ... ] And the fact that he did it all with grace and good humor, and an ability to acknowledge his own imperfections, only makes the man that much more remarkable. [ ... ] To the people of South Africa, we draw strength from the example of renewal, and reconciliation, and resilience that you made real. A free South Africa at peace with itself—that's an example to the world, and that's Madiba's legacy to the nation he loved.<sup>8</sup>

An official state memorial service was held for Mandela in South Africa on December 10, and a state funeral followed on December 15.<sup>9</sup> President Obama and the First Lady attended the memorial in South Africa, along with a bicameral congressional delegation made up of approximately two dozen Members, as did a large number of other foreign dignitaries and VIP mourners. The memorial attracted massive global media coverage. Among several off-beat developments (e.g., President Obama's "selfie" cell phone picture with European leaders and reportedly nonsensical communication by an allegedly schizophrenic sign language interpreter), it featured incidents that some analysts interpreted as having potential political implications. One was the berating of President Zuma by many in the memorial stadium crowd, which some characterized as a possible auger of electoral prospects for the ANC in the 2014 elections. Another was President Obama's handshake with Raul Castro, the head of the Cuban government, a long-time U.S. foe.<sup>10</sup>

<sup>6</sup> Two congressional resolutions honoring Nelson Mandela and his accomplishments were passed after his death: H.Res. 434 (Bass), "Honoring the Life, Accomplishments, and Legacy of Nelson Mandela and Expressing Condolences on His Passing," and S.Res. 321 (Reid), "A Resolution Honoring the Life, Accomplishments, and Legacy of Nelson Rolihlahla Mandela and Expressing Condolences on His Passing"

<sup>7</sup> Mandela's life's work was the subject of massive global media coverage. World leaders' statements are summarized at the South Africa's official Mandela commemorative website, <http://www.mandela.gov.za/quotes/index.html>.

<sup>8</sup> The White House, "Statement by the President on the Death of Nelson Mandela," December 5, 2013.

<sup>9</sup> The South African government also held a memorial service at the Washington National Cathedral, to which all Members of Congress and many other top policy-makers were invited, among other events.

<sup>10</sup> Peter Fabricius, "Boo Who and Boo Why: What the Barracking of Zuma Portends for Next Year's Elections," *ISS Today*, Institute for Security Studies, December 12, 2013; Pascal Fletcher, "Handshake Stirs Old Revolutionary Ghosts at Mandela Memorial," *Reuters*, December 10, 2013; and Jon Lee Anderson, "Behind Obama's Handshake with Raúl Castro," *Daily Comment* [New Yorker magazine blog], December 11, 2013.

The State Department characterizes South Africa as a U.S. “strategic partner,”<sup>11</sup> and President Obama’s trip to the country underlined that bilateral ties remain close, as they have been since 1994, despite periodic differences on some foreign policy issues. Socioeconomic development is a key focus of bilateral cooperation; since 1992, South Africa has been a leading African recipient of U.S. aid, the bulk of which supports HIV/AIDS and related health programs. U.S.-South African trade ties are also important. Total trade (exports and imports) more than doubled over the past decade, reaching a record of \$16.7 billion in 2011 before declining slightly to \$16.2 billion in 2012 and \$15.8 billion in 2013. South Africa has enjoyed a significant but declining trade surplus with the United States and is a major export and investment destination for U.S. businesses in Africa. Security cooperation is another key area of engagement. In 2010, the two countries established a Strategic Dialogue centering on cooperation related to health, education, food security, law enforcement, trade, investment, energy, and nonproliferation. South Africa hosted two visits by former Secretary of State Hillary Clinton, as well as by other top U.S. officials. John Kerry had not made a visit to South Africa as Secretary of State as of early May 2014. First Lady Michelle Obama traveled to South Africa in 2011, as did Vice President Joseph Biden and his wife in 2010, when they attended the World Cup.

Congress has played an active role in U.S. relations with South Africa. This was particularly true during the struggle against apartheid, beginning in the late 1960s, through the first decade that followed the 1994 transition to majority rule.<sup>12</sup> In recent years, congressional engagement with South Africa has mainly focused on foreign aid program oversight, particularly relating to HIV/AIDS and other healthcare-related programs. In addition to these traditional areas of interest, efforts to bolster trade and investment ties with South Africa, and with Africa generally, are drawing increasing congressional attention. Trade was a key focus of an early 2013 bicameral congressional delegation to South Africa.

### South Africa at a Glance

**Geography and Key Natural Resources:** Nearly twice as large as Texas. Ample metal and mineral deposits; rare earth elements; diamonds; and natural gas.

**Population:** 51.7 million (2011)

**Key Exports:** Platinum, gold, and other metals and minerals; diamonds; machinery and equipment.

**Languages:** 11 official languages; of these, isiZulu, isiXosa, English, and Afrikaans are most widely spoken.

**Religions:** Christian, 79.7% (Protestant, various denominations, 36.6%; other Christian, 36.0%; Catholic, 7.1%); None, 15.10%; other/unspecified, 3.7%; Muslim, 1.5% (2001)

**Literacy:** Blacks, 78%; Coloured, 83.4%; Indian/Asian, 91.2%; Whites 98.1%; (2011)

**Under-5 Mortality:** 44.6 deaths/1,000 live births (2012)

**HIV/AIDS adult infection rate:** 17.9% (2012)

**Life Expectancy, years:** 50.5, male; 48.6, female (2014 est)

**Sources:** CIA *World Factbook*, 2014; World Bank data; and South African Census, 2011.

## Country Overview

South Africa, a multi-racial but predominantly black country about twice the size of Texas, has the largest, most diversified, and most industrialized economy in Africa. South Africa is also influential regionally, due to its investment and political engagement in many African countries and active role and leadership within the inter-governmental African Union (AU). It has enjoyed

<sup>11</sup> State Department, “South Africa,” *Congressional Budget Justification*, FY2013, among others.

<sup>12</sup> Congress sought to induce democratic change by enacting a range of restrictions on U.S. relations with the apartheid regime in the 1970s and 1980s. These actions culminated in passage of the Comprehensive Anti-Apartheid Act of 1986 (P.L. 99-440). It imposed multiple conditional sanctions on South Africa and was enacted after being vetoed by then-President Ronald Reagan. The Reagan Administration had sought to promote change by maintaining links with the apartheid regime and engaging it in dialogue, in part due to shared U.S.-South Africa regional anti-communist goals.



economic growth for more than a decade, apart from 2009 when the economy contracted, and average per capita incomes and access to education have grown across racial groups, notably for blacks. Nonetheless, South Africa remains a racially unequal society with respect to wealth and income distribution and access to jobs, social services, and utilities. There are also significant regional, rural-urban, and intraracial disparities. Most black South Africans live in poverty, and average per capita black incomes are one-sixth as large as those of the historically privileged white minority, although this disparity has gradually declined. Blacks are also disproportionately unemployed, at a rate of 36% in 2011, compared to 5.9% for whites, and have relatively less access to education, although black education rates are steadily increasing.<sup>13</sup>

South Africa faces multiple challenges, many related to poverty and public service provision. Most South African cities are surrounded by vast, high-density informal housing settlements, known as townships, which are populated mostly by blacks and coloureds.<sup>14</sup> Shortages of formal housing (i.e., legally registered, generally durable cement houses, as opposed to improvised shanty structures often constructed by squatters), water, electricity, and social services in townships have contributed to growing social and political tensions. Township protests demanding improvements in these areas have increased in recent years. Labor unrest is also common and rose sharply in 2012, and has remained so, notably in the mining sector. Public corruption is another key challenge, and there are high rates of violent crime, particularly rape. There are periodic reports of vigilante and mob violence, and police reportedly often use heavy-handed tactics to respond to crime and public unrest, occasionally resulting in serious human rights violations. South Africa is afflicted by high and gradually increasing rates of adult HIV prevalence. The rate in 2012 was 17.9%.<sup>15</sup>

## Politics and Governance Under President Zuma

The ANC has held a large majority in the National Assembly (parliament) since the first universal suffrage elections in 1994, and currently holds a majority just shy of the two-thirds required to amend the constitution. The parliament elects the country's president and, as a result, the ANC has controlled the executive branch since 1994. The ANC customarily nominates its party president to serve as national president, with some exceptions (see textbox below). The assembly elected the incumbent ANC president, Jacob Zuma, to his first term as national president in 2009.

Despite rising criticism of Zuma and internal party challenges to his candidacy, Zuma mounted a carefully crafted, successful campaign to ensure his reelection as head of the ANC at a late 2012 ANC party congress. He easily thwarted a belated and reportedly ill-coordinated rival bid by his deputy, Kgalema Motlanthe.<sup>16</sup> Zuma's election as head of the ANC means that he is almost certain to win a second term as South Africa's president.

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<sup>13</sup> Statistics South Africa, *Census 2011*, Statistical Release P0301.4, October 30, 2012.

<sup>14</sup> Black Africans of varying ethnic groups make up 79.2% of the population. Most whites are Afrikaans speakers of Dutch, German, and French Huguenot ancestry, but there is a significant English-speaking white minority. Other key minorities include coloureds, a multi-racial group with varying black, white, Khoisan, Malagasy, and other ancestry; and Asians, many of Indian descent. Whites and coloureds each make up 8.9% of the population, while Indians/Asians make up 2.5% and others 0.5%. Statistics South Africa, *Census 2011*, Statistical Release P0301.4, October 30, 2012.

<sup>15</sup> For more detail on HIV indicators see UNAIDS, <http://www.aidsinfoonline.org>.

<sup>16</sup> Motlanthe, who is the incumbent national vice president and Zuma's predecessor as South African president, entered the race as deputy ANC president. The Zuma camp reportedly "sent 40 hand-picked intelligence operatives" to the (continued...)

### Jacob Zuma: Background and Rise to the Presidency

Zuma has a colorful political persona. He comes from a poor background and was largely illiterate until adulthood. He joined the ANC in 1959 and its armed wing, Umkhonto We Sizwe, in 1962. After a 1963 sedition conviction, he served a 10-year sentence at Robben Island prison, where many of the most notable members of the ANC, notably including Nelson Mandela, were also imprisoned. Upon his release in the mid-1970s, he worked for the ANC in exile abroad. He rose in its ranks, serving as ANC intelligence chief and in multiple top political posts, both during and after the anti-apartheid struggle. He has used his liberation background, his Zulu ethnic identity, and appeals to African cultural tradition to obtain support among Zulus and the larger black African population, notably in rural and poor areas. He reportedly adeptly uses local idioms to draw analogies between traditional African social institutions, ANC policies, and the developmental role of the state. Dubbed the “100% Zulu Boy,” he is a traditional polygamist, having married six times. He is famous for singing and dancing to *Awuleth’ Umshini Wami (Bring Me My Machine Gun)*, a Zulu language armed liberation song that some believe inappropriately legitimizes the use of political violence.

Zuma was first elected as ANC president in 2007, when he ousted then-national president Thabo Mbeki as head of the ANC at the party’s conference, but Zuma did not become president of the country until 2009. His 2007 election was seen as the result of growing disenchantment with Mbeki among ANC rank and file members, many of whom reportedly viewed Mbeki, fairly or not, as an aloof, neo-liberal technocrat beholden to wealthy elite interests, and as having exhausted his electoral mandate. Zuma’s run against Mbeki was also seen as driven by Mbeki’s dismissal of Zuma as deputy national president in 2005 after allegations that Zuma had been involved in corrupt acts. After his dismissal, Zuma also resigned as a member of parliament. He faced further legal challenges in late 2005, when he was charged with raping the daughter of a late family friend, for which he was acquitted after a high-profile trial in 2006.

The corruption allegations stemmed from a prosecution that led to the conviction of Zuma’s financial advisor for financial crimes, including charges related to a 1999, circa \$4.9 billion government arms deal with several large European firms. Zuma later faced corruption charges pertaining to the case against his advisor.<sup>17</sup> A conviction in the case would have rendered Zuma ineligible to become national president, but after extensive legal proceedings the charges were dropped in 2009, in part due to alleged interference by Mbeki in the case in a manner prejudicial to Zuma. This led to Mbeki’s recall by the ANC leadership. He was replaced by Kgalema Motlanthe, who served until 2009, when national elections were held, after which Zuma was elected national president by the National Assembly. The arms deal remains under investigation by the Arms Procurement Commission, also known as the Seriti Commission after its chairman, which was appointed by Zuma after legal suit in the matter and reportedly as a means of precluding a possible new independent judicial inquiry into the matter. Critics have alleged that the Commission’s members are protecting ANC officials and others implicated in the affair, including President Jacob Zuma.<sup>18</sup>

## The ANC and Other Political Parties

While the ANC is the dominant party in South Africa, it faces a growing number of opposition parties. The ANC, an ideologically leftist political party, earned much of its political support by leading the struggle against the apartheid system. It is dedicated to ending the diverse, deep-rooted, enduring social inequalities created by apartheid; and to ensuring social unity and equal access to rights, opportunities, land, and other resources, including through affirmative action and redistribution. It seeks to attain these ends by creating a “developmental state” built on a mixed economy combining state and other forms of collective ownership with private property and a market-based system. The ANC often supports social democratic-leaning development policies,

(...continued)

conference, both to ensure public security and to “identify and neutralise anyone attempting to swing the vote” for Motlanthe. In some instances, fraud, coercion, and patronage were allegedly used during pre-conference provincial delegate selections. *Africa Confidential*, “Zuma Leaves Nothing to Chance,” December 14, 2012, among others.

