

# THE IMPACT OF SOUTH AFRICA'S ECONOMIC DIPLOMACY ON AFRICA'S DEVELOPMENT

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## **DECLARATION**

I, Lindokuhle H Mlaba, declare that the research titled 'The Impact of South Africa's Economic Diplomacy on Africa's Development' is my own work and that all the sources that I have used or quoted have been indicated and acknowledged by means of complete reference.

## **ABSTRACT**

South Africa has become a significant role player in the international relations since being readmitted into the world community after the first democratic election in 1994. The primary focus of country's international relations is the African continent. South Africa has played a pivotal role in bringing peace across the continent. There has also been an increase in South Africa's engagement with the continent on economic and trade issues.

South Africa's economic diplomacy has been scrutinised from different angles. There has been perceptions of a South Africa with imperialists or hegemonic tendencies resembling those of the West. There are also those who view South Africa's economic role in the continent in the positive light as a contributor to economic growth and development. The South African governments have always preached the notion of the "African agenda" and the interest in fair trade and engagement with the continent.

This study assesses different debates regarding South Africa's economic diplomacy in Africa and explores if this is benefiting the continent's development. The study also considers if such economic diplomacy has positive spin off for the South African economy. Since economic diplomacy is operated at government level the study also considers how economic diplomacy is coordinated in South Africa. There are a number of recommendations presented for the improvement of economic diplomacy in South Africa.

## ABBREVIATION

AfDB	African Development Bank
ANC	African National Congress
APRM	African Peer Review Mechanism
ARF	African Renaissance Fund
AU	African Union
BNCs	Binational Commissions
BRICS	Brazil, Russia, India, China and South Africa
COMESA	Common Market for Eastern and Southern Africa
COO	Chief Operations Officer
DAFF	Department of Agriculture Forestry and Fisheries
DBSA	Development Bank of Southern Africa
DIRCO	Department of International Relations and Cooperation
DRC	Democratic Republic of Congo
DTI	Department of Trade and Industry
DYS	Distribución y Servicio
EAC	East African Community
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GNU	Government of National Unity
IBRD	International Bank for Reconstruction and Development
IDC	Industrial Development Corporation
IEC	Independent Electoral Commission
IMF	International Monetary Fund
ICTS	International Cooperation, Trade and Security

ITED	International Trade and Economic Development
MNC	Multinational Cooperation
NEDLAC	National Economic Development and Labour Council
NEDP	National Exporter Development Programme
NEPAD	New Partnership for Africa's Development
NPCA	NEPAD Planning and Coordinating Agency
OAU	Organisation of African Unity
OECD	Organization for Economic Cooperation and Development
PICI	Presidential Infrastructure Championing Initiative
RTAs	Regional Trading Agreements
SA	South Africa
SACU	Southern African Customs Union
SADC	Southern African Development Community
SARS	South Africa Revenue Service
SDI	Spatial Development Initiative
SOEs	State Owned Enterprises
TISA	Trade and Investment South Africa
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
USA	United States of America
WB	World Bank
WTO	World Trade Organisation
ZAR	South African Rand

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## CHAPTER ONE

### GENERAL INTRODUCTION

#### 1.1 Introduction

The post-apartheid government of South Africa has realised that South Africa's stability and prosperity were linked to economic and political development on the African continent as a whole. "Africa has become a foreign policy priority for South Africa and the country's role in Africa was redefined upon its accession to membership of the Organisation of African Unity (OAU) on 23 May 1994, and to the Southern African Development Community (SADC) on 29 August 1994" (Carlsnaes and Muller, 1997: 81). Scholars like Vickers and Ajulu (2008: 5) suggest that "the South-South inter-African political diplomacy has led to a tangible economic impact, including investment inflows with some major deals and outward investment from South Africa".

Bayne and Woolcock (2003: 258) emphasize that "it is important for developing countries to have a strong vision of the future supported by a set of clear objectives defined in the light of global developments and a sense of the threat and opportunities created by technological and market developments". South Africa's political economy in the post-apartheid era has shown rapid growth in the country's role in the African continent. According to Games (2003), "over the past decade, South Africa has become a significant foreign investor in Africa, challenging the pre-eminence of the historically dominant corporations from the United States and Europe". South Africa's re-admission into the international community in 1994 reinstated South Africa's trade rights in the global trade system allowing its investment capital into the African market. "Taking advantage of its relative competitive advantages with abundant investible capital, marketing and technological know-how, advanced public infrastructure, and human resources, South African companies used the resultant global push for economic liberalisation and deregulation to exploit business opportunities in Africa" (Daniel, Naidoo and Naidu, 2003: 368–90). In addition, "the northward expansion of South African firms has been actively encouraged by several African leaders who see the country as the continent's last best economic hope" (Ahwireng-Obengand McGowan, 2001: 74). Furthermore, below is Nelson Mandela's vision of regional solidarity and interdependency:

“South Africa has put the achievement of sustained and export-oriented economic growth at the top of its agenda. In a globalised and competitive world that is essential if we are to produce the resources and create the jobs for reconstruction and development. But in such a world we also cannot succeed on our own. Whatever happens in any one part of our region, in particular, affects us all. As neighbours we depend one upon the other even as our peoples did in their struggles for liberation” (Mandela, 1998).

According to Botha (2000), South Africa’s approach to the rest of the continent was based on the following considerations:

- South Africa is part of the African continent, and that its economic development is linked to what happens on the continent as a whole;
- South Africa has an important role to play in the economic and political revival of the continent;
- The economic development of the African continent as a whole will be a significant step in overcoming the North-South divide.

Economic diplomacy is the process by which countries maximize their national gains through trade, investment and other forms of economically beneficial exchanges, where they enjoy comparative advantage. “Economic diplomacy can be approached from bilateral, regional and multilateral dimensions, each of which is important” (Rana, 2004). South Africa engages her counterparts in Africa through all these platforms.

“Some developing countries have mastered their interaction with the external world to the point where they actively pursue international economic opportunities, be it trade investment, technology-driven business partnership, tourism, off-shore banking and a whole range of services” (Rana, 2006). The strength of South Africa’s economic diplomacy is characterised by the ‘modern physical infrastructure, strong public financial management system, strong technological capability, good corporate governance, a robust legal system and a strong framework for the protection of human rights’ that the country possess and practice. On the other

side are countries in the continent that South Africa engages with who possess enormous natural resources but are torn by internal conflict, poor governance and are depended on aid.

## **1.2 Statement of the problem**

Post-apartheid South Africa has employed a number of strategies in a bid to boost its economic diplomacy on the African continent. Engagements take place through the increased number of embassies/high commissions, state and official visits, bi-national commissions, senior officials meeting and other exchanges. Since 1994, South Africa has opened a number of high commissions and embassies in Africa. The assignment of diplomats with specific skills could be a demonstration of the importance of the particular countries for South Africa's economic diplomacy. South Africa also engaged in the reconstruction of countries emerging from war such as the Democratic Republic of Congo (DRC).

Despite the extensive economic diplomacy in Africa, the "return on investment" for South Africa has not been impressive over the years. This study will assess whether the high investment made by South Africa in the conduct of economic diplomacy in Africa is benefiting the South African economy.

## **1.3 Aims and objectives of the study**

- Highlight policies adopted by the post-apartheid government of South Africa to promote the country's economic diplomacy.
- Explore the instruments utilised by the South African government to promote South Africa's economic diplomacy in Africa.
- Highlight the benefits and shortfalls of South Africa's economic diplomacy in Africa.
- Explore the perceptions of South African and the continent created by South Africa's application of economic diplomacy in Africa.
- Give recommendations for South Africa's conduct of economic diplomacy in Africa going forward.

## 1.4 Justification of the study

Economic diplomacy has increasingly been recognized as a relevant topic in empirical research in international economics, international political economy and international relations literature. “Economic diplomacy is an interdisciplinary subject to the fields of international economics, international political economy and the international relations literature and is receiving increasing attention” (Okano-Heijmans, 2011). Besides the increased attention in academics, economic diplomacy is also gaining ground in policymaking. Therefore, the attention in foreign economic policy is shifting toward economic diplomats and economic diplomacy, increasing the importance of knowledge about the size effects and significance of economic diplomacy. “Economic diplomacy aims to influence decisions on cross-border economic activities pursued by governments and non-state actors” (Bayne and Woolcock, 2007).

Economic relations can be able to cement political relations around the world. It has been realised that stronger economic relations can impact political relations positively. Governments have an obligation to their nations and constituencies to improve living standards and will therefore protect beneficiary economic relations. Economic diplomacy may serve as a toolbox to tackle specific manner of market failures which hinder international transactions. “Information and/or transparency problems increase the cost for exporting, importing and investing abroad, they hamper (the building of) trust necessary for international economic transactions” (Moons and Bergeijk, 2013). Many political leaders on the African continent have realised that bread and butter issues are the principle objective for growth and prosperity of their people. Now the term economic diplomacy is becoming a buzzword in Africa. In the process, many have looked into the north for resolve of economic issues. “South Africa has emphasised the importance of intra-Africa trade and is leading the campaign for cross regional infrastructure to enhance trade” (Vickers and Ajulu, 2008).

The post-apartheid governments of South Africa has have worked hard to improve the country’s regional relations. The apartheid government had distanced itself from the region and was working to weaken its neighbours. In 1994 after the swearing in of the Government of National Unity (GNU), South Africa began to explore how to refurbish its international relations.

According to Muller (2000: 14), “South Africa could join hands with ‘like-minded’ countries in multilateral fora for purpose of shaping the global environment to make it a friendlier place for developing economies”. Vickers and Ajulu (2008) highlights that while “South Africa is doing much by way of bilateral relations to improve its own economic position, it has also been expanding much effort in what it can for others in its position and to bring about changes in the environment to make it more conducive to successful export promotion efforts by developing countries”.

The study aims to add on the work done by writers such as Muller (2000) who have written a number of journal articles and books about South Africa’s economic diplomacy. The study aims to demonstrate that power in the form of resources such as production structures, finance, service sector and skills can be used to achieve successes in economic diplomacy. However, if these are not employed correctly, there may not be positive spin-offs regardless of the resources. Most writers have not demonstrated this as an important element in economic diplomacy.

### **1.5 Methodology**

The purpose of this study is to explore the extent to which South Africa engages in economic diplomacy on the African continent. The research focuses on South Africa as a case study so as to allow for an in-depth analysis. The study is based on empirical observation derived from semi-structured interviews and review of the literature. 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, Gilland, Grant and Layton-Henry, 2004: 55). This is an exploratory qualitative study aimed at exploring the information and perspectives of experts on issues of economic diplomacy. Qualitative research aims to explore and to discover issues about the problem on hand, because very little is known about the problem. “In qualitative research, different knowledge claims, enquiry strategies, and data collection methods and analysis are employed” (Creswell, 2003).

## **1.6 Structure and format of the study**

**Chapter one:** presents the general introduction into the study and the issue of economic diplomacy as practiced by South Africa. The chapter also looks at the statement of the problem, which is a motivation for the study. The aims and objectives of the study are also documented in this chapter and they are followed by the justification for the study. The chapter further briefly highlight the methodology to be used as well as data collection analysis and ethical considerations; these are elaborated in more detail in chapter three.

