



South Africa's Foreign Economic Strategies in a Changing Global System

MZUKISI QOBO & MEMORY DUBE

EXECUTIVE SUMMARY

South Africa's foreign policy has developed since the country's transition to democracy in 1994. The South African government used to emphasise multilateralism as an important component in its international relations, keen to make itself heard on critical global issues. Today, the three main pillars of its foreign economic strategies are multilateral trade negotiations, the Group of Twenty (G-20) and the Brazil, Russia, India, China and South Africa (BRICS) forum. Given its relatively small economy, and wishing to use the forum as a platform for South-South solidarity, it is possible that South Africa will rely more closely on BRICS than on the G-20. South Africa needs to develop closer alignment between its foreign-policy and domestic economic strategies.

INTRODUCTION

South Africa's foreign policy has changed since the first democratically elected government in 1994 showed an inclination for a normative thrust. This policy insights paper reviews South Africa's foreign economic strategies and casts a spotlight on three areas of engagement that, in the authors' view, have come to

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form the main pillars of South Africa's foreign economic strategies: multilateral trade negotiations; the G-20; and the BRICS forum.

This paper pays attention to these dimensions by examining the fields of foreign policy that place a premium on economic strategies. The authors' main observation is that since the early years of democracy, when South Africa's foreign policy was driven by a strongly normative agenda and broadly supported liberal internationalism, a number of developments have led to a shift in strategy towards building diplomatic and commercial relations with non-Western countries.

The authors' key argument is that in the first decade or so of South Africa's democracy, there has been a considerable alignment between domestic political and institutional changes at the normative level and in the articulation of foreign policy.

MULTILATERALISM IN SOUTH AFRICA'S FOREIGN POLICY

South Africa's foreign policy has evolved significantly since the country became a democracy in 1994. Early developments in foreign policy saw the country showing greater inclination towards an idealistic thrust, with the policy approach giving greater premium to issues related to human rights and peacebuilding.¹ Although these are still components of South Africa's foreign policy, their position in the policy hierarchy is now of minor significance.

In the early days of democracy, the South African government emphasised multilateralism as a valuable element of international relations. Given its small economy compared to other globally influential countries, South Africa is aware of its limited capacity to effect change on its own. For this reason, it prefers to forge collaborative approaches. For many developing countries, multilateralism as a principle and institutional mechanism is important, in that it enables them to reduce the extent to which, as a rule, decisions are taken purely on the account of power distribution rather than on the basis of commonly agreed-upon rules, reflecting the legal parity that countries have in international affairs.

South Africa's championing of multilateralism has been in part about the alignment of normative impulses in the domestic and international spheres, and in part driven by the urge to gain recognition as a responsible actor on the international stage at the end of apartheid. South Africa was also keen to gain a platform to express its voice on critical global issues.

There was clearly a normative consistency between the domestic political framework, expressed in the liberal constitutional arrangement, and South Africa's idealistic objectives in the global system. And during its transition to democracy, South Africa gained an enormous amount of good will from the international community, and was embraced by the West as the engine of growth and progress for the rest of the African continent.

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Consolidating democracy and social stability at home, and advancing internationalism (i.e. pursuing wide-ranging diplomatic relations) abroad, pretty much summed up the new South African government's purpose for existence in the mid-1990s. Yet there was still a distinct lack of foreign-policy goals being grounded in South Africa's domestic development strategy. This gap showed itself in South Africa's inability to define an economic diplomacy strategy that it could pursue for the benefit of the domestic economy.

SOUTH AFRICA AND THE WORLD TRADE ORGANIZATION

As discussed, since attaining democracy, the South African government has viewed multilateralism as the best framework for limiting the dominance of large economies and for shaping the agenda of international organisations in its own favour.

South Africa has participated in multilateral trade negotiations since the closing days of the Uruguay Round, when it acceded to the General Agreement on Tariffs and Trade in 1993 and became a founding member of the World Trade Organization (WTO) in September 1995. South Africa's approach to multilateral trade negotiations has been to play a bridge-building role, presenting itself as both a responsible international actor that seeks the best negotiated outcomes in the WTO negotiations as well as highlighting what it considers to be the core interests of developing countries in general, and Africa in particular.

Since the early phase of its participation in multilateral processes, especially after the failure of the WTO's Seattle Ministerial Conference to launch a new round of trade negotiations in 1999, South Africa has defined its positions very broadly – pushing for market access, and mainly targeting subsidies and tariff peaks in the countries of the developed North, particularly focusing on Europe.

