

An hourglass-shaped graphic with a globe inside. The top bulb is dark blue, and the bottom bulb is light blue. The globe is centered in the narrow neck of the hourglass. The top bulb is filled with a dark blue color, and the bottom bulb is filled with a light blue color. The globe is centered in the narrow neck of the hourglass.

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Report RL31697

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

Lauren Ploch, Foreign Affairs, Defense, and Trade Division

October 7, 2008

**Abstract.** U.S. relations with South Africa are cordial, and South Africa has benefitted from export opportunities offered under the African Growth and Opportunity Act (AGOA, P.L. 106-200). However, the U.S. and South African administrations have expressed differences with respect to the situations in Zimbabwe, Iran, and Iraq, and U.S. officials have articulated frustration with the South African government on positions it has taken while serving on the United Nations Security Council.

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

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January 16, 2009

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**CRS Report for Congress**

*Prepared for Members and Committees of Congress*

## Summary

Over a decade after the South African majority gained its independence from white minority rule under apartheid, a system of racial segregation, the Republic of South Africa is firmly established as a regional superpower. With Africa's largest Gross Domestic Product (GDP), a diverse economy, and a government that has played an active role in the promotion of regional peace and stability, South Africa is poised to have a substantial impact on the economic and political future of Africa. The country is twice the size of Texas and has a population of almost 50 million, of which about 80% is African and 10% white. Its political system is regarded as stable, but South Africa faces serious long-term challenges arising from poverty, unemployment, and AIDS. The September 2008 resignation of President Thabo Mbeki, replaced by interim President Kgalema Motlanthe, is not expected to result in major policy changes prior to the spring 2009 elections.

The African National Congress (ANC), which led the struggle against apartheid, has dominated the political scene since the end of apartheid, controlling the presidency, over two-thirds of the National Assembly, all nine provinces, and five of the nation's six largest cities. Jacob Zuma, elected as head of the ANC in December 2007, is expected to be the party's choice for president after the 2009 national elections, although outstanding corruption charges could still affect his eligibility. While the ANC continues to enjoy widespread support in South Africa, the party's dominance may be challenged in the upcoming elections by the emergence of a breakaway party, the Congress of the People (COPE), which was created in response to the ANC's inter-party divisions that led to Mbeki's resignation.

South Africa has the largest HIV/AIDS population in the world, with almost six million South Africans reportedly HIV positive. The former Mbeki Administration's policy on HIV/AIDS was controversial. The country has weathered a series of corruption scandals, and continues to struggle with high crime and unemployment rates. Mounting social tensions related to the competition for jobs, resources, and social services led to an eruption of xenophobic violence against immigrants in mid-2008. South Africa has benefitted from steady economic growth in recent years, although economists predict weaker growth prospects for the near future.

South Africa is considered to be one of the United States' two strategic partners on the continent, along with Nigeria. Bilateral relations are cordial, however, the U.S. and South African administrations have expressed differences with respect to the situations in Zimbabwe, Iran, and Iraq, and U.S. officials have articulated frustration with the South African government on positions it has taken while serving on the United Nations Security Council. This report will be updated as events warrant. Related CRS reports include CRS Report RL33584, *AIDS in Africa*, by Nicolas Cook; CRS Report RL34509, *Zimbabwe: 2008 Elections and Implications for U.S. Policy*, by Lauren Ploch; CRS Report RL31772, *U.S. Trade and Investment Relationship with Sub-Saharan Africa: The African Growth and Opportunity Act and Beyond*, by Danielle Langton; and CRS Report RS21387, *United States-Southern African Customs Union (SACU) Free Trade Agreement Negotiations: Background and Potential Issues*, by Danielle Langton.

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## Background

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

South Africa’s economy, the largest on the continent, is diverse as well. South Africa produces wine, wool, maize and other agricultural products for export, although only about 12% of the country’s land is suitable for agriculture. Moreover, South Africa is the world’s leading producer of gold, platinum, and chromium. Major industrial sectors include automobile assembly, chemicals, textiles, foodstuffs, and iron and steel production. South African cell phone companies and other firms are active throughout Africa, and SABMiller, formerly South African Breweries, operates on a global scale. The service sector recently surpassed mineral and energy resources as South Africa’s primary income earner, according to the World Bank. The country’s stock exchange is among the 20 largest in the world, and South Africa is one of the few countries on the continent to rank as an upper middle income country. Despite its many economic strengths, however, the country ranks as one of the most unequal societies in the world in terms of income distribution. The majority of black South Africans live in poverty, and South Africa’s cities are surrounded by vast informal housing settlements known as “townships.” Shortages of water, electricity, and other social services in the townships have contributed to growing tensions, as evidenced by a rise in township protests in recent years.

| <b>South Africa in Brief</b>   |
|--|
| Population: 49 million   |
| African, 79%; whites, 9.6%; mixed race, 9%; Asian, 2.5%  |
| Population Growth Rate: 0.828%   |
| Approximate size: twice the size of Texas  |
| GDP (Official Exchange Rate): \$282.6 billion  |
| GNI per capita (Atlas Method): \$5,390   |
| Unemployment: 24.3%  |
| Life Expectancy: 48.89 years   |
| Prevalence of HIV/AIDS: 16.2%  |
| Literacy: 86.4%  |
| Religion: 80% Christian, 2% Muslim, 4% Other, 15% None   |
| Language most often spoken at home:  |
| Zulu, 24%; Xhosa, 18%; Afrikaans, 13%; Sepedi 9.4%, English 8.2%, Setswana 8.2%, Sesotho 7.9%, Xitsonga 4.4% |
| <b>Sources:</b> World Bank, CIA World Factbook , UNAIDS.   |

South Africa is an influential actor in the international relations of Africa. In October 2006, South Africa was elected as one of the 10 non-permanent members of the United Nations (U.N.) Security Council for a two-year term that recently expired, and it is a member of the U.N. Human Rights Council. Its voting record on both bodies has been considered by some to be controversial. South Africa was a founding member of the African Union (AU), successor to the Organization of African Unity (OAU), and then-President Thabo Mbeki served as the AU’s first chairperson. President Mbeki also took a lead role in the development of the New Partnership for Africa’s Development (NEPAD), an African-designed plan for improved governance within Africa and increased western aid, trade, and investment that was adopted by the AU as its economic framework. South Africa has repeatedly put itself forward as a venue for major international conferences, such as the World Summit on Sustainable Development, which met in Johannesburg

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in August and September 2002, and the World Conference on Racism in 2001. In 2010, it will host the soccer World Cup, which is expected by some to have a significant impact on the country's overall economic growth and job creation.

Civil war, weak regimes, and general instability in the region have historically had a negative impact on South Africa, and the country continues to face a large influx of illegal immigrants. By some estimates, more than two million Zimbabweans currently reside illegally in South Africa. Some South Africans blame these immigrants for the country's high crime and unemployment rates and rising food prices, and in May 2008 tensions erupted in the townships, sparking a wave of xenophobic attacks that displaced over 25,000 and left over 60 dead. The attacks could have long term consequences for attendance of the World Cup and for tourism in general.

In order to promote greater stability, former President Mbeki and South African officials have played prominent mediator roles in African conflicts, and South African troops actively support peacekeeping missions throughout the continent. In 2002, they helped to persuade the parties to the prolonged conflict in the Democratic Republic of the Congo (DRC) to sign a peace agreement following negotiations in South Africa. Mbeki was less successful in mediating the conflict in Cote d'Ivoire. Over 1,200 South African troops are currently participating as peacekeepers in the U.N. Mission in the DRC (MONUC), and the country contributed almost 900 soldiers to the U.N. Operation in Burundi (ONUB), where former President Nelson Mandela played a leading role in brokering a peace agreement. South African forces also played a key role in the African Union Mission in Darfur (known by the acronym of AMIS), and now contribute to the U.N.-African Union Mission in Darfur (UNAMID).<sup>1</sup> In a move believed by many to protest the Sudanese government's policies toward Darfur, the Mbeki government was instrumental in preventing Sudan from attaining the chairmanship of the African Union in 2006. It has, however, protested the imposition of tougher U.N. sanctions against Sudan as counterproductive.<sup>2</sup> The country has supported democratic advances elsewhere on the continent, providing millions of ballots in 2006 for elections in the DRC. In March 2007, the heads of state of the Southern African Development Community (SADC) nominated then-President Mbeki to serve as a mediator between the Zimbabwean government and the opposition in an effort to resolve that country's political and economic crises. Mbeki's role has been controversial.