**Chapter two:** considers the theories relevant to the study; an analytical framework and contextual background derived from the literature consulted during the study. The theories to be considered in this chapter are: realism, dependency, classical, neo-classical economic theories and the summary of the theories considered. The analytical framework will expand on the concept of economic diplomacy and clarify concepts relevant to this study such as: diplomacy, foreign policy, foreign direct investment, transnational cooperations and hegemony. The contextual background will consider: South Africa's investment into Africa; South Africa as a development partner; infrastructure development and peace keeping.

**Chapter three:** focuses on the evolution of the South African foreign policy since 1994 with a particular focus on economic diplomacy. The chapter will consider the making of the South African foreign policy, focusing on the dynamics that shaped it. It will also focus on the actors in the implementation of the foreign policy in South Africa and the implications for that.

**Chapter four:** discusses in details the research design and methodology, sample, data collection and analysis, validity and reliability as well as ethical consideration.

**Chapter five:** presents research findings collected through semi-structured interviews with diplomats, government officials and academics and extensive literature analysis. The chapter will be divided into ten sections derived from the guiding questions utilised during the semi-structured interviews.

**Chapter six:** is an analysis of the data presented in chapter five using the grounded theory approach. When appropriate, the researcher will refer to chapters two and four, Literature Review and South Africa's foreign policy, respectively in order to either confirm or contradict the data collected through the interviews or bring in new arguments and views. This chapter will present key findings derived from the data.

**Chapter seven:** reflects on the study and the process of data collection and analysis, present the summary of the research findings, and discuss the limitations and significance of the study.

## **1.7 Summary**

This chapter has introduced the study, presented the aims and objectives, and the researcher's motivation and interest for this topic. The researcher briefly discussed research design and methodology.

The next chapter will review the theories relevant to the study; an analytical framework and contextual background derived from the literature to be consulted during the study. This chapter will consider the theories: realism, dependency, classical, neo-classical economic. There will also be further elaboration on the analytical framework by defining these relevant concepts: diplomacy, foreign policy, foreign direct investment, transnational cooperation and hegemony. The contextual background will consider South Africa's investment into Africa; South Africa as a development partner; infrastructure development and peace keeping.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Theoretical Framework**

##### **2.1.1 Realism theory**

Political realism has been a dominant paradigm in the study of international politics. “The three core assumptions that form the basis of the theories of realist tradition namely statism, survival, self-help are applicable in most of the situation in international politics” (Dunne and Schmidt, 2001: 150-155). States have been the main actors in international politics, however the influence from non-states actors is growing. There has been growing criticism directed at this school of thought and amongst those is said to be the neglect of values. “For Morgenthau, international politics is identical, in its essence, with domestic politics, and is characterised by the struggle for power” (Cozette, 2004: 428-453). It now appears that some African countries prefer to avoid South Africa’s economic dominance and have opted to create close relations with countries out of the continent. The realism theory considers the behavior of states in an international environment where power matters most. Chinese companies have dominated huge tenders in countries like the DRC and Angola instead of South African companies and this can find meaning in realism. “Realist’s theory providing explanations on why conflicts and wars occur in the international realm remains as one of the most powerful up till today” (Waltz, 1979).

However, Cozette (2004) feels that realists seem to be neglecting political regimes, undermining the fact that the type of regime statesmen deal with might not even matter. He also says that a democratic state can engage with an authoritarian state in a bid to fulfil their respective national interest. Furthermore, “in a given country, democratic or non-democratic governments have to face exactly the same constraints, structurally imposed by the international system and by the limited resources at their disposal” (Cozette, 2004: 428-453).

According to Bayne and Woolcock (2003:24), “the realist school of thought will tend to argue that national policy is determined by relative power relationship”. Realists view economic issues as constraints on the pursuit of known national interest. The question of the distribution of



economic gains from international agreements will always arise. The distribution of economic gains has an impact in shaping political power, and it when realism becomes more relevant to economic diplomacy.

Realist approaches are helpful to remind us that negotiations will be shaped by relative power. Bayne and Woolcock (2003: 25), therefore, maintain that “power is clearly a factor that cannot be neglected, but it is notoriously difficult property to define and measure”. It then leads to the use of power to explain outcomes in a situation where only relative power can be defined once the outcome is known, hence a danger of tautology. Odell (2000: 68) argues that “the outcomes of negotiations between the United States of America (USA) and Japan over exchange rate policy in the 1970s and 1980s differed, not because of differences in relative power, but because of the different negotiating strategies adopted by the parties”. South Africa is assumed to have achieved a lot with regards to negotiations. South Africa’s involvement and successes in conflict resolutions could be assumed by realists as her strength in negotiations as compared to the DRC, Nigeria and Kenya.

### **2.1.2 Dependency theory**

Africa is a continent defined as the poorest in the world and with high levels of poverty. The dependency theory can be utilised as a possible theory of explaining the persistent poverty faced by African countries. However, “a new body of thought, called the world systems approach, argued that the poverty was a direct consequence of the evolution of the international political economy into a fairly rigid division of labour which favoured the rich and penalized the poor” (Ferraro, 2008). This is supported by Bayne and Woolcock (2003: 26), who say that “there are other systematic theories which seek to explain economic events, namely the World Systems Theory and Dependency Theory, which seeks to explain economic events and decision making with reference to the relative power in international economy”. While the Marxist theory of imperialism explains dominant state expansion, the dependency theory is accredited for explaining underdevelopment. Hence, many dependency theorists argue that for states to become developed, they need to ensure that they make and adopt right decisions and proper policies. “It does not just happen to a country, just as a consequence of the spread of capitalism” (Cardoso, 1979).

However, dependency theorists have been criticized for not taking into account problems that might face these institutions such as concentration of wealth, corruption levels, unproductive land holdings as well as unresponsive political systems as which may be causes of underdevelopment. Majority of them advocate social revolution as an effective means to reduce economic disparities.

### **2.1.3 Classical theory**

States often focus their attention on allocating resources and energy to where their investments can have returns. “The classical theory of direct investment suggests that the motive for direct investment is profit maximisation” (Czinkota, Revoli and Roinkanen, 1992: 26). It assumed that the factors of production are mobile and are allocated to where there will be a highest rate of return. Foreign Direct Investment (FDI) is allocated based on comparative advantage, and to a business-friendly environment and stable macroeconomic policies, which attract different kinds of capital inflows.

### **2.1.4 Neo-classical economic theory**

It must be mentioned that neo-classical economists traditionally hold a skeptic view to economic diplomacy and the instruments used, especially where it concerns export subsidies and export promotion agencies. The neoclassical economic theory suggests that companies will engage in international expansion on their own. Neo-classical economists hold that companies that require governments to enter new markets, their products are apparently not good enough and is said to be a disruptive income transfer. There is some support for this view Seringhaus and Botschen (1991) show that “the use of export promotion is very limited and do not address the needs of exporters”. Gencturk and Kotabe (2001) find that “the use of export subsidies makes businesses more profitable, but at the same time has no effect on their turn-over”. They further state that export subsidies are above all an income transfer from the public sector to commercial activities.

### **2.1.5 Summary of theoretical framework**

If the above theories are to hold, South Africa could be assumed to be the one dictating the rules of the game in Africa. Many scholars have been trying to define and explain if South Africa can be said to be a hegemon in Africa. Some have argued that South Africa has “imperialist tendencies in her dealings with the continent” (Taylor, 2011; Adebajo, 2009; Alden and le Pere, 2009). However, one can assume that South African politicians and officials will dispute this pointing as they usually pronounce that South African foreign policy is based and committed to multilateralism and equality.

It is clear that in the conduct of this study the realist and dependency theories can both be applicable to explain the intentions and power that South Africa possesses in the conduct of economic diplomacy in Africa. Realists could argue that power is the motivation for a state to be involved in economic diplomacy. Hence, South Africa realizes her advantage and has made economic diplomacy as one of the priorities. Dependency theorists will highlight that less powerful states will have no option but to allow economically well off states to assist them in economic development as well as reconstruction and development as with the case with some of African states. The weaker states know and understand the implication of such help being offered. States do not have capacity to play a role in every situation and will therefore utilise relevant intergovernmental organizations and non-state actors as role players. “They appear in the familiar guises of non-governmental organizations, corporations, and intergovernmental organizations and they promise levels of efficiency and responsiveness that transcend the constraints of the state” (Langhorne, 2005).

### **2.2 Analytical framework**

The main activities of economic diplomacy have been seen as the promotion of trade and investments. Economic diplomacy seems to be growing and provide the international community with various tools. “Economic diplomacy is an interdisciplinary subject to the fields of international economics, international political economy and the international relations literature and is receiving increasing attention” (Okano-Heijmans, 2011). Given that economic diplomacy a new buzzword and is focused on by scholars from different disciplines, there is a need for

further studies. “Economic diplomacy aims to influence decisions on cross-border economic activities pursued by governments and non-state actors” (Bayne and Woolcock, 2007). “Some developing countries have mastered their interactions with the external world to the point where they actively pursue international economic opportunities, be it in trade, investments, technology-driven business partnerships, tourism, off-shore banking and a whole range of services” (Rana, 2006). As it will be shown later, the South African government has identified economic diplomacy as a priority.

Although the concept economic diplomacy is open to different interpretations, Vickers and Ajulu (2008:5) define it as “policies and activities that promote trade, FDI, tourism, and technology transfers and positively position the country in the world through imaging, branding, marketing and public diplomacy (domestic and international)”. The pursuit of political and economic diplomacy must support economic growth and development due to the dynamic linkages the two. “Effective economic diplomacy requires simultaneously understanding the domestic political economy environment and associated constraints on government negotiators, and the external negotiating environment with its own set of political economy constraints” (Hengari, 2014). According to Bayne and Woolcock (2003: 251), “economic diplomacy in developing countries is at a relatively undeveloped stage”.

Qobo (2010) writes that “economic diplomacy is a component of foreign policy; it cannot be understood apart from the country’s broader pursuit of foreign policy objectives and the pursuit of its domestic economic interests abroad”. This implies that economic interest plays a critical role in defining foreign policy priorities. He further asserts that “understanding foreign policy as simply a diplomatic tool to enhance political friendship as an end in itself or as simply about making the world a better place no longer has resonance in the current global political economy”. Furthermore, he states that “there is not so much of a wall between politics and economic interests or between the pursuit of interests and commitment to particular norms”.

According to Bergeijk and Moons (2008), “the new economic diplomacy is a set of activities (both regarding methods and processes for international decision making) related to cross border economic activities (export, import, investment, lending, aid, migration) pursued by state and non-state actors in the real world”. Rana (2006) points out that “economic engagement abroad

involves more than the ministries of foreign affairs, commerce and industry; it is the business units of the country, associations of industry and chambers of commerce, the financial sector, business schools and think tanks, the tourism industry and a host of domestic actors that are both the stakeholders and the prime movers”. Economic diplomacy is conducted through multilateral forums, bilateral forums such as state and official visits as well as Binational Commissions (BNCs). Economic diplomats are also tasked to monitor and report on economic policies in countries where they are deployed. This is utilised by governments to influence other countries’ economic policy. States utilise economic resources, either as rewards or sanctions, in order to fulfil their foreign policy.

