

THE ROLE OF SOUTH AFRICAN BUSINESS IN SOUTH
AFRICA'S POST APARTHEID ECONOMIC DIPLOMACY

By

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ABSTRACT

This thesis explores the role of South African business as non-state actors (NSAs) in South Africa's post-apartheid economic diplomacy. The work is an empirical contribution to the debate within diplomacy studies asserting the importance of NSAs in diplomacy studies and that the inclusion of economic considerations in diplomacy studies is crucial. Whilst a broader agenda in diplomacy studies is increasingly being recognised by diplomacy scholars, there is limited case-based evidence of the increasingly active role being played by NSAs in diplomacy generally and economic diplomacy more specifically.

The research uses a multistakeholder diplomacy framework to analyse the extent to and ways in which corporate actors engage in South Africa's post-apartheid economic diplomacy. This study explores specific business activities around economic diplomacy, expounds why South African business adopts different strategies at different times and crucially examines how corporate actors do this. The thesis identifies three distinct modes of corporate diplomacy: consultative, supplementary, and entrepreneurial. The thesis concludes that corporate diplomacy warrants far more scholarly attention than has hitherto been the case, both in developed and emerging economies, on the basis that corporate actors in South Africa play a crucial role in economic diplomacy, both as consumers and producers of diplomatic outcomes.

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ABBREVIATIONS

ACP	African, Caribbean and Pacific
AGOA	African Growth and Opportunity Act
AHI	Afrikaanse Handels Instituut
ANC	African National Congress
ANCYL	ANC Youth League
ARA	Industry for Responsible Alcohol Use
ASA	Agri South Africa
ASCII	Association of SADC Chambers of Commerce and Industry
ASEAN	Association of South- East Asian Nations
ASGISA	Accelerated and Shared Growth Initiative for South Africa
Assocham	Associated Chambers of Commerce and Industry of India
ASSOCOM	Association of Chambers of Commerce and Industry
ATF	Agricultural Trade Forum
AU	African Union (formerly OAU)
BASIC	Brazil, South Africa, China, and India
BATNA	Best Alternative to a Negotiated Agreement
BBBEEE	Broad-Based Black Economic Empowerment
BBC	Black Business Council
BBWG	Big Business Working Group
BCG	Boston Consulting Group
BEE	Black Economic Empowerment
BEEC	Black Economic Empowerment Commission
BIAC	Business and Industry Advisory Committee

BIP	Bilateral Investment Protection
BIT	Bilateral Investment Treaty
BLNS	Botswana, Lesotho, Namibia and Swaziland
BLSA	Business Leadership South Africa
BMF	Black Management Forum
BRIC	Brazil, Russia, India and China
BSA	Business South Africa
BUSA	Business Unity South Africa
CAIA	Chemical and Allied Industries' Association
CBM	Consultative Business Movement
CCCI	Cape Chamber of Commerce and Industry
CGIAR	Consultative Group on International Agricultural Research
CHAMSA	Chambers of Commerce and Industry of South Africa
CIBS	China, India, Brazil and South Africa
CII	Confederation of Indian Industry
CNI	National Confederation of Industry Brazil
COMESA	Common Market for Eastern and Southern Africa
COPE	Congress of the People
COSATU	Congress of South African Trade Unions
CSR	Corporate Social Responsibility
CTDSS	Committee on Trade and development Special Session
CTL	Coal to Liquids
DAFF	Department of Agriculture, Forestry and Fisheries
DBSA	Development Bank of Southern Africa
DCCI	Durban Chamber of Commerce and Industry

DDR	Doha Development Round
DFA	Department of Foreign Affairs (now DIRCO)
DDG	Deputy Director General
DG	Director General
DIRCO	Department of International Relations and Cooperation
DoD	Department of Defence
DR	Doha Round
DRC	Democratic Republic of Congo
DSM	Dispute Settlement Mechanism
DTI	Department of Trade and Industry
EAC	East African Community
ECIC	Export Credit Insurance Corporation
EFTA	European Free Trade Association
EMNC	Emerging Multinational Corporation
EPA	Economic Partnership Agreement
ETC	Economic Transformation Committee
EU	European Union
EU TDCI	EU Trade, Development and Co-operation Agreement
FABCOS	Foundation for African Business and Consumer Services
FAO	Food and Agricultural Organisation
FAWU	Food and Allied Workers Union
FCI	Federated Chambers of Industry
FDI	Foreign Direct Investment
FEDUSA	Federation of Unions of South Africa
FICCI	Federation of Indian Chambers of Commerce and Industry

FNB	First National Bank
FTA	Free Trade Agreement
GATT	General Agreement of Trade and Tariffs
GDP	Gross Domestic Product
GEAR	Growth, Employment and redistribution Plan
GEIS	General Export Incentive Scheme
GNU	Government of National Unity
GRI	Global Reporting Initiative
GTL	Gas to Liquids
HIV/AIDS	Human Immunodeficiency Virus /Acquired Immune Deficiency Syndrome
IBSA	India, Brazil and South Africa
ICA	International Court of Arbitration
ICC	International Chamber of Commerce
IDC	Industrial Development Corporation
IEO	International Employers Organisation
IF	Industry Forum
IGO	Intergovernmental Organisation
ILO	International Labour Organisation
IPAP	Industrial Policy Action Plan
ITAC	International Trade Administration Commission
ITED	International Trade and Economic Development Division
IFI	International Financial Institution
IGD	Institute for Global Dialogue
ILO	International Labour Organisation
IMF	International Monetary Fund

IPE	International Political Economy
IPR	Intellectual Property Rights
IR	International relations
ISCOR	Iron and Steel Corporation
ITAC	International Trade Administration Commission
ITED	International Trade and Economic Development Division
ITUC	International Trade Union Conference
JCCI	Johannesburg Chamber of Commerce and Industry
JCI	Johannesburg Consolidated Investments
JSE	Johannesburg Stock Exchange
LMG	Like-Minded Group
MERCOSUR	FTA of Argentina, Brazil, Paraguay and Uruguay
MIGA	Multilateral Investment Guarantee Agency
MNC	Multinational Corporation
MSD	Multi-Stakeholder Diplomacy
MTS	Multilateral Trading System
NACTU	National Council of Trade Unions
NAFCOC	National African Federated Chamber of Commerce and Industry
NAFTA	North American Free Trade Agreement
NAIL	New Africa Investments Limited
NAMA	Non-Agricultural Market Access
NBI	National Business Initiative
NBF	NEPAD Business Foundation
NCRF	National Clothing Retailers Federation
NEDLAC	National Economic Development and Labour Council

NEF	National Economic Forum
NEPAD	New Partnership for Africa's Development
NGO	Non-Government Organisation
NP	National Party
NPC	National Planning Commission
NSA	Non-State Actor
NTB	Non-Tariff Barrier
NTMNC	Non-Triad MNC
NYSE	New York Stock Exchange
OATUU	Organisation of African Trade Union Unity
OAU	Organisation of African Unity now AU
OECD	Organisation for Economic Cooperation and Development
OECD BIAC	Business and Advisory Committee to the OECD
OFDI	Outward Foreign Direct Investment
PBF	Progressive Business Forum
PGD	Partnership for Growth and Development
PTA	Preferential Trade Agreement
RAIL	Real African Investment Limited
RDP	Reconstruction and Development Programme
REC	Regional Economic Communities
SAAPA	South African Agricultural Processors Association
SAARC	South Asian Association for Regional Cooperation
SACCI	South African Chamber of Commerce and Industry
SACEEC	South African Capital Equipment Export Council
SACOB	South African Chamber of Business

SACOLA	South African Coordination Committee on Labour Affairs
SACP	South African Communist Party
SACTWU	South African Clothing and textile Workers Union
SACU	South African Customs Union
SADC	Southern African Development Community
SAEEC	South African Electro-technical Export Council
SAF	South Africa Foundation
SAIIA	South African Institute of International Affairs
SALBA	South African Liquor Brands Association
SARS	South African Revenue Services
SASA	South African Sugar Association
SEIFSA	Steel and Engineering Industries Federation
SMME	Small, Micro and Medium Enterprise
SVE	Small and Vulnerable Economies
TAC	Treatment Action Campaign
TDCA	Trade Development and Cooperation Agreement
TIDCA	Trade Investment, Development and Cooperation Agreement
TIPS	Trade and Industrial Policy Strategies
TISA	Trade and Investment South Africa
TNC	Transnational Corporations
TPA	Trade Promotion Authority
TRALAC	Trade Law Centre for Southern Africa
TRC	Truth and Reconciliation Commission
TRI	Trade Related Issues
TRIPS	Trade Related Intellectual Property Rights

UAE	United Arab Emirates
UDF	United Democratic Front
UIA	Union Industrial Argentina
UN	United Nations
UNAIDS	United Nations AIDS Organisation
UNCTAD	United Nations Conference on Trade and Development
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNISA	University of South Africa
UR	Uruguay Round
US	United States of America
USDA	United States Department of Agriculture
USTR	United States Trade Representative
WB	World Bank
WBCSD	World Business Council for Sustainable Development
WEF	World Economic Forum
WTO	World Trade Organisation

CHAPTER ONE: INTRODUCTION

“As a leading mining company across the globe, Anglo American seeks to play a leading role in global affairs” (Carroll 2008).¹ In addition, Carroll asserted that international companies are now important global economic and political actors, with a significant role to play in furthering trade liberalisation, alleviating poverty and influencing climate change policy. It is apparent from statements like these that South African companies have every intention of engaging with global political and diplomacy processes and affecting policy outcomes. This thesis explores the role of South African business non-state actors (NSAs) in South Africa’s post-apartheid economic diplomacy.² The work is an empirical contribution to the debate within diplomacy studies asserting the importance of NSAs in diplomacy studies and that the inclusion of economic considerations in diplomacy studies is crucial. Whilst a broader agenda than diplomacy as state-craft concerned with matters of high security is increasingly being recognised by diplomacy scholars, there remains limited case-based evidence of the increasingly active role being played by NSAs in diplomacy generally and economic diplomacy more specifically.

The research employs the use of multistakeholder diplomacy as an analytical framework to assess the extent to which and ways in which corporate actors engage in South Africa’s post-apartheid economic diplomacy. The central research question posed by this thesis explores specific business activities around economic diplomacy, expounds why South African business adopts different strategies at different times and, crucially, examines how corporate

¹ AngloAmerican is one of the largest mining corporations in the world and head-quartered in London, but started as a South African mining company in 1917 (Anglo American 2011b).

² The term business will be used interchangeably with terms such as firms, private actors, private authority and MNCs to refer to all private authority entities, firms, corporations or private economic actors. ‘Business’ is used to refer to the group of actors in the economic sphere engaging in privately owned enterprise, whether such be multinational, local/domestic and/or, publically listed.

actors do this. The study identifies three modes of corporate diplomacy: consultative; supplementary; and entrepreneurial.³ Finally, the thesis concludes that corporate diplomacy warrants far more scholarly attention than has hitherto been the case, both in developed and emerging economies, on the basis that corporate actors in South Africa play a crucial role in economic diplomacy, both as consumers and producers of diplomatic outcomes. This would indicate that the same pattern is possible in other countries and so this research is a precursor to future scholarship on NSAs in economic diplomacy within other countries or other institutions.

Scholars of diplomacy studies have tended to focus fairly narrowly on states as the primary unit of analysis in diplomacy and on issues of 'high' politics or security as the most relevant issue around which diplomacy takes place. Contemporary diplomacy scholarship argues that traditional or classical (and realist) accounts of the practice of diplomacy are both limiting and erroneous (Hocking 1999b; Lee and Hudson 2004; Murray 2008). The neglect of research around actors other than the state in diplomacy and a tacit relegation of economic issues have resulted in the paucity of a conceptual and analytical framework within which to understand diplomatic systems and the influence of private interests in the practice of diplomacy today.

This thesis argues that research into economic diplomacy must begin to give account of the increasingly important role being played by business NSAs. Furthermore, such research needs to extend beyond the confines of the Organisation for Economic Cooperation and Development (OECD) or triad economies to give account of emerging multinational corporations (EMNCs) which are increasingly important players in the global political

³ I am indebted to Andre Broome (Senior Lecturer, University of Birmingham) for suggesting a form of classification as a way of presenting the empirical themes.

economy.⁴ There is burgeoning research on NSAs within international society and global governance scholarship (Aguilar and Bhattacharya 2006; Das 2007; Saner and Yiu 2008; Nolke and Taylor 2010).⁵ The proliferation of NSAs in international society are increasingly developing a form of diplomacy in interacting with one another and with sovereign states (Langhorne 1998; Burt and Robinson 1999). The changing face of global economic power with the rise of China, India, Brazil and South Africa provides an impetus for scholars of economic diplomacy to rethink the narrow focus of who is engaging in economic diplomacy beyond states and NSAs in the developed world (Das 2003; Sally 2005b; Goldstein 2007; Alden 2009; Beeson and Bell 2009; Mukherjee and Malone 2011; Schweller 2011).

This is not to suggest that private commercial interests were less significant in the past. For example, the influence of the Rothschild bankers during the Napoleonic war and thereafter or of arms manufacturers such as Nobel in Europe during the 1800s (Fant 1991). Or the role of the British East India Company in the opium wars of 1839 to 1842 and 1856 to 1860, which resulted in British merchants forcing China into conceding unrestricted trade access as the cession of Hong Kong to Britain (Hanes and Sanello 2002; Bernstein 2008: 286). Cecil John Rhodes and his mining interests in Southern Africa during the latter part of the 19th century are another case in point (Meredith 2007).⁶ What this does signify is that, despite significant evidence that business or private commercial interests were heavily engaged in matters of high politics as well as in the pursuit of trade through broader economic diplomacy (or

⁴ Triad economies are the USA, the EU and Australia/Japan. EMNCs are multinational corporations with their roots or early founding in developing countries. It is not the intention of this thesis to engage in the debates about how the national identity of a MNC should be determined, as the very nature of a MNC is that the company or entity has points of operation across more than two countries and often also has multiple stock exchange listings. See discussion in Goldstein (2007: 7-10) for more on this debate. EMNCs are also sometimes also referred to as non-triad MNCs (NTMNCs). For the purpose of this thesis I will use assume national identity of a corporation as South African if that company had its origins in South Africa whether or not such corporation has now merged with other corporations and/or holds multiple Stock-exchange listings.

⁵ The literature is reviewed in greater detail in Chapter Two.

⁶ The influence of Rhodes on South Africa's mining and political economy did not of course cease after his death and is part of the founding story of the South African political economy which is detailed further in Chapter Three.

perhaps because of the pursuit of trade) throughout the history of human interactions and state engagement, economic diplomacy scholarship has been slow to offer any meaningful analytical debate about this phenomenon.

The research uses a single country case study, of South Africa, for a few reasons. First, South Africa is a regionally dominant economy, not just in Southern Africa but also in sub-Saharan Africa (IMF 2011).⁷ South Africa produced 35 percent of sub-Saharan Africa's gross domestic product (GDP) (IMF 2007). In 2007, some 28 percent of gross national product (GNP) produced in the whole of Africa is produced by South Africa. Second, following the transition to democracy in 1994, South Africa is held up by the international community as an important role model for democracy and human rights on the continent (Schoeman 2003). Third, for various reasons South Africa plays a significant role in multilateral institutions and as such is often 'punching above its weight' given that South Africa's share of the world economy is a minuscule 0.5 percent (World Bank 2011). South Africa is cited as being one of the influential large developing countries in the world and this is evident in South Africa's alliance with the BRICS as well as the role played by South Africa in the G20 (Alden and Vieira 2005).⁸ As part of the BRICS, there is potential for South Africa to continue to 'punch above its weight' in the global economy (Jopson 2010; Haibin 2011; Meyer and Pronina 2011; Wagner and Jackman 2011, April 2). Finally, as this thesis demonstrates, business has played a key role at various junctures in South Africa's political economy historically and continues to do so, on the international stage. South Africa has enjoyed a high international profile as the economic power-house of sub-Saharan Africa, as a leading democratic light on the African continent and as a large developing country player in the World Trade

⁷ Sub-Saharan Africa refers to the geographic region of Africa which lies South of the Sahara. It includes 47 countries comprising East, West, Central and Southern Africa. The region is economically dominated by South Africa and Nigeria with rising influence from Angola. The latter two are oil-producing countries while South Africa is an oil importing country.

⁸ After invitation by China, South Africa became the S in BRICS on the 24th of December 2010. Brazil, Russia, India and China are the four other members of the BRICS axis.

Organisation (WTO) (Nolutshungu 1994; Brummerhoff 1998; Bleany et al 1999; Vale and Taylor 1999; Nel et al 2001; Taylor 2001; van der Westhuizen 2001; Keet 2002, May; Schoeman 2003; Botha 2004; Alden and Soko 2005; Lee 2006; Taylor and Williams 2006; Lynch 2006, November 13; Nayyar 2008; Vickers 2008a; Meyer and Pronina 2011). In selecting the case study, the research does not intend to imply that the modes of engagement identified here apply only to South Africa. It is likely these modes of engagement are present among NSAs from other countries and at play in other diplomatic settings.

While there has been significant research on South African business-government relations, to date there has been little or no study of South African business in economic diplomacy (Handley 2002; Grobbelaar 2004; Fig 2007b; Goldstein and Pritchard 2008; Grobbelaar 2008; Handley 2008; Kganyago 2008; Nnadozie et al 2008). The extant literature on South African business and politics provides a useful secondary resource, but lack of research into business and economic diplomacy in South Africa, necessitates a more empirical approach to this study. What then is our understanding of economic diplomacy?

1.1 Defining the concept of economic diplomacy

The term economic diplomacy begins with the premise that diplomacy as a practice can include economic issues. This is not a given in the diplomacy studies literature and this thesis maintains that there is a need to extend traditional definitions of diplomacy to include a broader array of issues than has historically been the case. Although the earliest records of diplomatic practice from ancient civilisations in the Amarna Age, through the Machiavelli era and Renaissance diplomacy indicate that commercial ties were a critical part of the reason for diplomatic relations, diplomacy has been formalised as a practice focused primarily on matters of security and high politics (Cohen, 1999). Theoretical conceptualisation has at

times ignored nuances in diplomatic practice or failed to give account of shifting practices in modern diplomacy (Bayne and Woolcock 2007a: 1).

Much of the diplomacy literature tends to be in the form of a narrative which is positioned in particular historical context, and so we might expect to find very different historical conceptions of diplomacy. Far from it, in fact, as Mattingley (1955) noted, there is a surprising continuity in the range of definitions. From a statist perspective diplomacy refers to the process of achieving peaceful relations between sovereign states through regular, official negotiations in an ordered way, involving agents such as ambassadors or envoys (Nicolson 1957; Satow 1979; Richardson 1994; Hamilton and Langhorne 1995).⁹ In this vein, Berridge (2002: 1) defines the primary purpose of diplomacy as “to enable states to secure the objectives of their foreign policies without resort to force, propaganda or law”.

Although an ancient practice, the term diplomacy was first employed in 1796, by Edmund Burke, prior to which it was generally referred to as ‘negotiation’ (Berridge 1995).¹⁰ For traditional scholars, diplomacy is the means by which co-operation is achieved, essential to the difference between peace and war (Nicolson 1951; Kissinger 1994). Diplomacy is the ‘bulwark against international chaos’ both a civilizing as well as a civilized activity and, practically, a means of achieving foreign policy (Berridge 2002; Berridge and James 2003: 1; Commynes 2004; Lee and Hudson 2004: 354). Traditional approaches to diplomacy see diplomacy as a foreign policy instrument where diplomacy remains the preserve of the state, and in realist thinking, has a “constitutive function”(Lee and Hocking 2010 : 1218).

⁹ This classical or traditional view of the centrality of the state to diplomatic processes is widespread and finds resonance in the work of numerous other authors, such as Ernest Satow (1979), Harold Nicolson (1951) Foreign Office diplomat turned journalist, and Henry Kissinger (1957). See also Berridge and James (2003) ; Bull (1977); Watson (1982) tellingly entitled “Diplomacy: The Dialogue Between States”.

¹⁰ Diplomacy was practised by the ancient Egyptians, Greeks and Byzantines. See Nicolson (1957) and Cohen (1995; 1999) for descriptions of early forms of diplomacy.

Diplomacy is seen as a means of ordering the anarchical chaos of the international system, by providing a balance of power (Morgenthau 1966; Watson 1982; Marshall 1997).

Sharp (2010: 1045) argues that diplomacy was evident before the advent of the modern Westphalian states system and as such makes the 'exclusive association' of diplomacy with the state invalid. Other diplomacy scholars are also challenging the statist emphasis of classical diplomacy. A number of these scholars are turning to sociology to theorise diplomacy, using constructivist or post-modernist approaches (Wendt 1999; Neumann 2002; Sharp 2002; Jonsson and Hall 2006: 19; Sharp and Wiseman 2007). The English School, for example, frame diplomacy as a social practice (Reus-Smit 1999; Buzan 2004). Der Derian (1987) describes diplomacy as a mediation between groups of people removed or separated from one another and the diplomatic system as the means by which relations are maintained, mediated and reproduced. Building on the contributions of these emerging theoretical approaches, Jonsson and Hall (2006: 37) present an analytical framework for understanding diplomacy which is premised on three crucial elements: communication, representation and reproduction of international society, which in turn take place within the institution of diplomacy. In this conceptualisation, diplomacy is understood as a process (thus able to change) grounded in certain rituals which are defined by specific roles, norms and rules (Jonsson and Hall 2006: 39). These perspectives are grounded in the rejection of the notion that sovereign states are the only and best way to conceive of plurality in international society (Constantinou 1996; Hoffman 2003). Arising from this logic then, is the idea that diplomacy can be practised (and indeed has historically been practised) by NSAs (Barston 2006; Sharp 2010). Hedley Bull's (1977: 156) definition concurs: diplomacy is "the conduct of relations between states and other entities with standing in world politics by official agents and by peaceful means".

Furthermore, diplomacy is not simply about the prevention of war. Diplomacy is certainly engaged in 'high' politics but also extends to the conduct of numerous broad ranging negotiations and interactions at different levels within the international system (Cohen and Westbrook 2000). This is evident in emerging literatures exploring diverse issues such as celebrity diplomacy (Cooper 2007), public diplomacy (Sharp 2005; Fitzpatrick 2007; van Ham 2007; Zaharna 2007), commercial diplomacy (Kostecki and Naray 2007), citizen diplomacy (Sharp 2001; Nye 2010, October 4), cultural diplomacy (Gienow-Hecht and Donfried 2010), tourism diplomacy (Germann Molz 2010), human rights diplomacy (Mullerson 1996) climate change diplomacy (Skodvin 2000) and economic diplomacy (Bayne and Woolcock 2007a). Diplomatic services today engage in political and economic work to much the same extent - when and where the two elements can even be distinguished from one another - such that 'economics permeates diplomacy' (Rana 2002). This is supported by the fact that commercial activities are dominant in terms of resource allocation within current diplomatic systems (Lee and Hudson 2004: 345). Neo-realist scholars embrace the idea of economic diplomacy but retain the notion that as a process, diplomacy is still the preserve of state actors and does not constitute a new type of diplomacy (Berridge and James 2003: 91). In this conception economic diplomacy is part of the toolbox of statecraft to be used strategically as a positive or negative sanction (Hanson 1988; Davis 1999).

New contributions to diplomacy studies focus on the importance of commercial diplomacy and trade diplomacy in the international system. Scholarship by Kostecki and Naray (2007) differentiates between trade diplomacy and commercial diplomacy. Commercial diplomacy refers to government activity aimed at servicing the needs of business communities, through information gathering, trade promotion, business advocacy and business intelligence (Berridge 2002; Coolsaet 2004; Rana 2004b). Trade diplomacy refers to trade policy making

and negotiation (multilateral trade negotiations, consultations and dispute resolution) as opposed to the provision of 'business-support'. Trade diplomacy is the process of influencing policy and regulatory decisions that impact on trade and investment (Lee and Hocking 2010 : 1221). The trade diplomacy literature is primarily focused on exploring multilateral negotiation processes such as the General Agreement on Tariffs and Trade (GATT)/ World Trade Organisation (WTO) and there is a large body of work on the role of developing countries in these processes and the use of coalitions and collective bargaining power within multilateral diplomacy (Tussie and Glover 1993; Narlikar 2003; Narlikar and Tussie 2004b; Draper 2005a; Narlikar 2005a; Clapp 2006; Odell 2006; Cooper et al 2007; Rana 2007; Narlikar 2008).

This scholarship also takes cognisance of the increasingly important role being played by business as NSAs (Mc Guire 2004; Hocking 2004c; Pigman 2005).¹¹ NSAs participate directly along-side official representatives at economic negotiations often involved as part of a negotiation team/delegation at economic interchanges such as Davos, G8 summits, the WTO and others (Pigman and Vickers 2010). Rana (2007: 201) provides a useful definition of economic diplomacy that encompasses the need to incorporate economic considerations as well as the role of NSAs in economic diplomacy as "the process through which countries tackle the outside world, to maximize their national gain in all the fields of activity including trade, investment and other forms of economically beneficial exchanges, where they enjoy comparative advantage; it has bilateral, regional and multilateral dimensions, each of which is important". In line with the contributions being made by the emerging scholarship on economic diplomacy, this thesis adopts a broad and inclusive definition of economic diplomacy that acknowledges a process covering a wide agenda of issues and engaged in by

¹¹ The involvement of NSAs is not new in diplomacy, as the role of traders as diplomatic envoys during the Amarna era evidences (Cohen and Westbrook 2000).

both state and NSAs. This thesis thus contributes to the burgeoning literature in diplomacy that supports a broader agenda for economic diplomacy as well as the importance of including analysis of agency beyond (but not to the exclusion of) the state.

For the purposes of this thesis economic diplomacy scholarship is defined as the study of the methods and *processes* of multiple stakeholders interacting across various levels (domestically and internationally) around economic issues. This emphasis on *diplomacy as process* rather than simply outcomes of diplomatic engagement is a crucial point of differentiation. In analysing economic diplomacy it is not simply the outcomes that matter, as it is often difficult to pinpoint direct causality in diplomatic outcomes. At what point in a series of engagements and relationship building events is it possible to say that a ‘diplomatic outcome’ has been achieved? Diplomatic outcomes are often the result of a series of meetings and events and interactions. Diplomacy is really about a process and building of layers of trust in order to bring about a desired outcome to mutual satisfaction, if the diplomatic process has been particularly successful. Sometimes diplomacy results in no outcome at all, this could be regarded as a diplomatic failure – but does not mean that no diplomacy has been taking place up to the point of breakdown or failure to accomplish an outcome. For example, one could not regard the past 11 years of diplomatic activity around the Doha Round of the WTO and widely accepted dead-lock as an outcome; and yet there has clearly been a significant level of diplomatic activity. This is usefully described as ‘*diplomacy as process*’ and as such is no less relevant to diplomacy than a specified outcome. It would therefore be counter-productive to refer to or seek evidence of diplomatic outcomes as the sole confirmation of diplomacy. In the context of this thesis it is particularly important in the analysis of the three modes of engagement: consultative, supplementary and entrepreneurial; business is engaged in numerous forms of economic diplomacy but many of these are not

identifiable as diplomatic outcomes. This does not diminish their importance as forms of economic diplomacy *processes*. By observing patterns of engagement we can surmise diplomatic processes at work in this instance.

The thesis will apply Odell's (2000: 11) broad definition to describe the issues of *economic* diplomacy as the "production, movement or exchange of goods, services, investments, money, information and their regulation". This thesis is specifically focused on the role of business as NSAs in economic diplomacy but does not, as a result, intend to ignore or diminish the importance of other actors in the economic diplomacy process such as other NSAs or the State and its representatives.

As this thesis is focused on the role of non-state actors in economic diplomacy it is useful to understand what is meant by the term at the outset. Non state actors are defined as actors in international society representing various interests and able to exert influence either domestically or internationally on a range of issues (Calhoun 2002). Another term for such actors might be actors with private authority or in some terminology transnational actors referring to those private actors able to transact across national borders such as individuals, MNCs or advocacy networks (Lake 2008). The focus of IPE literature on non-state actors through research into the role of MNCs was a significant influence on the emerging importance of non-state actors in international relations research in the early 1960s and 1970s (Ravenhill 2008). In essence the notion of non-state actors emerged as a challenge to realism and state-centric theory with its emphasis on states as the critical component of international relations (Keohane 1972; Keohane and Nye 1977). For the purposes of this thesis non-state actors will refer to those actors that are not specifically identified as part of the state apparatus. Thus the ANC is analysed as a non-state actors since the party also has an identity

separate from the mechanisms of state and government. The ANC party has meetings and policy discussions apart from those that constitute its activities as the leading and governing party of South Africa. The same is thus true for COSATU and the SACP which are also social partners in the government of South Africa.

State actors then are defined as those representing the characteristics of legal sovereignty and control of territory and people. This refers to government departments, ministers and official government representatives. How we understand the kind of state South Africa represents may tell us something of the role of business as non-state actors in South Africa's economic diplomacy. This thesis clearly identifies the ongoing importance of the state, despite emphasising the role of NSAs. In this regard a more liberal state (such as the UK or the USA) is likely to be more susceptible to globalisation processes, whereas a more centralised form of government (such as Russia or China) may present a less susceptible form of state. The nature of statehood can also be differentiated in terms of weak or strong states; those that control access to a greater or lesser extent. For example non-democratic regimes are deemed to represent a stronger (or more controlling) state whereas more democratic states are often regarded as weaker states which are more easily influenced by outside pressures and often are more liberal in their positioning (Lake 2008). This is not the same as identifying failed states which are unable to exert the necessary control over territory and people that lend the necessary legal sovereignty to statehood. In the case of South Africa it can be argued that the form of state that has emerged has leaned closer to that of a liberal state, easily influenced by the ideas of globalisation and the influences of individuals, corporations and advocacy networks (Kahler and Lake 2003).¹²

¹² See the discussion of South Africa's post-apartheid 'liberalisation' in section 3.5 of chapter three.

1.2 The Thesis Argument

The thesis argues that NSAs are critical elements of diplomacy studies and demonstrates this through the empirical evidence of the role of business in South Africa's post-apartheid economic diplomacy. Integral to this argument is that economic diplomacy is not market-centric (structural) but that the role of agency is vital to the various levels and processes at which economic diplomacy is taking place. Furthermore, the study contends that diplomacy is about a far wider range of issues than just state security, among which is economics. The thesis demonstrates empirically the extent to which business as agents of economic diplomacy are as much consumers of diplomatic outcomes as they are producers of economic diplomacy.

The ontological basis of the research also means that, while not directly engaging in the structure/agency debate, the research of necessity touches upon the debate because it is premised on the importance of actors (for which read agency) in processes of economic diplomacy (Archer 1982; Giddens 1984; Wendt 1987; Jessop 1996; Hay 2002). The study adopts a strategic relational approach to the structure/agency debate which acknowledges any distinction between structure and agency as analytical, rather than substantive (Jessop 1990; Jessop 1996; Hay 2002:127). This approach enables us to provide a contextual setting for agencies in such a way that agents consciously interact with the context in which they are situated and by such actions are responsible for altering the structure or contextual setting at the same time (Hay 2002: 129). Strategic relational proponents point to the co-constitutive nature of agency and structure in a relational existence, such that structure and agency interact but also transform each other (McAnulla 2002: 281).

In the context of diplomacy, Wiseman (2004: 36) argues that International Relations (IR) theory has neglected the link between diplomacy theory, precisely because of the emphasis

diplomacy scholars have tended to place on structural characteristics of the international system, rather than on “diplomatic agency, roles and relationships”. The empirical data of this study builds a picture of corporate diplomacy that contributes significantly to our understanding of the agency/structure relationship in economic diplomacy as well as International Political Economy (IPE) more broadly. All four diplomatic roles discussed in the empirical chapters, a consultative, supplementary, substitutive and producer or activist role adopted by business through various strategies at different levels in South Africa’s economic diplomacy, point to a very specific role for business as agency in economic diplomacy. They also show the importance of structure in the form of the contextual political economy within which both business NSAs and the state are interacting. Corporate diplomats are created by and also create markets; business NSAs are agents of globalisation as well as being constrained by the same process.

This research conceptualises South Africa as an emerging power with an active number of corporate diplomats. The thesis unpacks the where, how and why of corporate diplomacy filling a much needed gap in the diplomacy studies literature which tends to be abstract or comprises the heroic memoirs of ambassadors. The empirical evidence presented demonstrates that business NSAs are engaged in three modes of economic diplomacy: consultative, supplementary, and entrepreneurial.

1.3 Analytical framework

The section above, defining economic diplomacy, presents the basis for adopting a multifaceted approach to conceptualising economic diplomacy that recognises a wider and deeper definition of economic diplomacy. Such a polycentric or multi-actor framework can

be found in Hocking's (2005) *Multistakeholder Diplomacy (MSD)*.¹³ This study draws on a MSD approach combining these insights with other relevant contributions such as the triangular diplomacy proposed by Stopford and Strange (1991), polyilateralism presented by Wiseman (Wiseman 2004) and multi-actor diplomacy described by Saner and Yiu (Saner and Yiu 2008) to formulate an analytical framework. In doing this, it is important to note that while the analytical framework refers to multiple actors including a variety of NSAs, for the purposes of this study the framework is applied only to business as NSAs in economic diplomacy. This does not detract from the importance or relevance of other NSAs or the state, and these stakeholders are referred to where they are pertinent to the discussion of business NSAs in the empirical chapters. This approach provides a necessary focus that enables the research to fully explore the extent to and ways in which business engages in South Africa's post-apartheid economic diplomacy (and why).

In particular the research contributes to MSD as a framework, by identifying three distinguishing modes of engagement business in economic diplomacy, namely a consultative role, a supplementary role, and an entrepreneurial role. In addition, the thesis makes a valuable contribution to the approach by providing much needed empirical evidence of the utility of a MSD approach. Going forward, the study uses the acronym MSD to refer to the array of approaches described above that encompass multi-actor or polycentric perspectives.

Key features of MSD

Hocking (2005) identifies a number of areas in which MSD differs from the state-centric model of diplomacy. These form the key features of a MSD approach which is used to

¹³ Other scholars also resonate with a MSD approach, such as Susan Strange's (1992) reference to two new dimensions of diplomacy (beyond state-state diplomacy), namely, state-firm and firm-firm diplomacy. Also see John Ruggie's (1995) conceptualisation of two 'cultures' of diplomacy, the 'old' or traditional secretive and state-centred understanding and the 'emergent' modernist culture, with an emphasis on transparency and including a broad range of stakeholders (Ruggie 1995, January 24). See also Saner and Yiu (2003; 2005).

analyse business NSAs in South Africa's economic diplomacy. The analysis evaluates the empirical themes against the key features of MSD in order to analyse the extent to and ways in which business as NSAs engage in South Africa's post-apartheid economic diplomacy.

The first of the key features of a MSD framework is that actors in diplomacy represent a wide array of stakeholders beyond (but including) the state, engaging across domestic and international boundaries arenas. Private actors, referred to in this thesis as NSAs (including Non-Government Organisations (NGOs) and firms or business) are significant players in a MSD approach. In this way, both the State or NSAs (or grouping of these) may lead diplomatic initiatives and neither leading party will necessarily exclude the other actors from the diplomatic process.

Second, in a MSD approach diplomats are facilitators and entrepreneurs and stakeholders (state or otherwise) can perform multiple functions. This differs from the traditional state-centric model which sees diplomats as a distinct professional class, who derive their authority from sovereignty where NSAs are confined to the role of "consumers of diplomacy" (Hocking 2005: 7). MSD allows for NSAs to move beyond the consumer role and become producers of diplomacy as well.

Third, the inclusivity implicit in MSD challenges traditional perspectives of diplomacy which emphasise the closed-club nature of diplomatic circles within a state-centric model, wherein the diplomat is a "gatekeeper or mediator" between the domestic and international context (which is artificially separated) (Hocking 2004a). In the MSD approach the role of the diplomat is extended from gate-keeper to facilitator in keeping with the next feature which emphasises inclusivity (Rana 2004).

Fourth, MSD embraces a complex and networked policy environment rather than the state-centric approach's hierarchical structure. Interdependence is emphasised with openness and inclusivity characteristic of communications within the MSD approach. Conversely a state-centric model is premised on government-led communication and a top-down 'out-reach' to other stakeholders in diplomatic processes (Reinicke 1998).

Fifth, in a state-centric model, diplomacy functions are focused on managing relations between states and defining and promoting the national interest. In contrast MSD finds that the complexity and broad range of agendas require input from various actors including NSAs and other government departments than just those focused on formalised diplomatic processes directly. This takes the form of an exchange of resources to address deficits of legitimacy, knowledge and access. This can be achieved through an exchange of information and technical expertise; particularly in trade policy-making and negotiations, input from business is regarded as crucial. The national interest is defined and promoted via a network of input requiring a coalition of actors functioning in tandem.

Sixth, whereas the state-centric model attempts to artificially separate the domestic arena from the international, MSD recognises that the reality of diplomacy is far more complex and often transcends neat distinctions of location. Business NSAs can be pursuing domestic objectives simultaneously with their international ones and using different fora to achieve specific goals; sometimes in conjunction with government diplomats or officials and sometimes independently of these. MSD emphasises the diversity of sites of diplomatic engagement rather than confining such sites to formal arenas.

Seventh, traditional state-centric models refer primarily to formal and permanent missions, whereas contemporary diplomatic processes see representation as occurring as and when needed. This is because diplomacy is increasingly conducted around technically challenging

issues such as environmental issues or intellectual property rights, rather than pure market access-type negotiations of old.

Eighth, the rules governing MSD are fluid; in a state-centric model protocol and formality provide a structure and defined expectation in diplomatic processes. The relative newness of MSD and the multiplicity of actors in the MSD mean that there is not always a clearly defined norm of behaviour which can prolong negotiations while each party grapples with their shifting roles and expectations. Differing ideas about diplomacy between sovereign actors and NSAs can lead to misunderstandings. However, MSD is premised on transparency and accountability (particularly from civil society NSAs). This may in turn present difficulties in negotiations that formerly depended on confidentiality to overcome political sensitivities. Such disagreements can give rise to new tensions in the diplomatic process, but MSD approaches necessitate the need for new rules and norms that encompass the complex reality of multiple new actors in diplomacy across a multiplicity of issues.

Triangular Diplomacy

Stopford and Strange (1991: 19-23) refer to the interdependence that is driven by increasing cross-border competition, for firms as well as states, in terms of triangular diplomacy. This is stimulated by technological advances, capital mobility, reduced communication costs and improved transport links (Strange 1997: 61). In triangular diplomacy, the 'old' diplomacy is being transformed. National boundaries no longer define the arena of interaction. Traditional diplomatic representatives in embassies and foreign ministries are no longer the sole agents of diplomatic practice and are now joined by business representatives and other government ministries. These actors are all engaged in domestic, bilateral and multilateral processes. The triangle of diplomacy is also three-dimensional in that the three interacting relationships also each interact upon the other. So state-state interaction, firm-firm and state-firm negotiations

inform the processes in play upon one another too. However for Strange (1997) triangular diplomacy appears to be more about the declining power of the state and the imperative for states to compete in attracting foreign investments, than the more balanced multi-actor diplomacy proposed by MSD or polycentric approaches.

Unlike polylaterality, Stopford and Strange also do not seem to give account of a broader range of NSAs such as Labour Unions and civil society in the form of NGOs, which is addressed by the other multidimensional approaches. Although this study is focusing primarily on business NSAs, this is done with the understanding that other NSAs are also important stakeholders in the economic diplomacy process. The focus on business is made in order to give full expression to the specific modes of engagement undertaken by business NSAs; it is anticipated that other stakeholders may engage in different modes of engagement (which would be the topic of further research).

Polylaterality

Wiseman (2004: 36) contends that polylaterality is a response to the implications for diplomatic practice of the increasing activity of transnational actors in international relations. Polylaterality is a new form of diplomacy which requires diplomats to respond to bilateral and multilateral diplomatic processes as usual but also to polylaterality levels which include “relations between states and other entities” (Wiseman 2004). Diplomacy is defined by him as “relations between states, international organisations and non-state actors” – but contrary to Stopford and Strange’s triangular diplomacy, Wiseman does not include relations between NSAs as characterised by the firm-firm diplomacy above. This is not NGO-diplomacy, but how states and NSAs interact with one another. Thus, Wiseman contends that polylaterality does not imply the decline of the Westphalian states system (as Strange (1992) argues), in line with the argument put forward by MSD and this study, that including NSAs in our

analysis of economic diplomacy does not mean the exclusion of the state; on the contrary, the state remains a key player in the conduct of diplomacy as both a participant and target of diplomacy.

A Multi-actor diplomacy

Addressing the issue of economic diplomacy specifically, Saner and Yiu (2008) propose a multi-actor diplomacy building on the contributions of MSD and polyilateralism. A multi-actor diplomacy is characterised by different diplomatic functions and roles for the various entities engaging in economic diplomacy. These roles are separated between State, business NSAs and NGO-NSAs. State actors fulfil the roles of economic diplomats and commercial diplomats; business NSAs are either corporate diplomats or business diplomats and NGOs are national NGO diplomats or Transnational NGO diplomats. This thesis is concerned with business NSAs, and thus focuses on the diplomatic functions and roles of business NSAs identified by Saner and Yiu (2008). In their typology, corporate diplomacy refers to the internal relationships between headquarters and subsidiaries of transnational corporations. Business diplomacy is the conduct of relations between the transnational corporation and external constituencies such as NGOs, trade unions, cultural groups and political parties. A weakness in this typology is that they do not refer to the conduct of diplomacy between business NSAs and state diplomats, or to the possibility that business NSAs which are not transnational in nature may also be relevant entities for examination in economic diplomacy processes. This thesis also differs with Saner and Yiu's (2008) definition of corporate diplomacy referring to internal relationships and business diplomacy as the external relations. This study holds that internal dealings are the concern of management studies, and that diplomacy more properly refers to external relations (referring here to Der Derian's (1987) conception of the estrangement between groups and others). Furthermore, the research

disagrees with the implication of their typology that commercial and economic diplomacy are roles confined to state actors. This seems to imply that diplomacy between state actors and business NSAs is a one-way process driven by states, since there is no reference to a corresponding role for business NSAs in seeking investment opportunities. This research adopts a broader understanding of the term corporate diplomacy and uses the term to refer to the multiple roles engaged in by business NSAs in pursuing economic diplomacy initiatives across multiple venues (domestically and internationally).

Tools, methods and functions of economic diplomacy

The tools, methods and functions of economic diplomacy include a wide range of activities. These include information gathering and sharing, policy advice, reporting, communication, dialogue, negotiation, lobbying, compromise, mediation, symbolism and representation, (Berridge 2002; Wiseman 2004: 41; Hocking 2004a: 149; Murray 2008: 23). The empirical chapters that follow identify three modes of engagement, a consultative role, a supplementary role, and an entrepreneurial role, by corporate actors in economic diplomacy that illustrate how NSAs are engaging in economic diplomacy.

A MSD framework is useful to this study because it opens up the way in which we understand diplomacy, so that multiple actors or stakeholders are included in the analysis, thus facilitating research into business NSAs in South Africa's economic diplomacy. Incorporating insights from triangular diplomacy also enables us to account for diplomacy as a multi-dimensional process with stakeholders interacting on one another, including the notion of diplomacy as an activity occurring between various NSAs, which is evident in the supplementary and entrepreneurial modes of engagement this study identifies. Polyilateralism specifically provides for diplomacy between state and NSA entities, beyond the consultative role of NSAs, which is evident in the entrepreneurial mode of corporate diplomacy in South

Africa's economic diplomacy. Furthermore, MSD accounts for interactions that transcend domestic and international distinctions, in the way that South African business demonstrates. In adopting this framework the empirical research is presented around three key elements to enable an analysis of the extent to which and ways in which South African business engages in South Africa's post-apartheid economic diplomacy. First, the analysis examines the key stakeholders in South Africa's economic diplomacy, exploring the role of agency in economic diplomacy. Second the thesis reviews the sites and locations of diplomatic processes including domestic and international fora. Third, the chapters analyse the modes of engagement employed by business NSAs.

1.4 Methodological approach

The focus of this study is to explore the extent to which and ways in which South African business engage in South Africa's economic diplomacy. The research relies on a single-country case-study to enable an in-depth analysis of business NSAs. The analytical framework applied in the research is based on empirical observation derived from semi-structured interviews and secondary literature reviews and adopts an inductive approach, using a qualitative method, of semi-structured interviews.

Case studies are particularly useful in instances where there is not much known about a particular phenomenon, current perspectives are insufficient as they are not grounded in adequate empirical findings, or there is a need for a new perspective (Eisenhardt 1999: 535,548; Simons 2009: 20). The value of the case study method is that it enables data collection across a wide range of variables on a single group, enabling a thorough account to be given of a particular phenomenon (Burnham et al 2004: 55). In this study, by focusing on a single-country the researcher was able to conduct a significant number of in-depth

interviews across a broad spectrum of stakeholders, with the primary focus on business NSAs given the theme of the research question. There is very little, if any, data in the secondary literature on South African business and economic diplomacy thus making the argument for using a case-study methodology. Case studies are particularly useful where the research context is highly complex and not suited to experimental or survey research, as is the case in this thesis (Bloor and Wood 2006: 27). In this instance the definition of a case study employed by Yin (2003: 13) as an empirical enquiry that “investigates a contemporary phenomenon with-in its real-life context” is particularly relevant.

The data was gathered using a mixed-method approach. A series of semi-structured interviews were conducted with representatives across a broad spectrum of groups in South Africa. These included large and small firms as well as Multinational Corporations (MNCs), BEE groups, business and industry associations, think tanks (South African Institute of International Affairs; Third World Network; Trade and Industrial Policy strategies); research institutions, government officials and trade negotiators.¹⁴ In total some 41 interviews were conducted over three field trips (2006, 2009, and 2010).¹⁵

The diversity, seniority and standing of the interviewees are of significant value to the research and thus constitute a meaningful sample. The interviewees were sourced from both large MNCs, smaller businesses as well as business and industry associations representing

¹⁴ There is ongoing debate about whether Transnational Corporations (TNCs) and MNCs constitute the same thing. Some maintain that TNCs are those that operate globally without any strong link to a national home state, whereas a MNC is also a corporation that operates globally and with ties in more than one country but still identifiable as emanating from a particular national parentage. To some extent this debate links to the one around what constitutes corporate nationality discussed earlier under FN 3. For more on the discussion of TNC versus MNC see Perlmutter (1994: 295-308). Through the duration of this thesis I will therefore refer to MNCs and TNCs interchangeably.

¹⁵ A full list of interviews is included in Appendix 1. All interviewees were willing to be identified but some preferred not to be directly referenced or quoted in the thesis. Throughout the thesis where interviews are referenced the abbreviation *Int*: in italics will preface the surname of the relevant interviewee and the year of interview. For example (*Int*: Surname 2009). The reader can find full details of the interviewee in Appendix 1.

both large as well as small and medium sized enterprises. In addition, interviews were conducted with a range of government representatives both within the DTI and DIRCO to gain a different perspective from that presented by business interviewees. Finally a select number of interviews was conducted with people within think tanks working across a range or related issues to this thesis and links to a wide variety of stakeholders relevant to the topic. As such, given that business representatives of the key business associations (BUSA and BLSA) as well as individual MNCs such as Sasol, MTN and Absa as well as SMEs represented by SACCI and the JCCI were interviewed along-side academics, think tanks, civil society groups and government representatives a broad range of perspectives were included. Using semi-structured interviews enabled a more open-ended and informal process, guided by the interviewer's topic schedule but free to follow any direction opened up during the interview itself (Silverman 2001; Bloor and Wood 2006: 104). This adds to the depth and validity of the interview process as part of a case study methodology (Cicourel 1964; Fontana and Frey 2003; Holstein and Gubrium 2004).

This format of interview was selected due to the advantages offered in keeping the interviews open-ended which facilitated the requirements of the case study method. Since such interviews are not rigidly formatted they "permit greater scope for respondents to answer questions on their own terms" (May 1993: 93). The methodology used is intended to engender qualitative and in-depth semi-structured interviews and was ideal for eliciting responses free from restrictions and for gathering data not available through other data sources (Grant 2000: 16; Burnham et al 2004: 219). Semi-structured elite interviewing is suited to a research design that is flexible and open to new ideas. This format also enabled the researcher to gather possible sources for other interviews during the interview process, thus enhancing the ability to gather broader perspective on the same issue where possible. The limitation of a 'snow-balling' approach was that it could lead to interviewing like-minded

people, or interviewees with a single perspective on the same issues. This was counter-balanced by the attempt to ensure that a broad range of data was employed including official documentation (via minutes, press releases or websites) and media coverage as detailed below.

In addition to the interviews, other data sources included attending conferences in South Africa, following press reports and reading business media (including internet sources as well as exploring reports and research by South African scholars (much of it not published/available in the UK or outside South Africa); following relevant parliamentary proceedings; reading minutes and organisational manifestos and annual reports. Using more than interviews, as a single means of data gathering, enabled me to avoid relying solely on interviews, thus circumventing some of the problems associated with the subjective perceptions common to interview-based methods (Bryman 2001: 274). It was also vital to gain the perspectives of people from different aspects of the same issue, for example interviews were conducted with National Economic Development and Labour Council NEDLAC organisers, government department officials and business representatives about the same elements related to consultation. The interviews, of necessity, included many more business representatives than any other group, by virtue of the focus of this research on business NSAs in South Africa's economic diplomacy.

1.5 Thesis outline

The thesis is structured to provide the contextual setting for South Africa's economic diplomacy, both historical and contemporary, to analyse the actors engaging in diplomatic processes, and to describe the fora or sites of diplomatic engagement. The thesis assumes a strategic relational interplay between structure and agency in South Africa's post-apartheid

economic diplomacy, identifying three specific modes of engagement for business NSAs (Jessop 1996).

In order to place the research into context in the relevant literature, the Chapter Two outlines the theoretical approaches relevant to analysing business NSAs in economic diplomacy. Chapter Two reviews the relevant core conceptual literature covering economic diplomacy, various theoretical approaches to the study of economic diplomacy and their utility for the research question. The chapter focuses on addressing the inclusion of the economic in diplomacy as well as how we might conceptualise the role of business NSAs in economic diplomacy. Finally, the chapter outlines a multi-faceted approach to analysing diplomacy that forms the grounding for the MSD analytical framework applied in this study.

Chapter Three provides an essential historical background and the contextual setting of South Africa's political economy supporting the empirical research. This chapter provides a contextual framework by presenting the political economy of South Africa's political and economic transition at, and following, the 1994 watershed into the post-apartheid period. The chapter sets out the political economy of South Africa's trade within the global system in order to identify domestic issues and economic drivers in economic diplomacy processes. This provides a vital backdrop to the post-apartheid era relationship which is a crucial element of the discussion in the empirical chapters which examine the agency of business NSAs in economic diplomacy.

Chapter Four analyses the stakeholders in South Africa's economic diplomacy. First, the discussion explores the key state actors and processes of economic policy-making and diplomacy. Second, the chapter outlines the important NSAs in South Africa's economic diplomacy, the ANC, trade unions, business and industry, think-tanks and research

institutions and NGOs. Finally the chapter links the discussion of the various stakeholders to the context of South Africa's political economy, analysing the role of agency and explaining the constraints and opportunities for stakeholders dictated by the historical context.

The next three chapters set out the analysis of the modes of engagement evident in South Africa's corporate diplomacy. Chapter Five describes a consultative role for business NSAs, analysing the function of consultative mechanisms, and the diplomatic processes, tools and methods used by business in a consultative role. Again, the chapter brings into focus the significance of the historical context in understanding the dynamics of the consultative role played by business NSAs.

