

[South Africa: A Difficult Partnership - The United States and South Africa](#)

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Washington, DC — The U.S. and South Africa have shared interests in many areas, including peacekeeping, climate change, economic development and counter-terrorism. However, the national interests of the two countries are also not congruent, as these recent statements reflect:

"Our responsibility on the continent has become an important part of our foreign policy...but our approach will now have to give absolute priority to the economic development of our country." - **South African Minister of Defense, Lindiwe Sisulu, July 16, 2009**

"South Africa is uniquely positioned to...propel economic growth on the African continent." - **Secretary of State Clinton, August 7, 2009**

The consolidation of South Africa's democracy is central for U.S. interests in sub-Saharan Africa. South Africa's political, military and commercial reach into the continent is hugely positive and should be encouraged, but not at the expense of the "absolute priority" cited by Minister Sisulu. Secretary Clinton has acknowledged that relations between the two countries have fallen into disrepair in recent years. Reinvigorating the relationship can benefit both countries, but it is important that the U.S. take fully into account South Africa's strengths and limitations, as well as the priorities of its new government.

Since the potency of South Africa's example as a successful free market democracy in Africa depends crucially on its success at home, the U.S. should support the government's emphasis on domestic affairs, while discouraging populist policies that could weaken the economy. Furthermore, with the important exception of Zimbabwe, the U.S. should refrain from encouraging South Africa to play an expansive political and military role on the African continent.

In her first major policy address in July of this year, Secretary Clinton included South Africa among the "major and emerging global powers...to be full partners in tackling the global agenda." When she added that Africa's "future success hinges in great extent on the economic success of South Africa," she subscribed to the conventional U.S. objective to leverage successful free market democracy in South Africa as a positive influence on, and an economic accelerator for, sub-Saharan Africa. It follows that the U.S. should see South Africa as an anchor to address regional problems and as a partner, and sometime surrogate, in diplomatic, peacekeeping, anti-corruption and drug interdiction efforts. The warm embrace of the United States has not, however, been consistently reciprocated.

Rough Spots in the Road

The Clinton Administration singled out South Africa for special treatment after the country's

1994 democratic elections. The principal vehicle for the Clinton approach was a "Binational Commission," co-chaired by then-Vice President Gore and then-Deputy President Mbeki, involving a host of government agencies and businessmen from both countries. The premise was that the country had to stabilize politically and ignite robust economic growth, improving the living standards of its enormous numbers of poor, before it could help to bring its neighbors into a happier condition. The Commission enabled the U.S. to support the new government without a large increase in development assistance, establish linkages at many levels, better understand the dynamics of the ruling African National Congress (ANC), and gently move them away from their traditional socialism.

The Clinton Administration's advances received mixed reviews from many South Africans who remained suspicious of the world's leading capitalist power and resisted being co-opted. Many looked to other emerging markets such as India, Malaysia and Brazil for partnership and inspiration, while many South African businesses did not welcome the return of large American corporate competitors. Still, the Mandela and Mbeki governments pursued economic policies firmly within the "Washington Consensus" of the time and achieved GDP growth rates that reached 5% by the late 1990's and early 2000's.

The Administration of George W. Bush did not continue the Binational Commission and relations gradually deteriorated. President Mbeki's deep suspicion of the West contributed to his government's pursuit of "South –South" alignments and to his idiosyncratic views about HIV/AIDS. By Mbeki's second term in 2004, the Iraq War had further damaged the relationship. Moreover, South Africa took a number of positions inconsistent with the country's commitment to human rights. As a non-permanent member of the U.N. Security Council in 2007-2009, for example, South Africa opposed sanctions on Zimbabwe, Burma and Sudan. Last summer South Africa hosted Hugo Chavez with whom it signed a petroleum agreement and early this year, following Mbeki's replacement by interim president Kgalema Motlanthe, South Africa made concessions to China on trade policy and in March, the government denied a visa to the Dalai Lama to attend an international peace conference, presaging the Obama Administration's recent demurrals.