Rashid (2005) states that economic diplomacy may operate in three levels: bilateral, regional and multilateral, he differentiates between these as follows:

- Bilateral economic diplomacy forms a major part of economic relations, whether this consist of informal dealings between two countries on a range of issues or formal bilateral agreements on trade or investment or avoidance of double taxation;
- Regional dimension in economic diplomacy is of growing importance. Regional economic agreements offer a more rapid way of opening markets. Liberalisation of economy may be easier to accept for national interests when it occurs within a regional grouping of countries;
- Multilateral economic diplomacy ordinarily takes place within the framework of the World Trade Organisation (WTO), the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD) (hereafter the World Bank).

The concept of economic diplomacy has become a buzzword in the international relations environment. The South African government through speeches and policy documents has stressed the need to focus on economic diplomacy. In the centre of South Africa’s foreign policy

is the African continent. The continent is seen as the possible and logic environment on which to increase economic diplomacy due to proximity. South Africa is said to have the second biggest economy on the continent, having been recently overtaken by Nigeria from the first spot. Has South Africa used these advantages to benefit from trade and investment with the continent? It is important to assess South Africa's economic diplomacy in Africa.

## **2.3 Conceptual clarification**

A number of concepts are utilised in talking or writing about economic diplomacy. This section will define some of the concepts that are common in the field of economic diplomacy. Bennett and Hacker (2003) broadly define conceptual analysis as follows:

“Conceptual analysis is analysis of concepts, terms, variables, constructs, definitions, assertions, hypotheses, and theories. It involves examining these for clarity and coherence, critically scrutinising their logical relations, and identifying assumptions and implications. Sometimes called theoretical research, and closely related to critical thinking, conceptual analysis is not merely a matter of language or language use; it is also a matter of the content of our linguistic expressions, that is, what we claim to be thinking and talking about”.

### **2.3.1 Diplomacy**

The concept of diplomacy has been defined in many different ways but central to all the definitions is the fact that it has to do with ‘state relations’. States uses instruments such as negotiations, dialogue and other means to achieve their objectives in relation to other states or institutions. “Traditional role of diplomacy is an instrument of power politics and that diplomacy in its decision-making and implantation evolved within a power framework, on the basis that relations between states were perceived as power dominated” (Burton, 1968: 203). According to Mkhabela (2013), “diplomacy is an instrument of foreign policy and can be defined as an act of managing relations between a state and other states or actors. It can also be an act of negotiation or seeking a consensus on a particular subject by the actors concerned”. He further states that:

“Instruments of diplomacy are usually agreements signed between states or institutions concerned, which typically should comply with international law. These agreements entail cooperation and other issues of mutual interests diplomacy is traditionally not a realist’s preference or activity as they prefer war as a conflict resolution mechanism and the struggle for power as the main objective of actors’ actions. Power is therefore a key term for the realists”.

For Du Plessis (2006: 125), “diplomacy is predominantly associated with idealism as a traditional approach to the study of international relations and is also regarded as the most direct, traditional, conventional and peaceful instrument of foreign policy where relations are managed through negotiations and goodwill which is in line with morality”. The practice of diplomacy is through the exchange of visits in the form of state and official visits. When a Head of State visits his or her counterpart in another country, it is referred to as a state visit. A visit by the Head of Government to his or her counterpart in another country is referred to as an official visit. In certain countries, including South Africa, the President is both the Head of State and Government. Mushelenga (2008) clarifies that “in some countries, the position of Head of State is held by the President (King or Queen in case of a monarchy) while the position of Head of Government is held by the Prime Minister”. He further clarifies that “for South Africa, the President is both the Head of State and Government, there is a ‘thin line’ in distinguishing the visits and the Government uses its discretion in determining the nature of the visit, looking at the nature of bilateral issues that will be addressed and the position of a high-level visiting dignitary”.

For the purpose of this study, Mkhabela’s (2013) definition of diplomacy will be utilised which states that “diplomacy is a tool used to further strengthen existing cordial relations or to resolve a crisis and disputes between two states or actors”. He further outlines that “unlike foreign policy, diplomacy is not only a state-centric term, but diplomacy can be exercised by officials from one state to another state or institution, and vice-versa or between two institutions that are not states”.

### **2.3.2 Economic Diplomacy**

Economic diplomacy is concerned with how states utilize their relations in order to achieve their economic aspirations. The world has become more interconnected and the advent of globalization has meant that states are more dependent on each other with regards to economic development. Political relations seem not to have any value anymore if they do not lead to economic benefits for states.

Economic diplomacy is considered to be broader in scope than what was considered commercial relations in the past. Economic diplomacy is not necessarily the task of governments; it requires an active role from the private sector. Further, Woolcock and Bayne (2003: 4) highlight that “within governments, economic diplomacy is less and less the preserve of closed circles of officials, not only ministers and heads of government but also parliament, independent agencies and sub-national bodies are all making their influence felt”. A wide range of non-state actors engage in economic diplomacy, both by shaping government policies and as independent players in their own right.

Diplomacy has changing and new groupings and organisations have emerged in the past years at local, national and international levels to pursue convergent and divergent interests. Langhorne (1998: 158) commented that “private organizations are developing their own diplomacy both between themselves and between actors in the state system; and the way they have been doing it is remarkable reminiscent of the early days of state self-presentation”.

In this study, once again, Mkhabela’s (2013) above mentioned definition will be borrowed: “Economic diplomacy is generally defined as the process of international economic decision-making”. He further states that “it focuses on how states conduct their external economic relations, how they make decisions domestically, how they negotiate internationally and how these processes interact”.

### **2.3.3 Foreign policy**

Foreign policy, in Morgenthau’s (1951: 242) formulation, is about the “national interest defined in terms of power; therefore, its proper or ‘normal’ conduct requires the virtual exclusion of



variables such as ideological values or moral principles”. Evans (1991: 7) expands on this by stating that, “‘normal’ states conduct their policies with due regard to 17 geo-political realities and maximize their gain potential by eschewing potentially divisive and, therefore, weakening, internal ideological considerations”. For Evans, “the making of foreign policy is founded on egocentricity: given the character of the contemporary international system, of sovereign states and the conventions upon which they rest, foreign policy can only make sense in so far as it is calculated to advance, or at least to defend, the interests of the state concerned”.

In a globalizing world, foreign policy is no longer the exclusive prerogative of states and governments. “Foreign policy is both a reaction (response) to the environment and an action (initiative) directed at the environment” (Mandela, 2010). This is in line with Mkhabela (2013) when he states that “the foreign policy of states can be conditioned by both their internal properties such as the dominant domestic societal actors and the structural properties of the international system”. States need to be aware that their history, location, economic strength, natural resources and military power can promote or paralyze the efforts of a country in its external engagements.

In this sense, foreign policy is the “output of the state into the global system” (Russet and Starr, 1992: 179). “Foreign policy implies a conscious image of what is or ought to be the country's place in the world, or some general guiding principles or attitudes determining or influencing decisions on specific issues” (Wallace, 1971: 11). Moreover, there are those who regard it as a ‘boundary’ activity (Evans and Newnham, 1990: 123). “Policy makers and the policy system itself stand at the juncture between the two and must therefore seek to mediate between them” (Evans and Newnham, 1990: 123).

### **2.3.4 Multinational Cooperation (MNC) and Foreign Direct Investment (FDI)**

As the concept of globalisation has become a buzzword since the 1980s, so have the elements that define it and amongst others being MNC also known as multinational enterprises. There have been many definitions of MNCs but Fieldhouse (2000: 167) defines them as “firms that own or control income generating assets in more than one country”. An MNC can therefore be said to be a company or firm that has or is engaged in foreign direct investments (FDI) in more

than one country. “When a company builds a factory, marketing office, or exporting warehouse, acquires control of distribution agency, or buys out the competitor’s share of the market, it is engaging in FDI” (Rugman, 2005: 264). It has become a focus of almost all states to attract FDI into their economies as this is seen to contribute to economic growth. Governments around the world are focused on achieving growth to reduce unemployment, improve the standard of living through public policies that ensure economic efficiency and attraction of FDI.

According to UNCTAD (World Investment Report 2013), FDI inflows to Africa rose by 4 per cent to \$57 billion from 2013 to 2014. “Southern African countries, especially South Africa, experienced high inflows, at the same time, the world’s leading retailers have expanded into emerging markets more and more through cross-border M and As”. Further, the UNCTAD report shows that, “in 2009, Wal-Mart (USA) acquired a 58 per cent stake in DYS, Chile’s largest food retailer, with an investment of \$1.5 billion; and in 2012, it acquired South Africa’s Massmart for \$2.4 billion”. As much as South Africa has received FDI inflows, hence the presence of MNCs in SA, South African companies have also expanded to other countries. “The rapid technological changes in production have improved the efficiency of South African MNCs, necessitating the need to distribute surplus products more widely and quickly to neighbouring SADC countries” (Vilakazi, 2009).

UNCTAD states that “South African outward FDI almost doubled, to \$5.6 billion, powered by investments in telecommunications, mining and retail”. The report further states that “in addition to well-known South African investors (such as Bidvest, Anglo Gold Ashanti, MTN, Shoprite, Pick’n’Pay, Aspen Pharmacare and Naspers), some other countries’ conglomerates are upgrading their cross-border operations first in neighbouring countries and then across the whole continent” (UNCTAD, 2013). According to Spero and Hart (2003: 132), “many empirical studies have demonstrated that a positive relationship exist between increases in foreign direct investment (FDI) flows and economic growth rate”. This can be a leading factor in ensuring sustainable development and promoting economic growth, achieves and maintains macroeconomic stability in the continent, as well reducing poverty and ensuring social development.

### **2.3.5 Hegemony**

Some scholars have characterized post-apartheid South Africa's role and activities in the continent as similar to those of the West, arguing that they are hegemonic. "A world power structure dominated by a single country, according to Robert Keohane and other neo-realists, is most conducive to the development of strong international regimes whose rules are relatively precise and well obeyed" (Alden and le Pere, 2003). This amongst other things is alluded to South Africa's intervention in Lesotho which was seen by many as the assertion of hegemonic power by South Africa. There are difference of opinion on this as others do believe that South Africa's intervention brought about peace and democratic elections in Lesotho.

However, South Africa is also said to have avoided its act of hegemonic power further and this is accredited to South Africa's response to the Zimbabwe crisis known as 'quiet diplomacy'. "Instead of developing a more aggressive intervention (and that need not involve military engagement), the Mbeki strategy involved a mix of multilateral and bilateral initiatives governed by the imperatives of quiet diplomacy" (Habib, 2003). The interventions in the DRC and Burundi might have also called for aggressive intervention but South Africa resolved the conflicts through peaceful means and negotiations.

## **2.4 Contextual Background**

### **2.4.1 South Africa's expanding investment into Africa**

The development of financial sector is important in the process of any states' economic development. Investment in other countries has been seen as a critical element in boosting economic development as this earns foreign currency. Writers such as Harrod (1939), Domar (1946), Solow (1956), Schumpeter (1911), McKinnon (1973) and Shaw (1973) have all reiterated that it is important for a country to have a sound financial sector for economic development. According to Rajan and Zingales (2003: 9), financial development can be defined as "the ability of a financial sector to acquire information, enforce contracts, facilitate transactions and create incentives for the emergence of particular types of financial contracts, markets and intermediaries, all this at low cost".