One of South Africa's objectives has been to gain concessions and special treatment for developing countries. Of particular importance was the need to formally recognise the principle of 'less than full reciprocity' in apportioning liberalisation obligations and to press for policy flexibility to enable developing countries to take policy actions that may deviate from the convention for developmental purposes.

Since 2007 South Africa's external strategies, and in particular its trade policy, have increasingly been subject to its domestic economic interests, and especially the need to conform to the national industrial policy framework. The evolution of industrial policy in South Africa has been one of the best attempts to redefine the country's bilateral and multilateral trade approaches in ways that cohere with domestic developmental strategies, even though the latter have not always been compellingly laid out. For example, one of the objectives of South Africa's industrial policy framework has been to make its trade policies, through a pragmatic and modulated tariff policy, support its industrial capacities, while simultaneously ensuring that South Africa defends its policy space in the WTO negotiations.

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SOUTH AFRICA AND THE G-20

South Africa was one of only seven developing countries to participate in the inaugural meeting of the G-20 Finance Ministers. It is also one of the nine countries that are not members of the Organization for Economic Cooperation and Development that are part of the G-20 Heads of Government. (The others are Brazil, Russia, India, China, Indonesia, Saudi Arabia, Argentina and Turkey.) As a developing-country member of the G-20 – and a co-chair, with France and South Korea, of the Development Working Group – South Africa has played a role in shaping this development framework. In the build-up to the G-20 Leaders' Summit in 2009, the South African government's perspective on the G-20 rested on four pillars, although details of how it intended to implement them were sketchy:²

- stabilisation of global finance;
- countering global recession;
- deploying resources to support demand and sustain investment in the developing world; and
- laying the foundations for sustained recovery.

Other than presenting itself as a so-called system stabiliser and one of the champions of the reform of international financial institutions, outside of the Development Working Group, South Africa has no distinct set of measurable objectives that it articulates within the G-20. The grouping is clearly an arena for the big powers. It is also difficult to speculate how influential South Africa could be within the G-20, given its relatively small size. It is possible that in light of its influence in BRICS, it will rely more closely on this grouping.

Broadly, there are six areas that South Africa has advanced in the G-20 agenda since the 2011 G-20 summit in France. The first regards the stability of the Eurozone. The second concerns invigorating growth, creating jobs and addressing social challenges. These are also issues of great concern for countries such as Spain, Argentina, and Australia in the G-20 finance stream. The G-20 Task Force on Employment has agreed to exchange best practices concerning youth employment and promoting quality jobs.

The third addresses commodity-price volatility and promoting agriculture. For the G-20, in particular, this mostly involves curbing speculation, which could induce price volatility.

Fourth, South Africa has pushed for improved surveillance and governance by the International Monetary Fund (IMF), so that crises are detected as they first emerge, and for resourcing the IMF so that it can be more effective in performing its systemic support role. South Africa is also contesting a third chair on the IMF Executive Board for sub-Saharan Africa, as it considers Africa to be significantly under-represented on the Executive Board.

On the subject of financial inclusion, South Africa has an interest in participating in peer-learning exercises and showcasing its own best practices with a view to encouraging the banks to broaden their offerings to include socially marginalised individuals, and small, medium and micro enterprises.

South Africa also has indicated the need to address the challenges of development, and has underlined the importance of the Seoul Development Consensus for Shared Growth³ and its Multi-Year Action Plan on Development. This includes infrastructure; private investment and job creation; human-resource development; trade; financial inclusion; resilient growth; food security; domestic-resource mobilisation; and knowledge sharing.

Finally, South Africa has articulated the need to support innovative finance, financial inclusion, reducing the cost of remittance transfer, domestic resource mobilisation (by reforming tax institutions) and fast delivery of overseas development-assistance commitments. On this set of issues, it has pushed for the G-20's Financial Stability Board to assess the implementation and impact of the regulatory standards on emerging markets and developing countries.

South Africa's participation in the G-20 has clearly helped sustain the country's international profile as a global actor and a voice to be reckoned with in the developing world. Much of South Africa's positions in the G-20 revolve around multilateral co-ordination and pursuing an African agenda. In the context of the G-20, however, it is apparent that South Africa has not developed a clear sense of its own interests linked to its domestic development framework, which is, in any case, not well defined. So, in the absence of this, the value of South Africa's participation and effectiveness in the G-20 for its own benefit will always be questioned.

