

CURRENT HISTORY

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The New South Africa, a Decade Later

ANTOINETTE HANDLEY

Any traveller returning from South Africa since its first democratic elections in April 1994 is inevitably asked “What has changed?” And the paradox is that everything has changed and nothing has changed; . . . stability has depended on the illusion among whites that nothing has really changed and among blacks that everything has changed.”
—*Shula Marks*

The paradox at the heart of the South African miracle has been sustained by an illusion. The real test will come, the historian Shula Marks suggests, when whites realize that everything has changed and blacks realize that nothing has changed.

Few anticipated that white South Africans would voluntarily hand over political power to the African National Congress (ANC), the liberation movement that they for decades had vilified as “terrorists” and “communists,” or that the leaders of this movement would prove remarkably moderate custodians of the country’s economy. And yet for the most part that is what has occurred. Ten years ago the ANC won the country’s first genuinely democratic elections and has governed since. This is a good time to assess what is new about the new South Africa.

What has changed has been unexpected: the politics of the country have stabilized with astonishing speed, moving from violent conflict to quotidian electoral politics in a few short years; the ANC government, despite its radical heritage and its electoral alliance with the South African Communist Party, has implemented a conservative macroeconomic policy; and an epidemic has emerged as the single greatest threat to stability and prosperity.

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SINCE THE MORNING AFTER

When he came to office in 1994, President Nelson Mandela of the ANC faced a daunting range of challenges in three broad areas: stabilizing the political and social order; addressing issues of socioeconomic justice while maintaining the fiscal health of the country; and restoring growth, employment, and productivity to a long moribund economy.

A decade into the politics of the new South Africa, it is easy to forget how profoundly uncertain the political outlook was leading up to the first nationwide democratic elections in April 1994. Political violence had peaked in the early 1990s, averaging more than 3,000 deaths a year as political negotiations progressed and the governing National Party, the ANC, and other parties moved toward agreement on an interim constitution and elections. The threat by Mangosuthu Buthelezi, leader of the Inkatha Freedom Party, to boycott the country’s first national democratic elections further raised political tensions and seemed sure to blight the birth of the new South Africa.

Only a week before the polling, Buthelezi decided to participate. The party’s name, symbol, and its leader’s photograph were hastily glued on to millions of ballots. Despite disorganization at many polling stations and threats of further violence, South Africans from every formerly defined racial category and all classes cast their ballots on April 26, 1994. The ANC won overwhelmingly, yet was gracious in its victory. Mandela headed up a “government of national unity” that initially drew potential dissidents into governing. The head of the National Party, F. W. De Klerk, was made vice president and Buthelezi was given a seat in the cabinet. With a clear eye to reassuring whites who continued to dominate the economy, the National Party

(which later, in the spirit of the new South Africa, renamed itself the New National Party) was granted control of portfolios including finance, mineral and energy affairs, and agriculture.

Black South Africans woke up to a new president, to the decisive defeat of apartheid, and to a democracy that many had thought they would never see. White South Africans woke up in the same houses and drove their children to the same schools before heading to their usual jobs, while their homes were cleaned by the same maids. This seemingly banal reality—over a million women, overwhelmingly African, work in white households as maids—captures the cold fact that unequal access to jobs and education and consequent extreme levels of income inequality were perhaps the defining characteristic of apartheid. (A telling statistic: in 1994, while white South Africans could expect to live into their 70s, the average life expectancy for black South Africans was around 55 years.)

Since its founding in 1910, South Africa had been built on racial discrimination. After 1994, South Africans set about trying to bring some normalcy to the country's near pathological politics. De Klerk and Mandela quarreled in public, but for 14 months the government of national unity provided reassurance to the formerly powerful white minority, and political violence dropped to one-fourth its previous level. (The National Party, citing its inability to meaningfully shape government policy, withdrew from the national unity government in June 1996.)