South Africa as an African Political Model

The uniqueness of South Africa's political history limits the utility of its democratic experiment as a model and should serve as a caution to U.S. policy-makers tempted to leverage the South African experience elsewhere in Africa. Far from being the miracle seen by many at the time of peaceful transition from apartheid, reconciliation consisted of a series of political deals between the ANC, which realized it could not forcibly displace the government, and the Afrikaner-based National Party government, which came to realize that it could not govern. Urbanization and industrialization had laid the foundations of the new order long before it came into existence. Finally, of course, the country's leadership rose to the challenge and personal relationships contributed enormously to the peaceful transition. Such a history holds few lessons for Zimbabwe, Sudan, Somalia or the Democratic Republic of the Congo.

What South Africa does have to offer its neighbors on the continent is the current practice of free democratic elections, a free press, an active civil society, a relatively liberalized economy and investment by its private sector in the African continent. The legitimacy of the government and the country's utility as a model for African development depend crucially on the success of this experiment.

The new South African constitution, completed in 1996, is widely admired for its protections of civil liberties in a bill of rights, a constitutional court with the power of judicial review, and a

federal system of provinces. The constitution parallels the British Westminster model in that the president is elected by the parliament, but the similarity ends there. Once elected, the South African president's powers more resemble those of his American counterpart than of a British Prime Minister. Crucially, he is not responsible to the parliament and can only be removed for malfeasance. As it turns out, in practice, the president is responsible to, and can be removed by his political party, as happened to President Mbeki in September of 2008.

Proportional representation is a significant weakness in the system, ceding extraordinary power to political parties. Members of parliament are nominated by closed political party lists and elected by proportional representation from those lists. They therefore are not beholden to the constituencies to which they are assigned, but to their political party. In January of this year the parliament banned "floor crossing," the defection of an MP to another party, so a legislator who leaves his or her party loses their seat. This dramatically diminishes the ability of parliament to act independently as a check on the executive. This constitutional arrangement is compounded by the ANC's practice of deploying party members both to official and private sector jobs from which they can be recalled by the party. In short, having been elected to parliament from a party list, officials can be removed from public office by unelected party officials without reference to the electorate.

The South African political system is an evolving hybrid with Western democratic practice coexisting with elements of traditional African one-party polities. The ANC's dominance of politics is a both a source of strength and of weakness for the country. The strength lies in the continuity of leadership and policies, especially sound macro-economic management. The weakness lies in the fact that for all practical purposes all politics takes place within the ANC rather than between the party and its weak and divided opposition. The ANC is in fact a loose alliance of factions ranging from nominal communists, trade unionists, youth and women's organizations to successful business figures. The party still retains vestiges of its past as a liberation movement, such as a version of democratic centralism, disciplinary mechanisms, and the practice of "deploying" cadres to leading roles in the public and private sectors. The ANC's tendency to conflate the party and the state, a feature of traditional one-party African states, and the opacity of policy-making has weakened the state's ability to govern. Nevertheless, the fact that South Africa has regular competitive elections, a free press and a vibrant civil society would locate the country as democratic in any taxonomy of political systems.

Prospects for Stability

The project of creating a deep national coherence is incomplete in South Africa. One result has been a hyper-sensitivity about sovereignty which accounts for a number of counter-intuitive foreign policy decisions. Another has been ambivalence about the benefits of an open economy and the centrifugal forces set loose by globalization. Largely because its rewards have been unevenly distributed, economic growth has not become a source of political harmony. The economic successes of the Mbeki regime caused the ANC to be seen by many of the poor and unemployed as serving the interests of the new black elite, in great measure spawned by political patronage, and the interests of the labor confederation, which by definition represents workers who have jobs. The resulting disaffection helped to fuel the movement that defeated Mbeki as ANC leader in 2007.