<sup>17</sup> See, for instance, Sam Sole, “Zuma Tapes: A Timeline,” November 2, 2012, and Niren Tolsi, “Zuma Misses Deadline for Affidavit on Spy Tapes,” October 24, 2012, both in the *Mail & Guardian (M&G)*.

<sup>18</sup> *M&G*: Glynnis Underhill, “Seriti Man Enforces ‘Second Agenda’,” August 7, 2013; Richard Calland, “Slow Search for the Truth Suits Zuma Well,” August 2, 2013; Matuma Letsoalo and Mmanaledi Mataboge, “Zuma ‘Had No Choice But to Call Inquiry’,” September 23, 2011, among others.



and many of its political documents are steeped in leftist, often radical political doctrine, but ANC-led state decision makers often implement more centrist, pragmatic, market-based policies. The ANC governs in a tripartite alliance with the Congress of South African Trade Unions (COSATU) and the South African Communist Party (SACP). Under the alliance, which guides ANC policy, COSATU and SACP are independent entities, but their members nominate political candidates through the ANC, hold ANC leadership posts, and help shape ANC policies.<sup>19</sup>

### Cracks in the Tripartite Alliance

The ANC's alliance with COSATU is under pressure. COSATU has long been a key partner in the ANC's governing alliance, although it has also long acted as a channel for criticism of the ANC. In recent years, and into 2014, COSATU has sponsored multiple public protests focusing on such issues as new ANC-supported road tolls and short-term labor contract agencies.<sup>20</sup> In addition to the particularities of such individual issues, the protests are viewed as reflecting COSATU demands that the ANC pay heed to its members' political priorities in the run-up to the 2014 elections. A more fundamental problem for the ANC and for COSATU's influence on political power is COSATU's division into pro- and anti-Zuma and ANC factions. Leaders of the National Union of Metalworkers of South Africa (NUMSA), the country's largest union, have urged that COSATU revisit and perhaps exit the tripartite alliance, and in the face of resistance to that end and other matters, have threatened to depart COSATU. They may form a new political movement, potentially in partnership with the new radical Economic Freedom Fighters party (see below). The rift between COSATU leaders and NUMSA has also been fueled by COSATU leaders' August 2013 suspension of COSATU's general secretary, Zwelinzima Vavi, despite opposition from grassroots members. Vavi has a reputation as a gifted political tactician and as a key Zuma critic.<sup>21</sup> Other sources of differences within COSATU are the growing portion of its membership made up of public sector workers, who have different demands from and are increasingly eclipsing the blue collar and industrial workers who traditionally made up the bulk of COSATU's constituent unions' members; and splits between union leaders and members in some cases.<sup>22</sup>

The second-largest party in parliament, the Democratic Alliance (DA), was formed as a means of challenging ANC dominance.<sup>23</sup> In subsequent elections at various levels of government the DA gradually increased its electoral strength, and in 2009 won a majority in the provincial legislature of the Western Cape. In 2010, another opposition party, the Independent Democrats, announced that it would merge with the DA. The currently female-led DA has a substantial white and coloured support base, but has faced challenges in attracting broad black support.<sup>24</sup>

<sup>19</sup> ANC, *Building a National Democratic Society: Strategy and Tactics and the Balance of Forces in 2010*; ANC, *The Second Transition? Building a National Democratic Society and the Balance of Forces in 2012*, Special National Executive Committee, February 27, 2012; and ANC, *The National Executive Committee/The Tripartite Alliance*.

<sup>20</sup> Periodic toll protests began in 2012. COSATU alleges that labor contract agencies exploit workers by providing low pay and few job benefits and maintain unequal work practices rooted in the apartheid system. *Africa Confidential*, "ANC Wields the Long Knives," April 12, 2013, and other sources.

<sup>21</sup> Vavi was suspended over an extra-marital affair with a worker he hired and was the subject of a COSATU probe over putative irregularities pertaining to the sale of COSATU real property. Karl Gernetzky, "New Party Under Way—Numsa," March 3, 2014, and Natasha Marrian, "Cosatu Bosses Take a Stand Against Dissent," March 5, 2014 and "Numsa Makes Powerful Enemies in Its Rebellion," March 6, 2014, all in *Business Day Live (BDL)*, and Amogelang Mbatha, "South African Court Strikes Down Suspension of Union Leader Vavi," *Bloomberg News*, April 4, 2014.

<sup>22</sup> Carol Paton, "Class Divide Splitting Cosatu Will Not Be Bridged Easily," *BDL*, March 10, 2014; and Jay Naidoo, "COSATU: In the Eye of the Storm," *Daily Maverick* [online comment and analysis publication], April 27, 2014.

<sup>23</sup> The DA was established in 2000 as a merger between the Democratic Party (a primarily white but liberal, historically anti-apartheid party) and the New National Party (descended from the National Party, the progenitor of the white apartheid regime). During local elections in 2000, the two parties' alliance enabled them to maintain electoral control of the provincial legislature, the key city of Cape Town, and many municipalities in Western Cape Province. The NNP left the DA in 2001 to ally with the ANC, with which it later merged, in part to obtain state posts for its leaders.

<sup>24</sup> DA, *Our History*, 2013; Neil Southern, "Political Opposition and the Challenges of a Dominant Party System: The Democratic Alliance in South Africa," *Journal of Contemporary African Studies*, (29:3), 2011; and various election result data sources.

A long-time key opposition party is the mostly ethnically Zulu Inkatha Freedom Party (IFP), headed by Chief Mangosuthu Buthelezi, who has been active in politics for decades. The IFP has steadily lost parliamentary seats since the 1994 election, however, in recent years due partially to the rise of Zuma, whose own Zulu background and popularity have drawn the support of many Zulus. The IFP also suffered defections in 2011, when its former chairwoman left the party to form the National Freedom Party.

A newer party is the Congress of the People (COPE), formed by a dissident group of former ANC government ministers in 2008, ahead of the 2009 election. COPE was formed in the wake of Zuma's successful ouster of Mbeki as head of the ANC in 2007, which caused enduring rifts between the two leaders' supporters. There is substantial animosity within the ANC for COPE. COPE won 30 seats in 2009, becoming the third-largest party in parliament and arguably curtailing the strength of the ANC, but fared poorly in municipal elections in 2011, when it garnered only 2.6% of votes.<sup>25</sup>

In July 2013, another key ANC dissident, Julius Malema, a former ANC Youth League (ANCYL) president expelled from the ANC for breaking party rules in 2012, launched a rival party, the Economic Freedom Fighters (EFF), together with allied ANC dissidents and others. The EFF is seen as an important challenger to the ANC but not, to date, a major one. It appears to draw from the ANC's more radical and poorer political base: jobless youth, workers, and other constituencies whose members feel disenfranchised by or alienated from the ANC, or who seek the kinds of radical nationalist economic policy changes that the EFF supports.<sup>26</sup> It is also seen as likely to take votes from some smaller opposition parties.<sup>27</sup>

The EFF may well win some seats in the National Assembly, as discussed below, and if so, Malema would likely lead the party's parliamentary delegation. Malema's future, however, is in question, as he faces money-laundering, fraud, and racketeering charges related to alleged state contracting malfeasance, and bankruptcy and asset seizures related to a tax probe. Malema is a former avid supporter of Zuma and was elected ANCYL president in 2008, but he broke with Zuma and became one of his most vocal critics after Zuma became president. He was essentially expelled from the ANC for repeatedly harshly criticizing Zuma and other top ANC leaders. Malema's charismatic leadership style and inflammatory rhetoric—such as calls to nationalize the country's mines and seize and redistribute to poor blacks white-owned farmland, among other radical policy solutions to challenges facing the ANC—have earned him both impassioned followers, but also many strong critics. They have also prompted official sanction on occasion; prior to being expelled from the ANC, he was convicted for hate speech in 2011.<sup>28</sup>

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<sup>25</sup> One 2012 ANC political document denigrates COPE's former ANC leaders as "the whisky-drinking, cigar-smoking, class that profited from policies we now call the '1996 class project'—the grouping in government who imposed the neo-liberal, pro-business and pro-rich" policies and whose members exhibit an "anti-communism and anti-worker, anti-trade-union attitude.... exactly the same ... as the apartheid regime." ANC (Northern Cape chapter), *Strengthening the Organization, and to Build an All-Round Activist Approach to Defectors Who Want to Rejoin Our Ranks*, 2012; and Bloomberg News, "South Africa's Cope Party Sees Voter Support Slump After Power Struggle," May 19, 2011.

<sup>26</sup> On the EFF agenda, see *Declaration of the Economic Freedom Fighters National Assembly on What Is to Be Done*, July 2013 and *Economic Freedom Fighters Founding Manifesto*, November 2013, <http://www.economicfreedomfighters.org>.

<sup>27</sup> Natasha Marrian, "Opposition Status Beckons for EFF," *BDL*, April 24, 2014.

<sup>28</sup> BBC News, "Julius Malema of South Africa's Economic Freedom Fighters—A Profile," April 24, 2014"; Devon Maylie, "Zuma Critic Faces South Africa Charges," *Wall Street Journal Online*, November 30, 2012; and Richard Poplak, "Hannibal Elector: Julius Malema and the Rally That Rocked," *Daily Maverick*, May 4, 2014, among others.

There are a number of minor parties, and in early 2013 Mamphela Ramphele, a veteran anti-apartheid activist, academic, and businesswoman, announced the formation of a new one, Agang (“let us build” in the minority Sepedi language), aimed at contesting ANC rule. Many analysts judge its prospects alone as poor, but it adds to the number of parties that could coalesce into a more potent challenge to the ANC. That potential was reflected in an early 2014 decision by Ramphele to lead Agang into an electoral alliance with the DA under which she would have become the DA’s presidential candidate. Internal Agang opposition to the alliance, however, led Ramphele to terminate it a week later, prompting questions over her political acuity, reliability, and leadership skills.<sup>29</sup>

## 2014 Elections

On May 7, voters will cast separate ballots to elect members of the National Assembly and of nine provincial legislatures under a direct vote closed-list proportional representation system. This means that voters will elect parties, which will be allocated seats in the two levels of representative government proportional to their share of the vote. Seats will be awarded to individual candidates based on their position on ranked lists of party-selected nominees for office. At the national level, the lists are made up of 400 candidates, equivalent to the number of seats in parliament, divided into 200 members selected from national party lists and 200 from regional party lists. One seat is allocated to a party for each 0.25% of the vote it receives. After the election, the National Assembly will elect the national president and each provincial legislature will elect a provincial premier, as well as the members of the National Council of Provinces, the national upper house legislative chamber. Twenty-nine parties are contesting the national elections. The same parties, a sub-group thereof and, in some cases, additional parties are contesting each provincial election.<sup>30</sup>

At issue in the election are mainly the key policy challenges that are the focus of widespread discontent with the ANC. The main ones include high unemployment; lack of access to and poor quality education; corruption; crime and security challenges, including police abuses; and alleged ANC anti-democratic actions, especially related to cases of alleged constraints on expression and access to information. Public discontent over poor public goods and services provision, despite a significant post-1994 rise in access to such resources under the ANC, is another major issue. President Zuma has been a key object of rising public ire regarding an allegedly non-transparent \$23 million government upgrade of his personal homestead compound and other matters (see textbox on Nkandla, below). He is seen as a potential electoral liability for the ANC by many observers—he has been booed at several public appearances, including before a global audience during a televised memorial for Nelson Mandela, and has received a large amount of negative press coverage. The party has nevertheless defended him, and many long-standing ANC supporters voters are likely to vote for the party despite their discontent over Zuma’s record.<sup>31</sup> These and other issues and controversies are discussed further below.

<sup>29</sup> Wendell Roelf, “South African Black Leader Scraps Week-Old Electoral Pact,” Reuters, February 3, 2014.

<sup>30</sup> Inter-Parliamentary Union/Parline, “South Africa National Assembly/Electoral System; and International Foundation for Electoral Systems (IFES)/ElectionGuide, “South Africa/Election for National Assembly/May 7, 2014,” and South African Independent Electoral Commission election information, *inter alia*.

<sup>31</sup> *BDL*, “Half of ANC Want Zuma to Quit—Poll,” December 15 2013; Gareth van Onselen, “The Democratic Alliance Makes Massive Strategic Zuma Blunder,” *BDL*, March 24, 2014; and Open Source Center (OSC), “South Africa: ANC Rallying Behind Zuma in Wake of Growing Criticism,” February 7, 2014.