## Political Situation

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

<sup>1</sup> South Africa's involvement in AMIS was not without controversy. Some opposition leaders criticized Mbeki for not taking a more assertive role in the crisis, and some South African troops threatened to pull out of AMIS in late 2006 over a pay dispute.

<sup>2</sup> "Sanctions Threat on Sudan Counterproductive: South Africa," *Agence France Presse*, June 21, 2007.

negotiations resulted in a final agreement on a new constitution and free elections, held in 1994. South Africa's second universal suffrage elections were held in June 1999, and the ANC retained control of the National Assembly. Deputy President Thabo Mbeki, who had served in key ANC posts overseas during the anti-apartheid struggle, was chosen by the Assembly to succeed Mandela. Mbeki retained his position as President following the April 2004 parliamentary elections, in which the ANC won almost 70% of the votes.

South Africa's politics continue to be dominated by the ANC, which has enjoyed support among many black South Africans because of its role in spearheading the long struggle against white minority rule. Until December 2007, when he lost the party presidency to a rival, Thabo Mbeki served as president both of the party and the country.<sup>3</sup> He was expected to remain President of South Africa until the next elections in 2009 but resigned from the position in September 2008. He has been replaced by an interim president, former Deputy ANC leader Kgalema Motlanthe. Following Mbeki's resignation, several prominent members of the party led a breakaway faction, now known as the Congress of the People (COPE). Some observers suggest COPE may provide the greatest challenge to the ANC's power since the end of apartheid rule.

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

## Rise and Decline of the Democratic Alliance

The second largest party in the National Assembly, the Democratic Alliance (DA), was created in 2000 through a merger of the Democratic Party (DP) and the New National Party (NNP), to challenge ANC dominance of the political system. The merger surprised many analysts, since the NNP was directly descended from the National Party, which had created apartheid and established the white minority regime that ruled South Africa for more than 40 years. In contrast, the DP, though also largely white, advocated a classical liberal platform and was heir to the Progressive Party, which had strongly opposed apartheid and campaigned on human rights issues. However, by allying, the two parties were able to ensure their control of the legislature of Western Cape Province and of many local governments in the province, including the government of Cape Town, in the 2000 local elections.<sup>4</sup>

<sup>3</sup> Under the South African constitution, the President is elected by the National Assembly, and consequently, the next President is likely to be chosen from the majority ANC party.

<sup>4</sup> Tom Lodge, "The Future of South Africa's Party System," *Journal of Democracy*, Vol 17, No. 3, July 2006, p. 154.

DP leader Tony Leon, an articulate critic of the ANC with respect to the slow pace of privatization, transparency, and other issues, became DA leader, with NNP head Marthinus van Schalkwyk as his deputy. The alliance soon fragmented in a way that has further enhanced the power of the ANC in South African politics. In October 2001, van Schalkwyk announced that the NNP would leave the DA and enter into a cooperative agreement with the ANC. The NNP leader explained that the move would promote national unity and progress, while critics suggested that he was primarily interested in securing government appointments for NNP leaders.<sup>5</sup>

Van Schalkwyk's break with the DA precipitated a prolonged national debate over "floor crossing"—that is, over whether elected NNP representatives in assemblies at the local, provincial, and national levels should be permitted to cross over from the DA to the new ANC/NNP alliance. Representatives at all levels in South Africa are elected not as individuals but because their names appear on lists selected by each party. The proportion of the vote received by a party in an election determines how many of those on its list will be given seats. Many argue that floor crossing in such a system thwarts the will of the voters, and it had not been permitted in South Africa. However, in 2002 the Constitutional Court allowed floor crossing at the local level, throwing control of Cape Town and a number of other towns to the ANC and its NNP allies. The National Assembly passed legislation in 2003 allowing MPs to change their party affiliation during two week "window periods." As a result of a September 2005 "window period," the ANC gained 14 seats, including all seven NNP parliamentarians and four DA MPs who complained of racism within the party.

Although the ANC controls the provincial government of Western Cape, the city of Cape Town remains the last major urban opposition bastion. Following a close win by the DA candidate Helen Zille in 2006, the ANC began a controversial bid to change the city's government from a mayorally-dominated system to one run by a 10-member committee, which would have left the current mayor a de facto figurehead. Subsequent criticism by the other parties appears to have persuaded the ANC to drop its proposed restructuring plan. Zille replaced Tony Leon as head of the DA party when he stepped down in May 2007.<sup>6</sup>

## Strains in the ANC Alliance

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

<sup>5</sup> In November 2002, Mbeki named two NNP figures to positions as deputy ministers in his government. "Mbeki Gives Van Schalkwyk Space with New Positions," *Business Day*, November 5, 2002.

<sup>6</sup> "South Africa: Balanced Opposition," *Business Day*, April 26, 2007.

We want the ANC to be maintained as an organization primarily of the workers and the poor. We will never hand over this weapon, built up with our blood, sweat, and tears, to the other side on a silver platter. We will never let the ANC be privatized by the rich. It is a working class formation and a left-wing liberation movement—it must remain ours.<sup>7</sup>

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

COSATU was highly critical of Mbeki’s stance on the AIDS epidemic and his approach toward the Zimbabwe situation (see below). In June 2007, the country’s trade unions launched what is reported to have been the biggest strike since the end of apartheid, costing the economy an estimated \$418 million.<sup>8</sup> The unions, who were demanding a 12% pay raise for public servants, accepted the government’s offer of a 7.5% raise after four weeks of protest. In 2006, COSATU had launched a smaller general strike to protest the loss of 100,000 jobs over the past three years, primarily from the textile and mining industries. That strike followed a series of others held in 2005, and they have been considered significant acts of defiance against the policies of the Mbeki government. As the rift between COSATU, its populist allies, and Mbeki supporters within the ANC widened, some analysts predicted that a split was imminent.<sup>9</sup> Speculation regarding a splintering of the ANC grew in the wake of the resignations of Mbeki and several of his allies.

## The Succession Debate and Mbeki’s Resignation

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

Although he prevailed in the rape and initial corruption trials, Zuma continues to face legal challenges. In November 2007, the Supreme Court of Appeal overturned a lower court decision that had made documents seized from Zuma and his lawyer inadmissible in future proceedings. Zuma was expected to go on trial again in August 2008 for racketeering, money laundering, fraud, and corruption, but the date of his trial was postponed. In September, a High Court judge

<sup>7</sup> “Mbeki, Nzimande Clash Over Splits in Alliance,” *Business Day*, October 9, 2006.

<sup>8</sup> “S Africa Unions Call Off Strike,” *BBC*, June 28, 2007.

<sup>9</sup> “ANC in Turmoil Over Issue of Mbeki’s Successor,” *Irish Times*, October 12, 2006.

ruled that the case should be thrown out on procedural grounds and suggested in his findings that Mbeki and members of his administration had interfered in the case.

On September 20, 2008, after nine years in office, Thabo Mbeki announced that he had accepted a request by the ANC's National Executive Council to resign as President of South Africa in the wake of the High Court decision. One-third of Mbeki's cabinet resigned with their leader. Among them was Finance Minister Trevor Manuel who, along with Reserve Bank Governor Tito Mboweni, has been widely credited with guiding the country's economic progress since the end of white rule. Inflation rose above 13.7%, the highest level since the end of apartheid, amid speculation of Manuel's resignation; he was later reappointed. Other resignations have followed, including that of the Gauteng province premier, who said that he would not be able to "publicly explain or defend the national executive committee's decision on comrade Thabo Mbeki."<sup>10</sup> The parliament elected Kgalema Motlanthe, deputy leader of the ANC, as interim President. Motlanthe, a former mine union leader who was imprisoned on Robben Island with Mandela, had recently been appointed by the party as a Member of Parliament, which made him eligible to assume the presidency.<sup>11</sup> Zuma, who does not hold a parliamentary seat, was ineligible to assume the office.

The judge issuing the High Court verdict on which the request for Mbeki's resignation was based made no findings on Zuma's guilt or innocence. Prosecutors filed an appeal, and on January 12, 2009, the Supreme Court of Appeal overturned the High Court ruling. Zuma is now appealing the Constitutional Court to have the charges, which he claims are politically motivated, dropped. President Motlanthe has yet to set the date for the upcoming 2009 elections, expected between April and June, but if Zuma's trial were to proceed and if he were to be found guilty prior to the elections, he would be ineligible to become President of South Africa.<sup>12</sup>

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

In the wake of Mbeki's resignation in December 2008, several high-profile ANC figures, including the former Gauteng premier, Mbhazima Shilowa, joined former Defense Minister Mosiuoa Lekota to formally launch a new, centrist political party, the Congress of the People (COPE).<sup>13</sup> The party, which had held its first convention in early November, has reached out to other opposition parties, and some speculate that some of them may join forces prior to the 2009 elections to challenge the ANC. Some observers believe COPE's prospects in the next election may be tied to Jacob Zuma's ongoing legal challenges. The new party fared well in its first electoral contest, winning a third of the 27 seats in Western Cape municipal by-elections in December.<sup>14</sup>

<sup>10</sup> "Manuel Plays Down Chance of ANC Split," *Mail and Guardian*, September 30, 2008.

