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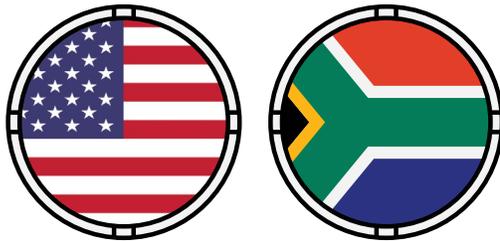


Forging a New Era in US-South African Relations

Anthony Carroll

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Cover photo: Nelson Mandela Bridge in Johannesburg, which connects two economic hubs of the city. Completed in 2003, the project is a symbol of Mandela's visionary leadership and his ability to bridge apartheid South Africa with the "new" South Africa. *Photo credit:* South African Tourism.

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EXECUTIVE SUMMARY

Why now? *Ke Nako!*

It is time. In fact, it is almost too late.

As one of the African continent's largest and most sophisticated economies, South Africa offers a myriad of opportunities for engagement with the United States on diplomatic, commercial, security, and social fronts. It is a self-sufficient, complex, and dynamic country in a struggling, complex, and dynamic region. Yet, the centrality of South Africa to the United States' relationship with the wider continent is underappreciated by Washington's policy community, which has become distracted by the displays of dysfunctionality and high-level corruption that have come to characterize South African politics. These political dramatics have knocked US relations with South Africa off track by obscuring the enduring social inequities at the heart of South Africa's problems, both in media depictions of South Africa and in serious policy discussions.

This report offers a snapshot of South Africa on the heels of several important events—the close but unsuccessful vote of no confidence against President Jacob Zuma in the South African Parliament on August 8; the National Policy Conference of the African National Congress (ANC) in July; and the International Monetary Fund's Article IV Consultation in June—and in the run-up to the ANC's conference in December 2017: a meeting that will decide the identity of South Africa's next president by determining the presidential candidate who will run atop the ANC's ticket during national elections in 2019.

South Africa stands at a fork in the road. The next iteration of the ANC's leadership will either resuscitate the venerable liberation party or preside over the end of its era. Public support for the ANC has been steadily eroding, and the party has already ceded control of three major municipalities to the opposition Democratic Alliance. While the ANC is almost certain to win the 2019 presidential election, future polls may well be up for grabs—unless the ANC can reinvent itself, becoming not only the organization that lifted South Africa out of apartheid, but the instigator of a new, post-racial politics. With South Africa's political opposition parties still in a formative stage and unready to lead the nation, the success or failure of the ANC may determine the fate of the nation.

The United States has a stake in this outcome. South Africa has the potential to serve as a peacekeeper and economic flagship for the whole of Africa. Currently, it falls far short of this potential—but the upside trade and security benefits of an improved relationship between Washington and Pretoria are significant. At the same time, the downside risks of ignoring the relationship are severe: increased social unrest in South Africa would have disastrous, continental consequences.

This report assesses the potential role of the United States in assuring South Africa's passage through this difficult period, and recommends a new high-level effort to attempt to achieve measurable objectives on four tracks:

1. **Trade Liberalization:** Laying the groundwork for a free trade agreement in anticipation of the expiration of the African Growth and Opportunity Act in 2025
2. **Business-to-Business Relations:** Focusing on the next generation of American investor interest in South Africa
3. **Government-to-Government Relations:** Using “Track 2” diplomacy to reinvigorate formal ties
4. **University and Think Tank Collaboration:** Galvanizing joint research and mobilizing support from civil society to change public opinion

Finally, the report seeks to incentivize collaboration between Washington and Pretoria by highlighting some of the many commercial successes that have already emerged between the two economies. It describes South Africa's unique contributions to the African continent including economic modernization, thought and business leadership, technology transfer, and regional integration.

South Africa is a strong and independent nation, and relations with the United States have been strained. This will complicate US efforts to enter constructively into South Africa's political, policy, and economic landscape. The findings of this report suggest a need—on both sides—for a stronger and more vigorous relationship between Pretoria and Washington.

INTRODUCTION

“The scars of others should teach us caution” - St. Jerome¹

Since the “miracle” election of 1994 put an end to South Africa’s brutal white apartheid regime and made Nelson Mandela the first black president of South Africa, the African National Congress has, largely, lived up to its daunting campaign promise of “a better life for all.”

South Africans of all backgrounds would overwhelmingly agree that they are better off today than they were under apartheid.² Most South Africans are still poor by US or Western European standards, but as Goldman Sachs noted in *Two Decades of Freedom*, a 2014 report, there has been significant progress under the African National Congress (ANC).³ Between 1996 and 2011, dollarized gross domestic product (GDP) more than doubled (see figure 1), from around \$140 billion to over \$400 billion; the number of people in formal employment went from 9 million to 13.2 million; the functional illiteracy rate fell 34 percent to 19 percent; the share of households with electricity rose from 58 percent to 85 percent; those with piped water from 61 percent to 73 percent; and those with flush or chemical toilets from 50 percent to 63 percent. The social safety net has also been massively extended.⁴ In 1996, 2.4 million received some form of a social grant. Today, that number has reached 17 million.

More recently, however, progress has stalled. While much of the rest of the world has recovered from the great financial meltdown of 2008-09, the South African economy is still struggling. Since reaching an all-time high of \$7,610 in 2012, per capita gross

national income has steadily declined, hitting \$5,480 in 2016.⁵ That contrasts dramatically with the commodities-fueled growth spurt that the rest of sub-Saharan Africa has experienced: GDP average growth rates there are above 5 percent. Six African countries are among the world’s ten fastest-growing economies, and they achieved growth rates of nearly 10 percent per annum. South Africa is not, but should be, among them (see figure 2).

South Africans, on average, are now getting poorer. At the end of March 2017, South Africa was technically in recession after two successive quarters of contraction.⁶ In its annual Article IV assessment of the South African economy, released in June,⁷ the International Monetary Fund (IMF) projected meager growth this year—1 percent—after 2016’s “near standstill” and no more than 1.2 percent growth in 2018. This was “insufficient to keep pace with the rising population,” IMF staff pointed out. “South Africa’s vulnerabilities have become more pronounced and are set to increase further unless economic growth revives.”⁸ The ratings agencies not surprisingly take the same view. Two—Standard & Poor’s and Fitch Ratings—downgraded South Africa’s foreign currency debt to junk level in April. In June, Moody’s ranked it just one notch higher with a negative outlook. The downgrade reflects Moody’s view that recent political developments suggest a weakening of the country’s institutional strength,⁹ which in turn casts doubt over South Africa’s prospects in the near and long terms.¹⁰

1 Saint Jerome, “Letter 54,” Passage 13, accessible at <http://www.tertullian.org/fathers2/NPNF2-06/Npnf2-06-03.htm>.

2 Apartheid was a highly legalistic and ruthlessly enforced system of white supremacy that was imposed on the indigenous African population (and persons of mixed race and Indian or Asian extraction) by successive National Party governments from 1948 until Nelson Mandela’s election.

3 Goldman Sachs, *Two Decades of Freedom: What South Africa Is Doing With It, and What Now Needs to Be Done*, November 2013, <http://www.goldmansachs.com/our-thinking/archive/colin-coleman-south-africa/20-yrs-of-freedom.pdf>.

4 John Campbell, *Morning in South Africa* (Lanham: Rowman and Littlefield, 2016), 101.

5 World Bank, “South Africa: GNI per capita,” 2017, <https://data.worldbank.org/country/south-africa>.

6 Arabile Gumedde, Amogelang Mbatha, and Aarti Bhana, “South Africa Has Second Recession in Eight Years,” Bloomberg, June 6, 2017, <https://www.bloomberg.com/news/articles/2017-06-06/south-africa-sees-second-recession-in-8-years-as-economy-shrinks>.