However, not all of South Africa's problems could be resolved through political magnanimity. After 1994 the security of the average South African was more routinely threatened by violent crime than by political violence. A surge in reported crime from the early 1990s continued after 1994. Whether this surge represented a rise in actual incidents of crime or just improved reporting rates was unclear.

The new ANC government poured significant resources into policing and embarked on much needed reforms that were intended to improve the quality of policing and detective work and to increase public trust in the police. These efforts may have produced some success. After topping out in the late 1990s, overall crime rates have stabilized and violent crimes may even have declined. Still,

crime remains at horrifyingly high levels: there are, for example, 45 murders per 100,000 people, a figure almost 10 times higher than the US average. Most South Africans (white and Indian South Africans in particular) continue to feel less safe now than they did when crime was at its highest.

Trust was crucial to social and political order in the new South Africa, but trust could not be built until the country as a whole began to come to terms with its past. In this respect, the Truth and Reconciliation Commission was central to the emergence of a new, more stable South African polity and society. The TRC made important compromises to advance political reconciliation. It chose to focus only on "gross human rights abuses" rather than examining the social, structural, and institutional foundations of the previous system, and it limited its purview to the period between 1960 and 1994. The commission

recognized that an indefinitely drawn out series of hearings would place undue strain on an already fragile polity.

Especially important was the decision effectively to

eschew the pursuit of justice (that is, prosecution of offenders) in return for as full a telling of the "truth" as possible. The TRC relied on the testimony of thousands of victims and perpetrators alike, using the promise of amnesty to reward perpetrators for "full disclosure" of their misdeeds. This testimony, beamed by radio and television daily and directly into millions of living rooms across the country, represents the TRC's most significant achievement. It laid the groundwork for a common South African history that black and white South Africans might one day understand in the same way.

POLITICS AS USUAL?

Electoral coalitions that have emerged offer perhaps the most telling evidence of South Africa's new political stability. Many of today's political parties are the heirs of political forces that, prior to 1994, engaged in deadly military conflict with each other. Since then parties have engaged in all manner of extraordinary alliances—between Afrikaner and Zulu nationalists, between liberals and conservatives, and, most extraordinary, between the former liberation movement and its former oppressors—at local, regional, and national levels. In this respect,

Black South Africans, who make up 75 percent of the population, are generally considered to own between 2 percent and 7 percent of overall market capitalization in terms of stock shares.

South Africa is well on the way to a reassuringly tedious brand of politics as usual.

The new constitution, adopted in 1996, is an impressive document that has greatly assisted in increasing social and political order. Alongside a comprehensive bill of rights (including social and economic rights), it established proportional representation in the legislature, a relatively centralized government with limited powers devolved to regional and local levels, and an independent judiciary together with a range of other independent agencies (such as a Human Rights Commission) to ensure government responsiveness. Given the extent of the ANC's electoral dominance (in 1999, it won two-thirds of the seats in the national legislature), such institutionalized protections may be vital. South Africa's opposition parties have not for the most part succeeded in broadening their support outside of narrow racially or regionally defined constituencies. Of course, the dominance of a single party is not new in South Africa; in the apartheid era the National Party controlled the country's white legislature for 46 years, hardly a reassuring precedent.

It is striking how quickly South Africa has achieved political and social stability. But that stability is threatened by the growing disorder in neighboring Zimbabwe. The deterioration of food security, political order, and economic growth in that country has profound negative repercussions for South Africa, given the highly integrated nature of the regional economy. (Zimbabwe is South Africa's largest trading partner in Africa, and has consistently ranked in the top 10 of South Africa's international trading partners. South Africa's exports in Zimbabwe also comprise a large share of high-value added and manufactured goods, precisely the kind of exports the country would like to see grow.)

South Africa publicly has yet to demonstrate any decisive leadership with respect to Zimbabwe. This public reticence can be traced to the new South Africa's first rather naïve and heavy-handed attempts to raise issues of human rights on the continent, which were resented by many African states accustomed to a style of diplomacy that prioritized solidarity in public and pressure only behind the scenes. When their early efforts served only to offend other leaders and isolate South Africa on the continent, South Africa's diplomats switched to a brand of foreign policy-making that addressed human rights issues less assertively.