A fundamental question at issue is whether the majority ANC will gain enough seats (at least two-thirds, or 267 seats) to give it power to amend the constitution—or whether its share of the vote might dip below 50%. This would require it to form a governing coalition with one or more parties and would suggest that voters were no longer willing to support it on the basis of its anti-apartheid leadership role, and had repudiated it based on its post-1994 governance record. Opposition parties are sharply contesting the ANC's electoral dominance. In addition, the ANC faces dissent within its own traditional support base associated with political and strike-related turmoil within the traditionally ANC-affiliated labor movement. This has led some observers to predict the eventual establishment of a labor party. A number of high-profile former ANC members or supporters citing a poor ANC governance record—including Anglican Archbishop Emeritus and Nobel prizewinner Desmond Tutu—have also publicly stated that they will not vote for the ANC or have called for voters to spoil their ballots or vote for small parties.<sup>32</sup> This slow fragmentation of the ANC's base—and the political independence and relative political disengagement of the so-called “Born Free” generation, those born in 1994 or later, about 40% of the population, who reportedly vote in far smaller numbers than older generations—has prompted some observers to predict a gradual loss of ANC dominance in future elections.

Despite such challenges, the ANC is widely seen as likely to maintain a parliamentary majority, and Zuma, as head of the ANC, is almost certain to be re-elected as national president. Polling in 2014 has varied, with support for the ANC by one key polling firm, Ipsos, showing the ANC with 53% in late 2013 and 66% in March 2014. Other key parties that have drawn polling-related media attention are the DA and the EFF. The same Ipsos polls showed the DA with an 18% and then a 22.9% share, and the EFF with a 4% and then a 3.7% share. As with many polls, the Ipsos findings have come under methodological criticism from some quarters, but other polls have shown broadly proportionally similar numbers, typically with support for the ANC being reported in the low 60<sup>th</sup> percentile. Similarly, separate educated guesses by three political analysts in the latter half of 2013 projected 56% to 62% for the ANC; 23% to 27% for the DA; and between 1% and 10% for the EFF. Other smaller key parties, like Agang, Cope, and the IFP, were allocated between 2% and 6%.<sup>33</sup>

Campaigning has been hard-fought, and has featured several allegations of state bias against the DA and the EFF in the form of the rejection of applications to use public facilities for rallies, and the rejection by the state South African Broadcasting Corporation of ads by the same parties on various grounds, including claims that a proposed DA ad might incite violence against police. A shadow has also been cast on the country's Independent Electoral Commission (IEC) and its administration of the election following a finding by the Public Protector, akin to a government-wide inspector-general, that the chair of the IEC was guilty of “maladministration and misconduct” in a reportedly non-transparent IEC procurement case. Several opposition parties sued to have the chair, Pansy Tlakula, removed from office based on allegations that her leadership undermines the credibility of the IEC and of the May election. After an early May

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<sup>32</sup> Lawrence Bartlett, “Tutu Speaks Out on 20 Years of South African Freedom,” AFP, April 23, 2014; Mara Ispas, “Vote No Campaign Ready to Shock ANC at Elections,” *SA Breaking News*, April 30, 2014; and Ami Kapilevich, “Rock, Paper, Scissors: Why You Should Vote (For Anybody but the ANC) in the 2014 Elections,” *Daily Maverick*, April 15, 2014.

<sup>33</sup> Troye Lund, “Poll Prediction Palaver,” *Financial Mail*, April 10, 2014; and Rebecca Davis, “Of Punditry, Polling and Psychics: The Madness of Election Predictions,” *Daily Maverick*, April 29, 2014.

hearing in the case, however, the Electoral Court postponed further proceedings until June, meaning that Tlakula will administer the polls.<sup>34</sup>

## The Zuma/ANC Agenda: Policy Approaches and Challenges

South Africa has made great socioeconomic strides since the end of apartheid, but popular expectations and demands for change remain high, and the country faces a raft of problems. Far more schools, housing, and utilities are now available, notably to blacks, who make up 79% of the population. As the group most disadvantaged by apartheid, however, blacks continue to be the most impoverished portion of the population. Black access to education has grown substantially,<sup>35</sup> as have black incomes,<sup>36</sup> although massive gaps remain vis-a-vis whites. The range of other challenges that the country faces is diverse. According to analyses presented in a major 20-year national development plan (NDP) by the National Planning Commission (NPC), an executive branch entity:

- Unemployment and underemployment rates are very high; the quality of education, especially for the black majority, is poor; and South Africa remains a divided society, both socioeconomically and spatially (e.g., there are sharp rural-urban divides, and poor urban areas are often located at a distance from jobs, infrastructure, and public services), but most of all racially.
- Infrastructure is poorly located, inadequate, and under-maintained. Scaled-up investment in integrated freight and passenger transport systems, communication technology, and electricity generation and distribution systems is needed. Spatial divides hobble inclusive development; the poor often reside far from jobs, housing, infrastructure, and economic opportunity zones. Integrated urban and rural-urban planning investments are needed.
- The economy is unsustainably natural resource-intensive. Land, water, and mined commodity reserves are under stress, and climate change threats loom.
- Public health systems cannot meet demand or sustain quality services, and compete with the private sector for trained workers and other resources. Public services have been scaled up but cannot meet demand. Quality is also uneven and often poor, in part due to political rather than professional management and a lack of accountability structures.

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<sup>34</sup> Jamie-Leigh Matroos, “Tlakula Still Committed to Free and Fair Election,” *SA Breaking News*, April 30, 2014; and SAPA, “Pansy Tlakula Welcomes Inquiry Postponement,” May 3, 2014, among others.

<sup>35</sup> In 2001, 17% of blacks attained secondary education degrees. That proportion had grown to 27% by 2011, while the rate for whites remained stable, at around 40%. In 2011, 24.4% of blacks had partial primary education (13.9%) or no education (10.5%), but this proportion was down from 40.8% in 2001, when 18.5% of blacks had limited primary education and 22.3% had none. Statistics South Africa, *Census 2011*, Statistical Release P0301.4, October 30, 2012.

<sup>36</sup> Average annual black per capita incomes rose from about \$2,620 in 2001 to \$8,385 in 2011, a 269% increase. Whites have remained far wealthier, with average per capita incomes of \$22,550 in 2001 and \$50,512 in 2011. White per capita incomes have grown rapidly (by 188%) but more slowly than those of blacks. Black to white income inequality ratios have also declined; in 2001, average per capita white incomes were 8.6 times higher than those for blacks, while in 2011, they were 6 times higher. Statistics South Africa, *Census 2011*, Statistical Release P0301.4, October 30, 2012.



- Public corruption levels are high, partly due to weak, abuse-prone financial and procurement systems; lack of capacity to monitor for and sanction abuses; and unequal wealth distribution.<sup>37</sup>

The NDP lays out detailed goals and plans for addressing the problems identified above, among many others, and has been endorsed by parliament. It tracks closely both with other short- to long-term government economic development plans<sup>38</sup> and with the ANC's political and policy agendas, which closely inform and guide government action. Multiple recent assessments of political and economic progress since 1994 have been issued to commemorate South Africa's post-apartheid 20<sup>th</sup> anniversary. Many broadly reflect findings akin to those set out in the NDP.

## Governance Challenges

While the challenges identified and solutions offered by the NDP are the product of sober public policy analyses and planning, they also reflect a politically realistic self-assessment by the government; its findings dovetail with the views of many government and ANC critics. This is particularly true of unemployment, lack of educational and healthcare access, poor public service delivery, crime, and corruption, which are notable sources of widespread public anger. A wave of often violent mass labor strikes in 2012 was accompanied by a sharp rise in protests over inadequate township service delivery in 2012. At least 226 such protests occurred during the first eight months of 2012 and, as with labor protests, many were violent. Such protests have been common for many years but have steadily risen. Ineffective police responses or other actual or perceived failures by the criminal justice system have also often been the focus on local protests in recent years. In some instances, protests turn into acts of vigilante justice (e.g., lynchings and extra-judicial mob beatings or killings of suspected criminals).<sup>39</sup>

**Figure I. South Africa Map**



**Source:** CIA World Factbook, 2013.

<sup>37</sup> See NPC, *National Development Plan 2030: Our Future-Make It Work*, August, 2012. The NPC's analysis dovetails with many of the conclusions of a 2012 World Bank study, *South Africa Economic Update: Inequality of Opportunity*.

<sup>38</sup> Examples include the New Growth Path (see *The Economy*, below) and the "Outcomes Approach," a set of 12 strategic government goals and related agency "delivery agreements" and performance monitoring criteria. The outcomes focus on improvements in basic education, healthcare, and public security and criminal justice services; job skills training; infrastructure growth, integration, and related institution building; rural community development and agrarian reform, access to nutrition, and job and general economic growth; housing and basic services, notably in poor, high density urban areas; local government capacity building; environmental stewardship; and targeted anti-corruption measures. See The South African Presidency, *Guide to the Outcomes Approach*, May 2010.

<sup>39</sup> Wendell Roelf, "In South Africa's Slums, Mob Justice Rules," Reuters, July 12, 2012; and Nashira Davids, "The Year That Anger Boils Over," *The Times* via *The Sowetan*, October 11, 2012.



Corruption by economic elites, including some senior ANC members, of policies aimed at reversing the economic inequalities of the apartheid era has also stirred resentment. The same is true of the ANC's reportedly often politicized management of public goods and services, which frequently appears to financially benefit its local or national leaders, their kin, or associates. Such practices and the local political violence that they may generate are a reflection of the dearth of economic opportunities for blacks. For blacks with limited education and job prospects, local government posts gained through party ties may be one of the few ways out of poverty. Such actions often breed antipathy, however. According to one writer:

Local protests, in which [the ANC's] own members are participants, are increasingly hard to manage. While in the past, protestors symbolically burned public property, targets are now the homes, cars and persons of ANC councilors. ANC branch and regional politics has become dirty and violent, with some members carrying firearms to meetings and attacks and shootings of local leaders are not infrequent.<sup>40</sup>

## Corruption

Criticism of the ANC on corruption grounds is not limited to the party at large or its local branches; President Zuma and some members of his cabinet have also been reproached on this front. News and research reports have documented numerous cases of alleged patronage, influence peddling, and explicit criminal acts of corruption during Zuma's tenure, and some analysts allege that the incidence of such acts is increasing.<sup>41</sup> When he took office in 2009, South Africa ranked 55<sup>th</sup> best out of 180 countries on Transparency International's Corruption Perceptions Index. By 2012, it had dropped to 69<sup>th</sup> of 176 countries assessed. The government admits that corruption is a problem, and Zuma has taken strong public stances against it, but as discussed below and in the textbox profiling Zuma above, Zuma himself has been the subject of a series of public controversies related to corruption and other matters.<sup>42</sup> Critics allege that Zuma has suggested that the ANC supports the use of politics to advance private gain—essentially, according to some, a system of corruption—on the basis of remarks he made in early 2013, when he stated that if a businessman joins the ANC, “your business will multiply. Everything you touch will multiply.” The ANC, however, maintains that the statement merely indicated that the party is business-friendly.<sup>43</sup>

Under Zuma's tenure there have also been reports that prosecutions of suspected corrupt officials have been selective and that corruption cases reported in the press are not always officially investigated. In some instances, public information about state spending or administrative roles in

<sup>40</sup> Carol Paton, “Cosatu Finds A Way Through the Tricky Political Minefield,” *BDL*, May 16, 2012. There are multiple press accounts of local violence related to local service protests, ANC politics, and government corruption.

<sup>41</sup> Moeletsi Mbeki, “Corruption and Dependence: South Africa's Road to Ruin or Salvation?,” *Opendemocracy.net*, March 31, 2011; Corruption Watch, “What the Public Told Us About Corruption,” January 31, 2013; Justice Malala, “Has ANC Been Stolen?,” *Times Live*, March 18, 2013; Richard Pithouse, “Meeting Amidst the Rot,” *South African Civil Society Information Service*, December 12, 2012; Associated Press (AP), “SAfrica Audit: \$2.8 Billion Lost From Provinces,” March 20, 2013; and *Times Live*, “Massive Looting at SABC Exposed,” October 7, 2012.