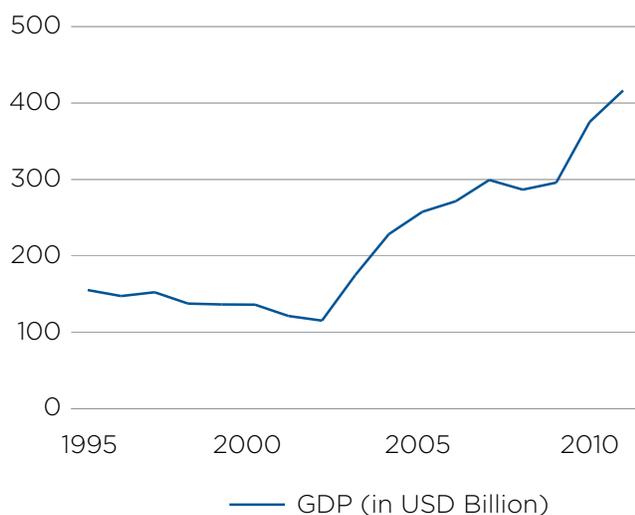
7 International Monetary Fund, *South Africa: 2016 Article IV Consultation*, IMF Country Report 17/189, July 2017, via the National Treasury of the Republic of South Africa, <http://www.treasury.gov.za/publications/other/imf/2017/IMF%20Art%20IV%20report.pdf>.

8 Ibid.

9 “Moody’s Downgrades South Africa’s Rating to Baa3 and Assigns Negative Outlook,” Moody’s Investor Services, June 9, 2017, https://www.moodys.com/research/Moodys-downgrades-South-Africas-rating-to-Baa3-and-assigns-negative--PR_367769.

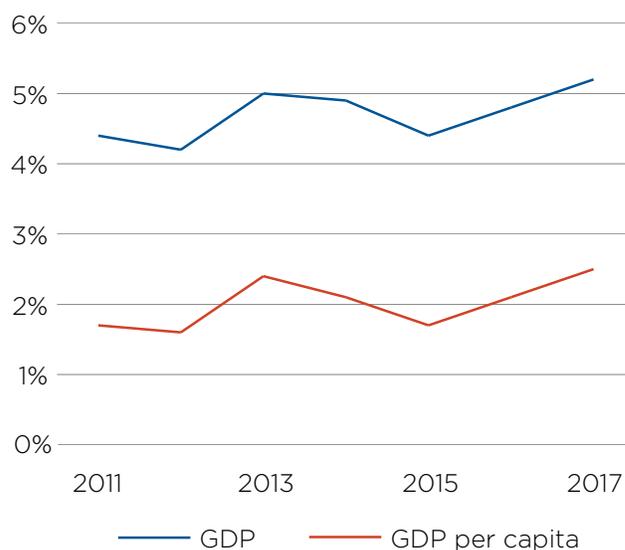
10 Analysts fear that South Africa could lose its investment grade status on local currency ratings, especially as credit rating reviews loom. Paul Wallace, “South Africa Has a \$14 Billion Question with Looming Junk Downgrade,” Bloomberg, October 30, 2017, <https://www.bloomberg.com/news/articles/2017-10-30/south-africa-s-14-billion-question-as-downgrade-to-junk-looms>; Mfuneko Toyana, Karin Strohecker, James Macharia, Jon Boyle, and Hugh Lawson, “South Africa Budget Woes Raise Stakes for November

Figure 1. South Africa GDP



Source: tradingeconomics.com.

Figure 2. Sub-Saharan Africa's GDP Growth



Source: theatlant.com.

The United States cannot afford a period of prolonged social unrest and instability in South Africa. While South Africa has avoided the perils of many post-independent states, there is a strong chance of reversal. High unemployment, failure to deliver social development, and the increased presence of race baiting and demagoguery in political discourse could quickly unravel the “miracle” of South Africa. Indeed, one need only to look northward to see how the Robert Mugabe regime has destroyed the former breadbasket of southern Africa, Zimbabwe, using outmoded political slogans and by demonizing all manner of opposition. The deaths of nearly a hundred mentally ill adults amid the horrific conditions administered by Gauteng Province is already more akin to the tragedies of Zimbabwe than the “success story” of South Africa.¹¹

The country has durable institutions that can resist such a slide, but for how long, and at what price? The August 8 vote of no confidence could have resulted in the dissolution of a government into the hands of a dangerously factional ANC, or to an opposition that has yet to establish its footing with poor South Africans (who remain a large majority of the population). That would have been catastrophic.

The December 2017 National Conference of the ANC and the 2019 elections are a moment of inflection for South Africa and the entire subcontinent. Washington, including the community of policy makers and experts who consider themselves “friends of South Africa,” should recognize the gravity of this political moment and respond to it proactively.

Rating Reviews,” *CNBC Africa*, October 27, 2017, <https://asokoinight.com/news/south-africa-budget-woes-raise-stakes-for-november-rating-reviews>.

11 Kimiko de Freytas-Tamura, “90 Psychiatric Patients in South Africa Died of Negligence, Report Finds,” *New York Times*, February 2, 2017, <https://www.nytimes.com/2017/02/02/world/africa/south-africa-mental-health-patients.html>.

BACKGROUND

South Africa's 1994 election was called a "miracle" because, to outside observers, it appeared to put an end to the horrors of the apartheid regime peacefully and seemingly overnight, through a democratic poll whose outcome was readily accepted by the public.

In reality, the dismantling of apartheid was anything but smooth or bloodless. After Mandela's release from prison in 1990, thousands died in a civil war between followers of his African National Congress and supporters of the rival Inkatha Freedom Party. As South Africa teetered on the abyss, superb leadership—especially but not exclusively Mandela's—held the country together as the last Nationalist president, F.W. de Klerk, negotiated his party and his Afrikaner tribe out of power.

The "miracle" meme has had its uses from a nation-branding perspective, but in creating the impression that Mandela's magic somehow erased the past, it has not been altogether helpful. The exemplary work of the Truth and Reconciliation Commission notwithstanding, American writer William Faulkner's dictum holds as true for South Africa as it does for the US South. "The past is never dead. It's not even past."¹²

South Africa has had four presidents since 1994: Mandela, Thabo Mbeki, Kgalema Motlanthe (a caretaker after Mbeki was removed), and now Jacob Zuma. This December, the ANC will select its candidate to succeed Zuma in 2019. Assuming the party retains its majority, whomever it chooses will grapple with the same inheritance that has vexed his or her predecessors: chronically high and stubborn unemployment, rendering South Africa one of the most unequal, and arguably violent, societies on earth.

The legacy of apartheid

The economy the ANC inherited had been distorted by generations of white supremacy. Black, colored, and people of Indian descent fared little better than slaves under apartheid, and the scarcely less noxious variants of minority rule that preceded it.

They existed to work the white man's mines, tend his fields, and otherwise wait upon him at the cheapest possible cost. It made no sense, therefore, to see that they were decently educated or to let them own land, start businesses, develop valuable skills, advance in their professions, or otherwise acquire the means to accumulate wealth, let alone compete. Those whose labor was not required, it was decreed, must live somewhere else, far from land of value to white people and entering white areas only if granted a pass to do so.¹³ Among apartheid's more baroque innovations was to try and strip black South Africans of their citizenship, assigning each instead to one of a series of notionally self-governing homelands that would, it was supposed, eventually be recognized as independent countries like Lesotho or Swaziland. Unwinding this archipelago of pseudo-states was one of the democratic government's first challenges.

Because Mandela and de Klerk sought to preserve stability and avoid bloodshed, apartheid did not end with a revolution but with a negotiated changing of the guard: one that was carefully calibrated to avoid scaring investors or creditors. Key features of the South African economy remained essentially unchanged. It continued to be dominated by a handful of large mining and finance conglomerates.¹⁴ Over the years, the ANC has pursued policies intended to equitably redistribute wealth, including the Growth, Employment and Redistribution strategy; and, during the Mbeki administration, the Black Economic Empowerment process (now called Broad-Based Black Economic Empowerment), which established a cumbersome set of measures to increase black participation in the workplace as managers, shareholders, and directors of companies. There is also a system of tender preferences for black-owned businesses for government contracts.

Although there has been an absolute increase in the size of the black middle class, this enrichment has not trickled down to the majority. The post-apartheid dividends of economic prosperity

¹² William Faulkner, *Requiem for a Nun* (New York: The Library of America, 1994), 73.

¹³ Campbell, *Morning in South Africa*, 43.

¹⁴ Anthony Sampson, *Black and Gold* (United Kingdom: Pantheon, 1987).

and social justice for most South Africans remain unfilled.