Events of the last two years have raised questions about the country's political stability. A sitting president, Thabo Mbeki, was defeated for leadership of his party, followed by his removal from office and replacement for six months with a caretaker, Kgalema Motlanthe. The latter was then replaced by the election of Jacob Zuma, who had only recently avoided

trial on charges of corruption, money-laundering and tax evasion. Zuma's election also gave rise to a perception that the trajectory from Nelson Mandela through the disappointing presidency of Thabo Mbeki, to Zuma with his campaign anthem "Bring Me My Machine Gun," meant that South Africa was turning leftward under a version of the African "Big Man" as an authoritarian ruler. While some saw the spectacle as a precursor to the unraveling of democracy, others saw the peaceful removal of a head of state and the orderly transition to an elected successor as evidence of increasing political maturity.

The 2009 elections, the fourth since the end of apartheid and were the first in which the ANC split. There have long been expectations that the left wing of the ANC, the labor confederation and the communist party, would separate from the more business-oriented centrists, but that did not happen. In the event, the split took place along lines of personal loyalty to Mbeki stemming from the bitter fight over party leadership. The breakaway Congress of the People party had difficulty defining its differences with the ANC and fared poorly in the April elections. Even while losing control of the important Western Cape province to the opposition Democratic Alliance, the ANC's overall share of the vote fell by less than four percentage points and the party maintained a huge parliamentary majority.

Zuma's roots in traditional society and his gregarious personality help to dissipate much of the perception that the ANC has become disconnected from the unemployed and dispossessed. Policy direction remains to be seen. His new cabinet spans a broad ideological spectrum with populists in key economic positions but with former finance minister Trevor Manuel in a coordinating role. Aloof from policy in his first months, Zuma's moderation has caused him to be compared to Brazilian President Lula as having been elected by the left only to govern from the right. This has led one South African analyst to conclude that "the representatives of the proletariat are as enfeebled and outnumbered as ever."

If there is a threat to political stability, it is the potential for civil unrest. Zuma's election was followed by a wave of strikes in the public and private sectors and mass demonstrations over service delivery. This is symptomatic of a potentially toxic mix of vast economic inequality, frustration with endemic high unemployment and extreme poverty, criminal violence, increasing corruption, tribal rivalry, and xenophobic hostility to immigrants, which if politicized could pose a threat to stable governance.

The Economy as an Engine of African Development

Much is made, especially by admiring American politicians and diplomats, of the strength of the South African economy and hopes that it will be an engine of growth for the continent. This perception is only partly true. A giant among African economies, South Africa is, after all, a middle-income developing country with huge demands on limited resources. While its gross domestic product of \$255 billion is the largest in Africa, accounting for some 30% of the continent's product, it is nonetheless only about the size of Maryland's economy and its GDP ranks 29th in the world between Denmark and Greece. The country's per capita income of almost \$5,000 is 68th in the world just ahead of Jamaica, but ranks with Brazil among the world's most unequally distributed.

This is not to disparage the enormous progress South Africa has made since 1994. The ANC governments of the 1990's and early 2000's effectively implemented an IMF stabilization program without going to the IMF. The result was thirteen years of uninterrupted, if unspectacular, growth. The signal measure of progress is the development of a non-white professional and middle class of impressive quality, resulting in part from highly successful

ANC macro-economic policies that produced the longest period of uninterrupted growth since World War II. Trevor Manuel, finance minister for most of this period, is credited with increasing foreign exchange reserves, turning a budget deficit of 9.5% of GDP into a surplus, and reducing inflation, which had been 19% in 1986, to 6% by this year. During the last ten years of apartheid South Africa averaged negative annual growth of -1.3%, whereas from 2003 through 2007 the economy grew an average 5% a year. Prior to the current recession the government's goal of sustained growth of 6% by 2014 seemed feasible, but now seems unlikely.