<sup>11</sup> In South Africa, parties make appointments to fill vacant parliamentary seats, rather than holding by-elections. Motlanthe was appointed as a member of parliament in May 2008 and was appointed to Mbeki's cabinet in July 2008 as a Minister without Portfolio.

<sup>12</sup> South Africa's constitution requires elections to be held within 90 days of the expiration of the National Assembly's five year term, on April 13, 2009. The new Assembly will choose the president after they are seated.

<sup>13</sup> The ANC has challenged the party's name in court.

<sup>14</sup> The ANC is challenging a ruling by the Electoral Commission that barred party candidates from standing in 12 of the 27 constituencies.

## The Arms Deal and Other Corruption Scandals

The \$5.5 billion arms purchase announced by South Africa in 1999 continues to pose political problems for senior members of the ANC, including Jacob Zuma. Questions remain over the country's need for aircraft, submarines, and surface vessels which were to be acquired under the deal with five European firms. More pressing are allegations of corruption associated with the purchase. Tony Yengeni, the ANC's former chief whip in the National Assembly, was arrested in 2001 on charges of corruption, forgery, and perjury in connection with a large discount he received for the purchase of a luxury car, allegedly in return for assuring that the deal went ahead. He pled guilty to fraud in exchange for acquittal on corruption charges. President Mbeki later fired Deputy President Jacob Zuma, after a judge declared Zuma had a "generally corrupt" relationship with his former financial advisor, Schabir Shaik, who was convicted of fraud and corruption in connection with the arms deal. Zuma was indicted but acquitted in September 2006, after prosecutors failed to build a case against him. Shaik lost an appeal of his conviction in November 2006, when judges ruled that evidence overwhelmingly supported the charge that payments totaling about \$165,000 made by Shaik to Zuma were bribes. Critics maintain that several questions related to the arms deal remain unresolved, and some are concerned that promised "offsets"—that is, investments by the arms suppliers in South African industry—have not materialized.<sup>15</sup> Former Archbishop Desmond Tutu and former South African President F.W. de Klerk recently called for a new commission of inquiry to be appointed to investigate the matter.

The South African media has also focused attention on the "Travelgate" scandal, in which over thirty current and former members of parliament, most from the ruling ANC party, have appeared in court since 2005 on charges of corruption. Accused of abuse of official travel privileges, the MPs reportedly stole some \$3 million in government funds. According to Transparency International, the prosecutions have shown that "the anti-corruption bodies and judiciary have a fair degree of independence and are able to carry out their functions without hindrance, even when high ranking members of the ANC were involved."<sup>16</sup> More recently, though, civic activists have raised concerns with comments toward the judiciary by senior ANC official in relation to the Zuma case.<sup>17</sup>

"Travelgate" has been followed by another reported scandal popularly referred to as "Oilgate," an allegedly corrupt oil deal between a state-owned oil company and a black economic empowerment company (see below), in which public funds were reportedly illegally diverted into an ANC party campaign fund. To add to the controversy, one of the country's leading newspapers, the *Mail & Guardian*, was banned by the courts from publishing a report on the scandal. According to media reports, the court ruling found that publishing the report would damage the oil company's right to privacy and was potentially defamatory.<sup>18</sup> The gag order was reportedly the first placed on the paper since apartheid, and was denounced as "an extraordinarily dangerous precedent" to press freedom by the press watchdog group, the Media Institute for Southern Africa.

<sup>15</sup> "The Arms Deal—The Shadows Lengthen," *Business Day*, September 20, 2006; "SA Laureates Demand Arms Inquiry," BBC, December 4, 2008.

<sup>16</sup> Berlin-based Transparency International (TI) describes itself as a non-governmental organization devoted to combating corruption. TI, *Global Corruption Report 2006*.

<sup>17</sup> "Judiciary Should be Protected from Scandalous Commentary," *Pretoria News*, July 11, 2008.

<sup>18</sup> The Media Institute of Southern Africa, "Media Freedom Has 'Suffered Major Blow,'" May 28, 2005.

South Africans are now avidly following another scandal. South Africa's chief prosecutor, Vusi Pikoli, was suspended in September 2007 on charges of prosecutorial excess by then-President Mbeki. Many suggest that the subsequent arrest of national police commissioner Jackie Selebi amid allegations that he might have ties to organized crime was directly linked to Pikoli's suspension.<sup>19</sup> Pikoli had been preparing warrants for Selebi's arrest when he was suspended. Selebi, a senior ANC member, is widely considered to be a Mbeki supporter within the party, and some South Africans accused Mbeki of trying to prevent Selebi's arrest. Pikoli was later cleared of wrongdoing, but was not reappointed to his post. Selebi has also been replaced as police commissioner.

The Pikoli and Selebi cases suggest rising political tensions between the country's law enforcement agencies. As chief prosecutor, Pikoli oversaw the Scorpions (the Directorate of Special Operations), South Africa's financial crimes investigative unit. Several leading ANC officials led efforts to have the Scorpions, who have prosecuted several high profile corruption cases, including that of Zuma, disbanded. Zuma and his allies criticized the Scorpions' prosecution of him as politically motivated and suggested in mid-2008 that the Scorpions' duties should be subsumed by the national police. Others, including DA and COPE leaders, argue that the unit's "special status" under the National Prosecuting Authority is needed to tackle corruption at the highest levels. Despite strong opposition from the opposition and civil society, the unit was officially moved by parliament under the authority of the police service in October 2008.

## HIV/AIDS

With an estimated 5.7 million South Africans living with HIV in 2007, the country is believed to have the largest AIDS epidemic in the world. According to the Joint United Nations Program on HIV/AIDS (UNAIDS), an estimated 18.1% of South African adults, aged 15-49, were HIV positive that year.<sup>20</sup> UNAIDS also reports that as many as 280,000 children under the age of 15 were HIV positive. AIDS is the leading cause of premature death in South Africa, and the number of AIDS-related deaths there in 2007, some 350,000, was more than double that reported for Nigeria, which has the second highest global mortality figure at 170,000 deaths but almost three times South Africa's population. Approximately 1.4 million children currently living in the country have been orphaned by the disease. As these figures show, the situation is grave.

Thabo Mbeki's stance on HIV/AIDS was a major political issue in South Africa during his tenure. Critics maintain that the former President's ambiguous statements about the disease and lack of leadership on the issue diverted attention and funding from the pandemic at a critical time. In 2000, President Mbeki wrote to then-President Clinton and other heads of state defending dissident scientists who maintain that AIDS is not caused by the HIV virus. In 2001, he rejected appeals that the National Assembly declare the AIDS pandemic a national emergency. In 2002, President Mbeki drew criticism from the media and others for reportedly insisting that tuberculosis rather than AIDS was the leading cause of death in South Africa, even though the country's Medical Research Council had reported that AIDS was the leading cause, accounting for 40% of mortality among adults aged 15-49.<sup>21</sup> The reasons for Mbeki's stance on AIDS have

<sup>19</sup> See, for example, "Lets All Arrest One Another," *The Economist*, January 17, 2008 and "Party Power Struggle Entrhalls South Africa," *New York Times*, October 12, 2007.

<sup>20</sup> UNAIDS, *2008 Report on the Global AIDS Epidemic*, August 2008.

<sup>21</sup> "South Africa President Mbeki Criticizes U.N. AIDS Fund Grant," *Associated Press*, July 25, 2002, and "Research Affirms Disease Is Nation's Leading Cause of Death," *The Washington Post*, October 19, 2001.

been difficult to discern, particularly given that he might have reaped great political advantage from becoming a leader in fighting the epidemic. Some speculate that he feared that AIDS could undermine his vision of South Africa as a leader in an African renaissance sparked by NEPAD and the African Union and thus tended to minimize the importance of the epidemic.