Moreover, many of the accomplishments of the post-apartheid era have stalled, leading to a palpable decline in living standards. While public housing programs have had some success, millions of South Africans still live in substandard housing on urban edges or in desolate rural areas. Urban migration has taxed the ability of municipalities to provide basic water, sanitation, and power. Education and health services are dramatically underfunded and inefficient. In the most recent World Economic Forum Global Competitiveness survey, South Africa ranked 72nd of 138 countries in the Health and Education category.¹⁵ South Africa also remains a dangerously unequal society, with the highest Gini coefficient of 154 countries surveyed by the World Bank.¹⁶

The frustration of many South Africans has fomented social unrest. In 2016, many universities in South Africa were shuttered or severely disrupted by students demanding universal free education and clamoring for the removal of all colonial- and apartheid-era symbols in higher education. According to the United Nations (UN) Office on Drugs and Crime, South Africa remains one of the most crime-ridden countries in the world with a murder rate of thirty-four per one hundred thousand people.¹⁷ Much of this violence is largely a product of economic alienation and poor policing, and is forced inequitably upon immigrants.

The economic picture

On the ground, poverty rates have been starting to tick back up. Statistics South Africa (Stats SA), the respected national statistics agency, reported in August that the number of South Africans living on less than 992 rand (\$76) a month rose by over three million between 2011 and 2015, after falling by close to four million between 2006 and 2011.¹⁸ Unemployment has been trending up steadily since the end of 2008, reaching 27.7 percent as of the second quarter of this year. The South African

“... [M]any of the accomplishments of the post-apartheid era have stalled.”

Institute of Race Relations, using Stats SA data, calculated that only 43.3 percent of working-age South Africans are now employed.¹⁹ “We estimate that reducing South Africa’s unemployment to international norms will require doubling the number of people with a job over the next decade,” an Institute analyst said. “That will require growth rates significantly more than 6 percent of GDP.”²⁰

Between 1993 and now, South African GDP growth has averaged 2.8 percent. The prospects for doubling that, or more, in anything like the near term are slender. Growth is contingent on investment in productive capacity, otherwise known as fixed capital formation. Between 2000 and the financial crisis, such investment spending was growing at a healthy average of 9.2 percent a year, according to the South African Reserve Bank’s June quarterly bulletin.²¹

South Africa is living dangerously. The authorities do not have room for stimulus spending. Low growth and rising unemployment mean tax receipts are coming in below projected levels and experts predict a budget shortfall of thirty billion rand for 2016-17.²² The state-owned airline South African Airways needs a major capital injection to avoid defaulting. If it does default, lenders will likely start calling in loans to other state-owned enterprises and South Africa’s vibrant tourism sector would be negatively impacted. Even if it does not default, the weakening fiscal position could prompt further debt downgrades (see figure 3).

The South African economy is officially in recession for the second time in eight years. It is expected to come out of recession later this year, although its growth rates may be below the rate of population growth.²³

15 Klaus Schwab, *Global Competitiveness Report 2016-2017*, World Economic Forum, 2016, http://www3.weforum.org/docs/GCR2016-2017/05FullReport/TheGlobalCompetitivenessReport2016-2017_FINAL.pdf, 59.

16 World Bank, “Gini Index,” World Development Indicators, <https://data.worldbank.org/indicator/SI.POV.GINI?end=2011&locations=ZA&start=2011&view=map&year=2011>.

17 European Institute for Crime Prevention and Control, *International Statistics on Crime and Justice*, 2010, https://www.unodc.org/documents/data-and-analysis/Crime-statistics/International_Statistics_on_Crime_and_Justice.pdf, 11.

18 Statistics South Africa, *Poverty Trends in South Africa: An Examination of Absolute Poverty between 2006 and 2015*, August 22, 2017, <http://www.statssa.gov.za/publications/Report-03-10-06/Report-03-10-062015.pdf>, 14.

19 “Less Than Half of Working-Age South Africans Are Employed,” *Business Day*, August 21, 2017, <https://www.businesslive.co.za/bd/national/2017-08-21-less-than-half-of-working-age-south-africans-are-employed/>.

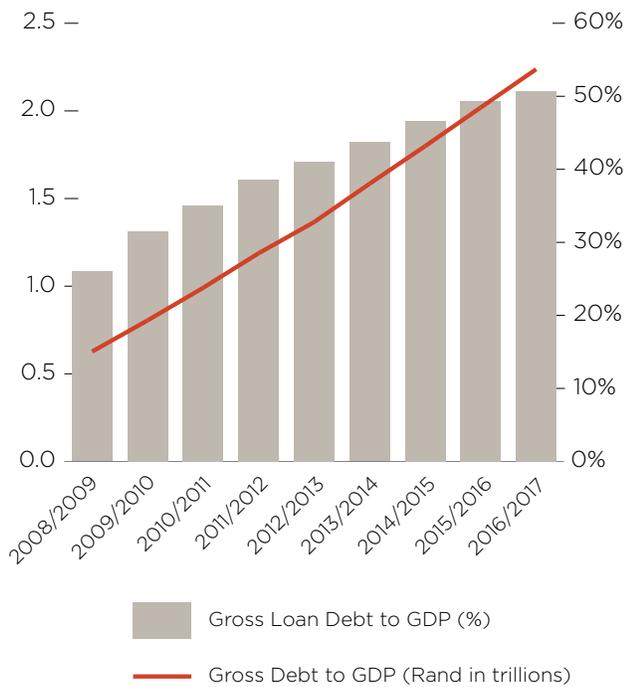
20 Ibid.

21 South Africa Reserve Bank, *Quarterly Bulletin No. 284*, June 2017, <https://www.resbank.co.za/Lists/News%20and%20Publications/Attachments/7847/01FullQuarterlyBulletin%20%E2%80%93%20June%202017.pdf>, 18.

22 Marianne Merten, “Budget by Numbers: 2017,” *Daily Maverick*, February 22, 2017, <https://www.dailymaverick.co.za/article/2017-02-22-in-numbers-budget-2017>.

23 CIA World Factbook, “South Africa,” https://www.cia.gov/library/publications/the-world-factbook/geos/print_sf.html.

Figure 3. South Africa Public Debt



Source: treasury.gov.za

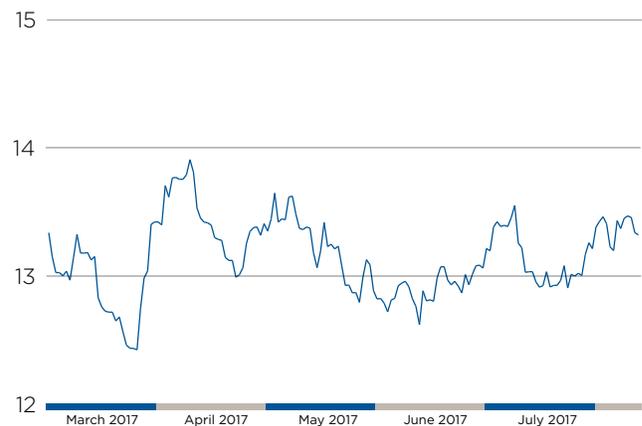
Yet, despite this suboptimal performance, South Africa has maintained a measure of good economic governance: the country’s inflation rate hovers around 6 percent, its account deficit is between 3 and 4 percent of GDP, and its debt-to-GDP ratio is about 60 percent, well below that of many developed countries.²⁴ The rand has fluctuated in a narrow band against the dollar (see figure 4).

The reputation and competency of South Africa’s financial institutions has so far managed to keep the economy afloat. First, South Africa has long-established and reputable capital markets and banking systems. Second, the South African Reserve Bank is an independent and highly respected institution that sets smart monetary policy in accord with national and global economic trends; and the National Treasury, while not an independent entity, has also enjoyed responsible and responsive fiscal leadership from 1994 to the present. The Johannesburg Stock Exchange (JSE) is the world’s fourth-oldest exchange.

Politics

Mbeki’s inner fears that corruption would betray the ANC’s historic struggle were sadly prescient.²⁵ The first big corruption scandal of the post-apartheid era

Figure 4. USD/ZAR Exchange Rate



Source: xe.com

came in 1999 when the new government embarked on a multibillion dollar procurement of fighter jets, submarines, and frigates. None of these seemed especially appropriate for the nation’s defense needs or foreign policy objectives.²⁶ Competitors vied for various contracts and were soon greasing palms, one of which appeared to be that of Jacob Zuma, a former ANC intelligence chief and politician of great skill who had mediated an end to the ANC-Inkatha carnage in KwaZulu. Mbeki fired him, at which point Zuma was adopted by Mbeki’s left-wing enemies as their candidate for ANC president. Mbeki, limited to two terms as president of the country and therefore ineligible to run again in 2009, had hoped for a third as head of the party. He was denied it, then pushed prematurely from office in 2008. The ANC was now Zuma’s.