South Africa has attempted to play a diplomatic role in conflict resolution elsewhere on the continent, most notably in the Democratic Republic of

the Congo. But solutions to such multifaceted conflicts may be beyond the resources of a single country. The new South Africa is, after all, a mid-sized power with all the ambiguities and ambivalence that this entails for its international role, and it often finds itself regarded with some coolness on its home continent.

The country's leadership in international economic forums, such as the World Trade Organization, the Non-Aligned Movement, and the United Nations Conference on Trade and Development, has been more nuanced and assertive. South Africa has begun to demonstrate some ability to navigate the international political economy, which can be seen, for example, in the successful marketing of the New Economic Partnership for African Development (NEPAD) to international donors. The real threat to South Africa's prospects has come from a different source.

THE AIDS CRISIS

The greatest challenge facing South Africa in the past decade, as well as the source of the ANC's most important failing, has been the HIV/AIDS epidemic. According to the country's Department of Health, less than 1 percent of the population was infected with HIV in 1990. By the end of the decade that figure had jumped to over 25 percent, one of the fastest growing infection rates in the world. The epidemic is now considered to have reached its "mature" phase: infection rates are slowing, and the next phase—the onset of full-blown AIDS, increased mortality rates, and the creation of large numbers of AIDS orphans—has begun. AIDS is expected to slash the average life expectancy of black South Africans to 40 years, undoing the impact of other improvements in health and welfare. HIV/AIDS is now the largest single cause of death in the country.

The ANC's failure to respond promptly and adequately to this threat has undoubtedly exacerbated the health crisis and weakened the government's international standing as well as public trust in the government. First as Mandela's deputy and later as the country's president, Thabo Mbeki reacted first with inaction, then denial, then reluctant engagement. His questioning of the link between HIV and the development of AIDS, a view he has since downplayed, and his defensive and hostile interactions with nongovernmental organizations and activists on the AIDS issue have undermined the government's response at every level.

The inadequate response may have resulted from an inability on the part of leading figures in the ANC

to comprehend the sheer scale of the problem posed by HIV/AIDS, but this only explains the initial lack of a response. As the dimensions of the crisis became clearer, the epidemic and the question of how to respond to it became highly politicized. The ANC had a long tradition of regarding the state as central to any systematic attempt to combat poverty in South Africa. After decades of struggle against apartheid, democracy had granted the ANC control of the state and seemed to provide the long-awaited opportunity to finally begin to address the backlog of social needs. HIV/AIDS may have been seen as an unwelcome problem that threatened to undo all of the good that the ANC hoped to accomplish. The epidemic threatened also to confirm the trope of Africa as a source of disease and hopeless despair and to displace Mbeki's vision of an "African Renaissance," a resurgence of the continent, powered by home-grown solutions. This may have further confirmed the tendency to ignore or downplay the emerging crisis.

As the ANC and Mbeki cast about for solutions to the growing epidemic, they were predisposed toward and against certain diagnostic and policy options. After decades of attempts by an apartheid government to restrict the growth of the black population through birth control campaigns, they were inclined not to accept the diagnosis of AIDS as a sexually transmitted disease that the use of condoms could curb. As politicians speaking to a conservative popular culture that frowned on the public airing of anything related to sex, they were inclined not to promote a solution that would require a frank and public discussion of matters sexual. By contrast, as progressives and social activists, they were predisposed toward a solution that regarded AIDS as arising out of poverty—the very ill that they were primed to address—and hence they were open to the dissident view that questioned the causal link between HIV and AIDS and pointed instead to the impact of poverty (through chronic malnutrition, a lack of clean water and shelter, and constant exposure to disease and environmental stress) on the immune system.