Thomas (2006) summarises recent trends of South Africa's expanding direct investment in other African countries. The engagement is but one of several dimensions of South African businesses' expanding involvement in other African countries, which also includes exports, the transfer of technology, higher education, joint business ventures, and other types of partnerships. This foreign direct investment (FDI) process has far-reaching economic, political, and social implications, and it could play a significant role in "Africa's economic renaissance". Thomas also covers the process of South African FDI in Africa as a whole, concluding that an expanding and geographically as well as sectorally widening stream of corporate direct investment from SA, into other parts of Africa, has the potential to effectively address Africa's greatest development constraints (financial resources combined with managerial capacity) if, and only if, such investments are socially and developmentally responsible and sustainable.

Davies (1996) writes that the rest of Africa is becoming an important market for South African exports. Trade with other African countries had grown considerably since the lifting of economic sanctions in 1994. "South African manufacturing exports are relatively capital or technology intensive relative to other developing countries" (Tsikata, 1999). South African manufacturing exports are becoming increasingly capital and skill-intensive (Edwards and Schoer, 2001). "South African export growth during the 1990s is poor relative to other dynamic emerging economies and few exports are concentrated in 'dynamic' products" (Alves and Kaplan, 2004). The strength of South Africa's export to other parts of Africa is the manufacturing capabilities bolstered by South Africa. As argued in the UNCTAD (2002: 52) Trade and Development Report: "Success in entering lines of production with significant potential for global demand expansion, high value added and rapid productivity growth widens the scope for the exploitation of increasing returns from larger markets, and enhances the role of trade in economic growth."

#### **2.4.2 South Africa as a development partner**

The South African government has since 1994 been trying to portray South Africa as a partner to the African continent. South Africa has engaged in a number of efforts to create an environment of stability conducive for economic growth in the African continent. The South African government refers to South Africa as a 'development partner' in defining the country's role in providing development assistance in the continent. Braude, Thandrayan and Sidiropoulos (2008)

clarify that Pretoria had for decades provided external assistance in the hope of winning friends and buying votes, particularly at the UN Security Council. The successive post-apartheid South African governments have committed to “prioritizing Africa, strengthening regional integration in Southern Africa and supporting peace on the continent” (Alden and le Pere, 2010).

South Africa has utilised a number of institutions to deliver development aid in the African continent such as government departments and agencies, state-owned enterprises and other statutory bodies such as the Development Bank of Southern Africa (DBSA), the Industrial Development Corporation (IDC), the Independent Electoral Commission (IEC), the Human Sciences Research Council, the National Research Foundation and the Public Administration Leadership and Management Academy. The Southern African Customs Union (SACU) is also hailed as another arrangement that benefits Botswana, Lesotho, Namibia and Swaziland (BLNS) as the revenue sharing agreement disproportionately benefits the four countries. However, the African Renaissance Fund (ARF) has been the most structured South African development agency. According to Basharati (2013), “the fund was envisioned not as an instrument to provide aid but rather to establish partnerships, demonstrate solidarity and support the economic empowerment of Africa”. Basharati further states that “over the decade ARF projects included agricultural projects in Zimbabwe, cultural projects in Mali, humanitarian assistance in Somalia, water dams in Lesotho, and even providing support to the African Cup of Nations. It was even used to repay the debts of Comoros, Gabon, Lesotho, Mozambique, Malawi and the Central African Republic”.

### **2.4.3 Infrastructure development**

The Mbeki Presidency paid particular attention to the concept of “African renaissance”. This project was led by the president and his counterparts: former President of Nigeria, Obasanjo, the president of Algeria, Bouteflika, and former President of Senegal, Wade. In addition, they found the New Partnership for Africa’s Development (NEPAD) in 2011. NEPAD was to be an instrument for Africa to drive its own development through the utilisation of the continent’s abundant natural and mineral resources. According to Basharati (2013), “South Africa is still the biggest contributor to NEPAD, hosting the NEPAD Secretariat (now the NEPAD Planning and Coordinating Agency or NPCA) in Midrand, and providing office premises, equipment, tax

exemptions and staff secondments to the agency”. South Africa contributes “ZAR 35 million every year, two-thirds of which go to the NPCA and one-third to the African Peer Review Mechanism (APRM)”. According to the Development Bank of Southern Africa (BSA) “after Mbeki, South Africa continued to focus on Africa’s development and the DBSA, for example, as the main instrument for South Africa’s financing of infrastructure development in the region has reached almost ZAR 10 billion in net loans from its international division” (DBSA Annual Report 2011/12). “President Zuma and seven other heads of state co-ordinate the Presidential Infrastructure Championing Initiative (PICI) dedicated to complete nine priority infrastructure projects throughout Africa”, these include (Dube, 2013):

- Roads, bridges, border posts, fibre-optic networks, gas pipelines and water management systems
- Cecil Rhodes’ old vision of the Cape Town to Cairo highway
- Free-trade zone among SADC, COMESA and the EAC.

At the regional level, South Africa’s Department of Trade and Industry pioneered the Spatial Development Initiative (SDI) model in 1996, which can also be considered as one component of Pretoria’s external aid programming for the Southern African region. The SDI has expanded across the region due to the strong backing that it has received from the SADC, the AU and NEPAD (Vickers, 2014).

#### **2.4.4 Peacekeeping**

South Africa has helped and mediated in ending a number of conflicts on the African continent. It has also played a meaningful role in countries such as DRC, Burundi, and the Comoros, Swaziland, Liberia and Cote d’Ivoire. According to Vickers (2014), a significant portion of South Africa’s aid spending is directed to the country’s participation in UN and AU peacekeeping operations in the DRC, Burundi, the Central African Republic and Sudan’s Darfur region. South Africa has further assisted these countries with improving governance and strengthening institutional capacity, through technical assistance and personnel training. South Africa’s intervention and mediations in conflict situations is guided by the foreign policy and elaborated in the White Paper on South Africa’s Foreign Policy (DIRCO, 2012):

In the modern world of globalisation, a constant element is and has to be our common humanity. We therefore champion collaboration, cooperation and building partnerships over conflict. This recognition of our interconnectedness and interdependency, and the infusion of Ubuntu into the South African identity, shapes our foreign policy.

#### **2.4.5 Other sources**

According to the African Development Bank (AfDB) in the *Results Based Country Strategy Paper 2008-2012*, South Africa performs well in terms of good governance. Both the WB's *Governance Indicators* and Transparency International's Corruption Perception Index, ranks highly: 73 out of 205 and 54 out of 180 countries respectively in 2008. South Africa has the highest score in Sub-Saharan Africa in terms of governance effectiveness.

A number of scholars have also focused on post-apartheid South Africa's regional issues and pertains to trade and investment. These writers focus on assessments of South Africa's economic prospects: Leistner (1992) [Post-Apartheid South Africa's Economic Ties with Neighboring Countries:]; Keet (1994) [International Players and Programmes for and Against Economic Integration in Southern Africa] and Kuper (1997) [Trade Issues in South Africa's Foreign Policy in 1996]. Scholars have also focused on post-apartheid corporate expansion: Daniel et al (2003) [The South Africans have arrived: Post-apartheid corporate expansion into Africa] and a new focus on trade diplomacy by Draper (2005) [Reconfiguring the Compass: South Africa's African Trade Diplomacy].

There has been a greater focus and preoccupation with what type of role a post-apartheid South Africa should be playing. Scholars have made arguments on the role to be played by South Africa as a middle power. Some of those are: Solomon (1997) [South African Foreign Policy and Middle Power Leadership]; Solomon (1998) [Middle Power Leadership vs. Cooperative Leadership: Some Reflections on South Africa's Foreign Policy]; Le Pere (1998) [South Africa: An 'Emerging Power']; Van der Westhuizen (1998) [South Africa's Emergence as a Middle Power], and Schoeman (2000) [South Africa as an Emerging Middle Power]. Other authors are tied to the post-apartheid government's affinity for multilateral initiatives which is well captured

in Nel, Van der Westhuizen and Taylor (2000) [Multilateralism in South Africa's Foreign Policy: The Search for a Critical Rationale] and Lee et al (2006) [The new multilateralism in South African Diplomacy].

## **2.5 Summary**

This literature review demonstrates the interest of scholars in the economic activities of the post-apartheid South Africa on the African continent. They highlight the successes and difficulties encountered by South African business in their expansion to the rest of the continent. There is not much focus on the relationship between such economic activities and South Africa's diplomatic activities in Africa. There is a need to assess the means and extent to which South Africa uses political relations in strengthening economic diplomacy activities. The following chapter will discuss the evolution of South Africa's foreign policy.



## CHAPTER THREE

### EVOLUTION OF SOUTH AFRICA'S FOREIGN POLICY

#### 3.1 Shaping of the post-apartheid foreign policy

South Africa's democratic transition from apartheid to democracy in 1994 was hailed as a miracle across the world. The transition took place at what could be seen as critical times or turning points in international politics. A number of African countries were going through their own democratic transition during this period which was going to have an impact on the form and shape of the democratic South Africa. This was a period of hope for the African people hoping that the ushering of democratic governments across the continent would assist in dealing with problems of under development. "Most Africans expected democracy to respond to their legitimate aspirations of freedom from hunger and want, and believed that development would be people-driven" (Edigheji, 2007).

At the international level, the South African transition took place when globalisation and the market economy system seemed to succeed over socialism. The fall of the Berlin Wall in November 1989, seen as the end of the Soviet Union and an end to socialism was to have great effects on the foreign policy of the democratic South Africa. The international community saw South Africa as an emerging power in the African continent. As the major economy with advanced military, South Africa was aware of the expectations from the continent and the world. The post-apartheid foreign policy had an obligation to live up to these expectations while the state needed to also address domestic social and economic issues at the same time. "South Africa's post-apartheid foreign policy was then Africa-oriented and particularly devoted to the Southern African region" (Spence, 2001: 8). It was also made to be committed to "transformation" on the continent and further afield (Johnston, 2001: 11). Furthermore, South Africa was expected to play a major role in the promotion and protection of human rights in Africa. "The prioritisation of human rights in South Africa's post-apartheid foreign policy perhaps emerged due to the ANC's historical resistance for human dignity and equality" (Barber, 2004: 87). Below are a number of statements that describe SA's foreign policy thinking towards Africa:

Our Foreign Policy's ideological outlook and value system is informed by the spirit of internationalism; the rejection of colonialism and other forms of oppression; the quest for the unity and economic, political and social renewal of Africa; the promotion and defense of the plight of the suffering masses and poor of the world; and opposition to the structural inequality and abuse of power in the global system (Department of International Relations and Cooperation Deputy Minister, Fransman: 12 May 2011).

According to then Deputy President Kgalema Motlanthe (28 March 2011), the principles guiding South Africa's foreign policy in Africa are:

- Support for political stability and security;
- Support for post-conflict reconstruction and development;
- Coordination at multilateral economic level to adopt common positions;
- Cooperation around macroeconomic stability;
- Support for finance for development; and
- Support for debt forgiveness.

