



South Africa: The Brazil of Africa

These notes compare economic and social policy in South Africa with Brazil, as members of the governing African National Congress prepare to elect a new party president. They argue that South Africa has followed a trajectory similar in many respects to Brazil, the dominant economy in South America. But the comparison highlights weaknesses in Pretoria and the ANC.

- **Business-friendly policies reinforced by economic boom.**
- **Leading roles in G20 lobby of developing countries.**
- **High-level political corruption in Pretoria and Brasilia.**
- **South Africa eclipses Brazil as world's "most unequal" society.**
- **Radically different responses to HIV/AIDS.**
- **Race for power undermines ANC-led 'tripartite' alliance.**

Africa's Brazil?

South Africa and Brazil are multi-racial, industrialised democracies beset by problems of poverty, post-colonial inequality and new political institutions. Although far smaller in terms of economic power and population, SA has pursued policies which recognise the opportunities and risks of economic globalisation. Both countries have emerged as regional leaders, punching above their weight in world trade talks.

President Thabo Mbeki, who must retire as head of state in 2009, is standing again for the ANC leadership in the face of a strong challenge from his dismissed former deputy, Jacob Zuma. Under Mbeki, SA has pursued a liberalising economic agenda similar to former Brazilian president Fernando Henrique Cardoso's prescriptions for democratic Brazil. But a clearer separation of political interests in Brazil contrasts with a looming constitutional crisis in SA.

Boom Times

Since September 1999, SA has recorded the longest economic expansion in its history. Recent GDP growth of about 5 per cent reflects a strong financial sector, rising exports and high commodity prices driven by Chinese demand for raw materials. Brazil's economy is growing at a similar pace – its best for a decade – helped by rapid industrialisation of new agri-businesses.

Foreign investment in SA has fallen far short of government targets, despite an ambitious programme of public works ahead of the 2010 World Cup soccer championship. Prudent fiscal policy, lower taxes and a budget surplus co-exist with higher public spending – the so-called "Social Wage" – funded by a widening of the tax base. About a third of jobseekers are unemployed after a long period of job shedding, but 1.6m new jobs have been created over five years.

Poverty and Inequality, *de-linked*

SA is the world's most unequal economy. Since 1995, inequality in SA has become substantially worse than in Brazil – the long-time holder of that dubious crown.¹ The poorest half of South Africans have benefited least from economic growth, but there is dispute over whether the poor have become poorer or only slowly less poor. Analyst J.P. Landman argues that absolute poverty is falling while inequality rises.²

"Government programmes over the past nine years have substantially reduced inequality among South Africans"

– Joel Netshitenzhe, head of policy in the Presidency³

The GINI co-efficient, a conventional measure of income inequality, has fallen in Brazil as economic stability increased the purchasing power of the minimum wage. But Servaas van den Berg, a professor at Stellenbosch University, calculates that GINI excludes the impact of the "Social Wage" in the form of higher and less racially-skewed spending in post-apartheid SA. His revised formula produces an improved measure of South African inequality as about 40% less unequal than other estimates.

HIV and AIDS, *linked*

About two million South Africans have died from AIDS, and 5.5 million are HIV-positive, according to government figures – the highest number in any country. Global estimates of HIV-prevalence by UNAIDS and the World Health Organisation (WHO) have been revised downward to take account of new data and methodology, but WHO also

Acknowledgement These notes recognise the work of Dr Jos Gerson, whose October 1997 report *The Brazil of Africa* correctly anticipated a 21st-century South Africa of strong corporations cheek-by-jowl with entrenched poverty.



reports that AIDS has become the primary cause of death in Africa.

Official responses have been ambiguous in SA, where the president has not dispelled suspicion that he doubts the virology of the AIDS epidemic. Mbeki acknowledges "a virus called HIV which causes AIDS" but objects to the apocalyptic predictions: "It's the way it was presented! You see, the presentation of the matter, which is actually quite wrong, is that the major killer disease on the African continent is HIV/AIDS," Mbeki told a biographer.⁴

Despite a slow start, SA provides more antiretroviral drugs (ARVs) via the state health system than any other country. Pretoria defended the state's claim to license low cost generic medicines, prompting pharmaceutical companies to abandon a legal challenge. But activists and UN officials criticise ministers for stalling implementation of what has become a largely orthodox AIDS policy.