Governmental inaction did not go unchallenged. The Treatment Action Campaign (TAC), part of South Africa's dynamic civil society, has lobbied energetically for expanded treatment. Most notably, the TAC filed a legal challenge to the government's policy of restricting the availability of nevirapine, an important antiretroviral drug used to treat the HIV-

infected. In a landmark ruling in 2002, South Africa's constitutional court ordered the government to make the drug available, progressively and within the limits of available resources, in all public health facilities and, likewise, to provide for testing and counseling across the country. But with roughly 5 million South Africans infected with HIV, the annual cost of treatment could run to billions of dollars.

THE INEQUALITY CHALLENGE

The AIDS crisis and the cost of antiretrovirals will inevitably affect the country's ability to deal with another of its challenges—socioeconomic justice—although the two issues are inextricably connected, as the TAC case showed. Beyond HIV/AIDS, the ANC leadership has made a concerted effort to reorient government spending toward the needs of the poorest stratum of society within existing budget constraints, even if this has not always been to the satisfaction of the courts.

The government's chosen instrument in this regard was the Reconstruction and Development Program (RDP). It outlined an exhaustive list of the country's outstanding social needs but failed to prioritize among them or specify how they

were to be addressed. The list, moreover, included so many urgent needs—such as access to safe drinking water, basic health care, and housing—that the government's ability to address them would ultimately depend on the overall health of the economy.

Within just a couple of years, the government realized it needed to rethink the strategy. It dismantled the RDP ministry and reassigned core programs to the relevant line ministries. Provision of basic needs has since seen significant improvement. The percentage of households with access to clear water rose from 60 percent in 1996 to 85 percent in 2001, and those with sanitation increased from 49 percent in 1994 to 63 percent in 2003. The proportion of households with electricity rose from 32 percent in 1996 to 70 percent in 2001. The government has made free health care available to pregnant women and children under five years old. Progress on housing was initially less impressive, but 10 years later just over a million homes have been provided.

One of the greatest successes in improving the lives of the poor arose, almost inadvertently, from the racial equalization of pensions for the elderly. In the dying days of apartheid, the National Party,

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no doubt with an eye to the prospect of democratic elections, raised the level of state pensions for Africans, Indians, and coloreds (mixed race) to the level that whites had long enjoyed. In one stroke this authorized the monthly injection, into hundreds of thousands of households across the country, of \$90 a month, roughly twice the median black monthly income. Close to 80 percent of age-qualified Africans now receive a state pension, prorated in terms of household income. Overall, 1.6 million elderly people receive a state pension. Because age in South Africa is closely correlated with household poverty, this has proved a remarkably effective way to target some of the country's poorest households. The state pension has brought dramatic benefits in the health and nutritional status of children, too, because of the prevalence in South Africa of the extended family structure.

The continuing expansion of welfare payments has proved an effective weapon in the battle against poverty. But there are concerns about its fiscal sustainability. If the number of households receiving state pensions continues to expand at the current rate, and if the value of the grant is maintained in real terms, the costs of the program may bankrupt the treasury, especially when added to the costs of providing medical care and welfare to all the South Africans affected by AIDS.

Many of apartheid's most pernicious economic and social effects resulted from the systematic undereducation of black South Africans. Since 1994, the ANC has continued the broadening of educational access that began under the National Party, but—again, as under the National Party—that education is of decidedly uneven quality. Education currently receives almost a quarter of the government's total budget, but that investment goes largely to meeting the salaries of teachers, many of whom are poorly trained and perform badly in the classroom. Combined with weak local governance, the overall result is an education system that continues to produce large numbers of underskilled graduates in an economy that suffers from a dramatic shortage of skilled labor.

THE ECONOMY IN GEAR

In 1994 the ANC inherited an economy that had only just begun to expand again after a recession in the early 1990s. In fact, the malaise was longstanding: the economy had not grown strongly or created enough jobs to keep up with the expanding labor pool since the late 1970s. In addition, while the relatively smooth political transition had stanching the

worst of capital flight, capital inflows through the mid-1990s primarily took the form of easily liquidated portfolio flows, rather than direct investment in new productive enterprises. International investors, along with their domestic counterparts, adopted a wait-and-see attitude.