Economic Vulnerability

The economy's success is fragile due to two structural vulnerabilities: very high unemployment, reflecting a large cohort of undereducated youth, and a chronic current account deficit. South Africa's current account deficit of 7% of GDP entails a dependence on large foreign capital flows to prevent a run on the currency and higher inflation. Although the current account deficit threatens the ability of the state to finance its development plans, structural unemployment is the more combustible of the vulnerabilities,

Two unemployment rates are computed in South Africa: the official unemployment rate of 24% largely reflects the formal sector, while a much broader measure that includes much of the informal sector puts the rate above 35%. In addition, South Africa's savings and investment rate has been too low (15% in 2008, compared to 37% in India) to reduce unemployment, and foreign direct investment is too small to compensate. Since January of this year the recession has cost the economy almost a million jobs out of a workforce of 17 million and may cost another 300,000 before the end of the year, adding 8% to the unemployment rate. The social and political result is that newly minted-members of the middle class, that bastion of pluralistic democracy, risk falling back into poverty as "informal" settlements expand on the outskirts of major cities, spawning multiple social pathologies.

Job-creation has been a stated priority of the ANC which has been selectively, but determinedly, interventionist but so far, micro-economic policy has had only a marginal impact on unemployment. Huge government investments in infrastructure have spurred a construction boom that has created high-wage skilled jobs and access to potable water has been greatly expanded, as has construction of private homes in townships.

Some policies intended to protect workers exacerbate unemployment. Rigid labor laws that make it difficult to fire employees increase employers' caution in hiring. The much-maligned Broad-Based Black Economic Empowerment affirmative action program has without doubt increased opportunity across ethnic lines and has helped to enlarge the black middle class. However, BBBEE addresses the existing stock of jobs without creating new ones. The program has also fueled inequities by creating black economic elite whose interests are increasingly delinked from those of the vast numbers of poor. One result of the program has been that qualified non-white South Africans change employers for higher incomes at a considerable velocity, contributing to economic inefficiencies. However, in South Africa's political culture, BBBEE is a popular and enduring part of the business environment.

If the experience of other developing nations is any guide, education, especially in math and science, is the sine qua non of economic growth. In this crucial area South Africa is not succeeding. Perhaps the cruelest legacy of apartheid was the serious educational deficit among non-white South Africans, resulting in skills shortage that contributes to unemployment, crime, and constrains economic growth. The ANC government inherited a country with eleven educational systems and a woefully inadequate educational

infrastructure. Still, after fifteen years and spending more on education than the world's average, a parliamentary committee was recently told that the country's educational system is "dysfunctional," and that "the ability of high school graduates to read, comprehend and write is declining."

The 'Developmental State'

Official South African policy is to create the 'developmental state,' a locution first introduced by Mbeki and continued by Zuma. Historically South Africa lacks a strong tradition of economic liberalism. Both the ANC and the National Party had a socialist provenance. The apartheid government operated a highly protected and subsidized economy and bequeathed the ANC a family of large state-owned enterprises, most of which the ANC has not privatized. The concept of the developmental state is not, therefore, a radical departure from the past practice. It does not include a fully elaborated national plan, or a command economy. The concept rather involves a leading role in for the state in resource allocation through industrial policy intended to correct external and domestic imbalances. The ANC is practicing a pragmatic form of corporatism that tries to reconcile major interest groups under state guidance, a South African-style dirigisme of state intervention via incentives and regulation, major public infrastructure projects, and government planning to develop important sectors. Whether the government has the capacity and political strength to implement a developmental state is an open question.

The stakes are high as the Zuma government fleshes out the developmental state. A "hard" developmental state, intruding deeply into the private sector and expanding government ownership could scare off critical foreign capital inflows. A "soft" developmental state favoring private enterprise and a mixed economy would be a continuation of the Mbeki government's policies and could frustrate the political impulse that brought Zuma to power.