<sup>42</sup> Donna Bryson, “S. Africa Prez Calls on ANC to Root Out Corruption,” *AP*, June 26, 2012; Stella Mapenzauswa, “Corruption Puts Strain on South Africa Budget,” *Reuters*, February 21, 2012; and “Zuma Says Buck Stops With Him on Police Lease Deal,” *M&G*, August 12, 2011. On Zuma, see “Appendix: Timeline of Major Controversies Involving Zuma,” in OSC, “South Africa: ANC Rallying Behind Zuma...,” *op. cit.*

<sup>43</sup> ISS, “When Do Close Ties Between Politicians and Business People Become Problematic?,” January 25, 2013; Nickolaus Bauer, “ANC: Nothing Wrong with Zuma's Call for Support From Businesses,” *M&G*, January 15, 2013; and M. Joshua Mazibuko, “Jacob Zuma Promoting Corruption-IFP NEC,” *Inkatha Freedom Party*, January 14, 2013.

public projects or deals involving party officials has not been released, and there have been some reported efforts to inhibit discussion of politically sensitive allegations in parliament and other formal forums. Over the past several years there have been other incidents pertaining to or suggesting acts of corruption, including a major school textbook procurement scandal—which added to criticisms of the Zuma government’s education record—and an allegedly irregular mining deal linked to Zuma relatives. The latter was among several allegedly questionable political and business dealings between a business family called the Guptas and top ANC officials, including Zuma.<sup>44</sup> There also have been frequent scandals over so-called “tenderpreneurship,” in which state officials, politicians, and politically connected businesspersons, often ANC-linked, use their authority or influence to secure government tenders and contracts. These have included several property leasing scandals implicating top law enforcement officials.<sup>45</sup> Diverse other types of police corruption, such as roadside bribe activity, and other types of irregular or corrupt dealings by state officials have been widely reported.<sup>46</sup>

### Zuma and the Nkandla Scandal

A major source of political damage to Zuma and the ANC in the lead-up to the 2014 election has been the so-called Nkandla scandal, which has been the focus of high-profile media attention since August 2012. Nkandla is the name of a village where Zuma has an eponymously named homestead compound. Controversy has raged over public spending and unusual contracting and payment terms pertaining to a state-financed, circa \$23 million nominal security upgrade to the compound that included a pool, amphitheater, a helipad, and a variety of other luxury facilities. An initial probe absolved Zuma of responsibility in the contracting, but many in the public view the upgrade as a gratuitous expenditure that personally benefits Zuma, while millions live in grinding poverty. Allegations of a cover-up in the matter were fueled by divergent explanations by officials for the projects and a state attempt to ban publication of pictures of the facilities, ostensibly on security grounds. Public Protector Thuli Madonsela, an independent state ombudsman, investigated and issued a report on the matter that described extensive procedural and legal irregularities in the construction projects at issue, and concluded that Zuma “unduly benefited from the enormous capital investment from the non-security installations at his private residence” and should have been financially responsible for many of the project’s costs. Her frank and critical report drew sharp criticism from the ANC, which called it “political.” Madonsela has also issued a number of reports implicating government ministers in the Zuma administration of wrong-doing, among thousands of less high-visibility cases, and in 2009 publicly criticized Zuma for not declaring his assets in the legally required period.<sup>47</sup> Renewed controversy over Nkandla erupted in late April, after ANC parliamentarians postponed until after the elections legislative hearings into the matter that opposition parliamentarians had advocated.<sup>48</sup>

<sup>44</sup> Lynley Donnelly, “Speaker Refuses Debate on Zuma Inc,” *M&G*, August 19, 2011; and *M&G*, “How About We DON’T Talk About It, Says Presidency,” August 15, 2011, among others. On the Guptas, see Verashni Pillay, “Grim Tales of the Brothers Gupta,” *M&G*, December 20, 2013; and “Who Are the Guptas?,” *BBC News*, May 14, 2013.

<sup>45</sup> A South African Auditor General’s report covering the 2010-2011 fiscal year found that state agencies made about \$2.8 billion in unauthorized expenditures and that only 3 of 39 (8%) departments and less than half of 272 state firms (42%) had clean audits for 2011. A former police Special Investigating Unit reportedly estimates government corruption losses at up to R30 billion (about \$3.3 billion) annually, with other observers positing larger figures. Stella Mapenzauswa, “Corruption Puts Strain on South Africa Budget,” Reuters, February 21, 2012, among others.

<sup>46</sup> On corruption, see Mandy de Waal, “Corruption Watch and SA’s Crusade Against Graft,” *Daily Maverick*, January 30, 2013; reports by Corruption Watch South Africa ([www.corruptionwatch.org.za](http://www.corruptionwatch.org.za)); numerous investigations by the *Mail and Guardian* and its Centre for Investigative Journalism ([amabhungane.co.za](http://amabhungane.co.za) >> Investigations), *City Press*, and other South African investigative media; Institute for Security Studies (ISS) studies on police corruption and analyses of corruption and politics; Peroshni Govender, “S.Africa’s Zuma Fires Scandal-Hit Police Chief,” Reuters, June 12, 2012; Erin Conway-Smith, “South Africa Troubled By Corrupt Cops,” *Global Post*, May 10, 2012; and Johannes Myburgh, “Zuma Fires Police Chief, Appoints New Ministers,” AFP, June 12, 2012, among others.

<sup>47</sup> The Public Protector is also reportedly probing the planned public-private construction of a new \$200 million-plus “smart growth center,” essentially a new town near Zuma’s residence, with about half financed by the state, allegedly through a presidentially led public entity that the DA opposition party views as a political patronage scheme. The Public Protector’s Nkandla report is entitled *Secure in Comfort*, March 2014. On Madonsela and her critics, see Mike Cohen, “Graft Ombudsman Madonsela Rattles South Africa’s Ruling ANC,” *Bloomberg News*, April 22, 2014; and (continued...)

## Crime and Police Responses

South African rates of violent crime are high, although rates for murder have steadily fallen (from 69.5 per 100,000 persons in 1994 to 30.9 in 2011/2012, according to South African Police Service [SAPS] statistics). In addition, it is common for perpetrators of crimes like robbery to aggravate such acts by also violently assaulting, raping, or killing their victims. Explanations for such brutality vary, and often trace the culture of violence among criminals to a mix of factors. These include norms formed under the apartheid system, including resistance to state repression and the widespread use of personal small arms; continuing stark socioeconomic disparities; patriarchal social mores and gender inequality; and other self-replicating norms of violence. Among violent crimes, the rape of women and children is very common, and rape and murder also features in identity-based hate crimes targeting sexual minorities. Although rape in South Africa is believed to be highly under-reported, South Africa still has among the highest rates of reported rape globally, at 127.5 per 100,000 persons in 2011/2012, according to SAPS data. Alleged rapists are often not found guilty; the country has a reported 12% rape conviction rate.

Women's rights activists and others have long decried the lack of stronger public and state responses to sexual violence. A number of brutal crimes against women and children in 2012 and early 2013,<sup>49</sup> however, galvanized more public outrage than such incidents generally have, and the ANC Women's League, backed by the ANC, called for a National Commission of Enquiry into rape and gender-based violence in early 2013. President Zuma also launched an anti-rape education campaign. Two other crimes in early 2013 also drew global attention to issues of gender violence and police misconduct in South Africa, the most high-profile being the killing by double leg amputee Olympic runner Oscar Pistorius of his girlfriend, which many women's rights activists have viewed as a crime of gender violence.<sup>50</sup>

Police misconduct incidents, ranging from serious human rights abuses—including torture and targeted killings<sup>51</sup>—to high-level corruption to lesser misconduct, such as roadside bribery and absenteeism, are part of a trend, according to many observers and many media reports. Such problems reportedly have multiple roots. Management challenges are a key factor, in part because the SAPS is a large, nationally dispersed force of about 200,000 personnel. Other factors include training deficits, partially arising from a wave of post-apartheid hiring; a purported code of silence regarding internal misconduct reporting; and the residual effects of repressive apartheid-

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(...continued)

Hamadziripi Tamukamoyo, Reitumetse Mofana, and Gareth Newham, "Attacks on the Public Protector Threaten South Africa's Constitutional Democracy," *ISS Today*, November 19, 2013, among others.

<sup>48</sup> Mike Cohen, "South Africa's Ruling ANC Delays Zuma Probe Until After Election," Bloomberg News, April 28, 2014; and Ranjeni Munusamy, "The ANC's Gift to Its Next Government: The Rotting Legacy of Nkandla," *Daily Maverick*, April 29, 2014.

<sup>49</sup> An extremely brutal gang rape and murder of a teenager in an early 2013, coming after weeks of public furor in India about a similar incident, sparked widespread public revulsion and calls for punitive and policy action to counter crimes of sexual violence. The rape of a two-year-old in early 2013 also provoked outrage, as had the gang-rape of a 17-year-old girl in 2012, a recording of which was uploaded to and went viral on the Internet.

<sup>50</sup> SAPS responses in the Pistorius case, which is ongoing, drew public criticism after reports of errors by the lead detective investigating the case and revelations that the same officer was facing seven attempted murder charges. In February 2012, the SAPS again faced sharp criticism from the public and from President Zuma after the death of a taxi driver in police custody. Eight SAPS officers face murder charges for tying the driver to a police vehicle and dragging him for a considerable distance. A similar, but separate police dragging case was reported days later.

<sup>51</sup> AI, "Brutal Reign by South African Police Claims Another Victim," March 1, 2013.

era police practices. Abuses also stem from a hardnosed policing culture that appears to be a reaction to the highly violent crime context that officers confront daily.<sup>52</sup> Despite problems of misconduct, the SAPS reportedly has a core of well-trained officers and a number of highly specialized units, notably the Directorate for Priority Crime Investigation, a serious organized and commercial crime and high-level corruption unit. Moreover, SAPS is seen as a capable force by regional standards, and the majority of police reportedly do not engage in misconduct or abuse.

## Youth Population: Political Potential and Character

Another long-term challenge for the ANC government stems from South Africa's large youth population, especially those born after 1994. Dubbed the "born free" generation, they comprise about 38% of the population and have always lived in a democracy. Of this age cohort, nearly 2 million (almost 10% of the potential electorate) will be eligible to vote for the first time in the 2014 elections. The group will make up nearly 23% of eligible voters in the 2019 elections (when the entire generation will make up 48% of the population). Adults under 35 years of age suffer especially high unemployment rates, estimated at over 50%. The "born-free" group shares frustrations with older generations over corruption, lack of services, and poverty, but many are reportedly not party-affiliated and lack older generations' continuing allegiance and gratitude to the ANC for its role in ending apartheid. Generational rifts have recently been on display within the ANC Youth League (ANCYL) in relation to the ANC's expulsion of the fiery, populist former ANCYL leader, Julius Malema. Youth also participate in more service protests than do older generations, but reportedly vote less often than their elders, which may attenuate their potential electoral influence.<sup>53</sup> To cater to youth demands, political parties have vied to introduce state youth wage and jobs schemes (often in the face of union opposition), expanded skills training programs, and youth-friendly procurement and hiring preferences.

## Media and Expression

The Zuma government has reportedly sought to curtail access to public information and has used the state South African Broadcasting Corporation (SABC) to promote ANC views and limit criticism. Critics allege that Zuma and the ANC have used defamation suits or threats of suits to quiet critics. Another source of controversy has been the Protection of State Information Bill (dubbed the Secrecy Bill), which was enacted by parliament in late April 2013. Originally, it included tough sanctions against persons possessing most types of classified government documents, with no exceptions for matters of public or press interests. Civil society and media opponents suggested that the bill might abet politicized classification of legally or politically damaging information and subject those who reveal it to prosecution. The bill has since been amended to address such concerns, but questions remain over possible conflicts with the Promotion of Access to Information Act, a constitutionally required freedom of information law.

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<sup>52</sup> In 2008, a deputy police minister stated that, despite constitutional protections for the rights of accused persons, police "have permission to kill" criminals. Lydia Polgreen, "Outrage in South Africa After Police Drag Man Behind Truck and He Dies," *New York Times*, February 28, 2013.

<sup>53</sup> A March 2014 Freedom House survey found that 34% of potential voters aged 18 to 34 would not vote in the May 7 election, and that a further 13% were undecided. It also revealed a widespread lack of understanding about South Africa's proportional election system. Freedom House, "Survey: Attitudes of South Africans in the Run Up to Elections," April 10, 2014.

Moreover, the bill may still contain loopholes enabling unwarranted classification and “can be used to jail whistle-blowers and journalists” who report on corruption.<sup>54</sup>

## Increasing Labor Unrest

In 2012, in addition to service delivery protests, a series of labor strikes disrupted production in the gradually declining but still economically vital mining sector and spurred later strikes in other sectors. Labor unrest has since continued.<sup>55</sup> This wave of labor actions reflects a long-standing pattern of union activism. It has taken on increased political significance, however, because it reflects rising discontent by a key element of the ANC’s political support base—alongside a more general growth in dissatisfaction over governance—and has led to questioning of Zuma’s reputation as a champion of workers’ rights and the working poor.

Many of the strikes in the important platinum sector, including several that have featured violence, have been led by the insurgent independent Association of Mineworkers and Construction Union (AMCU). A growing number of miners have turned to AMCU for representation, claiming that leaders of the COSATU (and thus ANC)-affiliated National Union of Mineworkers (NUM), one of South Africa’s largest unions, have ignored or ineffectively supported their demands for political reasons or due to financial ties to mining firms. Growing AMCU influence implies a possible weakening in grassroots labor support for COSATU, of which NUM is a key member—and thus for the ANC and Zuma—although, as discussed above, there are strong differences between COSATU and the ANC.

A particularly serious political challenge for the government was sparked by a wildcat strike at the Lonmin corporation’s Marikana mine in August 2012. It began after NUM officials at the mine, who reportedly were paid miners’ salaries plus Lonmin corporation bonuses, refused to meet with strikers demanding pay increases. Demonstrating strikers, mostly NUM members, were then assaulted by NUM officers, leaving two strikers fatally shot. Days of running clashes with police and mine security guards ensued, resulting in 10 reported deaths. A series of police actions to contain the protesters then prompted further striker-police clashes, during which gunshots were fired at the police. Police then opened fire on the strikers, killing 34 and wounding 78 or more.