"Being in the forefront of just about any developing country in terms of being able to provide care for all who need it, Brazil has been a very tough and hard bargainer."

- Raymond Gilmartin, former chief executive, Merck & Co.⁵

Despite similarly apocalyptic rhetoric, Brazil pioneered distribution of AIDS medicines in the early 1990s, when much conventional wisdom held that most were unsuitable for use in developing countries. Generic ARVs are manufactured under licence in state laboratories.

About one million Brazilians are HIV-positive and ministers claim that ARV treatment reaches 99% of people who need it: a rising cost, but cheaper than hospitalisation. New systems of clinical care and information technology enable distribution – sometimes by ferry or military convoy, even to outer reaches of the Amazon.

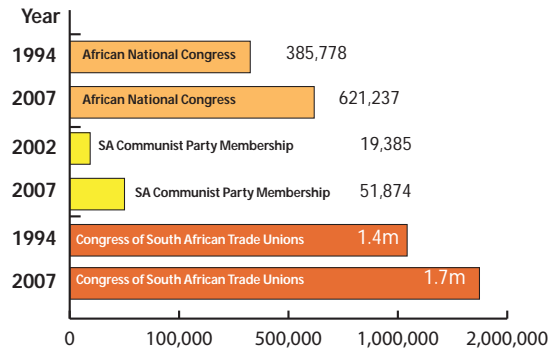
Politics

Mbeki's decision to run again for the ANC presidency has bolstered resistance to his leadership and economic policy. The contest has divided the ANC, and polarised its tripartite alliance with the Congress of South African Trade Unions (COSATU) and the South African Communist Party (SACP).

Analysts are divided over Mbeki's motives: either he is "temperamentally disinclined to give up power and influence"⁶, or his candidacy is a "reluctant" last stand against Zuma.⁷ The factionalism obscures the unresolved process of how the party will select its candidate for the national presidency in 2009, when Mbeki's second and final term expires.

Both COSATU and the SACP have rallied behind Mbeki's former deputy Jacob Zuma, dismissed in June 2005 pending prosecution on corruption charges arising from a 1999 government defence contract. If convicted, Zuma will not be

South Africa's tripartite alliance, by membership⁸



eligible for parliament – and by implication, the national presidency – raising the prospect of a constitutional crisis if he is selected as ANC leader.

The succession battle contrasts starkly with Brazil. Political corruption and illegal party funding have also damaged Brazilian president Luiz Inacio Lula da Silva's *Partido dos Trabalhadores (PT)*, or Workers' Party. But unlike SA, the relationship between the government and its disparate supporters is more distinct.

The *PT* has an historic commitment to agrarian reform, but no formal relationship with its populist critics in the *Movimento dos Trabalhadores Rurais Sem Terra*, the Landless Rural Workers' Movement which is the world's largest political pressure group. This separation of roles limits the potential damage to Brazil's democratic institutions caused by intra-party feuding – an important example to SA.

"Lula's government is our friend, but we are totally independent. Perhaps this was the first mistake in some African countries: the trade unions in South Africa, the rural movements in Zimbabwe... became too dependent on the party and on the government"

- João Pedro Stedile, *Movimento dos Trabalhadores Rurais Sem Terra*⁹

FURTHER INFORMATION

Africa Research Institute is a non-partisan think tank based in London and founded in February 2007 to draw attention to ideas which have worked in Africa.

Please contact Africa Research Institute on 020 7222 4006 or info@africaresearchinstitute.org

1 Economic Policy Institute. Economic Snapshots, April 19, 2006.

2 Interview with Mark Ashurst, June 2007.

3 Joel Netshitenzhe, head of policy in the Presidency. *This Day*, November 12, 2003.

4 The Guardian, November 6, 2007.

5 Interview with Mark Ashurst, October 2003

6 Professor Tom Lodge at the Royal African Society, London, December 3, 2007

7 Khehla Shubane at the Royal African Society London, December 3, 2007

8 Sources: ANC, October 2007; National Labour and Economic Development Institute, SA; Politics.za

9 Interview with Mark Ashurst, November 2003