Attracting needed capital flows is a fundamental necessity. The economy's Achilles heel has long been the need to finance the current account deficit by large capital inflows, especially portfolio investment. This volatile money, which had been attracted by high rates of return and a favorable exchange rate, dried up and turned negative in the second half of 2008. Some foreign direct investment is inhibited by high labor costs, low productivity and labor law rigidity. The same factors militate against South Africa becoming an export platform. Trade liberalization has been opposed by the trade unions and under pressure of the recession liberalization has ended. In fact, trade policy has been strikingly absent from the ANC government's periodic grand economic policy pronouncements indicating that policy-makers have not given the external sector high priority.

The Zuma government intends for industrial policy to govern its trade policy, making trade policy explicitly a function of domestic priorities. The new minister of trade has indicated that, since the government cannot combat the recession with major fiscal stimulus, it will use trade policy to shield industry and workers. This would mean raising tariffs to the limit that is allowed by the World Trade Organization and reducing tariffs on certain industrial inputs, such as fabric for the textile industry.

South Africa's trade policy is thus strongly influenced by foreign policy preferences and domestic policy. Importantly, it is not seen as an engine of growth, as it has been in East Asia. The ANC is eager to develop economic ties with other emerging markets as an alternative to traditionally tie to European and North American markets. This has led to an emphasis on "South-South" links with India, Brazil, China and Iran. In fact the country's export markets remain in the northern hemisphere. The U.S. takes the largest percentage of

South African exports. The OECD countries together in 2008 accounted for about 80% of exports, while China accounted for 7%, India 2.6%, and Brazil only 1%. Heavily dependent on imported oil, 21% of the country's imports are from Saudi Arabia, Iran and Angola. The OECD countries together provide 56% of imports, while China provides 15%, India, 3.8% and Brazil only 2.5%. Policy to rely on South-South trade flies in the face of existing patterns of trade.

The world recession has put the economic achievements of the ANC government at risk. South Africa's financial sector was largely insulated from the derivatives that transmitted the recession around the world, but lower exports and collapsing commodity prices hit South Africa hard. The economy contracted by 6.4% in the last quarter of 2008 and continues to shrink at a 3% rate in 2009. The end of the recession will not resolve South Africa's current account deficit with its risk of currency devaluation and inflation and there is a danger is that even the modest protectionist measures taken during the recession will persist and that a more mercantilist industrial policy will govern external economic relations.

The Imperative of Zimbabwe and Foreign Policy Ambivalence

The stalemate in Zimbabwe is South Africa's most pressing foreign problem and the one on which Secretary Clinton placed greatest emphasis during her recent visit. It is also a critical domestic problem. Failure to develop a foreign policy to prevent the implosion of Zimbabwe has contributed to a massive inflow of foreign immigrants seeking a better life, including many from countries to the north of Zimbabwe. South Africa's estimated three to five million undocumented migrants (nearly one percent of the population), therefore, include Zimbabwean and those who transit Zimbabwe to cross the porous border into South Africa. Despite their relative success in South Africa, many Zimbabweans would certainly return to a stable Zimbabwe.

Migration poses a cruel dilemma for South Africa. The faster the economy grows, the more the country becomes a magnet for migrants and the harder it becomes to reduce unemployment. In the spring of 2008 serious violence against immigrants erupted. More than sixty immigrants died and tens of thousands were left destitute. Similar violence on a lesser scale occurred in the spring of 2009. The existence of a failed state on South Africa's northern border and the attendant impact on the economy and employment is a central issue for the Zuma government. Mbeki's quiet diplomacy toward Zimbabwe did contribute to the creation of the current coalition government, but very slowly, and it deeply frustrated those who wanted South Africa to use its considerable economic leverage.

Zuma's course is not yet clear. Although his rhetoric has been tougher on Mugabe, he has yet to take strong action and recently urged donor governments to increase development assistance to the Mugabe-Tsvangirai coalition government. Because of the destabilizing impact on the economy and the politics of South Africa, a resolution in Zimbabwe is critical to South Africa's ability to achieve its domestic goals.