The Mbeki government gradually modified its stance on HIV/AIDS under mounting domestic and international pressure. In 2002, the government announced that it would triple the national AIDS budget, end official opposition to the provision of antiretrovirals for rape victims, and launch a program for universal access to drugs to prevent mother-to-child transmission (MTCT) of HIV. In July 2002, a South African court ordered the government to begin providing the antiretroviral (ARV) drug Nevirapine nationwide to reduce MTCT. The South African Treatment Action Campaign (TAC) had launched the suit in 2001, maintaining that MTCT prevention trials were inadequate and that 20,000 babies could be saved yearly by a nationwide program.<sup>22</sup> At its December 2002 party conference the ANC announced that it was “putting AIDS at the top of our agenda.”<sup>23</sup> The Department of Health in 2003 declared that the government would provide free antiretroviral drugs, but after what observers considered a very slow implementation of the policy, TAC threatened another lawsuit. Under pressure, the government began providing treatment at five hospitals in 2004 and has gradually expanded access to the program. Reports suggest that access to treatment for those with advanced HIV has since increased significantly, from only 4 percent of those in need receiving antiretroviral therapy (ART) in 2004 to 21 percent in 2006.<sup>24</sup>

Despite this commitment by the government to providing ART, many critics still did not consider the Mbeki administration to be serious about the epidemic. In August 2006, then-Health Minister Manto Tshabalala-Msimang drew international criticism for a controversial display of traditional remedies such as garlic, lemons, and beetroot, which she reportedly claimed provided an alternative defense to AIDS, at the International AIDS Conference in Toronto. Stephen Lewis, the U.N. Special Envoy to Africa on AIDS, proclaimed South Africa’s AIDS policies as “wrong, immoral, and indefensible” and “worthy of a lunatic fringe” during the conference, and 81 international scientists delivered a petition to Mbeki urging the health minister’s dismissal.<sup>25</sup> Many observers consider the Toronto Conference to have prompted a key shift in the government’s position. Weeks after the conference, Mbeki appointed his Deputy President, Phumzile Mlambo-Ngcuka, as head of a new national AIDS commission charged with halving the country’s infection rate by 2011. She emphasized that the government did believe that HIV causes AIDS and acknowledged “shortcomings” in the government’s response to the epidemic. The government also reached out to the AIDS advocacy community, which responded with cautious optimism. TAC, the most vocal critic of the Mbeki Administration’s efforts, was cited in late 2006 saying that there was now “a growing enthusiasm, across the board, around the possibility of what we can do as a country in a united fashion” to combat the disease.<sup>26</sup> However, TAC more

<sup>22</sup> “AIDS Activists Sue South Africa,” *Associated Press*, August 21, 2001.

<sup>23</sup> *Reuters*. President Mbeki was criticized by some, however, for not giving the AIDS epidemic greater prominence in his address to the conference.

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

<sup>25</sup> The letter, titled “Expression of Concern by HIV Scientists,” can be found at <http://www.aidstruth.org/letter-to-mbeki.php>. See also “Under Fire, South Africa Shakes Up Its Strategy Against AIDS,” *The New York Times*, September 3, 2006, and “In South Africa, a Dramatic Shift on AIDS; Treatment, Prevention Get New Emphasis as Deputy President Takes Key Role,” *The Washington Post*, October 27, 2006.

<sup>26</sup> “Under Fire, South Africa Shakes Up Its Strategy Against AIDS,” *The New York Times*, September 3, 2006.

recently questioned Mbeki's commitment to fighting the epidemic after the August 2007 firing of Tshabalala-Msimang's deputy, who was outspoken about problems with the nation's health services and critical of the Health Minister's controversial views on AIDS.

Although experts believe the country's prevalence rates have begun to stabilize, the South African government still faces many challenges in its response to HIV/AIDS.<sup>27</sup> The emergence of extensively drug resistant tuberculosis (XDR-TB), high rates of HIV/TB co-infection, and significant HIV prevalence rates among health care workers place major strains on the health care system. AIDS activists have responded positively to President Motlanthe's appointment of a new health minister, Barbara Hogan.

## Land Reform

In order to address historic injustices, the South African government began a land reform program in the late 1990s to restore land rights to those forcibly dispossessed of their land under racially discriminatory apartheid legislation. The government set a number of targets, including the settlement of all land claims<sup>28</sup> by the end of 2008 and the more ambitious transfer of 30% of agricultural lands owned by whites in 1994 to African owners by 2014. While the government's "willing buyer, willing seller" land reform policies have reportedly met with little resistance from white landowners, and the Land Affairs Department reports that almost all land claims have been settled, critics charge that the transfers are going too slowly. According to media reports, the government announced in August 2006 that negotiations with white farmers over the price of land marked for restitution would be limited to six months, after which expropriation could take place if no settlement was reached.<sup>29</sup> Two months later, two white-owned farms claimed by black South Africans were marked for expropriation, a process through which the government would seize the land and pay the owners a price set by independent assessors.<sup>30</sup> This ruling has been seen by some analysts as signaling a sense of urgency on the part of the government to speed up reforms.

In a 2005 speech on the perceived slow pace of land transfers, then-Deputy President Mlambo-Ngcuka said that South Africa might learn from Zimbabwe's land reform process, igniting considerable controversy. President Mbeki dismissed critics of the speech, saying the Deputy President's words were misinterpreted and that Zimbabwe's policies were only one among many the government had studied. The media reported a similarly controversial discussion document circulated by the Land Affairs Department suggesting replacing the "willing buyer, willing seller" approach with a "Zimbabwean model," or forced-sale principle (Zimbabwe's policy that preceded the country's land invasions). Under this proposed model, farmers who want to sell their land must offer the government the right of first refusal. If they refused a government offer, they could not sell the land on the open market. The discussion paper was said to propose the expropriation of commercial agricultural land to meet the government's target of 30% redistribution. At that time, government officials stressed that the document was for internal discussion only and did not reflect official policy.<sup>31</sup>

<sup>27</sup> The Henry J. Kaiser Family Foundation, "HIV/AIDS Policy Fact Sheet," October 2008.

<sup>28</sup> Black citizens have filed 79,700 land claims since January 1999, according to a report by Michael Wines, "South Africa to Seize Two White-Owned Farms," *New York Times*, October 10, 2006.

<sup>29</sup> "ANC Gives Ultimatum to White Farmers," *The Daily Telegraph*, August 14, 2006.

<sup>30</sup> "South Africa to Seize Two White-Owned Farms," *New York Times*, October 10, 2006.

<sup>31</sup> "'Zimbabwe' Land Option Mooted by Officials," *Business Day*, October 16, 2006.

In 2008, the Mbeki Administration appeared determined to speed up the transfer of commercial agricultural lands. Official figures suggest that the government has met only 5% of its 30% target for state-funded transfers, and the Land Affairs Department suggests that sellers are demanding excessively high prices. The government tabled legislation before parliament in July that would accelerate the process by adding a constitutional provision for expropriation of a property “for a public purpose.” Critics, including the Democratic Alliance, argued that the proposed law, which would restrict property owners’ rights to judicial appeal and force sales at below market prices, would undermine confidence in property rights and deter investment.<sup>32</sup> They also suggest that while the rate of state-funded transfers has been slow, substantial transfers have been made privately through the property market. The legislation was shelved, but some speculate that it will be resubmitted.

In a 2004 survey of South Africans of all races, 72% of black respondents agreed with the statement: “All the land whites own, they stole from blacks.”<sup>33</sup> According to an independent South African think tank,

The most universal and immediate land need in South Africa is for ‘a place to stay’ rather than ‘a place to farm’.... Even among employed agricultural workers, land demand is modest. Among people living on the land without alternative sources of income, however, aspirations for land or more land can reach high levels, and become very intense. Although this is a minority group, it is large in numerical terms, and hence constitutes a significant policy challenge.<sup>34</sup>

The targets for reform set by the ANC government have set public expectations high, and some analysts suggest that the perceived pace of land reform could become a major issue in the 2009 general elections.

## Crime

As South Africa prepares to host hundreds of thousands of tourists during the soccer World Cup in 2010, the government continues to battle perceptions that the country is not safe for tourists because of its high crime rate. According to one survey, one-third of potential tourists have been deterred from visiting South Africa out of fear of becoming victim to a criminal act.<sup>35</sup> Some analysts attribute the high rate of crime to the country’s high level of wealth disparity, but also to shortcomings within the police force and in the lack of a comprehensive government approach. South African officials have acknowledged the problem. In February 2007, then-President Mbeki admitted crime had created a high level of fear around the country, and the South African Safety and Security Minister called the high number of cases of violent crime “disconcerting and

<sup>32</sup> “Expropriation Must Be a Land Resort,” *Business Day*, May 30, 2008.