In 2009, after the interim presidency of the well-respected Kgalema Motlanthe, Zuma was elected with 66 percent of the vote, down from Mbeki’s 70 percent in 2004. The ANC also lost another thirty-three seats in parliament. Despite Zuma’s corruption charges and acquittal in a rape trial, many observers were encouraged by his early actions. Zuma launched an expansive HIV treatment program under the competent leadership of Dr. Aaron Motsoaledi. He also appeared committed to a harder, albeit ineffective, line on President Mugabe in Zimbabwe who Mbeki was accused of having coddled. At the same time, however, he began to give the left a greater say on economic policy. He moved Mbeki’s by now globally respected finance minister, Trevor Manuel, out of the Treasury. Rob Davies, a member of the South African Communist Party (SACP), was given Trade and Industry. The

24 Trading Economics, “South Africa Economic Indicators,” 2017, <https://tradingeconomics.com/south-africa/indicators>.

25 Willie Esterhuyse, *Endgame: Secret Talks and the End of Apartheid*, (Cape Town: Tafelberg, 2012).

26 Andrew Feinstein, *The Shadow World: Inside the Global Arms Trade* (New York: Farrar, Straus and Giroux, 2011).



Then-US Ambassador to South Africa Harry Schwartz unveils South Africa's new post-apartheid flag to then-US President Bill Clinton and then-Vice President Al Gore in May 1994. *Photo credit: US Government.*

able Minister Davies has shown to be among the few internationally focused members of the Zuma cabinet.

In 2014 and with Zuma at the top of the ticket, the ANC's majority fell again, to 62 percent. The party lost seats to the Democratic Alliance (DA) and the upstart Economic Freedom Fighters (EFF) led by Julius Malema, a charismatic young demagogue who had once declared himself ready to die for Zuma but switched allegiance after being thrown out of the ANC. While odd ideological bedfellows, the DA and EFF have formed an alliance to oppose the ANC in parliament.

The Zuma presidency has been characterized by scandal and ineffectual leadership. Social indicators in South Africa remain woeful and corruption rife.

The ubiquitous presence of the Gupta family²⁷ in all aspects of the South African state and general disquiet among "born free" youth have contributed to a slide in support for the Zuma presidency and the ANC and an upswing in support for the populist agenda of the EFF and Julius Malema. The ANC fared poorly in South Africa's August 2016 municipal elections. Of the five major metropolitan regions in South Africa, the ANC maintains control in only one: Durban.

However, the turning point for the Zuma presidency appears to have occurred on March 30, 2017, with the removal (and manner of removal) of Pravin Gordhan as minister of finance and Mcebisi Jonas as deputy finance minister. Gordhan and Jonas were stalwart defenders of South Africa's monetary and fiscal integrity, but as such were viewed as

²⁷ The Gupta (Ajay, Atul, and Rajesh) brothers were young Indian businessmen when they moved from India to South Africa at the behest of their father in 1993, as South Africa was transitioning from apartheid. In the intervening twenty-four years, the Guptas have established businesses in mining, telecommunications, computers, and media via an array of front companies, namely Oakbay Investments. The Guptas have developed close relations to the family of President Jacob Zuma, especially his son Duduzane, and the brothers are alleged to have contributed to an array of illegal activities. The FBI has begun an investigation of the Gupta's ties to relatives in the United States. For more, see "The Gupta's and Their Links to South Africa's Jacob Zuma," BBC News, November 6, 2016, <http://www.bbc.com/news/world-africa-22513410>; Joseph Cotterill and David Lynch, "FBI Probes US Links to South Africa's Guptas," *Financial Times*, October 19, 2017, <https://www.ft.com/content/6d692274-b44a-11e7-a398-73d59db9e399>.

obstacles to the funneling of commercial activities of the South African government through President Zuma and his allies, most notably the Gupta family and its constellation of front companies. In May, tens of thousands of people took to the streets to protest the Zuma presidency under the banner of “Save South Africa,” an impromptu civil society movement.

“At the moment, there are two warring cliques within the ANC . . .”

Gordhan was replaced by the flamboyant former Minister of Home Affairs Malusi Gigaba, who is rumored to have close links to the Guptas.²⁸ Immediately upon taking office, Minister Gigaba embarked upon a “goodwill tour” of New York and Washington, reassuring the business community that any “radical economic transformation” agenda would not threaten their interests.²⁹ In July, the ANC held its National Policy Conference to discuss the preparation of a party platform heading into the 54th ANC National Conference in December 2017. Despite the efforts of the Zuma camp to assert its radical economic agenda targeting the “white capitalist agenda,” the rank-and-file members rejected these positions. Moreover, ANC Secretary General Gwede Mantashe and, surprisingly, Minister Gigaba have championed a more reasonable program of economic reform.

President Zuma has been at war with the courts after a former special prosecutor recommended a judicial inquiry over 783 alleged instances of corruption within the Office of the Presidency.³⁰ The courts have also asserted jurisdiction to force a review of the grounds for the cabinet reshuffle.³¹ On August 8, the opposition in Parliament tried unsuccessfully to remove Zuma by a vote of no confidence via secret ballot. While President Zuma survived the vote, he did so by the narrowest of margins, with twenty-seven members of the ANC voting for the measure. Last, a provincial court found a proposed study to develop a \$76 billion nuclear power project with Russia to be legally deficient.

The ANC National Conference in December is expected to nominate a presidential candidate for the 2019 election. At the moment, there are two warring cliques within the ANC: on one side, Zuma’s alliance of the ANC Youth League, ANC Women’s Congress, and ANC party leaders in Northwest, Free State, and Mpumalanga Provinces; and on the other, an alliance of labor (the Congress of South African Trade Unions and SACP), pro-business, and provincial leaders in Gauteng, Eastern Cape, Limpopo, and the Western Cape Provinces. KwaZulu Natal appears to be split between the two factions. The Zuma faction is promoting the candidacy of Dr. Nkosazana Dlamini Zuma, a former minister and Africa Union head and the ex-wife of the president, while Deputy President Cyril Ramaphosa is supported by the latter group. However, because of the growing disquiet in South Africa, not only have Dlamini Zuma and Ramaphosa expressed their intentions to campaign for party leadership and the presidency, so have Speaker Baleka Mbete, Member of Parliament Lindiwe Sisulu, ANC Treasurer-General Dr. Zweli Mkhize, and former Premier Mathews Phosa.

28 Kyle Cowan, “The Gigupta Collusion: Another Gigaba Adviser Linked to the Guptas,” *Times Live*, June 26, 2017, <https://www.timeslive.co.za/politics/2017-06-26-the-gigupta-collusion-another-gigaba-adviser-linked-to-the-guptas/>.

29 “Ramaphosa Throws Support behind New Finance Minister Gigaba ahead of US Visit,” *SA People News*, April 19, 2017, <https://www.sapeople.com/2017/04/19/ramaphosa-throws-support-behind-new-finance-minister-gigaba-ahead-us-visit/>.

30 Paul Hoffman, “Disciplinary Proceedings against Jacob Zuma - A Draft Charge Sheet,” *Daily Maverick*, April 14, 2017, <https://www.dailymaverick.co.za/opinionista/2017-04-14-disciplinary-proceedings-against-jacob-zuma-a-draft-charge-sheet/#.WeYcTVtSyUk>.

31 “South Africa: Presidency to Appeal Cabinet Reshuffle Court Decision,” *SA News*, May 11, 2017, <http://allafrica.com/stories/201705110277.html>.

US INTERESTS IN SOUTH AFRICA

South Africa can and should serve as the primary bridge between the United States and Africa. Notwithstanding current tumult, South Africa's key democratic institutions are surprisingly independent and durable, the rule of law is firmly established, and its financial markets and business sophistication has led to the country's inclusion on the list of rising economic powers: Brazil, Russia, India, China, and South Africa (BRICS). The addition of South Africa to the original BRIC may be aspirational,³² but speaks nevertheless to investors' faith in South Africa's economic potential. Within the African continent, South Africa is simply in a class by itself. Its professional and civic organizations, media and thought leadership, and academic institutions are also largely without parallel. These advantages make South Africa an ideal platform for innovative investment into Africa, and such US corporate titans as Pfizer, General Electric, and Thomson Reuters are already using the country as a platform of innovation in health, energy, and information services. Unsurprisingly, South Africa has used the trade preferences provided by the African Growth and Opportunity Act (AGOA) more effectively than any other nation—its exports to the United States have steadily increased over the years and it is increasingly becoming a market for US goods and services.