Chapter Six analyses the supplementary role of business in economic diplomacy which is most evident in South Africa's bilateral and regional diplomacy. The chapter investigates South-South diplomacy and the expansion of South African business interests through bilateral trade into Africa and other developing countries. The convergence between South Africa's diplomatic agenda and commercial interests presents an opportunity for business to cooperate and work along-side state actors in pursuing diplomatic objectives.

The entrepreneurial role of business NSAs as producers or activists in South Africa's economic diplomacy is the focus of Chapter Seven. This chapter explores the sites of entrepreneurial diplomatic engagement for South African business, reviewing the extent of South Africa's global corporate expansion and analysing the extent to and ways in which South Africa's MNCs engage directly and independently of state actors in South Africa's economic diplomacy. Business pursue commercial and economic goals through go-it-alone corporate diplomacy where business have become de facto diplomats in their own right, often taking government along after the fact in a flag-follows-trade diplomacy. An entrepreneurial

mode of engagement indicates that business stakeholders are no longer simply consumers of diplomacy but increasingly also producers of diplomatic processes and outcomes.

Chapter Eight of the thesis concludes that the empirical evidence presented in the research supports the argument put forward that NSAs are producers as well as consumers of economic diplomacy and thus as corporate diplomats are important agents in the study of economic diplomacy.

CHAPTER TWO: THE CONTEMPORARY COMPLEXITY OF ECONOMIC DIPLOMACY

2.1 Introduction

The study of economic diplomacy highlights a variety of important and contested issues with respect to the international political and economic system during the post-war era. Many contributions to diplomacy studies remain focused, in theoretical terms, on a traditional realist perspective where only states matter and the key issue of concern to them relates to matters of security or 'high' politics. This does not reflect the complex reality of diplomatic practice. Until relatively recently, the bias towards the state in theoretical frameworks resulted in a tendency to neglect the conceptualisation of other vital issues in diplomacy, such as economic, cultural or environmental relations between states. There is also a tendency to overlook other important NSAs, such as private sector actors including business and civil society groups (Hocking 1999b; Lee and Hudson 2004: 353; Murray 2008). Returning for a moment to the definition of economic diplomacy outlined in chapter one, two key elements were identified as missing in traditional accounts of diplomacy: first, the importance of economic issues in diplomacy and, second, the role of actors other than the state in analysing diplomacy. These two aspects are crucial to this study by virtue of its parameters - exploring the role of business as NSAs in economic diplomacy. This also speaks to another dimension of interactions relevant to understanding diplomacy and that is between domestic and international levels.

This thesis contends that economic diplomacy is an important element of diplomacy studies and that business as NSAs are an important component in the analysis of diplomacy. Using a single country case-study, the thesis addresses the role of South African business in South

Africa's post-apartheid economic diplomacy. This research question considers two important theoretical issues, namely:

- Can there be a role for business as a NSA in the international political economy, expressed in this instance through the process of economic diplomacy? This question goes to the heart of ontological assumptions about what we may appropriately include as a unit of analysis in our study of IR and thus our enquiry into economic diplomacy.
- If so, how do we explain their role? This question addresses the epistemological claims this thesis makes regarding how business engages in economic diplomacy and how we might explain this activity.

Answering the above questions will require engaging with various theoretical approaches to diplomacy studies, as well as exploring the contributions of classical economics and IPE scholars. Various theoretical approaches currently used to analyse economic diplomacy will be reviewed and the extent to which these are helpful in understanding or explaining the role of business in economic diplomacy assessed. The literature review will then turn to include other approaches not thus far incorporated into the diplomacy canon so that a broader and more inclusive analytical framework for conceptualising the role of business as NSAs in economic diplomacy can be developed.

In addressing the above theoretical issues, this chapter will concentrate on the emerging literature in economic diplomacy that seeks to refocus statist approaches. This refers to work by scholars exploring new approaches to diplomacy such as catalytic diplomacy, network diplomacy and polycentric/multistakeholder diplomacy which give particular reference to networks of diplomacy and inclusion of actors other than the state (Hocking and McGuire 2002; Pigman 2007; Quick 2007; Saner and Yiu 2008; Pigman and Vickers 2010). Also of significance to the new conceptualisation of economic diplomacy is the inclusion of a broader

range of issues in economic diplomacy, such as tourism promotion, climate change, energy policy, investment agreements, commercial diplomacy, business/market intelligence, public diplomacy, human rights and intellectual property rights (Sell 2003; Capling 2004; Melissen 2005; Kostecki and Naray 2007; MacNaughton 2007; Pigman 2007; Rana 2007; Wicks 2007).

The impetus for rethinking our approach to diplomacy arises out of the need to account first, for the economic in international relations, and second, the nature and role of actors beyond the state. The state/market debate in IPE literature is a mirror for the artificial dichotomy between politics and economics - the two disciplines are not discrete from one another. The first imperative to include economic considerations in our research into international relations also links into and informs the debate on including actors beyond the state in the study of international relations. The notion of the decline of state power in favour of private interests, while highly contested, remains a consistent theme in IPE debates (Korten 1995; Strange 1996 ; Cutler et al 1999; Klein 2000). This literature arises out of the proliferation in the number of Multinational Corporations (MNCs) as well as highlighting a spectrum of 'new' forms of political activity by business such as self-regulation, the rising prominence of rating agencies, numerous public-private partnerships (PPPs) and the privatisation of functions previously in the public domain (Stopford and Strange 1991: 13-19; Fuchs and Lederer 2007: 3 and 43).¹⁶ Despite this, there is a surprising lack of consistent theoretical frameworks in the literature to adequately conceptualise the increasing prominence of the role of private interests in International Relations (Lee and Hudson 2004; Fuchs and Lederer 2007: 43). In this regard, economic diplomacy has something also to offer IPE scholars by giving recognition to economic diplomats as significant contributors to a complex network of market

¹⁶ As the empirical chapters following in this thesis will demonstrate the rise of MNCs is not confined simply to triad economies (USA, Europe and Japan) but extends very significantly to the large developing countries of the BRICs, including South Africa (Handley 2002; Goldstein 2007; Grobbelaar and Besada 2008).

forces and emphasising the often neglected relevance of agency in international society (Lee and Hocking 2010 : 1217-1218).

These theoretical considerations provide the foundation for the empirical considerations of the research, namely understanding the ways in which and extent to which South African business engages in South Africa's economic diplomacy. A critical aspect of this investigation is to explore where business engages in economic diplomacy activity, why it does so and crucially the modes of engagement that tell us more about how business is doing this. In so doing this thesis contributes valuable empirical evidence of business as NSAs engaging in South Africa's post-apartheid economic diplomacy, and also contributes to the further development of multi-actor approaches, such as polycentric or multistakeholder diplomacy.

2.2 Theoretical perspectives

Much of the diplomacy literature has been written by diplomats or historians, neither group being theory-focused (Jonsson and Hall 2006: 7). Traditional diplomacy is seen to lack analytical rigour in favour of descriptive narrative (Cooper and Hocking 2000: 363; Berridge et al 2001; Jonsson and Hall 2006: 1). A realist perspective of traditional diplomacy approaches tends to reduce diplomacy to an activity undertaken primarily by the state and engaging chiefly with issues of 'high' politics or security concerns (Cooper and Hocking 2000; Lee and Hudson 2004: 347; Murray 2008: 29). The following sections will explore the dominant role of realist perspectives to diplomacy studies and then focus on contributions seeking to move beyond the realist assumptions of states as unitary actors in the system engaging primarily with issues of 'high' politics.

Realism

In the realist tradition relative power is the key to understanding policy outcomes in diplomacy.¹⁷ For realists, international relations are distinguished from domestic relations by the anarchical context in which they take place. This anarchy yields two possible tools for managing interactions in the absence of any over-arching authority – war and diplomacy (Kissinger 1994; Murray 2008: 7). According to Murray (2008: 28), a traditional realist perspective in diplomacy holds that “the central purpose of diplomacy (is) to overcome the anarchical nature of that system”. Diplomats are the mechanism of the expression of a state’s foreign policy and the means by which states bring to bear the elements of their power in pursuit of their national interest (Morgenthau 1966; Kissinger 1994). In this conceptualisation, diplomacy is merely the antithesis of war; it does not define the international in any way and is simply a tool or mechanism for states to express their preferences or interests.

Gilpin (1981) reflects that the international system is gradually evolving and is typified by negotiations, persuasion and conflict around particular and narrow interests. For realists, diplomacy is merely an instrument of power, which is why there is no need to theorise diplomacy; theory should be built around those wielding the implements i.e. states. Although, neo-realism takes account of different attributes of states in the international system and accounts for a variation in these power differentials, as far as neo-realists are concerned, the state is still a unitary actor (Milner 1998; Hay 2002: 17). Neo-realism brought rationalism into the fold in IR theory, seeking to reproduce the parsimonious mathematical rigour of rational choice theory from classical economics in IR (Hay 2002: 17; Steans and Pettiford

¹⁷ For a review of realism as a mainstream IR theory see Steans and Pettiford (2005: 49-73), Baylis and Smith (2001: 161-183), Smith (1986), Grieco (1997), Walt (2002) and Guzzini (1998). Seminal works in the realist tradition include Carr (2001), Morgenthau (Morgenthau 1946; 1966), Gilpin (1987), Keohane (1986), Waltz (1979).

2005: 235-236; Bayne and Woolcock 2007a: 30).¹⁸ The rationalist approach within neo-realism continues to privilege the state as a unified actor which is seen to behave predictably in pursuit of relative gains in the international system (Hay 2002: 17,37-40).

A realist understanding of diplomacy is state-centric, with the purpose of overcoming the anarchic nature of the international system. It is focused upon a narrowly defined set of interests (primarily security - where low politics is at best peripheral) and is conducted by official diplomats in the pursuit of the foreign policy objectives of the state. Furthermore, states are regarded as rational unitary actors whose preferences or interests are fixed and thus predictable and rational. Some examples of rationalist approaches to economic diplomacy include but are not limited to Mastanduno's (1991) work on the US and Japan, Durr and Mateo (2004) exploring treaties within the EU, Schneider (2005) examining capacity constraints and bargaining power in multilateral negotiations and Cameron and Tomlin (2000) discussing the negotiation of the North American Free Trade agreement.

The primary failure of realist perspectives in the study of diplomacy begins with the narrow emphasis that realist thinking places on the issues with which diplomacy is concerned. Security concerns are privileged as central to diplomacy. Whilst some traditional diplomacy scholars do make reference to economic aspects in diplomacy they do so from the perspective of how economic issues will contribute to the relative gains of one state over another, or the extent to which economic gains will allow states to maximise their relative power position within the international system (Kindleberger 1970; Krasner 1976; Eichengreen 1989). In this context neo-realism refers to hegemony to explain economic co-operation and the functioning of international institutions (Steans and Pettiford 2005: 66). For the seminal text

¹⁸ Key scholars in the neo-realist tradition include: Gilpin (1981), Kindleberger (1973) and Waltz (1979). For a review of rationalism in IR see Odell (2000) and Sebenius (1983), among others. Key texts in rational choice realism include the works of Grieco (1993a) and Krasner (1999).

on hegemonic stability theory, see Kindleberger (1970). Keohane (1984) presented an alternative neo-liberal approach to explaining international co-operation, arguing that 'embedded liberalism' was evident in the failed Bretton Woods system as a result of embedded regime principles that continued, thus creating a continuity that has, for example, prevented the collapse of the trading regime.

Since such approaches tend to assume that preferences or interests are rationally derived and that the state is a unitary actor, they neglect to account for the complex reality of the contemporary diplomatic system (Der Derian 1987: 3; Reychler 1996; Kurbalija 1998; Cooper and Hocking 2000: 362; Woolcock 2007: 32). Realist approaches do not explain how state preferences are formed or change over time nor do they reference the role of powerful agencies outside of the state.

Rationalism

One distinguishing feature of economic diplomacy is the role of markets, which can be both exogenous (shifting the context and environment within which negotiations are taking place and thus the preferences of the parties to the negotiations) and endogenous in that markets are an integral part of the economic diplomacy (Odell 2000: 60-67). In Odell's language, negotiators or diplomats using 'bounded rationality' will attempt to respond to market conditions to advance their economy's interests. Bounded rationality refers to a decision-makers propensity to make rational choices which are curtailed or limited by imperfect knowledge and computational capacity. The actor will lack complete information such as market trends in the future, other sides' true bottom-line or the impact on markets domestically or abroad of certain outcomes (Odell 2000: 18-19). In this frame, the market itself will determine which actors (usually states) are likely to participate; so economies most

dependent on exports and imports of goods will likely participate most fully in liberalisation processes/negotiations.

This conception of economic diplomacy is grounded in the notion of rationality. A rationalist approach to economic diplomacy would explain that if market conditions are such that any potential parties to an economic or trade agreement would fare better without any agreement, such parties would be unlikely to co-operate. Actors sharing a common interest, such as agricultural exporters who formed the Cairns Group in the WTO, are likely to form coalitions and use integrative tactics. Changing market conditions may also shift negotiating preferences during the process. This approach might argue that, in time, the agricultural subsidies in the US and Europe will no longer be necessary or politically expedient and so current negotiations over market access for non-agricultural goods that hinge so critically on reductions in such market-distorting subsidies will fundamentally shift (Odell 2000: 47-69).¹⁹

Rationalism is problematic for two reasons. First, it presents the market as a separate and exogenous entity in the process which is one of the challenges we are seeking to overcome in our conception of economic diplomacy. Second, in presenting 'market conditions' as an entity in its own right, such an approach fails to take account of the enormously varied interests, configurations of power and spheres of influence that constitute the 'market'. The 'market' like the State should not be conceived of as a unitary actor with rational preferences.

Rationalist approaches can be further critiqued on the basis that they are primarily concerned with the process of decision-making and negotiation rather than the structures of power or values and ideas shaping any outcomes (Morrow 1999; Blaydes 2004; Odell and Narlikar

¹⁹ One such event could be the recent (2008) food crisis triggered by massive food price hikes and associated shortages in developing countries. Food price increases could provide the incentive for EU countries, Japan and the US to reduce their subsidies to farmers as markets provide a valid means for the survival of the agricultural/farming livelihoods in developed economies.

2006). In order to preserve their parsimonious character rationalist theories, of necessity, must simplify the issues in analysing negotiation trade-offs - which does not always reflect the complex reality of available issues (Eichengreen 1998). The weakness inherent in rationalist approaches is the assumption of the state as a utility maximising unitary actor, with static preferences, when in reality domestic 'interests' and, in fact, also values and ideas can and do shift during negotiations (Sebenius 1983: 281; Woolcock 2007: 33; Capling and Low 2010: 23). The primary silence left by rationalist approaches is to be found in the absence of any role for ideas in the analysis. While this silence may be expedient for elegant theorising that is capable of achieving the status of a 'predictive science' it does not accord with the real world complexity of international relations (Hay 2002: 197). Rationalism assumes that in a given set of circumstances two actors will share the same interests and will perceive of those interests in the same manner, which is unlikely in reality (Hay 2002: 196). Finally, and crucially for this thesis, they fail to account for the role of multiple other actors beyond the state (Milner 1998).

Negotiation theories

One of the key contributions in theoretical approaches to economic diplomacy has been negotiation theory. In this regard the work of scholars such as John Odell (2000; Odell and Narlikar 2006) and Amrita Narlikar (2002; 2003; Narlikar and Tussie 2008) has been very influential. These contributions are particularly valuable because they were developed specifically with international economic negotiations in mind. Negotiation analysis attempts to disaggregate the negotiation process into stages and then to ascertain specific and related tactics (Landau 2000; Crump 2007; Raiffa 2007). Negotiation literature focuses on two strategies or a combination of these two: interest-based (cooperative) bargaining and positional (competitive) bargaining (Burgess 2004).

Odell's framework is based on the idea of resistance points. These resistance points represent the range of possible agreements that can be reached between parties. The point at which a negotiator would be better off without any agreement is just below this resistance point or as Odell (2000) terms it – their Best Alternative To a Negotiated Agreement (BATNA). BATNA's, according to Odell, are far easier to determine than preferences or win-sets, since it is easier to see where a party may be better off with no agreement. Lax and Sebenius (1991) argue that negotiating parties' power is dependent on their available alternatives. This clarity of vision as to where a party may be better off without agreement relies on very narrowly defined interest identification and fails to take into account whose interests or preferences will be privileged in this way, even assuming that we can know what interests are best for the negotiating parties.

If, as Odell acknowledges, actors behave within the restraints of 'bounded rationality' (which means they lack complete information or the means to compute optimal positions) then it is at odds with his claim that BATNA's make it is easier to identify when a party may be better off without agreement. A further lacuna apparent in applying Odell's negotiation theory is that it relies on some over-simplifying assumptions about rationality and the unity of state preferences or interests (Hay 2002: 20-21; Higgott and Watson 2008).

With such a strong focus on negotiation processes per se, despite taking market forces into account, Odell's approach also does not really account for the role of non-state actors in shifting preferences or negotiating interests during the negotiation processes of economic diplomacy. It also does not account for aspects of economic diplomacy beyond the negotiation table such as those elements relating to information gathering and sharing or communication more generally. Recent work by Narlikar (2010) seeks to address this and builds on Odell's theories of negotiation by incorporating more examination of a broader

range of actors in her analysis of the negotiating strategies of emergent great powers, China, India and Brazil.

While contributions to negotiation theories of economic diplomacy have gone a long way to dispelling some of the bias towards issues of security and high politics in realist diplomacy approaches, even these fail to account for the increasing role of NSAs in the form of both private-sector actors (business) and civil society (NGOs) (Williams 1994: 46; Bhagwati 2004: 4; White 2005: 393; Bayne and Woolcock 2007a: 11).²⁰ Furthermore, traditional approaches to the study of diplomacy are not adequately explaining the changes we are observing in the practice of diplomacy within the present context (Modelski 1972; Der Derian 1987; Riordan 2003; Lee and Hudson 2004; Murray 2008).

Non-statist diplomacy

Critics of the realist perspective, such as world society proponent Burton (1972), argue for the displacement of the study of diplomacy altogether on the grounds that any focus on diplomacy retains the notion that governments are the main actors in the international system. An alternative perspective to diplomacy sees the state-centric view as an obstacle to achieving an alternative diplomacy and, indeed, an alternative world order (Murray 2008: 30). Hocking (1999b: 24) explains this as offering “the prospect of an international order, transcending the state system”. Alternative diplomacy rejects the state altogether, preferring to emphasise instead non-state actors such as NGOs, transnational movements and MNCs and focusing on the so-called ‘low’ politics of humanitarian aid, environment and collective security. However, there are also strands within this approach that do not reject the role of the state outright; but maintain that NSAs are engaged with a distinct form of diplomacy (Langhorne 1997; Kurbalija 1998; Langhorne 1998; Bruter 1999; Hoffman 2003). This

²⁰ It must be noted here that consumers as additional entities in the market forces equation tend to be subsumed into civil society groupings, which can be somewhat misleading.

approach also includes unconventional NSAs such as a transnational organisation without geographical location, like Al Qaeda (Risse-Kappen 1995; Corbin 2002; Hoffman 2003: 541). Modelski (1972) argues that a realist perspective represents an obstacle to resolving global problems since such diplomacy involves the system often at the root of the problem, highlighting the failings and shortcomings of the state system itself.

Advocates of the alternative approach to diplomacy, who reject the state altogether, prefer to emphasise NSAs such as NGOs and transnational actors, which replace the state as the primary model or lens through which to view international relations and diplomacy. For example, Diamond and MacDonald (1996: 2) point to the emergence of NSAs, which are better-placed to engage with the changing diplomatic processes presented by the global environment. In order to achieve a “reconstructed concept of diplomacy” it is necessary to first separate diplomacy from the state altogether (Hoffman 2003: 541). Taken in conjunction with their view of states as pariahs and anathema to a better world system, an alternative approach is transformational in character (Diamond and MacDonald 1996: 37). Some scholars in this tradition regard realist diplomacy as being in crisis and no longer in touch with contemporary problems (Der Derian 1987; Langhorne 1998; Riordan 2003). In Modelski’s (1972: 187) words “contemporary diplomacy...is redundant...uneconomical...and politically harmful to world society”.

The idea of rejecting a state-dominated view of international relations is not new. In the 1960s and 70s a wider critique of the concept of the state within political studies was taking place (Peterson 1992; Risse-Kappen 1995: 17).²¹ Nonetheless the impetus was not to last, and

²¹ Among proponents of the challenge to state-centric politics were liberal pluralists such as Robert Dahl (1961), who argued that political systems were functions of societal pressures which constrained political authority such that the political process was reduced to constant bargaining among social interest groups. A second group of “power elite theories” disagreed, claiming that Western politics was dominated by a coalition of elite interests between business and politics. The third opponent of the state-centrism of contemporary

debates on a state-centred world versus a society-dominated world were superseded by a push to “bring the state back in” (Keohane and Nye 1972; Rosenau 1980; Skocpol 1985; Risse-Kappen 1995: 7).²² Whilst an alternative perspective to traditional realist diplomacy addresses the problematic of the state-centric, security-driven diplomacy, it yields its own lacunae. Simply rejecting the state and its centrality to the study of international relations or diplomacy cannot remove the empirical reality of the existence of the state. If the state and its official diplomatic apparatus are indeed defunct, then the alternative approach has failed to explain their on-going presence (Murray 2008: 32). However, what an alternative approach does do is open up various questions regarding the supremacy of the state in diplomatic processes and in so doing prompts researchers to seek other avenues of exploration, such as the role of NSAs and the tools and processes engaged in pursuit of a new form of diplomacy beyond the statist view of realist approaches. As the empirical chapters of this thesis demonstrate, the state is an undeniably important element in diplomacy – it is along-side, through and with other state entities that business NSAs engage in corporate diplomacy.

Social Constructivism

Responding to the criticism of realist and rationalist assumptions that state interests are immutable and that the state is a unitary actor we can usefully turn to constructivism as a possible solution. As a social theory, constructivism has no one dominant strand or application (Baylis and Smith 2001: 259). It may not even constitute a school of thought in its own right, being that social constructivist thinking tends to be spread across a broad continuum of positions that overlap at the extended periphery with other approaches from materialism on one end to idealism on the other (Hay 2002: 206; Steans and Pettiford 2005). The key concepts of a constructivist approach are based in the notion that the world is how

political studies was ‘instrumental Marxism’ which essentially viewed the state as an instrument of capital (Risse-Kappen, 1995: 17).

²² See section 2.4 for a deeper discussion of NSAs in the international system.

actors perceive it – reality is a social construction (Baylis and Smith 2001: 259). In the words of Alexander Wendt (1992): “anarchy is what states make of it”.

The world is inter-subjective in that agents and the system interact with, and are shaped by one another as well as being co-constitutive of international society (Hay 2002: 25). A key concept of constructivism is the importance of identity which includes concepts such as values, norms and ideas, all important elements in shaping actors’ perceptions of the world (Ruggie 1998: 856). Important themes in constructivism include the idea that international society is transformative, inter-subjective and discursive. Crucial assumptions of this approach focus on the importance of non-state actors rejecting state-centric perspectives. The transformative nature of international society is indicative of the fact that the system is constantly in flux and changing. As a result, there are on-going opportunities for co-operation, thus rejecting critical theory positions based on the assumption that power is ubiquitous and structural in nature. This is not to deny the importance of structural and material power, but to create the intellectual space for the inclusion of interests and ideas as motivators and reinforcing the notion that ideas, values and norms matter. Constructivism is engaged with the agency-structure problem, arguing that agency is not pre-formed; values and ideas can shift over time and space. Structure is not a constraining or defining element, but rather constitutive of agency in a given moment.

The primary contribution of constructivism to economic diplomacy is in the emphasis placed on understanding how interests and identities shift over time through discussion and dialogue (Woolcock 2007: 33). This is often applied to processes of bargaining and negotiation and also to exploring how diplomatic agents use persuasion, threat or inducement, public diplomacy, and information to alter the negotiating positions of others (Ulbert and Risse 2005). In understanding trade policy developments, constructivism turns to sociological

approaches, revisiting the notion that interests are socially constructed by culture, location and historical point in time (Ford 2003). Constructivists reject the notion of rational actors and emphasise that preferences are ‘socially embedded’ (Woll 2008).

A constructivist approach offers valuable opportunities for analysing economic diplomacy beyond the constraints of the rationalist frameworks of neo-realism and neo-liberalism. The neo-neo schools as well as rational choice models have done much to obscure other social processes in international relations, by reducing the motivating forces of actors in the international to an aggregation of individual action for interest maximisation. This focus on material instruments of power and material wealth divert the focus of research away from other avenues of enquiry such as the role of norms and ideas.²³ Furthermore, rationalism has neglected the importance of the extent to which social structures influence and inform actor choices, interests, preferences and perceptions of these (Ruggie 1998: 33). Human agents and societies do not spring forth with fully-fledged and fixed identities or preferences. Rather, these are formed and shift over time as a result of on-going socialisation processes, resulting from the inter-subjective nature of the world.

A number of authors point to the neglect of applying principles of norms and actor network socialisation to firms or business actors (Sell and Prakash 2004; Kollman 2008). The reason for this neglect, they claim, has to do with a tendency among social constructivists to differentiate between NGO’s and firms on the basis of their underlying motivation. Scholars such as Keck and Sikkink (1998) and Risse-Kappen (1995) define transnational business actors in terms of their instrumental, material motivations. Sell and Prakash (2004) argue that differentiating transnational advocacy networks on the basis of their so-called underlying “good” values is too narrowly focused and unhelpful in explaining outcomes or the

²³ For a comprehensive discussion of materialism and idealism see Hay (Hay 2002: 194-215).

importance of strategies employed in achieving said outcomes. The tendency to differentiate between transnational networks - where firms are motivated by material interests and NGO's or advocacy networks by values - presents an artificial split between 'ideas' and 'interests' (Goldstein and Keohane 1993). It also entrenches the polarisation between the rationalist/materialist versus the constructivist/normative in IPE literature (Katzenstein et al 1999).²⁴ Constructivism has hitherto failed to give adequate account of the role of normative socialisation in understanding markets and market actors in international society.

As for analysing NSAs in economic diplomacy, despite constructivism placing much emphasis on the role of norms in international relations and the fact that there is increasing interest in private authority among IR scholars, little research is emerging on the role of norms in firm behaviour in international society (Kollman 2008: 397).²⁵ The absence of constructivist studies exploring transnational market actors is remarkable given that much of the early constructivist literature only uses firms as objects of study but emphasises the social aspect of market interactions (DiMaggio and Powell 1983; March and Olsen 1984; see Thomas et al 1987). Kollman (2008) argues that whilst works by diverse scholars including Sell and Prakash (2004), Virginia Haufler (1999; 2001), Benjamin Cashore (2002) and Hevina Dashwood (2005; 2007) have contributed to scholarship on the role of norms in private regulation, they stop short of giving an account of the effect on firm norms of international socialisation processes and specifically changing their perception of articulated material interests.

²⁴ For a more in-depth discussion of the comparison of constructivist treatment of transnational market actors versus transnational advocacy networks see Sell and Prakash (2004).

²⁵ There are exceptions to this such as the work of Woll (2008) which explores the role of firms in trade in services liberalisation and Sell (2003) which exposes the strategic use of values by private interests (Pharmaceutical industry) pursuing vested interests in the TRIPs negotiations.

A further critique of social constructivist approaches is the difficulty of operationalising research into aspects such as analysing the role of the ideational on international relations and systems. Indeed, constructivists themselves are not coherent about the best epistemological approach (Kollman 2008: 399). In part, the difficulty presented in researching a constructivist agenda flows from the very rigour imposed by constructivists themselves when evaluating evidence on firms and firm behaviour. There is no good reason to expect greater rigour in challenging the integrity of information obtained from firm representatives than any other actor being analysed. Yet this is precisely what some social constructivists maintain, perhaps in keeping with the bias that suggests that other transnational actors such as advocacy networks are driven by 'purer' motives. Nevertheless, the caution to validate factual claims made by market actors and to research public records as well as measure rhetoric, behaviour and policy over time are useful caveats in researching difficult areas such as norms, beliefs, values and identity whatever the nature of the actor (market, social or state) under analysis.

Domestic theories

Another silence of rationalist approaches is the influence of domestic issues on economic diplomacy. This is addressed, in part, by domestic theoretical approaches. These respond to the challenge of incorporating an understanding of how decisions are reached within national frameworks or national diplomatic systems (Hocking 2007). This section will explore in more detail three such approaches: societal factors, state-centred factors (institutional frameworks) and finally the foremost of these, Putnam's Two-level Games.

Domestic societal theories attempt to account for the importance of competing domestic interests in shaping national preferences (Milner 1997; Capling and Low 2010: 11). This enables an analysis of traditional factors such as labour, capital and land as well as newly emerging ideas and values represented by civil society groups (Hiscox 2005). A domestic

societal approach emphasises an analysis of societal factors that will take account of domestically competitive interests such as protectionist impulses from some industry sectors versus liberal leanings from export-led industries (Capling and Low 2010: 4). Such approaches explain the internal dynamics of power domestically as governments seek to balance the competing demands of different constituencies in delivering trade policy outcomes, while remaining in power themselves (Grossman and Helpman 1994). The national preference is assumed to be obvious from looking at the key positions of major domestic interests as well as giving an account of civil society participation in domestic preference setting (Bayne and Woolcock 2007a: 26-27).²⁶ However, these approaches assume that domestic interests are material in nature and neglect to allow for the fact that ideological sympathies, cultural values and even fear can shape national preferences (Alt et al 1996).

Whilst domestic societal theories offer a deeper analysis of underlying factors in policy-making that might inform economic diplomacy, they fall short of providing a useful theoretical framework for assessing the role of NSAs beyond the realm of the domestic. Thus they would be unable to account for events such as the prominent role played by pharmaceutical firms in the Trade Related Intellectual Property Rights (TRIPS) agreement at the WTO (Sell 2003). They do not fully address the inter-related elements identified earlier in the discussion of the key challenges facing our understanding of economic diplomacy, namely including economic considerations, accounting for domestic influences in the international system and the relevance of NSAs beyond domestic preference setting.

²⁶ See Ikenberry et al (1988) for a deeper discussion of domestic theories and Garret (1998) for an analysis of how domestic interests respond to globalization forces. More recent literature in this vein would include Evans, Jacobson and Putnam (1993) Goldstein and Martin (2000), Capling and Low (2010) Wallach and Sforza (1999), Barton et al (2006). For readings using domestic societal approaches see da Motta Veiga (2007), Paarlberg (1997) and Dür and De Bièvre (2005).

State-centred domestic approaches refer to the institutional frameworks for giving expression to societal values, ideas and interests (Cowhey 1993: 300). The focus of state-centred theories is thus the institutional framework within which policies are made (March and Olsen 1989). This approach asks where policy decision-making takes place – in the legislature by elected representatives or in administrative departments by officials (Haggard 1988). For example, in the US this could be of particular relevance when Republicans control Congress and Democrats control the administration or vice versa; in this case it may result in the withholding of Trade Promotion Authority for the President, which in turn may restrict movements at multilateral negotiations such as the WTO or at a bi-lateral level (Goldstein and Martin 1993).

Coalition governments, such as those between the Liberal Democrats and the Conservative Party in the UK, the Labour-Independent coalition in Australia or the German centre-right coalition, may also present difficulties in achieving policy and diplomatic coherence (Cowhey 1993: 300). The particular structure of the EU as an institution presents unique challenges to understanding the process of preference and interest formation at a domestic level. The theoretical contribution of this approach is that it enables analysis of the competing tensions between different government departments where overlapping priorities and ideas come into play (Woolcock 2007: 27). So the role of foreign ministries, trade and industry ministries, labour ministries and others can be taken into account in determining the key national preferences (Hocking 1999a). This theoretical approach also gives account of domestic ratification of internationally negotiated agreements. For example, when the United States Trade Representative (USTR) has exceeded his (or no longer has) Trade Promotion Authority, ratification by Congress becomes a vital factor in the analysis of economic diplomacy outcomes.

State-centred domestic approaches add a further depth to analytical approaches to economic diplomacy by accounting for particular institutional frameworks within the domestic setting and explaining how collective action problems that are stifling international trade cooperation can be resolved (Keohane 1984; Milner 1999). However, the specifically institutional focus at the domestic level is not useful in explaining the role and importance of NSAs at the interface between domestic and international levels. This approach does not purport to offer such analysis; nevertheless, it remains a neglected area in the theoretical approaches discussed thus far – and essential to the aims of this study.

Putnam's 'Two-Level Game' bridges domestic theories and negotiation theories. The model was developed after observing the intricate negotiations on trade, energy and macro-economic policy at the Bonn G7 summit in 1978. The major contribution of his approach to economic diplomacy is that it enables an analysis of the interchange between domestic and international levels (Putnam 1988). Like Odell's negotiation theory it is based on rationality and Putnam's primary purpose in the model is to explain how the domestic/international interplay shapes the outcome of negotiations (Odell 2000). Negotiating preferences are not static - changes are explained through the strategic linkages developed by negotiators to achieve an acceptable outcome both for their international counterparts (Level I game) as well as their domestic constituents (Level II game). The range of outcomes acceptable to each party is called a 'win-set'. The strategy adopted by negotiators to gain strategic advantage is to present with a narrower 'win-set' than is actually the case. A wide 'win-set' is a weak negotiating position and negotiators will seek to influence the other parties' win-sets as well as distorting their own.

Another strategy is for negotiators to attempt to widen the domestic win-set such that overlap with international negotiating partners is easier to achieve (although of course trying not to

reveal so). In seeking common ground, at both levels, negotiators are likely to use side-payments as an inducement to widen a win-set. Negotiators' spheres of influence are not limited to their own domestic market. Thus, negotiators may also seek to influence other domestic preferences by engaging in debate in other fora. It is vital to try to monitor the Level II game being played out domestically for other negotiating parties as this offers opportunity for establishing real win-set parameters. Negotiators are limited by the fact that they must operate within the constraints of bounded rationality (limited information). Developed countries will also enjoy an advantage over more resource-strapped developing countries in their ability to engage with a broad range of priorities in other government departments, across domestic groups and covering a wide range of issues, by virtue of their ability to have greater numbers of permanent representatives or better trained skilled professionals in specific interest areas.²⁷ Achieving a balance of being trustworthy in negotiations without revealing too much of one's hand creates the negotiator's dilemma, Trust, ultimately, is critical to achieving agreement.

Putnam's Two-Level game draws on several aspects of the other theoretical models, from societal approaches to state-centred institutional frameworks (Putnam, 1988). Building on the contribution of the two-level game by Putnam, Evans et al (1993) developed the concept further to describe double-edged diplomacy which examines how diplomatic processes engage with domestic level bargaining and international negotiations simultaneously and how these two levels of diplomatic interaction influence one another (See also Milner (1997). Other contributions to this literature include Frieden and Rogowski (1996) who model

²⁷ For developing countries active in the WTO there is a major discrepancy in the number of personnel available in staffed missions to the WTO based in Geneva. In 2001 the US mission had 14 professional staff, dedicated solely to WTO business, the EU had 18 (who also attend to other multilateral institutions based in Geneva) and Japan had 23 compared with Least developed Countries, such as Malawi, Mali or Mozambique who had no permanent representative and others such as Bangladesh, Congo or Tanzania with a maximum of 4 or 5. The numbers difference creates a clear advantage for better resourced missions who can attend a greater number of caucuses and meetings and develop more specialised skills and expertise (Jawara and Ka 2003: 20-21).

interest group preferences to predict how private interests influence policies on exchange rates and trade and Mosely (2003) who investigates the impact of private investment on national policies.

One problem with both the two-level game and double-edged diplomacy is that it is difficult to determine ahead of the outcome what each negotiator's win-set is (i.e. they assume knowledge). This limits the model's predictive function, ignoring the power of knowledge in IR. Whilst the two-level game does account for domestic factors influencing international diplomatic processes via the national diplomatic system, it fails to account for the occasions when domestic pressure groups link up transnationally or engage directly at a supra national level in economic diplomacy processes. Nor does the approach explain, or allow for, the role of international organisations/institutions. As a model for negotiation analysis Putnam's two-level game is useful when applied to the consultative role played by South African business in South Africa's economic diplomacy. However, the thesis is exploring a broader definition of economic diplomacy processes such as information-sharing, communication, and representation, which cannot be analysed using the framework of double-edged.

It is evident from the above discussion of various approaches: realist, rationalist, alternative non-statist, constructivist, negotiation theories and domestic theories that no single approach can adequately describe the complex reality of economic diplomacy. Each offers a valuable insight that alone is insufficient, but if read in conjunction with other levels of analysis can together, provide a useful analysis of the messy reality that constitutes economic diplomacy in the international environment. This requires attention to the roles of agency (both state and non-state), institutions, interests and ideas, at domestic and international level. Domestic theoretical approaches including societal, institutional and two-level games are especially

useful in helping to analyse the consultative role of business NSAs which is described and analysed in Chapter Five of the thesis.

Before going on to discuss a synthesised or multi-dimensional analytical framework it is necessary to explore the literature that addresses both the inclusion of economics and NSAs in the study of diplomacy. The following two sections draw from the broader IR and IPE literatures in an attempt to bridge the gap between diplomacy studies and these disciplines.

2.3 Including economics in diplomacy studies

The confluence between the political and economic is central to the literature of international political economy (Hutton 1996). Students of both economics and politics, tend to take one another for granted. Economists, for example, often assume that markets can function despite the messy disruptions of social/political disorder, war or revolution. By the same token, politics scholars make assumptions that the economy will function smoothly, whatever form of economic organisation is dominant (Strange 1994: 9-22). Watson (2005) argues that the state/market or political/economic dichotomy upon which conventional IPE study is premised can be attributed to the fact that IPE has been seen as a sub-field of IR and thus has imported this dichotomy into IPE. This has meant that in traditional IPE literature the state could be considered short-hand for activities of a political nature and markets as referring to economic realm (Strange 1994: 14; Walter and Sen 2009: 1).²⁸

Simply acknowledging the reciprocal nature of politics and economics does not eliminate the dichotomy IPE scholars speak of eradicating; in fact it serves to reinforce the artificial separation of the state and the market. In this regard, “the ‘states and markets’ approach thus

²⁸ In the words of Cohen (2008: 8) the ‘intellectual entrepreneurs’ of IPE scholarship include scholars such as Gilpin (1981), Strange (1994), Krasner (1976) Cox (1987; 1999), Katzenstein (1976; 1978a; 1978b), Keohane and Nye (1972) Keohane (1977; 1980; 1984; 1986; 1996), Kindleberger (1970; 1973).

does nothing to address the possibility that political and economic activities are co-constituted within a single social reality” (Strange 1994: 14; Watson 2005: 21). This gives rise to a tendency in IPE to focus on the causative nature of politics and economics rather than as a co-constitutive social reality. One consequence of this dominance in IPE has been the neglect of other disciplinary contributions to our understanding of the social construction of international economic and political relations, such as evolutionary biology, anthropology and cognitive neuroscience, although Cohen (2008: 171) warns that too much breadth also has pitfalls in a potential lack of focus.

One possible reason for the on-going debate on ‘states and markets’, is that IPE scholars have failed to pay sufficient attention to reading classical political economy (Watson 2005: 27).²⁹ Watson proposes a return to classical political economy in the form of Adam Smith, Thorstein Veblen and Karl Polanyi, on the basis that their concern with the moral status of the individual offers a way to understand the constitution of economic relations rather than just their management. For Strange (1994: 4), IPE was supposed to be an attempt to ‘rescue’ political economy from the economists who had also neglected political economy in the turn to neoclassical economics. Caporaso and Levine (1992: 1) see IPE simply as the study of the management of the economic affairs of the state. Other scholars also write in a similar vein about the politics of economic relations. Only through understanding how economic relations are constituted can we analyse and make normative choices between different forms of economic relations with the purpose of satisfying the provision for society (Watson 2005: 243). In this way too, Watson offers a possible solution to the dichotomy dilemma, proving that the economic and political are co-constitutive elements of society, rather than separate causal entities.

²⁹ See Watson (2005: 11-43) for a detailed analysis of the various approaches to IPE including, realism, liberalism, Marxism, Feminism, Mercantilism, Ecological, Neo-Gramscian and poststructuralist. Other recent contributions to the state of the discipline include Walter and Sen (2009) and Cohen (2008).

The real-world of interconnectedness between politics and economics is particularly relevant to the study of economic diplomacy. In order to prosper, markets require the protections of regulatory environments, the public good of law and order and the protection of property rights among other stabilising factors provided by governments. Conversely, governments require economic growth and financial stability provided by the economic system (Strange 1999: 345). Interactions between states are not only simply about political issues or ‘high’ politics. Increasingly, governments negotiate and interact about a broader range of issues and primarily about economic affairs. Pertinent to this discussion, the establishment of the Bretton Woods institutions and the Marshall Plan after World War II were primarily about political objectives – avoiding the causes of war and shoring up Western Europe’s defence against encroaching communism. Economic policies were the way in which these political objectives were being met. They were based on the idea that countries that were economically interdependent were less likely to go to war. Further evidence of state activity around economic issues can be found in the proliferation of IPE literature that focuses on the Bretton Woods Institutions of the World Bank, International Monetary Fund and World Trade Organisation (Irwin 1996; James 1996; Pauly 1997; Hoekman and Kostecki 2001; Hiscox 2002; Rudra and Haggard 2005; Woods 2006; Dicken 2007; Hoekman and Mavroidis 2007; Walter 2008). Also significant in this regard is the increasingly active role being played by associations such as the G20 summits in the past 5 years around the global economic crisis.

Increasing economic interdependence can be regarded as a constraint on governments (Yergin and Stanislaw 1998). For example, Susan Strange (1996: 4) controversially asserts that “where states were once masters of markets, now it is the markets which, on many crucial issues, are the masters over the governments of states. And the declining authority of

states is reflected in a growing diffusion of authority to other institutions and associations.” Cable (1999: 15) concurs, and points to two factors driving factors of a “liberalization revolution”: the speed of communications and a reduction in the role of government in ownership and control of production. This notion of the ‘decline of the state’ is hugely contested.³⁰ Whilst it is clear, that to some extent, the authority and legitimacy of the state is being challenged to varying degrees (thus rejecting the absolutist conception of the state as sole relevant actor in the study of international society), the extent and form of such is fluid (Higgott and Reich 1998). States continue to be important actors; they are neither passive nor irrelevant. At this point it also becomes apparent that IPE scholars and diplomacy scholars are talking in similar terms when challenging the centrality of the state in their disciplines whilst still acknowledging the on-going relevance of the state.

States create the framework for economic integration (Cox 1999: 25). However, the importance of the economic in understanding the political is equally crucial. In the study of international society the political and economic spheres cannot be separated. “This Westphalian system cannot realistically be isolated from - indeed is inseparable from - the market economy which the states of Europe, from the mid-17th century onwards, both nurtured and promoted” (Strange 1999: 345). In other words, the present state system exists because of the particular market economy that characterises international society today. As Watson argues above, the political and the economic are two mutually constitutive concepts. If we are to understand contemporary diplomacy we need a theoretical approach to diplomacy that gives us a framework that accounts for the importance of economic considerations in IR.³¹

³⁰ Literature on the ‘retreat of the state’ and the implications of transnational relations for state legitimacy and authority includes Strange (1996); Held et al. (1999); Higgott et al (2000).

³¹ Ironically, we return to the earliest forms of diplomacy in mankind’s political history to discover that pre-state cultures engaged in a form of ‘polycultural’ diplomacy evident in the Amarna era (Cohen 1999: 1-2). In

Although (IPE) literature gives attention to the importance of economic issues in international relations, this had, until recently, tended to disregard the importance of non-state actors as entities in their own right, by subjugating these into the broader ‘institutional’ framework of ‘markets’ (Strange 1994; Watson 2005).³² Orthodox IPE has concentrated more on ‘states and markets’ tending to exclude key components of those markets and other driving social forces within states (Katzenstein et al 1999; Cohen 2007: 199).³³ The separation of the disciplines of economic and politics is as much to blame for this as is the divide between scholars of IR who focus either on strategic studies or the politics of international relations.

In contrast, critical IPE approaches are reflecting a growing recognition of the importance of components of the market and the state as well the urgency of introducing normative concerns to the research (Sen 1987; Watson 2005: 33). Cohen (2007: 199) points out that critical IPE is concerned with theory as judgment or the identification of injustice: it is a normative approach rather than a positivist one. Murphy and Nelson (2001) refer to this strand of ‘critical IPE’ as descending from the Frankfurt School (a collection of approaches) with an emancipatory goal.³⁴ Other important contributions in this regard are to be found in, among others, Strange (1984); Brown (2001); Cox (1987). Proponents of the so-called ‘new political economy’ embrace a reformist agenda that rejects the over-simplification of classical economics-based orthodox IPE, whilst transcending old schisms of state/market,

fact commercial and diplomatic activities were often accomplished simultaneously and sometimes by the same envoy, in contrast to the traditional notion of diplomacy as being confined to official/state representatives.

³² See for example Walter and Sen (2009), Spero and Hart (1997), Strange (1994), Grieco (Grieco 1988; 1997) Keohane and Nye (1972; 1977), Keohane (1980), Gilpin (1975a; 1975b; 1987), Kindleberger (1973), Katzenstein (1976; 1978a; 1978b) and Krasner (1976).

³³ The ontological position of orthodox IPE is state-centric.

³⁴ In this regard Critical IPE (with a capital C to denote reference to a theoretical approach) extends beyond the Frankfurt School; for example Wyn Jones (1999), when tracing the intellectual influences of Robert Cox (a prominent Critical IPE scholar), does not refer to the Frankfurt School, instead relying heavily on neo-Gramscian influences. Two other strands of intellectual thought are also regarded as important to Critical IPE: Feminism and various strands of post-structuralism (Rengger and Thirkell-White 2007).

structure/agency and ideational/material (Higgott and Watson 2008: 12). This enables an IPE which can account for a normative agenda, inclusive of historical, cultural and social issues in the international political economy (Blyth 2002). The ‘new’ political economy also takes account of the importance of both structural and relational power as a dialectical relationship – issues of fairness and justice are central to many of the critical issues which IPE seeks to address thus highlighting the importance of reference to political philosophy in IPE (Walter and Sen 2009:6).

Not ostensibly engaging with diplomacy per se, IPE as a discipline touches on many aspects of economic diplomacy. In establishing the importance of the ‘economic’, the ‘domestic’ and ‘non-state actors’ in building a case for studying economic diplomacy in a more meaningful way, we must guard against the tendency prevalent in common IPE approaches to reflect neo-classical economic reliance on ‘markets’ as amorphous utility maximizing entities (Ravenhill 2008: 19). The subjugation of whole ranges of social and economic entities or actors into the concept of the ‘market’ obfuscates much of value in unpacking the dynamics of international society including diplomatic processes in the multilateral trading regime.

By opening up given concepts of states and markets, Watson’s return to classical political economy makes possible, in fact desirable, the extension of analysis of economic diplomacy to actors beyond the state and the market. Emphasising the concept of states and markets as social arenas enables us to think about who the actors participating in these arenas might be as well as shifting the emphasis away from rational utility maximising entities towards “socially situated moral agents” (Watson 2005: 242). This, in turn, asks us to question the fundamental determinants of the actions and choices of the ‘new’ agents or actors in the state-market arena.

2.4 Business as NSAs in economic diplomacy

IR theory and IPE approaches offer a more substantial literature analysing the role of business as NSAs in international society than does the canon of diplomacy studies. Traditionally, diplomacy as a practice tends to be regarded as a sort of epistemic community removed from IR theories by virtue of its ‘specialised’ nature and guild-like qualities (Ross 2007). However, as the review of literature that follows in this section demonstrates there is much value to be drawn from broader IR and IPE literature that assists us to conceptualise the role of NSAs in economic diplomacy.

A significant contribution to the literature in the form of an edited volume by Cooper et al (2008) explores linkages between the disciplines of diplomacy and global governance, which have disregarded each other until now. Global governance as a sub-discipline of IR is a relative new-comer especially when compared with the historical pedigree of diplomacy studies. However, as Cooper et al point out despite early signs of a disconnection between the two disciplines there are also strong indicators that shifting demands in international society are driving global governance agendas and in turn impacting on diplomacy processes (Cooper et al 2008: 3-4). There is also a much broader literature on global governance that takes cognisance of the role of NSAs (Josselin and Wallace 2001; Fuchs 2007; Graz and Nolke 2008; Katsikas 2010).

Many of the factors influencing global governance are also producing seismic adaptations in diplomacy practice. There is evident contraction in time and space as a result of technological innovations in communications during the last century (Hocking 1999b: 26); increasing activism from various stakeholders in international society (Higgott et al 2000); and an increasingly complex agenda facing both disciplines (Bayne and Woolcock 2007b: 10).

Firms as non-state actors in international society

Traditionally, the role of business as a private actor in international society has been confined to exploring the types of representation and modes of engagement of firms as actors in international society. As such, business actors are identified as acting as one of several pressure groups in a pluralist system (MacDonald and Woolcock 2007: 77).³⁵ Business actors might be represented at a corporate or firm level, through business interest groups such as confederations, sector associations or coalitions or transnational market networks, such as the World Economic Forum or international business organisations like the International Chamber of Commerce or the World Business Council.

The aims and goals of these various entities differ according to the type of organisation. Sector associations such as steel or agricultural business groups will focus narrowly on representing the interests of a particular industry by engaging at relevant points to influence directly or indirectly the international policy making process (MacDonald and Woolcock 2007: 80). Sector coalitions may come together at a specific point in time for a particular strategic purpose, for example the services industries in the 1990s which have coalesced to promote specific issues on trade in services in the WTO or pharmaceutical companies (in the USA) which co-ordinated their efforts around securing more stringent intellectual property rights in developing countries through the implementation of the TRIPs agreement in the WTO (Sell 2003).³⁶

Modes of engagement also vary according to the goals of the specific entity in question. The most common traditional method of influencing policy is through lobbying and campaign finance at a domestic level. New forms of negotiations and opportunities presented by the

³⁵ Other pressure groups include transnational advocacy networks, NGOs, Labour groups, agricultural representatives and civil society more broadly (Borowiak 2011).

³⁶ For a full discussion of pharmaceutical industry involvement in the TRIPs see Sell (2003).

increasing integration of economies internationally have opened new possibilities for action and policy intervention at the international level for non-state private actors, both as observers and as delegates to international negotiations (Saner and Yiu 2008: 89). Transnational actors increasingly engage in public advocacy as well as direct advertising campaigns (a form of public diplomacy) to construct a particular image, for example the wide-spread 'Going Green' campaign in which Shell engaged to re-brand itself as a 'green' company. Other strategies include corporate social responsibility initiatives both for environmental as well as social objectives, aimed both at image building as well as rule-making initiatives. This extends as far as self-regulation through agreed industry-wide codes of conduct, such as the Global Compact and the Equator Principles (Young 1999; Shelton 2000; Haufler 2003; Wright and Rwabizambuga 2006).

All of this indicates that the level of influence which business has as a NSA in international society extends beyond the direct and structural market power of capital, investments and jobs (Korten 1995). Private actors, through their technical knowledge and expertise, are able to exert an enormous degree of soft power too, which is accomplished through participation in negotiation processes directly as well as indirectly through the provision of technical analysis and data for trade diplomats and negotiators at multilateral and bilateral talks (Cohen et al 1996). Business engages in more than just the hard currency of structural power highlighting the importance of understanding how soft power influences and directs the agenda as well as the outcomes of international economic relations.