Key leaders within the ANC, including Mbeki, Trade and Industry Minister Alec Erwin, and Finance Minister Trevor Manuel, came to understand the importance of establishing their credibility with the markets. The result, launched in June 1996, was a policy entitled Growth, Employment and Redistribution (GEAR). Despite its name, GEAR was essentially an orthodox stabilization package, almost indistinguishable in policy content from those imposed by the World Bank and International Monetary Fund in developing economies around the world. GEAR, however, was voluntary, undertaken without any direct pressure or conditionalities from the international financial institutions.

GEAR was based on the premise that in order to grow, South Africa's economy would have to become more competitive and export oriented. At the core of GEAR were requirements to lower government deficits and inflation, reduce tariff barriers, privatize existing state-owned enterprises, and move toward a more dynamic, deregulated market.

Some of these goals proved easier to meet than others. Under the National Party, the budget deficit had reached 8 percent of GDP. The ANC succeeded in lowering that to 2 percent, a significant achievement for a government that had been expected to face irresistible demands to boost spending. It helped that the new South African government had inherited from the apartheid government a relatively efficient and progressive tax system with high rates of compliance. The tax system has since been further strengthened, with happy consequences for the government's deficits.

Inflation has slowly come down, albeit not as dramatically, into single-digit rates. The government also has successfully lowered tariff barriers, though there is still some way to go before South African manufacturing experiences the full extent of competitive pressures. Privatization and commercialization of a panoply of state-owned enterprises—including the national airline, telecommunications, railways, and harbors—have proceeded much more slowly. The effort is complicated by sometimes conflicting objectives, seeking not only to maximize the selling price of state assets and improve their efficiency but also to extend service provision to previously

unserved communities and promote black economic empowerment.

The finishing touches were being applied to the GEAR strategy in 1996 when South Africa's domestic currency, which had to that point been remarkably stable, came under attack from international currency speculators. The South African Reserve Bank did not handle the crisis well. In April 1994, the exchange rate had been 3.50 rand to the US dollar. By February 1996, it had plunged to R4.20 to the dollar. In part, the currency crisis was related to technical factors (including an arbitrage gap and the difference between South Africa's inflation rate and that of its major trading partners), but it also reflected financial markets' judgment about overall management of the economy and political stabilization. There were tremors, for example, when Mandela appointed the country's first black minister of finance, Trevor Manuel. The same reaction met the news that the National Party's outgoing governor of the Reserve Bank, Chris Stals, would be replaced by Tito Mboweni, a top-ranking ANC official without extensive financial sector experience. In 1998, international money markets subjected the ANC to a further set of lessons on the power of perceptions of risk, taking the rand down to R6.84 to the dollar. By the end of December 2001, the rand had plummeted to an all-time low of R13.10 to the dollar—an undervaluation by most accounts. Indeed, since that time, the currency has appreciated considerably and for much

of 2003 and into 2004 has ranged between R6 and R7 to the dollar.

GEAR has done much to stabilize the South African economy and lay the basis for long-term growth, but it has not significantly shifted the racial basis of economic power. On the tenth anniversary of the new democracy, whites continue to dominate the economy. Black South Africans, who make up 75 percent of the population, are generally considered to own between 2 percent and 7 percent of overall market capitalization in terms of stock shares, hardly a dramatic improvement on 1994's figures. In addition, much of what has been achieved has benefited a tiny black share-owning elite. A sustained transformation of black South Africans' role in the economy has yet to emerge.