Unquestionably, however, the US-South African relationship has fallen far short of its potential across the entire spectrum of mutual interests. Security collaboration is exceptionally weak. This is owing in some part to the diminishing capacity of South Africa's security forces, but is more fundamentally a result of Washington's and Pretoria's differing

opinions on how to respond to a wide range of policy problems and issues, from Zimbabwe to Sudan, and to a lingering distrust between the two sides that is a legacy of the apartheid era. Potential areas for improved cooperation, however, could occur in the following spheres:

Trade and investment

As the thirty-sixth-largest export economy in the world, and the leading manufacturing economy on the African continent, South Africa is certainly the United States' most important trading partner in Africa. In the 2016 DHL Global Connectedness survey, South Africa was ranked the most connected country on the African continent and 47th of 147 countries globally.³³ The United States is South Africa's second-leading export destination at \$7.8 billion in 2015, trailing South Africa's leading export partner, China, by \$4.5 billion. South Africa has also been the largest beneficiary of the African Growth and Opportunity Act. Since AGOA's passage in 2000, South Africa's exports to the United States have grown by more than 50 percent.³⁴ According to US International Trade Commission data, 27 percent of US imports from South Africa were under AGOA and another 14 percent were under the Generalized System of Preference trade program, totaling 41 percent or \$2.8 billion in 2016.³⁵ Unlike petroleum-producing countries, the AGOA-eligible products from South Africa are agricultural and transportation goods, including fine wine (up fivefold since 2000),³⁶ whole oranges (leading supplier into the US market),³⁷ and luxury automobiles (all BMW series 3 cars sold in the United States).³⁸

32 Roy Robins, "One of These BRICS Is Not Like the Other," *Foreign Policy*, March 26, 2013, <http://foreignpolicy.com/2013/03/26/one-of-these-brics-is-not-like-the-other/>.

33 DHL, *Global Connectedness Index*, 2016, http://www.dhl.com/content/dam/downloads/g0/about_us/logistics_insights/gci_2016/DHL_GCI_2016_full_study.pdf, 30. See also the 2016 World Bank Logistics Performance Index, which ranks South Africa 20 among 160 countries surveyed. World Bank, "Logistics Performance Index," 2016, <https://lpi.worldbank.org/international/scorecard/line/2/C/ZAF/2016>.

34 US Census Bureau, "Trade in Goods and Services with South Africa," 2017, <https://www.census.gov/foreign-trade/balance/c7910.html>.

35 US International Trade Commission, "Interactive Tariff and Trade DataWeb," <https://dataweb.usitc.gov>.

36 Wellington Sikuka, *The South African Wine Industry: Production, Consumption and Trade*, United States Department of Agriculture, Global Agricultural Information Network, March 2015, https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Wine%20Annual_Pretoria_South%20Africa%20-%20Republic%20of_3-10-2015.pdf, 11.

37 Carmen Valverde, "Citrus Annual," December 2016, https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Citrus%20Annual_Madrid_EU-28_12-7-2016.pdf.

38 "The Best-Built BMWs Don't Come from Germany," *Autoweek*, June 18, 2015, <http://autoweek.com/article/car-news/best-bmw-arent-built-germany>.



The Standard Bank of South Africa's longtime offices sit in Johannesburg's Central Business District. South Africa is the United States' most important trading partner in Africa, and it is home to the offices of hundreds of US companies. *Photo credit: Paul Saad/Flickr.*

According to the US embassy, over six hundred US companies have offices in South Africa (see Box 1). South Africa is by far the most technologically sophisticated place to do business in Africa, with capital markets, banks, and professional and technical services that conform to US standards.³⁹ Such South African firms as Shoprite, MTN, and Standard Bank (now partly Chinese-owned) have become dominant brands across the larger African continent. An area that could be especially fruitful for collaboration in domestic and African markets is the booming service sector.⁴⁰ An example of a US services firm that has had success in South Africa is Thomson Reuters, which launched its Data and Innovation Lab in Cape Town in 2016 in collaboration

with the Bandwidth Barn.⁴¹ Thomson Reuters has used this platform to roll out a technology that enables governments to map urban settlements with greater accuracy, thereby enhancing tax collections and providing greater precision of title. In 2014, DuPont Africa established a regional technology center in South Africa with the aim of helping Africa exploit its agricultural bounty.⁴² South Africa is growing as the technical support center for the mining and offshore oil and gas sectors in Africa, the latter sector being heavily populated by US companies.

Apart from its sophistication, South Africa offers a business culture supported by the rule of law, where

39 Terence Creamer, "Outgoing Economic Counsellor Sees Big 'Untapped' US-SA Economic Potential," *Engineering News*, August 29, 2017, http://www.engineeringnews.co.za/article/outgoing-economic-counsellor-sees-big-untapped-us-sa-economic-potential-2017-08-29/rep_id:4136.

40 Aubrey Hruby, "Escaping China's Shadow: Finding America's Competitive Edge in Africa," Atlantic Council, September 2017, http://www.atlanticcouncil.org/images/Escaping_Chinas_Shadow_web_0907.pdf.

41 "Newest Thomson Reuters Data and Innovation Lab Launches in Cape Town," Thomson Reuters, October 14, 2016, <https://www.thomsonreuters.com/en/press-releases/2016/october/newest-thomson-reuters-data-and-innovation-lab-launches-in-cape-town.html>.

42 "DuPont Opens Regional Technology Center to Bring Agricultural Innovation to Africa's Farmers," DuPont, March 26, 2014, <http://www.dupont.com/corporate-functions/media-center/press-releases/dupont-opens-regional-technology-center-to-bring-agricultural-in.html>.

BOX 1

US Companies in South Africa

Ford Motor Company is one American company that has invested significantly in South Africa. In 2016, Ford announced a \$170 million investment in the country, mostly earmarked for upgrades to its plants in Pretoria and Port Elizabeth. The investment will make its South African plants among the most productive and efficient in Ford's global network.¹ Beyond local operations, the investment reaffirms South Africa's prominence in Ford's growth strategy across the entire Middle East and Africa region. Recent expansions to its supplier development program, a graduate trainee program for engineering students, and various pilot programs experimenting with new Ford technologies also reinforce the country's position as not only a strategic export base but an innovation hub.

1 Roy Cokayne, "Latest Ford Production System Raises Efficiency of SA Plants," Business Report, September 8, 2016, <https://www.iol.co.za/business-report/companies/latest-ford-production-system-raises-efficiency-of-sa-plants-2065680>.

contract enforcement can be undertaken even by a foreign national against a domestic corporation. Indeed, the courts have often ruled against the South African government in litigation with the private sector. While South Africa has withdrawn from an array of bilateral investment treaties, it has done so with the reasonable belief that its court system is objective and modern. Also, South Africa has professional networks, such as the Law Society of South Africa and the South African Institute of Chartered Accountants, which serve as watchdogs for the private sector. Lastly, South Africa is a leading investor in sub-Saharan Africa, and private and public sector entities can serve as joint venture partners for US companies seeking opportunities elsewhere in Africa.⁴³

Notwithstanding occasional student-led protests and related unrest, South Africa also has world-class research universities—including those in Cape Town, Witwatersrand, Stellenbosch, Pretoria, and KwaZulu-Natal—that can partner with US firms (see Box 2). The Council of Scientific & Industrial Research, the respected government research center, has developed a technology innovation center at its campus. Pharmaceutical and medical device firms from the United States could use South Africa as a platform for developing needed

BOX 2

Opportunities for ICT Partnerships

Microsoft is another American company that has gone far beyond traditional client development in South Africa and instead looks to the country as a significant point of entry to catalyze tech revolutions there and across the world's least-connected continent. For years, the software giant has funded and operated an academy offering South Africans access to world-class technology and business skills; recently, Microsoft opened AppFactory in partnership with local universities to recruit South African developers to create Windows apps.¹ In addition to making investments in workforce development, the company also supports local private and public sector clients. Low-cost solar-powered internet, cloud services, and a free year of domain registration are available for small and medium-size enterprises in South Africa and across the region, and a unique training program assists government leaders who are defining and implementing ICT policy.²