Private authority and global governance

The literature on private authority in global governance is premised on the notion that business interests are privileged (although not unchallenged) in international relations, and seeks to outline how we might better analyse the role and power of private authority or

business. Cutler et al (1999) have focused on authority and reasons for business co-operation in international affairs, Fuchs (2007) has explored the notion of business power, Graz and Nolke (2008) explore the limits of transnational private governance and, in similar vein, Pattberg (2007) looks at institutional forms of transnational private governance in environmental politics. Other approaches from the environmental politics literature such as neo-Gramscian and neo-pluralist approaches also contribute to conceptualising the role of business in IR (Levy and Newell 2004; Falkner 2008). A neo-Gramscian multilevel analysis enables an analysis of the firm both as an agent as well as embedded within international governance structures (thus including the context of broader power relations). Such an approach resonates with Jessop's strategic-relational approach to the structure-agency problem and presents a more balanced perspective taking into account both agency and context as co-constitutive in understanding the role of business as NSAs in international society (Jessop 1990; Jessop 1996).³⁷ Neo-pluralism advocates that business actors have a privileged position in liberal democracies (Heinz et al 1993: 371). Since business is central to market economies as a source of economic growth and a stimulus for technological innovation (Milliband 1976; Jessop 1982), firms need to be "induced rather than commanded" (Stopford and Strange 1991: 29). As a result of this dominant position in the political realm states, according to the neo-pluralist tradition, must defer and share authority (Falkner 2008: 1).³⁸

Fuchs and Lederer (2007) set out a framework for assessing the role of business power in global governance on the basis that there are several critical facets of power that need to be understood in order to attain a systematic and theoretically grounded framework. Their

³⁷ Although neo-Gramscians might prefer to reference the role of agency in the international system, I deliberately refer to international society taking cognisance of the literature on diplomacy that highlights diplomacy as constituting and producing international society, drawn from the English School (Der Derian 1987; Jonsson and Hall 2006: 33 & 37) .

³⁸ For an overview of business power in contemporary politics in the neo-pluralist tradition see McFarland (2004).

strategy is to combine different levels of analysis in a three-dimensional assessment considering both actor-specific and structural dimensions, alongside material and ideational sources of power. They identify three major sources of power. The first is instrumental power which derives from methodological individualism. This emphasises the directly observable relationships of power of business most often expressed through lobbying activity (Higgott et al 2000; Ledgerwood and Broadhurst 2000). Second, structural power refers socio-economic power. This material and structural power is expressed through agenda and rule-setting as well as corporate bargaining power derived from business as a tax revenue source and provider of employment (Strange 1994; Cutler et al 1999). Technological change is cited as a major driver that has enabled capital mobility yielding exit power to capital agents as a form of structural power (Walter 2001: 153). While this option exists in principle, Walter (2001: 154) contends that evidence of such a phenomenon is scant. Consequently, business actors rely far more heavily on lobbying (both direct and indirect) activities to achieve their objectives (Josselin and Wallace 2001: 255). Finally, ideational power refers to the discursive element focusing on communication and the importance of ideas in promoting particular interests or positions (Fuchs and Lederer 2007: 3-4). Actors use their discursive power to shape norms and ideas and thus promote their interests in the political arena. Cutler et al (1999) maintain that non-state actors are increasingly competing with state actors as sources of authority, which they achieve through a process of 'naming, framing and campaigning' (Levy and Egan 2000; Newell 2000). For example, companies promote their image as good corporate citizens using advertising to shape public perceptions and promote ideas.

Fuchs's three-dimensional approach offers a complementary strategy for analysing business power that incorporates the material as well as ideational elements whilst acknowledging structural power relations without neglecting the importance of agency. This approach does not seek to confirm or deny the rise of business power concurrent with a decline in state

power; rather the interdependence of state and business actors is emphasised leading to the idea of a business orientated transformation of statehood (Bieling 2007).

These contributions to the debate on the role and influence of private authority or business in IR, offer some valuable insights to understanding the role of business/private authority in economic diplomacy. Indeed, it could be said that global governance is achieved through diplomatic processes. What is useful about extending the analysis more broadly to diplomacy, is that it enables scholars to explore beyond governance and understand the political process underpinning diplomacy towards governance even when such attempts fail in their initial objective, thus leading to a deeper level of analysis and exploring more nuanced activities. Ougaard (2008:402) calls for research to focus more on “an ongoing strategic relationship between a diverse set of public and private actors”. In short then, he could be saying research into the processes of diplomacy, such as this thesis. As Ougaard (2008: 402) points out: “the business-global governance nexus is more than private transnational governance and self-regulation, and it is more than business power, whether instrumental, structural, or discursive, over global governance”. Josselin and Wallace (2001:12) and Levy and Prakash (2003) concur that the question is no longer whether non-state actors play a role in international relations, but rather how and to what effect. Similarly Navaretti and Venables (2006) assert that MNCs are theoretically and empirically important to IR and that they are a force for good in the global economy. Other contributions to this literature include work by Halpin (2005) on agricultural interest groups, Sell (2003) on the role of the pharmaceutical industry in global intellectual property negotiations and general work on private interests such as Klein (2000), Korten (1995) and Tarrow (2005). O’Brien et al (2000) identify a new or complex multilateralism which describes the increasingly influential role of global social movements in multilateral institutions of global governance. Business associations and think tanks play a crucial role in complex multilateralism (Haufler 2003).

Resonating with comments made earlier in the section on political authority and business power Josselin and Wallace (2001:256) suggest that the new multilateralism or complex multilateralism “constitutes a significant reflection of the new ‘*transnational diplomacy*’, in which public-private as well as private-private partnerships supplement more traditional government-to-government relations in international relations” (emphasis added). Similarly, Burt and Robinson (1999: 42-43) point to a plethora of NSAs (business and NGOs) crowding the diplomacy milieu and exerting a direct influence on the outcomes of diplomatic processes.

The preceding section demonstrates that there is a broad spectrum of approaches to economic diplomacy conceptualising private actors in IR. Looking to the contributions of a wider literature that explores the role of NSAs in IR provides economic diplomacy scholars with useful insights. Applying insights from these literatures that include economics and NSAs enables us to bridge the theoretical gap between diplomacy and IR theories (although empirically this gap is less obvious) developing an inclusive or multi-actor framework for analysing the role of business as NSAs in economic diplomacy.

2.5 Multi-actor frameworks for diplomacy

The above two sections have presented a strong argument for an approach to diplomacy studies that includes economic considerations as well as taking cognisance of actors beyond the state. Returning then to the diplomacy literature reviewed in section 2.2 this section argues the case for constructing a polycentric or multi-actor framework for diplomacy. The contradictions imposed by an exclusionary and narrow focus either of a statist perspective or of the non-state diplomacy epitomised by the alternative diplomacy approach are resolved by a middle ground. This is represented by the increasingly prominent work of scholars proposing a multi-actor diplomacy, or as Hocking (2005) defines it: multistakeholder

diplomacy (MSD). Other terminology for this phenomenon include polycentrism/polylateralism or networked governance (Wiseman 1999; Rosenau 2003; Slaughter 2004). Cooper et al (2008: 3-4) argue that the imperatives and demands of global governance (with its pluralistic emphasis, that embraces civil society along-side state actors) are nudging diplomacy processes to evolve. A new framework for analysing diplomatic processes is necessary to respond to the complex multilateralism identified by O'Brien et al (2000). Globalisation pressures are also driving a decline in the hegemony of a Westphalian state-centeredness, drawing contemporary diplomatic practice closer to pre-modern forms with multiple actors and blurred domestic and international boundaries (Neumann 2008: 15-28). These insights support the valuable contribution of theoretical approaches outside the diplomatic canon discussed above.

Scholte (2008: 49) identifies five key features of a multi-actor framework or polycentrism that contrast with a statist view of diplomacy. First is that a statist approach emphasises centralisation rather than the dispersion of processes characteristic of a polycentric approach. Second, statism emphasises the state as the sole actor in diplomacy, whereas polycentrism includes a range of actors. Third, statist diplomacy is confined to the geography of specific countries, whereas polycentric diplomacy transcends geographical confines. Fourth, related to spatial differences, statist approaches rely on neat jurisdictional definitions, while polycentrist approaches acknowledge a messier reality. Finally, statism by nature emphasises the centrality of sovereignty in contrast to polycentrism which recognises no such dominant role.

Similarly, Saner and Yiu (2008: 85-86) conceptualise a polycentric approach as arising out of a “complex set of interconnectivities and interdependencies” involving multiple actors from business, civil society, various levels of government and a variety of international organisations that function at local, national and international levels. They identify six forms

of diplomacy: first, economic diplomacy and second, commercial diplomacy are the preserve of state actors, third, corporate diplomacy and fourth, business diplomacy are the function of private NSAs, fifth national NGO diplomacy and sixth, transnational NGO diplomacy. It is not clear why Saner and Yiu (2008) do not give separate recognition to national and transnational business actors and this presents a weakness in their typology, despite their recognition of the wide range of overlapping connections and inter-dependencies characteristic of the complex diplomatic landscape. Rather, they differentiate corporate diplomacy as occurring between business and government stakeholders, while business diplomacy refers to interactions between business and other constituencies such as labour, political parties and other business (Saner and Yiu 2008: 94). This mirrors two of the three diplomacies identified by Stopford and Strange (1991) in triangular diplomacy: that of firm-state diplomacy (corporate diplomacy) and firm-firm diplomacy (business diplomacy).

Recent work in an edited volume by Capling and Low (2010) presents useful insights from several case-studies focused on developed and middle income developing countries on the role of NSAs. These argue for the need to include an analysis of the role of NSAs in understanding trade policy-making processes as precursors to international trade negotiations. Technological opportunities have made it possible for a wide range of NSAs to reproduce what has traditionally been the preserve of state-state interactions, thus making crucial the recognition of the multi-actor nature of modern diplomatic processes (Hocking 1999b: 27; Bhagwati 2004: 3-31; Jonsson 2008: 31). For example Scholte (1993) characterises diplomacy as one part of a complex network of transnational relations, thus providing the opportunity for the inclusion of non-state actors not only to engage in diplomatic interdependence but even supplement or replace governments at different stages of engagement. Two of the empirical chapters in this study that explain the role of South African business in South

Africa's economic diplomacy, illustrate these modes of diplomatic engagement as a supplementary role and substitution role.

This middle ground between a statist focus and the complete rejection of the state proposed by the alternative approach is based on a point of departure that does not see the necessity of discounting the role of the state in order to include the role of non-state actors; it is not an either or choice for diplomacy studies (Hocking 1999b: 14-23). Indeed, Scholte (2008: 50) reminds us that moving beyond a narrow statist focus does not indicate the demise or even necessarily the contraction of the state. The state remains an important actor. Instead a middle-ground approach focuses on the observable practices of diplomacy in the interplay between state and non-state actors (an increase in the numbers and types of actors engaging in diplomacy), at various levels from domestic to bilateral, regional and global across an expanding range of issues (Hocking 1999c: 265; Thakur 2006: 1).³⁹ For example, Lee and Hudson (2004) point out that the practice of diplomacy as evidenced by diplomats and official government records is far more "complex and multifaceted" than the security-dominated diplomacy of traditional diplomacy theorists. Ignoring the reality of diplomatic practice produces a 'present but invisible' status for economic diplomacy. A feature of this changing milieu in diplomacy is also the drive towards greater transparency being driven by NSAs in the process (Hocking 1999c: 265; Lee and Hudson 2004: 360). For example, NGOs have clamoured for greater transparency in the trade agenda of the WTO process that reached

³⁹ There are currently 192 states operating in the modern diplomatic environment (defined by number of members of the United Nations), compared with 51 UN members in 1945 and 26 in 1926 (UN 2007). In addition there are now some 78,411 TNCs with 777,647 foreign affiliates recorded in 2007 (UNCTAD 2007: 218). Over half of the world's top 100 economies are corporations and not states. For example, in 2008 General Motors had greater annual revenue than the GDP of Denmark, Poland, Norway, Indonesia and Thailand and ranked as the 23rd largest economy in the world. Exxon Mobil (26th), Mitsui (37th) & IBM (53rd) had larger revenues than the economies of Singapore, Ireland, Philippines, Malaysia and Chile (Anderson and Cavanagh 2000; Kegley and Wittkopf 2009: 173).

its zenith in the so-called 'Battle of Seattle' at the third WTO ministerial meeting in 1999.⁴⁰ Scholars such as Barton et al (2006) and Wallach and Sforza (1999) refer to the lack of transparency around trade negotiation processes and O'Brien et al (2000) refer to the democratic deficit in global governance institutions.

Rosenau (1990) offers a possible synthesis of the realist/alternative divide through his idea of 'two worlds' in international politics. Neither a state-centric nor a multi-centric world is superior, rather the two operate along-side one another and interact with one another. This evolution in understanding diplomacy is at the centre of the debate on 'newness' and 'decline' in the discipline.⁴¹ For Hocking (1999b) there are 3 layers of change to take into account: an increasing complexity in the agenda of foreign relations thus extending the scope of diplomatic interactions, escalating levels of state-societal interaction made possible by the proliferation of cheaper communications and technology and finally catalytic diplomacy, which refers to the symbiosis occurring between official and unofficial diplomats such as government and business.

Hocking's catalytic diplomacy is derived from Lind's evocation of an evolving state system wherein the "catalytic state is one that seeks its goals less by relying on its own resources than by acting as a dominant element in coalitions of other states, transnational institutions and private sector groups, while retaining its distinct identity and its own goals" (Lind 1992: 3). Catalytic diplomacy refers to the way in which strategic relationships and associations are formed between informal diplomatic players and official diplomatic representatives to mutual

⁴⁰ 'The Battle of Seattle' refers to the protests which took place at the 3rd Ministerial Conference of the WTO in Seattle during 1999. Civil society and NGO groups, including trade unions, student groups, religious charities and anarchists, gathered to protest what they saw as the role of the WTO in contributing to widening economic disparity between the developed and the developing world. Large corporations were the primary target of this action, as they were widely seen by civil society as using the WTO forum to further the global corporate agenda at the expense of developing economies. "Seattle (is seen as) the ultimate chance to stem a tide of international corporate greed that is destroying the environment, sending developing countries deeper into poverty and generally running amok" (Cooper 1999, July 16).

⁴¹ Authors such as Cooper (1997) and Sofer (1988) have suggested that diplomacy is an endangered species.

benefit in a functional symbiosis. One level of this engagement is the business-government interaction; in Reich's 'borderless' world the globalisation of business has made the concept of the national firm superfluous (Reich 1991). However, the agenda is broadened beyond just commercial imperatives and extends to human rights, environmental issues and building the capacity of NSAs to operate more effectively at the side of government. Autonomy and resource limitations bind governments and NSAs together. In a world where governments are more often than not regarded with suspicion, NSAs have a unique opportunity to engage in diplomacy on behalf of or alongside their governments as sovereignty-free actors, with greater legitimacy (Rosenau 1990). Chapter Six on the supplementary role of business in economic diplomacy that follows presents evidence of South African business engaging in this form of diplomacy. This is complemented by the corresponding need for NSAs to gain access to political information and influence over policy decision-making leading to increased interdependence. The agenda for co-operation in catalytic diplomacy is not confined to 'low' politics either; Stedman (1995) points out that it encroaches on the traditional security agenda in the form of preventive diplomacy.

MSD holds that diplomacy is better understood in a broader context than the state-system (Cooper and Hocking 2000: 362). The relevance of the state in diplomacy is not brought into question by MSD; but it does allow for a second culture to exist along-side and in conjunction with the traditional diplomatic process. This approach is founded in a modernist culture of transparency which precipitates engagement with a wide range of actors domestically and internationally.

A network model underpins the MSD approach and the diverse assortment of actors engaged in the international arena necessitates the inclusion of these into the analysis of diplomacy. The contemporary diplomatic milieu is characterised by several spheres of authority whose

representatives are required not only to understand at the domestic consultative level the values, ideas and priorities of their constituencies but also to engage at different levels wherever it is most suitable to attain particular goals and objectives (Rosenau 1990). MSD allows for NSAs not only as consumers of diplomacy but also as producers of diplomatic outcomes (Hocking 2005). A MSD framework allows for a broader agenda than traditional diplomacy theories as well as enabling us to account for economic issues in diplomacy. As such MSD is a particularly analytical framework for addressing the research question posed in this thesis, exploring the extent to and ways in which South African business engage in South Africa's post-apartheid economic diplomacy.

2.6 Conclusion

The preceding theoretical overview has highlighted the need to look beyond the orthodox or traditional approaches to diplomacy studies and IPE scholarship. Both of these disciplines have far more to contribute than remaining locked into the straightjacket of realist IR theories. The study of diplomacy is strengthened by exploring different questions than just the 'high' politics of security. Although it is far more widely accepted than before, that economic diplomacy has a justifiable place in the lexicon of diplomatic research, there is still a tendency to downplay its significance. Further, the predisposition to reify the state as a rational utility maximising actor in both the study of negotiation theory within economic diplomacy and IPE has also resulted in the neglect of a range of other, often more useful, explanations of what we observe in international economic relations.

Expanding the possible framework of what may properly constitute the unit(s) of analysis and framing an ontological position that includes both states and key NSAs in the analysis of diplomacy will enable us to better account for the influences and outcomes within economic diplomacy. This provides a useful starting point for exploring economic diplomacy more

generally as well as a conceptual framework for understanding the role of South African business as NSAs in South Africa's post-apartheid economic diplomacy. Addressing the imbalance of the traditional approach to diplomacy requires a post-rationalist framework that releases diplomacy from the state-centric anarchy-problematic, reframing diplomacy in the context of connecting various social entities such as cultures, economies and states (Lee and Hudson 2004: 358). Diplomacy needs to be understood in the context of an aggregate of public and private views and needs within and beyond the state. A MSD framework enables a polycentric or multi-dimensional analysis of a wider spectrum of actors across a broader range of issues including economics.

This chapter set out to explore the theoretical frameworks for explaining the role of NSAs, in particular private-sector actors, in economic diplomacy. The argument presented is that, far from being the preserve of unitary state actors, economic diplomacy is a process in which NSAs are actively engaging, both formally and informally and at a level well beyond Robert Putnam's two-level game or double-edged diplomacy (Putnam 1988; Evans et al 1993). These actors are not confined to the domestic interest group status usually accorded them. They function as de facto economic diplomats in various fora internationally - both in terms of firm-firm and state-firm diplomacy (Strange 1992). Economic diplomacy requires an analysis that considers a triangle of diplomatic interactions: traditional state-state diplomacy as well as emergent forms of NSA-state and NSA-NSA diplomacy (Stopford and Strange 1991: 209). Saner and Yiu (2008: 101) maintain that an unanticipated consequence of globalisation has been the increasing importance of NSA participation in economic diplomacy. A post-modern diplomacy has emerged that enables multiple stakeholders to participate in international economic relations.

The chapters following explore the extent to and ways in which South African business engages in South Africa's post-apartheid economic diplomacy, using MSD as an analytical framework. The study identifies three modes of engagement or roles that business play in South Africa's post-apartheid economic diplomacy: a consultative role; a supplementary role; and an entrepreneurial role. The empirical chapters describe how and where business engages in these roles and, the impact of South Africa's political economy. In order to do this, Chapter Three describes the political economy of South Africa's historical and post-apartheid economic diplomacy in order to give context to the agency described in the subsequent empirical study. By engaging in empirically-rich research the thesis makes a valuable contribution to the reviewed literature and on-going debates in diplomacy studies.

CHAPTER THREE: SOUTH AFRICA'S POLITICAL ECONOMY

3.1 Introduction

The story of South Africa's rise to economic prominence, political notoriety and then fame is worthy of a Hollywood blockbuster. The first miracle in South Africa was the discovery of gold and diamonds in the 19th Century.⁴² This was also to result in the political system that became the oppressive apartheid regime. The second miracle was the peaceful transition to a fully fledged constitutional democracy in 1994, which gave birth to the 'rainbow nation' of Nelson Mandela. The story continues as post-apartheid South Africa grapples with the enormous challenges of resolving the extreme differences of inequalities of income and wealth in the country. Between 1995 and 2008 the Gini coefficient measuring inequality rose from 0.64 to 0.67 ranking South Africa as one of the world's most unequal countries with 31.3 percent of the population living in poverty in 2009 (World Bank 2011; World Bank 2012).⁴³ In addition South Africans have a low life expectancy of around 50 years (World Health Organization 2012). This misery is exacerbated by high official unemployment levels of 24.9 percent in 2010 and a high prevalence of HIV/AIDS (Statistics South Africa 2011; CIA 2012).⁴⁴ It is no small challenge to address the development needs of more than 50 percent of the population, whilst securing economic growth and fostering a thriving economy, although of course, the two are bound together.

⁴² Diamonds were discovered in the 1860s and Gold in the 1880s.

⁴³ The poverty headcount ratio is calculated as the population in a country living on less than \$0.00 per day at 2005 international prices.

⁴⁴ The unofficial unemployment figure is estimated to be far higher at around 40 percent, due to the fact that discouraged job-seekers who have stopped looking for work are not counted among official unemployment figures. In 2010, an estimated 377,000 children under the age of 15 were reported living with HIV and with a reported number of 5.38m people infected with HIV in 2011, South Africa's epidemic is the largest in the world (UNAIDS 2010: 28; Statistics South Africa 2011). In 2011, the estimated number of children living and orphaned as a result of AIDS totalled 2.01m rising from 1.9m the previous year (UNICEF 2010; Statistics South Africa 2011). Due to reporting anomalies, social stigma as well as the fact that people with HIV/AIDS usually contract a secondary illness which is the ultimate cause of death and this is officially recorded as the proximate cause of death, rather than the original HIV infection, mortality statistics are unreliable. However, South African official statistics reflect that AIDS claimed the lives of 257,910 in South Africa in just one year in 2011 and accounted for 43.6 percent of deaths in the country (Statistics South Africa 2011).

This chapter provides the historical context and background to South Africa's political economy and the crucial role of business from the establishment of capital interests through to the present ANC government's economic diplomacy. It presents a brief economic history elucidating the role of business in the earliest political economy of the country and during apartheid-era sanctions. Understanding South Africa's economic history is fundamental to understanding the present economic drivers and the historical and present power and influence of business NSAs in South Africa. This leads into an analysis of South Africa's economic diplomacy during the apartheid era and the role of business during apartheid leading up to the political transition of 1994. The chapter then explores the various debates on South Africa's post-apartheid liberalisation highlighting the fundamental role of business in influencing the African National Congress (ANC) government's economic policy. The chapter then turns to briefly outline the key economic drivers relevant to South Africa's contemporary economic diplomacy, as background to the subsequent empirical chapters.

3.2 South Africa's historical political economy

Without the discovery of gold and diamonds and subsequently a number of other mineral deposits in South Africa, the economy of South Africa would have remained largely agrarian and it is doubtful whether South Africa would be the important regional and indeed global player in the international economy that it is today (Feinstein 2005). The mining sector has been cited as crucial, not just to the economic process, but also to the important role it played in the development of the apartheid South African state (Yudelman 1984; Crush et al 1991; Fine and Rustomjee 1996). This symbiosis between mining and the state remains a feature of the present political economy (Yudelman 1984). The historical development of mining as the corner-stone of South Africa's economic rise to prominence is essentially the story of the emergence of no more than six powerful privately owned mining companies and their

significant role in the architecture and implementation of apartheid subsequently (Handley 2008). These are Anglo American (including De Beers), Anglovaal, Gencor (formed through the merger of General Mining and Union Corporation), Goldfields, Johannesburg Consolidated Investments (JCI) and Rand Mines (Flynn 1992: 312; Segal 2000). These mining houses were more than just operators of mines – they were co-ordinators of the acquisition of mining rights, mine operations managers and, critically, facilitators of international capital vital for the capital intensive processes of deep-mining (Hamann and Bezuidenhout 2007: 97). Pre-capitalist societies in South Africa were largely agricultural and even this was limited in scope by the climate and geographical difficulties of many parts of the country (Feinstein 2005:2-3). It was the discovery of diamonds and gold that drove the country's first wave of rapid economic growth; within twenty years the mineral revolution accounted for two-thirds of the country's export totals (Wilson 2001: 101).⁴⁵

Massive capital flows from Britain followed, enabling the rapid development of the nascent mining industry (Bundy 1992: 28; Clark 1994: 19). High levels of capital and technological assistance, however, were not matched by a similar abundance of workers (Greenberg 1980). This heralded the beginning of a process of state-driven proletarianisation (Moodie with Ndatashe 1994: 44; Soko 2004: 85). Semi-skilled and skilled labour was imported from Europe and unskilled labour sourced through coercive migrant labour entrenched by successive governments during the apartheid era, aided and abetted by the large mining conglomerates through the Chamber of Mines (Jones 1995: 16-17).⁴⁶ This racially segmented work force, that privileged the role of white semi-skilled and skilled labour whilst exploiting the African labour force and suppressing black miners' wages, became a corner-stone of the

⁴⁵ For a full account of the transformation of the languishing South African economy to the economic powerhouse it became, see Feinstein (2005: 90-112).

⁴⁶ One mechanism for ensuring a steady supply of low-income workers was the taxation of rural blacks thus forcing them into wage labour (Jones 1995)

successive apartheid governments segregation policies (Wilson 2001: 103). Exploitative working conditions, poor health and safety records, suppressed wages and the migrant labour/hostel system were entrenched features of a century of labour abuses later politically entrenched by the white apartheid regime (Trapido 1971: 312; Turrel 1987; Crush et al 1991; Moodie with Ndatashe 1994). According to Feinstein (2005: 112), “this fundamental inequality must be seen, therefore, as an indispensable element in the process by which gold made possible the growth and transformation of the South African economy” (see also Marais 1998).

The mineral boom (commencing with the discovery of diamonds in 1867 and the subsequent discovery of the gold reefs in the Witwatersrand in 1884) provided the impetus for South Africa to embark on the expansion and development of manufacturing and commercial agricultural ventures (Yudelman 1984; Crush et al 1991). Where the mining sector had more or less taken off on its own steam with private capital infusions from Britain in the main, manufacturing and commercial agricultural development was a different matter (Morris 1982: 44). What emerged in South Africa was a dichotomy of power with English-speakers dominating economic power and Afrikaners with the political power, via state dominance (Adam 1971: 73-74; Sparks 1990:46; Sadie 2001: 77).

The development of manufacturing and commercial agriculture in South Africa was a slow process. Until the First World War manufacturing was limited to basic consumer goods – small-scale and labour intensive (Morris 1982). The election of the Pact Government in 1924 changed the face of industrialisation in South Africa, adopting a protectionist stance to promote industrialisation and diversification in the South African economy (Kaplan 1982: 305). In the mid twentieth century commercial agricultural operations began to supplant small-scale producers, many of whom were African (Murray 1982: 238). Government

intervention in the form of import substitution instituted to protect new industries from foreign competition through tariffs and agricultural initiatives received large support through subsidies (Feinstein 2005: 113-142).⁴⁷ The chemical industry is one example of where import substitution was employed. Chemical manufacturing emerged from the need to service the agricultural and mining industry (Miller 2007: 141). Furthermore, such infant industry protection was also intended to create and protect employment for white or European workers, whilst at the same time continuing to ensure a steady supply of cheap unskilled labour from the black population (Bleany et al 1999: 397). Such protectionism was bolstered by the stable gold price, the result of the fixed international gold price, first under the gold standard and then through the gold-exchange standard at Bretton Woods in 1944 (Gelb 1991). This stability remained a factor until 1971.

Protections and massive capital supply saw industry grow as a contribution to GDP from 23 percent in 1948 to 31 percent in 1970. At the time pundits were speculating that manufacturing would take over from gold as the primary driver of the economy (Hobart Houghton 1976: 137).⁴⁸ However, the South African model of Fordism (extending industrialization through mass consumption) was flawed from the outset by the racial bias it entrenched (Hirsch 2005). Black mass consumption was never a factor since wage suppression meant that the burgeoning black population, for the most part trapped in poverty, could not participate in the consumption part of the equation. In addition, manufacturing was driven by capital-intensive technology, rather than designed to absorb surplus labour (Marais

⁴⁷ The Pact Government was a coalition of the National and Labour parties. Import Substitution was aimed at protecting nascent industry from import competition through high tariffs raising the price domestically to such levels that domestic firms could compete with international manufactures. South Africa followed a similar strategy to other newly industrialising economies at the time such as Germany, Canada, Australia and Argentina; with one difference: they attempted to link the policy with creating employment for a privileged minority group – whites (Feinstein 2005:119).

⁴⁸ Gross Domestic Product refers to the sum of value added by all resident producers plus any product tax. Essentially GDP refers to the total domestic product or domestic output by a country in a given year.

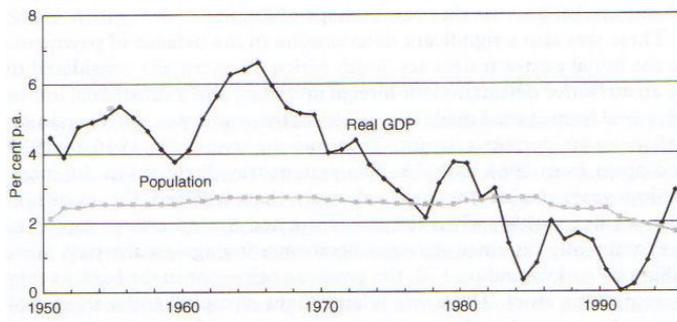
1998: 21).⁴⁹ The industrial sector was thus hamstrung by low wages linked to low productivity (exacerbated by the absence of training and skills development), the small home market and dependence on gold income to fund imports necessary for production processes (Handley 2008: 45-47).

The high dependence on imports of capital goods and technology also made the economy susceptible to balance of payment difficulties (Marais 1998: 120-121). Manufactured exports were initially strong in the period 1948 to 1972 at an average rate of growth of 7.3 percent per annum but this had declined to an unimpressive 1.7 percent from 1972-1984 (Feinstein 2005: 220). The early 80's saw poor export growth, which had calamitous effects on South Africa's balance of payments (forcing the government to restrict imports on which these industries depended) and dampening investor confidence (Feinstein 2005: 221). External shocks such as the early 1970's oil crisis also impacted on the South African economy. As Figure 3.1 below shows, GDP growth rates declined significantly in the 1970s and 1980s. In the 1960's GDP growth had averaged 5.5 percent, dropping to 3.3 percent in the 1970s and 1.2 percent in the 1980s (Gelb and Black 2004: 4).

The mid 80's and early 90's also saw international sanctions limiting the supply of investment; combined with slow growth and structural weaknesses in the economy, due to prolonged and misdirected import substitution policies, the South African economic crisis deepened. With it, political sentiment against apartheid domestically and, particularly, among business grew as it became apparent that access to capital investment (and growth) was reliant on democratisation (Gelb and Black 2004: 8). The impact of the shrinking economy was starkly felt by mainly white South Africans who experienced a decline in real average per capita income terms of around 15 percent from 1984 to 1993 (Hirsch 2005).

⁴⁹ For a more detailed discussion of manufacturing and commercial agriculture in the early industrial development of South Africa see Feinstein (2005) and Trapido (1971).

Figure 3.1 GDP Growth Rates 1950-1990



Source: (Statistics South Africa 2002)

Political transformation commenced in 1990, with the unbanning of various political groupings, the release of Nelson Mandela and the elections which followed in 1994. The demise of apartheid is attributable to various factors and there remains some debate as to the key drivers for transition as evident from the discussion of the radical-liberal debate that follows. Scholars are not agreed on the extent of the role played by business. Some argue that business was more complicit in apartheid than part of the solution (Nattrass 1991; Bond 2000). Others acknowledge the responsibility capitalists share in apartheid, but they contend that a number of sectors of business also lobbied against the system and actively worked for the dismantling of apartheid (Waldmeir 1997; Lipton 2007; Handley 2008). Business pressures for transformation pre-date the transition period of the mid 80s onwards. Such pressures were related, not only to the need for investment and access to capital, but also to the imperative of broadening the domestic market and in response to the implications of the severe skills shortages resulting from apartheid education policies and segregation (Lipton 1986).

The economic history above demonstrates that South African firms and business interests have been an integral part of the political landscape from the earliest beginnings of South

Africa's economic story. As the political drivers have changed through apartheid and the 1994 political transition, business has been critically present and active at every stage. For the purposes of this thesis it is important to get a sense of the extent of business involvement in the domestic/regional/international political arena more generally as this provides vital context to the examination of the role of business agency in South Africa's post-apartheid economic diplomacy.

3.3 South Africa's apartheid-era economic diplomacy

During the pre-apartheid and apartheid eras, South Africa's trade policy was largely one of protectionism and import substitution. Various authors argue that the economic policies advocated by the state during the apartheid era were specifically geared to promoting the explicit interests of Afrikaner capital (Fine and Rustomjee 1996; Van der Westhuizen 2002). In this regard Lipton and Simkins (1993: 6) boldly state that "it was clearly an essential feature of the National Party's (NP) strategy that economic development should not be shaped by market forces but by deliberate state intervention to ensure that it conformed to the requirements of apartheid". Feinstein (2005: 119) concurs noting that "what was unique to South Africa was the attempt to link this [infant industry protection measures] to policies designed to create employment specifically for one group in the labour force, those of European descent." The primary objective of these policies was entrenching the system of white domination. Although South Africa was one of the original 23 signatories of the GATT in 1947, and thus accepted the theoretical idea of trade liberalisation, the government did not undertake anything close to full-scale trade liberalisation. Rather the government focused on export promotion whilst applying domestic protections against import competition (Soko 2004: 113). The apartheid government restricted imports directly through quotas and tariff controls as well as through tight fiscal and monetary policy (GATT 1993b: 4).

South Africa was present at the establishment of the Bretton Woods institutions having been part of the Western allied forces in World War Two. Despite the long historical association with multilateral trade, initially through the GATT, South Africa maintained an ambivalence to trade liberalisation throughout the apartheid period. This is evident in the on-going commitment to import substitution as a policy mechanism, despite the deleterious impact of this on South Africa's economic performance during the 1980s and early 1990s, combined with the broader social context in South Africa (Feinstein 2005: 189).

South Africa questioned whether the fulfilment of its GATT undertakings was appropriate to the country's level of development and commensurate with other industrialised countries. This is evident from the recommendations made in the Reynders Commission Report, which was tasked with evaluating Export Trade in South Africa. The Report raised concerns regarding whether South Africa was gaining sufficient benefit for the concessions being made in the GATT by liberalising access to its markets while other countries imposed a range of restrictions on South African agricultural exports (The Reynders Commission 1972).

Despite the concerns raised by the Reynders Commission regarding the potential negative impacts for South Africa of the GATT system, the Report also highlighted that South Africa still had an interest in the expansion of world trade and that South Africa should therefore remain associated with the GATT in order to avoid further attempts to isolate the country (The Reynders Commission 1972: 78). Instead over the decades, South Africa was able to circumvent most of its GATT obligations by virtue of its increasing international economic isolation as a result of anti-apartheid sentiment (Soko, 2004:122). In keeping with its nationalistic rationale initially of achieving independence from its former colonial mistress, Great Britain, South Africa sought to achieve a manufacturing economy not dependent on primary product exports. As the decades unfolded and international pressures opposed to

apartheid increased, South Africa became increasingly focused on a self-sufficiency agenda based on protectionism (Terreblanche and Natrass 1990:16-17). The country developed an armaments industry, with chemical, metal and engineering spin-offs. Public expenditure was focused on perceived strategic industries, such as the Iron and Steel Corporation (ISCOR) and the Mossgas refinery project (McCarthy 1998: 68). Protection from import competition to secure national strategic industries took the form of subsidies, import surcharges, complex tariff structures and high excise duties (GATT 1993b: 4-5).

The early ambivalence towards trade liberalisation represented tensions between fears that trade liberalisation would constrain South Africa's domestic objectives of self-reliance and export interests in expanding world trade. The Reynders Commission (1972: 78) recommended that rather than withdrawing from the GATT, South Africa should "endeavour to bring about a change in these rules and in their actual application". This sentiment has echoes in post-apartheid South Africa's subsequent participation in the WTO during the Doha Round, where the country has repeatedly called for developing countries to work within the institution to change it from within making trade practices fairer, rather than replacing the system altogether (Lee 2006: 52).

The debt crisis of the mid 1980s, following massive disinvestment in South Africa due to political instability and the intensification of international sanctions, was the trigger for a shift in economic policy orientation by the apartheid government. Export-led growth began to assume greater importance (DTI 1989: 1). This process was further entrenched by evidence emerging from the Asian Tiger economies (particularly South Korea, Taiwan and Vietnam) that the road to economic growth for developing economies was through export-led strategies and a concomitant commitment to market liberalisation (Birdsall and Jasperson 1994). Haggard (1995) points to this phenomenon as indicative that international discourses can be

significant factors in determining economic strategies adopted by developing countries.⁵⁰ This focus on export-led growth was underpinned by the government's appointment of Kent Durr as Minister of Trade and Industry, a firm economic liberal taken from the private sector (Kentridge 1993).⁵¹ This shift towards an export orientation and reducing trade-distorting import tariffs corresponded with the start of the Uruguay Round of multilateral trade negotiations in 1986, in which South Africa participated. These factors indicate that the shift in South Africa's trade policy can be attributed to a combination of domestic factors, international pressures, economic imperatives and the influence of business interests (GATT 1993a). The consultation process around the negotiations at the Uruguay Round of the GATT, occurred within the NEF, which comprised representatives of Congress of South African Trade Unions (COSATU) and business (Fine 1997: 135). In the period following these undertakings, the then Minister of Trade and Industry, Alec Irwin, asserted that South Africa had liberalised its tariffs faster than the terms of its WTO undertakings (Cassim 2006).

3.4 Business during apartheid and at political transition

It is very difficult to conduct an analysis of business involvement in any aspect of South Africa's political system, domestic or international, without taking account of the historical relationship between business and apartheid. One perspective, espoused by radicals or Marxists, holds that business was both a beneficiary of the apartheid system and a co-architect in the discriminatory regime (SACP 1997; Terreblanche 1997).⁵² The South African Truth and Reconciliation Commission (TRC) conducted an analysis of business culpability in

⁵⁰ For further analysis of the so-called Asian Miracle see Amsden (1989); Johnson (1985); Krueger (1993); Krugman (1994); Lall (1981); Williamson (1993); World Bank (1993a).

⁵¹ Economic liberalism here refers to a commitment to an approach that favours minimal government intervention and leaves market and competitive forces to their own devices. The role of government is minimalised to the provision of public goods which private enterprise cannot provide.

⁵² The South African Communist Party (SACP 1997) posits in their submission to the TRC that it "was precisely the captains of industry, particularly those associated with the diamond and gold-mining industry, who pioneered many of the core features of what later came to be known as apartheid."

designing, supporting and perpetuating apartheid, at which various people were invited to submit testimony (Asmal et al 1997).⁵³ Contrasting perspectives that argue business had a role in dismantling apartheid, contend that the TRC hearings were overly influenced by the testimony of neo-Marxist interpretations, particularly the evidence of Terreblanche (Krogh 1998; Lipton 2007). Certainly, the conclusions reached by the TRC on business, that any profitable activity under apartheid was linked to the system and therefore had a shared moral responsibility for its abuses, reflects the views testified to by Terreblanche (1997).⁵⁴ The TRC (2003: 140) stated that “business was central to the economy that sustained the South African state during the apartheid years” and that “the blueprint for ‘grand apartheid’ was provided by the mines and was not an Afrikaner state innovation”. The TRC recommended that restitutive measures including a wealth tax, a one-off levy on corporate and private income, a 1 percent donation by listed companies and/or retrospective surcharges on corporate profit be considered (TRC 2003: 331). A subsequent (and the most recent) TRC document available, Vol. 6 indicated disappointment with the Business Trust, established for reparations payments from the private sector as well as a fund established in Switzerland for contributions by Swiss banks and investors in South Africa.⁵⁵

⁵³ The TRC was established to attempt to deal with gross human rights violations under apartheid between 1960 and 1994. Although the mandate of the TRC was narrowly defined (too narrow for some) to include killing, abduction, torture or severe ill-treatment of any person for political motivation and thus excluded broader human rights violations such as discrimination and dispossession the TRC still held several institutional hearings into business and various other sectors such as churches, youth and health organisations (Natrass, 1999: 373-374)

⁵⁴ The TRC process involved representations by several groups of organised business as well as large corporations and individual corporate executives. For a broader picture of these submissions see Natrass (1999).

⁵⁵ At time of publication in 2003 of Vol. 6 of the TRC Report the Business Trust had received a mere R800 m from the private sector and the Swiss fund less than 0.02 percent of profits made by Swiss banks and investors in South Africa each year during the 1980s. A significant section of this Chapter is devoted to the role of Swiss banks and investors in supporting apartheid and thus sharing moral responsibility for human rights violations.

The radical-liberal debate

The debate around the culpability of business coalesced around two extremes: the radical-liberal or race-class debate (Nattrass 1991; Lipton 2007).⁵⁶ Radical critics of business maintained that apartheid was a system of exploitation that benefited capital and was racially entrenched by the effect that apartheid promoted white wealth and corporate profitability at the expense of black workers.⁵⁷ Marxist analysis held that apartheid's primary purpose through a broad range of policies from influx controls, labour bureaux and broader political suppression was to ensure the steady supply of cheap labour for industry and mining (Legassick 1974: 9).⁵⁸ What this argument fails to take into account, however, is the negative impact that the labour colour-bar had on access to skilled and semi-skilled labour with a deleterious effect on economic performance from as early as the 1960's. As Lipton (1986: 7) puts it "apartheid raised costs of production and made exports uncompetitive".

Radicals argued that "apartheid was designed to serve the interests of the dominant class and was the means by which capitalism could thrive..." (Feinstein 2005: 162). Liberals countered this on the basis that business was in fact harmed by apartheid and that the economic policies of the apartheid government restricted economic growth and development (Samuels 1955: 16; Horwitz 1967: 12; O'Dowd 1974). They argued that "migrant workers, high labour turnover, inferior education, job reservation and other apartheid policies all had powerful adverse effects on the productive efficiency of black workers and thus severely retarded growth" (Feinstein 2005: 162). The economic crises faced by South Africa in the 1970s and 1980s, they postulated, can be attributed to import substitution and a dependency on cheap labour entrenched as part of the apartheid system (Vigne 1997).

⁵⁶ For an extensive review of the debate on ideological impetus behind South Africa's political transformation and the key role players see Merle Lipton (2007).

⁵⁷ Some of the strongest critics of business at the TRC hearings included the Black Management Forum and the Congress of South African Trade Unions (Nattrass, 1999: 380-381).

⁵⁸ Influx control refers to the policy of preventing the migration of families into urban areas. Only people with a legitimate 'Pass' entitling them to work in a given urban area were permitted to stay there.

In the radical explanation, Natrass (1999: 378) maintains that business regarded themselves as victims of the political system and purported to lack the power to change it. This perspective fails to take into account the evidence of leading capitalists in campaigning against an increasingly wide range of apartheid policies on black labour, education, mobility, trade union rights and from the early 80s political rights (Adam et al 1997). Liberals argue that business had become part of the anti-apartheid initiative some time before the release of Nelson Mandela which signalled the beginning of the political transition leading to the elections of 1994 (Lipton 2007). There is substantial evidence of South African business engaging in various forms and levels of activity to dismantle apartheid, both domestically and abroad (Bernstein 1998).

While industrialists were more likely to adhere to the conservative status quo and bankers were more liberal, it was in fact a mining conglomerate in the form of Anglo-American that stood at the forefront of business opposition to apartheid (Handley 2008: 52). Harry Oppenheimer, the CEO of Anglo-American opined that apartheid and economic growth were mutually exclusive and that growth would lead to the rise of a strong black middle-class, a thesis that came to be called the “Oppenheimer Thesis” (Sampson 1987: 95). Additional pressures were brought to bear on the apartheid government by a few business groupings such as the Federated Chamber of Industries and the Urban Foundation. In January 1985, the South Africa Foundation (SAF), representing the major corporations in South Africa, met with two ANC representatives in London foreshadowing a subsequent meeting with the ANC in Lusaka in 1987 (Chapman and Hofmeyr 1994). This was followed by business meetings with the United Democratic Front (UDF) and further sessions with the ANC leadership, culminating in 1988 with the formation of a formal business grouping called the Consultative

Business Movement (CBM) (Eloff 1998).⁵⁹ There were overt initiatives too, such as the furore created in 1987 by the managing director of First National Bank (FNB), Chris Ball, for authorising the funding of an advertisement calling for the unbanning of the ANC (Callinicos 1988: 159). In addition business orientated think tanks, such as the Urban Foundation, were also producing policy recommendations for transformation in the South African political economy (Smit 1992: 39-42).

Radical critics of business rejected the notion of business being opposed to apartheid out of hand – even though recognition was granted that different categories of business were differentially involved and/or affected by apartheid (Greenberg 1987). For radical scholars apartheid was structured around the needs of capital and was supported enthusiastically by business because of the massive profits business made from apartheid (Trapido 1971; Wolpe 1972; Legassick 1974; Terreblanche 1997). The SACP submission to the TRC has a subheading: “Past Oppression goes on earning compound interest” and continues that “corporations...were deeply complicit in institutionalised racial oppression and the systematic undermining of the fundamental human rights of the majority” (SACP 1997).⁶⁰

This introduction to some of the “controversies about capitalism and apartheid in South Africa” is relevant to this thesis because it places in context the often complex and controversial role of business in the political arena, particularly during apartheid.⁶¹ The difficulty in reconciling business and anti-apartheid credentials has stemmed, in part at least, from the radical-liberal debate around whether capitalism could be regarded as a supporter of the anti-apartheid movement. According to Natrass (1991) for radicals the “fight against

⁵⁹ The UDF was a civil society organisation allied with the ANC (which was banned and exiled at the time).

⁶⁰ The SACP is one of the ANC’s electoral alliance partners, along with COSATU. The submission was viewed online and so no page number can be given for the direct quotation.

⁶¹ Borrowed from the title of an article on this theme by Nicoli Natrass: ‘Controversies About Capitalism and Apartheid in South Africa: an Economic Perspective’, *Journal of Southern African Studies*, Vol. 17, No. 4, December, 1991

apartheid was the fight for socialism”, whilst liberals viewed socialism with extreme distaste. Lipton (Lipton 1986: 4) takes issue with such a value-laden distinction of what constitutes a liberal, arguing that liberals in the South African context could hold views anywhere from social democracy to free market conservatives.

The historical misinterpretation conveyed by a radical Marxist perspective, that ignores any evidence of business’s anti-apartheid stance (however diluted) suits the line not only or even primarily of the left-leaning anti-capitalists, but of post 1994 Africanists who find in this misinterpretation a justification for policies that discriminate against white business. A strong case can be made for taking measures against capitalists and capitalism itself but this does not need to rest on distortions of their historical role. This has further political consequences, in poisoning the difficult relationship between ANC and business. The support for many racist policies by sectors of business but not all sectors, should never be ignored or downplayed, but nor should significant shifts in their policies from around the 1970s which had roots in earlier conflicts between business and the apartheid government during the 1940s and particularly with Associated Chamber of Commerce (ASSOCOM) thereafter. The recognition of this growing pressure from business was not just that of liberal analysts, but was by the mid-80s increasingly accepted by Marxists such as O’Meara. In contradiction to what he had written earlier, faced both by the evidence and the course of events, O’Meara (1997) acknowledged that there had for some time been mounting pressures from capital against an increasing range of apartheid policies. These elements of white capital were calling for reform both in the form of de-racialising the country as well as for economic liberalisation (Lipton 1986: 228).

ASSOCOM and the Federated Chamber of Industries (FCI) supported the liberal views espoused in the Buthelezi Commission and Lombard Report.⁶² Oppenheimer, a leading business figure in the liberal camp, regarded “racial discrimination and free enterprise are basically incompatible” (Anglo American 1980). Furthermore, balance of payment crises in that decade forced a more outward driven policy in an attempt to increase exports to mitigate the effects of the balance of payments deficit. Increasing international isolation, accompanied by the cessation of inward capital flows and sanctions meant that South Africa began to count the cost of apartheid (Welsh and Spence 2011: 101). Skills shortages were coming home to roost even as growth slowed (Bernstein 1998). This resulted in increasing domestic pressure from many sections of industry, commerce and commercial agriculture, although some sectors had been raising concerns about the economic impact of skills shortages as early as the 1960’s (Feinstein 2005: 240; Lipton 2007: 44).⁶³

The culminating point of the economic crisis was the withdrawal from apartheid and it was into this era of virtual economic collapse and pariahdom that the ANC launched the first democratic government of South Africa, in 1994 (Bond 2002; Hirsch 2005). This is crucial, because much of the debate around what informed ANC economic policy in the post-apartheid period hinges on understanding the economic context within which policy choices were and continue to be negotiated and decided.

It is evident that South African business has played a key role in many aspects of South Africa’s economic diplomacy, both during apartheid and in the democracy. Business was an important catalyst for political transformation, from as early as the 1960s but particularly

⁶² The Buthelezi Commission was initiated by Mangosuthu Buthelezi to investigate changes to bring about social, economic and political justice in the then province of Natal (South Africa Ministry of Home Affairs 2007). The Lombard Report was commissioned by the Natal sugar industry (Smith 1992: 31).

⁶³ Most notably these include employers’ associations such as Assocom, the Federated Chamber of Industries (FCI), the Steel and Engineering Industries Federation (SEIFSA) and the Afrikaanse Handelsinstituut (AHI).

towards the end of apartheid rule (O'Dowd 1974; O'Meara 1997; Renwick 1997). Michael Spicer, Chief Executive of Business Leadership SA (BLSA), formerly the South Africa Foundation, points out that business was highly critical of and well left of the apartheid government in the decade leading up to the 1994 elections (*Int: Spicer, 2006*). As part of the National Economic Forum (NEF) during the transition government's negotiations business made a significant impact on the ensuing economic policy.

The primary purpose of business in international engagement during the apartheid era was, according to Spicer, to perform the role of international economic diplomacy forfeited by the government as a pariah state. In this instance business NSAs were performing a substitution role in diplomacy and this has resonance with multi-actor diplomacy approaches that outline the lack of legitimacy of state actors on occasion (as South Africa did during apartheid).⁶⁴ The goal was to keep open linkages between South African business and the outside world independently of government, and included sanctions-busting initiatives.⁶⁵ This linking role was expressed through recognisable diplomatic tools such as communication, building relationships, information gathering and sharing and lobbying. Essentially, business performed a bridging role akin to that of mediating between the outside world, foreign business actors, sovereign actors, the exiled ANC and the incumbent government of the National party.

The South African government's on-going commitment to neoliberal economic orthodoxy, the rationale for which has been explored above, is further supported by the role of "liberal social forces" in the form of international capital and business groups (Lee 2006: 15). South Africa's major corporations remain largely white owned (despite BEE initiatives) and

⁶⁴ See Chapter 2, sub-section 2.5, reference to Rosenau (1990) and Hocking's (1999b) catalytic diplomacy.

⁶⁵ Such initiatives included using neighbouring countries like Botswana, Lesotho, Namibia and Swaziland as intermediaries to route exports to broader markets as well as using false documents to send South African goods abroad (Khadiagala 1999: 257-258)

together with the business press have been highly effective at countering socialist elements within the ANC (Fig 2007a).⁶⁶ Eager to disassociate itself from apartheid, business was actively involved in facilitating and funding the negotiations around transition, with the view to protecting its entrenched interests and power (Handley 2008: 66). It was certainly in business's interests to seek a peaceful resolution to the political transition. This is not to suggest that business was the sole undermining force for transition or that all business entities shared this propensity. Other factors were equally significant to the end of apartheid, including the role of mass action and trade union activism supported by international pressures in the form of sanctions and isolation. Context also had a role to play: economic growth leading to an emerging black middle-class, lack of access to capital to generate higher growth, massive skills shortages, and global integration pressures promoting norms of justice, reform and anti-racism (Lipton 2007: 104).

Following transition, the imperative for business was how to ensure that the ANC was guided towards a liberal economic approach and away from its stated goals of redistribution and the concomitant disruptions this would have entailed for capitalist interests (ANC 1992). It is to this issue that the chapter now turns, exploring the drivers and processes that have resulted in the ANC's largely neo-liberal economic policies and on-going commitment to multilateral undertakings such as the WTO.