The killings prompted widespread public outrage, especially after 270 arrested strikers were charged with legal responsibility for the murder of the slain miners under an apartheid-era law, even though the strikers were killed by the police. The Zuma government later dropped the charges in the face of harsh criticism. The police were further criticized after investigations suggested that some of the dead protesters had been shot in the back and or were killed at a distance from the main protest site. The massacre is the subject of a broad-ranging official commission of inquiry that remained active in early 2014. After the killings, workers and their relatives at the site continued to strike for several weeks and there were further non-fatal clashes with police. In September 2012, a deal was announced giving the strikers a historically high 22% salary increase. This success, as well as subsequent populist calls for nationwide strikes and mine nationalization, is widely viewed as spurring further large strikes at other mines in succeeding months and labor unrest in the transport, farming, and other sectors. Labor unrest, notably in the platinum and some other sectors, continued in 2013 and 2014.

<sup>54</sup> Jon Herskovitz, “South Africa Passes Secrets Bill; Critics Say It May Hide Graft,” Reuters, April 25, 2013.

<sup>55</sup> Wendell Roelf, “South Africa’s Zuma Talks Tough Against Mining Unrest,” Reuters, May 30, 2013.



## The Economy

South Africa's economy is diverse and, until Nigeria revalued its gross domestic product (GDP) measurement methodology in April 2014, was the largest in Africa.<sup>56</sup> The country is a famed wine producer and exports a range of agricultural products, such as wool, maize, sugar, and fruit and juice, although only about 10% of its land is arable and agriculture contributes less than 3% of the GDP. Industrial contributions to GDP, at 28.4% in 2012, are far more significant. South Africa is the world's leading producer of platinum and chromium and a major gold, diamond, and coal producer. Other key industrial sectors include automobile assembly, chemicals, textiles, foodstuffs, and iron and steel production. Services contribute the largest share of GDP, 69%.<sup>57</sup> South Africa has large and well-developed tourism, banking, energy, legal, communications, and transport sectors. South African cell phone companies and other firms are active throughout Africa, and SABMiller, formerly South African Breweries, operates globally. The Johannesburg Stock Exchange is among the 20 largest exchanges globally, and South Africa is one of the few African upper middle income countries (defined by the World Bank as those with a per capita gross national income of \$4,086-\$12,615 in 2012).

Domestically, South Africa faces a number of economic challenges. Low local savings rates mean that South African firms seeking credit must often turn to foreign sources of finance. Government deficits have increased in recent years, from an average of 0.5% of GDP from 2005 to 2008 to an average of nearly 5% of GDP from 2009 to 2012, and government net debt as a percent of GDP has grown from a low of about 23% in 2008 to over 34% in 2012. Total external debt stocks have risen steadily, from \$68 billion in 2008 to nearly \$114 billion in 2011.<sup>58</sup> Due to population increases, real per capita GDP growth has also lagged behind national GDP growth rates.

An inadequately educated workforce is widely seen as a key hindrance to growth. Education quality in South Africa ranks poorly in international comparisons, despite large investments in the sector.<sup>59</sup> High unemployment, limited access to social services, and diverse public infrastructure investment needs are also viewed as key barriers to economic growth. According to the International Monetary Fund (IMF), distortions of demand, supply, and pricing in the labor market, together with other market imbalances, have undermined South Africa's economic production potential and helped "to preserv[e] inequality and high unemployment."<sup>60</sup> Despite efforts to increase electricity generation capacity, lack of power is another serious problem.

<sup>56</sup> According to the International Monetary Fund, South Africa had a gross domestic product (GDP) of \$351 billion in 2013, down from \$404 billion in 2011. The African countries with the next largest GDP in 2013 were Nigeria (\$287 billion) and Egypt (\$271 billion). IMF, World Economic Outlook Database, April 2014 update. On Nigeria's GDP revaluation, which was not reflected in IMF data as of early 2014, see Daniel Magnowski, "Nigerian Economy Overtakes South Africa's on Rebased GDP," *Bloomberg News*, April 7, 2014.

<sup>57</sup> Sectoral GDP shares from World Bank, World Development Indicators database (WDI). Mining trends from U.S. Geological Survey commodity surveys. Land and industry summaries from CIA *World Factbook* 2013, *inter alia*.

<sup>58</sup> Data from IMF, World Economic Outlook Database, April 2013 update; and CRS calculations based on this data. External debt stocks from World Bank, WDI.

<sup>59</sup> Among 144 countries assessed in the World Economic Forum's *Global Competitiveness Report 2011-2012*, South Africa's educational system ranked 140<sup>th</sup> with respect to supporting national economic competitiveness, while the quality of its math and science education ranked 143<sup>rd</sup>. The quality of its primary education system ranked 132<sup>nd</sup>.

<sup>60</sup> The IMF reports that South Africa's "high unemployment is the result not only of chronic skill and geographical mismatches (legacies of Apartheid), but also of policies, product market structure, and labor market arrangements that end up protecting insiders at the expense of the unemployed. High margins in product markets and wages in labor markets have resulted in uncompetitive domestic costs of production, eroding external competitiveness and excluding (continued...)



## South Africa in a Global Economic Context

While South Africa's international competitiveness is hindered by the internal structure and dynamics of its economy, global market trends also strongly influence South Africa's internal economic growth patterns. According to the IMF, the export sector "generates a significant amount of the wealth" in the economy and "facilitates the generation of value added in supporting industries and the provision of services." In recent years, two key external developments have posed significant economic challenges. The 2008-2009 global financial crisis reportedly contributed to a 1.5% decrease in South Africa's real GDP in 2009, although the economy largely recovered, growing to 3.6% by 2011, though it has since slowed. The second, the European economic crisis, is seen as the reason for a drop in European demand for South African products, although a general rise in exports, most notably to China and Africa, has more than made up for that decline. South African firms are also expanding their investments in Africa, particularly in banking, mining, and telecommunications.<sup>61</sup> Selected recent key economic indicators are provided in **Table 1**, below. **Table 2** provides information on the sectoral composition of the economy and summary trade trends.

**Table 1. GDP and Other Key Economic Indicators, 2008-2013**

Indicator/Year	2008	2009	2010	2011	2012	2013
GDP (Current Rand, Billions)	1814.6	1786.9	1843	1909.3	1956.4	1993.4
GDP (Current U.S. dollars, Billions)	273.5	285.4	365.2	404.3	382.3	350.8
Real GDP Growth (Annual % Change; Constant Rand) <sup>a</sup>	3.6	-1.5	3.1	3.6	2.5	1.9
Real GDP Growth Per Capita (Annual % Change; Constant Rand) <sup>b</sup>	2.3	-2.8	1.8	2.2	1.1	0.5
Inflation, Consumer Prices (Annual % Change)	11.5	7.1	4.3	5	5.7	5.8
Unemployment (Annual; % of Labor Force) <sup>c</sup>	22.5	23.7	24.9	24.8	24.9	24.7

**Source:** International Monetary Fund, World Economic Outlook Database, April 2014 update.

- Annual percentage change in GDP in constant (i.e., inflation-adjusted) Rand, with 2005 as base year.
- CRS calculation of annual per capita percentage change in GDP measured in constant Rand, using 2005 as base year.
- IMF estimate for 2012 and 2013.

(...continued)

part of the population from formal economic activity. This has constrained South Africa's ability to diversify its exports into areas that go beyond its comparative advantage of exploiting its mineral endowment. The relatively high wages and profits for insiders have resulted in higher consumer price levels and unemployment for outsiders. In addition, labor market arrangements have set entry-level wages above the productivity of inexperienced workers with little marketable skills, including through relatively high minimum wages. The struggle for dividing rents between highly concentrated, oligopolistic firms and strong and politically influential labor unions has resulted in large economic losses associated with frequent labor strikes." IMF, *South Africa 2012 Article IV Consultation*, August 2012.

<sup>61</sup> Ibid. Real GDP data from IMF, *World Economic Outlook* database, April 2013 update. Export shares from CRS calculations based on IMF *Direction of Trade Statistics* database data.

**Table 2. Key Trade Indicators, 2008-2012**

Indicator	2008	2009	2010	2011	2012
<b>Exports of Goods and Services</b>					
Current U.S.\$ Billions, BoP	98.9	78.6	104.0	123.6	114.4
Annual % Growth	1.8	-19.5	4.5	5.9	0.1
Value as % of GDP	35.9	27.3	27.4	29.3	28.3
<b>Imports of Goods and Services</b>					
Current U.S.\$ Billions, BoP	107.6	80.8	101.5	121.8	121.8
Annual % Growth	1.5	-17.4	9.6	9.7	6.3
Value as % of GDP	38.9	28.2	27.6	29.9	31.3

**Source:** World Bank, World Development Indicators database.

Foreign direct investment (FDI) is another indicator of South Africa's linkages with other economies. FDI flows into South Africa have been variable but generally have risen since the early 1990s, peaking at just over \$9 billion in 2008, but dropping moderately in recent years. In 2012, FDI inflows decreased by 24%, dropping from \$6.04 billion in 2011 to \$4.57 billion in 2012, when FDI stock stood at \$138.96 billion. In 2012 FDI inflows decreased by 24%, dropping from \$6.04 billion in 2011 to \$4.57 billion in 2012, when FDI stock stood at \$138.96 billion. However, South African FDI outflows—investments abroad—also increased, from a negative \$257 million in 2011 (compared to the previous year) to \$4.37 billion in 2012, when South African foreign investments totaled \$82.37 billion.<sup>62</sup> The World Bank's annual *Doing Business* survey has found that South Africa is a relatively easy place to do business. Its ranking under the survey, however, has gradually declined under the Zuma Administration, from 32<sup>nd</sup> in 2009, when President Zuma took office, to 41<sup>st</sup> in 2012, where it remained in 2014. Key hindrances to FDI growth in recent years have reportedly included violent crime; corruption; Black Economic Empowerment regulation (see below); risks arising from political volatility in neighboring Zimbabwe; and South Africa's own racial, class, and political divisions.

A proposed overhaul of South Africa's investment framework, the Promotion and Protection of Investment Bill of 2013, has also raised concerns for some foreign investors. With respect to FDI, it would replace the use of bilateral investment treaties (BITs) with a new investment legal framework applicable to all investors. In most cases, it would require investment disputes to be resolved by the South African legal system. For some investors, this may raise questions over matters of alleged expropriation, compensation, national treatment, and rights of establishment, in addition to questions over dispute settlement. To a large extent, the BIT aspects of the bill would not affect U.S. investors, as no U.S.-South African BIT is in force.<sup>63</sup>

In recent years, South Africa has sought an increased role in world economic fora and hosted a number of major global sporting events, such as the 2010 soccer World Cup, and multilateral policy events (e.g., the 2011 U.N. Climate Change Conference and the 2002 U.N. World Summit

<sup>62</sup> U.N. Conference on Trade and Development (UNCTAD), *World Investment Report* 2013.

<sup>63</sup> The bill, also discussed below under a section on land reform, is discussed in South African Institute of International Affairs, "Promotion and Protection of Investment Bill of 2013," Submission to the Department of Trade and Industry, Ref: Gazette Notice No. 36695, 1 November 2013; and Nic Roodt/Fasken Martineau DuMoulin LLP, "Brief Overview of the Promotion and Protection of Investment Bill, 2013," via *Lexology*, November 7, 2013.

on Sustainable Development). It is a member of the G20, and in late 2010, at the invitation of China, joined the BRIC (Brazil, Russia, India, and China), a political and economic formation of major emerging market economies.<sup>64</sup> South Africa is a key trading and investment partner of China in Africa, and a key target of increased Chinese economic and diplomatic cooperation over the past decade. China became South Africa's largest trading partner in 2009.

## Economic Policy Under Zuma

In general, the Zuma government has pursued a free-market, private sector-driven economic model underpinned by large actual or planned state investments aimed at spurring increased economic growth, productivity, and job creation. Such investments support infrastructure construction, job skills training, public works and service jobs, and selected private sector projects determined to have the potential to increase employment and enhance economic productivity. In late 2010, the Zuma Administration launched a medium-term growth strategy, the *New Growth Path*. Its centerpiece is an industrial policy aimed at expanding economic output, creating 5 million new jobs, and reducing unemployment from 25% to 15% by 2020. It targets large public infrastructure investments in five key areas: energy, transport, communication, water, and housing. It also funds investment and human resource development programs aimed at increasing jobs and output in the "green economy" (solar, wind, and biofuels industries); agriculture; manufacturing; tourism and other services; and mining. It calls for the creation of a state mining firm focused on value-added processing and "enhanced resource exploitation in competition with a strong private mining sector." It also calls for state fiscal discipline and emphasizes diverse roles for the private sector. Some aspects of the new strategy, including proposals to cap wages and bonuses, have met with objections from unions and from business interests, which fear that private sector pay bonus caps may deter FDI.