1 4Afrika Academy, <https://www.microsoft.com/africa/4afrika/academy/>; Lyndsey Gilpin, "Microsoft's Redemption Song in Africa: Catalyzing Tech Revolutions on the World's Least Connected Continent," Tech Republic, <http://www.techrepublic.com/article/microsofts-redemption-song-in-africa-catalyzing-grassroots-tech-revolutions-on-the-worlds-least-connected-continent/>.
2 Ibid; "School of Government," 4Afrika Academy, accessed October 11, 2017, <https://www.microsoft.com/>.

therapies and products for the African market and beyond (see Box 3). The Department of Science and Technology also has launched a National Science Week to expand the knowledge of how science can benefit the lives of South Africans. These and other partnerships in the life sciences could be even more prolific if South Africa were to accelerate its process for registering medicines and medical devices, which can take up to five years. (It should be noted that South Africa is instead proposing new patent review laws that could slow technology transfer.⁴⁴)

Finally, South African capital markets can ascend to serve the financing needs of the African continent. The Johannesburg Stock Exchange can offer US private equity investors an opportunity to exit their investments through listings. Established in 1912, the JSE offers inward listing opportunities for companies based in other African countries. For example, Choppies, a retail giant in Botswana, and Oando, Nigeria's largest private oil company,

43 Ernst and Young, *EY's Attractiveness Program Africa: Connectivity Redefined*, May 2017, [http://www.ey.com/Publication/vwLUAssets/ey-attractiveness-program-africa-2017-connectivity-redefined/\\$FILE/ey-attractiveness-program-africa-2017-connectivity-redefined.pdf](http://www.ey.com/Publication/vwLUAssets/ey-attractiveness-program-africa-2017-connectivity-redefined/$FILE/ey-attractiveness-program-africa-2017-connectivity-redefined.pdf), 11.

44 Barney Dixon, "Country Profile South Africa," IPPro Patents Issue 014, September 28, 2016, http://www.ippropatents.com/countryfocus/country.php?country_id=129.

BOX 3

Science and Health Innovation

Pfizer, the world's third-largest biotech company by market capitalization, has developed deep partnerships in South Africa and will continue to invest in the country's health systems at the invitation of Minister of Health Dr. Aaron Motsoaledi, who has championed a multi-sectoral approach. In 2015, the American pharmaceutical company agreed to transfer its research on pneumonia as part of an agreement with South Africa's Biovac Institute to produce a potentially life-saving vaccine for infants.¹ The partnership will facilitate the necessary technology transfer and skills upgrade required to manufacture the Prevnar 13 vaccine in Cape Town, which would cut vaccine costs significantly. In addition to its involvement in the National Immunisation Program, Pfizer also works alongside other public and private organizations to develop human resources, upgrade infrastructure, and lead the discussion on access to essential medicines.²

- 1 "Pfizer Partners with South Africa to Produce Pneumococcal Vaccine," Reuters, November 3, 2015, <http://www.reuters.com/article/us-safrica-pfizer/pfizer-partners-with-south-africa-to-produce-pneumococcal-vaccine-idUSKCN05S0JC20151103>.
- 2 "Interview with Brian Daniel, CEO & Country Manager, Pfizer South Africa," PharmaBoardroom, November 8, 2012, <https://pharmaboardroom.com/interviews/interview-with-brian-daniel-ceo-country-manager-pfizer-south-africa/>.

have listed on the JSE. The JSE operates in accordance with the highest standards and was the first exchange in the developing world to forge a Socially Responsible Investment Index.⁴⁵ The JSE also provides an opportunity to trade in global commodities markets using the South African rand. Internally, JSE is guided by the highly respected King Commission.

Promotion of African regional integration

South Africa can and should be the platform to access African markets. Since 1910, it has been intertwined with its neighbors via the Southern African Customs Union (SACU), the second-oldest customs union

in the world. If one considers its trade with SACU, South Africa sends nearly a third of its exports into the African market⁴⁶—and perhaps more when factoring informal trade into the equation. While this figure may seem modest when viewed against South African exports to Europe, North America, or even Asia, it is nearly triple the average for the rest of sub-Saharan Africa.⁴⁷ Moreover, South Africa's exports include a higher proportion of value-added manufactured products, such as foodstuffs, spare parts, chemicals, building materials, and transportation equipment. The production and export of value-added goods, as opposed to raw agricultural products and commodities, is another indicator of the relative sophistication of South Africa's economy.

Despite South Africa's historic isolation, and its hesitant embrace of open markets and free trade with Africa over the years, Minister of Trade and Industry Rob Davies announced in July that South Africa would endorse the Tripartite Agreement, which would integrate trade among Africa's three leading regional economic communities: the Southern African Development Community (SADC), the Common Market for Eastern and Southern Africa, and the East African Community.⁴⁸ Though South Africa's political elite may remain ambivalent about free trade with its neighbors, South African leadership for regional integration can nevertheless be supported through its myriad of business organizations advocating the interest of engineers, freight forwarders, trade financiers, mining houses, and others. It is these organizations that can inform the regional economic process and identify blockages long before under-resourced and overly cautious government agencies. South African banks and construction firms can also take the lead in expanding the nation's supply chain infrastructure.⁴⁹

Thought leadership

South Africa can be a leader for social and economic reform in Africa. Through its universities, think tanks, and business media, South Africa has the greatest reserve of thought leadership on the African continent. As noted previously, its universities have shown leadership in addressing African problems in health, agriculture, and finance. For example, Stellenbosch University is becoming Africa's

45 The South African Institute of Chartered Accountants, "The JSE Socially Responsible Investment (SRI) Index Promotes Sustainable and Transparent Business Practices," <https://www.saica.co.za/Technical/LegalandGovernance/King/tabid/2938/language/en-ZA/Default.aspx>.

46 Author calculations and "SA's Exports and Imports to and from Specific Regions for January 2017," South African Market Insights, March 9, 2017, <https://www.southafricanmi.com/blog-9mar2017.html>.

47 Abdullateef Salau, "Africa: Intra-Africa Trade at 11 Percent, World's Lowest," *Daily Trust*, November 5, 2015, <http://allafrica.com/stories/201511061390.html>.

48 "SA Signs Tripartite Free Trade Agreement," *SA News*, July 10, 2017, <http://www.sanews.gov.za/south-africa/sa-signs-tripartite-free-trade-area-agreement>.

49 "African Governments Should Create Environment for Business to Invest in Infrastructure," Department of Trade and Industry, Republic of South Africa, August 21, 2017, <https://www.thedti.gov.za/editmedia.jsp?id=4164>.

equivalent to an American land-grant university by creating institutes that address African problems such as post-harvest loss and the impacts of climate change on maritime resources in the South Atlantic and Southern Oceans. The University of Cape Town is collaborating with The Francis Crick Institute in the United Kingdom to train researchers across Africa in infectious diseases, and the University of KwaZulu-Natal has been at the forefront in HIV/AIDS research. South Africa is the home of the Southern African Large Telescope and the Square Kilometre Array, which will aid astronomers across the globe. In the area of thought leadership, the Institute for Security Studies, the South African Institute of International Affairs, and the African Centre for the Constructive Resolution of Disputes, among others, have been ranked as some of Africa's top think tanks by the University of Pennsylvania.⁵⁰ A more recent entrant, The Brenthurst Foundation, has become a force in examining economic, social, and political issues across Africa, Asia, the Middle East, and Latin America. The Institute of Race Relations and the Free Market Foundation also provide valuable (and often critical) insight into political and economic discourse in South Africa. Lastly, South African media have shown their courage and independence in reporting misrule and economic dysfunction in the country and the rest of the continent. The country's leading newspapers, magazines, and blogs have become a vestige of probity and discourse across Africa, especially *Business Day*, the *Mail & Guardian*, *IOL Business Report*, and the *Daily Maverick*. TRALAC (the Trade Law Centre) is the leading online trade information aggregator in Africa.

Security

South Africa can be an important partner in counterterrorism; the interdiction of human, wildlife, and drug trafficking; and peacekeeping. The US Federal Bureau of Investigation (FBI) has increased cooperation with its South African counterparts in combating illegal trafficking,⁵¹ while the US Transportation Security Administration (TSA) has good working relations with O.R. Tambo International Airport, the largest airport in Africa.⁵² In peacekeeping, South Africa has 1,400 troops, police, and military advisers deployed to the UN. The commander of MONUSCO, the UN peacekeeping

force in the Democratic Republic of the Congo (DRC) and the largest UN peacekeeping operation in the world, is a South African general. In July and August, the South African National Defense Force and the US military conducted joint training exercises under Shared Accord 17.