3.5 Post-apartheid 'liberalisation'

For much of its exiled time, the ANC (influenced in large part by the SACP) upheld a socialist reform policy, including nationalisation of mines, banks and monopoly industry. Formal economic policies had not been articulated but the rhetoric of socialism was

⁶⁶ Although, some commentators such as Moeletsi Mbeki would argue that BEE is simply replacing a white corporate elite with a small black elite, concentrating corporate transformation in the hands of a few influential black business men such as Cyril Ramaphosa and Tokyo Sexwale (Mbeki 2009).

predominant. The Freedom Charter of 1955 (ANC 1955) held redistribution as an important theme:

“The People Shall Share in the Country’s Wealth! The national wealth of our country, the heritage of South Africans, shall be restored to the people; The mineral wealth beneath the soil, the Banks and the monopoly industry shall be transferred to the ownership of the people as a whole; All other industry and trade shall be controlled to assist the wellbeing of the people.”

The lack of specific mechanisms for achieving broadly stated ideals was useful for rallying support from a wide range of supporters, including working classes, professionals, business people and African nationalists (Nattrass 1994: 344). One of the first statements Mandela made on his release was to affirm a commitment to nationalisation as a means of redistribution (Handley 2008: 73).

The debate about the connection between apartheid and capitalism was fierce, with Marxist theorists arguing that replacing apartheid meant replacing capitalism, thus according to Nattrass (1991: 656) “the fight against apartheid [was] the fight for socialism”. Initial economic policy documents emanating from the ANC leading up to the election framed their economic premise as “growth through redistribution”, with strong socialist influences, including a pivotal role for labour in the “planning and execution of industrial policy” (Lodge 1999: 8). This resulted in an inevitable backlash from pro-business elements in the media and policy think-tanks. This massive onslaught was in part responsible for the watering down of economic policy (Kentridge 1993: 7).

Various explanations have been proposed regarding why South Africa should embark on a liberalisation path. Indeed, it is remarkable that it should, given that the new government of South Africa following the 1994 elections was comprised of a coalition of the ANC, the

SACP and COSATU. The Gramscian approach holds that South Africa is a victim of neoliberal hegemony by which South Africa is part of a global neo-liberal convergence process (Bond 2004). Left-thinking scholars such as Bond (2000: 54) contend that business applied a highly effective strategy to devastating effect on the “decades-old redistributive economic ambitions” of the ANC.

A contrasting perspective of middlepowermanship posits that South Africa has adopted a middle power role in the international system and as such plays a strategy of accommodation and challenge, seeking to transform the imbalances of the international system from within as a means of ensuring its role as a significant player in the system (Nel et al 2001; Taylor 2001). Middle powers are middle ranking countries in economic and military terms and seek to strengthen their international influence through multilateral engagement (Cox 1996b: 243). Cooper et al (1993: 16) argue that opportunities are created for middle powers by the “hiatus in structural leadership in the international order”. A middle-power strategy refers to how smaller powers can make influential contributions in a context in which great powers seem to have the monopoly. In this regard Cooper et al (1993: 17) suggest that a middle-power typology can provide a better explanation for the role and behaviour of smaller powers in international politics. A key feature of middlepowermanship is the conciliation role that these actors adopt in mediating in the international arena. This role is often associated with peace-keeping initiatives because middlepowermanship is so closely related to the notion of middle-powers as trust-worthy or occupying a higher moral ground as “good international citizens” (Cooper 1997: 7). However, this is not the sole purpose for adopting a middle power role; middlepowermanship also fulfils an important function in helping the middle power achieve its own societal interests within the existing global system (Black 1997: 141; Pfister 2005: 12).

Katzenstein (1985) suggests that middle-power interests extend beyond strategic political objectives to economic interests associated with underpinning the liberal international order via institutions such as the World Bank, IMF and the WTO. Lee (2006: 56) argues that in positioning itself as a middle power facilitator, South Africa is entrenching itself within the neoliberal orthodoxy. Part of South Africa's strategy for re-engagement was integrating with the world through multilateralism, a feature of middlepowermanship (Taylor 2001: 11; Lee 2006). For example South Africa prefers multilateral fora to bilateral diplomacy as a means of exerting influence (Schoeman 2000). Multilateralism creates the opportunity for smaller states to "participate on an equal footing on the world stage" (Nzo 1999). Through multilateral engagement South Africa has the stated intention of "playing a leading role internationally"(Department of Foreign Affairs 1998). A Coxian-based critical theory perspective concludes that transformation in the world order combined with domestic-societal asymmetries of power, exerted significant pressure on South Africa to emerge as a middle-power (Solomon 1997; Van der Westhuizen 1998). This, in conjunction with a high level of dependence on international support to achieve its goals of reconstruction and development, forced the ANC to adopt a more liberal foreign and economic policy position.

Another explanation is that South African policy elites were hijacked by business influence early on in the policy making stages of the ANC's accession to power. This argument follows on from the radical Marxist perspective and emphasises the role of domestic social forces as influential agents in South Africa's transformation and subsequent policy direction. This is supported by the fact that at the time of its unbanning the ANC had no clearly defined economic policies (Ward 1998: 38). A lack of policy direction in the ANC created an opportunity for South African business elites and capital to launch a 'charm offensive' dedicated to correcting the ANC's perceived economic flaws, through think tanks, studies and direct representation. One account recalls the role of the Finance Minister Derek Keys in

influencing ANC economic head Trevor Manuel and via him Nelson Mandela (Waldmeir 1997: 213). The pro-business media also ran a series of devastating articles highlighting the pitfalls of a mixed economy (Taylor 2001: 61). This resulted in a situation where “business came to play a part in national affairs that is surely without parallel in the world” (Friedman and Atkinson 1994). As Taylor (2001: 61) reports from an interview with Terreblanche “the leadership core of the ANC were wined and dined from morning to night by the “captains of industry”. This explanation is not to refute the relevance of a middle-power approach or a Gramscian take that emphasizes the hegemony of liberalisation as an ideology. In fact the role of business interests in shaping and changing policy can be seen as part of either or both of these processes.

The trend towards liberalisation had thus started very gradually in the decade preceding the ANC’s election to power and has been significantly intensified in the ensuing period both bilaterally and multilaterally (Cassim and Zarenda 2004: 105). South Africa was negotiating multilaterally (in the Uruguay Round that established the WTO) and shortly after becoming a founder signatory through the single-undertaking of the WTO, was negotiating a common market arrangement within the Southern African Development Community (SADC) as well as engaging in protracted negotiations with the South African Customs Union (SACU).⁶⁷ In addition South Africa signed a Free Trade Agreement (FTA) with the European Union (EU), which came into effect in January 2000 (Cassim and Zarenda 2004: 113). In May 2000, the African Growth and Opportunity Act (AGOA) with the US came into effect and included South Africa in the 34 Sub-Saharan countries eligible for trade benefits. Whilst there has been a heavy focus on bilateral and regional trade agreements, and this has been a significant location for much of South Africa’s post-apartheid liberalisation, it does not minimise South

⁶⁷ SADC comprises 14 members including South Africa: Angola, Botswana, Democratic Republic of Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, Swaziland, Tanzania, Zambia and Zimbabwe (DFA 2008b). SACU comprises South Africa, Botswana, Lesotho, Namibia and Swaziland (DFA 2008c).

Africa's role in multilateral fora (Cassim and Zarenda 2004: 116). Increasing liberalisation through multilateralism is thus a feature of the South African economic diplomacy landscape and points to various points of linkage with firms and business interests.

South Africa's economic and trade policy, while certainly being informed by the imperatives of macroeconomic policy, is not the only explanation for the reformist agenda consistently pursued by the post-apartheid government. While exploring the question of economic and trade policy it is valuable to query why the ANC converted so singly to orthodox (neoliberal) economic ideas in the period of transition from Government of National Unity (GNU) to democratically elected party. ANC activists began preaching the benefits of free-market economics very early on in the economic policy making process (Natrass 1994: 355). The collapse of the Soviet Union and the discrediting of command style economies at the time of transition was a crucial factor, along with the failure of socialism in a number of African countries at the time, such as Mozambique and Ethiopia.⁶⁸ Certainly pressures from intense lobbying by International Financial Institutions (IFIs) contributed, although there were also less neo-liberal recommendations from institutions like the World Bank, which called for land redistribution of 30 percent of white-owned land (World Bank 1993b).⁶⁹ A series of corporate-led scenario planning initiatives undoubtedly had a significant effect on the ANC leadership (Hamill 1998: 66; Bond 2000: 54-55; Handley 2008: 74).⁷⁰ Williams and Taylor (2000: 26) cite a similar list of explanatory factors, expanding on the fact that with limited resources the ANC was highly dependent on input from other well-funded and pro-liberal civil society groups: "Representatives of big business continued the educational 'charm

⁶⁸ According to Michael Sachs, head of the ANC's policy and research unit, there was no alternative to capitalism without the Soviet Union (Bond 2004) and (Taylor 2001).

⁶⁹ The neoliberal message was promoted by a plethora of studies and high profile conferences aimed at lobbying the government in waiting (Williams and Taylor 2000: 27).

⁷⁰ Notable among these was the Nedcor/ Old Mutual's "Prospects for Successful Transition"; Sanlam's "Platform for Investment"; the Mont Fleur "Scenarios"; the South African Chamber of Commerce (SACOB) "Economic Options for South Africa" (Handley 2008).

offensive' on the ANC elite in general and Mandela in particular" (Williams and Taylor 2000: 26). Mandela's passionate desire to interact with elite groupings made him vulnerable to the ideas and views of both influential international business leaders and the South African corporate elite.⁷¹ The express purpose of Corporate Scenario Planning exercises was to "significantly alter the mindsets or paradigms through which decision makers see the world" (Lee 1993: 72).

Left wing elements such as COSATU did make attempts at limiting the influence of the barrage of neoliberal ideology on economic policy, with little success. By retaining Derek Keys as Finance Minister (an ex-Gencor executive) in the new government, the ANC sent a clear message that reassured established capital interests that the new government was going to be a safe pair of hands (Williams and Taylor 2000: 29; Handley 2008: 75). In short, the ANC, resource strapped and caught off-guard by their sudden unbanning in 1990, had little by way of ideas or strategies to offer as a counter to the neoliberal consensus foisted on them by a broad array of local business, Washington institutions and foreign capital (Cassim 2006). The Reconstruction and Development Programme (RDP), essentially a compromise document between neoliberal and socialist doctrine, was short-lived. According to Williams and Taylor (2000: 33; Cassim 2006) the rolling out of the Growth Employment and Redistribution Strategy (GEAR) in its place was the embodiment of the triumph of neoliberal ideology (Department of Finance 1996). These developments all indicate that there was a significant role for business in influencing economic policy from the earliest point of the new ANC-led government's rule. This assessment of the primacy of the role of business in South Africa's early economic policy, demonstrates that capital was not inextricably linked to apartheid, although capitalists were certainly complicit in and benefitted from apartheid at

⁷¹ Williams and Taylor (2000: 26) point specifically to the influence of the Brenthurst group, an association of monopoly capitalists formed at the instigation of Anglo-American tycoon, Harry Oppenheimer.

various times prior to 1994 (Lipton 2007: 108). Capital interests were also highly influential in the dismantling of apartheid and the concomitant development of a post-apartheid economic policy.

Discussions over the future economic policy of South Africa at transition reflected a consensus on 3 key points: i) maintaining macroeconomic stability; ii) re-integrating South Africa into international trade and financial markets; iii) redressing the racial skewing of capital ownership and management in both the public and private sector. Some regarded these negotiations as being “significantly influenced by the prevailing international conventional wisdom” of the time (Gelb 2006: 4). Gelb (2006) notes that trade and capital account liberalisation were a prerequisite for international capital inflows in the early 1990’s, when South Africa was undergoing political and economic transformation and re-engaging with the international system at large.

This theory holds that neo-liberal convergence has carried through to South Africa’s increasingly active role in the Multilateral Trading System (MTS). An enthusiastic supporter of multilateralism generally, South Africa has embraced neo-liberal orthodoxy in its trade policy more enthusiastically than most other developing countries (Lee 2006: 63). This is reflected in South Africa’s support for launching the Doha Round (DR), co-option to Green-man status and ‘friend-of-the-chair’ at the 4th Ministerial in Doha. It was also mirrored in central neo-liberal focus of the GEAR programme implemented in 1996. “Pretoria’s international positioning and role has reflected an accommodation to neo-liberal economic globalisation...” (Keet 2002, May: 4). Again, this is evidence of an important role being played by business in economic policy-making processes. The GEAR strategy was replaced in 2006 by the Accelerated and Shared Growth Initiative for South Africa (ASGISA), which

has received little attention from the Zuma administration and has published no annual report since early 2009 (ASGISA 2008).

Much of the literature explaining the ANC government's neoliberal capitalist commitment points to various themes along the lines of a 'neoliberal convergence theory'. Williams and Taylor (2000: 21) argue that the ascendancy of neoliberalism as an ideology has been the result of a process of "active dissemination" by a broad range of "social forces, institutions and intellectual agents". In this way the ideology of neoliberalism has been elevated to the status of an accepted reality, rather than one of a number of ideas. Further supporting the importance of the role played by business actors in the process of disseminating ideas in order to inform and influence policy decisions.

3.6 The present economic milieu

In order to understand and explain the role of business in South Africa's post-apartheid economic diplomacy it is useful to know more about South Africa's key trading partners as export and import markets. Table 3.1 below provides a summary of South Africa's 15 top export destinations by country. The table reflects the total volume of exports for 2006, 2009 and 2010, the ranking of each country, the proportion of total exports going to each of these and the annual growth between 2009 and 2010 in export volumes to this country. Data is included from 2006 to see where South Africa's export focus has shifted, in order to better understand how the emphasis in diplomatic relationships may also be shifting. From the last column it is apparent that 70 percent of South Africa's total exports go to the top 15 export destinations. The remaining 30 percent of total exports is divided between some 231 other countries.

Table 3.1 South African Trade by Country: Exports (2007-2010)

South African Trade by COUNTRY (Rand '000)								
COUNTRY	EXPORT (R '000)			RANK		Proportion 2010		Projected
	2010	2009	2007	2010	2007	% Total	Cum.	Annual Growth
Name	2010	2009	2007	2010	2007	% Total	Cum.	2011-2010
China (Chinas)	58,552,687	48,686,325	24,501,423	1	5	13.2%	13.2%	35.1%
United States NAFTA	52,415,349	41,317,574	52,071,869	2	1	9.8%	23%	11.4%
Japan (N/E Asia)	46,330,557	33,974,651	50,109,199	3	2	9.2%	32.2%	19.0%
Germany (EU)	42,740,052	32,456,864	34,064,713	4	4	7.5%	39.7%	4.5%
United Kingdom (EU)	26,610,710	25,350,209	34,362,668	5	3	4.8%	44.5%	7.8%
India (SAARC)	22,610,710	18,127,454	9,232,017	6	10	4%	48.5%	8.8%
Netherlands (EU)	17,163,722	18,455,683	19,634,216	7	6	3.6%	52.2%	26.8%
Switzerland (EFTA & OTHER)	16,849,011	21,348,936	8,680,635	8	11	3.4%	55.6%	22.5%
Zimbabwe (SADC)	15,116,802	13,295,370	7,968,601	9	14	2.8%	58.4%	21.5%
Mozambique (SADC)	13,855,206	12,994,223	8,680,635	10	12	2.8%	61.2%	27.6%
Korea Republic South (NE ASIA)	13,007,863	7,721,932	8,090,732	11	13	2.7%	63.9%	5.6%
Belgium (EU)	12,449,005	10,560,175	12,146,484	12	7	2.5%	66.4%	21.3%
Zambia (SADC)	11,447,459	11,244,835	9,290,414	13	9	2.5%	68.9%	29.8%
Italy (EU)	10,519,997	9,078,973	10,274,544	14	8	2.2%	71%	22.9%
Taiwan (CHINAs)	7,800,578	6,918,220	6,332,538	15	>15	1.5%	72.5%	13.8%
TOTAL EXPORTS								
ALL COUNTRIES	583,965,528	512,802,515	477,024,769					15.1%

(Source: DTI 2011a).

The data shows that South Africa's top export markets are now China, the United States, Japan, Germany and the United Kingdom. Export growth to China in 2009-10 was 8.2%, but this does not reflect that between 2006 and 2007, exports to China grew by 102.7% (which was then South Africa's fifth largest export market). It is significant to note also, that China was not even among the top 10 destination countries for South African exports in 2002 (DTI 2003; Ligthelm 2004). Also noteworthy is the increasing importance of India (ranked 14th in 2007), which is now South Africa's sixth largest export market with export growth in the

2010/11 period of 22.0%. What is significant about these developments is that South Africa is definitely shifting away from a heavy dependence on OECD trading partners towards a growing relationship with other large developing country economies. This is reflected in a shift in South Africa's economic diplomacy towards a South-South focus. This is further evidenced by the alignment of the South African government with other large emerging economies of China, India and Brazil (and their recent inclusion as a member of the BRICS grouping).

Table 3.2 South Africa Trade by Country: Imports (2007-2010)

South African Trade by COUNTRY (Rand '000)								
COUNTRY	IMPORT (R '000)			RANK		Proportion 2010		Projected Annual Growth
	2010	2009	2007	2010	2007	% Total	Cum.	2010-2009
Name	2010	2009	2007	2010	2007	% Total	Cum.	2010-2009
CHINA (CHINAS)	84,101,670	70,809,455	60,298,345	1	2	13.7%	13.7%	12.8%
GERMANY (EU)	66,784,256	63,256,336	65,620,967	2	1	10.9%	24.6%	12.6%
UNITED STATES (NAFTA)	42,155,143	41,583,951	43,155,143	3	3	8.4%	33%	37.7%
JAPAN (N.E ASIA)	30,996,256	26,321,616	36,978,079	4	4	4.7%	37.6%	4.6%
SAUDI ARABIA (MIDDLE EAST)	23,717,740	26,650,919	25,383,070	5	6	4.5%	42.1%	31.1%
IRAN (MIDDLE EAST)	23,003,027	22,109,679	20,082,502	6	7	4.2%	46.3%	24.9%
UNITED KINGDOM(EU)	22,151,626	21,596,728	27,287,819	7	5	4%	50.3%	24.2%
INDIA (SAARC)	20,749,304	15,416,904	12,510,077	8	11	3.7%	53.9%	22.2%
FRANCE (EU)	17,281,178	17,022,037	18,963,589	9	8	3.1%	57%	7.8%
NIGERIA (WEST AFRICA)	16,082,954	15,599,807	12,480,199	10	12	2.7%	59.7%	31.5%
ITALY (EU)	14,603,025	13,674,888	15,653,589	11	9	2.6%	62.3%	22.5%
ANGOLA (SADC)	14,684,730	11,659,324	15,653,589	12	13	2.2%	64.5%	-17.9%
THAILAND (ASEAN)	13,372,096	12,131,342	10,319,231	13	14	2.1%	66.7%	15.9%
KOREA REP. SOUTH (N.E. ASIA)	12,760,666	9,659,353	12,618,332	14	10	1.8%	68.4%	16%
SWEDEN (EU)	10,237,723	9,395,687	8,112,992	15	>15	1.7%	70.2%	19.9%
Total Imports all Countries	585,385,374	539,966,849	559,649,392					18.4%

(Source: DTI 2011a)

South Africa's main importing sources by country are reflected in Table 3.2, with China, Germany, and the United States the top three sources of imports. The data from the tables reflecting imports and exports also indicates that South Africa still has a trade deficit, with imports exceeding exports by some R17.3 billion in 2010, but significantly less than the trade deficit of 2006 of R65.6 billion.

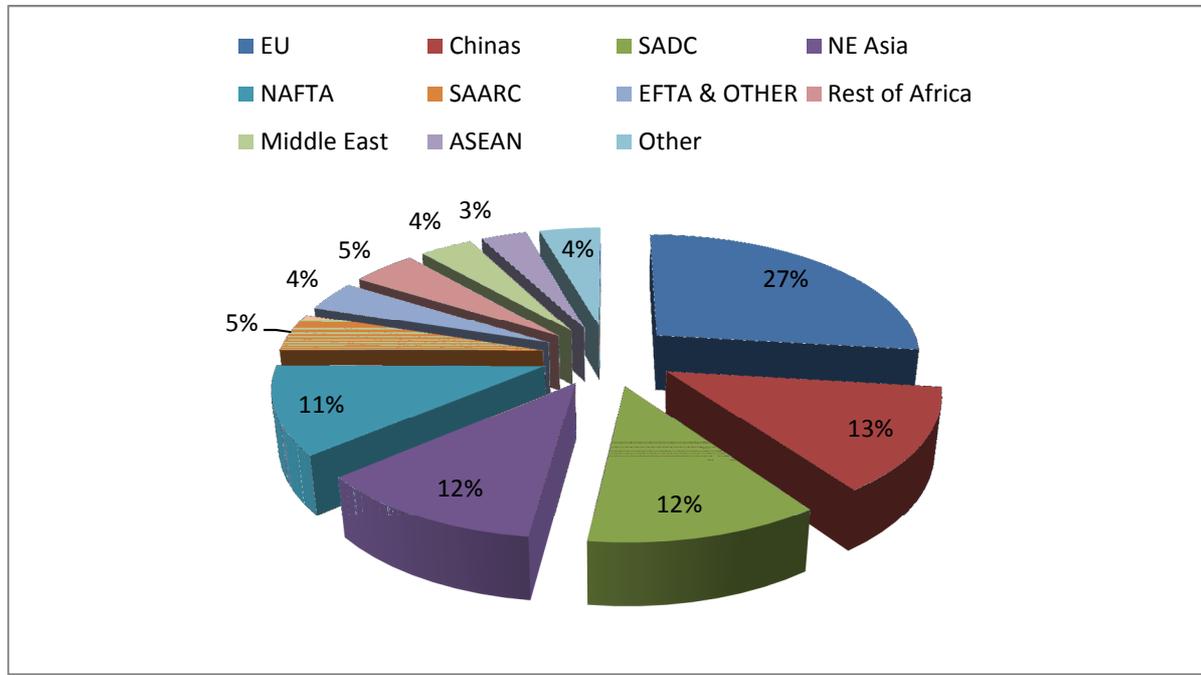
Figure 3.2 shows the distribution of South Africa's exports by region, demonstrating the heavy reliance on Europe as a trading partner, attracting just over a third of South Africa's exports. Asia is the second most important region for exports.

In 2010 South Africa's largest trade deficit was with Asia, followed by Europe. This ongoing dependence on Europe as a trading partner may be significant as an explanatory factor in the negotiating positions South Africa has adopted in various economic diplomacy processes thus far, particularly in the Economic Partnership Agreement (EPA) with the EU. It also explains South Africa's present engagement with India and China in economic diplomacy initiatives such as the IBSA dialogue and BRICS forum respectively. China presents a significant opportunity for South Africa going forward (Davies 2005). South Africa has a negative trading balance with all its trading partners bar Africa which places South Africa at something of a disadvantage in economic negotiations. The trade surplus South Africa enjoys with the rest of Africa must also be viewed in the context of South Africa's status as a perceived economic hegemon on the continent more broadly, but specifically in the sub-region as a member of SADC.

The pie chart in Figure 3.2 below clearly shows that the EU as a whole remains a dominant regional export destination for South Africa. However, taken together, other markets in economies of the South are gaining significant influence. The Chinas and NE Asia together comprise 25% of South Africa's exports. SADC and the rest of Africa account for a further

17% of exports. This trend is obvious evidence of the rising influence of emerging market economies in South Africa's trading relationships.

Figure 3.2: Distribution of South Africa's Exports by World Region (2010)



Source: (DTI 2011a)

Minerals and mining remain a key sector in the economy and South Africa was ranked 9th in terms of World exports of mining products in 2008 (WTO 2010:215). Merchandise trade is the largest element of South African exports with manufacturing an important component (DTI 2011a). The services sector is the least competitive in global terms, contributing very little of South Africa's total export volume, despite being highly developed domestically and the existence of a robust financial services sector which is increasingly attracting foreign investment interest (WTO 2011a).

3.7 Conclusion

This chapter has provided an overview of South Africa's historical political economy, apartheid-era economic diplomacy and the role of business during apartheid, as catalyst for the demise of apartheid and finally as agency in the economic policy-making of the post-apartheid ANC government. A clear role for business agency has been established throughout the various stages of South Africa's economic history. A review of the economic history of the country reveals early on the power of capital interests in transforming South Africa from a small agrarian economy, to a fully- fledged participant in the global economy. The impetus for this transformation was the mining revolution, which enabled South Africa to overtake many colonial and semi-colonial economies at the time. This is remarkable in the context of the change in South Africa's fortunes in the eight decades that followed, from being one of the best performing economies to one of the worst in the early 1990s. Apartheid policies of the job colour bar, restricted workers rights and racist education had cost the economy dearly. Along-side this, the shift through import substitution to an industrial policy focused on developing agricultural and manufacturing capabilities had a calamitous effect. The political impetus for change was driven by a variety of factors including international pressure and domestic resistance, along-side a severe economic crisis, and culminated in the political transformation of South Africa in 1994.

The economic legacy of apartheid combined with a complex economic policy-making process for the ANC led to a highly charged process that highlighted the contentious nature of transformation in a country ravaged by apartheid division and racially biased privilege. South Africa's trade diplomacy from the establishment of the WTO at the UR to the present DR negotiations, tracks a similar path to the unfolding polemic of broader neo-liberal economic policy within the ANC. It is here that the role of business is most clearly evident, both as catalyst for change and importantly as a force for continuity.

Business has had a highly influential role in the politics of South Africa from the earliest stirrings of economic development. Taking this into account is critical to understanding the shifting, yet on-going, role of business through the democratic transition of the early 1990s to the present. The contribution of this thesis to the debates about the role of NSAs in economic diplomacy outlined in Chapter Two is furthered in this chapter by understanding the extent to which South African business has been intimately engaged in various economic policy-making and diplomatic processes throughout South Africa's history. How and why business engages in South Africa's post-apartheid economic diplomacy constitutes the analysis that follows in the forthcoming four chapters.

CHAPTER FOUR: SOUTH AFRICA'S ECONOMIC DIPLOMACY

STAKEHOLDERS

4.1 Introduction

A MSD approach is premised on the notion of diplomatic actors representing a wide array of stakeholders, including the state as well as NSAs. A multistakeholder approach emphasises the synergy between state and NSAs in seeking co-operative solutions to various problems (Frendo 2006: vii). MSD points to a diffusion of the functions and roles of diplomatic processes opening up the diplomatic space for NSAs to participate in policy-making through giving advice and offering expertise (Kurbalija and Katrandjiev 2006: 5). Contemporary politics is characterised by complexity and a broad diversity of state and non-state actors and this is equally true for diplomatic processes that enable people to engage within this polity (Hocking 2006: 15). Furthermore there is increasing recognition that the participation of NSAs in diplomatic processes is both useful and desirable and that these actors can make a valuable contribution (Valencia 2006: 85). Including multiple stakeholders in economic diplomacy gives expression to a broader range of social interests and changes the role of government officials from gate-keepers to facilitators or coordinators (Katrandjiev 2006: 134).

4.2 Government Institutions

These state actors describe the institutional capacity of South Africa relating to trade-policy making and the execution of economic diplomacy initiatives including negotiating international trade agreements. These include the Department of Trade and Industry (DTI), Department of International Relations and Cooperation (DIRCO), Department of Agriculture,

Forestry and Fisheries (DAFF), National Treasury, the Presidency and Parliament. The discussion below outlines the chief responsibilities and functions of these departments.

The Department of Trade and Industry

The DTI is the primary department responsible for formulating and executing trade policy. The department has a number of institutional resources at its disposal such as the International Trade and Economic Development Division (ITED), the International Trade Administration Commission (ITAC) and Trade and Investment South Africa (TISA). It is within ITED that trade policy is determined and under which bilateral and multilateral trade negotiations are conducted (trade diplomacy). ITED comprises two sub divisions: International Trade Development and African Economic Development. The aim of ITED is to seek “to develop global trade and investment links with key economies, promote economic development, negotiate preferential trade agreements and support a strong, equitable multi-trading system” (DTI 2011c). ITAC is responsible for trade administration with a stated objective of creating “an enabling environment for fair trade, through the efficient and effective administration of trade instruments” (DTI 2011b). Specialist units are responsible for international trade instruments and technical advice, trade remedies and import/export controls. TISA manages the promotion of exports and inward investment (commercial diplomacy) (DTI 2011d). ITED performs the primary co-ordination function for all three.

Department of International Relations and Cooperation (DIRCO)

DIRCO, formerly the Department of Foreign Affairs (DFA), remains an important departmental resource and partner with the DTI in providing foreign mission facilities. DIRCO further ensures consistency between South Africa’s trade negotiations and broader foreign policy objectives and international obligations (DIRCO 2010a). In the Strategic Plan for 2010-2013, under priority number five, DIRCO identify the need for strengthening

political and economic relations through enhanced economic diplomacy. This entails the need to improve and develop capacity in economic diplomacy at missions and Head Office (DIRCO 2010a: 14). The Plan further identifies trends in international relations to “broaden the playing fields by facilitating the involvement and participation of non-state actors and private business, national and multinational” in the country’s diplomatic processes in order to enhance expertise in globally competitive markets (DIRCO 2010a: 24). Furthermore, DIRCO prioritises the importance of participating in consultative processes such as government clusters (DIRCO 2010a: 25).

National Department of Agriculture, Forestry and Fisheries (DAFF)

Agriculture is the key element of concern to trade diplomacy within this department, particularly regionally given the importance of agricultural issues to most SADC states.⁷² There is historical competence brought into the DAFF from the apartheid-era Department of Agriculture with particular strength in consultative mechanisms in the Agricultural Trade Forum (ATF).⁷³ This forum facilitates consultation processes between multiple stakeholders in agriculture, including industry and departmental officials to formulate positions on agricultural trade (DAFF 2007: 28). In addition the department maintains links with agricultural economists in university-based research organisations. The DAFF also promotes multilateral engagement with the UN Food and Agriculture Organisation (FAO), the WTO and the Consultative Group on International Agricultural Research (CGIAR); and bilateral relationships with the US Department of Agriculture (USDA) and the European Commission. The department has specified international trade functions including ensuring South Africa’s agricultural interests are represented, analysing international trade and marketing policies and the impact of these on the agricultural sector in South Africa and advising on agricultural

⁷² See Chapter Six for an example of the role played by the DAFF, supported by the South African Liquor Brands Association (SALBA) in the EU Wine and Spirits negotiations.

⁷³ See Chapter Five for reference to the consultative role of business NSAs in economic diplomacy.

trade policy. The International Trade Directorate within the DAFF represents the department at international fora and negotiations as well as providing administrative support in granting permits, monitoring quotas and other elements of trade facilitation pertinent to trade agreements and international commitments (DAFF 2011).

National Treasury

The National treasury is tangentially involved in South Africa's trade policy and economic diplomacy in its capacity as the manager of South Africa's public finances (National Treasury 2011). The Treasury has an interest in trade matters by virtue of the links between trade and debt in the country as well as international currency implications for trade policy and negotiations. Trade policy is of significance to the treasury in debates around industrial policy and protectionist demands and how these may be connected to the country's current account deficit (Draper et al 2010: 264).

The Presidency

The Presidency performs a coordinating function, drawing various departments together in clusters of key related ministries. Where trade policy and diplomacy is concerned there are two relevant clusters. The first is the Economic Sector cluster, which focuses on providing "research, analytical, advisory, policy and strategic support to The Presidency" (The Presidency 2011). The Economic Sector is also the coordination point for the Presidential Working Groups of Trade Unions, Big Business, Black Business and Commercial Agriculture. The second, the International Relations and Trade cluster comprises the Department of International Relations and Cooperation, Department of Defence, the South African Secret Service, the DTI, the National Treasury, Department of Environmental Affairs and Tourism, Department of Justice and Constitutional Affairs and the Department of Science and Technology. The wide range of departments included in the International

Relations and Trade cluster reflects the inclusion of strategic policy issues in this group. The recent establishment of the National Planning Commission (NPC) headed by Trevor Manuel (former Minister of Finance) promises to bolster the role of the Economic Sector cluster's longer-term planning, although he faces opposition from the left leaning members of government in COSATU and the SACP (Hartley 2009, November 16). The NPC includes Commissioners from business such as Bobby Godsell (retired businessman and former CEO of AngloGold Ashanti) Cyril Ramaphosa (Deputy Chairperson of the NPC, former trade unionist turned businessman) and Vincent Maphai (Executive Director Corporate Affairs and Transformation at SABMiller, former chairperson of BHP Billiton) among a panel of Commissioners with wide ranging expertise covering finance, industry, telecommunications, biotechnology, climate change, education, health, food security and water engineering (Zuma 2010; NPC 2011). Intra-government coordination is to be the responsibility of the Department of Economic Development, newly established in May 2009 (Manuel 2009).

Economic Development

This new ministry was established in May 2009, after political pressure from COSATU and the SACP, under the auspices of Minister Ebrahim Patel, a former trade unionist in response to the appointment of Trevor Manuel to the NPC in The Presidency. Mr Patel was the long-standing Secretary General of the South African Clothing and Textile Workers Union (SACTWU). He was responsible for successfully lobbying for the imposition of import quotas on Chinese textiles at the beginning of 2007 (van Eeden 2009). The ministry outlines its key responsibility as coordinating the country's New Growth Plan and overseeing other related government entities' work on economic development (Economic Development Department 2012). A vital component of the department is to facilitate transformation of the economy and address structural constraints exacerbating unemployment. Early indications are that the Economic development Ministry is competing with the National Treasury for policy

space in coordinating economic policy (Draper et al 2010: 265). The department has already engaged in policy interventions through NEDLAC where it was instrumental in the negotiation of a distinctly protectionist framework response to the global economic crisis (Government of South Africa 2009). The New Growth Path is focused specifically on a job creation strategy for South Africa and includes reference to the role of the developmental state as an institutional driver of employment as well as emphasising the importance of joint commitments from business, investors, workers and civil society along-side the government-led initiative (Economic Development Department 2011).

Parliament

South Africa's trade negotiations are conducted by trade diplomats such as Xavier Carim (Deputy Director General (DDG) ITED) and Faizel Ismail (Head of South Africa's Permanent Mission to the WTO, Geneva) supported by other members of the delegation and, in the broader context, business, trade unions and civil society representatives. Once a trade agreement has been negotiated and concluded however, it still has to be ratified by Parliament. The Cabinet makes a final decision and the Minister signs off on this before submitting it to Parliament for final ratification (Cronje 2011). The negotiators may have to make representation on the terms agreed via a memorandum to Parliament explaining what concessions were traded and advising to the best of their ability what Parliament should do; but at the end of the day agreements are ratified in Parliament (Draper et al 2010: 265). Groupings outside of government departments also make representation to Parliament urging them not to ratify various undertakings, such as for example a call by the TAC and Section27 (a civil society group for social justice) urging Parliament not to ratify WTO decision on Paragraph 6 of the Doha Declaration on TRIPS and Public Health as requested by Cabinet on March 16, 2011 (TAC and Section27 2011). There are occasions that Parliament has not ratified agreements, such as the EU Wine and Spirits Agreements adopted by the EU in 2002,

but not as yet ratified by South Africa's Parliament and a Fisheries Agreement with the EU remains unratified as a result of "irreconcilable mandates between South Africa and the EU" (DIRCO 2012).

4.3 Non-State Actors (NSAs)

There are several key groups that constitute NSAs relevant to South Africa's economic diplomacy, including political organisations, NGOs, research institutes, think tanks and business groups. This section identifies multiple stakeholders in South Africa's economic policy and diplomacy but focuses primarily on business NSAs.

ANC

As the ruling political party in South Africa by a significant majority the ANC has a dominant role in establishing economic policy, via the Economic Transformation Committee (ETC) (Lodge 1999).⁷⁴ The ETC coordinates the economic policy responses of the tripartite alliance in government (ANC, COSATU and SACP) and has several sub-committees including a trade committee chaired by the Minister of Trade and Industry (ANC 2011). An example of its deliberations is the recent instruction by the ANC General Council to conduct an investigation into nationalisation of mines and more broadly to include banking and manufacturing (Africa Confidential 2011). In 2006 the ANC established a forum for business engagement called the Progressive Business Forum (PBF) to facilitate vital communication and on-going dialogue between government and all sizes of business (PBF 2010).

⁷⁴ Although, the discussion in Chapter Three demonstrates that other stakeholders also play a significant part in influencing and shaping that position.

COSATU

COSATU, one of the tripartite alliance governing South Africa and the foremost trade union alliance in South Africa, was established in 1985 to unite various trade unions opposed to apartheid (COSATU 2011). The organisation has international alliances to the International Trade Union Confederation (ITUC), Organisation of African Trade Union Unity (OATUU) and the International Labour Organisation (ILO). By virtue of their constituency, COSATU have been key drivers of industrial policy and opponents of trade liberalisation initiatives (Draper et al Vavi 2008, November 4; 2008, October 31).

Business Associations

The first business association in South Africa was the Chamber of Mines established in 1887 (South African Chamber of Mines 2010). Other industry associations followed and in 1892, the Association of Chambers of Commerce and Industry (ASSOCOM) was formed followed in 1917 by the Federated Chambers of Industry (FCI) (Hill 1983: 66). These three early associations merged in 1990 to become the South African Chamber of Business (SACOB) which later became the South African Chamber of Commerce and Industry (SACCI) (Handley 2008: 64). The SAF was formed to represent the top 50 biggest companies in South Africa with goal of representing private sector interests at national level.⁷⁵ In the 1980s business associations were still organised along racial and ethnic lines and SACOB and SAF represented English-speaking white business interests. Afrikaans business was represented by the AHI. Black business as described above was a relative late-comer, with the Foundation for African Business and Consumer Services (FABCOS) founded in 1988 representing the informal sector, mainly the taxi industry (FABCOS 2010). The National African Federated Chamber of Commerce and Industry (NAFCOC) dating back to 1964, was an association of small and medium sized businesses and retailers (NAFCOC 2011). The Black Management

⁷⁵ SAF later became BLSA and their role is discussed in greater detail in Chapter Seven.

Forum (BMF) was founded in 1976 to represent professionals and business leaders (BMF 2010a). As is clear from the discussion above these groups coalesced into two main voices: Business South Africa (BSA) representing white business and the Black Business Council (BBC) for black business. Business Unity South Africa (BUSA) emerged in 2003 as the merger of these 2 groupings. Many of the constituent members of BUSA retain their institutional identity and offer independent views and statements from time to time. For example in July 2011, Business Leadership South Africa (an institutional member of BUSA) issued a separate press release on the issue of calls for nationalisation of the mines by the ANC Youth League (BLSA 2011). In another instance the Chamber of Mines (also a BUSA member) issued its own press release in 2011 offering a formal response to Minister Pravin Gordhan's medium term budget policy statement following a press statement by BUSA on the same topic (Chamber of Mines 2011; BUSA 2011b)

Black Business

Given the historical context outlined in Chapter Three it is necessary to give some background to the racial politics of business organisation in South Africa. The section that follows provides a brief overview of the often confusing and convoluted landscape of various initiatives at establishing business representation through business associations during the apartheid era and afterwards. Some scholars point out that black business leaders are "still usually too busy negotiating deals and growing their businesses to have the time and resources for systematic engagement in wider macro debates over the long-term prospects of the economy" (Dlamini 2004: 177). This is belied by the fact that one of the new highly successful black businessmen in South Africa, Tokyo Sexwale, is now a member of the government, having been appointed by Zuma as the Minister of Human Settlements.

Early attempts to develop greater black participation in South Africa's economy were spearheaded by the NAFCOOC - a black business association (Chabane et al 2003: 22). The ANC has repeatedly referred to the importance of affirmative action in advancing access to the economy for persons previously denied access (ANC 1992). This was reinforced in the RDP, but no mention is made as to how this is to be achieved (Southall and Sanchez 2007: 208). Developing black business was crucial to Mbeki's thinking, so much so, that similar to his Big Business Working Group (BBWG) he also established a black business working group with which he regularly met. It was at one of these meetings that the concept of BEE was born. The idea emerged out of a consensus that if black business was to become more influential it would need to be more organised (Gumede 2007: 286).

Many BEE executives have an extensive network of roles on the boards of a number of South African corporations as well as world-wide. Cyril Ramaphosa, founder of Shanduka Group, an empowerment company with investments in resources, energy, real estate, banking, insurance and telecommunications, is a case in point. Apart from board memberships of the Bidvest Group and MTN and non-executive positions on Mondi (unbundled from Anglo American), Macsteel Holdings, Alexander Forbes, Standard Bank and SABMiller, Ramaphosa also sits on the Coca Cola Company International Advisory Board, Unilever Africa Advisory Council and was the first deputy chairman of the Commonwealth Business Council. He is also honorary Consul General for Iceland (Butler 2007).

Tokyo Sexwale too has extensive roles through directorships on, among others, Absa Group Limited, Altech and Goldfields Limited. He is the honorary consul general of Finland in South Africa. Leslie Maasdorp, vice-chairman of Absa Capital and Barclays Capital is also

chairman of black empowerment investment company Yard Capital.⁷⁶ Between 2002 and 2006, Maasdorp was the first African to serve on the International Advisory Board of Goldman Sachs International. He has held government positions as DDG of the Department of Public Enterprises where he led the privatisation programme and previously as a policy advisor in the ANC's department of Economic Planning. He was also nominated as a Young Global Leader by the World Economic Forum (WEF) and is Vice-President of BLSA (BLSA 2010b).⁷⁷

Peter Moyo, one of three founding partners of the BEE group, Amabubesi, has at various times held positions as the Deputy Managing Director of Old Mutual, Chief Executive Officer of Alexander Forbes Preference Share Investments Limited and is currently Chairman of the Audit Committee of Telkom, Chairman of the Audit Committee of the Auditor General's Office, Chairman of the board of Vodacom and Chairman of Willis South Africa, in whom Amabubesi has also taken a sizeable share (Amabubesi 2011).

This sort of broad involvement across very powerful vested business interests indicates a growing diversification of power in the South African corporate landscape. Interestingly the lines between private sector and government are blurred not just at domestic level but also in the diplomatic recognition offered through the roles of honorary Consul General to both Ramaphosa (Iceland) and Sexwale (Finland) (Global Business Leaders 2011; Who's Who Southern Africa 2011a).

There is a historical bias in South Africa to ethnicity and race in private sector power; under apartheid that was the Afrikaner via the National Party; under the ANC it is black economic empowerment that is emphasised (Handley 2008: 99) . However, "comrade capitalism" as

⁷⁶ Barclays acquired a majority share in Absa, South Africa's largest retail bank, in 2005 for £2.9bn (BBC News 2005, May 9).

⁷⁷ See Chapter Seven for more on the role of BLSA in SA's economic diplomacy and the role of big business.

depicted by Iheduru (2002: 73) does not necessarily mean a descent into neo-patrimonialism where state and business interests are virtually inseparable.⁷⁸ Despite the concerns being voiced about crony capitalism emerging in South Africa's political elite the state is not yet all-powerful and the private sector remains able to exert influence both directly and indirectly on the government.

National African Federated Chamber of Commerce and Industry (NAFCOC)

NAFCOC was one of the earliest proponents of transformation and this remains a central tenet in their policy. According to NAFCOC National President Lawrence Mavundla "ownership of enterprises must be transferred into the hands of the majority sooner rather than later" (Khwebo 2010: 7). The by-line of NAFCOC is "To be the leading voice of business in South Africa" and NAFCOC has set out, in its "Vision 2014" planning document, to establish partnerships with government and parastatals and to focus on international relations among other goals (NAFCOC 2010). NAFCOC engages in lobbying and advocacy initiatives for job creation and economic development while promoting responsible citizenship. Their primary constituency is small, micro and medium enterprises (SMMEs). This harks back to the early role NAFCOC played at its establishment in 1964 representing the needs of informal black traders and developing management skills and business opportunities for their members.

At inception NAFCOC was focused on empowering black entrepreneurs and thus associates strongly with the imperatives of the BEE agenda (NAFCOC 2010). At its 45th annual conference in Johannesburg early in 2010, under Resolution 1: Programme of Action, NAFCOC broke with past tradition and aimed to begin interacting with foreign business delegations visiting South Africa, commencing the first initiative to expose their SMME

⁷⁸ Neo-patrimonialism refers to corrupt patronage by the state of private actors to garner support and loyalty (Eisenstadt 1973).

membership to international opportunities (Khwebo 2010: 5). Part of this vision is to strengthen relations with international partners, especially international trade institutions. One of the first initiatives under this goal was to undertake two overseas visits, one to the Democratic Republic of Congo (DRC) and the other to the United Arab Emirates (UAE). The DRC visit was as part of a gaming and lotteries consortium, in which NAFCOOC holds a 30% stake, which had been granted a license in DRC. At the signing ceremony, Mavundla claimed in an interview that the consortium's investment was a response to the call from government to assist in the DRC's reconstruction efforts of the war-ravaged country (Khwebo 2010, May 26). The trip to the UAE was intended to form linkages with various business chambers in that country and NAFCOOC attended as part of a bigger South African business delegation of some 72 business representatives, which was organised by the ANC's Progressive Business Forum (PBF 2010).⁷⁹ NAFCOOC is also in discussions with several African embassies about establishing NAFCOOC-led trade missions to those countries (NAFCOC 2010).

The Black Management Forum (BMF)

The BMF was founded in 1976 to deal with issues of equality and socio-economic transformation. The association represents the development and empowerment of managerial leadership for black people which reflects the demographics of wider society. The BMF regards itself as non-partisan and pro transformation. As part of the Black Management Council the BMF was responsible for the resolution that resulted in the Black Economic Empowerment Commission (BEEC) chaired by Cyril Ramaphosa (BMF 2010b). Until July 2011, the BMF was a member of BUSA, when it withdrew from the broader association citing frustrations with the lack of institutional transformation within BUSA. The criticism was triggered by the resignation of Jerry Vilakazi (CEO for five years) and the failure of the

⁷⁹ The ANC's Progressive Business Forum offers members the opportunity to attend international visits as part of the official delegation (PBF 2010).

organisation to appoint a BMF approved candidate as his replacement (Polity 2011). This event triggered the resurrection of the BBC under the chair of Patrice Motsepe, to act as an umbrella body for all black business. Announcing the launch of the BBC at a Black Business Summit on the 7th of September 2011, the summit confirmed that black business would temporarily suspend all participation in BUSA (Hannah 2011, September 8). Three weeks later, Motsepe spoke about a rapprochement with BUSA on the grounds that unity between all business people was absolutely fundamental but could not simply sweep away alienation and ostracism felt by black business (Creamer 2011, 21 September). A team was appointed to negotiate unity with BUSA around key institutional issues such as the organisation's constitution and governance before the 2012 ANC policy conference.

South African Chamber of Commerce and Industry (SACCI)

SACCI is by far the largest of the business associations in South Africa with a membership of 20,000 businesses (mostly small and medium-sized), but also including 80 large corporations and 20 national sectoral associations as well as 50 regional chambers of commerce (SACCI 2010). Large regional chambers such as the Johannesburg Chamber of Commerce (JCCI) and Durban Chamber of Commerce and industry (DCCI) and Cape Chamber of Commerce and Industry (CCCI) have split away from SACCI. The large numbers of SMMEs which constitute SACCI's membership explain the focus of the Chamber on issues of concern to smaller enterprises, such as bureaucratic red-tape and reducing the cost of doing business in South Africa (SACCI 2011). The Chamber is represented on a number of government bodies as well as regional bodies such as the SADC Chambers of Commerce and Industry. SACCI appears to be primarily focused on domestic issues and in fact does not have the resources to address broader international trade diplomacy issues on behalf of its membership (*Int: Droski 2009*). A review of the SACCI website reveals that no press release related to trade agreements whatsoever after 2008, when a single press release merely lamented the break

down in the Doha talks but offers no views on the key issues or suggestions on a way out of the impasse.

Under its policy areas trade policy/ diplomacy is not listed as an aspect of focus. Trade is given as a heading on the website, but refers to a bulletin which advertises various business opportunities in different countries, such as Turkey seeking buyers and contacts in SA for surgical instruments or an Indian packaging company advertising for new markets in South Africa. There is also a links tab that provides access to the DTI and other government services, the WTO, International Chamber of Commerce (ICC) and various other information sites such as trade networks and trade journals - but does not provide details on any of South Africa's existing trade agreements or those under negotiation or any views on issues of pertinence to ongoing WTO negotiations in the DDR (SACCI 2010).

Business Unity South Africa (BUSA): Interlocutor of choice

BUSA's by-line on their web homepage is "One Voice for Business". BUSA was born out of the merger between the BBC and BUSA in 2003 (BUSA 2010a). BUSA is gaining an increasingly influential profile with the Zuma administration and the dominant position occupied by big business may be waning with the elimination of Mbeki's BBWG, in favour of renewed emphasis on NEDLAC (Business Day 2010, July 29). As far as South Africa's economic diplomacy goes, BUSA is emerging as a very influential partner to government in terms of inviting representatives to participate in various activities.⁸⁰

Common concerns about BUSA from the interviews conducted related mainly to the under-resourcing of the institution. Until relatively recently BUSA had little trade capacity (true for most business associations and companies in South Africa). It was only recently in 2009, that

⁸⁰ See Chapter Five for further discussion on BUSA's role in facilitating business participation in formal State visits as part of the discussion on the supplementary role played by business NSAs in South Africa's economic diplomacy.

BUSA issued a formal statement at the WTO, along-side other business associations on the Non-Agricultural Market Access (NAMA) negotiations (BUSA 2009). A further challenge for BUSA is getting its members to agree to common positions on different issues, given the broad diversity of business interests represented doing so is no small achievement – but it does limit the scope for lobbying (*Int: Parsons 2009*).

BUSA is increasingly becoming government's "interlocutor of choice" and the DTI formally recognises BUSA as the co-ordinating body for arranging business attendance at various functions including formal state visit delegations (BUSA 2010b: 20).⁸¹ While BUSA has little economic power, compared with the large conglomerates, its political clout is significant since the association has no apartheid history (*Int: van Vuuren 2009*). BUSA is also the recognised business representative at NEDLAC which is consolidating BUSA's standing and enhancing business interest in the association (Majokweni 2011).

BUSA is based on a committee structure: subcommittees are formed around specific tasks or interest areas such as electricity supply and pricing. These then develop various positions and a member of the committee or BUSA staff member will prepare drafts which are circulated to the broader membership for input or approval. Sometimes BUSA will submit divergent opinions on things (not a preferred option) but did do so recently on preferential procurement where some members had a different view from the consensus and they made their own submissions to argue their view points. Such submissions are often presented to Parliament. BUSA has a business parliamentary office in Cape Town staffed by three people, responsible for Parliamentary lobbying, a function previously fulfilled by SACCI.

⁸¹ During 2010, BUSA coordinated business participation as delegates on 7 official State visits to Turkey, India, Russia, Lesotho, China, Syria and Kenya.

Business Leadership South Africa (BLSA) – representing big business

“Business Leadership South Africa is an association of South Africa’s largest corporations and major multinational companies with a significant presence in South Africa. They are represented on Business Leadership’s Council and Board at the level of Chief Executive Officer or Chairman” (BLSA 2010b). Formerly the South Africa Foundation, the association was formed in 1959 and had a significant history of engagement with government during apartheid, around the political transition and in the post-apartheid political economy of South Africa (Taylor 2007: 171). BLSA is also a constituent member of BUSA. Although much is made of the political leverage of big business, as discussion above has noted, the Zuma administration is presenting a new landscape for business engagement and this is reflected in the mission statement of BLSA which states that “a core mission of Business Leadership South Africa is to facilitate an effective business dialogue with government. This, as with other activities requires working closely with Business Unity South Africa (BUSA), the mandated national representative body of business, and with other business bodies” (BLSA 2010a).