Spending on such infrastructure and capital investment projects, along with institution capacity-building projects, is forecast to total about \$97 billion over the next three years and \$600 billion over the next decade. Increasing public expenditures are reflected in South Africa's first-ever trillion-plus Rand (about \$150 billion) budget in its 2012/2013 budget year. The government has also suggested that it may expand the role of state development finance institutions in funding its agenda, although most spending is set to come from state agencies' operating capital and 30% from the open market. This agenda has left private industry unsure of its role in the government's plans and has led business interest groups to call for the creation of infrastructure-focused public-private partnerships. Critics have also questioned whether state agencies and parastatals (partially or wholly publicly owned commercial entities) are up to the job, in light of factors such as massive state project delays, cost overruns, and failures to expend funding allocated for infrastructure construction.<sup>65</sup> State efforts to access financing to fund public investments could be hindered by labor unrest and corruption. In late 2012, these factors helped spur country economic risk rating downgrades or warnings (e.g., by Moody's, Standard and Poor's, and Fitch), which may make public investment financing more expensive, and potentially prompt the government to seek funding from international financial institutions or non-Western lenders, such as China.

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<sup>64</sup> The BRIC group was renamed the BRICS to reflect the addition of South Africa, which hosted the 5<sup>th</sup> BRICS summit in late March 2013. South Africa is also a member of the India, Brazil, and South Africa (IBSA) Dialogue Forum.

<sup>65</sup> Development Bank of Southern Africa (DBSA), *The State of South Africa's Economic Infrastructure: Opportunities and Challenges 2012*; Tom Nevin, "South Africa: Gordhan's Trillion-Rand Splurge," *New African*, April 23, 2012; Democratic Alliance, "South Africa: R4 Trillion Infrastructure Programme Asks Too Much of SOEs," October 28, 2012; and SABC, "Infrastructure Development Will Not Come Cheap," October 19, 2012.

South Africa's public spending is creating significant market opportunities for U.S. business backed by U.S. public export financing assistance, notably the U.S. Export-Import Bank (Ex-Im). It financed several large deals in South Africa in 2011 and 2012, including two rail locomotive manufacturing deals involving GE Transportation, a U.S. firm, and South African rails parastatals. In 2011, Ex-Im approved an \$805.6 million direct loan to help finance a major expansion of a large coal fired power plant run by South Africa's state electricity utility. In 2012, Ex-Im signed an agreement of intent to provide financing for South African purchases of up to \$2 billion in U.S. technologies, products, and services, most related to clean energy production and South African government infrastructure construction initiatives.<sup>66</sup>

## Key Policies to Increase Economic Equality

Since 1994, successive post-apartheid governments have pursued two major efforts to increase racial economic equality. One, known as Black Economic Empowerment (BEE), seeks to promote the increased participation of blacks throughout the South African economy, a process dubbed "transformation." The other, land reform (a set of inter-related policies), seeks to increase black land ownership, among other goals.

### *Black Economic Empowerment*

BEE policies primarily seek to increase access to jobs by blacks and certain other marginalized groups in all occupational categories and levels of employment, and to increase rates of ownership and management of firms and other types of productive entities by these groups. Initial BEE efforts prioritized business ownership transfers to blacks, as well as preferential black access to corporate leadership positions, leading to criticisms that BEE was creating a privileged black class rather than achieving broad black "economic empowerment."<sup>67</sup> To address such criticisms, current BEE policies more heavily emphasize efforts to advance racial employment equity, and to provide job training and other skills development services to blacks and other BEE beneficiaries.

Implementation of BEE goals is mandatory for public entities. The government promotes private sector investment in BEE goals by working with industries to set up sector-specific transformation best practice "charters" and "sector codes," but the main tool for fostering attainment of BEE goals is BEE scorecards, which assess a business's attainment of a range of benchmarks. BEE scorecards are used as eligibility criteria in public procurement, some forms of licensing, participation in public-private partnership deals and transactions (e.g., sales of state-owned assets), tax preferences, public company stock listings, and other matters of economic concern to firms. Higher scores can be attained if a firm's suppliers meet BEE goals, a measure aimed at using business demand to drive private sector adoption of BEE policies. There are some

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<sup>66</sup> This effort is linked to the creation of the U.S.-Africa Clean Energy Development and Finance Center, a joint effort by Ex-Im, the U.S. Trade and Development Agency (USTDA), and the Overseas Private Investment Corporation (OPIC). Its establishment was announced in November 2012 by Acting Commerce Secretary, Rebecca Blank. Its aim is to develop clean energy projects in sub-Saharan Africa, in part using Ex-Im financing. It is also bolstered by the \$20 million State Department-funded U.S.-Africa Clean Energy Finance (US-ACEF) Initiative, a collaborative financing mechanism between State Department, OPIC and USTDA designed to spur U.S.-African clean energy private-sector clean energy deals. It acts as a finance clearing house for energy sector business developers.

<sup>67</sup> Gugulakhe Lourie, "South Africa Signals Shift in BEE Laws-Paper," Reuters, April 20, 2011; Dale T. McKinley, "The Real History and Contemporary Character Of Black Economic Empowerment," Part 1, January 10, 2011, and Part 2, February 9, 2011, South African Civil Society Information Service; and Will Emkes, "Black Economic Empowerment and South Africa," *Contemporary Review*, (294: 1705), June 2012.

exemptions from BEE policies for small firms. For larger and more complex firms, BEE compliance is highly legalistic and is accompanied by paperwork-intensive reporting requirements.<sup>68</sup> In June 2013, the government introduced a BEE amendment bill that would create a range of BEE policy implementation monitoring, oversight, and advocacy measures and mechanisms and introduce new offenses and penalties for scorecard misrepresentation.<sup>69</sup>

### *Land Reform*

Land distribution has historically been highly contested in South Africa; under apartheid, whites owned most of the productive land, a substantial amount of which had been initially obtained through seizure from its original non-white occupants or owners. After the transition to majority rule, most of this land remained in white hands. To address these challenges, the government initiated a series of land reform programs. One key set of programs has sought to compensate those dispossessed of land during apartheid through a mix of land restitution, financial compensation, and resettlement aid. Another has centered on efforts to achieve more racially equitable land distribution by redistributing state-owned land, some purchased from whites, to blacks and other non-white groups that had suffered apartheid-era economic discrimination. Some land transfers also involve the provision of financing, training, and farm extension services to land transfer recipients, in order to help them make their holdings economically viable and spur economic growth.

For the most part, transferred land has been bought by the state from white sellers under a constitutionally grounded, so-called “willing buyer, willing seller” principle under which mutually acceptable land sale prices are negotiated. Private sales have also contributed to a growing number of transfers. Most restitution claims have reportedly been settled, but programs to aid land transfer recipients have also come under criticism for being administratively inefficient or underfunded. Land transfers have often been burdened by complex legal proceedings, in part due to differences between land sellers and buyers over property values.<sup>70</sup> As a result of the slow redistribution process, there have been periodic calls for a more active approach to state redistribution land acquisitions, potentially including forced sales or even uncompensated seizures, akin to the situation in Zimbabwe.<sup>71</sup>

For the most part, the South African government has to date resisted such proposals, opting instead to hasten sales through changes to administrative and legal procedures. At its 2012 party conference, however, the ANC resolved to pursue a new “radical” land reform program. Among other objectives, it would devote larger financial resources to existing land reform efforts; reopen the land restitutions claims process; and “expedite” enactment of a proposed Expropriation Act, a bill that could facilitate a greater number of compulsory state “public interest” purchases of land

<sup>68</sup> Department of Trade and Industry (South Africa), *Broad-Based Black Economic Empowerment* (online collection of legal, regulatory, and explanatory documents); BEE123, *BEE News and Info*; and Association of BEE Verification Agencies, *Sector Codes*.

<sup>69</sup> Department of Trade and Industry, “Economic Empowerment Amendment Bill to be tabled in the National Assembly,” June 20, 2013.

<sup>70</sup> At the start of the reform process, the government sought to transfer 30% of white-owned farm land to blacks by 2014. Between 15.5% and 28% of that target has been reportedly achieved, although there are considerable differences in transfer rates among provinces. Lynley Donnelly, “Land Audit Urgently Required,” *M&E*, February 8, 2012.

<sup>71</sup> Such calls have alarmed many observers, as the Zimbabwean model is seen as having undermined the rule of law and private property ownership rights. Nickolaus Bauer, “ANCYL Warns of Zim-Style Land Invasions in South Africa,” *M&G*, June 6, 2012.



from unwilling sellers. It would do so by allowing factors other than market value (e.g., current property uses and acquisition history; relative state and private investments in the property, if any; and the intended purpose of an expropriation) to be used to define “just and equitable” pricing of transferred land.<sup>72</sup>

How such reforms might affect the pace of future land transfers is unclear, both because transfers could still be legally contested, and because bureaucratic inefficiencies may continue to hinder reform programs. The ANC is pursuing these aims via several vehicles, however. In early 2014, a bill known as the Restitution of Land Rights Amendment was passed. It re-establishes a process for lodging land rights restitution claims relating to apartheid-era land seizures. Such claims had previously been permitted until 1999; new ones will now be permitted until 2019. A state estimate projects that about 379,000 new land claims will be made under the extended deadline and cost the state R179 billion, raising questions over how new claims would be funded; the current annual budget for this purpose is reportedly about R3 billion. Under another proposed law, the Promotion and Protection of Investment Bill, owners of land expropriated by the state could potentially receive less than market value for their property and lose the right to sue for ensuing damages, and would be subject to a state-determined payment schedule. In certain cases where the state does not appropriate land, but merely acts as a custodian of it, owners might receive no compensation. The law has much broader implications, however, as such measures could be applied to a broad range of “investments,” both by foreigners and South Africans.<sup>73</sup>

## Trade and Investment Relations and Policy Issues<sup>74</sup>

South Africa was the largest non-oil-focused U.S. trade partner in Africa in 2012, and the second-largest overall, after Nigeria. It is the third largest, on average, over the past decade.<sup>75</sup> Bilateral trade in goods grew by over 210% over the past decade, rising from \$7.7 billion in 2003, to \$16.2 billion in 2012, when South Africa was the 40<sup>th</sup>-largest source of U.S. imports and the 35<sup>th</sup>-largest U.S. export destination.

Top U.S. goods exports in recent years include machinery; vehicles, mostly tractors and trucks; electrical machinery; precious metals and stones, mostly gold; and aircraft, engines, and parts. Top U.S. goods imports include precious metals and stones, mostly platinum and rough diamonds; vehicles, mostly cars; iron and steel; ores, slag, and ash; and machinery. U.S. FDI in South Africa has gradually grown in recent years. U.S. FDI in South Africa in 2011 centered on manufacturing (37%), notably of chemicals (11%) and transportation equipment (6%); wholesale trade (13%); professional, scientific, and technical services (13%); and non-bank holding firms (8%). **Tables 3** and **4** summarize trends in U.S.-South African trade and U.S. FDI in South Africa.

<sup>72</sup> ANC, *53<sup>rd</sup> National Conference Resolutions*, December 2012; Nickolaus Bauer, “SA’s Land Reform Policies Are About to Get Heavier,” *M&G*, June 28, 2012. On the Expropriation Bill, see South African Government, *Explanatory Memorandum on the Draft Expropriation Bill*, 2013, March 15, 2013.

<sup>73</sup> The DA unsuccessfully sought a new six-month restitution process. Some other parties opposed all new restitution. SAPA, “Land Reform Bill Passed Against Political Ruckus,” via *M&G*, February 25, 2014; and Anthea Jeffrey, “The ANC Govt’s Plan for Expropriation on the Sly,” Institute of Race Relations via *Politicsweb*, February 25, 2014.

<sup>74</sup> Brock Williams, Analyst in International Trade and Finance, contributed to parts of prior versions of this section.

<sup>75</sup> South Africa’s rank as a bilateral African trade partner has ranged between second and fourth largest over the past 10 years, but other top U.S.-African trade partners (Algeria, Angola, and Nigeria) are primarily oil exporters.



U.S.-South African trade and investment is attracting relatively high-level attention from U.S. policy makers, including Members of Congress and business leaders. This increased interest may partly reflect the Administration's growing focus on trade and investment as both a goal and a tool of foreign policy in Africa and elsewhere.<sup>76</sup> U.S. private sector interest in African markets, spurred by positive economic growth and governance trends in much of the region in recent years, is also rising. Concern over competitive threats to U.S. government and business interests posed by burgeoning Chinese engagement in Africa has also fostered increased U.S. attention toward Africa.

In February 2013, a bicameral congressional delegation joined the launch in South Africa of the U.S.-South Africa Business Council, formed in late 2012 by the U.S. Chamber of Commerce (USCC).<sup>77</sup> The congressional visit followed Acting Commerce Secretary Rebecca Blank's November 2012 start of the Obama Administration's *Doing Business in Africa* campaign and an August 2012 State Department/Chamber trade mission to South Africa. *Doing Business*, a whole-of-government effort, seeks to promote trade, investment, and trade financing in Africa to meet the goals of the Obama Administration's Africa strategy and its National Export Initiative, an effort to double U.S. exports by 2015. Blank was the first Commerce Secretary to visit sub-Saharan Africa in a decade. These visits followed the June 2012 signing of an amended U.S.-South African Trade and Investment Framework Agreement (see below).