SOUTH AFRICA'S TURN IN BRICS

The realignment of economic power and shifting geopolitics have become key themes emanating from South African foreign-policy engagements and pronouncements. These serve as the basis from which the country justifies moving its attention increasingly away from the traditional powers in the global North towards its neighbours of the South. Over the past two decades, China's economic rise has seen a strong 'look East' policy take hold in Africa.

South Africa played host to the BRICS summit in March 2013 in Durban. That opportunity was welcomed enthusiastically by government officials and the business community. It showed that the South Africa is a key player in global affairs and a country that has a growing influence in the global economy. South Africa uses its position in BRICS to strengthen relations with like-minded countries and to create opportunities to expand trade and investment.

South Africa also sees the BRICS grouping as an extension of South–South solidarity. (This is despite the fact that Russia does not identify itself as

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part of the South, nor does it regard itself as an emerging power.) Crucially, though, the BRICS countries are the most vocal when it comes to reform of the international financial institutions, and in particular recalibrating quota shares and representation in the IMF.

There are a number of other areas, however, where the BRICS countries are not aligned. Examples are service trade liberalisation, the issue of plurilateral agreements in the WTO and the nature of reform of the UN. Before BRICS, the grouping was made up of just India, Brazil and South Africa (IBSA), which has now languished under the weight of the BRICS forum. The IBSA forum had more credibility, though, when promoting issues of equity, fairness and reform of the UN Security Council.

On the whole, the BRICS mechanism has the potential to open new avenues of diplomatic relations for South Africa in ways that sustain the country's pre-eminence as a recognised global actor among middle-income countries. At a practical level, the infrastructure-driven initiative of the BRICS New Development Bank could help South Africa redefine its relations with its African neighbours on the basis of a more coherent development agenda that promotes infrastructure, regional integration and structural transformation of Africa's economies.

Despite being the new player in BRICS, having acceded only in 2011, South Africa has played a positive role in pushing for the realisation of the BRICS New Development Bank. The impetus for the bank was brought to bear when South Africa hosted the 2013 BRICS summit, after the idea was first planted in the New Delhi summit in 2012.

South Africa's main motivation for supporting the establishment of the New Development Bank is to leverage more resources for Africa's infrastructure development. In a way, that might redefine relations between South Africa and the rest of the continent because it could deliver substantial development programmes, as opposed to narrowly focusing on development aid.

CONCLUSION AND (TENTATIVE) RECOMMENDATIONS

South Africa sees global economic relations not just from the standpoint of normative considerations, as was the case during its early participation in global processes. Ideology, and in particular anti-Western rhetoric and the country's commercial prerogatives now play a significant role in its choice of groupings and bilateral relations. Although South Africa still maintains political and economic relations with the West, these are no longer as cosy as they were in the days of the 2005 Gleneagles G-8 summit, which focused on Africa, or when South Africa had just passed its major test in managing a difficult political transition in the early 1990s.

South Africa's foreign economic interests need to be defined more sharply and they need to be in alignment with its domestic economic agenda. This

would require a great deal of institutional co-ordination across the relevant ministries dealing with economic and foreign-policy issues. As well as improving co-ordination, the other important step is to develop a culture of working closely with business to create a more solid platform for articulating the country's economic diplomacy abroad.

Although there have been some positive developments in South Africa's foreign-policy choices, such as championing the establishment of the BRICS New Development Bank, and defining its engagement at the WTO through its industrial-policy framework, there remain ambiguities about the precise development contributions of the country's diplomatic engagements. This is because of weak linkages between foreign-policy and domestic economic strategies.

ENDNOTES

- 1 Department of Foreign Affairs, Foreign Policy for South Africa, Discussion Document, 1 June 1996, <http://www.gov.za/documents/foreign-policy-south-africa-discussion-document-0>; Mandela N, 'New pillars for a new world', *Foreign Affairs*, 72, 5, November/December 1993, pp. 86–97.
- 2 South Africa, The Presidency, 'South African perspective on the G20 London summit: Discussion document', April 2009, <http://www.thepresidency.gov.za/docs/misc/sapaper.pdf>.
- 3 This is a set of principles and guidelines adopted by the G-20 leaders at the Seoul Summit in 2010 and is intended to anchor the G-20's development agenda.

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