Even this recognition is a significant shift in perspective from the big business contingent in South Africa. The association confines its role to dealing with issues of collective interest to business as whole, leaving industry concerns to industry and sectoral associations and does not purport to represent the interests of any individual company. As an association BLSA is largely silent on matters of trade diplomacy at multilateral and regional or bilateral level. Its focus appears to be more on domestic economic policy-making and this would seem to support the assertion of this research that big business finds little value in attempting to participate in broader trade diplomacy, partly due to perceived limitations of NEDLAC as a

consultative mechanism, and a tendency to pursue economic goals through go-it-alone diplomacy as and when necessary.⁸²

Industry Associations

This section does not attempt to provide an overview of all the industry associations active in South Africa, they number in the hundreds. It is not pertinent to an understanding of the extent to which and ways in which business engage with South Africa's economic diplomacy. What is covered in this section is reference to specific industry associations with relevant examples of engagement in South Africa's post-apartheid economic diplomacy. In the main, industry associations tend to focus on the domestic policy agenda and the regulatory environment. They find it more difficult to engage on issues of trade diplomacy by virtue of being seen to represent a small section of the broader economy with sectoral interests (*Int: Lotter 2010*). Many industry associations are members of BUSA in any event (BUSA 2011).

Think Tanks and Research Institutes

There are a number of research institutions and think tanks that make an important contribution to developing the trade capacity of South Africa's negotiations, such as the Institute for Global Dialogue (IGD), South African Institute for International Affairs (SAIIA), Trade Law Centre for Southern Africa (TRALAC) and Trade and Industrial Policy Strategies (TIPS). These can be seen as forming part of a policy network along-side other stakeholders. Stone (1997) defines a policy network as a set of relationships which link different actors around common or shared interests and which results in the sharing of resources in pursuit of these common goals. Such policy networks encourage cooperation and learning and result in more efficient use of knowledge (Reinicke 1998). The increasingly

⁸² See Chapter Seven for a discussion of the entrepreneurial role played largely by big business in South Africa's economic diplomacy.

complex world of international cooperation creates a space in which networks of knowledge-based experts - epistemic communities - play a significant role in helping actors understand the key issues (Haas 1992: 3).

In the South African context the TIPS focuses specifically on the quantitative elements of trade policy, such as measuring trade flows and tariff structures with the view to providing material technical input to negotiation processes. The organisation was established by the DTI in 1996 and is a registered non-profit economic research institute. TIPS has an extensive academic network through which it accesses and disseminates valuable policy-related research to inform wider debates on trade policy within the country (TIPS 2011a). Recent research has included policy briefings on SACU service negotiations (TIPS and TRALAC 2011b), Industrial Policy development in SACU (Mbuta 2011) and trade and climate change policy implications for South Africa (du Plooy and Jooste 2011). TIPS works collaboratively with other research-based organisations such as TRALAC and services a client base of primarily government departments, both national such as the DTI, DAFF and Department of Minerals and Energy and regional such as provincial governments of Mpumalanga or the Western Cape. Other work has been done for COSATU, SADC, SACU as well as business associations such as FABCOS (TIPS 2011c).

TRALAC, a non-profit organisation is focused on capacity building initiatives and through this work has developed an extensive network of regional government entities and other regional institutions. The organisation was established in 2002 with seed funding from the Swiss Department of Economic Development and is staffed by trade lawyers and economists. TRALAC's main expertise is on trade law along-side other trade-related issues and focuses on trade law capacity in the Southern African region. As part of this mandate TRALAC monitors trade negotiations, assesses agreements and participates in dialogue with various

stakeholders around the implications of trade agreements. Part of this activity involves preparing research disseminated through newsletters, briefing documents and news articles. Its capacity building initiatives encompass training on trade law topics, negotiation skills, dispute settlement, providing learning materials for other institutions including academics and collaboration with other international bodies conducting similar processes. In addition, TRALAC facilitates dialogue, workshops, seminars, conferences, electronic discussion fora and debates drawing in various stakeholders from government and business. Recent publications include edited books such as an evaluation of the tripartite free trade agreement between the Common Market for East and Southern Africa (COMESA), the East African Community (EAC) and the SADC (Hartzenberg 2011) and an assessment of regional integration in Southern Africa (Bosl et al 2010). Trade Briefs are also disseminated by the organisation and include coverage of topical issues such as South Africa in the BRICS (Sandrey 2011), the Anti-dumping Agreement in the WTO (Brink 2009) and an update on South Africa's trading relationship with China (Fundira 2011). Clients include the DTI, SADC and SACU Secretariats, the Commonwealth Secretariat and Namibia's Department of Agriculture (TRALAC 2011).

SAIIA offers independent research on a variety of trade related and economic diplomacy topics through its Economic Diplomacy Programme. The programme focuses on the domestic political economy and trade policy-making as well as the international negotiating environment. The premise on which SAIIA's research is based is that international economic negotiations and agreements have a significant impact on domestic and regional economic policy. The research programme conducts and distributes high-level analysis and research to inform diplomatic and policy processes so that negotiators are better able to articulate interests and positions within the international context. As such the programme has four key

areas of focus: South Africa's trade, industrial and exchange rate policies; regional integration; regulatory reform and multilateral economic governance (G20 and WTO) (SAIIA 2011). Outputs of the programme include policy briefings, research reports, occasional papers, opinion pieces and books. A selection of the research institute's work includes a book on South Africa's African trade diplomacy (Draper 2005b); a collaboration with the IGD on a FTA between China and SACU (Draper and le Pere 2005). Occasional papers cover topics including SACU, the WTO, FTA of Argentina, Brazil, Paraguay and Uruguay (MERCOSUR), Indian trade policy and the US (Soko 2006; Alves et al 2008; Khumalo 2009; Draper 2010; Hichert et al 2010).

Finally, the IGD was established at the request of Nelson Mandela by the ANC in 1995 and subsequently purports to operate as an independent foreign policy think tank focusing on political and economic issues of relevance to Africa and South Africa. The organisation offers policy-based analysis, debate and written outputs pertinent to these topics (IGD 2011). The institute has three broad agendas: South Africa's foreign policy and diplomacy including economic issues and multistakeholder interactions; African studies covering regional integration, peace diplomacy and trade; and multilateral governance analysing multilateralism, non-state actors and international finance diplomacy. IGD has a formalised strategic partnership with the University of South Africa (UNISA) to pursue joint research initiatives. Like the previous research-based organisations IGD has a prolific and varied range of publications from books and monographs to quarterly reviews, occasional papers and various research reports. Research topics pertaining to economic diplomacy include BRICS (Kornegay and Masters 2011), China-Africa cooperation (IGD and CCR 2009), and Southern Africa and US trade (Vickers 2008b). Close links with the ANC and COSATU explain a tendency to promote industrial policy (Draper 2010).

NGOs - The Treatment Action Campaign (TAC)

The TAC is an advocacy group in the health-sector with a mandate to lobby and campaign for equal access to prevention and treatment for HIV sufferers. This has particular relevance to trade and economic diplomacy through the activist group's particular interest in intellectual property rights provisions in bilateral negotiations and particularly the United States. The TAC was established in 1998, and has tackled global pharmaceutical companies on affordable HIV/Aids drugs (Thom 2002, January 29; Sulston 2003, February 18). The TAC provides scientific research and policy input on matters pertaining to TB and HIV&AIDS. Until fairly recently TAC's relationship with the government was tenuous owing to the strident advocacy work of the TAC in challenging the government's AIDS treatment strategy (Nullis 2008, September 30). The TAC remains focused on tackling issues of access to medicines through lobbying the pharmaceutical sector as well as through multilateral processes governing intellectual property rights and related trade processes (TAC 2011).

4.4 Analysing agency in South Africa's economic diplomacy

This section of the chapter analyses the role of agency in South Africa's post-apartheid economic diplomacy. The preceding section identified the key actors or stakeholders in South Africa's economic diplomacy. Now we turn to analysing the extent of the role that each plays in diplomatic processes and unpack the weaknesses, strengths and opportunities for engagement of these stakeholders. This section is based on the interviews conducted during the research as well as other primary resources including websites, newspaper articles, press releases and annual reports.

Government Stakeholders – capacity constraints and opportunities for consultation

In an article reviewing the DTI's capacity in South Africa's trade negotiations Bisseker (2007, October 12) says "there has long been a concern, not just among business, that the Department of Trade and Industry (DTI) lacks sufficient capacity to conduct the range of trade negotiations it is involved in". South Africa is especially over-stretched in bilateral negotiations where it cannot rely on international coalitions for assistance. According to interviewees government should be relying on business inputs through consultative processes which are not functioning as they should. "(South Africa's) weakness is connected to a lack of numbers of seasoned trade negotiators and, because we're in lots of negotiations, the numbers are stretched. For example, we have only one person responsible for services, and he also has to cover the environment. The US has 20 people in services, Australia 10, so if we were going to negotiate a bilateral with them, we'd be dead in the water " (Draper quoted in Bisseker 2007, October 12).

The lack of resources also means that South Africa lacks the capacity to negotiate very broadly on wide agendas. An example of this was accusations by the EU trade commissioner Peter Mandelson in 2007 that South Africa was stalling the EPAs negotiations between SADC and the EU (Mandelson 2007; Cronin 2007, November 20). Bisseker (2007, October 12) argues that South Africa was trying to restrict the agreement simply to trade in goods, because in reality the country simply did not have the capacity to negotiate on the wider agenda which included competition, investment protection and services. It is unlikely that the DTI would admit this position, but it certainly true that the major sticking point of the conclusion of an EPA was around new-generation trade related issues (TRIs) such as environment and social requirements in the agreement (Julian 2007). Xavier Carim (2007), South Africa's chief trade negotiator at the negotiation, defended South Africa's position that "forcing TRIs is not the right way to go".

Business interviews highlighted concerns that the DTI is more experienced at negotiating tariffs but does not have the same expertise in negotiating the sorts of issues important to services, such as market access, and how to negotiate a service-type agreement. There is recognition that this requires further capacity building and the DTI has been trying to understand from the services sector what type of regulatory barriers they are facing (*Int: Carim 2009*). South Africa does not have adequate mechanisms for consulting the services sector and needs to establish a structure similar to the ones being used by other countries such as the US, which has a coalition of services industries. The over-riding perception of interviewees across sectors is that South Africa lack trade capacity both within government and in business. Carim (*Int: 2009*) notes that until the late 1990s the number of people who understood trade policy in South Africa could fit into a minivan.

Interviewees from all stakeholder groups agreed the need for a greater focus on economic goals in South Africa's foreign missions. Business interviews revealed that DIRCO is perceived to be mainly politically orientated: "South Africa has a lot to say economically but we're not telling the world about this effectively" (*Int: Tshiqi 2009*). This has a lot to do with the historical perspective which was more politically focused. Business would like to see South African embassies playing a more facilitative role; introducing South African businesses operating in foreign markets to one another to learn from others' experiences especially in places where the language barrier makes it difficult like Angola, Mozambique or the DRC and providing better market intelligence. There is also evidence of this lacuna in recent trends to hire former diplomats with protocol knowledge and networks or contacts in relevant places for business. For example MTN's appointment of Nozipho January-Bardill as Executive Director, Corporate Affairs for MTN – a major communications company with extensive reach in Africa (MTN 2011). January-Bardill was the Deputy Director General,

Human Capital Management, and Head of the Foreign Service Institute of the DFA (now DIRCO) between 2005 and 2007. She was also Ambassador to Switzerland for South Africa between 2000 and 2005 (Who's Who Southern Africa 2011b). Haiko Alfeld is a former Head of the WEF, Africa Summit and also previously a South African diplomat at the United Nations (UN) (Bloomberg Businessweek 2011). He was appointed General Manager of International Government Relations at Sasol, an international integrated energy and chemicals company, listed on the Johannesburg Stock Exchange (JSE) and the New York Stock Exchange (NYSE) (SASOL 2011a).

This is shifting; whilst DIRCO's objectives relate primarily to political issues and good relations with other countries, in South Africa's embassies there is an increasing focus on economic issues. "In our embassies the top priority is economic diplomacy – so even on DIRCO's side economic policy has been elevated and is in many cases the number one issue for ambassadors" (*Int: Carim 2009*). Evidence of this shift is apparent in the 2010-2013 Strategic Plan for DIRCO, where a key priority area is identified "to strengthen capacity in economic diplomacy at missions and Head Office" (DIRCO 2010a: 38). To this end DIRCO has set a target for 2010/11 to implement capacity and skills development programmes in economic diplomacy. This indicates an increasing alignment between departments such that economic issues are taking centre stage for embassies.

Whilst Parliament retains an oversight function on trade agreements there was consensus among interviewees that the capacity difficulties on trade knowledge faced by most organisations in South Africa are mirrored in Parliament (*Int: Carim 2009; Davies 2009; Draper 2009; Grant 2010*). Interviewees from both business and government concurred that there is a need for capacity building of parliamentarians on trade and economic diplomacy as well as putting in place better mechanisms for coordination (*Int: Alfeld 2009; Carim 2009;*

Chance 2009; Davies 2009; de Villiers 2009; Draper 2009; Grant 2010; Ismail 2009; January Bardill 2009; Maasdorp 2009; Mapai 2010; Worrall 2009; Zalk 2009).

Interdepartmental Coordination

Interviewees confirmed that South Africa's economic diplomacy agenda is geared primarily around regional trade, because of the 'African Agenda' around which South Africa's foreign policy is structured (*Int:* Carim 2009; Davies 2009; Draper 2009; de Villiers 2009; Grant 2010; Parsons 2009; Soko 2009). This is balanced to a certain extent by the concomitant commitment to multilateralism in the WTO, which is regarded as an important platform for levelling the playing-field in international trade (Draper 2010: 275).⁸³ Apart from the African focus of South Africa's agenda, there is also the fact that WTO negotiations are resource intensive and time consuming. Interviewees indicated that this creates a preference for negotiating regional and bilateral agreements. There was also consensus among the interviewees around the limitations of consultation mechanisms, with tremendous inconsistency between these (*Int:* Bateman 2009; Cassim 2006; Carim 2009; Grant 2010; Lawrence 2009; Rhomberg 2009, Walters 2001; Zalk 2009). For example the DAFF appears to be better organised and far more transparent and inclusive in its consultation processes (*Int:* Kruger 2009). The DTI relies mostly on NEDLAC as the forum for consultation, whereas the DAFF uses the ATF as a consultation mechanism (DAFF 2007; Agricultural Business Chamber 2011).⁸⁴ Interviewees felt that the DTI provides greater opportunities for consultation through NEDLAC on regional trade agreements than on WTO negotiations (*Int:* Lotter 2009; Grant 2010; Cassim 2006; Nikolaou 2009). The extent to which NSAs are considered to have been influential in shaping trade policy differs also depending on location.

⁸³ See Chapter Three for how this platform is used by middle powers to enhance their standing on the international stage.

⁸⁴ See Chapter Five for a detailed analysis of the consultative role played by business in South Africa's post-apartheid economic diplomacy.

The DTI, for example regard NSA influence as mediocre whilst the DAFF view NSA engagement as having been significant (*Int: Kruger 2009; Zalk 2009*). This may be attributable to the motivation on the part of the department engaging in consultation processes. Government interviewees cite the DTI, DIRCO and the Presidency as driven by motives of public policy requirements, whereas the DAFF, ITAC and Treasury seek technical input and transparency in their engagements (*Int: Carim 2009; de Villiers 2009; Zalk 2009*).

Some government departments are particularly successful at coordinating with international organisations as well. For example the DAFF's engagement with the UN Food and Agriculture Organisation (FAO), the WTO and the Consultative Group on International Agricultural Research (CGIAR); and bilateral relationships with the US Department of Agriculture (USDA) and the European Commission. The government clusters within the Presidency make institutional provision for greater coordination interdepartmentally and opportunities for broader stakeholder consultation. For example the DTI also consults intensively through the International Relations-ITCS cluster, which is co-convened by DIRCO and the Department of Defence (The Presidency 2011) . There has been a move to be more strategic about trade issues between departments in work that the DTI is trying to do in specific regions or countries, such as China, IBSA, the US and EU (DTI 2011c). The EPA negotiations in SADC have been broadly discussed with a broad range of stakeholders and this represents a marked improvement in co-ordination (*Int: Carim 2009*). The recent establishment of the Planning Commission headed by Trevor Manuel may also begin to play a more influential role in coordination of economic diplomacy issues, but it remains to be seen. Business interviewees find co-ordination to be lacking in large part. An example cited by BUSA is that 15 different delegations visited Cuba in an eight month period during 2009, seeing the same people at different times (*Int: Grant 2009*). This obvious duplication and confusion could be obviated by better inter-departmental co-ordination.

Multistakeholder interaction and business NSAs

Both business and government interviewees regard business and other social partner involvement in South Africa's trade policy making as extensive. Furthermore government departments value the input of NSAs stakeholders. Business engagement is variable and sometimes subject to sectoral interests with defensive and offensive positions depending on the fora for negotiation, be it the WTO, South-South or North-South negotiations. Issues of concern to business NSAs interviewed varied from market access into developed economies to competition from developing economies and consequent job losses. Business NSAs have engaged in consultation processes around a broad range of fora including the SADC FTA, the EU EPAs, SACU-MERCOSUR FTA, SACU-EFTA and the SACU-US FTA. Business is present at all main WTO ministerials. BUSA representatives have attended most meetings since the Hong Kong Ministerial. The negotiations proper on aspects such as tariffs, is a process limited to government representatives. No government wants to be seen as captive of specific business interests or any other social interests and this is a difficult balancing act along-side the need for technical assistance and consultation.

As regards business input at a strategic level, on forum choice, this is far more limited. Which free or preferential trade agreements are going to be negotiated is taken at a higher political level; once a decision to undertake such an agreement has been reached it is then opened to consultation processes at NEDLAC (Draper et al 2010: 281). It has happened that the social partners have called for a moratorium on further negotiations. For example the call by the coalition between the textile manufacturers and SACTWU to suspend negotiations with China, due to threats to jobs as a result of cheap Chinese imports of textiles and clothing. A temporary quota was instituted to respond to these demands, but clearly the strategic decision

to pursue formal economic and political links with China as part of the South-South focus of South Africa's foreign and economic policy has continued apace.⁸⁵

Overall, business interviewees regard the institutional structures for consultation to be sufficient, although the organisation of these and communication across departments linked to these is highly variable.⁸⁶ At times the period allotted for consultation on different matters is too brief and the planning of meetings disorganised leaving little time for adequate preparation. Business interviewees were frustrated that low level officials attend many of the meetings and that real influence was only achieved through contact at ministerial level (Int Lotter 2009; Spicer 2009; Tshiqi 2009; van Vuuren 2010). This has resulted in a tailing off of attendance at NEDLAC meetings by influential representatives of business NSAs (*Int*: Lotter 2009; Grant 2010).

An example of successful coordination between stakeholders was the establishment of a special government-led task team in the mining sector in response to the global recession, which resulted in saving tens of thousands of jobs in the sector. The Mining Industry Growth and Development and Employment Task Team include representatives of labour, business and government. According to the Mineral Resources Minister, Susan Shabangu, at the Mining Indaba 2010 the initiative has mitigated job losses which could have been as high as 100,000 between December 2008, when it was established and February 2010 (Mpofu 2010, February 3) .

⁸⁵ See Chapter Six for an analysis of the South-South strategic focus of South Africa's foreign and economic diplomacy.

⁸⁶ No business interviewee faulted the structures available for consultation. They did however, reference significant variation in accessibility and organisation. Chapter Five provides a detailed analysis of the consultation process in South Africa and the consultative role played by business NSAs.

Business interviewees also raised concerns about the economic diplomacy capacity of foreign embassies. Many have operations throughout Africa; and they do approach the South African embassy in these locations when necessary. This assistance is usually focused on issues to do with visas but sometimes yields contacts and information about investment incentive schemes which the company would not have known about otherwise. For example Nampak in Nigeria built a green-field manufacturing plant for cigarette-box packaging as they received access to ‘Pioneer Status’ benefits which were financial incentives to set up a facility in Ibadan, Nigeria (*Int: Tshiqi 2009*). This sort of commercial diplomacy support from the South African embassies abroad is rare but not unheard of. Some of the more active embassies share this information with organisations such as BUSA (the Nigerian one for example) and there is also information sharing around contacts and commercial diplomacy between companies at BUSA events (Grant 2010; January-Bardill 2009; Mapai 2020; Nikolaou 2009). Business interviewees were ad idem that this level of commercial diplomacy support from South African embassies is “hit and miss” and Carim (*Int: 2009*) ruefully concurred that there remained gaps in South Africa’s foreign missions as far as commercial diplomacy was concerned.⁸⁷ Embassy diplomatic and support staff are generally regarded by South African business as not being well trained and under-resourced. Although as the discussion above on the capacity-building initiatives within DIRCO shows, developing better economic diplomacy capacity is a key objective for the department going forward.

NSAs participate in economic diplomacy directly at negotiations as well as indirectly through a variety of methods, including capacity-building, research, technical analysis and lobbying. After self-initiated lobbying, meetings are by far the most useful means of influencing or

⁸⁷ All business interviewees were asked about their perception of commercial diplomacy support in South African Embassies abroad and without exception identified that there was a lack of adequate commercial diplomacy support from most embassies.

engaging with government stakeholders on economic diplomacy. Other forms of public campaigns are less utilised (Draper et al 2010: 279).

Both government and business stakeholders affirmed a mutual willingness to attend meetings and dialogue organised by either sector. BUSA has been extremely successful at putting forward a unified message to government on the NAMA negotiations in the WTO. The organisation presented a cohesive position to NEDLAC that outlined a defensive position on the negotiations, and successfully influenced South Africa's negotiating position on NAMA (BUSA 2009). This was no doubt made possible also by the support of other influential NSAs in the forum such as COSATU (Vavi 2008, July 26). Research-based NSAs such as TIPS have also been successful in lobbying through their research on tariffs in the SACU-MERCOSUR Preferential Trade Agreement (PTA) negotiations (SACU 2008a). Business interviewees generally regard the DTI as having shifted the focus of negotiations and economic diplomacy to preferential agreements and away from the WTO (*Int*: Grant 2010; Kruger 2009; Lawrence 2009; Leopold 2009; Maasdorp 2009; Mapai 2010; Mthintso 2010; Parons 2009). In contrast DTI officials insisted that the two venues remain of equal importance (*Int*: Carim 2009; Zalk 2009). The present deadlock in the Doha Round of the WTO may reinforce a perception of neglect for NSAs.

Politics of Race and Representation

The earlier discussion on black business and the difficulties of coordinating business unity pointed to the on-going impact of racial politics in South Africa's political economy, which remains a crucial sticking point in the business-government relationship. This has played out in the convoluted formation, dissolution and competition between business associations representing corporate interests in the South African political economy. BEE has become a central issue on the agenda between government and business (BEE Act No.53 2003).

The struggle between business associations has revolved around which of the associations has the right to be the 'voice' of business and thus heard by government. Historical inequalities wrought by apartheid have carried forward into South Africa's contemporary political economy. Capital remains in the control of white owned businesses and efforts at transformation have not resulted in broad-based transfer of capital (as ostensibly intended) (Brown 2002; Mbeki 2009; BMF 2011). Rather what transformation has taken place appears to have enriched a small number of blacks with connections to the ruling ANC in the construction of a new elite with vested interests in maintaining the status quo (Murray 2000; Verhoef 2003; South African Institute of Race Relations 2012). Of 295 companies listed on the Johannesburg Stock Exchange (JSE) only four percent have a black CEO, two percent have a black financial director and less than 15 percent have any black representation in their senior management (The Economist 2010).

According to Mbeki (2009: 61), a critic of BEE as a meaningful tool for transformation, "BEE...strikes a fatal blow against the emergence of black entrepreneurship by creating a small class of unproductive but wealthy black crony capitalists made up of ANC politicians". In this sense the policy of BEE, which has been touted as a concession by big business to prevent wide-spread nationalisation and promote privatisation has achieved its desired objective (Chabane et al 2003). Big business has remained squarely in the hands of white capitalists and the new fortunes of so-called 'black diamonds' ensure that influential black businessmen continue to support a system which has benefited them so well (Radebe 2010). Critics of the pace and extent of transformation point to the overlap between political personalities and business elites (Handley 2008: 94).

There is increasing evidence that individuals in government are using these as opportunities for self-enrichment, blurring the line between co-operation and corruption (Friedman 2005, November 9; Gumede 2007: 106). This trend has led at least one opposition MP from The Congress of the People (COPE), Philip Dexter, to challenge the President about what he called ZEE (as he dubbed Zuma Economic Empowerment), during questions about the contentious mineral rights issues in 2010 that favoured direct family members of the President (Mail and Guardian 2010, September 9). For example the investigation into the alleged fraud in granting of mineral rights by the Department of Mineral and Energy Affairs. The matter came to the fore because of the row between Anglo American's iron-ore division Kumba Iron Ore and the South African arm of Arcelor-Mitttal over access to ore at the Sishen Iron Ore Company. The investigation has highlighted contentious BEE deals involving Arcelor-Mitttal and Zuma's son and other businessmen close to the President (Leon 2011, June 8). Kumba lodged a criminal complaint over the granting of prospecting rights over the Sishen property to ICT, a BEE grouping with no mining experience, described as little more than a "bribe of the political class" (Borain 2010, August 17). Cynical observers are even suggesting that recent calls for nationalisation by ANC Youth League (ANCYL) leader Julius Malema are ill-disguised attempts to bail-out failing empowerment deals in the wake of losses as a result of the global financial crisis and falling mining shares (Reuters 2011, July 29).

The extent of government corruption is such "that the murky relationship between money and politics has been at the heart of almost every major scandal faced by political parties and the government since 1994" (Robinson and Brummer 2006: 2). Of course not everyone who has political connections either in present government or through their struggle credentials is "greedy and grubby" but it is not always easy to differentiate (Friedman quoted in Handley 2008: 98). Terence Nombembe, South Africa's auditor-general, reported that 49 public

servants who were directors of companies had failed to disclose their business interests or their public role when submitting for government tenders (The Economist 2010, June 5).

A polarisation of business interests around size and racial divisions continues. Big business remains represented by its original association (under a different name), BLSA. The change in administrations from Mbeki to Zuma has seen the emphasis shift away from Mbeki's BBWGs and could be a reason why BLSA has finally joined the government-approved business association, BUSA. This has enormous advantages for BUSA which has limited financial resources and so benefits from the money available through BLSA representing the top corporations in South Africa. The slow pace of transformation and anti-white sentiment still prevalent among many small and medium sized black-owned businesses means that associations such as NAFCOC and the BMF continue to exist, but with little clout (in terms of economic power) and plenty of political capital.

4.5 Conclusion

This chapter has outlined the wide number of stakeholders participating in various aspects of South Africa's economic diplomacy. Government stakeholders extend across a range of departments and institutions to varying degrees of effectivity. NSAs represent a variety of stakeholders, including business. In analysing the role of these stakeholders in South Africa's post-apartheid economic diplomacy the chapter concludes that there are several key issues determining the extent to and ways in which business engages in economic diplomacy. Within government departments there are capacity constraints and between departments there are concerns around coordination and general organisation as well as weaknesses in the consultation mechanisms and how these are utilised. Research institutes and think tanks are a vibrant part of the policy network and produce a plethora of reports and research papers

which are widely available. In addition they perform a useful role in engaging other stakeholders in dialogue.

Business NSAs are also constrained for different reasons. The politics of race and representation have made it difficult for business to organise meaningfully and construct a unified position of key issues of trade policy and negotiations. There have also been problems for business in gaining access to government arising out of this context. Furthermore, the historical relationship between business and the ANC has contributed to the nature of the sometimes dysfunctional relationship between certain sectors of the business community and government. Addressing the issues of historical disadvantage has been central to the ANC's policies around affirmative action and black economic empowerment. It would not be possible to give a full account of business engagement in economic diplomacy without taking cognisance of the problems of representation and access posed by racial politics and capital ownership along racial lines. Business representation is crucial to explaining the extent to which and ways in which business engages in South Africa's post-apartheid economic diplomacy, in terms of who is regarded as the legitimate voice of business in South Africa. By legitimate voice of business this research refers to which business representatives are consulted by government and the sensitivities surrounding white capital interests versus black economic empowerment and transformation in the business sector. This does not mean that white capital is mute or that big business is passive in South Africa's economic diplomacy. Far from it, as the next three chapters prove. All sectors of business are engaged in different levels of economic diplomacy and through three possible modes: consultative, supplementary and entrepreneurial.

Despite the difficulties and obstacles to consultation and participation there is a remarkable degree of activity taking place around business engagement in economic diplomacy both on

trade policy and on negotiations at multilateral as well as bilateral and regional levels. The chapters that follow describe and analyse the modes of engagement that emerged during the empirical research and writing of this thesis. The first of these is a consultative role and is the topic of Chapter Five. The consultative role of business is better understood in the context of the institutional structures both of business NSAs as well as government departments and policy-making processes, analysed in detail in this chapter.

CHAPTER FIVE: MODES OF DIPLOMACY, THE CONSULTATIVE ROLE OF BUSINESS

5.1 Introduction

The preceding chapter set out the various stakeholders in South Africa's economic diplomacy and analysed the opportunities and constraints for these stakeholders in engaging with South Africa's economic diplomacy. This research is focused on the role of business NSAs and the remainder of the thesis will explore this stakeholder specifically and others only in relation to the engagement of business in South Africa's economic diplomacy.

One of the fundamental features of MSD is inclusivity or partnership in policy processes. Multistakeholder processes "aim to bring together all major stakeholders in a new form of common decision finding (and possibly decision-making) on a particular issue" (Hemmati 2000: 19). This process is premised on the right to be heard and the exercising of influence on a negotiation or dialogue. Consultation is therefore one of the foundations of a functioning MSD. In the research conducted, consultation was identified by the interviewees as a critical aspect of business engagement in economic diplomacy. Whilst the effectiveness of different consultative mechanisms was perceived to be variable, all stakeholders agreed that it was a crucial part of and starting point for engagement.

This chapter draws on the insights of domestic societal (Milner 1997) and domestic institutional theories (Cowhey 1993) discussed in greater detail in Chapter Two. Societal theories provide a way of analysing how societal interests are translated into policy. Social groups in a country are deemed to demand policy which is supplied by government. They are also considered to have views on what this policy ought to look like; often competing views. Consultation at a domestic level is one means for governments to access the input of different

stakeholders into policy-making. Such consultation is not always even-handed and certain groups may have more privileged access than others (Alt et al 1996). Institutional approaches focus on the domestic institutions or formal structures of policy-making and procedures and how these interface with social actors and policy-makers in different ways (March and Olsen 1984). This chapter will explore the main consultative mechanisms available in the South African context and analyse how effectively these are accessed by business NSAs and to what purpose. In effect, the chapter is analysing the interaction of stakeholders and institutional mechanisms or structures of consultation. In so doing the research develops an argument for viewing business NSAs as engaging in a consultative role in South Africa's post-apartheid economic diplomacy.

The discussion that follows is structured to commence with a contextual setting for consultation in South Africa, drawing on the insights of earlier chapters on the historical relationship between business and government and politics of race and representation in the post-apartheid period. The relationship between business and government in South Africa is characterised as one of constructive contestation. The chapter then identifies the main locations or sites of consultation, including consultation mechanisms as well as providing an overview of South Africa's trade agreements and negotiations. Finally, the chapter identifies a consultative role for business NSA in South Africa's post-apartheid economic diplomacy that is informed by various factors, including the historical relationship between business and the ANC as well as domestic institutional or structural factors that both create opportunities for and constrain consultation. This section analyses the strategies and tools deployed by business NSAs in engaging in a consultative role.

5.2 Constructive Contestation

The history of business culpability during the apartheid era, despite well documented evidence of anti-apartheid activities, has resulted in an on-going mistrust between the ANC and business (Lipton 1986; Lipton 2007). Notwithstanding the rainbow nation of the Mandela era, racial politics remains a significant factor in business-government interaction (Gumede 2007; Gevisser 2009). Although the economic policies later embraced by the ANC appear, to many, to be a capitulation to the neo-liberal consensus, this was not always a foregone conclusion. Handley (2008: 3) argues that South Africa displayed a “process of constructive contestation” between business and government on economic policy issues, such that “policy processes are strengthened when the state is forced to engage in considered, inclusive consultation with important social actors – such as business”. The nature of ‘constructive contestation’ implies that there needs to be some sort of process or forum for engagement. NEDLAC was the institution designed for that purpose and followed on from the NEF.⁸⁸

Whatever power business had by virtue of its market strength was based on its historical advantage due to racial oppression during the apartheid and pre-apartheid era when business was establishing itself in South Africa. At the time of transition business was a powerful force, well organised, diversified and independent of government. This helps to explain why business seemed to achieve much of what it wanted in economic policy at the time of transition. Some scholars argue that business occupied a separate space, which was disciplined by the currency and stock markets, and independent monetary policy, thus affording business, autonomy from political power (Shubane and Mackay 1999). However, over time this power has been eroded and the historical distrust is aspect of an uneasy relationship between government and business at the inception has festered into something

⁸⁸ See discussion below in the section on Nedlac for an overview of the institution as a site for diplomatic engagement/forum for consultation.

far less constructive. The racial exclusivity of business has hampered its legitimacy in the new South Africa and despite its role in influencing the economic policy debates early on, poisoned its relationship with the newly elected ANC government (Landman 2001). One can no longer say that “big business feels comfortable and relieved” or “that organised business is...carefully listened to formally and informally” as Adam et al (1997: 213) optimistically maintain in their early work within the first five of the 1994 elections. It is impossible therefore to assess the consultative role of business NSA without also taking cognisance of the racial politics that underpins business in South Africa.

“Mbeki and his advisors appeared to distrust and dislike the private sector, reacting defensively and with charges of racism to any criticism of government from business” (Handley 2008: 89). This is mirrored by a tendency among business leaders to have low expectations of the ANC government, despite the early track record within the ANC government of prudent management of the economy during 15 years of post-apartheid government. The cooling relationship between government and business reached its zenith during the Mbeki era, and business found it increasingly difficult to access political leadership within the ANC; instead Mbeki appointed a council of international business people, called the Presidential International Advisory Council, to advise the government on attracting foreign investment (BuaNews 2004, September 6). This may have a lot to do with the fact that business has continued to be white and that real transformation has been slow in manifesting itself. Even international business was regarded as racist when Mbeki perceived markets to be punishing the Rand after a run on the currency (weakening the Rand to around ZAR6 to the US\$). Mbeki saw this as an attack on the currency, linked to the resignation of Chris Stals in 1999, then Governor of the South African Reserve Bank (widely admired in international markets for his commitment to anti-inflationary policies) and further when he was replaced by Tito Mboweni who was then known more for his labour sympathies and lack

of qualifications for such a technical job (Sidiqi 1996, October 1; Hogg 2002, March 7; Hirsch 2005). Mboweni subsequently proved the markets wrong, but the ANC was already offended by what they perceived to be racist misgivings about their management of South Africa's economy (Gumede 2007). In response to the deterioration of the business-government relationship, business launched a new initiative called the Business Trust under the auspices of the purposely established National Business Initiative (NBI). The Business Trust established in 1995, was based on the model of the Urban Foundation and the CBM as a response to “the need for a constructive dialogue between government and business” and to “correct the impression that it was not committed to transformation” (Business Trust 2011).

The Business Trust entailed a financial pledge from business of R1billion for social investment projects around job creation and education projects (Grawitsky 1998; Collins 2000). Initially the Business Trust aimed to raise and spend the R1billion between 1999 and 2004. At the end of that period their mandate was extended to a total spend of R1.8billion to be used by the end of 2011 (Business Trust 2010: 2). The quid pro quo was access to the President and this was rewarded by Mbeki, when he created a working group giving business direct access to the government and the President via monthly meetings (Bezuidenhout et al 2007: 31). To further highlight the differentiation of business along racial lines (and to obviate criticism from other social groups) Mbeki also created working groups for black business, commercial agriculture and the trade unions (The Presidency 2001). In the post-Mbeki period, however, these working groups have been dumped by the Zuma administration in favour of a more representative organisation: BUSA (Business Day 2010, July 29). BUSA's then president, Jerry Vilakazi stated that having separate working groups was divisive and often resulted in duplication, which is why Zuma's restoration of NEDLAC as a forum for social dialogue was to be desired (Ngwala 2010, April 25). After the World Cup 2010 event, Zuma planned a lekgotla (gathering) of various business groups, including

representatives of BUSA, BLSA and the BBWG. At the announcement of the planned lekgotla Zuma confirmed that “the old form of engagement (through Mbeki’s working groups) had negatives and positives... The weakness was it was divisive” (Business Day 2010, July 29). This heralded a return to NEDLAC as the primary consultation mechanism for the DTI and government more generally. Douwes (1994) refers to the role of NEDLAC as generating creative tensions to avoid tendencies to authoritarianism, which resonates with the constructive contestation thesis put forward by Handley above. The next sections of this chapter look at the locations of consultation and explore the structure and efficiency of formalised consultation mechanisms, primarily NEDLAC.

5.3 South Africa’s Trade Agreements

South Africa’s existing trade agreements are largely focused around and conducted through the two primary regional bodies to which it belongs: SACU and SADC. It is a key objective of South Africa’s economic diplomacy to pursue regional integration strategies (DTI 2011c). This has not always proved easy to accomplish when balanced against South Africa’s other objectives to secure economic relations with the EU, which remains a key export market for South Africa.⁸⁹

Table 5.1 below outlines the key trade agreements to which South Africa is a party and provides useful data on the importance of regional cooperation in South Africa’s trade negotiations.

⁸⁹ See Chapter Three for data on South Africa’s trade flows and the strategic relevance of key trading relationships for the country.

**Table 5.1 Selected list of South Africa's Trade Agreements November 2011
(Excluding WTO commitments)**

Agreement	Agreement type	Issues/ Status
<i>Regional</i>		
SACU	Customs Union/ FTA	Revenue sharing obligations
SACU-EFTA	FTA	Tariffs and market access
SACU-MERCOSUR ⁹⁰	PTA (signed 2009, still to be ratified)	Tariffs
SACU-USA	TIDCA	Market access and trade links
SACU – EU	EPA	Signed by Botswana, Lesotho, and Swaziland, South Africa has yet to conclude the EPA negotiations
SADC	FTA	Economic integration
<i>Bilateral</i>		
SACU-India	PTA pending	Proposed
SA- EU	TDCA concluded EPA Proposed	Tariffs Services, Competition policy proposed
SACU – China	FTA /PGD	Proposed
SACU Nigeria	FTA	Proposed
<i>Trilateral</i>		
SADC-EAC-COMESA	FTA – in progress	Proposed
<i>Non-reciprocal trade arrangements</i>		
AGOA	Non-reciprocal	Preferential access for imports. ⁹¹
Generalised System of Preferences	Non-reciprocal	Lower duties on exports for improved market access. ⁹²

Source: (TIPS 2010a; SARS 2011)

⁹⁰ MERCOSUR refers to the free trade area of South America, roughly translated as the Common Southern Market (Ariete 2006).

⁹¹ Source African Growth and Opportunity Act (AGOA 2011).

⁹² Source General System of Preferences (GSP 2011).

Table 5.1 Cont.

SACU: South Africa, Botswana, Lesotho, Namibia and Swaziland;⁹³ **SADC:** Angola, Botswana, DRC, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia, Zimbabwe; **EFTA:** European Free Trade Area; **MERCOSUR:** Argentina, Brazil, Paraguay and Uruguay; **PTA:** Preferential Trade Agreement; **FTA:** Free Trade Agreement; **EPA:** European Partnership Agreement;⁹⁴ **TDCA:** Trade Development and Cooperation Agreement;⁹⁵ **TIDCA:** Trade Investment, Development and Cooperation Agreement;⁹⁶ **AGOA:** African Growth and Opportunity Act (USA); **EPA:** Economic Partnership Agreement;⁹⁷ **PGD:** Partnership for Growth and Development;⁹⁸ **EAC:** East African Community - Kenya, Uganda, Tanzania, Rwanda, Burundi;⁹⁹ **COMESA:** Common Market for Eastern and Southern Africa - Libya, Egypt, Sudan, Eritrea, Djibouti, Ethiopia, Kenya, Uganda, Rwanda, Burundi, DRC, Zambia, Malawi, Zimbabwe, Swaziland, Seychelles, Madagascar, Mauritius Comoros.¹⁰⁰

South Africa negotiated a comprehensive trade, aid and political cooperation agreement with the EU that resulted in the TDCA signed in October 1999 and which came into effect in 2004 (EUR-Lex 2004). This was divisive because the EU decided not to include the other SACU members in the negotiation. As the EPA negotiations followed soon after under the Cotonou Convention these SACU partners, the Botswana, Lesotho, Namibia and Swaziland (BLNS) states, have been caught in the middle.¹⁰¹ South Africa is determined not to conclude the EPA negotiations while new era issues remain on the table, and there was tremendous pressure on the BLNS states from the EU to conclude the EPA or lose their preferential market access. As they were excluded from the TDCA this left them adrift. In the end an EPA was signed with Botswana, Lesotho and Swaziland in 2009 (ACP-EU-Trade 2009).

SACU is the oldest customs union in the world and was established by agreement in 1910. The agreement was updated in 1969 and in 2002 the most comprehensive update was signed,

⁹³ Source South African Customs Union (SACU 2011).

⁹⁴ Source ACP-EU Trade (2009).

⁹⁵ Source EU Legislation (Europa 2011).

⁹⁶ Source Ambassador Schwab (SACU 2008).

⁹⁷ Source (European Commission 2011).

⁹⁸ Source (DTI 2011b).

⁹⁹ Source East African Community (EAC 2011).

¹⁰⁰ Source Community Market for Eastern and Southern Africa (COMESA 2011).

¹⁰¹ The Cotonou Convention replaced the Lome Conventions under which African, Caribbean and Pacific (ACP) countries were recipients of a favourable trade and development assistance from the EU. WTO undertakings meant that the EU had to revisit the favourable terms offered to ACP countries as these contravened MFN principles.

which effectively removed decision-making powers on trade policy from the sovereign members (SACU 2011). In terms of Article 7 of the 2002 SACU Agreement all tariff and trade remedy decisions are undertaken by a council of ministers advised by a tariff body and commission of senior officials (SACU 2002). This reduces South Africa's input to an advisory role performed by the ITAC division of the DTI. The agreement is thus a source of further tension for South Africa in terms of its industrial policy strategy (see discussion below) which requires the DTI to retain as much policy space as possible and the SACU undertaking could significantly curtail South Africa's use of tariffs as a trade policy instrument. These dynamics could result in SACU splitting up, with significant consequences for the regional group and particularly South Africa's economic diplomacy (Bertelsmann-Scott 2010).

SADC constitutes a third of South Africa's export market, and is therefore an important regional relationship. In selecting SADC rather than COMESA as a preferred forum for integration, South Africa fuelled tensions in the region. A number of SADC members have overlapping membership in COMESA and there was wide-spread resentment at South Africa's forum choice, as it was perceived by other SADC members to have chosen a forum it could dominate (Marais 1998).¹⁰² Mistrust with its regional partners was further exacerbated when South Africa supported the launch of the Doha Round at the WTO against the position of the Africa Group (Mutume 2001).

In addition to its regional aspirations South Africa has also identified a strategy for pursuing bilateral and regional PTAs with key trading partners under the auspices of the DTI's Global Economic Strategy (Ismail et al 2000). The first stage of this strategy was to secure agreements with the US, the EFTA and MERCOSUR. The EFTA with SACU was concluded

¹⁰² See Chapter Six for more discussion on South Africa's regional aspirations and concerns of hegemonic dominance.

and implemented in May 2008 and removes all industrial tariffs (van der Merwe 2008, August 1). Negotiations with MERCOSUR resulted in agreement on a PTA, less comprehensive than the envisioned FTA and is quite limited in scope (SACU 2008a). The agreement has been concluded but has yet to be ratified. Negotiations on a FTA with the US have collapsed as a result of the US ‘WTO-plus’ approach to the negotiations (TIPS 2010b).¹⁰³

The second stage is to establish agreements with important bilateral relationships, namely, India, China and Nigeria. The SACU-India negotiations were launched in 2007 and are still ongoing. At the time of writing there remained several outstanding issues in the negotiations, such as around which sectors/ product lines should be included in a PTA, the application of rules of origin and the extent of liberalisation in the services sector (especially financial services) (Agritrade 2010; Ntisana 2011). India is competitive in services, mainly the IT sector, as well as clothing, textiles, footwear and pharmaceutical products. China is manufacturing dominant and reliant on commodity imports of coal, oil, gas and base metals. Although the DTI has identified an intention to engage in negotiations with China on a PTA or FTA this has not yet materialised and experts agree that there would be a number of crucial issues to be overcome for such an agreement to be made (Alden 2005; Davies 2005; Draper et al 2010). Chief among these would be concerns around threats to labour-intensive industries in a country beleaguered by extreme poverty levels and very high unemployment. Commentators such as Davies (2005) and Draper et al (2010) above also cite South Africa’s new Industrial Policy Action Plan (IPAP2) as a barrier to the conclusion of any further significant liberalising initiatives in South Africa’s economic diplomacy (Davies 2010; DTI 2010d).

¹⁰³ ‘WTO-Plus’ refers to obligations that exceed existing requirements of WTO agreements (Qin 2003).

This pattern of retreat from liberalisation is evident too in South Africa's multilateral engagement at the WTO. This is evident in the leading role being played by South Africa in the NAMA 11 group and, which was delivered with consensus of all the major social partners, after intense negotiations within NEDLAC (BUSA 2009). The adoption of a more defensive position in the WTO does not signify a withdrawal from multilateralism, merely a shift in South Africa's engagement position (Ismail 2011). This would signify an increasing attempt by South Africa to resolve the tensions between its position in Africa and its commitment to multilateralism. As a new member of the BRICS grouping South Africa is playing a role as a member of the major emerging developing economies while still acting as a bridge to smaller developing countries that make up most of Africa (Wagner and Jackman 2011, April 2; Hervieu 2011, April 19). According to the DTI a key focus of South Africa's negotiating position in the WTO is to strengthen the G20 group of developing countries (DTI 2011c). It is this shift in South Africa's gaze towards increased South-South engagement that informs the discussion in Chapter Six and through which business is playing a supplementary role in South Africa's economic diplomacy.

5.4 Consultation Mechanisms

In the language of MSD, consultation mechanisms would be one of the key sites or locations where diplomatic activity occurs. Domestic consultation, whilst not taking place in the international arena, is influencing and being influenced by these processes. MSD approaches argue that the involvement of NSA stakeholders blurs the artificial distinction that old diplomacy held between the domestic and international arena (Evans et al 1993). A feature of contemporary diplomacy is the linkage between domestic and international negotiating platforms and this entails the simultaneous evaluation of both levels. Not to mention that

NSAs are increasingly engaging directly on the international stage in their own right, thus further complicating the domestic/international distinction.

Many trade experts agree that governments are pursuing greater transparency and participation in trade policy-making in order to promote legitimacy and ultimately social consensus on trade policy and negotiations (Ostry 2002; Hocking 2004c; Wolfe and Helmer 2007). Such consultation processes have had varied outcomes. Capling and Low (2010: 8) identify several key features of consultation with NSAs that may provide a useful comparison for evaluating the consultative role of South African business NSAs in South Africa's economic diplomacy later in the chapter.

- Consultation can vary between formal institutionalised and informal mechanisms.
- In developing countries only business NSAs have the resources and capability to engage meaningfully in consultation
- Consultative mechanisms tend to privilege business actors above NGOs and other social actors.
- Public information on trade flows, progress in negotiations, and research or analysis of trade-related issues in developing countries is not as advanced as in developed economies.
- NSAs are increasingly engaging directly with relevant ministries (such as industry or agriculture) relying on these to better represent their positions in inter-governmental consultation and discussions.
- Consultative processes in respect of Preferential Trade Agreements (PTAs) are better functioning and precede consultation processes on WTO negotiations.
- The trade agenda is becoming highly complex as a result of the inclusion in consultation of broader numbers of stakeholders. Protectionist interests (often

representing social interests) are competing with export-led industries and broader government departmental engagement.

There are a limited number of formal consultation mechanisms involving business NSAs in South Africa's economic policy-making processes. These are NEDLAC, the ATF, the Presidency's clusters and the Industry Forum. Consultation on trade issues is primarily done under the auspices of NEDLAC (DTI 2011c). The DTI also maintains strong relationships with various industry associations and business interests through a number of export councils.

The National Economic Development and Labour Council (NEDLAC)

NEDLAC was the formalisation of existing negotiating structures which coalesced around business, government and labour (Bezuidenhout et al 2007: 22). NEDLAC is also described as the institutional expression or manifestation of the social contract between stakeholders (Grobelaar and Besada 2008: 106). Some scholars argue that institutions such as NEDLAC were "important not just for the opportunity they provide South Africa to create a stable industrial relations system, but for the clear rules of the game they set for regulating economic conflict" (Sisk 1995: 281).

NEDLAC was established in 1995 as a successor to the forerunner organisation, the NEF, which was set up in 1992 during the transition government in South Africa. The Council convenes the key stakeholders of organised government, business, labour, and community groupings. Representing government are the departments of Labour, Trade and Industry, and Finance and Public Works. Business is represented by BUSA (including the BBC and BSA). Labour has representation through the three key union federations: COSATU, the Federation of South African Labour Union (FEDUSA), and National Council of Trade Unions (NACTU). Community organisations comprise the South African Youth Council, the National Women's coalition, the South African National Civics Organisation, Disabled

People South Africa, the Financial Sector Coalition and the National Cooperatives Association of South Africa. NEDLAC operates to reach consensus between the stakeholders on issues of economic and social policy (NEDLAC 2011).

NEDLAC is structured around four chambers: Public Finance and Monetary Policy, Development, Labour Market and Trade and Industry. Trade policy and economic diplomacy issues are negotiated by the government and social partners through the fourth chamber – Trade and Industry. NEDLAC is solely a consultation forum and does not engage in negotiations per se. It is the institutional mechanism through which domestic stakeholders are engaged in consultation and negotiation with one another around aspects of economic diplomacy and negotiations.

The process for consultation commences with government bringing draft legislation to the relevant chambers in the form of green papers, which outline ministerial positions or proposals. These are then discussed by the stakeholders and a second draft known as a white paper is prepared, which includes any dissenting views. If consensus is reached the matter is regarded as closed and sent for ratification to Parliament. If no consensus is reached then constituencies are still able to represent their case or concerns to the Portfolio Committee or the National Chamber. Labour convenor, Ebrahim Patel cites NEDLAC as a case study in functioning consultation and global best practice (NEDLAC 2006: 5). Outside opinion would appear to concur. A Wikileaks document prepared by the American Embassy in June 2006 and leaked in that same year, concludes that NEDLAC “functions as a forum where stakeholders can make their points and where business and labour can unite to pressure government if need be, without the involvement of pricy lobbyists”(Wikileaks 2006).

Government-led Task Teams

Task Teams are government-led initiatives established on an ad hoc basis in response to particular issues or crises. For example, the Economic Recovery Task Team includes President Zuma, ministers of Finance, Trade and Industry, Labour and Economic Development as well as BLSA (The Presidency 2009). Another consultative task team established in the wake of the global economic crisis is the Mining Industry Growth, Development and Employment Task Team, which includes labour, business and government, and was set up in December 2008. “The task team was aimed at helping the industry manage the negative effects of the global economic crisis and to save jobs as well as position the industry for growth and transformation in the medium to long-term” according to Mineral resources Minister Susan Shabangu at the Mining Indaba 2010 (Mpfu 2010, February 3).

The Agricultural Trade Forum (ATF)

This is the site at which consultation occurs between the Department of Agriculture and the agricultural industry as well as other stakeholders such as labour, The Land Bank, civil society in the form of land reform groups and provincial agricultural departments. Farmers from both commercial sectors as well as small or emerging farmers are included. The ATF provides input to trade negotiations on any aspect relating to agricultural interests (DAFF 2011).

