

foreign policy *in focus*



Interhemispheric Resource Center
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South Africa

Since 1994 U.S. statements regarding a newly democratic South Africa, under the leadership of Nelson Mandela and the African National Congress (ANC) have frequently been cast in the language of a love fest. “The people of South Africa have captivated and inspired men and women...in this country and around the world,” Vice President Al Gore declared in 1995, characterizing U.S./South African cooperation as “an example of the best that can come from peaceful negotiated change.”

Rewriting history, Gore implied that decades of crushing apartheid rule and centuries of brutal colonial oppression were eliminated in a peaceful transition initiated by negotiations, implemented by democratic elections, and facilitated by a gentle and supportive U.S. policy. The reality is otherwise.

Key Points

- During the cold war the U.S. treated South Africa as a reliable although somewhat embarrassing western ally.
- Despite its anti-apartheid rhetoric, the U.S. quietly bolstered white rule through military, intelligence, nuclear and economic cooperation.
- The U.S. gave a green light to South Africa aggressions against neighboring states.
- Only in 1986, when Congress overrode President Reagan's veto, did the U.S. impose economic sanctions against South Africa.

U.S. policymakers had not always described South African freedom fighters as an inspiration. Since the ANC initiated armed struggle in 1961, Democratic and Republican administrations alike had viewed its anti-apartheid movement through a cold-war lens, constantly referring to its members as terrorists and communists.

U.S. policymakers displayed consistent hostility toward the ANC's call, first made in 1959, for international economic sanctions. Over the decades the U.S. used its Security Council veto many times to block mandatory universal economic action against apartheid.

South Africa's white-controlled economy relied heavily on foreign investment and therefore was extremely vulnerable to economic sanctions. U.S. capital continued to expand even as apartheid repression intensified. In the 1970s South Africa had absorbed about 50 percent of U.S. direct investment in Africa as a whole, excluding oil investments. By 1982, U.S. investment in South Africa amounted to \$14 billion, including approximately \$8 billion in the country's mining sector.

Despite anti-apartheid rhetoric that waxed and waned through the Kennedy, Johnson, Nixon, Carter, and Reagan eras, most U.S. policymakers, corporate and political, treated minority-ruled South Africa as the regional power center to be favored and protected from destabilizing forces. Henry Kissinger's 1969 National Security Memorandum NSSM 39 stated explicitly that “the whites are here to stay and the only way that constructive change can come about is through them.” Variants of this view—dialogue, detente, and constructive engagement—followed, all allowing for significant measures of nuclear, military, intelligence, and economic cooperation. All gave apartheid South Africa the status of a reliable (even if sometimes embarrassing) western ally in the global confrontation with communism.

South Africa's liberation struggle was not conducted in isolation, but in the context of a series of successful neighboring anticolonial wars that created strong bonds of solidarity between the liberation movements. As Angola, Mozambique, and Zimbabwe achieved their independence between 1974 and 1980, each moved toward varying forms of socialism. Each also extended support to the ANC and each, in turn, became victim of South African destabilization, ranging from invasion and full-scale war to significant support for “contra” activities. Far from opposing these aggressions, the U.S. gave South Africa a green light, and in oil-rich Angola the U.S. joined South Africa in supporting the UNITA rebels. According to analyst William Minter, “South Africa could count on virtually unconditional U.S. willingness to blame Moscow and excuse Pretoria.”

U.S. policy was slow to shift. State Department officials only began their first cautious meetings with ANC representatives in 1985, after some South African business leaders defied apartheid law to initiate consultations with the ANC. In 1986, Congress overrode President Reagan's veto and finally voted to impose sanctions. The Bush administration, however, held fast to its belief in the “good faith” of the white minority leadership and ignored ANC charges that the apartheid government was pursuing a two-track policy, combining covert violence and high-profile negotiations for reform.