<sup>33</sup> In a survey of 3500 respondents 2004, South Africans were asked to respond to the statement: “All the land whites own, they stole from the blacks.” and were asked to present their responses in a range, from “strongly agree” to “strongly disagree.” Over 72% responded “strongly agree” or “agree.” Cited in “Land Issue Illustrates Social Rift,” *Business Day*, 5 May 2004.

<sup>34</sup> The Centre for Development and Enterprise, *Land Reform in South Africa: a 21<sup>st</sup> Century Perspective*, Johannesburg: June 2005, p. 30.

<sup>35</sup> “Crime ‘Deters’ SA 2010 Tourists,” *BBC*, July 23, 2007.

unacceptable.”<sup>36</sup> The government has announced plans to recruit 30,000 new police officers before the games.

## The Economy

South Africa won praise from international economists for its reform-oriented macro-economic policy in the late 1990s, which, according to the U.S. Department of Commerce, “demonstrated its commitment to open markets, privatization, and a favorable investment climate, moving away from the former government’s strategy of import substitution and industrial development that protected local industries with high tariff barriers.”<sup>37</sup> The policy, known as the Growth, Employment and Redistribution (GEAR) strategy, delivered mixed results—it engendered macroeconomic stability, fiscal discipline, and trade liberalization. However, unemployment continued to rise, and income distribution did not show signs of significant improvement. Nevertheless, the income of the average black household almost doubled in the first decade after the end of apartheid.<sup>38</sup>

The rate of growth in Gross Domestic Product (GDP) averaged 3% per year in the first decade after apartheid and rose to an average of 5% from 2004 to 2007. The growth rate fell to an estimated 3.2% in 2008, due in part to the global economic downturn, and is expected to decrease to 1.2% in 2009 before rising above 3% again in 2010.<sup>39</sup> Much higher growth rates will be needed if South Africa is to substantially increase employment among the black majority and reduce the sharp inequalities in income distribution among the races. Unemployment estimates range from 25% to 40%, far above the government’s target of 15%. The vast, poverty-stricken townships surrounding South Africa’s cities remain a potential source of political instability. In recent years periodic riots have erupted in several poor municipalities to protest local government corruption and inadequate service delivery. Although turnout and support for the ANC remained high nationally in the country’s last nationwide municipal elections, voters boycotted the polls in a number of townships in which the ANC had formerly enjoyed strong support, and several hundred former ANC supporters stood as independent candidates. Conditions in the townships have improved marginally with the expanded availability of electricity and the provision of clean water taps. However, popular resentment is reportedly deepening with respect to the widening gap between the rich and poor.

Some economists attribute South Africa’s economic difficulties, in part, to the slow pace of privatization. Despite its commitment to privatization, the government remains heavily involved in transportation, communications, energy production, and the defense sector, and after the 2004 elections expressed a desire to restructure most remaining state-owned enterprises rather than expand privatization. Delays are due partly to government concerns that privatization will boost unemployment temporarily, fueling criticism from COSATU and the SACP. Moreover, the government is trying to find ways to promote “black empowerment” by assuring that a significant portion of the shares in privatized companies will be acquired by black South Africans rather than

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“SA Violent Crime ‘Unacceptable,’” *BBC*, July 3, 2007.

<sup>37</sup> U.S. Department of Commerce, *South Africa Country Commercial Guide, Fiscal Year 2003*, July 2002.

<sup>38</sup> The average household income for blacks increased by 71% from 1996 to 2004, according to the South African Institute for Race Relations’ *South Africa Survey 2004/2005*.

<sup>39</sup> The Economist Intelligence Unit (EIU), *Country Report: South Africa*, December 2008.

by wealthy whites or foreign investors. Another point of view, championed by COSATU and the SACP, is that job cutbacks that often follow privatization are contributing to unemployment and the growing income gap in South Africa. Some argue that the government should be intervening in the economy to save jobs, and to create new jobs, perhaps through a major public works program.

In 2005, the government unveiled its new Accelerated and Shared Growth Initiative for South Africa (ASGISA), which is designed to raise the average economic growth rate to 4.5% from 2004-2009 and to at least 6% from 2010-2014 through targeted interventions, including public investment in infrastructure. The ASGISA plan also aims, through these economic growth policies, to cut unemployment rates in half by 2014; some experts consider these targets impossible for the country to meet.<sup>40</sup> Another economic program, the government's Black Economic Empowerment (BEE) program, was initiated in 1994 and is designed to address racial inequalities in the business sector. In 1994, blacks owned less than 5% of the country's private enterprises. As of mid-2008 there were over 15 black-owned and 29 black-empowered companies listed on the South African stock exchange. The rise in black ownership has been echoed by a significant increase in the black middle class. Nevertheless, the lack of skilled labor may be hampering the success of the program, as may complicated or unclear regulations. According to a 2005 survey of domestic and foreign firms, "While supporting the need for affirmative action, most foreign investors acknowledge that the lack of clarity surrounding the application of Black Economic Empowerment has had a dampening effect on their plans to further invest in South Africa."<sup>41</sup> In February 2007, the government instituted the BEE Codes of Good Practice, which make both listed and unlisted companies subject to empowerment requirements and targets, but offers concessions to small businesses and foreign investors.<sup>42</sup> In September 2007, Sasol, the country's oil and coal company, announced its intention to transfer 10% of the company to black owners to qualify under BEE rules.

In the first decade of post-apartheid rule, analysts expressed concern over the government's ability to attract foreign investment at the levels needed to spur growth. Sound macroeconomic policies, including reduced tariffs and export subsidies, the loosening of exchange controls, improved enforcement of intellectual property laws, and legislation designed to improve competition have been cited by observers as responsible for the country's economic growth. A World Bank study found that South Africa is one of the top 35 easiest countries in which to do business.<sup>43</sup> Investors are, however, reportedly worried by labor relations, high crime rates, and corruption. Transparency International ranks South Africa 54 out of 158 in its 2008 Corruption Perceptions Index, indicating that it is perceived as less corrupt than other Sub-Saharan African countries (only three African countries ranked less corrupt than South Africa), but more corrupt than many competitors for investment in other parts of the world.<sup>44</sup> Its ranking fell from 43 in 2007. Political risks arising from regional instability, particularly in Zimbabwe, are regarded as

<sup>40</sup> EIU, December 2008.

<sup>41</sup> United States Department of Commerce, "Doing Business in South Africa: A Country Commercial Guide for U.S. Companies," 2006.

<sup>42</sup> Multinational corporations can maintain 100% ownership provided they meet other BEE criteria, including employment and procurement targets.

<sup>43</sup> The country rose from a ranking of 35 in 2008 to 32 in 2009. See the *Doing Business* section of the World Bank's website at <http://www.worldbank.org>.

<sup>44</sup> The Transparency International index is based on the reported perceptions of business people and country analysts. A country with the rank of 1 has the least corruption.

another deterrent to investors, and South Africa's own racial, class, and political divisions are seen as sources of concern. The resignation of President Mbeki has also shaken investor confidence. Some studies suggest that business confidence is at its lowest level in five years, due in part to instability in the global financial markets but also because of concerns regarding infighting within the ANC.<sup>45</sup>

Some analysts have highlighted the country's executive "brain drain" as one of the greatest threats to South Africa's economic progress. They suggest that the outcome of the debate over the role of state assistance may have the greatest effect on the country's capability to meet ASGISA goals.

## Electricity Shortages

The country's continued economic growth may also be threatened by an overstretched electricity network. In January 2008, South Africans experienced severe electrical power cuts throughout the country. Estimates indicate that the cuts may have cost the economy millions.<sup>46</sup> The crucial mining sector was hit particularly hard, causing global gold and platinum prices to rise. Many mines closed for several days as the power cuts threatened worker safety. Electricity from South Africa was also temporarily cut to neighboring countries. State-owned Eskom, the world's fourth largest power company, and the Mbeki Administration blamed one another for the crisis. The government has begun rationing electricity and is accelerating plans to build new power plants and rehabilitate old ones. Experts suggest the shortages may nevertheless continue for several years, and consumers now face steep increases in their power bills.<sup>47</sup>

## U.S. Relations

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

In the early 1990s, the United States assumed a lead role in supporting South Africa's transition to democracy. Policy makers at that time saw the South African democratization process as a model for other African countries, and expected that the country would soon become a stabilizing force as well as an engine for economic growth throughout the sub-Saharan region. South Africa's need to focus on domestic economic and social problems meant that U.S. expectations for the country's regional role were perhaps not met in full in the first post-apartheid years. But South Africa's leadership in the launching of NEPAD; the deployment of South African peacekeepers to Burundi, Cote d'Ivoire, and Sudan; and intensive South African involvement in the peace process in the Democratic Republic of the Congo have highlighted South Africa's capabilities as a

<sup>45</sup> The Economist Intelligence Unit (EIU), *Country Report: South Africa*, September 2008.