These efforts are undertaken without enjoying much political or popular support at home. It remains to be seen that this unpopularity combined with the aforementioned budgetary shortfalls will weaken South Africa's willingness and ability to support peacekeeping operations in Africa.

African diplomacy and the promotion of American interests

As discussed above, the Mbeki presidency greatly expanded South Africa's diplomatic engagement in the continent at large. Foreign policy has not been a priority for the Zuma administration. Moreover, there has been a hollowing out of South Africa's estimable careerists at the Department of Foreign Affairs at posts and at the analytical level in Pretoria. Some have opined that South Africa has squandered its opportunity to provide diplomatic leadership across Africa.⁵³ Yet, South Africa should be in a position to provide needed incentives and disincentives to tyrants and dictators in cases when others cannot. It should also not be lost upon US policy makers that Africa represents the largest voting bloc in the United Nations and carries corresponding influence in entities in which the United States has vital interests, such as the World Trade Organization, World Health Organization, and the United Nations Conference on Trade and Development (the latter two have African directors). Additionally, South Africa can be a reliable supplier of UN peacekeeping forces. Last, its economic influence cannot be understated. In July, Thabo Mbeki traveled to Zimbabwe to aid that country's economic crisis. South Africa has provided leadership and resources to the African Union and SADC to engender collective action when needed. With the DRC, Zimbabwe, and Zambia becoming dangerous environments, and the United States seemingly deemphasizing diplomatic engagement in Africa, South African diplomatic leadership is more urgently needed than ever.

50 James McGann, "2016 Global Go To Think Tank Index Report," University of Pennsylvania, January 26, 2017, https://repository.upenn.edu/cgi/viewcontent.cgi?article=1011&context=think_tanks, 42.

51 Official Website of the City of Johannesburg, "Metro Police Get US Training," September 7, 2011, https://joburg.org.za/index.php?option=com_content&view=article&id=7145&catid=125&Itemid=208.

52 Sertan Sanderson, "Is South African Airport Security Safe Enough by International Standards?" *The South African*, July 10, 2014, <https://www.thesouthafrican.com/is-south-african-airport-security-safe-enough-by-international-standards/>.

53 "South Africa a Case of 'Diplomacy without Diplomats,'" *SA People News*, June 14, 2016, <https://www.sapeople.com/2016/06/14/south-africa-case-diplomacy-without-diplomats/>.

US-SOUTH AFRICAN RELATIONS

US-South African relations have always been complex. During the apartheid era, the United States was viewed with antipathy in equal measure by the national government, domestic opposition, and the ANC. The United States valued South Africa as an ally against Soviet aggression in the region, which for too long led Washington to support the status quo of white supremacy and turn a blind eye to the hideous abuses of apartheid. The excesses of apartheid eventually engendered domestic pressure in the United States, culminating in the passage of sanctions. Combined with the opprobrium of activists, the sanctions resulted in the exodus of US companies, investment, and bank loans.

“US-South African relations have always been complex.”

Relations improved somewhat when, at the collapse of the Soviet Union and under the visionary statecraft of former Assistant Secretary of State Chester Crocker, Washington helped orchestrate the unwinding of a damaging proxy war between South Africa and Angola, and helped negotiate independence for Namibia.⁵⁴ The United States also contributed to civil society programs during the waning years of apartheid,⁵⁵ and with the release of Nelson Mandela from prison and the epistolary affirmations by Archbishop Desmond Tutu, the American public bore witness to the evolving new order of South Africa. The role of African American civic and religious leadership in the anti-apartheid struggle was significant and helped to build a sense of fellowship between the South African and American peoples.

After the 1994 election of Nelson Mandela and the ANC, the United States ramped up its development assistance (with mixed results), and US companies returned to South Africa—but perhaps not in the numbers anticipated. In fact, with the relaxation of capital controls, there was an unexpected

exodus of investment from South Africa. There were disagreements with the Mandela government over relations with regimes that the United States found objectionable,⁵⁶ but also much cooperation, as evidenced by the Gore-Mbeki Binational Commission, which sought to strengthen public and private ties and noteworthy collaboration in African diplomacy.

The ascent of Thabo Mbeki to the presidency in 1999 presented additional challenges. Beginning in 1999, to the dismay of all, Mbeki challenged the global health community by denying the existence of a connection between HIV and AIDs. By that time, South Africa had become the global epicenter of the HIV/AIDS pandemic and domestic and international activists pilloried the Mbeki government until it reversed its position in 2006. On the trade front, in 2003 the United States was unable to conclude a regional free trade agreement with South Africa and its neighboring SACU states. The negotiations were marked by rancor between the American and South African negotiators. Yet, Pretoria gladly embarked upon a regional economic partnership agreement with the European Union (EU) and fully embraced its growing ideologic and business linkages to the fledgling BRICS grouping of nations. Also, relations with the Mbeki administration were marked by continued disagreement over diplomacy, including UN resolutions against Israel and the ongoing disintegration of Zimbabwe. However, there were successes. President Mbeki did give needed life to the African Union, and Pretoria played a pivotal role in containing the conflict in Burundi; both of these interventions were warmly welcomed by US officials.

Since the end of Thabo Mbeki’s presidency, foreign affairs has been low on the country’s list of priorities. The Zuma administration has not improved Pretoria’s relations with Washington. There was open disagreement between Washington and its African allies over the intervention in Libya and the removal of Muammar al-Qaddafi, who was an old friend of the ANC. President Omar Hassan al-Bashir of Sudan, despite being under indictment by the International

54 Chester Crocker, *High Noon in Southern Africa: Making Peace in a Rough Neighborhood* (New York and London: W.W. Norton, 1992).

55 Princeton Lyman, *Partner to History: The U.S. Role in South Africa’s Transition to Democracy* (Herndon, Va.: United States Institute of Peace Press, 2002).

56 Condoleezza Rice, *Democracy: Stories from the Long Road to Freedom* (Twelve, 2017), 192.



President Zuma speaks during the US-Africa Leaders' Summit in Washington, DC in August 2014.
Photo credit: Ian Wagreich/US Department of Commerce.

Criminal Court, openly visited South Africa and was permitted by Pretoria to hurriedly flee the country when domestic voices filed motions with the courts to compel his arrest. Pretoria has also continued to deepen its relations with fellow BRICS members, including Russia. However, there have been some high points. Most notably, through PEPFAR (the United States President's Emergency Plan for AIDS Relief), the United States has been a vital partner in the treatment of South Africa's seven million HIV-positive citizens. As noted earlier, the FBI and TSA have enhanced their collaboration with South African counterparts. The recent joint US-South African peacekeeping exercise should quiet some critics calling for greater South African leadership in African conflict resolution, but certainly more can be done.

Trade relations have more recently encountered difficulty. Pretoria has ruffled feathers in the Congress by imposing limits on the import of US chicken and pork products. While a quota system has helped solve that particular problem, there appears to be little interest in Pretoria to negotiate a more durable trade relationship with the United States, perhaps along the lines of the economic partnership agreement with the EU. The application of Broad-Based Black Economic Empowerment rules, which are meant to redress the inequalities of apartheid, continue to confuse US companies and stifle investment. On the horizon is the implementation of proposed intellectual property laws and procedures that may have a disproportionate impact on US pharmaceutical and medical device manufacturers. Last, public attitudes towards the United States have begun to sour, as evidenced by a recent Pew Research Center poll⁵⁷ that found that only about

⁵⁷ "Opinion of the United States," Pew Research Center, Global Indicators Database, August 2017, <http://www.pewglobal.org/database/indicator/1/survey/all/>.

Forging a New Era in US-South African Relations

half of South Africans have a favorable view of the United States. There is a palpable sense that Washington has little interest in or influence over Pretoria's decision-making and there are occasional outbursts from ANC leadership, alleging that the United States is fomenting "regime change" in South Africa.⁵⁸

Washington is also culpable in this decline. Policy makers and the close-knit circle of Africa experts persist in viewing South Africa through the rose-colored glasses of the Nelson Mandela era. As problems and frustrations have arisen, American

political and trade diplomacy has been cut off by the absence of a more pragmatic (and creative) approach to the country. The US embassy in Pretoria has lacked an ambassador for nearly a year and has dangerously little access to the ANC leadership. The South African embassy in Washington is uncertain of its standing with the Donald Trump administration and seems genuinely unaware that South Africa competes with all emerging markets for the attention of the US private sector. Clearly, a "reset" is needed in the relationship.