U.S. policymakers retreated from their hostile stance toward the ANC after the mid-1980s, and set about wooing new friends in its ranks. This task was facilitated by a newly developed assistance program. But behind the anti-apartheid, prodemocracy rhetoric, another agenda was discernible: the desire to affect the direction of ANC economic policies.

During the last years of the struggle from apartheid rule to democracy, the U.S. government appropriated nearly \$900 million in loans and grants to South Africa. This financial support was large enough to give U.S. policymakers access to the new players in the newest game in town. And once the tap was opened, the flow increased each year.

The first major assistance program to South Africa was initiated in 1986 and provided \$40 million a year to help “bring an end to apartheid and lead to the establishment of a nonracial democratic...government.” Between 1986 and 1994 the mandate was expanded as political transformation speeded up in South Africa. In addition to dismantling apartheid and preparing the disadvantaged population for leadership roles, a sectoral focus on democracy and governance, education, and economic empowerment was added. The program provided some \$530 million to a range of South African and U.S. NGOs and consultants.

Although under the 1986 Comprehensive Anti-Apartheid Act Congress prohibited the funding institutions associated with the apartheid government, the money was not always directed in the most beneficial ways. The \$150 million allotted for education, for example, was spent primarily to provide a U.S. university education to a small elite of less than 1500 South African students.

A further \$174 million was devoted to economic private sector projects designed to achieve black small business empowerment. After 1990 approximately \$113 million in grants and loans was used to support private-sector housing initiatives. Housing was one early arena for debate over how to balance between fiscal caution and social spending. U.S. AID officials sought to ensure that a new government not attempt solutions to the massive housing crisis based on subsidies or state intervention.

Significant funding—close to \$150 million—was devoted to what the U.S. government called promoting democracy. While some small legal aid and human rights groups benefited from this funding, AID administrators met both suspicion and hostility as they initiated the program. Angered by the Reagan administration’s constructive engagement, important forces within the United Democratic Front, the pro-ANC alliance, adopted policies refusing to accept funds under the program.

But the program continued through the late 1980s and by the early 1990s the U.S. had by far the largest foreign aid mission in South Africa, with a staff of over 100. Funding in the political development arena expanded swiftly after 1992, with intensive efforts to support voter education and governance programs. By 1994, the

year of the first democratic elections, the U.S. had become South Africa’s largest bilateral donor of political aid.

Shortly after Nelson Mandela’s election, the U.S. government announced a major new \$600 million aid package to the new Government of National Unity. It included private-sector development aid, housing loan guarantees, and financing for strengthening democratic institutions and improving education and health care. The funds have continued to flow, and few recipients are willing to be openly critical. But some common themes are emerging.

One criticism, heard both from South African recipients and other donor agencies, is that AID policymakers are reluctant to shape their programs via any process of consultation. U.S. priorities determine direction. President Clinton told the UN in September 1993 that the expansion of “market-based democracies” was Washington’s “overriding purpose.” It was predictable then, as Assistant Secretary for African Affairs George Moose reported to Congress that same fall, that “over the past several years we have provided training and information to the ANC and others on various aspects of free market economics.”

The ANC came to power facing massive economic inequalities that were the legacy of apartheid, an economy with a zero growth rate, rising unemployment, aging, outdated industries, high debt, and no new investment. Recognizing the need to fundamentally restructure the economy, it adopted the Reconstruction and Development Program (RDP) designed to provide an overall economic framework which would link reconstruction and development in a process leading to sustainable growth in all parts of the economy—with greater equity achieved through redistribution.

U.S. officials proclaimed their eagerness to link with the objectives of the RDP, but South African officials found the U.S. far more willing to deal with individual government departments than with the planning process represented by close consultation with the RDP Minister, Jay Naidoo.

By 1995 U.S. AID reported that funding for private-sector initiatives had achieved a decisive effect on ANC economic policies and “have led the Government of National Unity leadership to endorse pragmatic economic policies and a fiscally conservative approach to the RDP, contrary to prior expectations than an ANC-dominated government would opt for statist [government-run] solutions and fiscally unsustainable social programs.”