The Industry Forum

This is a consultation forum convened by the director general of the DTI. It is a formal consultative mechanism that meets quarterly and comprises all South Africa’s industrial sectors, provincial governments and commerce bodies. The IF covers a broad agenda of issues relating to economic development and industrial and trade policy, extending to matters of regional integration and the WTO (DTI 2011b).

5.5 Diplomatic process, tools and methods

MSD argues that “consultation enables multiple stakeholders to compensate for government deficiencies in diplomatic processes by exchanging resources through policy networks” (Hocking 2006: 7). This entails processes of information exchange, monitoring of diplomatic engagements and negotiations as well as defining and promoting common interests.

South African business NSAs engage in a variety of strategies for influencing trade policy and negotiations. These include first and foremost consultation and self-initiated lobbying, and to a lesser degree preparing research reports and technical information or advice. A variety of formal and informal consultation mechanisms create opportunity for business to monitor diplomatic engagements as well as give input towards defining the common interest along-side other stakeholders. Several business interviewees referred to the notion of ‘SA Incorporated’ and the need to create a better common branding abroad (*Int: Davies 2009; Kruger 2009; Maasdorp 2009; Mapai 2010; Nikolaou 2009; Parsons 2009; Spicer 2009*). However, there is little evidence that business uses public campaigns to be heard or gather support for its positions. The primary targets of business NSA advocacy are ministers and government officials, and less frequently, legislators and public opinion (Draper et al 2010).

5.6 Analysing the consultative role of business NSA

Draper et al (2010) have conducted research into consultation processes and mechanisms in South Africa’s trade policy-making and Draper (2004) has specifically explored the role of business NSAs in economic diplomacy.¹⁰⁴ Draper presented five main findings: i) that

¹⁰⁴ Draper’s survey was conducted with South African corporations using open-ended questions. 13 companies responded and included MNCs with foreign control. According to Draper the respondents represented a wide variety of economic activities and as such constituted a “significant spectrum” of the economy and was a “broadly representative sample” (Draper 2004: 2).

business had neglected trade issues as a priority concern; ii) that there was a need for business to develop a central coordination point for preparing positions on trade negotiations; iii) that business should attempt to have a dedicated forum for business-government consultation away from other stakeholders; iv) that business should develop its research capacity on trade diplomacy in order to better support government in this activity and also to disseminate its research to inform public debates; v) that business should lobby government to improve the economic diplomacy initiatives of foreign embassies. In their 2010 survey Draper et al (2010: 280) concluded that NSAs were of the opinion that South Africa had “adequate structures for trade policy consultation”. Furthermore the study found that business regards the DTI as a primary point of intervention for consultation alongside the ATF for agricultural commerce issues. They contend that business NSAs also find value in developing closer personal relationships with key personalities among government negotiators as personal relationships are more approachable and such key people are more knowledgeable about the key issues. In addition they find that business NSAs are more influential in influencing the details of selected negotiations but have little sway or input at a strategic level in forum selection. Finally, they conclude that the executive branch of government remains the dominant player in South Africa’s trade policy-making and negotiations.

Many interviewees agreed that in its earliest conception the NEDLAC process was highly effective and constructive (*Int:* Alfeld 2009; Bateman 2009; Chance 2009; Draper 2009; Grobbelaar 2009). Initially business representatives were optimistic that consultation mechanisms and processes offered an opportunity for trust-building and genuine dialogue on economic policy (Adam et al 1997: 213-214; Natrass 1997: 107). Now however, NEDLAC is regarded by many business representatives as a defunct institution (Draper 2004). In contrast government representatives tended to disagree on this point. Even in its earliest construction NEDLAC was perceived to be a forum that privileged some actors over others.

Initially it was Big Business and Big Labour; now it is perceived as labour and government versus the rest.

The early promise of NEDLAC appears to have dissipated and business at a senior level does not attend (*Int: van Vuuren 2009 and Maasdorp 2009*). NEDLAC's mandate was to "seek to reach consensus and conclude agreements pertaining to social and economic policy" (NEDLAC 1998: 2). NEDLAC was intended to be the embodiment of societal corporatism (Nattrass 1997), but in fact appeared to be an uneven corporatism in which business felt that much of the legislation that emanated from NEDLAC was biased towards labour interests (Taylor 2007: 169). From another perspective the labour legislation that was negotiated (The Labour Relations Act, 1995, the Basic Conditions of Employment Act, 1997 and the Employment Equity Act, 1998) could be seen as a "triumph of hard bargaining" by the unions (Business Day 2005, May 16).

Despite this victory for labour, critics of South Africa's neoliberal economic policies argue that GEAR followed quickly on the heels of labour-friendly legislation and that GEAR was most distinctly labour-unfriendly (Bond 2000). In reality GEAR was never negotiated in NEDLAC, because by then NEDLAC was already a waning influence in government policy-making (Taylor 2007: 170). This period marked the beginning of the decline in NEDLAC's importance and according to van Vuuren the former head of BUSA the institution is chronically under-resourced (*Int: van Vuuren 2009*).¹⁰⁵ As discussed earlier, NEDLAC is seeing a shift in its fortunes under the Zuma administration, with increasing numbers of cabinet ministers turning to it for policy input (Business Day 2010, July 29). NEDLAC also recently appointed a new executive director in form of Graham Smith. He is a veteran of social dialogue and was previously head of the Metal and Engineering Industry Bargaining

¹⁰⁵ This perception is difficult to verify and no secondary resources reflecting this position were identified.

Council, where he participated in numerous consultative processes with the DTI, Department of Labour, the Commission for Conciliation, Mediation and Arbitration, and NEDLAC (SAPA 2011, October 4). How this will play out with business remains untested.

The politics of race and how organised business engages in the consultation process and economic diplomacy more broadly is an important factor in explaining variations in consultation processes. In particular issues of transformation (or BEE) and representation - who has a 'voice' or access - are significant elements in this process. This research finds that the contested issues of transformation and redistribution concerns have complicated the access that business has to government (both formally and informally). As a result, a number of the business actors interviewed (particularly from big business and white capital) indicate that business access to government is limited on formal economic diplomacy initiatives such as multilateral negotiations at the WTO or regional agreements such as SACU or SADC (*Int: Chance 2009; Draper 2009; January-Bardill 2009; Maasdorp 2009; Mapai 2010; Spicer 2009; Tshiqi 2009*). Some business groups, such as BUSA, as a result of being regarded as more representative of the transformation agenda, are becoming government's 'interlocutor of choice' and are increasingly becoming more influential in representing business interests across a range of issues including trade and economic diplomacy (*Int: Grant 2010*). As a result of the particular racial politics that has characterised the political economy of South Africa, responding to the challenges of transformation is an integral part of the corporate landscape. The issue is fundamental to all aspects of the relationship between business and government in post-apartheid South Africa and so also central to the problematic of consultation and the role of business associations.

All the business interviewees revealed an on-going lack of trust between business and government along with other aspects of institutional weakness due to poor co-ordination, lack

of capacity and disorganisation within consultation mechanisms. As a consequence, business is less engaged, though not unengaged, in domestic consultation on economic diplomacy than might be expected in a country such as South Africa with the long-standing relationship between business and government. What the research also reveals is that business NSAs engage in consultative modes of engagement to varying degrees and depending on the location of such diplomatic processes. The consultative role of business NSAs is fluid, diffuse and manifests in multiple spheres in a constantly evolving and shifting form.

In the section above on consultation mechanisms reference was made to Capling and Low's (2010) observations of NSA engagement in trade policy-making. When this study is compared to their findings, there is significant resonance but also divergence with some of their conclusions. South African consultation does indeed vary between formal institutionalised and informal mechanisms. It is not true of South Africa that only business NSAs have the resources and capacity to engage meaningfully in consultation. Research institutes and think tanks are highly engaged and active in producing both technical and policy related research. Social actors from labour are well-resourced and highly active as well as influential in South Africa's consultative landscape. In addition, given the complex relationship between business and government, it cannot be said of South Africa that business has a privileged position over other stakeholders in consultation processes.

It has been true of South Africa, as for other developing countries, that public information on trade flows and negotiations had not, until relatively recently (2012), been well communicated.¹⁰⁶ A comparison of the 2008 and 2011 annual reports reveals that in the

¹⁰⁶ A review of Nedlac's website was done in December 2011 at which stage annual reports were only available up to 2008. In April 2012 a further review of the Nedlac website revealed that the information had been made current and all annual reports up to 2011 were available for download. The recent annual reports (2009 onwards) also showed far greater detail of the trade negotiations being discussed under the auspices of Nedlac.

2007/2008 reporting period, the Trade and Industry Chamber met just 11 times and only two of these meetings related to trade negotiations (NEDLAC 2008: 45) . In contrast during 2010/2011 reporting period, the Chamber met on 91 occasions and 38 of these pertained to trade negotiations (NEDLAC 2011: 45). In terms of forms of engagement, it is certainly true for South Africa that business NSAs have a preference for engaging directly with ministries and relevant government departments. A number of business interviewees found that there was far greater scope for input to regional and bilateral trade negotiations than multilateral processes in the WTO (*Int*: Alfeld 2009; Bateman 2009; Bone 2008; Lawrence 2009; Mason 2009; Plaatjie 2010; Tshiqi 2009; Vapi 2009; Walters 2009). The increasingly complex agenda being faced as a result of consultation and competing social interests certainly was felt by government interviewees. This study reveals that business NSAs are actively engaged in a consultative role. However, business is responding to limitations in the consultative environment by finding alternative ways to participate in South Africa's economic diplomacy.

Coordination and unity

The interviews reflected a call for greater strategic coherence to South Africa's foreign policy and the business community's interests. Dlamini (2004: 171) expresses this as the need for "a co-ordinated and focused approach that nurtures and promotes a symbiotic relationship between foreign policy and business". This has led to calls for a so-called 'SA Inc.' approach, where foreign policy goals are linked to economic objects driven by business imperatives, be they export orientated or investment driven.

Consultation and Inter departmental co-ordination

Tensions between the DTI and the DFA (now DIRCO) were apparent from the early years of political transition. As the department responsible for negotiating South Africa's multilateral

and bilateral trade agreements the DTI has enjoyed considerable success and a high profile in the WTO. According to January-Bardill (*Int: 2009*), a former South African Ambassador, this has fuelled envy within DIRCO, partly driven by personality differences in the two departments.¹⁰⁷ The relationship between the two government departments is characterised by business interviewees as lacking in communication (*Int: Chance 2009; Grant 2010; Spicer 2009*). De Villiers (*Int: 2009*) also indicated that DIRCO is in competition with the Department of Defence (DoD), which has taken the lead in matters of peace and security as well as matters of arms sales, placing the DoD in direct competition with DIRCO, which is partly responsible for managing the National Arms Control Convention, particularly with reference to issues of human rights records and existing geopolitical tensions. The DoD is driven by profit motives in the internationally competitive arms market (le Pere and van Nieuwkerk 2004: 124). Denel (Pty) Limited is the largest manufacturer of arms and defence equipment in South Africa and is owned by the government.

In the present global political economy, there is an increasing need for ministries such as agriculture, energy, education or defence to interact at an international level, with counterpart ministries from other governments as well as MNCs from other countries or civil society representatives on a range of issues. This is driving these departments to adopt diplomatic functions for themselves, a role no longer the preserve of the Departments of Foreign Affairs (Pigman and Vickers 2010: 10). In this regard greater co-ordination becomes more vital as the Department of Foreign Affairs (or its national equivalent) must play the part of the facilitator of consistency between departments (Hocking 2003).

Most companies have relationships with different government departments (Department of Agriculture, Labour, Education, Safety and Security) and all speak of the silo-effect – where

¹⁰⁷ Given the obvious sensitivities relating to this observation January-Bardill would not specify the names of people within the DTI and DIRCO or give specific examples.

departments do not interact with one another. A good example of how this greater symbiosis between government and business is possible and effectual is the Kimberley Process, through which Anglo-DeBeers and the South African government embarked on a joint diplomacy initiative to reach international agreement at the UN on conflict diamonds, which also included the support of Angola and Sierra Leone as well as the British and Canadian governments (Lipton 2009).¹⁰⁸

Criticisms levelled at NEDLAC by the business sector tend to ignore the deep schisms that exist within the business community itself. Although the call for business to speak with one voice so often associated with Mbeki, is somewhat utopian, the conflicts and divisions between different sections of business associations in South Africa has been catastrophic to business's ability to engage meaningfully in NEDLAC processes as well (Taylor 2007: 176). Whilst the divisions between business associations has been in a large part about racial representation or language preferences (between English and Afrikaans speaking businesses) and size of business represented, there appears to have been little advantage to business associations representing black businesses. Attempts at merging black business associations with white mainstream associations have not always worked out. An example of this is the failed alliance in 2002 between the BBC and BSA (now called BUSA), which could not even begin as a merger due to the BBC's concerns about being an acquisition until they could both play an equitable role. Hasmuk Gajaar, then President of the BBC, felt that achieving a de-racialised body within two years would be optimistic (BBC News 2002, April 8). A further example is the recent spat between the BMF and BUSA.¹⁰⁹

¹⁰⁸ The Kimberley Process is an initiative introduced under the UN General Assembly Resolution 55/56, aimed at certifying the origin of diamonds to prevent diamond sales from being used to finance rebel movements in conflict countries, which are often called 'blood diamonds' (UN 2001).

¹⁰⁹ See Chapter Four for more detail on this.

A previous attempt to merge NAFCOOC and SACOB (now SACCI) was rejected by members of the black business community. Subsequent attempts to merge NAFCOOC into BUSA came to nought as NAFCOOC feared that their membership of small black business would be swamped by big business (Wadula 2004, September 4). The BBC did eventually successfully merge with BSA to form BUSA in October 2003, forming an umbrella body for other chambers and business associations, which gave a greater prominence to black business (BUSA 2010a). However, the merger did not succeed in shifting the emphasis away from big business interests, and BLSA the association representing the large conglomerations that dominate the South African economy remains the largest source of funding for BUSA today. This has meant that sectoral associations and regional chambers have the incentive to maintain their individual identities in order to still lobby for and promote sectoral interests with the government such as the National Association of Automobile Manufacturers (Taylor 2007: 178).

Functioning Consultation: the South African Liquor Brands Association (SALBA) and the EU-Wines and Spirits Agreement

Agricultural associations have generally been more active participants than other business groups within the WTO. They attend ministerials as part of the civil society participants. Out of 11 civil society groups at the Hong Kong ministerial three were agricultural interest groups, and the remainder were think tanks or COSATU. The three associations were the South African Agricultural Processors Association (SAAPA), Agri South Africa (ASA) and South African Sugar Association (SASA) (WTO 2009). De Villiers (*Int: 2009*) and Kruger (*Int: 2009*) identified the ATF as an example of well-functioning domestic consultation, which holds monthly meetings. The way in which the ATF engages with various stakeholders and the extent of participation by groups such as SALBA makes this a very good example of functioning consultation. Regular meetings are chaired by the DAFF and attended by SALBA

and a wide range of agricultural associations such as the Wheat, Maize, Meat and Sugar associations, as well as trade union representatives from the Food and Allied Workers Union (FAWU). There is regular feedback at these meetings about developments in SACU, SADC, WTO, and bilateral talks with China or India.

A review of the agenda items at a meeting held in September 2009 reveals that the ATF provides a meaningful opportunity to discuss various aspects of South Africa's trade policy and diplomacy, such as South Africa's industrial policy with reference to agro-processing, South Africa's agricultural trade strategy, trade policy objectives with respect to Africa and further African integration; the WTO Doha Round, broad objectives and where the round is going and agricultural market access into China (ATF 2009). This is in marked contrast to interview responses on NEDLAC which identified that NEDLAC processes were frequently unhelpful and for which no minutes or agenda items are available for researcher review. Interviewees who have attended NEDLAC meetings confirm that minute taking in NEDLAC was particularly poorly done.

As a result of the ongoing consultation process an industry association, SALBA, has been intimately involved in the negotiation of the South Africa- EU Wines and Spirits Agreement and participated as part of the negotiating team until this was no longer possible due to pressures from the EU delegation (*Int: Kruger 2009*).¹¹⁰ SALBA has a broad membership including manufacturers as well as distributors. Members include KWV, and all the big wine and spirit producers, as well as Distell a brand house which is a subsidiary of Diageo and other international brands such as Pernod Ricard. Within SALBA's membership the wine

¹¹⁰ It was never clearly indicated to SALBA why the EU insisted on their exclusion from the negotiating table, but Kruger says it was most likely because SALBA was associated as representative of direct commercial interests. What the EU delegation failed to grasp (or ignored) was that SALBA also represented the technical expertise in the South African delegation and that their exclusion resulted in a significant handicap to the South African delegation going forward. Conversely the EU were able to provide technical expertise unattached to any specific industry or commercial undertaking.

producers are the larger exporters in the association. A big business player such as SAB Miller tends to go it alone, but will join with SALBA on some initiatives such as the ARA joint initiative as SALBA and SAB are both major funders of the initiative (ARA 2010).¹¹¹

The SA-EU Wine and Spirit Agreement was adopted by the EU on January 21, 2002 (although it remains to be ratified by South Africa's Parliament) (European Parliament 2001). The agreement supplements the TDCA concluded in 1999. It covers various aspects of rules of geographical origin and provisions protecting non-geographical denominations especially those relating to designations for fortified wines, such as port and sherry. It was agreed that the implementation of the agreement would be phased in over a period of five years from notification of both parties that completion of the necessary procedures has taken place. At initial stages of the negotiation the industry was a full participant in the negotiations as part of the South African delegation, but the EU objected. South Africa was allowed one technical and one legal expert in the negotiating room. The agreement was finally concluded using shuttle diplomacy going back and forth between the negotiations and various industry experts to get the necessary technical input (*Int: Kruger 2009*). Prior to the negotiations the DTI and DAFF discussed initial positions and then sat with industry to get technical input. In the end SA had four negotiators and Brussels had between 10 and 12 in the negotiation.

There are enormous industry frustrations around the final outcome of the agreement. Australia, the US, Chile and Argentina have all finalised agreements with the EU subsequent to the one with South Africa, with more favourable terms (DTI 2005). Although the final agreement has yet to be ratified by the South African Parliament many businesses in the industry have already commenced implementing the changes to naming of their wines and spirits to conform to rules of origin, protection of geographic indications (GIs) and protection

¹¹¹ The ARA initiative is the Industry Association for Responsible Alcohol use in South Africa.

of manufacturing techniques agreed with the EU during the negotiations (*Int: Kruger 2009*). This puts South African businesses at a disadvantage if the agreement is not finally ratified as they will incur significant expense rebranding their product lines (possibly unnecessarily). The negotiations were around some highly technical issues such as the reverse osmosis process which South Africa is not allowed to use; but Australia negotiated their agreement allowing them to use these processes.

Despite this example of functioning consultation and co-operation, it appears to be an isolated example as well as highly dependent on key relationships between business/ industry representatives and government departments. Kruger (*Int: 2009*) indicated that much of the cooperation and consultation between business and the DAFF at the ATF is dependent on the personal input and drive of particular people in the DAFF, which may not be as good if these key personalities were no longer there.

The resurgence of the State and ANC dominance in NEDLAC

Adam et al (1997: 148) contend that the ANC government soon acquired a greater confidence in their economic policy-making ability after the elections of 1994, so that they felt able to implement macro-economic policy without extensive consultation and thus the role of NEDLAC was diminished within 2 years of being established. This would imply that the influential role played by business, as discussed in Chapter Three, began to wane as the ANC-led government gained strength and the expertise lacking during the early stages of transition. The relationship between government and business appeared to become increasingly conflictual (Kornegay and Landsberg 1998).¹¹² Nattrass (1999) posits that the decline in cordiality between business and government can be traced to the Truth and

¹¹² See in particular Handley (2008) for a discussion of the benefits to South Africa of 'constructive contestation' between business and government.

Reconciliation Commission business hearings where business failed to admit any culpability in the apartheid system and in fact claimed to be a victims of the system itself.

Business disunity and the obstruction of racial disharmony

In the view of many of the business interviewees, NEDLAC is just a talk-shop and is dominated by unions (*Int: Alfeld 2009; Chance 2009; Draper 2009; Droski 2009; Tshiqi 2009*). From the interviews conducted it is clear that business feels that by virtue of the unions being part of the tripartite coalition that makes up the ruling ANC, they have preferential access to lobby government before the meetings so that by the time the issue is being discussed in NEDLAC, government and the unions speak as one voice and business is attacked from two sides and perceived as being recalcitrant or obstructive. This leads to business not attending because they no longer want to sit there and be told off constantly. Essentially, government is perceived by business as leaning towards the left with their alliance partners in the trade unions and because of the historical mistrust in the relationship between business and government, where business is tainted by the ‘white capital’ label, business cannot lobby to any great effect. “These guys on the labour side (of the NEDLAC table) have (such) an overwhelming influence on government that, you know, you start off – in golf-terms – with a handicap, a very serious handicap before you even play. NEDLAC is a talk-shop and we’re not being listened to, so why go?” (*Int: Tshiqi 2009*). Loraine Lotter (Chemical and Allied Industries’ Association (CAIA) and Business Convenor for NEDLAC Trade and Industry Chamber) does not even regard NEDLAC as a consultation mechanism. Instead she typifies activity at NEDLAC as more of a negotiation process: “There is no consultation process – government brings a decision to negotiate with whomever it is, India or MERCOSUR, and business has no input to the agenda setting process, which is a political decision” (*Int: Lotter 2010*).

Carim (DTI Chief Negotiator) disagrees that NEDLAC is simply a talk-shop. He maintains that there is genuine policy debate and dialogue where all FTAs and PTAs are negotiated and the details defined through intense and extensive consultative processes at NEDLAC at a technical level looking at tariffs at a sectoral level (*Int: Carim 2009*). The level of negotiation extends not just to what South Africa wants to get out of an agreement but what concessions are likely to be required and what is the likely impact of such concessions. Sometimes that means that when negotiations commence agreement is not reached, as in the free trade negotiations with the US, where the two parties were simply too far apart to reach agreement. At other times agreements such as the MERCOSUR and EFTA agreements were thoroughly discussed in NEDLAC and were successfully concluded. Critics of NEDLAC contend that this may be so, but NEDLAC representatives have yet to see the substantive results of the agreement (and in some cases the agreements remain to be signed despite having been concluded some months ago).

Faizel Ismail (head of the South African delegation and permanent representative to the WTO) agrees with Carim that government have consulted extensively with business and other social partners through NEDLAC about the WTO and in particular the Doha Development Round, on issues to do with industrial tariffs among others (*Int: Ismail 2008*). There is, however, agreement among those interviewed that there is room for improvement and that government would benefit from more input from academics, research institutions and think tanks. The DTI also questions whether NEDLAC is in fact drawing in the right business representation, hinting that big business is largely excluded from NEDLAC's consultation processes and if they participated there may be scope for helping to shape things (*Int: Zalk 2009*). Interviewees all pointed to a general lack of trade capacity across all constituencies.

The business perspective on consultation more broadly

A fundamental problem for business in interacting with government, at any level, is the lack of trust (*Int*: Grant 2010; Spicer 2009; Parsons 2009; Rhomberg 2009; Tshiqi 2009). The breakdown in the relationship between business and government is evident in many of the interviews conducted – business is not seen to support government and government is regarded as bureaucratic and unresponsive by business. Input to trade diplomacy is best achieved by business acting in concert or collectively as this protects government from being seen to be favouring particular firm-level interests; hence the call for ‘business to speak with one voice’. This further explains why BUSA is increasingly being adopted as government’s interlocutor of choice.¹¹³ Both representatives of the DTI and DIRCO as well as business interviewees refer to the need for a greater focus on economic goals in South Africa’s foreign missions; they are perceived by business to be mainly politically. According to representatives of the large business associations BUSA and BLSA, business would like to see South African embassies playing a more facilitative role - introducing South African businesses operating in foreign markets to one another to learn from others’ experiences especially in places where the language barrier makes it difficult like Angola or Mozambique or the DRC and providing better market intelligence (*Int*: Grant 2010; Parsons 2009; Spicer 2009).

5.7 Conclusion

The consultative role of business is premised not in the institutional functions or structures of consultation but the agency of personalities and the relationships that have been established.

¹¹³ BUSA as the government’s interlocutor of choice is reinforced by statements made during a recent parliamentary question and answer session in which President Zuma specifically refers to BUSA as the organiser of business representation at state visits where business accompany the President on formal visits including business leaders as members of the delegation (National Assembly 2010). “The delegations that go abroad... are determined by the DTI and BUSA. Other business people go on their own” (Zuma to the National Assembly 2010).

This chapter has argued that South African business is still mired in the historical mistrust by government of white capital interests. Despite evidence of a highly engaged business sector during the political transition, business and government have become increasingly polarised. The research has found that consultation between government and business on trade diplomacy is patchy and sometimes dysfunctional. The reasons for this relate in part to the historical mistrust between business and government, but also to institutional failings within government. These failings can be understood first, with regard to inter-departmental competition and failure to co-ordinate across many departments. In the second instance the institutional failure extends to the official consultative mechanism of NEDLAC which is where discussion between government, business and labour ostensibly takes place on a range of social and economic issues, including trade under the auspices of the Trade and Industry Chamber.

The chapter analysed the widely held view among business that the NEDLAC process is unhelpful and poorly managed. Business perceives government to be disinterested in their input and perspectives and closer to the views of labour. The net effect of this has been to find business withdrawing from the consultation process on trade diplomacy (especially big business such as the corporations represented by BLSA).¹¹⁴ Consequently, all business sectors (large corporations as well as SMMEs) seek to find alternative avenues for pursuing their positions. The findings of the research are supported by research conducted by Grobbelaar and Besada (2008: 101) into South African business in Africa, where they identify the need for a “much closer and continuing dialogue... between the South African

¹¹⁴ For a listing of BLSA members see <http://www.businessleadership.org.za/members.php> accessed 17 April 2012. BLSA members represent the top MNCs with interests in South Africa including foreign investors in South Africa such as Vodacom, Xstrata, South African Breweries (SAB Miller), Total SA, Nedbank, TATA Africa Holdings, Sasol, Sappi and BHP Billiton.

Government and the South African private sector”. Despite the relative failure of domestic consultation, business is not silent on these issues.

The chapter has explored both the constraints and opportunities for business acting in a consultative role in South Africa’s post-apartheid economic diplomacy. Despite some very significant weaknesses and obstacles to a functional consultation and the constructive contestation that exists between business NSAs and government, the research did find an important consultative role for business. Whilst it is not possible to enumerate this consultative role purely in terms of diplomatic outcomes, there is significant evidence of ongoing interaction that forms part of the *process* of consultative diplomacy.¹¹⁵ The limitations of consultation, however, provide the impetus for business to seek additional mechanisms or modes of engagement in economic diplomacy. The next chapter focuses on the second mode of engagement for business NSAs: a supplementary role. The chapter discusses in greater detail the South-South focus of South Africa’s foreign policy agenda and the mirroring of this in South Africa’s trade agreements and negotiations. In particular the chapter reveals the supplementary role of business in supporting and facilitating South Africa’s regional and bilateral goals as well as in other fora representing South Africa’s engagement with the South.

¹¹⁵ See discussion in chapter one, section 1.1 defining economic diplomacy and the importance of recognising diplomacy as process and not reducing our understanding of diplomacy to simply identifying diplomatic outcomes.

CHAPTER SIX: MODES OF DIPLOMACY, THE SUPPLEMENTARY ROLE OF BUSINESS

6.1 Introduction

A supplementary role in MSD is evident when NSAs pursue domestic objectives simultaneously with their international ones, working in conjunction with government diplomats or officials (Hocking 2006). MSD is a useful lens for exploring contemporary diplomatic processes where representation is not formal or fixed but rather occurs as and when needed. It is in such circumstances that we find evidence of business NSAs engaging in what this research identifies as a supplementary role in diplomacy. The preceding chapters analysed the extent of business engagement at a domestic level in economic diplomacy where the consultative role of business NSAs was identified. This chapter analyses the extent to and ways in which business engages along-side government actors in economic diplomacy, through bilateral state visits and through various other mechanisms such as IBSA, BRICS, the G20 and the WTO. There is evidence of South Africa's significant economic expansion into Africa and increasing trade links with other large emerging developing economies such as Brazil, India and especially China. At the same time, as Chapter Four has demonstrated, South Africa's foreign and trade policy is focused on forging links with other economies of the South, especially Africa (DTI 2010c).

As Chapter Three has demonstrated South Africa's significant trading partners have shifted from Europe and the US to China. In tandem with South Africa's broader South-South diplomatic agenda, business is engaging very directly in economic diplomacy initiatives along-side formal trade missions and processes but also as commercial diplomats in their own right. South Africa has invested considerable energy in engaging with other developing

countries while maintaining historically strong links with existing trading partners such as the EU and US. Much of this focus has been regional (through SADC and SACU) and along-side the rest of Africa. Balancing this dichotomous agenda of aligning with the South while pursuing economic interests with the North requires considerable skill, which balancing act is described by Taylor and Williams (2006) as unsustainable. This chapter focuses on South Africa's bilateral relationships with the South and explores the notion of hegemony in Africa through the lens of economic dominance and private sector engagement in the region.

Following on from the theme in the previous chapter this chapter examines how the government further balances its reliance on corporate interests in expanding trade and investment into Africa with the natural antipathy towards white capital and historical mistrust arising out of apartheid era domination. The chapter explores tensions created between business and government as business actors pursue a direct role in South-South economic diplomacy, both along-side and independently of government, bypassing formal trade diplomacy initiatives and establishing relevant diplomatic relationships in their own right.

6.2 South-South diplomacy – sites of diplomatic engagement

South-South engagement is an important element of achieving development goals for the developing countries (G-77 2004). South Africa is placing increasing importance on South-South economic relations and hence the trend to negotiate more PTAs with countries in the global South, without neglecting the importance of established trade partnerships with economies of the North (Parliamentary Monitoring Group 2010; Ismail 2011). This policy priority is also reflected in the FTAs South Africa has embarked on negotiating in the post-apartheid period, including those with strategic partners such as Brazil, India, Nigeria and China (Ismail et al 2001: 13). As far as South Africa's post-apartheid foreign policy goes, Africa is its major priority (Alden and Soko 2005: 369). The DTI's "butterfly strategy",

where South Africa is the head and Africa the body of a butterfly, is intended to open up trade for South Africa from Africa to “wings” of the Americas and East Asia (Vickers 2003: 29). As Lipton (2009: 335) explains: “South Africa regards African economic development as essential for its own prosperity and security.” Some argue that this commitment to the South is an ideological expression of solidarity with the South, at the expense of South Africa’s economic interests (Mills 2008).

China became South Africa’s biggest import partner and largest export destination in 2009, coming from nowhere in just five years. The same trend has been evident with India; from very little trade six years ago, India is now South Africa’s 8th largest trading partner. In Africa, Angola is a very significant trade partner, chiefly because of oil. It seems the shift in South Africa’s economic interests towards the South also mirrors broader foreign policy objectives. It is not possible, however, to draw conclusions that foreign policy objectives are driving economic trends or vice versa. In fact, Ismail contends that South Africa’s foreign policy objectives are primarily driven by values and integrity derived from its anti-apartheid struggle (Ismail 2011). He contends that these underlying values are premised on principles outlined by Nelson Mandela, such as human rights, justice, respect for international law, peace, the interests of Africa and international cooperation on economic development (Mandela 1993). The confidence of the government in the processes of South-South engagement is borne out by South Africa’s recent membership of the so-called BRIC axis, bringing South Africa into the fold of the largest global emerging economies (Jopson 2010). Again, this represents a significant boost to South Africa’s international credentials and not necessarily indicative of economic clout. Such diplomatic manoeuvring is useful to China as well as South Africa, providing potentially useful alliance power to South Africa that economic or market power alone cannot support. South Africa’s growing economic role in the region is driven by the corporate sector, with one media commentator reflecting that

South Africa is the “corporate captain of Africa” by virtue of the fact that it has more pan-African companies than any other African country (Financial Times 2010, February 1). It is this economic dominance in Africa that makes South Africa an attractive partner to the BRICS. DIRCO argues that South Africa’s inclusion in the BRICS is as a result of its commitment to multilateralism and making the global political economy more fair and just (DIRCO 2010d).

Zuma’s comments in June 2010, at a Business Interactive Session in India, where South Africa is seeking to negotiate a preferential trade agreement with India, reinforce this strategic vision. He was speaking during a State visit, accompanied by a large business delegation aiming to build stronger trade links with India, when he suggested that a partnership between India and South Africa would contribute to developing countries of the global South being able to change the existing global order: “It will contribute to our shared vision of a new world order, in which countries of the South are able to assume their rightful place among the family of nations” (Polity 2010, June 4). He referred to a shared ideological vision and colonial history that binds the two nations, but reiterated that the most important element was the economic relationship: “for it is in the economic sphere that this relationship is going to be most keenly felt”.

Tom Cargill (2010) cautions that there is a potential shift in the global balance of power from West to East, as Africa (with 40 % of the global raw material supply chain and a large population of 1 billion potential consumers) is being courted by China and other developing countries such as Turkey, South Korea and Brazil. He highlights that the influence of the G8 has diminished because of an over emphasis on aid and the relative neglect of developing business and private sector linkages. By contrast, G20 emerging economies have fostered entrepreneurialism and fostered business opportunities with African countries. Others are

also beginning to respond to the strategic threat posed in Africa to the traditional dominance of Europe by developing economies such as China, which has become Africa's biggest trading partner and a major source of investment. The traditional Africa-France summit held in 2010 included business representatives for the first time, with some 230 African and French companies attending this usually political event.

This does not detract from the importance of industrial countries, they are still significant players, but in terms of economic growth and opportunities the centre has shifted. This in turn leads to questioning the powerful players in IFIs such as the World Bank (WB), WTO and IMF. If the major economic growth in the world is happening in Brazil, India or China should not these countries have a greater say in the decision-making of global institutions? These countries, like South Africa, are beginning to form common interests around issues such as agricultural reform in the WTO and ensuring that rules are not shaped by the interests of only the developed countries. This is evidenced by the burgeoning number of coalitions of developing countries in the WTO such as the Africa Group, NAMA 11, the Like Minded Group (LMG) (Narlikar 2003).¹¹⁶ Even though developing countries will have different emphasis, such as industrial products for China, agriculture for Brazil and services for India, they still share a common goal in having a more equitable power distribution in the multilateral fora. In his book on Reforming the WTO, Ismail (2009: 3) (Ambassador Permanent Representative to the WTO, South Africa Permanent Mission) asserts that "the G20 and NAMA 11 have begun to articulate and defend the interests of other developing country groups, even where this would require them to adjust their own narrow self-interest and transcend their narrower welfare interests. This process has laid the basis for the building

¹¹⁶ The LMG was a coalition of developing countries opposed to the launch on the Doha Round and dissolved after the Round was launched, to be replaced by other issue-based coalitions such as TRIPS and public health and NAMA (Narlikar 2003). The NAMA 11 is a coalition of countries established to oppose the rules being proposed on non-agricultural market access (NAMA). The NAMA 11 comprise Argentina, Brazil, Egypt, India, Indonesia, Namibia, Philippines, South Africa, Venezuela and Tunisia (TWN 2006).

of common platforms and a united front against attempts by their major trading partners to foist unfair deals on them”. He goes further to claim that “the current impasse in the WTO is a reflection of the strength of developing countries, not their indifference. Today, developing countries are a force to be reckoned with. They can negotiate, are technically competent, and they are organized”(Ismail 2007: 139). South Africa’s South-South agenda is thus evident across a range of diplomatic sites even within the WTO.

This section now turns to the various locations and sites of diplomatic engagement beyond trade agreements where South African business is engaging in a supplementary role.

NEPAD Business Foundation

New Partnership for Africa’s Development (NEPAD) was born out of earlier initiatives to revive Africa’s fortunes through the establishment of a kind of ‘Marshall Plan for Africa’ raised in discussions with the G7/8 countries under the auspices of the Organisation of African Unity (OAU) (Taylor and Nel 2002; Herbst and Mills 2003).¹¹⁷ NEPAD was intended to encourage aid and trade from developed countries in exchange for enhanced governance from among African countries, through instruments such as the Peer Review Mechanisms (Mayaki 2011, November 2). It was situated within the African Union (AU) which was a key project for South Africa to implement good governance, security and human rights standards across Africa (Alden and Soko 2005: 384). Such endeavours are the embodiment of South Africa’s ideological commitment to pan-Africanism and an agenda to attract Foreign Direct Investment (FDI) into Africa by showing compliance with global best practice in governance both political and economic (Nnadozie et al 2008: 170). The faith that other African countries have shown in South Africa’s ability to represent the region more broadly (while admittedly contested in some countries) is largely based on the extension of South African economic interests across Africa (Brummerhoff 1998: 38). This extends

¹¹⁷ The OAU was later replaced by the AU in July 2002 (AU 2010).

through a wide variety of sectors, not confined to mineral extraction (as most other foreign investment into Africa tends to be) and attributable to the expanding South African media presence through M-Net and the South African Broadcasting Corporation (van der Westhuizen 2001: 67). The South African government under Mbeki openly courted the active involvement of business as crucial to the success of NEPAD and this was demonstrated by the fact that most of South Africa's top companies were signatories to NEPAD and signalled their support at the 2002 WEF Africa Summit in Durban (Dlamini 2004: 173). Large corporations such as Sasol, SABMiller, Anglo American, Absa, DeBeers, Eskom and Sanlam are all members of the NEPAD Business Foundation (NBF). According to Shaw and van der Westhuizen (1999) large-scale infrastructural projects under NEPAD are connected to the economic expansion of South Africa into the rest of Africa as corporate actors seek market expansion opportunities beyond South Africa and previously state-owned monopolies were privatized and needed to grow. NEPAD also has international reach and includes constituencies outside of South Africa such as the African Business Roundtable, The International Chamber of Commerce (ICC), The Commonwealth Business Council, The Corporate Council on Africa (US), The Canadian Council on Africa, and the International Business Leaders Forum (UK) (NBF 2010).

The NBF does not compete with BUSA for policy space as the NBF focuses exclusively on Africa, working primarily around private sector participation in NEPAD's infrastructure projects. The NBF is structured around 16 strong sector groups; whereas BUSA is organised in terms of thematic interests. As far as economic diplomacy is concerned both BUSA and NBF interact with members of the Diplomatic Corps. NBF organise an annual ambassadorial dinner providing business members with the opportunity to interact directly and at a high-level with members of the diplomatic corps based in South Africa. "This is an opportunity to meet with Ministers and senior Embassy staff, including Ambassadors from other countries"

(Int: Tshiqi, 2009). This range of activity is evidence of business-government diplomacy, described by Susan Strange (1997) and also an example of MSD in action where communication is not only state-led but more inclusive and transparent (Wiseman 2004).

The clusters of the NBF are project focused and provide access to institutions such as the ADB and the WB. These initiatives enable smaller South African firms to link into big infrastructure projects being financed by the big development banks such as the building of a power station in Ethiopia. In this sense the NBF provides a facilitative function in diplomacy. The economic diplomacy that takes place both through the NBF as well as through joint initiatives with the WB (diplomacy into multilateral financial institutions) affords a vital opportunity for businesses in countries like South Africa (NEPAD 2009). Business engagement in NEPAD through information sharing, promoting trade and investment and private sector involvement in sustainable development projects, demonstrates a significant breadth and depth of engagement in economic diplomacy.

IBSA Dialogue

The informal interaction between India, Brazil and South Africa was formalised in 1993, with the establishment of the IBSA dialogue, through the Brasilia Declaration, which aims to create a FTA between the 3 countries in order to increase trade and investment flows between the parties (Botha 2004: 298). Since 2003, there have been five IBSA Summits, the latest summit being hosted in South Africa in October 2011 (Campbell 2011, October 18). Trade between the IBSA parties has risen from US\$7 billion in 2005 to US\$16.1 billion in 2010. The partners are aiming for US\$25 billion by 2015 (IBSA 2010). In addition, foreign ministers meet annually under the auspices of the Joint Commissions of the Forum, most recently held in New Delhi on the 7th and 8th of March 2011 (IBSA 2011). IBSA is a plurilateral forum that has emerged in response to multiple crises in the global economy and

as an expression of the increasing influence of the large emerging developing economies of the South (Chenoy 2010).

The strategic relevance of IBSA to South Africa extends beyond the idealism of South-South collectivism. India is South Africa's 6th largest export destination in 2010 (by projections) and was the 6th largest in 2010, with a value of R22.6 billion – more than double the figure for 2007 and accounts for 4% of South Africa's total exports (DTI 2011a). Brazil (as part of MERCOSUR) remains an untapped market as South Africa's 25th biggest export partner with 0.9% of exports at a value of R2.9 Billion (lower than in 2008 and 2007). South Africa imports 3.7% of its total imports from India, which is the country's 8th biggest source of imports at R20.7 billion (DTI 2011a). Brazil is South Africa's 16th biggest source of imports at R10.59 billion, both countries significantly less than in previous years (DTI 2010a). There is significant scope for improving trade opportunities in both countries for South Africa.

The major focus for South African corporations in Brazil is through mining interests, and financial services have been a major driver of economic relations with both India and Brazil (Soko 2006: 11). India is attractive to many South African corporations seeking to expand further into the region's markets such as Bangladesh, Nepal, Sri Lanka and the Maldives. India has a shared colonial history with South Africa which makes company law more familiar (Int: Chance 2009). A number of South African firms have established operations in India, such as Shoprite Checkers, Anglo American, De Beers, Old Mutual, Sanlam, SAB Miller (Old Mutual 2009; The Times of India 2010, August 17; Bloomberg BusinessWeek 2011; Shoprite 2011a; Anglo American 2011c). South African companies with investments in Brazil include, SAPPI, Standard Bank, AngloGold and Safmarine (Soko 2006; AngloGold Ashanti 2010; Safmarine 2011; Standard Bank 2011, June 8; SAPPI 2011a). There are still a number of unexploited opportunities in both India and Brazil, especially around the export of

capital equipment (particularly in the mining and agricultural sectors). The IBSA trio is also represented at several other influential fora in the world, including the G20, the BRICS, the WTO and the BASIC group (Brazil, South Africa, India, and China) of the climate change negotiations.

Business NSAs interviewed agreed that there needed to be better inclusion of business in negotiations around IBSA. This was being addressed through the IBSA Business Council, which comprises five member organisations of the IBSA Business Council – Associated Chambers of Commerce and Industry of India (Assocham), BUSA, Confederation of Indian Industries (CII), National Confederation of Industry of Brazil (CNI) and Federation of Indian Chambers of Commerce and Industry (FICCI) (Nath 2006).

BRICS

South Africa became a member of the BRICS group in December 2010 (DIRCO 2010d). Not all commentators regard this to be appropriate, not least the originator of the BRIC acronym, Jim O'Neill (chief economist of Goldman Sachs) (O'Neill 2001). In his recent article on BRICS O'Neill (2010, August 27) points out that South Africa was not included in his predicted 'Next 11' emerging economies (Egypt and Nigeria were) on the basis that, with a population of just under 50 million, South Africa was too small. Middle power theories would argue that this approach is too econometric, and that South Africa has played an influential role in global governance processes (such as participation in the BASIC group during the climate change negotiations) including the Doha Round of the WTO and as a powerful country in Africa deserve a 'seat at the table' (Schoeman 2003; Lee 2006).¹¹⁸ Of course, O'Neill did not identify these countries as an organisation or institution, the BRIC acronym symbolised economies that he predicted would exceed the GDP growth of the G7 by

¹¹⁸ South Africa, in coalition with China, Brazil and India formed the BASIC negotiating group during the Copenhagen COP 16 UNFCCC Summit, on climate change (The Climate Group 2010, January 26).

2050. The BRICS, however, had different ideas and coalesced to form a political coalition that is likely to challenge the 'old' economic powers of the OECD during the coming decades. This is most evident in the recent courting of China and other large emerging economies during the G20 summit on the global economic crisis by Eurozone politicians seeking a commitment for a bailout to relieve financial pressures on them (Williams 2011, November 4).

The first official summit took place in June 2009 in Yekaterinburg between Russia, India, Brazil and China, with the stated objective of reforming global financial governance and promoting the role of developing countries in global affairs (Bryanski 2009, 26 June). When South Africa joined in 2010, the BRIC became BRICS, and President Jacob Zuma represented the new member at the first BRICS summit in April 2011 in Sanya, China (News.xinhuanet.com 2010, April 14).

Qobo (2010, April 17) argues that joining the BRICS is contrary to South Africa's stated commitment to values such as human rights and multilateralism because the BRICS is not founded on idealistic values but rather mercantilist interests in the pursuit of commercial advantage. In this perspective, the tensions South Africa faces between solidarity with Africa and idealistic values and its global aspirations are evident. According to critic O'Neill the members of the BRICS "don't have the same interests. The wealth per head is very different, the politics is very different, and the philosophy and their natural economic edge is different" (Bloomberg 2011, April 13). Some fear that South Africa's invitation to join the BRICS was part of China's strategy to access African mineral wealth and use South Africa as a diplomatic asset in doing so (Grynberg 2011, October 24). BRICS membership may hold dangers for South Africa, but there is certainly opportunity too in persuading China of to

allow easier market access not just for commodities but also for manufactured and beneficiated goods.

Given that South Africa has only just joined the BRICS there is little to say about business participation in this forum. Like many, business is waiting to see how South Africa manages its role in BRICS and where potential advantages may arise (Bisseker 2010, November 18). China's official visits to South Africa do yield fruit for business, such as then vice-President, Hu Xintao's visit in 1999 which contributed to commercial relations between China and Sasol, which continue despite recent set-backs in their Coal-to-Liquids project (Bloomberg 2011, September 12).

World Trade Organisation

South Africa was a founding member of the GATT in 1947 and a signatory of the Uruguay Round (UR) of multilateral trade negotiations that launched the WTO with the signing of the Marrakesh Agreement in 1995, replacing the GATT (WTO 2011c). The establishment of the WTO was based on a set of compromises and trade-offs in a grand-bargain (Ostry 2000). The WTO also saw the inclusion of a far wider agenda of issues beyond the horse-trading of tariffs and subsidies, such as investment, intellectual property rights and services (Narlikar 2005b: 23). The objective of the WTO is to promote free and fair trade and to level the playing field for developing country participants. Critics of the WTO argue that asymmetry in the multilateral bargaining system mean that the organisation has a long way to go in achieving its lofty ideals (Jawara and Kwa 2003). Earlier discussions in this thesis have referred to South Africa's post-apartheid engagement in global governance and multilateralism as part of its re-engagement with international society and the importance for South Africa's aspirations of involvement in the WTO. Ismail (2007; 2011) has documented South Africa's position in the WTO over several years as Ambassador Permanent

Representative to the WTO for South Africa. He has consistently presented South Africa's credentials as committed to the values and goals of promoting a fairer and more just global governance system and representing the interests and needs of developing countries.

During the Doha Round South Africa has maintained strong positions on a number of key issues. First, South Africa was a key supporter of the launching of the Doha Round as a development round, despite criticism from the Africa Group and the LMG that it was being co-opted to the neo-liberal consensus (Erwin 1999). Second, is the important role played by South Africa and other developing countries, supported by global health NGOs, in the trade-related intellectual property rights (TRIPS) and public health declaration (WTO 2003). The campaign managed to get cheaper access for members to Aids drugs that were subject to expensive patents (Odell and Sell 2006). Third, South Africa was influential in the formation of the G20 in response to the joint text on agriculture tabled by the US and the EU in August 2003 and which would reduce the ambitions of the round on agriculture. Together with Brazil, China, India and Argentina, South Africa and others formed a coalition seeking better terms in agricultural trade within the global system (Clapp 2006). Despite the comprehensive proposals put forward by the G20 on agricultural reform a revised text by the Chair of the group called the Derbez text did not address the G20's points of concern (Narlikar 2005b). An impasse has been reached in the Doha Round between Japan, The US and the EU on one side and developing countries on the other about trade distorting subsidies for agricultural products and an unwillingness to reduce tariffs on agricultural exports (ODI 2008). The G20 coalition continues to press its position and has extended engagement beyond the WTO (see the G20 and the global economic crisis referred to earlier) (Narlikar and Tussie 2004a). Fourth, as the chair of the Committee on Trade and Development Special Session (CTDSS) Faizel Ismail, representing South Africa, made a significant contribution to the Doha Round in addressing concerns of small and vulnerable economies (SVEs). The CTDSS facilitated

the negotiation and drafting of a text on SVEs calling for members classed as such to be granted additional flexibilities (ICTSD 2009). In addition the CTDSS managed to secure a link in the Hong Kong Ministerial declaration between ambitions on NAMA and agriculture (WTO 2005b: para 24). Finally, perhaps the most significant contribution of the South African contribution to the Doha Round has been its role in promoting the interests of the NAMA 11. South Africa as the coordinator of the group has actively promoted the NAMA 11 position in the WTO and also performs a facilitation role between the NAMA 11 group and other developing country coalitions (Vickers 2009). All the IBSA countries are also participants in the NAMA 11 group, supporting flexibilities for developing countries and a better balance between NAMA and other issues under negotiation. It is also on the issue of NAMA that South Africa has achieved its greatest social cohesion within its NEDLAC processes as previously discussed in Chapter Four.

The role of business broadly in the Doha Round is difficult to assess, due to the nature of the WTO ministerials process. The WTO is essentially a state-led process and business involvement is more easily evidenced as part of the delegations or through specific interest groups advising and lobbying their respective governments on issues of particular concern (Narlikar 2005b: 40). The section later on in this chapter headed business NSAs and the WTO explores the extent of South African business engagement in WTO ministerials.

6.3 Africa – fearing the South African (economic) hegemon?

In tandem with the renewed focus on South-South relations, South Africa sees its foreign and economic policy as inextricably bound up with the fortunes of Africa (Dlamini-Zuma 2001). This commitment to the continent is further reinforced by the policy decision in 2003 to further relax exchange controls for South African firms investing into Africa from US\$79

million to US\$ 331 million per project compared with US\$ 165 million per project outside of Africa (Games 2003: 14-15). Thabo Mbeki is often associated with promoting the notion of the Africanism and his call for an “African Renaissance” (Gevisser 2009: 136). The African Renaissance is “anchored in a chain of economies which, with time, might become the African equivalent of the Asian Tigers... (where) South African capital is destined to play a special role through the development of trade, strategic partnerships and the like” (Vale and Maseko 1998: 279). Although the term African Renaissance found expression chiefly in association with Thabo Mbeki, his successor Jacob Zuma appears to have adopted the spirit of what South Africa was trying to achieve in relation to Africa having conducted more visits to African countries in his first year as President than the Mbeki administration in its first year, with fewer visits to European ones (Breuton 2010).

There is significant debate on the issue of whether South Africa does indeed constitute a regional hegemon in Africa, and this fear is especially acute with regard to the economic expansion of South African firms into Africa and particularly into Southern Africa (Cling 2001; Daniel et al 2003; Alden and Soko 2005: 368). The extent of South Africa’s hegemonic ambitions or expression can be explored through the loci of the institutionalised relationship of South Africa through regional cooperation in SACU and SADC on the one hand and the ‘privatised’ relationships of South Africa on the other, through its multinationals and parastatals, which are supported by the government. The expansion of business and economic interest into Africa is a significant element of South Africa’s post-apartheid political economy (Kganyago 2008: 148). South Africa is both an important foreign investor into Africa as well as a significant trading partner in the post-apartheid era (Games 2004). In more recent times, the focus on South Africa’s perceived hegemonic ambitions has been diffused as a result of Chinese outward foreign direct investment (OFDI) as well as the increasing interest in Africa from India and Brazil (Lapper 2010, February 8).