In her Budget Vote Speech of 22 April 2010, the Minister of International Relations and Cooperation, Nkoana-Mashabane, reiterated the need for South Africa's foreign policy to be "assessed against the weight of rising expectations":

South Africa's economic diplomacy will therefore be focused on providing guidance to government and the business sector on economic developments and markets, pursuing market access for South African products, attracting investments and tourism, removing barriers to trade, and supporting the development of larger markets in Africa. It should also enhance competitiveness of South African goods and services in the major global markets, while maintaining its international reputation as a stable and reliable supplier. Central to South Africa's economic diplomacy is the pursuit of a fair and equitable rules-based international trade regime that accommodates the developmental interests

of developing countries. In the context of the WTO Doha Development Round, South Africa must ensure that the outcome is beneficial to its economy and remedies the negative consequences of its classification in the Uruguay Round. (Draft White Paper on South Africa's Foreign Policy: 2011).

However, the challenge facing South Africa in its conduct of economic diplomacy will be the terms of trade which benefit the developed countries at the expense of the developing world. South Africa should use her strength to lobby for the revision of global economic rules if it to benefit from economic diplomacy. South Africa should 'take maximum advantage of its strength in the global and regional economies'; by developing strategies which will produce better terms of trade, investment and aid (le Pere: 2004).

### **3.2 Economic diplomacy in the South African foreign policy**

The South African government has also identified economic development as a foreign policy priority towards the African continent. In speeches made by the former President Mandela and former Minister of Foreign Affairs at the dawn of democracy, they emphasised the importance of promoting regional and continental economies. They emphasised that the South African economy was inextricably linked to the partner countries in the continent. "South Africa's trade relations with the rest of Africa improved greatly towards the mid-1990s and mid-2000s" (Schoeman, 2007: 99). The post-apartheid government had inherited a country where the majority of the citizens were living in poverty and lacked basic needs. The focus on economic development in the foreign policy was not only informed by the desire to help the continent but to also address the domestic issues. Carlsnaes (2008: 86) writes that "foreign policy involves domestic issues and institutions of a particular state that are directly or indirectly involved, as well as foreign matters on which decisions are actually based".

According to the former Deputy Minister Fransman (2011), South Africa's economic diplomacy has entailed, amongst others:

- seeking to pursue national economic objectives and leverage opportunities that arise from global markets and increasing inflows of global trade and investment;

- negotiating mutual beneficial sectoral cooperation agreements and investment treaties that support South Africa's development space;
- investing resources in the enhancement of the competitiveness of our goods and services in the major global markets;
- working for a fair and equitable rules-based international trade regime that accommodates the developmental interests of developing countries;
- pursuing market access for South African products, including investing resources in the attraction of investments and tourism;
- pursuing value-added exports to the new emerging markets in order to deal with the structural trade imbalances; and
- targeting foreign direct investments (FDIs) to South Africa and Africa, as well as assist in the development of human, institutional, technological and infrastructural resources.

According to Habib (2003: 234), "South Africa's democratic transition, like so many in the so-called 'third wave of democratisation', has been characterised by two distinct transitional processes: political democratisation and economic liberalisation". The latter was aimed at reintegrating South Africa into the global economy after years of isolation. This happened at the height of globalisation which saw the reduction of the influence of nation states/governments and the rise of business communities and MNCs. This posed a challenge for the African National Congress (ANC) whose liberation struggle was based on the Marxist economic ideology. The collapse of the Soviet Union in 1989 and the rise of globalisation meant the ANC had no option in a world dominated by capitalists (Venter, 2001: 16). It became obvious for the ANC government that to achieve economic growth and deal with the "triple challenges" facing South Africa, international trade and FDI was essential. Venter further states that "the ANC government now favours strict monetarism, privatisation of state assets, prudent fiscal policies, and an export-based economy in line with the principles of free trade". According to Bond (2000: 199), "liberal economic reforms resulted in a sluggish economic growth and in some cases led into the concentration of industry in the hands of a few entrepreneurial elites".

Therefore, the inflows of FDI and MNCs in South Africa has not helped to deal with the main challenge facing South Africa, the unemployment rate estimated at 41.6% by the 2001 Census estimates (Smith, 2003). The central issue for South Africa and other states is being able to create a business friendly environment that is able to attract FDI and MNCs but at the same time able to ensure that resources are available to address socio-economic needs of the country. “MNCs are important at every stage of production acting as technical or organisational pacesetters, as consumers of others’ goods and services, as producers and sellers and as employers” (Strange, 1996: 44).

Economic relations with East Africa have strengthened especially after South Africa opened missions in Bujumbura (Burundi), Moroni (Comoros), Antananarivo (Madagascar), and Asmara (Eritrea). Bilateral trade with Kenya, Mauritius and Uganda has shown growth in trade flows as well as FDI by South African companies. “South Africa has struggled to penetrate the markets of Francophone West Africa because of the dominance of France and Belgium in those countries. Part of the difficulties has also been language, cultural and legal barriers” (Landsberg, 2004).

Dr. Nkosazana Dlamini-Zuma, former Minister of Foreign Affairs (9 February 2009), argued that the following need to be South Africa’s priorities:

- Rely on fertile African land to develop agriculture.
- Rely on our abundant natural resources.
- Preserve the environment as part of a global effort so as to bequeath future generations with a livable planet.
- Preserve Africa’s rich cultural heritage.
- Encourage private sector on the continent has to be catalyst for development.

Nevertheless, South Africa unlike other emerging markets is battling with domestic economic challenges due to a small market, low savings and investment, shortage of skills and a volatile currency. “Stiff competition in attracting foreign direct investment (FDI) to Africa has compelled SA to prioritise "economic diplomacy" among a range of foreign policy measures designed to drive economic growth” (Langeni, 2011). The inclusion of a chapter on economic diplomacy in South Africa’s White Paper on Foreign policy is a sign that Pretoria is prioritizing this.

### **3.3 Actors in South African foreign policy**

#### **3.3.1. Main state actors**

According to Hill (2003: 32-33), “a state is a combination of public institutions and dispositions for the enforcement of public order and social stability in a demarcated territory”. A government is tasked with the responsibility of running the administration of the state. The state is made up of the institutions that administer the state as well as the citizens. The citizens have the responsibility to elect political figures to oversee the functioning of government and the protection of the state. “Realism prescribes that states can be interpreted as ‘rationally selfish’ yet ‘unitary’ actors because of their ‘power and authority’ in any given society” (Hicks, 2004: 3).

##### **3.3.1.1 The Presidency**

Hill (2003: 53) writes that most heads of government are inevitably involved in foreign policy formulation and implementation, and they often spend large proportions of their time on this process. A number of scholars also believe that the president is the ‘most powerful’ actor in foreign policy making in South Africa (Hudson, 2007: 4). The President holds the main powers with regards to foreign policy, however, the Deputy President and some Ministers have some limited powers as well. According to Hughes (2004: 15), South Africa’s post-apartheid foreign policy has largely been dominated by the ideal of former presidents: Nelson Mandela and Thabo Mbeki. However, according to Landsberg (2006a: 264), “former President Mbeki’s foreign policy was arguably much ‘clearer’ and more ‘predictable’ than that of the Mandela Administration”. Mbeki was actively involved in the development of the concept of the “African Renaissance” and the NEPAD programme, which strives towards, amongst others, good economic and corporate governance (Le Pere and Van Nieuwkerk, 2004: 123-124). While on the other hand the Mandela Presidency was largely seen to be focusing on issues of human rights as well peace and security in the continent.

Similarly, soon after the inauguration of Jacob Zuma as President of the Republic of South Africa, a ‘new’ foreign policy paradigm was proclaimed: the ‘national interest’ would be the beam that guides foreign policy (Landsberg, 2010). As the Zuma administration came into

power in 2009, the demonstrations and protests were becoming worse in South Africa as citizens demanded basic needs and jobs. Landsberg (2010) further states that South Africa had made considerable progress in spreading its investment into the African continent but the benefits had not trickled to the masses on the ground. In his first state of the nation address, President Zuma pronounced that “the main goal of the government... is to ensure that our foreign relations contribute to the creation of an environment conducive to sustainable economic growth and development”. This statement was widely seen as a hint on the focus of Zuma’s foreign policy. Further emphasizing the domestication message, Deputy Minister Ebrahim Ebrahim, a close Zuma ally, told parliament in June 2009 that South Africa’s approach to foreign relations was to be driven by the need to deliver to South Africans.

### **3.3.1.2 The Department of International Relations and Cooperation (DIRCO)**

When the administration of President Jacob Zuma came into power in 2009, the department of Foreign Affairs was renamed to be the Department of International Relations and Cooperation. The foreign ministry is considered as the primary foreign policy planner and coordinator in government. The foreign ministry is tasked with consulting other branches of government and all other role players in the planning and implementation of foreign policy. “Usually, in a country where there is a cabinet, the international relations ministry is obliged to inform all cabinet members as a group of any foreign policy issues” (Hill, 2003: 53). Hill further states that the fundamental functions of foreign ministries are:

- *Routine information-gathering*: The foreign ministry often relies on its credible diplomats that serve the purpose of, amongst others, accumulating and analysing detailed information about other countries. Diplomats frequently perform information-gathering duties in concert with the intelligence services and, to a limited degree, the media.
- *Policymaking*: Although politicians largely hold the foreign policymaking reins under the assistantship of their political parties, they do need professional help from experts in the foreign ministry. For example, it may be an onerous and daunting task for the Minister in DIRCO to scrutinise incoming data, to interpret and forecast other states’ actions and participate in foreign policymaking on her own, outside the advice of experts in this field.

- *Memory*: within the foreign ministry, diplomats play a crucial role of record keeping. It is always important to archive information on a state's commitments and treaties into a system for future references, especially when it comes to foreign policymaking and restructuring.

### **3.3.1.3 The Department of Trade and Industry (the dti)**

As much as foreign policy is planned and coordinated by DIRCO the economic and trade policy is the responsibility of the dti. This highlights the importance of cooperation between DIRCO and the dti in the crafting and implementation of foreign policy. "The dti plays a critical role in the promotion of economic development and meaningful participation in the global economic and trade environment" (the dti). The dti has focused the implementation of its trade and investment policy with the division: Trade and Investment South Africa (TISA). The dti's Strategic Plan 2015/2020 defines the roles of TISA as:

- (i) *Investment Promotion and Facilitation* facilitates the increase in the quality and quantity of foreign and domestic direct investment by providing investment, recruitment, problem-solving and information services.
- (ii) *Export Promotion and Marketing* promotes exports of South African value-added goods and services to increase market share in targeted high-growth markets and sustain market share in traditional markets.
- (iii) *Trade and Investment South Africa Executive Management Unit* promotes trade and investment, and administers and provides corporate services to the department's foreign office network of foreign economic representatives in various countries to enable South African businesses to access global markets.
- (iv) *Export Development and Support* manages the National Exporter Development Programme (NEDP), which is designed to contribute to positioning South Africa as a reliable trade partner and improve and expand the country's exporter base.