BIG BUSINESS, BAD BUSINESS

Economic stabilization aside, the failure of the economy to create large numbers of jobs threatens social stability. The modest revival of growth has been insufficient to generate a requisite increase in employment. Reform of the labor market was initially regarded as a critical part of the GEAR program, but there have been few effective policy innovations on this front. Instead, South Africa's elites have opted to continue with a highly corporatist decision-making model in which the interests of big business and organized labor are privileged over those of small and medium-sized businesses and the unemployed.

The prevalent labor framework aspires toward a high-value-added economy model, staffed by a skilled labor force suitably compensated for its productivity. The trouble is that most of South Africa's current work force is unskilled and not highly productive. The only basis on which this generation of workers conceivably can compete in international labor markets is on price—which, within the current regulatory framework, has not been possible. The result, effectively, has been to shut the unskilled unemployed out of labor markets and to reduce the hiring capacity of small and medium-sized firms.

It is easy to understand why organized labor would press for such a labor market; the trade unions' job after all is to secure the best possible terms for their members. It is less clear why big business would agree to this—at least until one considers the nature of big business in South Africa and, in particular, of its overall cost structure. Since the 1970s, South African big business has tended to be highly capital-intensive, labor costs forming a relatively small proportion of overall costs. Even high wages have not cost big business a huge amount in

A Current History Snapshot . . .

“It is a wonderful thing for a man in his own lifetime to see a country [South Africa] pass through so many vicissitudes, and in the end to appear in the face of the world no longer as England's enemy, but as a constituent part of the great British Empire, one of her best friends and supporters, glorying in her flag, which now floats from Cape Agalhas to the Zambesi, and soon will float over those contingent regions that have been seized by the mailed fist of Germany.”

“South Africa's Boers and Britons”
Current History, December 1914
 H. Rider Haggard, English novelist



overall terms. By contrast, the cost of political unrest that could result from unpleasant wrangling over wages, in the form of strikes and industrial action, would be high. The preference of big business invariably has been for a high wage model that would at least ensure minimal disruption to industrial processes.

There is more evidence that big business may be bad for business. South Africa performs poorly in indexes intended to measure levels of entrepreneurship, possibly because of the historically high levels of concentration of ownership and the dearth of real competitiveness in the South African economy. The mark-up in the South African manufacturing sector is roughly twice that found in US manufacturing. The government has attempted to introduce pro-competitive policies to curb collusive behavior within the South African economy but without any great success so far.

A DEMOCRATIC BALANCE-SHEET

South Africans can celebrate with pride a series of significant achievements since 1994. A society that had been organized on the basis of separate and inequitable access to the most basic needs has been restructured into an open and democratic system in which all South Africans enjoy the right to representation and services. The government has made real progress in addressing some of the social welfare inequalities that apartheid created. And its macroeconomic policies have laid the foundation for sustainable long-term economic growth.

With the dawning of the new democracy's tenth anniversary, it is natural for black South Africans to

also consider what it is that has *not* changed—or, at least, not for the better: their job prospects and their chances of living a long and healthy life. Both of these outlooks will be shaped by the state of the country's education system, the economy's capacity to create jobs, and the course of the HIV/AIDS epidemic. None of these factors, in origin, flow from the policies of the current government. Today's principals and teachers were, for example, the product of apartheid education; the economy's inability to create enough jobs is related to long-standing capital-to-labor ratios that resulted from business and government decisions made in the 1970s; and the HIV/AIDS epidemic likewise came from elsewhere (both geographically and historically in terms of the basic health care system set up by the National Party).

Yet it is evolving government policy that will shape how these three crises develop from this point. Attempts are being made to address the problems in the education system; in the interim, middle-class children will continue to receive a relatively good standard of education, but it will take some time before reforms are able to improve the quality of education in rural and working class areas. Similarly, the government is attempting to address job creation with public works programs—but here the problem is less amenable to policy tinkering. Only fundamental shifts in the labor relations framework and in the nature of the economy will create the requisite number and kind of jobs for the millions currently unemployed. An effective response to the HIV/AIDS epidemic, by contrast, may well require a change of leadership in the top ranks of the ANC. ■