South Africa's regional dominance

As the largest economy in Southern Africa by far, South Africa is also the largest foreign investor in Southern Africa and maintains a significant trade surplus with the rest of the Southern African states (Alden and Soko 2005: 374 & 381). Exports into Africa from South Africa have grown from \$1.3 billion in 1994 to \$7.6 billion in 2006 and \$10.9 billion in 2009 (DTI 2009). South Africa's economy is also far more diversified than its regional counterparts, where Angola is heavily dependent on oil exports. In terms of OFDI South Africa has a strong focus on the services sector, mainly telecommunications, finance, electricity, trade and transport and storage (UNCTAD 2008: 13). As a result, South African OFDI and trade expansion do have a significant impact on neighbouring countries and others in the region (Arora and Vamvakidis 2005). When analysing company specific statistics there is some disagreement over the nationality of certain companies with historical roots in South Africa but which have changed their listing to an exchange abroad, thus confusing further whether investments from such companies are truly South African in origin (Goldstein and Pritchard 2008: 125).

UNCTAD World Investment Report (2009: 132) adopts the view that companies such as SABMiller, which moved their headquarters to the UK in 1999, cannot be considered a developing country MNC as a result of this. Had they remained based in South Africa, they would have been the largest developing country food and beverages processor. This research is taking a broader interpretation of what constitutes a South African MNC, contending that any company with its historical beginnings in South Africa should be regarded as a South African company. Otherwise, if the narrow perspective were to be applied, it would be difficult to determine the nationality of many American or European corporations (Nolke and Taylor 2010). Chapter Seven provides a more in-depth analysis on South Africa's MNCs.

However, data provided by the SARB (2008) shows that FDI from South Africa into Africa increased from \$1.2 billion in 1996 to \$8.5 billion in 2008. Several very large investments were made during this period. For example an investment worth \$2.2 billion in the Mozal aluminium smelter (European Investment Bank 2001), the Sasol pipeline worth \$1.2 billion in Mozambique (Madobombe 2007) and the merger of AngloGold with Ghana's Ashanti Goldfields worth \$1.4 billion (AngloGold Ashanti 2009). This level of investment is not particularly common and it is the smaller investments of other sectors, rather than the large extractive and energy sectors, such as retail (Shoprite Checkers), financial services (Standard Bank and Hollard), agro-business (sugar production), railways, utilities, breweries (SABMiller) and telecommunications (Vodacom and MTN) that are more typical of the investment pattern into Africa (McGregor's 2004; Rumney 2006). Most of South Africa's OFDI is directed outside the southern African region; only around 10 percent of this went into Southern Africa between 1997 and 2007 (Draper et al 2010: 6). UNCTAD (2009: 67) reported that South Africa's intra-Africa OFDI was shifting away from Southern to West Africa, reflecting growing corporate interest in opportunities in Nigeria. United Nations Industrial Development Organization (UNIDO) found in a report published in 2003 that 40 % of foreign investors in Africa invested under \$1 million per project (UNIDO 2003: xii). Despite the fact that only 10 percent of South Africa's total OFDI is going to Africa, given the under-development of the private sector on the continent this translates into significant influence (UNCTAD 2004: 22-23).

Of the top 100 companies in South Africa 92 have a footprint in the rest of the continent (Top 500 2010). The nature of South African corporate investment into Africa is a mixed strategy of green field investments and mergers and acquisitions often associated with privatisation; parastatals most frequently invest via concessions with a time limit attached of around 15

years (Bloomberg 2008, December 4). A common strategy is to seek local partnerships as a risk mitigation mechanism, to access tricky licensing procedures or to capitalise on important relationships with government officials in order to get knowledge about particular operating environments. In some instances companies are required to take on government partners, especially countries with patrimonial capitalist leanings, such as Ghana or Zambia (Handley 2008: 137-241). A number of companies are particularly active across the whole continent and not simply in the SADC ambit: ABSA Bank, AngloGold Ashanti, Barlow World, Sasol, Vodacom, MTN, Tongaat Hulett, Shoprite Checkers, Unitrans, Standard Bank, Game Stores, Southern Sun, Illovo Sugar, Debonnairs, Dimension Data, Nandos, BHP Billiton, Engen and SABMiller (Grobelaar and Besada 2008: 19).

South Africa is by far the most active in its immediate neighbourhood within the SADC members but is beginning to extend to previous virgin territory such as North African countries in Nigeria, Mali, Senegal and Egypt (South Africa Foundation 2004). As much as 70% of South Africa's FDI into Africa remains in the SADC member states (Goldstein and Pritchard 2008: 127). This has much to do with language barriers and familiarity (from a shared colonial history) and in countries further North, South African investment tends to mirror traditional foreign investment through extractive industries and trade, with the notable exception of telecommunications (through ventures such as MTN in Nigeria and Ghana) and energy supply (Daniel and Lutchman 2006).

Significantly, South Africa's economic expansion is largely driven by the private sector, despite initiatives by South African parastatals such as Eskom, Transnet and South African Airways, which investments remain substantially less than that of the private sector. Grobelaar and Besada (2008: 20) note that "South African corporates ...do not benefit from risk cover or other support, direct or indirect, from the South African government", a finding

supported by the responses in interviews conducted for this research. Interviewees with external operations in Africa confirmed that firms have substantial interaction with the governments of recipient countries who play a crucial role in establishing an environment conducive to business (*Int: Alfeld 2009; Bone 2008; Chance 2009; January-Bardil 2009; Nikolaou 2009*).

Private sector re-engagement

The re-engagement of South Africa in the global economy after the landmark democratic elections in 1994 marked the beginning of a new era following decades of isolation and which coincided with the end of the Cold War and the triumph of the imperatives of neoliberalism (Dlamini 2004: 170). The political economy of South Africa at the time of transition meant that South African firms began to face increasing domestic competition which resulted in their seeking opportunities outside the country (Muradzikwa 2001: 9). The isolation of the apartheid era had also resulted in a number of large corporations becoming cash rich with few new opportunities for investment and the consolidations that occurred immediately after transition led to further capital gains through the sales of non-core assets and operational rationalisation creating further reserves seeking investment opportunities (Goldstein and Pritchard 2008: 133).

Slow domestic growth, coupled with investment funds and incentives to expand abroad, all resulted in an outward focus for South African capital. The familiarity of the African context, as well as the relative strength of the Rand in African economies compared with OECD markets made Africa a more attractive destination for outward FDI from South Africa. South African firms were able to capitalise on their strengths of available capital, technical expertise and skilled managers to take advantage of opportunities wrought by the gradual opening of African economies (Daniel et al 2003: 368). South Africa's dominance was further reinforced

by numerous other multinational corporations such as Rio Tinto and the Tata Group (from India), using the country as a launch-pad for initiatives into the rest of Africa, exploiting South Africa's relative infrastructural strength and knowledge of Africa to support these initiatives. According to Dhawan, Tata Group Africa's CEO, "it was clear even in 1994 that South Africa would be the engine that would drive the rest of Africa, and indeed be the benchmark for the rest of Africa" (Quoted in Russell 2010, June 6: 22). The launch of NEPAD (which was championed by South Africa) has been a further driver in consolidating South Africa's economic expansion into Africa, as the initiative by African countries to eliminate corruption and poor governance in exchange for trade, aid and investment (NEPAD 2011).

There have been other drivers of South African expansion that apply more generally to firms' anywhere engaging in FDI and these too were found to apply to South African firms investing into Africa (BusinessMap 2003: 12). These are: market driven motives, such as penetrating a new market (e.g. Shoprite Checkers or Vodacom and MTN); resource-seeking FDI, such as mining mineral deposits or accessing gas supplies (e.g. Sasol's development of gas fields in Mozambique); efficiency-seeking FDI where resources or labour inputs offer cost or productivity benefits (e.g. Mozal's establishment in an industrial free zone with various export processing incentives on offer); strategic asset-seeking investment where a company seeks to consolidate its global position through broader expansion (such as SABMiller and BHP Billiton or Tongaat-Hulett's investment in two sugar mills in Mozambique to take advantage of preferential access to the EU market for Least Developed Country sugar-producers) (Grobelaar and Besada 2008: 24-25).

6.4 Analysing the supplementary role of business NSAs

South African firms have been welcomed by many African leaders as saviours of the continent's economic future (Ahwireng-Obeng and McGowan 2001: 74). There has, on the other hand, been equal ambivalence and downright animosity towards South Africa corporate expansion into Africa (Wamae 2002, February 17: 335; Obadimu 2003, September 13; Lipton 2009). Nigeria and South Africa have courted and fallen out with one another several times in the period following Nigeria's return to democracy in 1999 (Landsberg 2004: 176). Acrimonious business dealings have not enhanced the relationship, with a deal facilitated by Mbeki and Obasanjo for SAA to acquire a stake in Nigeria's national airline going sour when the offer was not reciprocated for Nigeria to purchase a 10% share in SAA (the South African national airline) should the airline be privatised (Alden and Soko 2005). In the telecommunications sector a licence granted to a consortium headed by Eskom was cancelled due to unresolved differences and Vodacom withdrew from Nigeria after accusing the country of inadequate corporate governance standards (Games 2004: 61). Both countries accuse the other of not allowing reciprocal market access to one another. South African companies are still viewed with suspicion by African government elites particularly in the arena of privatisation of parastatals and this limits the extent of South Africa's economic hegemony in the continent (Ahwireng-Obeng and McGowan 2001). Concerns about South Africa's dominance in the region are exacerbated by the uneven outcomes resulting from regional integration within SADC. For example, bilateral trade with Tanzania in the past 20 years has exploded from a virtually zero base in the mid-1990s to US\$ 10.85m in trade flows and US\$500m in investments (accounting for 35% of South Africa's FDI into Africa) in 2010 (DTI 2011a) . Such is the extent of this investment that Tanzanian's refer to the "South Africanisation of the Tanzanian economy" (Alden and Soko 2005: 29). Criticism is also levelled at South African business in the retail sector especially within SADC (for example

Ghana, Lesotho, Swaziland, Uganda, Tanzania and Namibia) due to the lack of local product sourcing as well as the perceived anti-competitiveness of many South African retailers in the region (SADC 1996; Farfan 2011).

The relationship between South African business and foreign governments is a key element of corporate expansion in the region. Without exception, business representatives interviewed indicated they all found access to foreign governments and high ranking officials relatively easy in recipient markets. They are even welcomed into institutional relationships such as becoming members of Botswana's Confederation of Commerce, Industry and Manpower, the primary forum facilitating interaction between business and government in that country, giving access as well as a voice to South African business (BOCCIM 2011). Even in Mali, where business has found it more difficult in practice, South African firms such as AngloGold Ashanti and Eskom have been invited to sit on the Presidential Investors' Advisory Council alongside other local and foreign economic actors including representatives of the World Bank and IMF (US Department of State 2010, May 12). This body too facilitates dialogue between business and government at a high level, with interim working groups at a public-private level around stimulating foreign investment, allowing access to ministers and heads of departments not afforded to smaller players. Managing these relationships requires a lot of time and money, and South African firms invest in building relationships through partnerships with local firms as well as by appointing former government members to boards, again something easier for big business but a greater obstacle for SMMEs venturing farther afield. There is also a role for business in educating governments on how to create a business-friendly environment (Grobbelaar and Besada 2008: 92-93).

Apart from the animosity of certain countries to corporate South African expansion described above, there are also formidable regulatory, governance, logistical, infrastructural and cultural challenges facing South African investors. With regard to the economic diplomacy conducted by South African firms in this context, the biggest threat to success is corruption and bureaucratic red-tape (*Int: Alfeld 2009 and January-Bardill 2009*). Most South African companies operating abroad have an anti-corruption policy, but not paying bribes can result in catastrophic consequences for an investor, such as loss of licences and contracts (Games 2004: 73). This is more of a threat to the smaller companies, since big investments generally involve government partnerships. For example, in Mozambique, Sasol was able to use its clout to obviate bureaucratic delays in customs by obtaining the support of the government for creating its own customs terminal (*Int: Alfeld 2009*). Grobbelaar (2004: 39) reports that in Mozambique it was evident that “investments...politically sanctioned by both governments (South Africa and Mozambique) receive greater action and support”. Another difficulty is import duties and restrictions in host countries, where South African firms often source their inputs from South Africa and face high duties, thus increasing the cost of doing business in these locations. Furthermore, complicated tax regimes and unreliable legal systems with uncertain property rights all increase the risk and cost of FDI into Africa (Draper et al 2010).

At a political level, South Africa’s hegemony is constrained by African leaders who fear being overshadowed by South Africa and a tendency to associate liberal governance precepts (such as those espoused by Mbeki) with the West and thus un-African or somehow “imperialist” (Schoeman 2003: 364; Gumede 2007: 224; Lipton 2009: 333). This anti-imperialist rhetoric has been most skilfully employed by Mugabe, as is apparent from the warmth of his reception at African gatherings such as the World Council on Sustainable Development in Johannesburg in 2002, or the AU meeting in Maputo in 2004 (Ngubentombi 2004).

There is also the risk for the South African government that the behaviour of South African companies in Africa reflects somehow on South African policy or may be interpreted as official government policy. This is especially true where government perceives business NSA to be playing a supplementary diplomatic role. For example a letter received by Sasol on the new appointment of the Minister of Foreign Affairs stated that the government hoped they could rely on Sasol to behave as a responsible representative of South Africa, the country (*Int: Alfeld 2009*). This expectation leans very close to the (unintended) delegation of diplomatic function to South African businesses investing and operating beyond the borders. The comment by Zink (1973: 64-67) some decades ago holds true today of South African (and in fact all) MNCs : that business, especially MNCs, are political actors. This interdependency with business and the risk for the South African government in pursuing its own agenda within the region, that corporate behaviour can so easily be conflated with government policy, is strong evidence of the supplementary and at times substitution roles that business NSA have in South Africa's economic diplomacy.

Business also plays a supplementary role in formal regional institutions such as SACU and SADC, although this is fairly limited. Whilst SACU has no formal business representation, informally there is a some business activity in the form of workshops and discussions, especially on clothing and textiles in Lesotho (*Mathis 2005*). Business has difficulty getting access to meetings of SACU – initially BUSA was invited to attend meetings, an invitation subsequently rescinded (*Int: Grant 2010*). There was no reason given, although BUSA's view is that the South African government would probably be happy, but the other countries in SACU are not comfortable (*Int: parsons 2009*).

The uneven nature of trade flows within the SADC area is cause for concern, for some. For example the massive increase in bilateral trade between South Africa and Tanzania from a

virtual zero base to US\$433 million in 2000 has resulted in fears of the “South Africanisation of Tanzania” (Nyirabu 2004: 29). These arise out of the initial ethos of the SADC agreement that regional integration should allow for reciprocal access to South African markets from other SADC members (Marais 1998: 136). Despite attempts by South Africa to address the concerns by allowing for asymmetrical industrial tariff reductions and infant industry protection provisions, institutional weakness in SADC hinders the integration process. Jealousies between non-SACU members of SADC also contributes to tension within the group (Alden and Soko 2005: 377). SADC, unlike SACU, does have formal business involvement, through the Association of SADC Chambers of Commerce and Industry (ASCCI) (ASCCI 2011). ASCCI was established in 1992 and represents 18 National Chambers of Commerce, trade associations and employers’ organisations in each of the 14 member countries of SADC. South African business participates through its own chambers of commerce who are members of the SADC ASCCI (SADC 2011). The organisation’s aims are to promote business-friendly policies within the region and work closely along-side national governments as well as the SADC Secretariat. Although there are few examples of what has been achieved to date as a result of the ASCCI. Where there has been business engagement both in SACU and SADC business is playing a supplementary role to their national governments working with the governments of other SADC countries.

Business NSAs and the WTO

Business has attended all the WTO ministerials in the last few years, with BUSA as its representative. According to BUSA representatives, South Africa has always been very progressive in its representation, including civil society, parliament, trade unions and business. BUSA’s most important role has been in building up parliament’s capacity on these issues. In July 2009 a dinner with Pascal Lamy at NEDLAC was hosted by two Ministers: Rob Davies (Minister for Trade and Industry) and Ibrahim Patel (Minister of Economic

Development) to which business, labour, community and parliamentary representatives were invited.

At ministerials BUSA and other participants of the South African delegation are able to give their feedback. There are daily morning briefings and report-backs with extensive informal interaction with ministers: “Like a South African HQ”. Each morning a specific topic is selected and there is a briefing on this and they discuss the South African position in detail. BUSA/business had full access to all formal meetings other than ‘Green Room’ processes. Business representatives are registered as full delegate status and not just as observers. This was true of the Hong Kong meetings as well as the July and December 2008 ministerials. BUSA is “critical in providing analysis and input at all points.” Many other countries do not give business and labour delegate status (*Int: Grant 2009*).

At the July 2009 meetings BUSA also interacted a lot with other industry representatives. This was the first time that BUSA had engaged in meaningful business-business diplomacy and was the occasion at which BUSA issued a joint statement as business on NAMA with India and Argentina. On one occasion BUSA (the only African business representative) conducted further business-business diplomacy at an event to meet other industry representatives attending the ministerial - largely from developed countries. Other BRICs were also represented and BUSA already have formalised business-business links with some of these through the IBSA dialogue. BUSA also conducted meetings with the EU, French, the US and the Services Coalition (a business organisation in the services industry) in a clear instance of business to government diplomacy. Where BUSA has attended WTO Ministerial Conferences and other negotiations it is certainly in a supplementary role to government.

However, other than the involvement of BUSA at WTO meetings there is no other evidence of business engagement in WTO negotiations as part of the negotiating delegation. During

the interviews conducted with business as part of this research the predominant theme that resonated among business respondents was that while negotiations taking place within the WTO were important to business and that cognisance was indeed taken of the issues being negotiated, essentially the WTO process and agreements are an external factor to which business responds rather than a strategic opportunity for intervention (either for protectionism or liberalisation). This is certainly changing as BUSA is becoming increasingly active (and as is evident from the discussion of BUSA and the WTO above). BUSA issued their first statement as business in relation to the WTO as a joint statement with business associations from two other developing countries, Argentina's Union Industrial Argentina (UIA) and the CII, protesting the anti-concentration proposals in the NAMA negotiations (BUSA 2009). This is significant both because it constitutes a first statement from South African business with regard to WTO proceedings, but also because it aligns South African business with other developing country business interests.

Some of the reason for this apparent reticence on the part of business can be put down to the lengthy and protracted nature of negotiations in the WTO. The Doha Round has been in progress for a painstaking eight years already, with little prospect at the time of writing of reaching conclusion in the next 12 months. Similarly, the Warwick Commission (2007: 11) found that the proliferation of PTAs was in part a result of the same factors: "frustration with slow decision-making in the multilateral regime". In essence the WTO remains a negotiating forum for national governments and their representatives. The format and structure of WTO negotiations make it impenetrable for individual firms to access and reinforce the crucial role of consultation and access to national negotiating institutions. In addition the time frames for reaching agreement are far too long for most firms which is why WTO processes and outcomes tend to be regarded as external environmental factors to be managed but not necessarily shaped or influenced. As Pigman and Vickers (2010: 24) put it "global firms have

argued that the overly politicized process of negotiations and the endless cycling of proposals seriously lag the business cycle and dynamic new market developments”.

One area where private sector involvement in the WTO should be apparent is in the Dispute Settlement Mechanism (DSM), where non-state actors are able to participate in cases through *amicus curiae* briefs (Pigman and Vickers 2010: 16). This is also an arena where power politics should also be less likely to hold sway and thus potentially a very useful avenue for developing countries to pursue their interests, although for various reasons this has so far not been the case (Lee 2004b: 126; Narlikar 2005b: 95). These include the costs of bringing a dispute as well as the fact that remedies are achieved through sanctioned retaliation, which is very difficult for developing countries to implement meaningfully (Jawara and Kwa 2003: 6). A review of dispute cases involving South Africa reveals that South Africa has not been a complainant in a single case so far and has been a respondent in three cases (WTO 2010b).¹¹⁹ Mosoti (2006) reflects that in its first decade, Africa has been largely absent from the DSM and this trend is mirrored in the statistics from developing countries more broadly (Shaffer et al 2003: 13). It is unclear why this should be so in the case of South Africa and would warrant further research by a WTO scholar.¹²⁰

Business and Official State Visits

As discussed in Chapter Four, economic diplomacy is a key priority for DIRCO (DIRCO 2010c: 82-84). As part of the strategy to achieve this objective DIRCO are engaging actively with business on foreign policy issues and are conducting economic diplomacy training programmes across a range of departmental levels, nationally, regionally and locally (DIRCO

¹¹⁹ One from India for anti-dumping duties on pharmaceutical products, one from Turkey for anti-dumping on blanketing and one from Indonesia for anti-dumping on uncoated wood-free paper. This avenue then also indicates a lack of involvement in the WTO from private sector actors.

¹²⁰ This issue is not considered directly relevant to the argument this thesis is putting forward on the role of NSAs in economic diplomacy and hence is not pursued further.

2010b). In the period since Jacob Zuma became President, South Africa has conducted a number of official State visits, including visits to Angola, Brazil, Zambia Germany, India, Russia, China, Egypt, France and the UK. On these visits he has been accompanied by some very large business delegations. For example in August 2010, the business delegation to China numbered 371 and in June 2010 when visiting India the number was 226. These visits provide opportunity for all three of Stopford and Strange's (1991: 19) triangular diplomacy linkages to occur. Governments link with their counterparts, but business NSAs are also given the opportunity to link with foreign officials and governments as well as other corporate actors. Another unanticipated benefit for business NSAs performing this sort of supplementary role is the opportunity to network and socialise with their own government representatives and engage in informal consultation or lobbying. Key sectors represented on the delegations include agriculture, financial services, infrastructure, mining, oil and gas, tourism, transport, health, construction, automotive components and pharmaceuticals.

This study revealed that business NSAs are active participants in state visits both to pursue commercial interests, but also to be seen to be supporting government initiatives and gaining "brownie points" (*Int*: an anonymous business response).¹²¹ There is a feeling from big business that government has an expectation that they will attend and if they do not this is taken as a negative comment on business support for the government, so big business participate on a 'need to be seen' imperative. As is evident from the number of business delegates who have supported State visits in the 2009/10 period (some 1200 delegates over 11 state visits), business NSAs are clearly engaging in a supplementary role in South Africa's economic diplomacy (Grant 2011: 7).

¹²¹ A number of interviewees gave similar responses, but did not want to be identified, for obvious reasons.

However, there are also obstacles to participation. A number of interviewees found the way that state visits are organised and coordinated makes participation difficult. As business delegates must fund their own participation, they like to be able to have some input regarding the planned objectives or even schedule of activities. Alfeld (*Int: 2009*) was candid in his report of Sasol's attendance at the State visit to Brazil, in October 2009. Sasol, an energy and chemicals company had hoped to meet their counterparts at Brazil's Petrobras. However, the DTI had neglected to arrange an activity in the city where Petrobras is head quartered and no-one had advised Petrobras that Sasol representatives were part of the South African delegation. Such strategic oversight creates enormous frustrations for business NSAs. The biggest obstacle to participation is the short notice given to potential delegates (sometimes as short as three days). The problem with this poor planning is that it is impossible to arrange senior level representation at such short notice, furthermore, many destination countries require visas to be issued which cannot be done with only a few days' notice (*Int: Alfeld 2009*).

It is clear then that there are a number of points of tension around State visits. First is the competition between organisations over who organises business participation. BUSA, as the government's chosen business representation, is jointly tasked with the DTI to arrange business delegations for state visits, but other business organisations seek to be involved to gain some input to the strategic processes in arranging these (DTI 2011b). Second, there is interdepartmental competition between DIRCO and the DTI over who leads the State visits as well as between government and business over the setting of strategic goals for these visits (Grant 2011: 9). Third, a number of interviewees observed that there appeared to be very little strategic thought to formal State visits, which means these are driven by broader political issues with business seemingly attached as an after-thought (Alfeld 2009; Draper 2009; Grant 2010; Maasdorp 2009; Mapai 2010; Soko 2009; Spicer 2009; Vapi 2009).

According to these business interviewees, events are often poorly planned, with little thought about an agenda or strategic objective for business participation from an economic diplomacy perspective. The result is that when business does attend, it tends to be a scramble trying to make arrangements to connect with relevant counterparts in the host country. Fourth, the lack of organisation at the DTI is not improved with BUSA's assistance, which does not have a full database of South African business, relying on chambers (which are themselves inadequately resourced) to disseminate information (Off the record comment by business representative, 2009).¹²² Finally, there is a perception among business interviewees that the state visits seem more geared to SMMEs and that it is not good for the country's broader image to confuse the business sectors by having big business participate along-side "basket weavers and potters" at such occasions (*Int: Spicer 2009*). Business delegations on State visits tend to "represent SMME's - more as if SA Inc is a flea-market rather than representing the true blue-chip industry that constitutes the backbone of SA's economy" (Off the record observation by business representative, 2009).

Some companies seem to have been overlooked entirely and have never been invited to attend state visits, such as Absa (*Int: Maasdrorp 2009*). It is hard to believe that such an occurrence is an oversight given the size of the company and the central role played in the economy, so this may point to the levels of disorganisation and poor planning in the DTI. Business people interviewed varied in their reactions to the value of State visits and the business delegations that attend these. BUSA maintain that there is no selection involved, and that attendance as part of a business delegation is on a first come first served basis (Grant 2011). However, there is so little communication with business about planned visits that business representatives often do not know about a planned State visit until it is too late (*Int:*

¹²² Some interviewees requested not to be directly cited in the thesis, although all interviews agreed to be listed by name. Other interviewees were happy to be cited but some made "off the record" comments during the interview that they did not wish to be attributed to them directly.

Tshiqi 2009). Interviewees generally agreed that State visits are arranged to a government agenda and thus present limited opportunity to seek proactive commercial opportunities. This reflects hangover concerns from the consultation process between government and business generally as discussed in Chapter Five. When visits are arranged to key or strategic markets then relevant business people tend to participate more actively. Clearly to capitalise more on the supplementary role of business there needs to be an improvement in consultation processes too.

6.5 Conclusion

This chapter has presented the political and commercial importance of Africa to government and business in South Africa. The chapter began by outlining the diplomatic focus in South-South engagement and identified a number of sites of engagement where business operates along-side government in a supplementary role in pursuing economic diplomacy objectives. The chapter then discussed South Africa's role in Africa and the regional dominance of the country politically and especially through corporate expansion in Africa. South African business is highly active on the continent and is a crucial partner with the South African government for achieving its objectives in developing the African relationships and further ties with the South, despite the sometimes complex relationship between business and government. The relationship with business actors is not without constraints, as South Africa must deal with the region's fears of its dominance and economic hegemony especially prevalent among those states that bore the brunt of the apartheid government's policies in the sub region. It has been with some difficulty that South Africa re-negotiated the SACU agreement and gained entry to the SADC community and South Africa continues to tread a fine line between pursuing her own interests and managing the expectations of her regional

trade agreement partners. At times this is in conflict with the commercial interests and roles played out by South African business in the region.

The discussion above has argued that the private sector is a key part of South Africa's ability to achieve her political goals within the global South. This is particularly true of NEPAD, where corporate involvement is crucial to the objectives of achieving investment and trade flows. Finally, the supplementary role of business in supporting official State visits was analysed. Business attends state visits to be seen as supportive of government, and where possible to gain commercial advantage. Some have benefitted from the opportunity to access ministers and officials from South Africa in a relaxed environment and with a 'captive audience' (*Int: Alfeld 2009*). Grant (2011) also points to this phenomenon in her report on State visits as a tool of economic diplomacy. In a televised interview on *Beyond Markets* shown in October 2010 in South Africa, Futhi Mthoba, President of BUSA, also refers to the opportunities presented for business delegates attending foreign state visits to connect more informally with government ministers in a way that is not possible when at home (Mthoba 2010). Infrequently, state visits afford an opportunity for business delegates to make connections with government ministers from host countries that prove useful at a later date. As Mthoba indicates trade and investment are business activities and it is the role of governments to create an enabling environment for business or remove the impediments to business. To achieve this means that governments need to understand the drivers and dynamics essential to a conducive business environment. Meetings between government officials and business delegations create the space for this understanding to develop. Business also finds the opportunity to network and establish contacts with important business interests in the host country. This demonstrates that business in a supplementary role (as part of the delegation on state visits) is engaged in a process of both business to government and business to business diplomacy.

It is evident from the analysis that as private sector actors move beyond South Africa's borders they begin to engage directly in commercial diplomacy processes both in terms of business-business diplomacy as well as in terms of business-government diplomacy. Whilst this can be measured in terms of diplomatic outcomes it is more broadly observed in the processes of diplomacy and the building of relationships and ongoing interactions between business and foreign governments that the supplementary role of business in economic diplomacy is most closely observed.¹²³ For example during the October 2010 visit to Egypt, 110 business delegates accompanied President Zuma, including First National Bank, PetroSA and Seacomm. Mthoba (Mthoba 2010) reports that PetroSA connected with important potential partners in Egypt as well as forging key relationships with energy ministers. It is possible that the subsequent award of exploration rights in Egypt's Gulf of Suez to PetroSA was partly a result of the establishment of diplomatic ties during the 2010 state visit (Africa Oil and Gas 2011).

The supplementary role of business analysed in this chapter makes a very important contribution to the research question posed in this thesis as well as contributing highly relevant empirical evidence that business as NSAs matter in economic diplomacy and so advancing the emerging literature on this in broader economic diplomacy literature. When assessing the extent to which and ways in which business engages in South Africa's post-apartheid economic diplomacy, this chapter has demonstrated that business is highly engaged although not necessarily in formal trade negotiations. Despite the fact that business finds consultation with government limited at times, private sector actors remain willing to be part of the bigger South African diplomatic effort in the region. Business support diplomatic

¹²³ Refer again to section 1.1 in chapter one, which highlights the importance of diplomacy as process and not just outcomes.

efforts such as state visits where possible, even though there are not as many commercial advantages as business would like. The pattern of business directly conducting commercial diplomacy in both a supplementary and substitutive role, which emerges in this chapter, is carried forward into the next chapter. Chapter Seven analyses the entrepreneurial role of business in South Africa's economic diplomacy as diplomatic activists often adopting go-it-alone strategies in pursuing economic diplomacy in their own right.

CHAPTER SEVEN: MODES OF DIPLOMACY, DIPLOMATIC ENTREPRENEURS

7.1 Introduction

A MSD approach emphasises diplomatic agency, roles and relationships rather than structural aspects of the international system. A multistakeholder perspective enables us to explore a different dimension of diplomacy – the relationships between states and other entities (Wiseman 2004). Thus far this study has explored two modes of business engagement in economic diplomacy, a consultative and a supplementary mode. The focus of this chapter is on the entrepreneurial mode of engagement conducted by business NSAs. Entrepreneurial modes of engagement refer to corporate actors initiating diplomatic encounters and adopting an activist role in relationships with the state, as well as other NSAs. This encompasses Firm-State and Firm-Firm diplomacy at bilateral as well as a multilateral level. An entrepreneurial mode makes a distinction between diplomacy that is state-driven and includes or is directed at business NSAs, and diplomacy initiatives driven by business NSAs.

In the preceding chapter the research has covered domestic and South-South fora for interaction. In both instances business has engaged in a particular mode of diplomacy that was closely linked to the diplomatic initiatives of the state actors. In contrast, entrepreneurial diplomacy is conducted by business NSAs - mainly big business – and refers to the more prevalent role of South African MNCs on the global stage. The chapter begins with a review of the primary sites of global diplomatic activity for South Africa's MNCs. Then the discussion traces the actors or corporate agencies that constitute South Africa's MNCs and explores the depth and breadth of their engagement in the international system. Finally, the

chapter analyses the entrepreneurial role of corporate diplomacy in South Africa's diplomatic landscape.

The difficulty of accessing formal consultation within NEDLAC as well as the historically difficult relationship between white capital and the ANC government mean that big business has continued to pursue its commercial agenda by means of go-it-alone diplomacy. This has not led to abandoning all government relations and this strategy is often accompanied by endeavours to include South African diplomats as far as possible in what one interviewee described as 'flag follows trade' diplomacy (*Int: Alfeld 2009*). Entrepreneurial diplomacy does not occur in place of other diplomatic modes of engagement rather the three modes are coterminous. The chapter builds on the contention of the previous chapters that the historical context and the structural conditions within which big business (primarily white owned or controlled) seek to operate in the global economy have resulted in big business engaging in an entrepreneurial mode of diplomacy as corporate diplomats.¹²⁴

The analysis explores the implications for South Africa's economic diplomacy of South Africa's global corporate players as MNCs on the world stage. The chapter analyses the extent to which South African MNCs have expanded their sphere of influence in the global political economy and the ways in which they engage in the global arena. It expands on the entrepreneurial role of business that is reflected in go-it-alone strategies where business NSAs act as de facto diplomats. This extends to business sometimes acting as precursors and introducers of South Africa into markets. This mode of engagement is a crucial contribution to our understanding of who is conducting economic diplomacy and to what ends. It certainly supports the claim this thesis advances, that NSAs are highly relevant units of analysis in economic diplomacy.

¹²⁴ The term corporate diplomacy to refer to business engagement in economic diplomacy was first used by Susan Strange (1992: 14).

7.2 Sites of diplomatic activity – a global stage

There is a breadth of literature on business NSAs in global governance which was reviewed in Chapter Two. This literature refers to the role of business on the global stage and is a precursor to the notion of business NSAs as entrepreneurial or corporate diplomats in the international arena. This section will explore a number of important sites of diplomatic activity where business NSAs, including South African business, are engaging in diplomatic processes. Such diplomatic activity ranges from building relationships with government officials in potential new markets, lobbying for business-friendly policy environments and access to licensing processes as well as participating in developing governance structures around good corporate citizenship and governance (self-regulation). The first and most obvious site of corporate diplomacy is the WEF.

The World Economic Forum (WEF)

The WEF is fundamentally a multistakeholder forum with the self-expressed purpose of bringing together leaders from governments, business, academia and civil society to discuss global issues of an economic, political and social nature (WEF 2011a). According to Pigman (2007: 1) it is a “multistakeholder vision of global governance”. The forum was started by a group of European business men in 1971, who met under the auspices of the European Commission in Davos, Switzerland. The first meeting was chaired by Charles Schwab, at that time a Professor at the University of Geneva. Initially the forum focused on management issues and promoted a stakeholder approach. As time went on, the group began to include other economic and socio-political aspects affecting the world. Political leaders were invited to the Davos gathering for the first time in 1974. Shortly after that, in 1976 the European Management Forum became a membership-based organisation, with the leading 1,000 companies of the world constituting the first members. In the first decade of existence the

organisation expanded to hold annual regional meetings as well and in 1979 began to publish its annual “*Global Competitiveness Report*” (Sala-i-Martin 2011). In 1987, the group became the WEF and now produces two additional annual reports, the Global Risks Report and The Global Gender Gap Report as well as numerous regional scenario reports (Hausmann et al 2011; Van der Elst and Davis 2011). The launch of the WEF ‘brand’ also saw the broadening of its scope, to provide a platform for settling international disputes, such as the milestone agreement between Greece and Turkey with the Davos Declaration in 1988 and the meeting between East and West Germany to discuss reunification (Lowe 2009, January 22). Latterly, in the 1990s and 2000s the WEF expanded its scope to include annual regional summits as well as creating knowledge networks for young politicians, business leaders, academics, media professionals and artists - called Young Global Leaders (WEF 2011b). Another community for business was established in 1998 as a sub-meeting within the annual Davos session for heads of business associations and UN organisations to meet, called the Business Consultative Council. The WEF became so much an accepted part of the global scene, that by 2000, the *Financial Times* had a dedicated section on its website for the WEF (Financial Times 2011, January 30).

What critics and analysts ask about the WEF is whether it is actually a forum for multistakeholder engagement or in fact an actor on the international stage itself (Lundberg 2004). Anti-globalisation protesters have mounted vociferous actions against the WEF with one group, called ‘O20-Shut down the WEF’, claiming that the WEF is the “nearest thing that globalisation has to a world headquarters” (O20 - Shut down the WEF 2011). Anti-globalisation protesters direct their ire at the WEF, because they regard it as the embodiment or tool of MNCs. For anti-globalisation activists MNCs are, in Bhagwati’s (2004: 440) evocative phrase, “the B-52s of capitalism and its global reach”. It is out of this movement that the World Social Forum was born in 2001 in Porto Alegre, Brazil (Teivainen 2002).

Pigman (2007: 54) maintains that the forum is both a venue for diplomacy as well as a diplomatic actor in its own right. As the facilitator of dialogue it is a forum, but when diplomatic outcomes are achieved it also enhances the WEF's institutional goals thus fulfilling its own diplomatic objectives. At best the identity or nature of the WEF is contested, the conflicting views between how it perceives itself and how others see it (Surhone et al 2010). The reach of the WEF is extensive, with some 49 different programmes within five themes: economic growth, environmental sustainability, health for all, social development, and financial systems. South African business leaders have been actively involved in WEF summits. Maria Ramos, is one example, who when still Group Chief Executive of Transnet Limited, was one of the co-chairs of the Davos 2009 meeting (WEF 2009).

Many of the business interviewees attend Davos and the Africa Regional Summit and they identified their aims as first, to seek commercial opportunities and second, to lobby (*Int: Alfeld 2009, Bone 2008; Chance 2009; Davies 2009; January-Bardill 2009; Maasdorp 2009; Mapai 2010; Moyo 2010; Nikolaou 2009; Parsons 2009; Spicer 2009*). WEF Africa provides the opportunity for African-focused fora to actively engage with their customers or influence funding for infrastructure in potential new markets. For example, Aspen attend with the view to being able to meet the South African President and other ministers which is often difficult to fit in at home, as well as heads of multilateral institutions such as Pascal Lamy (*Int: Nikolaou 2009*). BUSA do not attend Davos as it is too expensive for most of their members. They rely on large business members to give one of their seats to a BUSA person, whereas WEF Africa is a lot more accessible.

Interviews revealed that attending WEF meetings provide excellent networking opportunities and are very beneficial to “getting together with the ‘movers and shakers’ in the world”

including government ministers (*Int: Tshiqi 2009*). During the Mbeki era this sort of event was taken very seriously and the entire South African cabinet would attend. Many interviewees commented like-wise that WEF meetings are an opportunity to meet with Ministers from your own country as well. The events are also a good opportunity to meet with other business people and “hear about things before they actually hit the radar screen” (*Int: van Vuuren, 2010*). The various summits create important opportunities for high-level relationship building and positioning (*Int: January-Bardill 2009*). South African firms, such as Absa through Leslie Maasdorp, are also involved with the Global Agenda Council (part of the WEF), which meets annually on issues to do with economic growth and development (Global Agenda Councils 2011). Maria Ramos, CEO of the Absa Group, and Michael Spicer, Vice-President of BLSA, are council members of the Future of Africa Group.

All business representatives see tremendous business value in attending the WEF Davos meetings. It presents an opportunity to meet with the Chairmen and CFOs of many top clients. It also acts as a platform for dialogue parallel to the Davos agenda, and is a key opportunity to meet with the Governors of Central Banks and Ministers of Finance of other countries. It is clearly evident from this level of engagement that business is conducting early diplomatic relationship building, lobbying and bridge-building during these meetings; in short, engaging in entrepreneurial diplomatic activity. Dialogue at Davos focuses on big questions for business such as climate change and sustainability as well as, in the recession, sharing ideas, enabling companies to get a sense of the market and access islands of excellence and best practice.

It is interesting that many of the business representatives interviewed see the WEF as the best example of co-operation between South African business and government and this is apparent in the form of a ‘Team SA’ approach (Alden and Soko 2005: 385). Interviewees often

referred to the 'SA Inc' mind-set that dominates participation in WEF events. WEF summits appear to be the one time when there is a co-ordinated effort to market South Africa in a cohesive manner; business and government representatives gather at the beginning of the summit to decide on a common approach and moves beyond the 'us' and 'them' rhetoric so common to other business-government interactions (Dlamini 2004: 176).

The WEF, according to some, is an institution that is challenging diplomacy studies as to the nature of diplomacy and which actors engage in diplomacy (Pigman 2007: 52). The evidence from this research into South Africa's business engagement in economic diplomacy confirms this challenge. The WEF "serves as a venue for diplomacy at various levels and enables building interpersonal relationships, thinking about the future, solving problems and resolving disagreements" (Pigman 2007: 51). There is extensive evidence of South African business engaging in diplomacy at a number of levels during WEF events, through business-business, business-government, and business-international organisation interactions.

Climate Change COP 17

In 2011 business leaders launched the COP17 CEO Business Forum as a vehicle to engage with climate change governance around mitigating the effects of and adapting to climate change (Financial Mail 2011). The initiative is a coalition of CEO's from South Africa's top 40 companies, including Eskom, Sasol and Impala Platinum. Their goals are to improve knowledge about climate change, to participate in policy discussions around tackling climate change and ensure that business concerns are taken into account as South Africa makes commitments to a low carbon economy in international negotiations and addresses issues of job creation and competitiveness. This project is ad hoc and issue responsive and will disband after the COP17 meeting in South Africa. The focus of its activities will be to engage with the Government's white paper on National Climate Change Responses and any carbon tax

proposals (DEAT 2011). Business has responded to the cabinet approved white paper with some reservations, especially questioning the country's commitment to industry specific reduction targets, which many regard as too ambitious for the current levels of development in South Africa, with high unemployment and extreme poverty (Mail and Guardian 2011, November 14). Business leaders from the Chamber of Mines and Sasol have accused the government of renegeing on an undertaking not to include specific reduction targets without further business consultation (Parliamentary Working Group 2011).

The COP17 meeting is scheduled to take place in Durban between 28 November and 9 December 2011 (Nkoane-Mashabane 2011). The South African government has clearly indicated its willingness to engage with social partners including industry and business, organised labour, civil society, and the scientific community (National Climate Change Response 2011). Furthermore, the climate change response initiative is actively encouraging business to engage international counterparts in the debate to promote a better understanding of the interests of business in developing countries (National Climate Change Response 2011). The COP17 CEO Business Forum is one response to that exhortation. Through this forum, CEOs are engaging with BUSA, the National Business Initiative, the ICC and the World Business Council for Sustainable Development (WBCSD 2011a; ICC 2011b). The forum has been meeting monthly and will contribute to the COP17 conference financially. At the conference businesses will have access to stalls to showcase their climate change initiatives and will organise dialogue and networking opportunities between local and international businesses around issues relating to climate change (Financial Mail 2011). Certainly the venue of the COP17 conference in Durban has served as an impetus for galvanising business action. Although business, as discussed above, is disappointed with the government response to its input so far (Mail and Guardian 2011, April 22). Whilst it is still

too early to find evidence of business-related diplomatic outcomes in the Climate Change arena, there is wide-spread evidence of business activity and engagement around diplomatic *processes*.¹²⁵

Interviews revealed that business representatives acknowledge the growing importance of a business response to mitigating and adapting to climate change although they are concerned about the business risk posed by persistent regulatory uncertainty. Their expectations of COP17 are that some landing be reached that will result in greater clarity regarding measuring, reporting and verifying carbon emissions. There is a strong sense that business is taking the initiative both locally, engaging with policy-makers at home, as well as internationally, engaging other business leaders (Mail and Guardian 2011, November 14). One example is the release of a position paper by the Institute of Directors in 2010, which highlights an acceptance of the science of climate change, the impact of social and economic disruption as a result of climate change and the need for a long-term and equitable strategy for responding to the challenges of climate change (IOD 2010). The position paper further states that inaction is inexcusable and that the issue of climate change is linked to a number of other key social issues, such as sustainable consumption, human rights and democratic values, which are crucial factors in the world's ability to resolve the threat posed by climate change. Business is of the view that COP16 in Cancun had restored faith in the climate change negotiations after the disappointment of Copenhagen (WBCSD 2011a).

B20 and the G20

The Seoul B20 was established to provide a forum for global CEOs to become involved as active participants in the G20 discussions (Seoul B20 2010). The B20 is a parallel event that forms part of the G20 Summit with the purpose of engaging the international business

¹²⁵ See the section in chapter one that discusses the definition of diplomacy and highlights diplomacy as process and not simply outcomes.

community in producing recommendations and committing to common solutions to current problems (Cannes B20 2011a). The first B20 Summit that accompanied the Seoul G20 meetings was the precursor for what appears to be becoming a fixture on the G20 agenda. The Seoul B20 Summit in 2010 held roundtables on four topics: trade and investment, finance, green growth and corporate social responsibility (CSR).

The Cannes B20 held in 2011 was organised around 12 topics crucial to business and a priority for the G20. The proposals drafted by the 12 working groups over the months preceding the November 2011 Cannes G20 Summit were tabled at the official G20 Summit of Heads of Government and States. At the Cannes G20 Summit 2011, the B20 met with the government leaders on the 2nd and 3rd of November prior to the G20 meetings of 3rd and 4th November (Rowley 2011, November 3). The B20 presents itself as a representative group due to the breadth of industry and regional representation on the 12 working groups and membership panel (Cannes B20 2011a). South African business represented on the B20 companies working groups included Absa group Limited (Maria Ramos), Anglo Gold Ashanti (Mark Cutifani), BUSA (Futhi Mthoba), Torque IT (Mthunzi Mdwaba). The working groups give priority to issues of global financial and economic regulation, global governance, environmental issues, development, trade and investment, and anti-corruption. In addition to the individual corporate participants and national business organisations, other groups such as the WEF, the OECD Business and Industry Advisory Committee (BIAC), and ICC G20 Advisory Group are partnered with the B20 initiative (Cannes B20 2011b). The over-riding theme to emerge from the B20 was to entreat governments to look beyond the euro-zone crisis, focus on economic growth and job creation, and stabilising the international monetary system not just the Euro. Hosting the event in France at such a crucial point in the euro-zone's sovereign debt crisis determined that such calls would inevitably fall on deaf ears and

the failure of the summit was eventually determined by the inability to resolve a bail-out for the beleaguered Euro (Plowright et al 2011, November 5).

It may seem that global issues are removed from the economic diplomacy agenda of South African MNCs and business generally. Not so. The anti-corruption working group was convened by Futhi Mtoba of BUSA, which included a joint anti-corruption conference with the OECD in April (OECD 2011). South Africa had wide representation at the Cannes B20 Summit, 2011, including South African participants such as Maria Ramos, of Absa, and Mark Cutifani, of AngloGold Ashanti. BUSA was present as one of the 20 business organisation members from each of the G20 countries, representing South Africa. Given the scope of issues addressed and the high level of government and business representatives present, the B20 Summits provide a unique opportunity for business to engage directly in corporate diplomacy and as active participants in global governance architecture. Being present at the shaping of global institutions and rules, in the form of a G20 forum, is significant evidence of business's entrepreneurial diplomatic role in South Africa's economic diplomacy. Again, assessing the final impact of such engagement in diplomatic process is hard to gauge. Diplomacy cannot be measured simply on the outcomes of engagements. Diplomacy is a process (often incremental) and as such does not negate the importance of various roles in diplomacy. Simply by being part of the diplomatic process that is occurring at the B20 summits business is engaging in diplomacy, irrespective of the outcomes.

International Chamber of Commerce (ICC) and other international business organisations

The (ICC) was founded in 1919 as an international advocacy group that proclaims itself the 'voice of world business'. The organisation champions the causes of economic growth, job creation and prosperity, through open markets for goods and services and the free flow of capital. The ICC's description of its goals and activities are typical of corporate diplomacy in that the advocacy that ICC engages in is directed specifically at situations where governments

and intergovernmental organisations (IGOs) are making decisions that “crucially affect corporate strategies and the bottom-line” (ICC 2011a). This they achieve through political advocacy and lobbying while providing member organisations with a range of practical services including arbitration through the International Court of Arbitration (ICA) and policy advocacy across a range of sectoral interests from anti-corruption through competition and transport and logistics (Kelly 2005: 259). The ICC is structured in a similar way to IGOs, with a World Council, comprising business executives as delegates, based on a federal structure of delegates representing National Committees and which meets bi-annually. The ICC is represented in member countries by a National Committee, which then represents national concerns in the ICC World Council, so that these are aggregated into a global business or industry perspective. The work of the ICC is further complemented by various Commissions which research and respond to specific international and government initiatives. The list of issues covered by the ICC are reminiscent of the concerns promoted by other international business bodies such as the WEF and the B20: banking practices, competition policy, financial regulation, trade and investment policy, anti-corruption, environment and energy, corporate social responsibility, taxation and intellectual property. The ICC is a strong proponent of free markets and as such a staunch supporter of the WTO negotiations.

As mentioned earlier, the ICC is also highly engaged in the COP17 process as well as the G20 via the ICC G20 Advisory Group (Trade Finance 2011, October 19). The ICC is also committed to numerous projects under the auspices of the UN (ICC 2004). The Global Compact, officially launched in July 2000, was also an ICC initiative achieved jointly with the Secretary General of the UN at the time, Kofi Annan. The purpose of the UN and global business initiative is to promote human rights, improve labour conditions, fight corruption and protect the environment (UN Global Compact 2011). The Global Compact is a

multistakeholder initiative that includes stakeholders beyond business, such as labour, civil society, governments, academia, cities, and research bodies. The South African Global Compact Local Network in South Africa is coordinated by the NBI. On the Global Compact, 45 South Africa companies are involved directly and along-side the NBI including, AngloGold Ashanti, SAPPI, Sasol, Eskom, Barloworld, Deloitte and BUSA, and academic representatives such as the University of South Africa (UNISA) as well as various government departments (ICC 2009b).

The ICC's participation indicates that the organisation is far more a diplomatic actor (or aggregated actor) than it is a forum for action. The ICC is a forum only in so much as it provides an aggregation point for pulling together the positions and views of national committees in over 120 countries across a broad spectrum of industries. From there the ICC lobbies and pursues policy objectives as a diplomatic actor on the global stage. There is an ICC national committee in South Africa with a wide range of members including individual businesses as well as business associations. BUSA and the NBI are both affiliated to the ICC. South African firms concerned about global industry regulation issues such as investment rules, financial regulation or environmental issues tend to give expression to such issues through the national committee of the ICC located in Johannesburg. For example the Chemical and Allied Industries Association makes regular representations to the ICC through the South African chapter on issues relating to the international regulation of the chemical industry (*Int*: Lotter 2009). One of the outcomes of this diplomatic engagement has been the launch of the chemical industry's global initiative called "Responsible Care". This is a voluntary programme to which companies become signatories to raise safety, health and environmental standards within the industry in order to eliminate risks and promote sustainable development (CAIA 2010). Another example is the role played by the

Information Technology Association (ITA), a member of both the ICC and the World Information Technology and Services Alliance (WITSA) which itself is a member of the ICC. One of the key issues that the ITA has been promoting through the ICC as well as WITSA is the protection of intellectual property rights and the reduction of tariff and non-tariff barriers to IT goods and services (ITA 2008). The ICC held a major conference in March 2012 in Geneva on the WTO and the need for a conclusion to the Doha Round under the rubric of a call for a business-led agenda on trade liberalisation and to launch its World Trade Agenda (CMBD 2012). This is obviously as a result of multiple processes including from many larger member economies but demonstrates the enhanced access that smaller business associations and companies in countries such as South Africa can participate in at for a such as the WTO, through participation in the ICC. As members of the ICC's South African national committee, companies and business associations act as a conduit to the South African government, alerting them to concerns raised around international business interests as well as filtering back at international level issues relating to South African business interests in the international arena (ICC 2012). Participation in the ICC provides an additional forum for South African business to engage in economic diplomacy, consistent with a MSD approach, which maintains that representation patterns are likely to be multilateral in vision and across multiple diplomatic sites (Hocking 2006).

The Business and Industry Advisory Committee to the OECD (BIAC)

The BIAC was founded in 1962 and is an independent international business advisory body to the government policymakers at the OECD. Its members comprise business organisations from the 34 OECD member countries as well as observer organisations representing business and industry from non-member countries (BIAC 2011a). BUSA is one of these. One of BIACs policy groups is the Africa group, which coordinates input to the OECD on activities within Sub-Saharan Africa as these relate to the OECD-NEPAD initiative and the OECD's

Enhanced Engagement with South Africa. As such the group participates in annual OECD-NEPAD Ministerial events as well as NEPAD's Peer Review Processes (BIAC 2011b).