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<sup>76</sup>Beginning in 2011, then-Secretary of State Clinton prioritized as a tool of U.S. diplomacy what she termed "economic statecraft": the use of U.S. economic power and relations abroad to both advance U.S. foreign policy goals and strengthen the U.S. economy. In June 2012, President Barack Obama released his *U.S. Strategy Toward Sub-Saharan Africa*. It lays out four key goals, one of which centers on promoting economic growth, trade, and investment goals in or with Africa. Clinton set out her vision of economic statecraft in various speeches (e.g., "Economic Statecraft," October 14, 2011, and "Delivering on the Promise of Economic Statecraft," November 17, 2012).

<sup>77</sup> The Council seeks to facilitate U.S. firms' activities in South Africa. Other initial Council activities center on advancing a southern Africa trade and investment framework; clarification of BEE foreign investment "equity equivalency" requirements (i.e., compliance with BEE mandates through socioeconomic development investments rather than sales of shares); intellectual property rights protections; and reform of temporary worker hiring laws. Senator Chris Coons, "Congressional Delegation Applauds Launch of United States-South Africa Business Council," February 20, 2013; and USCC, "U.S. Chamber Launches U.S.-South Africa Business Council," December 10, 2012.

**Table 3. U.S. Trade with South Africa, 2008-2012**

(\$ billions; totals may not add up due to rounding)

Year	2008	2009	2010	2011	2012 <sup>a</sup>
Total Trade (U.S. Exports and Imports)	20.1	13.8	18.0	21.4	16.2
U.S. Trade Deficit	-2.7	-0.1	-1.8	-1.2	-1.1
U.S. Exports					
Goods	6.5	4.5	5.6	7.3	7.6
Private Services	2.2	2.4	2.5	2.8	na
Export Totals	8.7	6.8	8.1	10.1	7.6
U.S. Imports					
Goods for Consumption	10.0	5.9	8.2	9.5	8.7
Private Services	1.4	1.1	1.7	1.8	na
Import totals	11.4	7.0	9.9	11.3	8.7

**Source:** Goods trade data: International Trade Commission (ITC), Trade DataWeb and CRS calculations. Services exports: Bureau of Economic Analysis (BEA), Commerce Department, "Private Services Trade by Area and Country, 1992-2011."

a. 2012 totals reflect goods trade only.

**Table 4. South Africa: U.S. FDI and Related Indicator Trends**

Indicator/Year	2008	2009	2010	2011
U.S. FDI Stocks (\$ billions, historical-cost basis)	5.00	5.81	6.47	6.55
U.S. Financial Flows into South Africa (\$ millions, without current-cost adjustment)	306	410	779	722

**Source:** BEA, "U.S. Direct Investment Abroad: Selected Items by Detailed Country, 2007-2011"; and CRS calculations using data from BEA, "U.S. Direct Investment Position Abroad on a Historical-Cost Basis, 2011."

The August 2012 trade mission, part of the broader U.S.-South Africa Strategic Dialogue, included a summit and other meetings between top South African and U.S. business leaders and government trade agency officials, including then-Secretary of State Clinton. In her remarks, Clinton contended that public-private partnerships can play important roles in efforts to expand trade and investment. She stated that South Africa's multi-billion dollar public infrastructure investment initiatives will "create massive new opportunities for American businesses in energy, transportation, and communications technology, which means more jobs here and more jobs back in the United States." She described several U.S. public interagency initiatives to support U.S. private sector involvement in achieving these goals. One is an Export-Import Bank project aimed at financing up to \$2 billion in U.S. clean energy exports to South Africa (see "Economic Policy

Under Zuma” section, above). Another is a new U.S.-South Africa Aviation Partnership.<sup>78</sup> Clinton also noted that small and medium enterprises (SMEs) contribute 50% of South Africa’s GDP and nearly 60% of its jobs. In recognition of such contributions, Clinton noted, the United States has established a \$150 million USAID SME loan program and a separate \$65 million OPIC new private equity investment fund for South African SMEs.<sup>79</sup>

A proposed overhaul of South Africa’s investment framework, the Promotion and Protection of Investment Bill of 2013, has also raised concerns for some foreign investors. With respect to FDI, it would replace the use of bilateral investment treaties (BITs) with a new investment legal framework applicable to all investors. In most cases, it would require investment disputes to be resolved by the South African legal system. For some investors, this may raise questions over matters of alleged expropriation, compensation, national treatment, and rights of establishment, in addition to questions over dispute settlement. To a large extent, the BIT aspects of the bill would not affect U.S. investors, as no U.S.-South African BIT is in force.

In recent years, South Africa has sought an increased role in world economic fora and hosted a number of major global sporting events, such as the 2010 soccer World Cup, and multilateral policy events (e.g., the 2011 U.N. Climate Change Conference and the 2002 U.N. World Summit on Sustainable Development). It is a member of the G20, and in late 2010, at the invitation of China, joined the BRIC (Brazil, Russia, India, and China), a political and economic formation of major emerging market economies. South Africa is a key trading and investment partner of China in Africa, and a key target of increased Chinese economic and diplomatic cooperation over the past decade. China became South Africa’s largest trading partner in 2009.

## Trade and Investment Agreements and Policy Tools

The United States and South Africa are parties to two mutual trade and economic cooperation agreements. The first, a Trade and Investment Framework Agreement (TIFA), was signed in 1999 and amended in June 2012. It established a U.S.-South Africa Council on Trade and Investment, which meets annually to discuss trade and investment-related issues with the goal of removing “impediments to trade flows.”<sup>80</sup> The second is the 2008 U.S.-Southern Africa Customs Union (SACU) Trade, Investment, and Development Cooperation Agreement (TIDCA).<sup>81</sup> It was signed after the suspension in 2006 of talks, launched in 2003, aimed at establishing a U.S.-SACU free trade agreement (FTA). This effort foundered, in part, over the parties’ differences regarding the

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<sup>78</sup> The partnership, between USTDA and South Africa’s Transportation Department, seeks to build South African aviation sector human capacity and infrastructure, and among other goals. Initial foci are reverse trade missions, training programs, and project planning activities for South African aviation leaders, aimed at familiarizing them with U.S. commercial technologies and services, policies, airport modernization, and air traffic management technologies.

<sup>79</sup> On Clinton’s statements, see, “Remarks at the U.S.-South Africa Business Partnership Summit,” August 6, 2012; and “Remarks at Meeting With U.S. and South African Business Leaders,” August 7, 2012, online at <http://www.state.gov>.

<sup>80</sup> The most recent Council meeting, held in June 2012, focused, in particular, on “tariffs, the business and regulatory environment, implementation of AGOA, export diversification, energy, trade facilitation, and enhancing the participation of small and medium-sized enterprises in trade and investment.” USTR, *U.S. Trade Representative Ron Kirk and South Africa Trade Minister Rob Davies Sign Agreement to Enhance Trade and Investment*, June 18, 2012.

<sup>81</sup> SACU is dominated by South Africa; its other members include Botswana, Lesotho, Swaziland, and Namibia. The TIDCA establishes a Consultative Group on Trade and Investment, which periodically discusses trade cooperation, with a “focus on customs and trade facilitation, technical barriers to trade, sanitary and phytosanitary (SPS) measures, and trade and investment promotion.” USTR, “South Africa,” n.d.

scope of prospective trade liberalization. The United States also has a double taxation agreement with South Africa signed in 1997, the only such agreement with a sub-Saharan African country.

South Africa is also eligible, along with other African countries, for trade benefits under the U.S. African Growth and Opportunity Act (AGOA, P.L. 106-200, Title I, as amended), but not for the AGOA Special Rule for Apparel.<sup>82</sup> These benefits enable many U.S. duty-free imports of South African products, and are in addition to tariff preferences enjoyed by South Africa under the Generalized System of Preferences (GSP). The value of South African exports under AGOA fell in 2004 and 2005, but has generally grown since. Their value peaked in 2011, at \$2.5 billion. In 2012, about 80% of South African exports under AGOA were automobiles. The next largest categories were iron and steel; citrus; chemicals; and wine and other alcoholic beverages. Together with autos, these items made up nearly 95% of AGOA exports.

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<sup>82</sup> This rule provides tariff preferences under AGOA for apparel assembled using non-U.S. fabric and yarn to certain lesser-developed AGOA beneficiaries. South Africa is not considered a lesser-developed country under AGOA and therefore does not qualify for this preference. See CRS Report RL31772, *U.S. Trade and Investment Relations with sub-Saharan Africa and the African Growth and Opportunity Act*, by (name redacted) and (name redacted).

### South Africa's Eligibility for AGOA Benefits

There has been some discussion of South Africa's future AGOA eligibility within the context of broader debate over the reauthorization of AGOA trade benefits, which are set to expire in September 2015 for all beneficiary countries. In August 2012, then-Secretary of State Clinton stated that "the Obama Administration remains committed" to renewing AGOA "with South Africa included."<sup>83</sup> Nevertheless, there has been South African press speculation that some in Congress might question the merit of South Africa's continued eligibility for the U.S. trade preferences provided through AGOA due to its relatively advanced level of economic development and possible competitive threat to U.S. firms—even though eligibility for AGOA is not defined by such factors.<sup>84</sup> Reasons cited included South Africa's export of high-end cars; the large size and relatively advanced character of its economy relative to the rest of sub-Saharan Africa; and its growing importance as an emerging market, highlighted by its inclusion in the BRICS group. Congressional concerns might also arise around U.S. private sector claims of a competitive disadvantage *vis-à-vis* European Union (EU) firms with respect to accessing the South African market, given that there is an EU-South African reciprocal FTA. (South Africa and the EU each have mutual preferential access to the other's markets. Under AGOA South Africa has preferential access to U.S. markets, but AGOA is a non-reciprocal trade framework; it does not give U.S. firms special access to AGOA countries' markets.) This issue is the subject of a U.S. International Trade Commission report requested by the U.S. Trade Representative that was due to be transmitted in April 2014, but has yet to be publicly released. These and other factors could prompt some U.S. policy makers and business interests to consider whether U.S. competitive interests might be furthered by modifying South Africa's eligibility criteria, perhaps by making it partially or wholly reciprocal, potentially based on various criteria or conditions, or by potentially removing it altogether.

However, as the South African government argues and as some U.S. firms have noted, many U.S. exports are competitive under the current trade regime, and South Africa's infrastructure building plans and gains under AGOA have facilitated growing U.S. investment in and exports to South Africa. The South African government also reports that with the exception of limited anti-poultry dumping duties, U.S. firms have not been the subject of South African trade restrictions; that duties are levied on only 15% of the value of U.S. exports to South; and that "only" 40% of 2,145 products that the U.S. exports to South Africa are subject to duties. The South African government also contends that a reciprocal agreement or the withdrawal of AGOA benefits is not warranted because South African exports to the United States make up about 0.38% of total U.S. imports. It also argues that other African nations' exports to the United States are integrated into South African products exported to the United States, and that South Africa's continued eligibility for AGOA as currently configured aids these countries' economic development.<sup>85</sup>

## Bilateral Relations and U.S. Assistance

U.S.-South Africa bilateral relations are generally close, based on shared socioeconomic growth and development goals and mutual support for democratic values, among other factors, although there are occasional differences over foreign policy issues. South Africa often backs developing country positions that may be at odds with U.S. interests; has advocated caution with respect to proposed U.S.-backed external interventions in international crises (e.g., in Iraq and Libya); and takes stances toward Cuba and the Palestinian cause that are at odds with those of the United

<sup>83</sup> State Department, "The United States-South Africa Partnership: Going Global," remarks, August 8, 2012. Under Secretary of Commerce for International Trade Francisco Sánchez also reportedly expressed confidence that Congress would likely extend AGOA, including for South Africa, while acknowledging that final decisions on the matter are a congressional prerogative. Peter Fabricius, "SA's AGOA Future is Uncertain; Continuation of Beneficial Law Hinges on November U.S. Elections and New Congress," *The Sunday Independent*, August 12, 2012.

<sup>84</sup> While the promotion of stable, sustainable economic growth and development is a major goal of AGOA, country eligibility for AGOA benefits is defined by adherence to the rule of law and rights protections in various areas; pursuit of market-based economic growth policies; and the elimination of barriers to U.S. trade and investment, among other factors. Basic AGOA eligibility is not based on the relative size or nature of a beneficiary country's economy.

<sup>85</sup> USITC, *AGOA: Trade and Investment Performance Overview, AGOA: Economic Effects of Providing Duty-Free Treatment for Imports, U.S. AGOA Rules of Origin: Possible Changes to Promote Regional Integration and Increase Exports to the United States, and EU-South Africa FTA: Impact on U.S. Exports to South Africa, Investigation No. 332-542, 332-544, 332-545, and 332-546* [hearing transcript], January 14, 2014.