However, the trade policy is coordinated and implemented by the division: International Trade and Economic Development (ITED). ITED is responsible for trade negotiations through bilateral and multilateral engagements.

### **3.4. Non-state actors**

“Idealism, as the main contender of realism, will argue that states are not the only actors that play an eminent role in the international arena” (Vincent, 2002: 147). Non-state actors have proved to have considerable influence in issues of politics, peace and security. Some have argued that globalisation and the rise of capitalism are the reason for the shift of power from governments to non-state actors. South Africa’s MNCs have played a major role in the growth of exports from South Africa to the SADC region and the continent (Valsamakis, 2012). “The recent financial statements of South African MNCs reveal that enormous revenues were made from exports by companies such as Anglo, BHP, Kumba, MTN Group, Naspers, and Sasol. Moreover, other smaller companies have helped to further increase South Africa’s national GDP largely due to increasing levels of taxable profits, thus reducing the current account deficit” (OECD, 2013; UNDP, 2013). According to the UNCTAD (2011), South Africa’s main export the countries considered as her major export partners such as Japan, USA, Germany, United Kingdom, China and Netherlands have been in gold, diamonds, platinum, other metals and minerals, machinery and equipment. UNCTAD further states that South Africa’s major export to the African continent has been in the telecommunications, retail, breweries, banking, and specialised service sector.

MNCs have been accredited with the role of filling the gap between targeted governmental tax revenues and locally raised taxes. The South African Revenue Service (2010) collected an amount of R598.7 billion tax for the fiscal year 2009/10, which is a 4.2% decrease year-on-year. The SARS further states that of the total tax collected, R200 million was a contribution from the tax collected from the South African MNCs. MNCs over and above providing financial resources also resources that includes management experience, entrepreneurial abilities, and technological skills. If government has developed the right policies and a good relationship with MNCs such

resources can be transferred to local industries. The shortage of skills in South Africa is said to be a major challenge and can be addressed through practical learning from MNCs.

### **3.5 Coordination of various actors**

The Presidency organises a number of cluster meetings which provide a platform for departments to consult with each other on a range of issues including international engagements. “The first is the Economic Sector cluster, which focuses on providing research, analytical, advisory, policy and strategic support to The Presidency” (The Presidency, 2011). There are also other clusters convened by different departments focusing on their specific areas of work. The International Relations and Trade cluster for example is comprised of departments such as DIRCO, Defence, State Security, the dti, National Treasury, Environmental Affairs, Tourism, Justice and Constitutional Development as well as Science and Technology. “The dti also consults intensively through the International Relations-ICTS cluster, which is co-convened by DIRCO and the Department of Defence” (The Presidency, 2011). There are also platforms which create a platform for state actors to interact with non-state actors on trade issues. “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). However, there is somehow confusion in as to which department leads in economic policy in South Africa. There is the National Treasury, the dti, Economic Development and the newly formed Small Business Department. “Early indications are that the Economic Development Ministry is competing with the National Treasury for policy space in coordinating economic policy” (Draper and Dube, 2010: 265).

### **3.6 Summary**

South African foreign policy since 1994 has been shaped by the relationship of the ruling African National Congress (ANC) with organisations around the world as well as major international events. South Africa’s focus on Africa and the African agenda is a major part of the SA foreign policy. This is informed by SA’s geographic location as well as her economic interest. The Presidency, DIRCO and the dti are major players in driving the SA foreign policy,

however, other government departments and the private sector also have a role to play. The intergovernmental meetings and clusters are used to coordinate government and non-government sector inputs and role in the conduct of international relations. The next chapter will high and elaborate on the research design and methodology that will be utilised is this study.

## **CHAPTER FOUR**

### **RESEARCH DESIGN AND METHODOLOGY**

#### **4.1 Methodology**

The purpose of this study is to explore the extent to which South Africa engages in economic diplomacy on the African continent, as well as its effect and impact. The research focuses on South Africa as a case study so as to allow for an in-depth analysis. The study is based on empirical observation derived from semi-structured interviews and secondary literature review. “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). According to Burnham et al, “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” (2004: 55). Considering that the continent is comprised of many countries and covering all the activities will be complex, a case study becomes preferable. “Case studies are particularly useful where the research context is highly complex and not suited to experimental or survey research” (Bloor and Wood 2006: 27).

Research method is a “strategy of enquiry, which moves from the underlying assumptions to research design and data collection” (Myers, 2009). According to Domegan and Fleming (2007), “qualitative research aims to explore and discover issues about the problem on hand, because very little is known about the problem”. Creswell (2003) states that “in qualitative research, different knowledge claims, enquiry strategies, and data collection methods and analysis are employed”. Myers (2009) clarifies that “qualitative data sources include observation and participant observation (fieldwork), interviews and questionnaires, documents and texts, and the researcher's impressions and reactions”. Furthermore, “data is derived from direct observation of behaviors, from interviews, from written opinions, or from public documents” (Sprinthall, Schmutte and Sirois, 1991). “The interpretive approach gives the research greater scope to address issues of influence and impact, and to ask questions such as ‘why’ and ‘how’ particular trajectories are created” (Deetz, 1996).

#### **4.1.1 Interpretive social science**

“Interpretive social science is a research paradigm whose primary goal is to understand human behavior and actions” (Sarantakos 2005: 12). According to Neuman (2006), “the purpose of interpretive social research is to learn about individuals and their experiences, develop an understanding of social life, and discover how people construct meaning in natural settings”. This research paradigm is premised on the need to collect and analyse data while taking into consideration people’s points of view, values, and feelings. Neuman further clarify ‘that interpretive researchers believe that value-free science is impossible because it is people and their interactions, views, actions, and beliefs that shape reality’. Struwig and Stead (2001: 16) add that “social research is part of everyday reality and as a result cannot be considered value-free”.

As a paradigm premised on qualitative research, interpretive researchers collect data through participant observation, semi-structured, in-depth, and open ended interviews, and case studies. “They believe that there are so many unquantifiable facts about humans that can only be understood through interpretive and qualitative research methods” (Berg 1995: 7; Babbie and Mouton 2001: 53; Sarantakos 2005: 50). “Interpretive researchers think that people’s statements and behaviors usually have different meanings and cannot be seen as standardized” (Berg 1995: 3). They therefore conduct “systematic analyses of socially meaningful actions” and understand how humans relate to each other and “create and maintain their social worlds” (Neuman 2006: 88). “The qualitative research approach emphasizes that facts are fluid and embedded within a meaning system and depend on a complex web of people and events in a specific setting” (Neuman 2006: 92-93).

#### **4.1.2 Research methods used in the study**

To gather the first-hand data about South Africa’s economic diplomacy in Africa, the author has conducted extensive semi-structured interviews with diplomats, senior South African government officials and scholars. Semi-structured interviews will be utilized as seen as the best instrument for this study. “Interpretive researchers argue that qualitative data collection methods such as extensive and semi-structured interviews, careful observations, and in-depth case studies

can give them enough credible data about people and processes (Neuman 2006: 92-93). Walsh (2001: 66) “believes that the advantage of semi-structured interviews is that participants may be more open to talk about their ‘views and beliefs’ when given an opportunity to add to the conversation, thus helping researchers to discover unexpected and unforeseen data.” May (2001: 123) notes that semi-structured interviews “allow people to answer more on their own terms than standardized interviews.” In this regard, the author will ask predetermined questions while also giving the participants an opportunity to talk about issues they think are important.

In addition, the researcher has conducted an extensive literature analysis (books, academic journals and news articles) to get a better picture of the South Africa’s economic diplomacy and the aims and objectives of the South African government. The literature analysis is used in this study either confirm or contradict the data collected through the semi-structured interviews or bring in new views and perspectives.

## **4.2 Type of sample**

The sample for the study is based on non-probability purposive and theoretical sampling strategies, which leads researchers to choose participants for their relevance to the research question and analytical framework (Schwandt 2007: 269). As noted above, the researcher has interviewed diplomats, senior government officials and scholars. In addition, the data collected through literature review, which is used for data analysis, can also be considered part of the sample.

### **4.2.1 Sample size**

The grounded theory approach, the method of data analysis to be used in this study, states that “the nature of sampling and the respondents, as well as sample size,” are determined “according to the information gathered during the study.” For the grounded theory approach, “sampling refers not only to people but also to events and settings” (Sarantakos 2005: 118). According to Schwandt (2007: 270), when a theoretical strategy is used for sampling, “the size of the sample depends entirely on the nature of the study and the research question and concepts being

investigated.” The number of interviews conducted for this study was twelve. The interviews were conducted with six senior government officials, three diplomats and three scholars. Extensive interviews were conducted with all the respondents.

### **4.3 Data collection**

The primary data for this study was collected through semi-structured interviews with the diplomats, SA government officials and scholars. The researcher is based in Pretoria and was able to interview the participants face to face. The researcher was able to probe the participants with additional questions during the interview through follow up questions. The researcher was also able to observe “visual clues” and “nonverbal behavior” of the participants (Sarantakos 2005: 285; Denscombe 2007: 187), which is beneficial for an interaction and research when compared to telephonic conversation or an email exchange.

The probing questions prepared by the researcher for the interviews were the following:

- How would you define economic diplomacy and what are the signs of its success?
- Do you think the post-apartheid South Africa has a coordinated economic diplomacy strategy aimed at Africa and do you know the main characteristics of this strategy?
- What are the specific policies and instruments adopted by the post-apartheid government of South Africa that promote country’s economic diplomacy in Africa?
- South Africa has opened embassies in a number of African countries and is engaged in a number of economic forums with African countries since 1994. Do you think these are part of South Africa’s economic diplomacy and how well is it working?
- South Africa has also been engaged in a number of conflict resolution and peace keeping missions in the African continent, for example in Burundi, DRC, Sudan, etc. Do you think that this has been of any benefit for South Africa in terms of economic benefits once the conflict ended and peace was established in many countries?
- South Africa has emphasised the importance of intra-Africa trade and is leading the campaign for cross regional infrastructure to enhance trade (Vickers and Ajulu, 2008).

How successful has South Africa been in this? Are the benefits (if there are any) going to all countries involved or are some, such as South Africa, benefiting more than others?

- The classical theory of direct investment suggests that the motive for direct investment is profit maximisation (Czinkota et al, 1992: 26). However, South Africa has maintained that it's acting out of solidarity with the African continent rather than making profit of the continent. Has this been the case with South Africa in its conduct of business in Africa or is the country acting differently?
- Some writers have defined South Africa's economic role in Africa as similar to those of the West, as it has elements of imperialism and hegemony. Do you think this is a fair assessment? What are the perceptions on the continent created by South Africa's application of economic diplomacy in Africa? Can you please elaborate?
- What do you think are the strengths and weaknesses of South Africa's economic engagement with Africa?

The initial questions have been developed on the basis of the literature analysis. Strauss and Corbin (1998: 205) "recommend this method of designing interview and follow-up questions when using the grounded theory approach". In addition to the interviews, the researcher has consulted a wide range of sources (books, academic journals, news articles and interviews) in order to get a better picture of South Africa's economic diplomacy in Africa and the aims of the government. The literature analysis was used to either confirm or contradict the data collected through the interviews or bring in new arguments and views.