An Ambivalent Foreign Policy

Thabo Mbeki proclaimed "the time has come...to remake ourselves as the midwives of the African renaissance." The fact that South Africa should be ambivalent about pursuing its national interest in Zimbabwe reflects a tension between the country's historic insularity and its ill-defined post-apartheid international role. The ANC came to power with allegiances to its patrons during apartheid, a deep suspicion of the U.S. and the West, an awareness of continental responsibilities, and ambivalence about globalization. As a result it is hardly

surprising that South African foreign policy has not followed a consistent theme, but what is abundantly clear now is the government's compelling priority on the domestic economy.

Despite the absence of a significant external military threat, South Africa spends \$4 billion a year on defense. Much of its military procurement has equipped the armed forces for traditional national security missions. The military is actively involved in support, training and peacekeeping missions in several African countries. Notably, however, current South African peacekeeping operations in Darfur and the Democratic Republic of the Congo have reached the military's self-imposed ceiling of 3,000 troops that can be deployed outside the country.

South Africa's military capability is constrained by the fact that many of the country's 65-70,000 active duty military personnel are not deployable due to age or illness. Readiness is also affected by disaffection over compensation, which recently led to a riot of 1,000 soldiers demonstrating for higher pay. Neither the armed forces nor the national police are able to control influx across the country's borders.

Significantly South Africa's armed forces have played no role in the country's politics. The ANC's controversial \$4.6 billion arms procurement program in the mid-1990's, however, has been a major political problem. At the time it was sharply criticized as unnecessary and ultimately led to the corruption charges against Zuma and some of his associates. The result is a military too large for the country's defense needs, but not designed and equipped for force projection, including major peacekeeping operations. South Africa's defense industry does generate jobs at home, impressive technological advances and exports of defense equipment, although the destinations are not always consistent with U.S. policy.

The dilemma cited by Minister Sisulu in her July statement quoted above also lies at the heart of U.S.-South Africa relations: a major South African role on the African continent would divert resources from domestic development. Despite a dense cooperative relationship with the U.S. military, South Africa initially and emphatically rejected participating in the new U.S. African Command (AFRICOM). South African officials have subsequently warmed to the project as its broad non-military mandate has been better understood.

Conclusion

Prospects for a more positive relationship are good. Much of the recent tension between the two countries can be overcome by diplomacy. South Africa's limitations must, however be taken into account.

Secretary Clinton's call for South Africa to be a "full partner" with the U.S. in "tackling the global agenda" may overstate the case, but as the continent's international significance increases, South Africa will be looked to for leadership. The strength, legitimacy and viability of South Africa's public and private institutions will determine the country's effectiveness as a partner and as an example of democratic governance. The U.S. has little ability directly to affect events in South Africa or the region, but indirect U.S. influence need not be marginal.

This is especially true in commercial relations. Since a free trade agreement with South Africa is not in prospect, the U.S. could negotiate a Bilateral Investment Treaty, which would increase the confidence of U.S. companies to make direct investments. These treaties commit the parties, among other things, to investment protections, dispute settlement mechanisms, and non-discriminatory, most-favored-nation treatment, all of which increase the propensity of U.S. companies to invest. The U.S. could also encourage South Africa to

sign the WTO Agreement on Government Procurement, which would increase the transparency of government procurement and preclude discrimination against foreign products and suppliers. The objective of this agreement is to open up as much government purchasing as possible to international competition which would stimulate U.S. exports and secondarily direct investment. However, the protectionist bent of much of South African industry have made them leery of such agreements in the past and the current recession could exacerbate their reluctance. The Obama Administration can also seek opportunities for cooperation in non-military and non-commercial areas such as fighting international crime, drug-dealing and human trafficking. Finally, both governments can encourage high-level private sector dialogue with a view to increasing investment.

Despite appearances, South Africa is not an easy society for the United States to understand, and it can appear more formidable than it is. Effective U.S. diplomacy has a significant role to play in protecting and consolidating the gains South Africa has made. Secretary Clinton's vision of partnership will then be realized if it is based on a clear understanding of South African capabilities, a full awareness of South African sensitivities, and a respect for South Africa's sovereignty.

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