States. However, South Africa tends to concur with the Obama Administration regarding most African political or military crises, and on major aspects of issues such as climate change and nonproliferation. The two countries cooperate in the areas of development and defense, in addition to having close trade and investment ties. Since 2010, they have pursued an ongoing Strategic Dialogue with regard to health, education, food security, law enforcement, trade, investment, energy, and nuclear nonproliferation.

Congressional engagement with South Africa in recent years has centered mainly on foreign aid program oversight, notably HIV/AIDS and other healthcare-related efforts, and often takes the form of leadership exchange visits and congressional travel to the country. Trade and investment ties with South Africa and Africa generally may also attract congressional attention in the 113<sup>th</sup> Congress, as they did in the 112<sup>th</sup> Congress. South Africa was not the main focus of any hearings or substantive resolutions or bills in the 112<sup>th</sup> or 111<sup>th</sup> Congresses, but several bills in the 112<sup>th</sup> did contain key South Africa-related measures.<sup>86</sup>

### **South African Foreign Policy and the United States: Zimbabwe and Other Issues**

The United States has long criticized the policies of Zimbabwe's president, Robert Mugabe, with respect to human rights, democracy, and land reform, and has imposed targeted travel and financial sanctions on him and other top members of his political party. Political and economic turmoil in Zimbabwe over the last decade led to a massive Zimbabwean emigration into South Africa and other Southern African countries, placing a burden on their economies and social systems. The economic situation in Zimbabwe has improved since early 2009, when a power-sharing accord came into effect. Before the accord, U.S. support for greater regional pressure on Mugabe to allow free elections and political reforms had been at odds with South Africa's "quiet diplomacy" approach under then-President Mbeki. Mbeki did, however, help negotiate the accord, implementation of which is overseen by President Zuma on behalf of the Southern African Development Community (SADC), the accord's guarantor. SADC has consistently pressed for the accord's full implementation. These efforts have received U.S. praise, although the United States and SADC continue to be at odds over sanctions, which SADC believes should be lifted.

The United States and South Africa have both cooperated and differed over policy toward Iran. South Africa moved to comply with U.S. banking and trade sanctions on Iran by eliminating its imports of Iranian oil in 2012, earning U.S. sanction waivers. In the past it has variously opposed and supported U.N. sanctions on Iran. In September 2012, it offered a U.S.-opposed amendment to a U.N. resolution, which called for International Atomic Energy Agency probes of suspected Iranian atomic bomb research. South Africa was also critical of the U.S.-led invasion of Iraq in 2003, as well as alleged U.S. unilateral actions toward the regime of Saddam Hussein prior to the war. More recently, it opposed Western military intervention in Libya, preferring an AU-brokered mediation that the United States and others ultimately viewed as ineffective. South Africa, which served on the U.N. Security Council from 2011 to 2012, has also voiced caution regarding proposed external interventions in Syria and called for even-handed treatment of the government and opposition groups. Currently, the United States and South Africa, the current AU Commission chair (a post held by President Zuma's former wife, Nkosazana Dlamini-Zuma), share concerns regarding African security and AU economic development priorities. South Africa has publicly supported the French military intervention in Mali, which is backed by the United States. Former President Mbeki has also played key mediating roles between Sudan and South Sudan and in other African crises, such as that of Cote d'Ivoire.

<sup>86</sup> These provisions, none of which were enacted, would have (1) prohibited the Trilateral Assistance Program, which provides U.S. assistance to South African government bilateral aid activities in Africa that are of mutual bilateral interest (H.R. 2583); (2) required a report by the Secretary of State on a transition strategy for the President's Emergency Program for AIDS Relief (PEPFAR) in South Africa, including projected levels and types of U.S. aid (S. 3241); and (3) required Department of Homeland Security on-site reviews of all visa applications and supporting documents before adjudication in South Africa, among other selected countries (H.R. 1741). H.R. 4758 and S. 3077 (both introduced in the 111<sup>th</sup> Congress and, like H.R. 1741 titled Secure Visas Act) contained similar provisions. S. 2944 (111<sup>th</sup> Congress) contained a similar provision, but did not require in-country visa reviews.

## Bilateral Assistance

Since the end of apartheid, the South African government has been a leading African recipient of U.S. foreign aid, although U.S. bilateral assistance has gradually declined in recent years. U.S. aid to South Africa totaled over \$542 million in FY2012 and by FY2015 will have fallen, if the Administration's request is enacted, to about \$438 million (see **Table 5**). Despite progressive decreases in overall funding, the proportion of aid directed toward State Department and U.S. Agency for International Development (USAID) Global Health Program (GHP) efforts, primarily to counter HIV/AIDS under the U.S. President's Emergency Plan for AIDS Relief (PEPFAR), has remained steady. An average of nearly 96% of actual or requested aid between FY2012 and FY2014 has supported such ends. The total amount of such aid in the past decade-plus has been substantial; according to USAID, between FY2004 and FY2011, the United States provided \$3.23 billion in assistance to South Africa under PEPFAR.

According to the State Department's FY2015 Congressional Budget Request for Foreign Operations (CBJ), GHP aid would support efforts to "achieve major improvements in health outcomes in three key areas: ending preventable child and maternal deaths, creating an AIDS-free generation, and protecting communities from other infectious diseases." Much of this aid focuses on HIV/AIDS programming under a 2012, five-year bilateral health cooperation agreement, signed in 2012, that "provides a strategic agenda in collaboration with GoSA's [Government of South Africa] and other stakeholders to scale-up and sustain key components of HIV/AIDS programming in support of GoSA's national HIV/AIDS response."<sup>87</sup>

Apart from HIV/AIDS and other health-related aid, under its State Department FY2015 *Congressional Budget Justification* (CBJ) for South Africa, the Obama Administration plans to support Development Assistance programs focusing on:

- Education, focusing on primary school teacher and management capacity-building.
- Democracy, governance and human rights programs, centered on expanding "accountable, transparent, and responsive governance in South Africa, improving public services, public integrity, effective management of public resources and safer communities"; access to sexual and gender-based violence justice; and South African "development assistance leadership on the continent."
- Economic growth, consisting of aid supporting "socio-economic impact assessments will be conducted on proposed legislation" to support "a stronger enabling environment for equity, employment, and growth"; and help for "private-sector led initiatives" focusing on education and youth employment.
- Global Climate Change (GCC) Initiative aid centering on achieving the goals of the U.S. Enhancing Capacity for Low Emission Development Strategies (EC-LEDS) program in South Africa.<sup>88</sup>

<sup>87</sup> See PEPFAR, *Partnership Framework Implementation Plan in Support of South Africa's National HIV, STI & TB Response 2012/13–2016/17*. On PEPFAR, see CRS Report R42776, *The President's Emergency Plan for AIDS Relief (PEPFAR): Funding Issues After a Decade of Implementation, FY2004-FY2013*, by (name redacted).

<sup>88</sup> On EC-LEDS, see USAID, Development, <http://www.usaid.gov/climate/low-emission-development-strategies>.

- Application of “South Africa’s commercial agribusiness sector, agricultural research institutions and universities to catalyze food security and nutrition advances” in other African Feed the Future (FTF) focus countries under a FTF Strategic Partnership.
- Assistance to help South Africa establish a new South African Development Partnership Agency (SADPA) focused on fostering development in Africa in areas related to “key U.S. foreign policy priorities in Africa, including climate change, democracy, and food security.”<sup>89</sup>

**Table 5. U.S. Bilateral Assistance for South Africa**

(\$ millions)

Account/Year	FY2012 Actual	FY2013 Actual	FY2014 Estimated	FY2015 Request
Total	542.2	513,552	490,200	438,150
Development Assistance (DA)	14.7	16,475	19,000	16,200
Foreign Military Financing (FMF)	0.7	665	700	450
Global Health Programs-State (GHP-State)	510.0	477,335	455,550	409,550
Global Health Programs - USAID (GHP-USAID)	12.0	12,009	12,000	10,000
International Military Education and Training (IMET)	0.8	613	650	650
International Narcotics Control and Law Enforcement (INCLE)	3.0	6,155	2,000	1,000
Nonproliferation, Antiterrorism, Demining and Related Programs (NADR)	1.1	300	300	300

**Source:** State Department, “South Africa,” *Congressional Budget Justification Foreign Operations FY2014 & FY2015*.

Peace and security assistance and cooperation is diverse. One component of such aid is International Military Education and Training (IMET) programs, a key focus of U.S. military cooperation. IMET programs center on specialized officer training to enhance the readiness of the South African National Defense Forces (SANDF) to respond to regional conflict and participate in peacekeeping operations. The U.S. Department of Defense (DOD) views the SANDF as a basically operationally capable entity, despite recent criticisms focused on its performance in the Central African Republic. In CAR a South African intervention in support of the government of former president François Bozizé resulted in over half a dozen SANDF deaths and a South African withdrawal. Health and C-130 aircraft technical training are other IMET foci. Foreign Military Financing (FMF) aid supports technical support, equipment, and training for the SANDF’s U.S.-sourced C-130s. International Narcotics Control and Law Enforcement (INCLE) account-funded programs support a new Narcotics and Law Enforcement Affairs (NLEA) embassy post and local law enforcement capacity training focused on policing tactics and various types of skills training.<sup>90</sup>

<sup>89</sup> On the new agency, see Neissan Alessandro Besharatia, “The Establishment of the South African Development Partnership Agency: Institutional Complexities and Political Exigencies,” *South African Journal of International Affairs* (20:3), October 2013; and Cheryl Hendricks and Amanda Lucey, SA’s Post-Conflict Development and Peacebuilding Experiences in the DRC: Lessons Learnt, *ISS Policy Brief* (47), October 2013.

<sup>90</sup> Program areas cited in the FY2015 CBJ include Criminal Investigations, Maritime and Border Security, Tactical (continued...)

Nonproliferation, Antiterrorism, Demining and Related Programs (NADR) funds are used to support a multi-year initiative to improve South Africa's border control capacity and improve weapons of mass destruction (WMD) nonproliferation border security. According to the FY2015 CBJ, such programs are slated to center on "detection, identification, inspection, interdiction, and prosecution of illicit transfers of WMD and WMD-related items and technologies" and strengthening of South African "licensing implementation and government-to-industry outreach capabilities." A small number of South African officers receive DOD Combating Terrorism Fellowship Program training. The DOD humanitarian assistance program undertakes small school construction projects; carries out a military HIV/AIDS Program under PEPFAR; and sponsors medical and engineering civic action field program exercises.

Since 2005, South Africa has received peacekeeping training under the U.S. Africa Contingency Operations Training and Assistance program (ACOTA). The SANDF also participates with the U.S. forces in multiple annual cooperative bilateral and regional military training exercises. These focus mainly on maritime and border security, peacekeeping training, and military humanitarian/civic action. In 2005, South Africa and the New York National Guard (NG) formed the first U.S. NG State Partnership Program (SPP) partnership in Africa, which focuses on mutually beneficial capacity-building programs. DOD also regularly supports South Africa's biennial African Aerospace Defense Exhibition. The major forum for U.S.-South African security cooperation coordination is the U.S.-South Africa Defense Committee (DEFCOM), formed in 1997. The Pentagon hosted an annual DEFCOM meeting in September 2012.

## Outlook

South Africa appears likely to remain politically stable for the foreseeable future. Still, dissatisfaction among miners, unemployed youth, township residents, and others concerned with government performance, crime, and corruption could lead to localized volatility and unrest. Such discontent could also translate into weakened political support for the ANC and political opportunities for opposition parties. The 2014 elections will serve as a test of the ANC's political dominance and the relative depth of the challenges it faces, and gauge public support for the ANC's wide-ranging policy agenda and state-led economic and political vision for the country.

Despite significant challenges, South Africa's economy is large and diversified, and appears to have the capacity to expand moderately in the coming years. The IMF projects a slight uptick in real growth in 2013, to 2.8%, and then to 4.1% in 2014. Given South Africa's economic linkages to and investment in sub-Saharan Africa, South Africa may also benefit as other African economies continue to expand. Trade with the United States is likely to grow. South Africa is making a range of large-scale public infrastructure investments, which could help boost economic growth. Such spending could, however, gradually become a burden on the state, which is facing revenue limitations and must balance infrastructure spending goals with a need to finance education, healthcare, and other social services.

South Africa may gradually increase as a U.S. investment and export destination, due to South African demand and regional economic growth; increasing U.S. government and private sector

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(...continued)

Skills, Policing in Democracy, Cyber Crime Investigations, Sexual and Gender-Based Violence, and Basic Police Skills; and a continuing Forensic Capacity Building Project.

efforts to expand trade and investment ties; and opportunities created by South Africa's infrastructure investment initiatives. U.S.-South African ties are growing closer in other areas as well; under the two countries' Strategic Partnership, there have been an increasing number of high-level exchanges and visits. Over the medium term, one question for policy makers will be how, if at all, the nature and level of relatively large levels of U.S. aid in the healthcare sector—specifically to counter HIV/AIDS—should change, in light of shared U.S. and South African government plans to transition to a situation in which South Africa funds most of its own HIV/AIDS programs.

## **Author Contact Information**

(name redacted)  
Specialist in African Affairs  
[redacted]@crs.loc.gov, 7-....



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