58 "South Africa's ANC Accuses US Diplomats of Pursuing Regime Change," *The Guardian*, February 21, 2016, <https://www.theguardian.com/world/2016/feb/22/south-africas-anc-accuses-us-diplomats-of-pursuing-regime-change>.

RECOMMENDATIONS

Focusing the attention of policy makers in Washington and Pretoria will be difficult. Vacancies in key diplomatic posts—including the US ambassador to South Africa and the US assistant secretary of state for African affairs—have limited opportunities for dialogue. And Washington is, as always, distracted by a gamut of urgent problems, ranging from tax reform to North Korea. On its side, Pretoria remains intently focused on the upcoming ANC National Congress and a host of pressing domestic policy concerns.

The time is now for a new, high-level effort to focus on this important relationship. To be successful, however, any such undertaking must break the mold of the many past working groups and task forces that have convened with the goal of resetting US-South African relations. It must be pragmatic, unsentimental, strategic, and above all, results-oriented. And it must engage a far wider group of individuals than the well-meaning but small community of “friends of South Africa” and be carefully structured to include new actors from the policy, government, and business communities.

The efforts should work to achieve specific and measurable objectives on four action tracks:

1

Trade Liberalization

On the business and economic front, AGOA is the most promising aspect of the US-South African relationship. According to the US embassy, AGOA has created up to sixty-two thousand direct jobs in South Africa and has helped shore up its exports of value-added industrial and agricultural goods to other markets. Alongside PEPFAR, it is a primary generator of good will between the two nations. But the agreement will expire in eight years and there is no guarantee that there will be another extension given the current climate for unilateral trade agreements in the United States. South Africa can help itself and the larger African continent by accelerating regional trade integration before the expiration of AGOA in 2025, and by negotiating a continental or regional free trade agreement (FTA) with the United States. An FTA would make trade relations more durable and predictable, leading to more technology transfer and foreign direct

investment into an economy that can truly be the United States’ gateway to Africa.

2

Business-to-Business Relations

Added vigor is needed here. Upon the evolution from apartheid, the Gore-Mbeki Binational Commission and the U.S.-South Africa Business Council supplied energy and excitement. The intervening twenty years have seen a dissipation of that energy. In the United States, the US Chamber of Commerce, the Corporate Council on Africa, and the Business Council for International Understanding are still working to complement the efforts of the American Chamber of Commerce in South Africa to inform and advocate for the interests of member multinational companies. Despite their efforts, they have been unable to spark interest from US investors. First, the level of meaningful engagement with the South African government is lacking; second, there could be more engagement with small and medium-size US companies (and investors) that could be excited by the opportunities in South Africa; and third, they tend to get bogged down in dialogues on conflict, rather than finding and seizing opportunities.

One area of common agreement among these business entities and South Africa is the opportunity that exists for US companies to transfer technology and know-how into Africa through South Africa. In this regard, the emergence of a technology-focused dialogue between the two countries could be fruitful. The global life sciences organization Biotechnology Innovation Organization (BIO) has reached out to South Africa and has successfully engaged its business and technology leaders to attend their annual conference. It would seem logical to deepen that engagement and, perhaps, to begin focusing exchanges in such areas as health, agriculture, information and communication technology (ICT), energy and infrastructure, and financial services. This could be accomplished by holding workshops showcasing best practices in these fields and their possible applications to South Africa. While the biannual Corporate Council



USS Arleigh Burke docks in Durban, South Africa in July 2009 as part of a series of military-to-military engagement between the US and South African navies. *Photo credit: Petty Officer 2nd Class David Holmes.*

on Africa summit that was held in South Africa in 2006 was a disappointment (and largely due to South African government intransigence), the likelihood of a new political dispensation in Pretoria in 2019 or before could create opportunities to renew this engagement in earnest. Perhaps the launch of a BIO Africa or Africa Innovation Summit could be explored. As noted by political economist, and Thabo Mbeki's brother, Moeletsi Mbeki in his remarks at the US Institute of Peace, the United States is the global center of innovation. The United States' venture capital, private equity, and fixed income expertise can find able counterparts and attractive projects across Africa by starting in South Africa.⁵⁹

3

Government-to-Government Relations

Relations between the two countries have stalled, if not soured. Through the US government's nearly \$1 billion per year

of development assistance and the two countries' military-to-military relationship, thought should be given to forming a new binational commission of government and business leaders. Such an undertaking could explore the emergence of an FTA with South Africa and encourage the latter to accelerate the regional integration efforts in Africa. Perhaps a timetable could be established between the two governments with input provided by the business communities in each country. For example, the United States trade representative could be guided by the collective expertise of its Trade Advisory Committee on Africa. And the US Commerce Department should continue the leadership it provided by organizing a healthcare mission to South Africa in April 2017.

The US government should also adopt public diplomacy initiatives that will resonate and showcase both public and private sector

59 Remarks by Moeletsi Mbeki, US Institute of Peace, September 12, 2017.

programs and success stories. The new US Agency for International Development administrator is an experienced Africanist who will see the merit in continuing US development partnerships in South Africa. The Pentagon and United States Mission to the United Nations can build on the recent success of the joint peacekeeping exercise between the two militaries and look for other areas of collaboration, perhaps with such proven stalwarts as Botswana, Rwanda, Niger, and Nigeria. Closer and earlier diplomatic discussions in Pretoria, Washington, and New York will help identify common ground on Africa issues and help avoid conflicts. The FBI, TSA, and other US institutions can elaborate new mechanisms for counterterrorism, illicit trade (human, wildlife, money, and drugs), and transportation safety.

4

University and Think Tank Collaboration

Last, there are myriad opportunities for collaboration among universities and think tanks. Leading research universities in the United States have activities in South Africa. They will find willing partners in their South African counterparts to explore areas of common interest in South Africa and across Africa. A formalized dialogue between US and South African universities could be evolved through such education-focused institutions as the Aspen Institute or the Association of Public and Land-Grant Universities. Similarly, think tanks in both countries can collaborate more deeply and, in so doing, foster better informed decision-making by government and business leaders.

CONCLUSION

South Africa is an emerging economy confronting deep social challenges and divisions; but it is also an often-times unpopular regional hegemon whose future is ever-more closely aligned with the BRICS countries, rather than with its traditional trading partners. The Mandela era is long gone, and the sentimentality of

many policy makers and Africanists is misplaced. Washington and Pretoria need to achieve a state of mutual, pragmatic concentration on a set of candidly proffered interests—that is the only way to create a durable platform in which to foster deeper social/academic, business/economic, and political relations.

ABOUT THE AUTHOR



Anthony Carroll is lawyer, investor, and international affairs consultant in Washington, DC. He is founding director of Acorus Capital, a private equity fund investing in Africa and affiliated with Manchester Trade Ltd. He began his work in Africa as a Peace Corps volunteer in Botswana from 1976 to 1978 and returned to the agency during the Ronald Reagan and George H.W. Bush administrations as assistant general counsel from 1986 to 1989. In that role, he provided liaison with Congress and served as legal adviser to Paul Coverdell prior to his ascendency to the US Senate.

Since then he has advised foundations, universities, corporations, private voluntary organizations, the World Bank, the US Agency for International Development, and other bilateral development organizations, regional economic organizations, international organizations, and business associations on trade, investment, and development matters. He was instrumental in the design and passage of the African Growth and Opportunity Act and the President's Emergency Plan for AIDS Relief. He has testified before Congress on US-African economic and political issues on several occasions, most recently in May 2017 before the House Foreign Affairs Committee.

In addition, Carroll has served on several advisory boards including for the Export-Import Bank, the Overseas Private Investment Corporation, and the Office of the US Trade Representative and frequently writes and lectures on the role of innovation and development. For many years he was chairman of the American Bar Association's Africa Law Committee and a founding member of the American Bar Association's Foreign Corrupt Practices Task Force and International Health Law Committee and the Corporate Council on Africa. He also was on the board of the U.S.-South Africa Business Council for many years.

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