<sup>46</sup> EIU, "South Africa: Power Down," January 31, 2008.

<sup>47</sup> "South African Power Cuts Threaten Economic Growth; Jobs," *VOA News*, January 31, 2008.

regional actor. South Africa also assisted U.S. efforts to resolve the Haiti crisis by providing an exile location for former President Bertrand Aristide. Given South Africa's role in conflict mediation and resolution throughout the continent, the United States has worked to expand the country's peacekeeping abilities through the African Contingency Operations Training Assistance (ACOTA) program.<sup>48</sup>

Since 1992, South Africa has been among the leading African recipients of U.S. aid. U.S. assistance to South Africa has increased in recent years, rising from an estimated \$224 million in FY2006, to \$398 million in FY2007. The Bush Administration obligated an estimated \$574 million for FY2008, and requested almost \$576 million for FY2009.<sup>49</sup> In its FY2008 congressional budget justification, the State Department reported that "the U.S. Government's (USG) relationship with South Africa is transforming from that of donor to one of strategic partnership," and accordingly, "activities in Peace and Security will continue to increase in importance while development programs will be phased out in the next couple of years." U.S. assistance will continue to focus on fighting HIV/AIDS and tuberculosis and assisting the South African government to implement economic reforms and to improve its regional peacekeeping capacity. USAID programs have supported efforts to promote sound governance, reduce unemployment and poverty, increase access to shelter and basic municipal services, and improve the quality of education and the country's health system. U.S. assistance includes \$850,000 in International Military Education and Training (IMET) programs in South Africa.

The United States provides significant assistance to South Africa's fight against HIV/AIDS through the President's Emergency Plan for AIDS Relief (PEPFAR), having contributed over \$855 million since the program's inception in FY2004. The Bush Administration requested \$557 million for FY2009 through the Global HIV/AIDS Initiative. By the end of FY2007, the PEPFAR program had provided ARV therapy to an estimated 329,000 patients, transmission prevention treatment to over 333,000 pregnant HIV-infected women, and palliative and/or tuberculosis care for 984,500 South Africans. PEPFAR's South Africa program also funds public education efforts to promote abstinence, faithfulness, and healthy behavior to reduce the risk of transmission among high-risk groups.

The 110<sup>th</sup> Congress has taken steps to address lingering restrictions on U.S. visas for members of the ANC, including former Presidents Mbeki and Mandela, who were convicted under the previous apartheid government of crimes against that regime. In May 2008, the House of Representatives passed H.R. 5690, sponsored by House Foreign Affairs Committee Chairman Howard Berman. The legislation removes the ANC from treatment as a terrorist organization, instructs U.S. government agencies to remove any terrorist designations regarding the ANC and its leaders from their databases, and gives discretion to the State and Homeland Security Departments in determining admissibility of visa applicants based upon specified criminal convictions or terrorist activities undertaken in opposition to apartheid rule. Secretary of State Condoleezza Rice called the restrictions "embarrassing."<sup>50</sup> Senator John Kerry introduced

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<sup>48</sup> For more information see CRS Report RL32773, *The Global Peace Operations Initiative: Background and Issues for Congress*, by Nina M. Serafino.

<sup>49</sup> On December 26, the President signed into law the FY2008 Consolidated Appropriations Act (H.R. 2764/P.L. 110-161), which included State, Foreign Operations, and Related Programs appropriations for FY2008. Country-specific allocations have not yet been released.

<sup>50</sup> "Congressman Wants to End U.S. Travel Restrictions against Mandela and the ANC," *Voice of America*, April 10, 2008.

companion legislation, S. 2979. Members of the 110<sup>th</sup> Congress also introduced legislation honoring Mandela, H.Res. 1090, and Archbishop Desmond Tutu, H.Res. 34.

## Cooperation in Fighting Terrorism

U.S. and South African law enforcement authorities have cooperated for several years on terrorism investigations, including investigations into the possibility that South Africa has been used as a haven for Islamic militants from outside the region.<sup>51</sup> In 1999, South African authorities arrested Khalfan Khamis Mohamed, a Tanzanian later convicted in the bombing of the U.S. embassy in Dar es Salaam, and deported him to the United States. Khalfan had reportedly sought to hide among Cape Town's Muslims after he fled Tanzania. More recently, one of the suspects of the 2005 London bombings, Haroon Rashid Aswat, who was arrested in Zambia, was thought to have spent time in South Africa. There is continuing concern that other terrorists may seek to hide in South Africa, or make use of its modern transportation and communications systems for transit, smuggling, and money-laundering.<sup>52</sup>

The U.S. Department of Treasury's Office of Foreign Assets Control (OFAC) includes several South African nationals in its Specially Designated Nationals List (SDN), which sanctions individuals and groups believed to have links to terrorism. In a controversial move, the South African government used its position in 2007 as a member of the U.N. Security Council's Al-Qaeda and Taliban Sanctions Committee, also known as the 1276 Committee, to block United Nations travel and financial sanctions on two of these individuals, Farhad Ahmed Dockrat and Dr. Junaid Ismail Dockrat. The South African government argued that it required more time to examine the evidence against the Dockrats before applying sanctions.

There is concern over the potential use of South African travel documents by would-be terrorists. At the time of his arrest, Haroon Rashid Aswat was carrying a South African passport, and according to media reports, others with suspected ties to terrorism have been apprehended at U.S. and British borders, as well as in Pakistan, with South African travel documents.<sup>53</sup> The U.S. State Department's Office of the Coordinator for Counterterrorism has noted concern regarding fraudulent travel documents, saying, "efforts to limit the accessibility of passports and identity documents to potential terrorists are limited by resources and corruption in the Department of Home Affairs."<sup>54</sup> South African passports were found during raids by British police on suspected terror groups in London in 2004 and 2005. South Africa's intelligence minister reported in August 2005 that groups allegedly linked to al-Qaeda had been discovered in southern Africa and that maritime targets could be threatened. U.S. law enforcement agencies provide training to their South African counterparts, supply needed equipment to the South Africa Police Service, and share information.<sup>55</sup>

The South African government has expressed differences with the United States in the latter's designation of Hamas and Hezbollah as terrorist organizations. In May 2007, prior to the Hamas

<sup>51</sup> "SA, US Work in Tandem to Find Terrorist Cells," *Business Day*, December 11, 2002.

<sup>52</sup> "Spreading Influence: In South Africa, Mounting Evidence of al Qaeda Links," *Wall Street Journal*, December 10, 2002.

<sup>53</sup> "Arrests and Plots Give South Africans a New Program," *New York Times*, August 9, 2004.

<sup>54</sup> U.S. Department of State, *2005 Country Reports on Terrorism* <http://www.state.gov/s/ct/rls/crt/2005/>.

<sup>55</sup> "Law Enforcement," available at the website of the U.S. Embassy in Pretoria <http://usembassy.state.gov/pretoria>.

military seizure of the Gaza Strip, the South African Minister of Intelligence met with Hamas leader and then-Prime Minister of the Palestinian Authority Ismail Haniyeh. According to some media reports, he publically praised Hamas and invited Haniyeh to visit South Africa.

## Diplomatic Differences

Despite the cordial relations that officially exist between South Africa and the United States, some analysts suggest that diplomatic differences highlight what former U.S. Assistant Secretary of State for African Affairs Jendayi Frazer referred to as a “rough patch” in U.S.-South African relations.<sup>56</sup> As one U.S. official pointed out, the country has had close ties with the Non-Aligned Movement countries, and has exhibited “marked sympathy toward countries that exert their independence from the West.”<sup>57</sup> Some South African officials expressed opposition to the Bush Administration’s initial proposal to locate the new U.S. combatant command, Africa Command or AFRICOM, on the continent.<sup>58</sup> In addition, South Africa has taken a critical stance toward the war in Iraq, and former President Nelson Mandela has been vocal in his opposition to what he views as U.S. unilateralism on Iraq. South Africa also differs significantly with the United States on Iran. During an 2006 visit by the Iranian Foreign Minister to Pretoria, South Africa affirmed its support for Iran’s “inalienable right to pursue nuclear energy for peaceful purposes,” at the same time that the Mbeki government announced its intention to consider renewing its uranium enrichment program.<sup>59</sup> South Africa, which dismantled its own nuclear weapons program after the fall of apartheid, insists that any enrichment program would be strictly peaceful in nature.