#### **4.4 Data analysis**

There are many techniques employed by researchers to analyse data. According to Bernard (2000), "the way to analyse data should stem from a combination of factors, which include the research question being asked, the theoretical foundation of the study, and the appropriateness of the technique for making sense of the data". He further states that 'analysing qualitative data typically involves immersing oneself in the data to become familiar with it, then looking for patterns and themes, searching for various relationships between data that helps the researcher



what they have, then visually displaying the information and writing it up'. LeCompte and Schensul (1999) define analysis as the process a researcher uses to reduce data to a story and its interpretation.

According to Birks and Mills (2011: 66), when researchers use the grounded theory approach for data analysis, data comes in many forms – from interview transcripts to literature, reports and policy documents. As stated above all these documents form data for this study and will therefore be considered during the data analysis process. As Creswell (2009) advises, findings and other data need to be rigorously interrogated and interpreted, exploring and explaining their meaning and implications. The study has utilised the inductive data analysis method; 'patterns, categories and themes' were built 'from the bottom-up' as advised by Hennink, Hutter and Bailey (2011). This was done so that the data analysis could lead to key findings for this study. Strauss and Corbin (1990) recommend that researchers develop grounded theories or key findings using three types of coding: open, axial and selective coding.

To analyse the data collected in the study, the researcher will use the grounded theory approach, one of the main analytical tools in qualitative social science research (Babbie and Mouton 2001: 53). Denscombe (2007: 92) argues that this approach is particularly useful when social researchers want to "investigate the participants' points of view." Being derived from the data, grounded theories and findings accurately explain human actions and behavior (Sarantakos 2005: 118). Even though the grounded theory approach is mainly used to generate theories about studied topics, the author's goal in this study is not to develop a grounded theory that explains the perspectives of international relations practitioners. Instead, he will present key findings from the perspective of the respondents and the data gathered from the literature. Strauss and Corbin (1998: 155) note that the grounded theory approach can be used even when researchers want to develop a set of key findings instead of a theory. In this case, they present their findings without the final integration of concepts and categories and development of a grounded theory.

Denscombe (2007: 93-94) notes that some researchers take the grounded theory approach to the extremes and "start research without any fixed ideas about the nature of the things that are about to be investigated." Researchers who use the grounded theory approach in this way do not conduct a review of literature before data collection. On the other hand, many researchers who use the grounded theory approach conduct a literature review and explore a background of their

topics in order to prepare themselves for the research. This author has conducted an extensive review of literature in order to develop a better understanding of economic diplomacy, the current South Africa's economic diplomacy, and other concepts that are important for this study.

It is necessary to identify patterns and group the data accordingly as this helps to give the theory of key findings a meaning. The coding of data will help to determine themes and patterns. "Generally, this process may lead to the "emergence of concepts that eventually [could] become the basis of a theoretical model" (Sarantakos 2005: 349). "Categories and concepts that are "neutral, appear frequently in the data, allow easy reference to other categories, and possess clear implications for a formal theory could form key findings and grounded theories at the end of the research process" (Sarantakos 2005: 348). Allan (2003: 3) clarifies that:

"The codes are analyzed and those that relate to a common theme are grouped together. The higher order commonalities are called concepts. Concepts are then grouped and regrouped to find yet higher order commonalities called categories. It is these concepts and categories that lead to the emergence of a theory. The data that has been analyzed without a preconceived theory or hypothesis is truly grounded in the data [original emphasis]".

Theories and/or findings are developed after "constant reference to the empirical data and this means that, unlike with speculative, abstract theories, they are built on a sound foundation of evidence" (Denscombe, 2007: 104)

#### **4.5 Validity and reliability**

Validity is a "measure of precision, accuracy, and relevance" of a research project (Sarantakos 2005: 83). Validity is very important in interpretive and qualitative social research. However, instead of using the term "validity," qualitative researchers often use different terms, such as "credibility," "trustworthiness," or "authenticity." Credibility and authenticity of research are more important to qualitative researchers than "the idea of a single version of truth" promoted by the positivist social science research approach and quantitative researchers. Qualitative researchers' goal is to give a "fair, honest, and balanced account of social life from the viewpoint of someone who lives it every day" (Neuman 2006: 196).

To achieve credibility, trustworthiness, and authenticity of their research, qualitative researchers use the following methods (Sarantakos 2005: 86):

- Support the findings by other studies;
- Use triangulation;
- Provide detailed information about data collection and analysis;
- Use communicative validation – involve participants or external audits to check the accuracy of the data and findings;
- Use argumentative validation – present the findings in a way that can be easily tested.

Reliability is a “measure of consistency and precision” of a research project. While qualitative researchers give attention to reliability, they use terms such as “consistency,” “applicability,” or “dependability” (Sarantakos 2005: 89; Denscombe 2007: 298). Qualitative researchers use a variety of “data sources and employ multiple measurement methods” in order to come up with reliable and dependable data (Neuman 2006: 196).

This author has used semi-structured interviews and an extensive literature analysis to get multiple perspectives and confirm the credibility and authenticity of the study and findings. The research was planned and conducted in an accurate, ethical, and professional manner to ensure its validity, reliability and credibility.

#### **4.6 Ethical considerations**

Social researchers have “moral and professional obligation to be ethical” and are expected to always follow ethical standards in their work (Neuman 2006: 129). To protect the participants from any harm, the author has asked them to remain anonymous in the study. Anonymity will ensure that the participants are unidentifiable to protect their identity after the study is made public. In addition, the author has guaranteed confidentiality of the data collected during the interviews (Sarantakos, 2005: 20-21). The interviews were conducted on a voluntary basis and the participants were able to leave the process at any time. The process was based on informed consent (see Appendix 1), which was communicated to the participants prior to the interviews.

The participants voluntarily took part in the study fully understanding possible risks and consequences involved. They were informed of their right to decline to answer any questions they find inappropriate. The researcher has advised the participants not to reveal any sensitive information that may jeopardize them and their organisations after the study is made public.

#### **4.7 Summary**

The chapter has discussed the methodology that will be utilized in this study and highlighted that qualitative method will be utilized. South Africa is used as a case study to assess the impact of her economic diplomacy in Africa's development. The data collection techniques utilized is secondary material and primary data collected through semi-structured interviews conducted by the researcher with government employees, diplomats and academics. The grounded theory approach was utilized for data analyses. The researcher used semi-structured interviews and an extensive literature analysis to get multiple perspectives and confirm the credibility and authenticity of the study and findings. The interviews were conducted voluntary bases and respondents were gave informed consent. The next chapter will present the research findings and data analysis acquired through semi-structured interviews.

## CHAPTER FIVE

### RESEARCH FINDINGS AND DATA ANALYSIS

#### 5.1 Introduction

As stated in chapter four, interviews were conducted to gather first-hand data about South Africa's economic diplomacy in Africa. The findings from semi-structured interviews be presented in this chapter. The researcher has interviewed government officials, academics and diplomats about the topic under research. As demonstrated in chapter three, an extensive literature analysis through a wide range of sources has also been conducted. The interviews and literature consulted are meant to provide a deeper and informed understanding of South Africa's economic diplomacy and its impact on South Africa and Africa's development.

The information acquired through the interviews will be presented below. The information will be analysed using the grounded theory approach. The information will be presented chronologically, using the predetermined questions used during the interviews. The information from the respondents was coded, categorised, condensed, summarised and presented in italics. In some instances, different viewpoints are presented. The researcher will follow this with arguments from the literature from chapter three to either confirm or dispute the findings from the interviews.

#### 5.2 Research findings

##### ❖ **How would you define economic diplomacy and what are the signs of its success?**

The interviewees defined economic diplomacy as an economic instrument to advance or improve trade amongst states:

*Economic diplomacy can be defined as the decision-making, policy-making and advocating of the sending state's business interests (such as trade and industry). This happens when countries share common economic interest and*

*when a country's economic diplomacy is correctly aligned with its foreign policy.*

*It is a method of 'bringing the bacon home' after an engagement with partner countries and making an environment conducive for ones businesses to invest in partner country's economies. Signs can be seen in a country's investments with its bilateral partners and a number of businesses present and the volume of investments.*

*Economic diplomacy is the pursuit of advanced diplomacy targeted at ensuring that the relations are broader by enhancement of political relations but encompass the strengthening of commercial ties. The signs of its success include coordinated efforts to promote both political and economic relations e.g head of state or Ministers leading commercial activities, or the establishment of communication channels between foreign representatives of the country and local businesses.*

*Economic diplomacy is also the ability of nations to engage in fiscal interaction through policies and material negotiations. Economic diplomacy includes but is not limited to investments (foreign direct investments), exports, imports, free trade and aid.*

In chapter two, the definition of economic diplomacy states that this is mainly has to do with cross border economic activities as most interviewees stated. "Economic diplomacy aims to influence decisions on cross-border economic activities pursued by governments and non-state actors" (Bayne and Woolcock, 2007, Okano-Heijmans, 2011). Vickers and Ajulu (2008: 5) further define it as "policies and activities that promote trade, foreign direct investment (FDI), tourism, and technology transfers and positively position the country in the world through imaging, branding, marketing and public diplomacy (domestic and international)". It is clear that economic diplomacy is an element of foreign policy as it deals with cross border issues. According to Qobo (2010), "economic diplomacy is a component of foreign policy; it cannot be

understood apart from the country's broader pursuit of foreign policy objectives and the pursuit of its domestic economic interests abroad".

**❖ Do you think the post-apartheid South Africa has a coordinated economic diplomacy strategy aimed at Africa and do you know the main characteristics of this strategy?**

Some interviewees believe that South Africa has a coordinated economic diplomacy strategy, while others do not think so. However, most did not know the characteristics of such strategy. The white paper on foreign policy is seen by others as the core document:

*According to the White Paper on foreign policy of South African Department of International Relations and Cooperation (DIRCO), an effective economic-diplomacy policy requires cooperation between the government and the private sector. However, since this cooperation has not been at the required level for economic diplomacy to operate effectively, South Africa could be lacking in its coordination of economic diplomacy aimed at Africa. It should be noted that as a whole, South Africa's foreign policy is premised on, among other factors, the overarching aim of promoting African development.*

*It is only in the past few years that South Africa has been focusing on economic diplomacy and currently no clear strategy exists.*

*The post-apartheid government does not have a well-co-ordinated strategy for Africa. Though DIRCO wishes to lead the initiative, they do so on a "touch and go" basis. There are theoretical documents created to facilitate coordination but the outcome of engagement is not planned for. The lead department (DIRCO) is still busy putting out fires of political instability on the continent and not putting at its forefront economic issues. The technical expertise lies with various other departments and the experts are not receiving the political support needed to accelerate the economic element of diplomacy. So the main*

*elements of DIRCO's economic strategy for Africa is not clear. The political is emphasized.*

*Yes it has. South Africa has been leading various peace talks throughout Africa.*

As stated in chapter two, the South African government has prioritised economic diplomacy as a priority. However, this has been done more in the forms of speeches and pronouncements other than a concrete policy or strategy. According to le Pere and Van Nieuwkerk (2004), South Africa needs to develop strategies to enable it to benefit from economic diplomacy.