The BIAC performs a similar advocacy role to the ICC and promotes business interests through policy advocacy and research and information. This is achieved through global fora, direct government consultation, committees and working groups. The organisation promotes industry consensus in order to achieve a coherent position when lobbying for a particular issue. By virtue of this process and its direct lobbying initiatives the BIAC, like the ICC should be regarded as a diplomatic actor rather than a venue for diplomatic processes.

World Business Council for Sustainable Development (WBCSD) and the Global Reporting Initiative (GRI)

The WBCSD is led by a group of CEOs from companies concerned about sustainability in communities and the environment, established in 1992. The organisation promotes its agenda through thought-leadership and effective advocacy (WBCSD 2011c). The primary purpose of the organisation is to promote knowledge sharing around corporate best practice for business and sustainability issues. The council also works closely with the ICC to influence climate change negotiations. Apart from three corporate members of the BIAC, Eskom, Mondi and Anglo American (which is listed as a UK company due to its listing on the LSE), the NBI is a regional representative for South Africa at the WBCSD, representing some 130 national, MNC, and business associations (WBCSD 2011b) . Primarily then, the WBCSD is a forum for business-business diplomacy around sustainability and knowledge sharing.

The GRI is a disclosure framework for sustainability information and was originally the brainchild of the Boston CERES non-profit project, in 1997. In 2001 the GRI was separated out as an independent institution and a second set of guidelines was launched in South Africa at the World Summit for Sustainable Development during 2002. A third draft of reporting

guidelines (G3) was disseminated for public comment in 2006 which returned some 270 responses. After a decade in existence the GRI has a network of some 30,000 operating across 70 countries (GRI 2007). Around 1,000 organisations participate in voluntary reporting on sustainability usually as part of their annual reports in triple-bottom-line reporting that includes economic, social and environmental aspects of corporate performance, going beyond the normal financial reporting (King 2009: 15).

The GRI reporting framework sets out guiding principles and performance indicators against which organisations measure their economic, social and environmental performance. In addition the GRI has drafted various sector specific guidelines for different industries. These are developed by an international multistakeholder group of sectoral or industry experts with broader feedback from other constituencies (GRI 2011). At present the GRI is headed by South African Director of the Association of Business Administrators of South Africa, Mervyn King. Most of South Africa's large corporations include some form of GRI reporting in their annual reports, with varying degrees of detail (Bezuidenhout et al 2007: 52-53).¹²⁶ Doing so is part of their corporate governance commitment but is also an element of their reputation management as civil society becomes increasingly adversarial in their criticism of MNCs. This form of diplomacy could be referred to as corporate public diplomacy as firms seek to enhance their global reputation through reporting initiatives. Sometimes engagement with community stakeholders fulfils a community diplomacy goal but this was not pursued further in this research given the focus on economic diplomacy.¹²⁷ What has also emerged from the above discussion is that many of the above fora or sites of diplomatic engagement have overlapping interests, activity and membership. This results in a patch-work of

¹²⁶ See for example Anglo American (2010), Sasol (2011b), ABSA (2010), Investec (2011), Nedbank (2011a), SAPPI (2010), and Impala Platinum (2011).

¹²⁷ Community diplomacy may be a new as yet undefined form of diplomacy and as such would warrant further exploration by other diplomacy scholars.

overlapping networks that serve to intensify and reinforce the input and engagement of business participants in such diplomatic processes.

7.3 Corporate agency – mapping South Africa’s MNCs

The World Investment Report 2004, estimated that there were some 900 South African MNCs by 1999 and in 2002 seven of these were in the top 50 developing country MNCs in the non-financial services sector (UNCTAD 2009: 22-23). In addition, there were some 2 044 foreign companies based in South Africa, using the country as a base for their regional activities. In a report published on 1 June 2010, the Boston Consulting Group reviewed corporate activity in Africa, arguing that Africa’s top 40 companies are emerging as global competitors rivalling the performance of EMNCs from the former BRIC countries before South Africa joined. The average growth rate of some 500 African companies has been around eight percent since 1998, and having established themselves regionally now seeks to expand beyond the continent. FDI by African companies have grown by 81 percent since 2002, twice as fast as Latin America and Asia. South Africa boasts 18 of the top 40 companies identified by the report. These are regionally strong companies such as: Shoprite Checkers (a food retailer with operations in 17 African countries), Vodacom (telecommunications) and multi-continental firms with at least ten percent of their assets outside Africa represented by Bidvest Group (an international trading and distribution company), Aspen Pharmacare (the largest generic drug manufacturer in the Southern Hemisphere), MTN Group (telecommunications), Murray and Roberts (construction), Naspers (media), SAPPI (paper and pulp), Sasol (energy), Standard Bank Group (financial services and Africa’s most valuable banking brand worth US\$ 1.3 billion and ranked 82 in the world)) and Steinhoff International (industrial conglomerate).

The report further categorises global players which refer to MNCs with more than half their assets off-continent, all of which in the top 40 were founded in South Africa but are now based in London and listed on the London stock exchange. These are Anglo American (natural resources, world's largest platinum producer), SABMiller (largest brewer) and Old Mutual (financial services with 30 operations overseas). The moniker for these emerging power-houses in Africa given by Boston Consulting Group (BCG) is the 'African Lions' meant to draw parallels between these and the 'Asian Tigers' referring to fast growing companies in Hong Kong, Singapore, Taiwan and South Korea. While South African MNCs have greater international representation at board level than most other developing country MNCs, they tend to have fewer foreigners at senior management level, and only 21% of top executives are foreign. The growing strength of these companies both in South Africa and the rest of the continent point to an emerging African capitalism, that BCG predict bodes well for the private sector in Africa (Are et al 2010).

The disparity between those companies now based offshore and those more regionally dominant can be attributed to the uneven pattern of industrial development characteristic of the apartheid political economy (Goldstein and Pritchard 2008: 129). The end of apartheid enabled a re-engagement with global markets following the isolation of sanctions. This combined with the early liberalisation policies of the new government, and most other African economies, and increasing domestic competition both enabled and pushed South African business to look further afield. These economic imperatives were further enhanced by the political rise of South Africa's international profile.

When reviewing the scope of South Africa's MNCs it is relevant to take account of UNCTAD's 2004 report, which reports that all seven of Africa's MNCs on the list of top 50 MNCs from developing countries are South African: SAPPI Limited, Sasol Limited, MTN

Group Limited, AngloGold Limited, Naspers Limited, Barlow Limited and Nampak Limited (UNCTAD 2004). Table 7.1 provides an overview of the scope and reach of a selected number of South Africa's MNCs including those with dual stock exchange listings.

South Africa's MNCs in Africa– depth and breadth

South African MNCs operating in Africa benefit from financial assistance provided by the Industrial Development Corporation (IDC), the Development Bank of Southern Africa (DBSA) and the Export Credit Insurance Corporation (ECIC). All of these institutions have had their mandate broadened to SADC and then the rest of Africa. The IDC supports some 89 projects in 28 African countries (Mondi and Roberts 2005: 205). The participation of the IDC in certain projects has also provided an implicit political risk insurance which has proved crucial to persuading other investors to commit, such as the IDC's 24% stake in Mozambique's Mozal aluminium smelter (a JV with BHP Billiton and Mitsubishi) (Castel-Branco and Roberts 2005: 13-18).

Large projects involving energy resources in Africa often involve partnerships with foreign governments, such as the Sasol investment in developing gas fields in Mozambique which requires the ability to negotiate highly politicised environments (Daniel and Lutchman 2006: 502). As discussed in Chapter Six, South African companies expanding into Africa must achieve a delicate balance of association with the South Africa government, at the risk of being associated with the perceived economic domination and exploitation of a regional hegemon, whilst at the same time being the protagonists of this very exploitation.

Table 7.1 Selected examples of South Africa’s MNCs

Company	INDUSTRY	BRANDS	LOCATIONS	LISTINGS
Anglo American	Mining	DeBeers Diamonds AngloGold Ashanti Anglo Platinum Anglo Base Metals Mondi	60 Countries in Europe, Africa, Asia, Australia, South America, North America	Nasdaq, London Stock Exchange (LSE) and Johannesburg Stock Exchange (JSE)
Nedbank	Corporate, business banking	Nedbank Corporate Nedbank Capital Nedbank retail	South Africa and United Kingdom	JSE
Sasol	Energy	Sasol Mining Sasol gas Sasol Synfuels	Operations in 30 countries in Africa, Asia, Europe, North and South America	New York Stock Exchange (NYSE) and JSE
Shoprite Checkers	Food Retail	Shoprite Checkers Hungry Lion House and Home	17 Countries in Africa	JSE
SABMiller	Food and Beverages One of world’s largest Brewers	Miller Genuine Draft Peroni Nastro Azzuro Pilsner Urquell	60 Countries in Europe, Africa, North America, South America and Asia	LSE and JSE
Aspen Pharmacare	Pharmaceuticals	Branded and generic pharmaceuticals in approximately 100 countries world-wide	South Africa, Australia, Brazil, Mexico, Venezuela, Kenya, Tanzania, Uganda, Mauritius, Dubai, Germany and Hong Kong	JSE
MTN	Telecommunications	MTN	Botswana, Cameroon, Cote d’Ivoire, Nigeria, Republic of Congo, Rwanda, South Africa, Swaziland, Uganda, Zambia, Iran, Afghanistan, Benin, Cyprus, Ghana, Guinea Bissau, Guinea Republic, Liberia, Sudan, Syria and Yemen.	JSE

Source: Company websites.¹²⁸

It is politically sensitive for the South African government to be seen to be promoting South African business interests too strongly and this means that some interviewees accuse the government of being unsupportive (*Int*: Grant 2010; Lotter 2009; Spicer 2009; Parsons 2009; Worrall 2009). A further point of concern for recipient countries as well as the South African

¹²⁸ Anglo American (2011a); Nedbank (2011b); Sasol (2011a); Shoprite (2011b); SAB Miller (2011); Aspen Pharmacare (2011); MTN (2011).

government, is that South African MNCs may seek to invest in Africa as a way of seeking lower environmental and labour standards (a criticism levelled at other MNCs universally) in a 'race to the bottom' (Grobbelaar and Besada 2008). However, there is strong evidence that South Africa in fact exceeds the requirements of corporate governance throughout Africa, are required to meet the exacting standards of international investors as well as the requirements of the South African government at home (Chabane et al 2006: 560). This is also evident from the large number of South African corporate signatories to the GRI, discussed above. Particularly relevant to the global South African MNCs is the pressure to conform to a triple-bottom-line approach, incumbent on companies listing on, for example, the London or New York Stock Exchange such as SABMiller, Dimension Data, Anglo American and Old Mutual. Other pressures include the codes of conduct embodied in Corporate Governance initiatives like the King Committee on Corporate Governance (in South Africa) at the instigation of the South African Institute of Directors. However, this does not mean that South African companies do not still fail to maintain rigorous corporate governance standards, as illustrated by questionable activities undertaken by mining companies in the DRC and Equatorial Guinea (Daniel and Lutchman 2006: 507).

Unlike MNC investment from OECD countries which is limited to energy and mining, South African OFDI is far broader in spectrum ranging from services (in banking, telecommunications, retail, tourism, transport and electricity) to commodities (oil, mining and gas), agriculture (food and farming) and manufacturing (steel, metals), thus ensuring that the impact of such investment has a wider and deeper scope in recipient economies (Rumney 2006: 6). South African investment is also extensively seen in infrastructural development, which although not technically recognised as OFDI, contributes significantly to the economic development of these countries as well as providing important capacity building (skills transfer) (Goldstein and Pritchard 2008: 127). In addition, it is mooted that certainly some of

these projects would not have happened without the South African private sector (Gelb 2006, June 6).

7.4 Analysing the entrepreneurial role of corporate diplomacy

Interviewees from business universally pointed out that South Africa has no common national interest such as Brazil or India seems to have cultivated. “The problem in SA is that there is no consensus on developing a common national interest” (*Int: Mapai 2010*).

The lack of capacity within DIRCO and South Africa’s embassies to provide support in commercial diplomacy has resulted in business driving the economic diplomacy agenda in many countries, for example Sasol’s activities in Uzbekistan (Izundu 2011). This is taking the form of business hiring the diplomatic skills they require through the appointment of former diplomats in public affairs and government relations roles. In some instances, especially in Africa, MNCs are adopting the functions of diplomats representing South Africa’s reputation abroad. This is extending to some firms facilitating and introducing South Africa’s diplomats to their counterparts in new countries in ‘flag follows trade’ diplomacy.

Business hiring former diplomats

There is a growing trend among South African companies to employ former diplomats and government officials. At MTN, one of the interviews conducted was with Nozipho January-Bardill, MTN’s Executive Director of Corporate Affairs, a former Ambassador to Switzerland, Liechtenstein and the Holy See based in Berne from 2001 to 2005 (MTN 2011). She was also Deputy Director General, Human Capital Development and Head of the Foreign Service Institute, which is where heads of missions and young diplomats are trained for overseas missions. Sasol has appointed Haiko Alfeld as General Manager for Group Government Services, who was based in Geneva for some time as the Head of Africa for the

World Economic Forum (SASOL 2011a). These sorts of appointments point to the need within the corporate sector to buy-in the expertise, protocols and networks that diplomats from various areas have. Absa Capital and Barclays Capital have appointed Leslie Maasdorp, a former ANC policy-advisor and Deputy Director General of Public Enterprises, as Vice Chairman. Maria Ramos, former Group Chief Executive of Transnet Limited,¹²⁹ is now Group Chief Executive of Absa Group Limited,¹³⁰ a subsidiary of Barclays PLC. She was also formerly Deputy Director-General of Financial Planning in the Department of Finance and the Director General of the National Treasury, until 2003.

What we are observing in the practices of South African MNCs, allied to the hiring of former diplomats, is the establishment of what Pigman and Vickers (2010: 7) refer to as “functional analogies of the foreign ministries of nation-state governments”. The implication of which, is that non-state actors increasingly engage in diplomacy as actors in their own right. This is the epitome of the entrepreneurial diplomacy characteristic of South African business engagement in economic diplomacy. A similar trend is evident in the parastatal sector. The representatives interviewed for this thesis at Telkom, were responsible for stakeholder management and government relations respectively (*Int: Mthintso and Plaatjie 2010*). The Johannesburg Stock Exchange has also recently appointed a Director of Government and International Affairs (JSE 2010). The appointment of former diplomats to fulfil functions of government relations or international affairs on behalf of their corporate masters is evidence of business increasingly hiring in the protocols and experience of these diplomats to perform similar diplomacy functions on behalf of the business sector. This sort of strategy is clearly evidence of MSD in action, where business as NSAs are increasingly participating in economic diplomacy processes, not only as stakeholders but also as producers of diplomacy

¹²⁹ Transnet is a state-owned South African freight transport and logistics service provider.

¹³⁰ Ramos was appointed to the ABSA role in March 2009.

by engaging former diplomats to assist firms in producing diplomatic outcomes. Examples of such diplomatic outcomes would be the awarding of exploration rights in Egypt's Gulf of Suez in 2011 (Africa Oil and Gas 2011) or the signing of an investment agreement between Sasol and the Minister of Foreign Economic Relations, Investment and Trade for the Uzbekistan government on the 19th of September 2011 (Sasol 2011, 19 September).

Business as de facto diplomats

According to Alfeld (*Int: 2009*) "due to the structural under-resourcing and the apparent disorganisation of government in consulting with business, this creates a situation in which business in essence becomes a diplomatic actor in their own right. There is a definite move from business to engage directly with counterpart government officials in countries where they are seeking opportunities. Alfeld (*Int: 2009*) notes that "especially in energy - most countries keep a very close interest or stake or even outright ownership of energy resources". For Sasol, engagements for potential investments outside South Africa are negotiated with governments as opposed to partner companies or pertain to JV (joint venture) partnerships with parastatals, and this requires business to conduct diplomacy directly with foreign governments. For example Sasol are talking directly to the Indonesia government about coal beneficiation using a Coal to Liquids (CTL) plant making liquid fuels out of Coal. Another instance is Sasol's negotiations with Uzbekistan via an Uzbek government-owned Gas Company to build a Gas to Liquids (GTL) plant. Sasol representatives met with President Islam Karimov on September 19, 2011 after a joint venture between Petronas and Sasol to build a GTL plant was signed on July 17, 2011 (Izundu 2011). In both these instances, Sasol representatives are negotiating directly with foreign governments.

Interviews also indicated a perception from business that there is a corresponding expectation from DIRCO for business from South Africa to be a responsible representative of the country

(*Int*: Alfeld 2009; January-Bardill 2009; de Villiers 2009). Corporate South Africa therefore is deemed to be representing the country in terms of their social responsibility and labour/environmental practices. This very representation is an act of diplomacy, whether it results in specific or measurable outcomes or not. Representation is a crucial element of diplomacy as process.¹³¹ This issue is especially sensitive in Africa where there is sensitivity to South Africa's image as a regional bully or hegemon.¹³² "If a company wants support it must not disappoint the government. Safety standards, human rights and environmental standards must be upheld. BHP Billiton sees safety as a brand-issue and hence its commitment to the Global Compact" (*Int*: Mapai 2010). This level of sovereign expectation indicates that government diplomacy functionalities are increasingly recognising the joint role that various stakeholders have to play in South Africa's economic diplomacy.

Aspen Pharmacare is another example of go-it-alone diplomacy, although they continue to develop relationships with key government departments and to overcome the obstacles presented by consultation difficulties. As the largest generic drug manufacturer in the Southern Hemisphere they had some concerns about the TRIPs agreement in the WTO. However Intellectual Property Rights (IPR) flexibilities for public health concerns provided under article 31F, did create space for the company. Aspen chose to speak directly to patent holders and negotiated terms for generic drug production directly (both for anti-retrovirals and anti TB drugs) rather than engaging in an adversarial relationship such as India had done. Aspen opted not to embarrass the government and potentially scare off foreign investors. In this sense the company pioneered voluntary co-operation in the generic drug sector and have developed a strong leveraging position in multilateral relationships with MNCs and their

¹³¹ Refer to section 1.1 in chapter one defining economic diplomacy and the importance of diplomacy as process.

¹³² See Chapter Six for more on South Africa as a regional hegemon and corporate behaviour within this context.

R&D departments (*Int: Nikolaou 2009*). The DTI and Department of Health were supportive of their initiatives although not overzealous (*Int: Nikolaou 2009*). Consultation was not easy especially due to the AIDS issue and the political landscape around AIDS under the Mbeki regime and Aspen had to be very careful about their tone, although they did consult extensively with the Department of Health. Given the sensitive nature of this issue at the time, with the Mbeki government facing severe criticism over its position on AIDS and the use of anti-retrovirals it is not surprising that little evidence is available of an official response to the Aspen process other than the views of protagonists in the matter (Carter 2008, November 27). They received no help with their first two voluntary licenses, but by the third one civil society groups had taken some ARV companies to the competition commission tribunal, making the issue very public which helped Aspen to negotiate more favourable terms (TAC 2011).

MTN operates within a highly regulated industry, requiring one-to-one interactions at a senior government level with ministers of Communications and ministers of Finance. It is therefore important for MTN to be proactively aware of and informed about legislative and regulatory processes in every country where it is operating. For example, in Cameroon where government was discussing various policy processes that could influence the telecommunications sector, MTN engaged directly with that policy process in a “respectful and transparent manner” (*Int: Vapi 2009*).

To operate in various countries MTN executives and staff require visas to access many of these locations and this means that much of the job of the Corporate Affairs manager entails investing in and maintaining good relationships with the ambassadors of these countries based in South Africa. MTN focuses on having a “robust government relations strategy” (*Int: January-Bardill 2009*). This also entails keeping foreign embassies advised about their

activities in the host market as well as “acknowledging that government relationships are critical to developing their (MTN’s) business”. MTN is currently seeking to enter the Angolan market. They have engaged in discussions with the South African Ambassador to Angola to gain access to Angolan ministers to tap into existing political structures to build mutually satisfactory relationships. By nature of these discussions it is often difficult to obtain corroborating evidence of claims made during interviews about discussions with specific ambassadors or official representatives. However, MTN’s CEO Sifiso Dabengwa, announced at a press conference in March 2012, MTN’s interest in pursuing a license in Angola should such a privatisation opportunity become available (TeleGeography 2012, March 9).

As far as the dynamic with the South African government is concerned MTN also pays attention to nurturing this relationship abroad, getting to know the South African Ambassadors in the countries where they operate, advising the South African embassy when they plan to explore a new potential market. There has always been a traditional separation between business and government. Government will not seek business input in shaping international policies and business tends to be cynical about government initiatives. South Africa has not developed a stage where business can meaningfully influence multilateral agreements. Whilst business could be operationally useful to government in helping to shape international trade agreements they are not being regarded as a resource. For instance, the Bharti deal with MTN, which was not concluded, could have been useful if South Africa had been negotiating with India around ways to make the business environment more conducive to cross-border deals with other emerging markets (Moola 2009).¹³³ Due to the complexity of the deal and the extent to which market access issues had a role to play, greater

¹³³ A failed merger attempt with Bharti of India generated enormous interest in the South African market.

government support for MTN from the South African government may have assisted in sealing the deal (Wadhwa 2009, May 26).

Flag follows trade

All of the above points to the trend evident in the interview process of big business pursuing its own economic diplomacy agenda or ‘Go-It-Alone’ strategies, as part of an entrepreneurial mode of engagement in economic diplomacy. Although South Africa is a developing country, or a large an emerging market, it has powerful international business interests with strong interests in diplomatic economic policy. This is evident from the above discussions of the extent and breadth of South African corporate diplomacy across a range of fora and initiatives, including the WEF, COP17, the B20, the ICC, the WBCSD and the GRI. Interviews with business representatives revealed that business are extensively engaged in multiple diplomatic processes.

Interviews confirm that the size of big business means they do not require much government assistance and they have the flexibility, the means, and the market-intelligence to a large extent – in terms of market access, negotiating channels in markets – to operate as free agents (*Int: Alfeld 2009; January-Bardill 2009; Spicer 2009; Maasdorp 2009*). Whereas, smaller companies, especially those newly emerging and wishing to expand into Africa, have a far greater need for government support – in the sense of expanding the market – in gaining an understanding of the political-economic dynamics of those markets. Big business does not need government to pursue their commercial interests. “Big companies go to China, India or the US and get on with their business – they operate in a global market” (*Int: Carim 2009*). However, several interviewees lamented the lack of strategic cohesion across South Africa’s economic diplomacy and called for a more co-ordinated ‘SA-Inc’ approach to South Africa’s

broader economic diplomacy initiatives (Alfeld 2009. Davies 2009; Grant 2010; Parsons 2009; Rhomberg 2009; Spicer 2009; van Vurren 2010; Worrall 2009).

Sasol pursues an agenda of trying where possible to work with whatever diplomatic representation exists in host countries, for example in Indonesia, in order to achieve an air of respectability. The South African ambassador in Indonesia is involved and fully apprised of developments on their various projects. In Uzbekistan there is no South African diplomatic representation at all. Sasol has been working with a non- resident ambassador in Turkey keeping him informed as there is no government to government framework with Uzbekistan. There is no Bilateral Investment Protection (BIP) Agreement in place to safe guard Sasol's venture in Uzbekistan. Given that Sasol intend to make a \$1b-\$2b investment this represents a significant risk. As a result Sasol has been lobbying the South African government to formalise its relations with Uzbekistan and get a BIP in place. This is a prime example of 'flag following trade' rather than trade following flag. These sorts of gaps are what lead to a 'go-it-alone' diplomacy and an entrepreneurial role for business. As CEO of Anglo American, Cynthia Carroll (2008), puts it: "while companies are important economic and political actors they still need good government".

Other interviews confirmed that in many instances the South African government is perceived as a mitigator of risks – in the sense of providing risk insurance - for South African companies. The result is that companies have to be aware of the underlying business opportunities and investment is driven by profit considerations. MTN's expansion into Nigeria is a prime example of positive intervention the South African government achieving a relaxation of exchange control regulations to facilitate investment into the region (Nweke 2006, August 25). The size of MTN's initial Nigerian investment, at US\$2b, spurred government to relax exchange controls – as an indirect support measure, rather than a direct

support measure (Muller 2007, October 4). The fact that the South African government does not provide risk insurance does not mean that investments are taking place without any insurance support. South African companies use the Multilateral Investment Guarantee Agency (MIGA) and are extremely cautious about their investments (*Int: Paxton 2009*).

The go-it-alone strategy pursued by numerous South African corporate actors operating abroad supports a MSD approach that indicates diplomats as boundary-spanners with a multi-directional flow of information. When flag follows trade, and business adopts an entrepreneurial mode of corporate diplomacy, leading diplomatic process it is not necessarily in isolation from sovereign diplomats. Frequently, as evidenced by Sasol, corporate diplomats actively seek to include sovereign diplomats - multiple stakeholders indeed.

7.5 Conclusion

In examining the final mode of entrepreneurial diplomatic engagement, this chapter has found that business NSAs will pursue diplomatic objectives through various fora, as producers of diplomatic processes and outcomes. Business pursues a commercial agenda by engaging in go-it-alone diplomacy wherever necessary. That does not diminish the preference for greater support and assistance from the South African government when operating abroad, not least in order to provide some kind of investment or political risk insurance, but also to act as a resource for business.

South African MNCs are a significant source of FDI for Africa and are important partners in a number of infrastructural projects in the region, supporting wider business objectives in these countries. That means their clout and influence is indisputable, making South African MNCs important NSAs in the international political economy. As such, big business, in the form of EMNCs and operating in markets where South Africa has no diplomatic

representation, will endeavour to include South Africa's diplomats in their activities as far as possible. This approach turns the normal sequence of trade following flag around so that in these cases flag follows trade and business becomes the primary 'diplomat' introducing the government diplomat to their counterparts instead of the other way around.¹³⁴

An entrepreneurial mode of engagement finds expression in go-it-alone strategies, as well as business-led initiatives such as the ICC, WBCSD, the B20 or the GRI. The chapter has demonstrated that business is certainly not simply a consumer of diplomacy and often produces economic diplomacy outcomes. Due to the lack of capacity within South Africa's DTI and foreign missions, and as a result of the on-going impact of racial politics in South Africa around capital ownership, business must find alternative avenues for achieving their commercial goals abroad. In expanding trade and investment opportunities business has found itself undertaking commercial diplomacy directly. South Africa's MNCs, in pursuing commercial objectives, engage in corporate diplomacy at both bilateral and multilateral level through institutions such as the WEF, frequently behaving as de facto diplomats and representing South Africa abroad.

These factors, taken together, are a significant feature of NSA engagement in economic diplomacy and further the argument of this thesis around the importance of NSAs and in particular private sector or business in studying economic diplomacy. The use of a MSD framework has enabled a clearer analysis of the extent to and ways in which business are engaging in South Africa's post-apartheid economic diplomacy.

¹³⁴ With thanks to Haiko Alfeld (Sasol) for this insight during an interview in 2009.

CHAPTER EIGHT: CONCLUSION

The contemporary dynamics of economic diplomacy cannot be understood by solely focusing on states as the primary unit of analysis. In the economic diplomacy landscape, states seldom operate as the primary agents of change in a vacant field, but rather jostle with a series of NSAs, especially business NSAs, for position, leverage and influence. This thesis has examined who the main actors in South Africa's economic diplomacy are and where the main sites of diplomatic engagement are located. Rather than passive supporters of state efforts at economic diplomacy, this thesis has clearly shown how corporate actors operate as active consumers as well as producers of diplomatic outcomes.

8.1 Towards a multi-centric view in IR and diplomacy studies

The introduction to this thesis set out clear parameters for the contribution the thesis makes to broader debates in economic diplomacy, arguing that agency needs to receive greater attention in analysing diplomatic processes without neglecting structure. The thesis used an empirically rich study to demonstrate the theoretical contribution of this research to diplomacy studies.

The thesis has explored the question: to what extent and in which ways does South African business engage in South Africa's post-apartheid economic diplomacy? As such, the thesis has engaged specifically with the economic diplomacy literature, using a MSD approach to challenge conventional state-centric diplomacy literature and, in so doing, has built a case for including business as NSAs in the study of economic diplomacy. This further speaks to the notion of agency in economic diplomacy, arguing that NSAs are agents of diplomacy as both consumers and producers of diplomatic outcomes, challenging the market-centric view that tends to privilege structures over agency in IR.

An important contribution of this research has been to add empirical depth to the MSD approach thus enhancing our understanding of contemporary diplomatic practices. Finally, the research provides much needed reference to the diplomatic activities of NSAs in emerging economies or developing countries.

8.2 Empirical Depth

The empirical data presented in this thesis supports the emergence of corporate diplomacy, where business as NSAs are highly evident in South Africa's economic diplomacy, both as consumers and producers of economic diplomacy. This thesis has illustrated how corporate actors may perform at least three roles with respect to economic diplomacy: i) a consultative role, informing, adapting to and shaping the evolution of state-led initiatives; ii) a supplementary role, providing essential support for state-led diplomacy initiatives; and iii) an entrepreneurial role, as initiators of diplomatic actions.

These modes of engagement, encompass a range of directions of activity, so that there is also clear evidence of the triangular diplomacy evinced by Stopford and Strange (1991). Not only is diplomacy happening at a state-state level but also in the dimensions of firm-state and firm-firm diplomacy. The modes of engagement evident in South Africa's corporate diplomacy are also linked to the important themes of South Africa's broader diplomatic agenda and context. The consultative role of business is both constrained and enabled in different ways by the particular historical context of South Africa's political economy. This argument supports a strategic relational approach in which agency and context are interactive as well as co-constitutive of international society (Jessop 1996).

A supplementary role is evident in the bi-lateral engagement of South Africa's South-South agenda of engaging more broadly with Africa and other large developing countries through the IBSA dialogue, BRICS and SADC and SACU. The political agenda is mirrored by or mirrors the economic expansion of corporate interests into Africa and further afield. How effective a supplementary role is depends to a great degree on how well the business-government relationship is managed in each situation. This too is affected by the nature of the constructive contestation apparent in South Africa's business-government relationship, which is historically complex and sometimes conflictual.

The consultative mode of engagement reflects the hugely complicated interaction between business, capital-ownership, race and representation, and politics. The sometimes conflictual relationship between business and government is informed by the historical wounds of the past and creates opportunities for new business interactions with government. It also presents challenges for representation to government and who gets heard in consultative processes.

8.3 A MSD approach to diplomacy

As this thesis has shown, the existing literature in diplomacy studies has several important limitations, especially analysis from a realist perspective. Alternative approaches that take cognisance of a variety of actors or stakeholders in diplomacy such as MSD, polyilateralism, and three-dimensional diplomacy offer a more comprehensive and complete means of understanding the complexity of current diplomatic practices. Chapter Two expanded on the rational realist perspective, elucidating the tendency in realist traditions to relegate all actors but the state as meaningless in diplomacy studies and the narrow focus of such scholars on the high politics of security in the international system as the primary objective of diplomacy. The main criticism of such approaches is to be found in the fact that they do not give account of the role of NSAs in IR more broadly and nor do they reflect the increasingly complex and

technical nature of contemporary diplomatic processes such as those occurring at the WTO, at the Copenhagen Climate Change Summit or in fora such as meetings of the G20. Furthermore, such rationalist approaches tend to simplify the interests of the state into utility maximising rational actors, without providing any explanation for how interests shift and are influenced over time.

Domestic theories attempt to provide insights into what is happening within states that could shape or influence their behaviour in diplomatic processes but do not go far enough in providing an explanation for why NSAs are increasingly participating directly in diplomacy. This then is the contribution of an emerging body of literature on multi-actor diplomacy. A middle-ground approach rejects the antithesis of realist perspective, the alternative perspective (or nascent school in Murray's (2008) taxonomy) which holds that diplomacy is a non-state process (thus rejecting the state as actor in totality). Rather proponents of this multi-actor diplomacy call for a recognition of a broader range of actors engaging in diplomacy but not to the exclusion of the state. Instead, approaches such as Hocking's (2005) MSD or Scholte's (1993) complex network of transnational actors or Rosenau's (1990) 'two-worlds' approach, focus on the observable practices of diplomacy including the interplay between state and NSAs, at various levels and across a broad range of issues including security but also extending to economic and environmental issues among others. The thesis has argued for the inclusion of economic issues in diplomacy studies specifically and arrives at a definition of economic diplomacy as: the interactions between states and NSAs in the international system at various levels around broad economic issues. By exploring the extent to and ways in which business as NSAs engage South Africa's post-apartheid economic diplomacy this research has contributed valuable empirical evidence of the relevance of a multi-actor approach to diplomacy studies that also gives account of the economic in diplomacy practices.

8.4 The relevance of South Africa's political economy

In order to fully understand South Africa's contemporary economic diplomacy it was necessary to give some background to South Africa's economic history and the integral role played by business in the early development of the country's economic and political structures. Early discoveries of mineral wealth in the country were to shape the future apartheid era in a significant manner. Chapter Three provided a brief review of the secondary literature that explains the crucial role of the mining industry in South Africa's political economy and indeed its role in the broader international economy. Industrial development was slow to come and the country remains mineral dependent to this day. The literature also implicates business and especially the mining industry in the early origins of apartheid and the on-going social ills associated with its lengthy dominance in South Africa's political past and transition to a post-apartheid era (Yudelman 1984; Segal 2000; Meredith 2007).

South Africa is a dominant player within Africa and the largest in economy on the continent, producing 24% of the continent's GDP and ranked 26th in the world in terms of GDP (IMF 2012). However, South Africa contributes only a small share of the world economy at just 0.5% and the country ranks as 29th in world in terms of GDP (IMF 2012). Despite this miniscule contribution, South Africa has recently joined the BRICs countries, on invitation from by China, and is widely considered to punch above its weight in international processes.

As regards South Africa's economic diplomacy, pre-apartheid and apartheid era trade policy was primarily protectionist and focused on import substitution largely as a result of economic sanctions in final years of apartheid. By the end of the apartheid era, South Africa was already in a serious financial crisis and this further galvanised business interests in seeking an end to apartheid. Business were thus at the forefront of negotiations about political transition with the ANC in exile. Despite a number of initiatives by liberal business during the

apartheid period, certain elements and industries within the business community had also benefitted from the apartheid system. This was to carry through into the new era and was a highly sensitive aspect of the TRC hearings during the immediate post-apartheid period. The complicated relationship between the emerging ANC government and business interests, against the back-drop of an on-going perception of business complicity in the oppression of apartheid, created the sub-text for the relationship between business and government going forward. Following the unbanning of the ANC and the party's subsequent rise to power, the literature points to the significant role played by business in shaping the ANC's post-apartheid economic doctrine. Prior to their unbanning the ANC had formulated a socialist reform policy which included the nationalisation of broad swathes of the economy. In addition, the collapse of Communism in Eastern Europe, along with other factors can be attributed to influencing the ANC's shift to largely neo-liberal market friendly policies, including international pressure, the role of IFIs and, domestically, a charm offensive by big business.

From its earliest origins then the relationship between business and government during the post-apartheid era can be described as one of constructive contestation (Handley 2008), in which crony capitalism has been largely held at bay thus far by the historical mistrust between business and government arising out of the apartheid era. This legacy of racial politics remains a deep seam running through the relationship between business and government in South Africa. It is significant to the understanding of the extent to and ways in which South African business engage in economic diplomacy, because this relationship has resulted in business engaging very directly in economic diplomacy processes which is described by the foregoing empirical chapters of this thesis. In essence this constructive contestation, born out of the racial politics of oppression in South Africa, explains why

business has engaged to the extent that it has, in South Africa's post-apartheid economic diplomacy.

8.5 Stakeholders in South Africa's economic diplomacy

The research identified a large number of stakeholders participating in South Africa's economic diplomacy. Within government, stakeholders were identified across a range of government departments. NSAs engaging in South Africa's economic diplomacy at different stages included political parties such as the ANC, trade unions through COSATU, various business and industry associations, think tanks and research institutes, and NGOs.

An analysis of agency in South Africa's economic diplomacy identified four important elements that inform and underpin the constraints and opportunities for business engagement in economic diplomacy. In short the agency of these actors creates the context in which business NSAs are both constrained and enabled as diplomatic actors. First, the analysis revealed that there were capacity constraints within government departments that were a limitation on the extent of consultation and engagement possible. This is exacerbated, in the second instance, by business concerns around interdepartmental coordination and lack of organisation from departments that claim to be leading consultation and diplomacy processes. Third, the research found that there was a high level of NSA stakeholder interaction. Research institutions and think tanks were found to be a very important element of the economic policy-making milieu and consultation process. They were also useful catalysts for dialogue between the different stakeholders.

Business stakeholders found their access to government and formal state-led diplomatic processes more constrained. In this regard, the fourth element of representation and the politics of race have made consolidation of business difficult and thus the coherence of a

business position has been difficult to achieve. Historical disadvantage and the imperative of redistribution through BEE have dominated the business discourse leading to dissension and diverting the focus away from issues of outward directed economic diplomacy. This lack of ‘one voice’ in the business community has meant that consultation processes with government have been compromised and become more politicised than such interactions would be, ordinarily. Finally, the constraints facing business in interacting with government have also opened up alternative opportunities for business to engage in diplomatic processes. The study identified three modes of engagement that describe the ways in which and extent to which business NSAs are involved in economic diplomacy.

8.6 Modes of Engagement

Consultative

The legacy of the apartheid era has carried forward into a relationship characterised by constructive contestation between business and government. The study identified four sites of consultation, primary of which is NEDLAC. Various other mechanisms included ad hoc theme-based government-led task teams, the ATF and specific industry fora. A number of diplomatic tools are used by business NSAs in engaging in a consultative role, from self-initiated lobbying to providing technical reports and research. Business NSAs have engaged in advocacy with ministers and government officials both formally and informally in whatever situation enabled them to gain access to policy-makers. There were limitations to domestic consultation which has also had an impact on the extent to which business engages in economic diplomacy processes, especially multilaterally. Whilst mechanisms for consultation exist their utility was variable and, in NEDLAC’s case, contested by the various social partners. Government stakeholders maintain that the mechanism functions effectively, while business tended to regard NEDLAC as a talk-shop, poorly organised, ill-supported (by

business and with low level government representation) and heavily weighted in favour of labour interests.

The lack of consultation was not confined to government and business; inter-departmental coordination was regarded as extremely poor and departments sometimes highly competitive, engaging in turf-wars to the detriment of a unified position that would encourage a national dialogue or consensus necessary for effective diplomacy. As a consequence, in terms of a MSD approach, this has opened spaces for a multi-centric diplomacy where other NSAs take the lead in the absence of effective direction from government appointed diplomats. The ATF was regarded as a model consultation process with broad participation at a meaningful level that has resulted in extensive engagement of numerous different stakeholders in diplomatic processes, from the WTO to bilateral negotiations. In this instance the role of individual agency in achieving a positive and coordinated outcome was critical.

In other instances positive outcomes were less easily accomplished. A lack of capacity within the primary ministries involved in economic diplomacy, namely the DTI and DIRCO combined with a lack of co-ordination and common purpose have resulted in inconsistency of consultation. Again, this is consistent with the features of a MSD, which identifies a variety of participants in diplomacy incorporating multiple actors as producers of diplomacy. Government representatives also pointed to the absence of a unified position from business. Business disunity was grounded in the constant of racial disharmony and the post-apartheid imperative of transformation in South Africa's capital structures.

One of the critical reasons why government-business consultation was regarded as so difficult was the absence, until recently, of a unified 'voice of business' not tainted by the traditional segregation of white capital and the imperative of transformation in South Africa's political economy. Big business in South Africa remains largely controlled by white capital interests

and senior management. Despite BEE initiatives, transformation has tended to be slow in materialising and, where there has been transformation, it has favoured a relatively small minority of powerful black businessmen, concentrating control in the hands of a few. Again, the contested nature of business–state relationships supports the underlying principles of a MSD approach which highlights the clash of sovereignty as well as institutional tensions, not just within government institutions but also between business institutions as well.

Supplementary

A supplementary mode of engagement has emerged as a result of the convergence between South Africa's political objectives and the economic drivers of commercial interests. South Africa's dominance in Africa and the shifting power dynamics within the international system towards a greater prominence of developing countries or emerging economies point to an increasing trend towards South-South economic diplomacy. It is at the bi-lateral level and particularly into Africa that business engages extensively in economic diplomacy activities. In the past three years, South Africa's primary export destination has shifted from the USA and EU to China, and imports mostly from China. In line with global trends towards Bilateral Investment Treaties (BITs) and PTAs, South Africa is increasingly focused on negotiating PTAs with other developing countries, particularly in Africa. More than an ideological commitment to solidarity, this trend also reflects the economic goals of South African corporate interests. Such interests extend to the common ground between developing countries in the MTS on issues such as agriculture, NAMA and services as well as achieving a more equitable power balance in multilateral fora.

The research examined the various sites of diplomatic engagement in South-South diplomacy beginning with the NEPAD Business Foundation, and including the IBSA dialogue, the BRICS and finally the WTO. This analysis established that South Africa is highly committed

to associating itself with other large developing countries, the agenda of developing countries generally and in Africa in particular. Whilst South Africa has demonstrated a middle power tendency to support multilateralism in the past, more recent evidence indicates that multilateralism is pursued as part of a broader development agenda.

In terms of South Africa's role in Africa, fear of the country's dominance as a hegemon has resulted in a delicate balancing act for the government and by proxy for South African business expanding into neighbouring countries and beyond in Africa. It is this very situation which highlights the issue identified as a feature of MSD that the location of diplomacy criss-crosses domestic and international arenas; South African corporations are increasingly expected to uphold corporate governance standards abroad as they do at home as part of their responsibility to represent South Africa in the rest of the world. Business is seen as representative of the state when operating in other countries significant evidence of a supplementary and even a substitution role for business diplomacy at times.

It is the private sector that is driving South Africa's continental expansion and often also the diplomatic initiatives that facilitate such growth. This is evidence of NSAs as both producers as well as consumers of diplomacy as they engage in a supplementary role both driving and supporting diplomatic initiatives. Such corporate diplomacy is not always welcomed in Africa especially where South African firms are regarded with suspicion as a result of South Africa's hegemonic status in the region. However, business representatives broadly indicated in interviews that corporate diplomacy is a universal feature of doing business in Africa and engaging with diplomats and other government officials and ministries was an integral part of doing business. This would indicate that a MSD approach which identifies the functions of various actors to compensate for deficiencies in the diplomatic process is not a one-way flow.

There is still an important role for official diplomats to play in supporting and protecting corporate interests.

Institutions such as SACU, SADC and NBF welcome to varying degrees the involvement of business actors in negotiations. In this regard BUSA is providing a useful platform for aggregating business views and decreasing the threat to weaker negotiating parties within SACU and SADC, which do not have such well-developed (and effective) business sectors. The NBF is supported by and provides support to business in accessing influential decision-makers, acting as facilitator to the World Bank, African Development Bank and key corporate actors as well as smaller businesses that benefit from higher level access than they might achieve individually. This highlights the feature of MSD where diplomats become boundary-spanners and facilitators of diplomacy and extends the feature to allow for NSAs in a supplementary role facilitating engagement on behalf of government and in their own right as well.

Entrepreneurial

An entrepreneurial mode of engagement extends beyond bilateral diplomacy for South African firms, to the role of big business in South Africa's economic diplomacy. This role is evident in a go-it-alone corporate diplomacy in which flag follows trade. Consultation processes, dogged by a sometimes conflictual relationship with government has made access to government difficult for business. As a result, business has sought alternative means of attaining economic goals through go-it-alone diplomacy. This is not something different from the corporate diplomacy discussed in the supplementary role, rather an extension of that process wherein big business are engaging in the role not just of diplomat but also facilitator of diplomacy in a process in which flag follows trade.

This mode of engagement is most evident when the role of South Africa's global corporations as EMNCs is analysed. South African MNCs have expanded their sphere of influence disproportionately to the size of the South African economy in the world.¹³⁵ As facilitators of diplomacy, South African business is sometimes referred to as the driver of 'SA Incorporated' referring to the dominance of business as South Africa's representation abroad. MSD maintains that the rules of diplomacy in terms of this approach are under-developed and that there is a clash of sovereignty and non-sovereign based rules. This is clearly apparent in an entrepreneurial mode, as South African MNCs blur the lines between sovereign actions and non-sovereign ones, especially when business actors such as Sasol introduce the South African Ambassador to his counterpart in Uzbekistan rather than the other way around.

Big business was a key influence in South Africa's early post-apartheid economic policy-making; this followed on from the role played by liberal big business interests in negotiations with the then-banned ANC in the closing stages of the apartheid era. Big business has traditionally been in favour of trade liberalisation being more export focused (as key stakeholders in the industrial-minerals complex of the economy) and, already established as participants in fora such as the WEF, able to bring to bear their influence (as well as that of other business interests outside the country and IFIs) on the ANC at a crucial stage in the economic policy-making process. This is evidence of a highly networked sector that drew on the influence of external actors and also supported that influence during South Africa's transition period. This supports the MSD assertion that diplomacy is located across domestic and international boundaries using multiple diplomatic sites. The early influence enjoyed by big business seems to be waning with the Zuma administration and as a result is pursuing an aggressive go-it-alone agenda, without compromising a commitment to seeking government

¹³⁵ In the case of MNCs from South Africa this thesis uses the acronym EMNC synonymously with MNC when referring to MNCs from South Africa.

support and being seen to support government whenever necessary. The imperative to be ‘seen to be supporting’ government’s economic diplomacy initiatives is widely acknowledged within the group of business representatives interviewed and testifies to the sensitive nature of the relationship between government and business.

In exploring the entrepreneurial mode of engagement favoured by big business, a number of sites of diplomatic activity or fora of engagement on the global stage were identified. These included the WEF, Climate Change at the COP17, the B20, the ICC and the WBCSD. Corporate agency, engaging in an entrepreneurial role in South Africa’s economic diplomacy, was also outlined to understand the depth and breadth of South Africa’s MNCs. South Africa has an enormous number of MNCs, at around 900. In 2002, seven of these were in the top 50 developing country MNCs (EMNCs). Of the top 40 African MNCs 18 are South African. These represent a range of industries from financial services, to generic medicines and telecommunications as well as global players with dual listings on the London Stock Exchange. These African Lions as the BCG has named them, are akin to the Asian Tigers fastest growing companies in Hong Kong, Singapore, Taiwan and South Korea. Despite having greater foreign board representation, South African MNCs have fewer foreign senior managers than other EMNCs.

South African MNCs expanding into Africa enjoy institutional support from an array of organisations including the IDC, DBSA and the ECIC providing evidence of South Africa’s diplomatic agenda within Africa coinciding with the economic agenda of corporate South Africa. Contrary to fears that opportunities in the rest of Africa would provide a race to the bottom in environmental and labour standards, South African corporations are subject to stringent corporate governance and responsibility standards. These are driven both by pressure from the government on business to be responsible representatives of ‘brand South

Africa' as well as from within business through engagement on various multilateral initiatives such as the Global Reporting Initiative and the Global Compact.

South Africa's largest corporations are represented by BLSA, which has traditionally had a high profile role in political engagement in South Africa during apartheid and the transition of 1994. Despite this, big business appears to be disconnected from the formal trade diplomacy processes in which South Africa engages such as in the WTO. This is likely to have more to do with the protracted nature of negotiations in the MTS than a lack of awareness of the significance of such negotiations. Big business has a much lower tolerance of the inefficiencies of NEDLAC's processes and a heightened sense of frustration at the institutional weakness apparent in the lack of capacity within key ministerial departments such as the DTI and DIRCO. As a consequence, big business tends to take the lead by pursuing economic objectives alone and engaging in direct economic diplomacy wherever this is necessary. This might be in the form of informal networking at events such as Davos under the auspices of the WEF or directly with relevant ministers responsible for decision-making at the highest possible level, for example, the MTN licensing process in Nigeria. This tendency is further exacerbated by the perception widely held by big business that there is no common national interest similar to that pursued by India or Brazil.

This go-it-alone diplomacy is being extended as business seeks to remedy its own lack of knowledge of diplomatic protocol, by hiring former diplomats to work within corporations as managers of government affairs and economic diplomacy, for example MTN, Sasol and ABSA Capital. In this way business buys-in the requisite expertise and networks of contacts inherent in the functions performed by these former diplomats. This activity provides direct evidence of MSD in action as deficiencies in the diplomatic process are fulfilled not just by business or other NSAs supporting official diplomats but vice-versa, by employing diplomats to fill the protocol gaps that business experiences.

Business representatives in this context then act as de facto diplomats; such that in some instances flag follows trade, while business acts as the facilitator of diplomacy taking MSD beyond the role of NSAs as producers and consumers of diplomacy but entrepreneurs of diplomacy too. Government interviewees suggested that better coordination with big business could result in a more strategic approach to South Africa's economic diplomacy and the achievement of a national consensus on such diplomatic goals.

8.6 Further research

A number of important themes emerged from this research that would warrant further and more in-depth attention from future scholarship. First, extending the MSD framework to include an exploration of the role other NSAs such as labour, civil society, and research institutions and think tanks in economic diplomacy would be very useful research. Such an endeavour would enable scholars to determine whether the modes of engagement identified as significant for business NSAs hold true for other NSA groupings. Such research would also allow a more complete understanding of a MSD framework by including all the stakeholders identified (as well as any additional actors) and thus enabling a better analysis of how the different stakeholders interact on one another and perhaps shape the modes of diplomatic engagement further. It would also enable the identification of further possible modes of engagement relevant to different sorts of stakeholders.

Another avenue for consideration in future research would be to do a comparative study of the MSD framework between South Africa and other BRICs or large developing countries. This kind of study would provide a meaningful set of contrasts that would confirm or deny the general applicability of the modes of engagement identified. This could be confined just to business NSAs or conducted along the lines of the further research suggested above, and

include a full multistakeholder approach. The value of a comparative study lies in the researchers' ability to compare and contrast and so identify trends or repeating patterns, which would enhance the conclusions of this research by extending its validity across multiple cases. In particular a comparative study of South Africa with Malaysia might prove useful, as there are interesting parallels between the economic dominance of a minority ethnic grouping (Chinese) within Malaysia prior to its transition that could yield insights comparable with the South African post-apartheid experience.

Finally, it would be interesting to test the modes of engagement identified as relating to business NSAs in economic diplomacy against other diplomatic processes, such as environmental diplomacy or human rights diplomacy. It would be interesting to observe whether MSD is applied as easily to different forms of diplomacy and to compare and contrast the different stakeholders engaging in different forms of diplomacy. Crucially, from an extension of this study, it would be useful to evaluate whether the modes of diplomacy identified here apply to other stakeholders and in different contexts.

8.7 Conclusion

Business matters in the contemporary global political economy – both as a result of the material resources business actors wield internationally and at home, and because of the shifting balance of power in recent decades between public authority and private authority in shaping the economic fortunes of different societies. Through a detailed and comprehensive analysis of the role of business actors in South Africa's post-apartheid economic diplomacy, this thesis has built a compelling case that corporate diplomacy requires much greater scholarly attention – in emerging market economies as well as in developed economies- than it usually tends to receive.

Rather than passive supporters of state-led diplomatic initiatives, or simply ignoring economic diplomacy as an avenue for advancing business interests, the thesis has illustrated that corporate actors play a series of crucial roles with respect to economic diplomacy: i) a consultative role; ii) a supplementary role; iii) an entrepreneurial role. As a consequence, this research highlights the importance not simply of understanding how states and business actors compete over their preferred policy frameworks and outcomes but the need for much greater examination of how corporate actors and state actors cooperate in pursuit of diplomatic strategies that maximise the potential for economic diplomacy to function effectively in achieving their varying interests.

APPENDIX ONE: LIST OF INTERVIEWS

Not available on electronic thesis. Please refer to Library hardcopy.

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