Key Problems

- After the mid-1980s, the U.S. set out to woo ANC leaders with major loans and grants to affect the direction of ANC economic policies.
- By the 1994 democratic elections, the U.S. was South Africa’s largest bilateral aid donor.
- The \$600 million aid package to the Mandela government emphasizes private-sector development and building a “market-based” democracy.
- By 1995, AID claimed success in redirecting the Mandela government away from “unsustainable social programs.”

U.S. policymakers constantly put the future of U.S.-S.A. relations on the foundation of market liberalization. This narrows the path dangerously. It ignores the powerful social demand for poverty reduction that was an integral part of the movement that destroyed apartheid rule. It denies validity to the many creative policy proposals developed in South Africa as that young country grapples with the conflicting demands of growing the economy and redistributing resources to achieve social justice.

The U.S. and other western powers, together with the World Bank, have had a chilling effect on economic policy debate in South Africa. In 1994 the ANC's socioeconomic policy document for the final elimination of apartheid described development as "active involvement and growing empowerment."

The Reconstruction and Development Program (RDP) outlined the role of the government in building the economy, creating jobs, and seeking cooperation with regional neighbors. It was vibrant with ideas about how a people, when mobilized, might begin to address massive social inequalities.

Only two years later South Africa's Ministry of Finance produced a new document entitled *Growth, Employment, and Redistribution: A Macroeconomic Strategy*. In outlining its strategy for rebuilding and restructuring the economy, popular participation language has disappeared. In its stead are the guidelines for privatization of significant state-owned sectors, including telecommunications and transport,

as well as frequent references to the need to "achieve an appropriately structured flexibility within the collective bargaining system"—a warning to the labor movement not to engage in excessive demands.

Indeed, corporate pressures within South Africa and from the U.S. and other western governments led to the elimination of a separate RDP office in 1996. South

African writer Daria Caliguire concluded that this move will in effect downgrade the importance of reconstruction and development in government policy discussions. "The dismantling of the RDP office," Caliguire wrote, "indicates that economic growth, rather than redistribution, has won the day as a national primary tool for change."

Economic redistribution is central to the final elimination of apartheid's legacy. Since 1975 the black population's share of total income in South Africa has been rising. Even so, the top 20 percent of the African population is getting richer, while the bottom 80 percent is getting poorer. U.S. political and economic policy has focused heavily on helping the small black middle class, in effect accelerating this dangerous trend.

The U.S. must reconsider its emphasis on building a black middle class in South Africa. The already volatile demands from South Africa's rural and urban poor for sharing the fruits of victory will intensify unless the government and the U.S., as its major bilateral patron, are able to help provide housing, health care, schools, and jobs.

On a regional front, the U.S. is eager to encourage South Africa in its role as a surrogate regional power. To date, however, there have been only a few open disagreements, such as U.S. objections to South Africa's continued good relations with Cuba and Libya. But an important shift in U.S. policy would give greater credence to South African positions on issues such as Nigerian democracy and the formation of an African peacekeeping force.

At the same time the U.S. should strengthen its capacity to deal with the entire southern African region, not only by expanding its bilateral relations with countries like Angola and Mozambique but also through support for the regional economic alliance, Southern African Development Community. Encouraging South African regional cooperation and integration could provide some additional reparation for the damage caused by direct U.S. intervention in countries like Angola and for apartheid South Africa's hostile regional aggressions.

Written by Jennifer Davis, Director of the American Committee on Africa in New York.

Key Recommendations

- The U.S. government should shift some of its focus from the private sector to the role government can play in redistribution of wealth and provision of basic services to the poor.
- The U.S. and other aid donors need to collaborate with, rather than dictate to, South African economic policymakers.
- The U.S. support for a black middle class in South Africa needs to be adjusted so that the gap between rich and poor blacks stops widening.
- The U.S., together with South Africa, should help strengthen regional cooperation.

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