## The United Nations

South Africa’s recent role as a non-permanent member of the U.N. Security Council was controversial, and the South African government has been criticized by the United States as well as by many human rights activists for its lack of support for human rights issues raised before the Council.<sup>60</sup> In January 2007, South Africa voted against a resolution on political prisoners in Burma, arguing that alleged human rights abuses in sovereign countries are not covered by the mandate of the Security Council as defined by the U.N. Charter. It argued that because the abuses do not pose a direct threat to international peace and security, they would be more appropriately addressed by the U.N. Human Rights Council.<sup>61</sup> In March 2007, while serving a one-month term as President of the Security Council, South Africa reportedly blocked discussion of human rights abuses in Zimbabwe.<sup>62</sup> Nobel laureate Archbishop Desmond Tutu said of the Burma vote, in which China and Russia cast a double veto, “I am deeply disappointed by our vote. It is a betrayal

<sup>56</sup> Janine Zacharia, “U.S. Finds an Antagonist in a Country on the Rise,” *International Herald Tribune*, June 27, 2007.

<sup>57</sup> Remarks by Deputy Assistant Secretary of State Linda Thomas-Greenfield, “U.S.-South Africa Relations: The View from Washington,” Washington, D.C., September 14, 2006.

<sup>58</sup> According to South African media reports, in July 2007, the U.S. Ambassador to South Africa, Eric Bost, publicly expressed frustration that the country’s defense minister would not respond to requests for a meeting with General Kip Ward, commander of AFRICOM. For more information, see CRS Report RL34003, *Africa Command: U.S. Strategic Interests and the Role of the U.S. Military in Africa*, by Lauren Ploch.

<sup>59</sup> “South Africa’s Support for Iran’s Nuclear Program ‘Holds Firm,’” *BBC Monitoring Africa*, September 1, 2006.

<sup>60</sup> See, for example, Colum Lynch, “South Africa’s U.N. Votes Disappoint Some,” *Washington Post*, April 16, 2007; James Kirchick, “Why, the Beloved Country?,” *Los Angeles Times*, July 29, 2007.

<sup>61</sup> U.N. document, S/2007/14, January 12, 2007.

<sup>62</sup> “Britain Wants U.N. Security Council Attention on Zimbabwe,” *Voice of America*, March 16, 2007.

of our own noble past...The tyrannical military regime is gloating, and we sided with them. If others had used the arguments we are using today when we asked them for their support against apartheid, we might still have been unfree,”<sup>63</sup> Former DA leader Tony Leon expressed similar sentiments on his government’s alleged refusal to address the Zimbabwe situation, calling it “extraordinary irony” that the ANC government would use the same argument used to block debate on the abuses of the former apartheid regime in South Africa.<sup>64</sup>

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

South Africa and the United States also differed on Middle East issues addressed by the Security Council. In May 2007, South Africa abstained from a U.S.-sponsored resolution to establish an international tribunal to investigate political killings in Lebanon, arguing that although it supported a tribunal with “Lebanese ownership,” it was not appropriate for the Security Council to impose a tribunal upon the country and “politicize international criminal law.”<sup>65</sup> The country was vocal in its opposition to Security Council sanctions on both Sudan and Iran, arguing that such sanctions would ultimately harden the target governments’ positions rather than reduce tensions. However, after efforts to modify resolution language, South Africa ultimately did vote for sanctions against Iran in March 2007, “to remind Iran of its responsibility towards the IAEA and the Nonproliferation Treaty.”<sup>66</sup>

## Zimbabwe <sup>67</sup>

Political and economic turmoil in neighboring Zimbabwe has led to a massive exodus of Zimbabweans in search of work. A recent nationwide outbreak of cholera in Zimbabwe has exacerbated the flight. Some sources estimate that as many as four million Zimbabweans (30% of the total population) are now living outside the country. South African government sources reported a sharp increase in border crossings after the Zimbabwean government implemented price controls on basic commodities in June 2007. Zimbabwe’s other neighbors, Zambia, Botswana, and Mozambique, also have seen a significant rise in immigration in the last year. While many stay in these countries to look for work or stay with relatives, others commute across the border daily to buy basic staples that are now unavailable in their own country. Those who are caught by South African police are sent back to Zimbabwe; the International Organization for Migration (IOM) reported that the number of Zimbabweans repatriated from its facility in Beitbridge, South Africa increased from 40,000 in the last six months of 2006 to almost 118,000 in the first six months of 2007. As mentioned above, tensions over perceived competition for resources led in May 2008 to xenophobic attacks on Zimbabweans and other immigrants in

<sup>63</sup> “Desmond Tutu ‘deeply disappointed with South Africa’s vote against U.N Security Council resolution on Myanmar,” *International Herald Tribune*, January 21, 2007.

<sup>64</sup> “South Africa Reportedly Blocking U.N. Debate on Zimbabwe Crisis,” *Business Day*, March 20, 2007.

<sup>65</sup> China, Indonesia, the Russian Federation, and Qatar also abstained. U.N. document, S/2007/315, May 30, 2007.

<sup>66</sup> U.N. Document S/Res/1747, March 24, 2007. For South African government statements on the vote, see “Iran Keeps Up Nuclear Consultation with SA,” *Business Day*, July 9, 2007.

<sup>67</sup> For more information on South Africa’s policies on Zimbabwe, see CRS Report RL34509, *Zimbabwe: 2008 Elections and Implications for U.S. Policy*, by Lauren Ploch.

townships throughout South Africa. Many were rendered homeless and forced to seek shelter in temporary camps established by the South African government, while others chose to return to their country of origin. Cases of cholera have been reported in South Africa and other neighboring countries.

During his 2003 visit to Africa, President George W. Bush called then-President Mbeki his “point man” on Zimbabwe.<sup>68</sup> The United States has been outspoken in its criticism of the policies of Zimbabwe’s President Robert Mugabe with respect to human rights, democracy, and land reform, and has imposed “targeted sanctions” prohibiting travel to the United States by Zimbabwe leaders. President Mbeki, by contrast, chose to deal with President Mugabe through “quiet diplomacy,” or diplomatic engagement, and South African officials have called for western countries to reconsider the penalties they have imposed on Zimbabwe.

As Zimbabwe’s largest trading partner, many observers consider South Africa to be in a position to exert substantial leverage on its neighbor. At the same time, South Africa must weigh the unintended effects of such leverage—state collapse across its northern border could produce a sharp increase in illegal migration and have a substantial impact on South Africa. In 2005, as the International Monetary Fund (IMF) threatened to expel Zimbabwe from the Fund for debt payment arrears, the country requested a loan of up to \$1 billion from South Africa for fuel, food, and electricity, as well as to address the IMF payments. Amid rumors that the South African government would make any potential loan conditional on economic and political reforms, the loan negotiations stalled and Mugabe found another source from which to repay the IMF dues.<sup>69</sup>

In March 2007, Southern African Development Community (SADC) leaders appointed President Mbeki to mediate between the Zimbabwean government and the opposition. In June 2007, South Africa initiated talks between the Mugabe Administration, represented by the country’s Ministers of Labor and Justice, and the two MDC factions, represented by their respective Secretary-Generals, in Pretoria. President Mugabe’s proclamation in January 2008 that national elections would be held on March 29, 2008, while opposition rallies in the country continued to be suppressed by police, angered the opposition and led to the dialogue’s collapse.

Following Zimbabwe’s 2005 parliamentary elections, which the British and American governments termed “fundamentally flawed” and “seriously tainted,” the head of South Africa’s parliamentary observer mission, Mbulelo Goniwe, chief whip of the ruling African National Congress (ANC), was quoted saying that the delegation had “unanimously agreed that the elections were credible, legitimate, free and fair.”<sup>70</sup> Leading the Southern African Development Community (SADC) observer delegation, then-South African Deputy President Mlambo-Ngcuka congratulated Zimbabwe on “the holding of a peaceful, credible, well-managed and transparent election. The people of Zimbabwe have expressed their will in an impressively instructive manner that will go a long way in contributing to the consolidation of democracy and political stability not only in Zimbabwe, but also in the region as a whole.”<sup>71</sup> Both statements received substantial criticism in the international press.

<sup>68</sup> Comments made by President Bush during press conference on July 9, 2003 in Pretoria <http://www.whitehouse.gov/news/releases/2003/07/20030709.html>.

<sup>69</sup> “Zimbabwe Pays Part of IMF Debt,” *The Washington Post*, September 2, 2005.

<sup>70</sup> “The Real Fraud in Zimbabwe,” *The Washington Times*, April 6, 2005.

<sup>71</sup> “Zimbabwe’s Enabler; South Africa Falls Short as Monitor of Democracy,” *The Washington Post*, April 4, 2005.

Mbeki's Zimbabwe policies drew criticism from within his country; former President Mandela, Archbishop Tutu, former opposition leader Tony Leon, and even the ANC's ally, the Congress of South African Trade Unions (COSATU), have been vocal detractors. COSATU delegations have been forcibly expelled from Zimbabwe twice, first in 2004 and later in 2006, when COSATU members traveled to Harare to express their support for Zimbabwean human rights activists after incidents of alleged police violence. One COSATU leader remarked, "we are not quiet diplomats," and "we will not keep mum when freedom does not lead to respect for workers and human rights."<sup>72</sup> When the Mbeki government issued a terse initial statement following the March 11, 2007, arrest of opposition and civil society activists, COSATU criticized the government for a "disgraceful" response, "in the face of such massive attacks on democracy and human rights, especially coming from those who owed so much to international solidarity when South Africans were fighting for democracy and human rights against the apartheid regime."<sup>73</sup>

ANC leader Jacob Zuma has referred to the Zimbabwean president as "a monster," but has defended Mbeki's quiet diplomacy.<sup>74</sup> Other ANC heavyweights like Cyril Ramaphosa and Tokyo Sexwale have criticized Mbeki's policy. Sexwale has said, "When a freedom fighter takes a wrong step, it is time for other freedom fighters to stand up and say 'we know you are a great man, but we cannot support what you are doing.'"<sup>75</sup> In 2007, he suggested that the Zimbabwean government may be ignoring Mbeki's efforts, and that it may be time to "turn up the volume."<sup>76</sup> Ramaphosa has expressed similar sentiments.

President Mbeki's reluctance to take a more critical stance toward the Mugabe Administration led to increasing calls for the South African leader to be replaced as the SADC mediator on Zimbabwe. Tsvangirai criticized Mbeki for his "quiet support for the dictatorship," and has called for him to step down as mediator.<sup>77</sup> According to reports, President Mbeki recently wrote President Bush a letter warning the United States not to interfere in the Zimbabwe situation.<sup>78</sup> But as the violence increased after the 2008 elections in Zimbabwe, public and internal ANC pressure may have forced Mbeki to take a stronger position with President Mugabe. Mbeki visited Zimbabwe on several occasions after the elections, and he dispatched six retired generals to investigate reports of attacks on the opposition. The generals reportedly expressed shock at the level of violence.<sup>79</sup> Under Mbeki's mediation, the Zimbabwe parties reconvened for talks in South Africa, and on September 15, 2008, after several weeks of negotiations, Mugabe and MDC leader Morgan Tsvangirai signed a power-sharing arrangement aimed at resolving the political standoff. As part of the deal, Tsvangirai would become Prime Minister, and cabinet positions would be divided among the parties. Months later, the agreement has yet to be implemented.

<sup>72</sup> "We Are Not Quiet Diplomats," *Daily Mail and Guardian* (Johannesburg), November 5, 2004.

<sup>73</sup> "South Africa Ends 's 'Silence' on Zimbabwe, Urges Harare 'to Respect Rule of Law,'" *BBC Monitoring Africa*, March 14, 2007.

<sup>74</sup> "I'm No Mugabe, but I Have Sympathy for What He Has Done," *The Sunday Telegraph* (London), November 26, 2006.

<sup>75</sup> "Chorus of Disapproval Grows As Sexwale Speaks Out on Mugabe," *Zimbabwe Independent*, October 6, 2006.

<sup>76</sup> "Zimbabwe 'Ignoring' SA Diplomacy," *BBC*, May 15, 2007.

<sup>77</sup> Barry Bearak, "Zimbabwe Opponent Criticizes Mbeki," *New York Times*, February 14, 2008.

<sup>78</sup> Michael Gerson, "The Despots' Democracy," *Washington Post*, May 28, 2008.

<sup>79</sup> "Anxiety Grows for Kidnaped Zimbabwe Activist," *Voice of America*, May 18, 2008.

## Trade

The United States and South Africa enjoy a strong trade relationship. The United States leads the world in direct foreign investment in South Africa, with over 600 American companies active in the country.<sup>80</sup> As **Table 1** indicates, the United States runs a deficit in its merchandise trade with South Africa. Nevertheless, South Africa is the largest market for U.S. goods on the continent, with imports totaling over \$5.5 billion in 2007. Leading U.S. exports include transportation equipment, chemicals, and electronic products, while leading imports include minerals and metals, and transportation equipment.<sup>81</sup> U.S. officials point out that South Africa continues to enjoy major benefits from the African Growth and Opportunity Act (AGOA, P.L. 106-200), enacted by Congress in May 2000, with nearly all of the country's exports qualifying for duty-free entry into the United States. Through AGOA, South Africa exported \$2.3 billion in such products as vehicles, chemicals, minerals, metals, and agricultural, textile, and apparel products in 2007, making the country the largest and most diversified supplier of non-fuel products under AGOA.

**Table 1. U.S. Merchandise Trade with South Africa**

|                           | (\$ billions) |        |        |        |        |
|---------------------------|---------------|--------|--------|--------|--------|
|                           | 2003          | 2004   | 2005   | 2006   | 2007   |
| Exports to South Africa   | 2.819         | 3.178  | 3.907  | 4.462  | 5.518  |
| Imports from South Africa | 4.624         | 5.945  | 5.886  | 7.501  | 9.075  |
| Balance                   | -1.805        | -2.766 | -1.979 | -3.039 | -3.557 |

**Source:** U.S. Census Bureau, Foreign Trade Division

During a 2002 visit to South Africa, U.S. Trade Representative Robert Zoellick proposed the creation of the United States' first free trade agreement (FTA) with sub-Saharan Africa, linking the United States with South Africa and the other members of the Southern Africa Customs Union (SACU): Botswana, Lesotho, Swaziland, and Namibia. SACU is the United States' second largest trading partner in Africa behind petroleum-rich Nigeria. Reaction to the FTA proposal in the region was reportedly positive, but there were concerns about the scope of the negotiations. Some observers felt that U.S. proposals to include intellectual property, government procurement, and services in the negotiations could have a negative impact on the SACU countries, and that the United States was not sensitive to the differing levels of development within SACU. Negotiations began in 2003 but were suspended in 2006, when U.S. and SACU officials agreed on a new work program that will aim to address a broad range of trade and investment issues, and may contribute in the long term toward a possible FTA. Analysts suggest that the momentum for SACU negotiators to complete the FTA may have been lost, given that AGOA benefits were extended through the AGOA Acceleration Act of 2004 (P.L. 108-274) until 2015.<sup>82</sup>

<sup>80</sup> Europa Regional Surveys of the World, *Africa South of the Sahara 2006*, 35<sup>th</sup> ed. Routledge, London: 2005, p. 1098.

<sup>81</sup> U.S. International Trade Commission.

<sup>82</sup> For further information, see eCRS Report RS21387, *United States-Southern African Customs Union (SACU) Free Trade Agreement Negotiations: Background and Potential Issues*, by Danielle Langton.

## Prospects for the Future

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

The principal worry for some analysts has been that South Africa would become a de facto one-party state under the ANC, weakening checks and balances in the political system. Should this happen, some fear that the regime could become increasingly authoritarian and unresponsive to the needs of its citizens. ANC leaders reject this view, arguing that their party is a national liberation movement committed to transforming South Africa and fulfilling the aspirations of the poor.<sup>83</sup> Others have argued that the power of the ruling party is limited by the country's free and very active press, independent judiciary, and a bill of rights enshrined in the constitution. The emergence of the new Congress of the People may provide the best challenge to the ANC's political dominance to date, although its success in drawing support from the ruling party will remain unknown until the 2009 elections. In any event, ANC leaders want their country to be seen as a leader in Africa, and as a spokesman for Africa and developing countries generally in world affairs. To play such roles, South Africa must continue to be recognized as a successful democracy.

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<sup>83</sup> See, for example, President Mbeki's December 16, 2002 address to the ANC national conference <http://www.anc.org.za/ancdocs/history/mbeki/2002/tm1216.html>.

**Figure 1. Map of South Africa's Provinces**



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

<http://wikileaks.org/wiki/CRS-RL31697>

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