Although the government officials believe that the coordination of economic diplomacy amongst the dti and DIRCO is working, they believe there is room for improvement:

*The South African Department of International Relations and Co-operation's Diplomatic Academy was instructed through the endorsement of the document on the Strengthening of Economic Diplomacy and the Challenges of Co-ordinated Marketing of South Africa abroad to develop a curriculum on Economic Diplomacy. The main aim of this process was to operationalise the "expansion and continuation of common training" on economic diplomacy. This instruction was given to DIRCO in partnership with the dti. The dti has the line function responsibility for trade and commercial relations. However, in to a certain extent this partnership presents its own challenges. The dti only has representation in 26 countries, and department officials effectively have to perform the economic diplomacy duties in the totality of 124 South African missions abroad.*

*Yes, there is room for improvement but it is well coordinated. Even though representation of the dti in other countries is not at the level of the DIRCO ones, through partnerships such as BRICS, there is always room for growth in this partnership.*

*The issue of coordination between the two departments needs the leader to agree to be led. Whilst the dti does not have the capacity to encourage business*



*everywhere, the department has strategies in place to influence the strategy towards economic diplomacy. Joint planning to prove useful between the two.*

It appears that the dti and other departments are focusing on DIRCO to lead in international engagements including economic diplomacy. “Usually, in a country where there is a cabinet, the international relations ministry is obliged to inform all cabinet members as a group of any foreign policy issues” (Hill, 2003:53). There has been processes to try and improve this according to the interviewees but more still needs to be done. “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). According to Hughes (2004: 39), “DIRCO and dti have proven to be in some kind of bureaucratic competition”.

**❖ What are the specific policies and instruments adopted by the post-apartheid government of South Africa that promote country’s economic diplomacy in Africa?**

As most did not believe that there are such tangible policies and instruments adopted by the South African government, the dti officials mentioned the following:

- *Chapter 7 (Positioning South Africa in the world) of the New Development Plan*
- *Objectives found in the Mid-Term Strategy Framework*
- *South Africa’s Trade Policy and Strategy Framework*
- *Parts of the New Growth Path*
- *Instruments: DIRCO-dti partnerships, international trade, South African Missions abroad, Regional Trading Agreements (RTAs), etc.*

*However, DIRCO officials highlighted that:*

*Currently there are still discussions on how to go about economic diplomacy. An example is the dedicated unit at DIRCO under the COO to deal with amongst others with Economic Diplomacy.*

The dti officials see a number of the dti documents as strategies and policies for South Africa's economic diplomacy. The understanding seem to differ as with DIRCO employees who believe that South Africa still needs to come up with a clear policy on economic diplomacy. As stated above, much of the pronouncement from the DIRCO and Presidency when it comes to economic diplomacy issues are through speeches. The New Growth Path and the White Paper on International Relations do not expand on the concept of economic diplomacy. "In South Africa economic diplomacy has been made a priority in the DIRCO White Paper, where there is a section dedicated to it, and in the ANC policy paper on international relations" (Makokera, 2015). There are other documents seen as such strategies, "the Department of Trade and Industry's metaphor 'butterfly strategy' for South-South cooperation, which placed South Africa at the proverbial head and the African continent the body of the insect, reflects this sensibility" (Alden and Soko, 2005). This strategy is designed 'to open up South Africa's trading wings from Africa to the North and South America and East Asia' (Vickers 2003: 29). As Chris Landsberg (2010) states, "the challenge is to move beyond rhetoric and intentions and to define the national interest and to articulate a coherent foreign policy going forward. This will require concrete proposals on the basis of thorough-going domestic foreign policy linkages".

❖ **South Africa has opened embassies in a number of African countries and is engaged in a number of economic forums with African countries since 1994. Do you think these are part of South Africa's economic diplomacy and how well is it working?**

*Yes, embassies in African countries and the engagement in economic forums with countries on the African continent is part of the economic diplomacy of South Africa. These embassies and engaging in economic forums in the African countries have assisted South Africa in a number of ways. First, it has assisted South Africa with a stronger visibility and presents, which adds to the assistance South receives on the ground. Second, it has assisted South Africa with building stronger relationships with African countries which leads to a third way. Third,*

*as a result of a stronger relationship, South Africa's diplomacy (economic or otherwise) becomes 'easier'.*

*Whilst the opening of embassies in the continent could facilitate economic diplomacy, financial support is dwindling in terms of programmes aimed at improving economic activity. Most economic forums established were in existence even prior to the realisation that SA should pursue economic diplomacy. The departments concerned are engaging the countries in areas of priority and are most of the time not linked to DIRCO's economic diplomacy. Unless the department tasked to lead economic diplomacy realises that South Africa has paid its dues in terms of debt owed to our allies of the struggle for liberalisation and business in the continent is ripe; Economic diplomacy for South Africa remains a buzzword without action. The embassies are still used to paint a saintly picture of South Africa and have no real value for an ordinary South African, as well as business people.*

*To a large extent these embassies depend on dti officials for economic diplomacy and investment promotion. Once a clear strategy can be adopted it will need diplomats being sent to these Missions; the diplomats will have to be trained on economic diplomacy.*

*Yes they are. Such moves have and will continue to strengthen South Africa's ties with the rest of Africa especially sub-Saharan Africa countries. The presence of a country's embassy in another country simply shows the fraternal relationship between the two countries and a sign which says, "you are welcome to my home" and a response which says, "I am in your home because I feel welcomed and I am comfortable". Such a mutual level of understanding indeed opens up room for economic and political negotiations and fraternity.*

“Against the background of Morgenthau's realist vision of national interest, states' national interests are power-oriented and can also be indicative of such actors' urge to monopolise political activities in the international sphere” (Pham, 2008: 258). The DIRCO has a responsibility to communicate and conduct the country's foreign policy in the continent and

internationally. The DIRCO does this through the deployment of staff to embassies. “It is thus this division of the department which is directly involved in pursuing South Africa’s national interests through its ambassadors, diplomats and consular officials, practicing either partnership or hegemonic tendencies abroad” (Tjemolane, 2011).

- ❖ **South Africa has also been engaged in a number of conflict resolution and peace keeping missions in the African continent, for example in Burundi, DRC, Sudan, etc. Do you think that this has been of any benefit for South Africa in terms of economic benefits once the conflict ended and peace was established in many countries?**

Most of the interviewees agree that South Africa has played a critical role with regards to peace making and peacekeeping in Africa. However, they believe that South Africa is unable to expand its economic role to take advantage of the peace attained:

*South Africa’s worst failure as a country is not being able to take up opportunities after assisting with conflict resolution. Examples are DRC and South Sudan, to name a few, where South African businesses are not as visible as one would like them to be considering the investment South Africa has made in these countries and has assisted the countries to resolve their problems.*

*Conflicts in the continent are not going to end any time soon if the economic pie is the hands of the few. Interventions by South Africa, though commendable, have not yielded economic benefits for the country. Whilst South Africa managed to relatively stabilize Burundi, DRC, Lesotho, Sudan and the DRC, the fact that the rule of law is not respected in many of these countries will bring back the instability. South Africa has not practiced a “carrot or stick” approach where neighbours or brother countries face consequences for their actions. In addition to peace and stability South Africa has assisted with institutional capacity building e.g the DRC was assisted to organize its public sector. Despite all the assistance from South Africa, preference is given to non-South Africans; for example the French on issuing of business tenders. The*

*same goes for Burundi and Sudan. Discussions end at political level and the actual benefit does not filter down to ordinary citizens and business people.*

Even those that believe that South Africa has been able to explore economic interest after peace making and peacekeeping, it was hard to elaborate on the actual benefits:

*Yes it has. One has to understand that no country can take a high risk of investing in a country where there are wars, riots, etc. because that destabilises the economy of the country. That might have an adverse impact on success of any foreign direct investments. Most of such countries that South Africa has undergone peacekeeping missions at, for example the DRC, have strong economic ties with South Africa and are high investment grounds for the South African government.*

“The aggressive South African military apparatus was transformed and utilised as a peacekeeping force in all sorts of operations in Burundi, the Democratic Republic of the Congo (DRC), Central African Republic, Darfur, Comoros, Liberia, Cote d’Ivoire and South Sudan” (Basharati, 2013).

“The interests of South African companies drive its political engagement within SADC, its involvement in the DRC and the mining industries in Angola. This reflects the interest of South African companies “to control the raw materials of the region” (Conchiglia, 2007). The African continent is evidence that peace can lead to development, while development can also be a pre-condition for peace. In a bid to bring about peace and security in Africa, South Africa is aware that the continent is an immediate market which could benefit South Africa. However, Basharati (2013) states that “Pretoria has invested significant resources in bringing about peace and stability in Africa, but then companies from Europe, Brazil, India, China and the Arab states end up benefiting more from these new markets”. On the other hand, South African financial institution, telecommunication and retailers have made a success in Africa, but not necessarily in post-conflict countries where South Africa played a peace-maker role.

- ❖ **South Africa has emphasised the importance of intra-Africa trade and is leading the campaign for cross regional infrastructure to enhance trade (Vickers and Ajulu, 2008). How successful has South Africa been in this? Are the benefits (if there are any) going to all countries involved or are some, such as South Africa, benefiting more than others?**

Although there was emphasis that more still needs to be done, interviewees believed that due to South Africa's capability and economic advancement, the country benefits more than other countries in intra-Africa trade. Interviewees emphasised that multilateral diplomacy is assisting South Africa in her quest to expand into Africa:

*South Africa has been successful in the emphasis of intra-Africa trade. Jonathan Lang, Head of Bowman Gilfillan Africa Group notes that, the growth of intra-African trade and investment is led by South Africa, Kenya and Nigeria. As a result of this developing phenomenon, the continent's traditional dependence on external trade and investment is starting to reduce. This means that the African continent is also benefitting. However, certain countries seem to be benefitting more than others. First, these countries, such as South Africa, have stronger economies in comparison to other African countries. Therefore, these countries are capable of being involved in intra-Africa trade more than others and as a result are able to benefit more.*

*If there can be political will among African governments, intra-Africa trade can benefit all countries. We are not there yet; currently, trade and benefits are skewed and mainly benefit a few countries like South Africa and Nigeria. If Africa trades with itself issues of cost of exports and imports can be dealt with and thus benefit even those small landlocked countries like Lesotho.*

*The path of multilateral engagement is proving more beneficial for South Africa than the bilateral engagement. Intra- regional trade presents South Africa with access to a larger economic market at reduced import duties. The capacity for most African countries to produce for the African market are limited, hence the view that the negotiation of multilateral trade agreements to*

*facilitate intra Africa trade will support South Africa. Infrastructure is one of the main facilitators of trade. For Africa, connectivity between cities remains a challenge. Discussions are ongoing at SADC level towards ensuring development of infrastructure on the North-South Corridor (Durban to Dar es Salam) with the South African president championing infrastructure development in the continent. Politics are delaying the process. South Africa has also not come up with a creative way to fast-track this process. In addition, the World Bank and the Chinese government, among others, are using whatever the continent has started to build the infrastructure. Benefits therefore will be delayed as long as connectivity is delayed for countries whose infrastructure is not well developed.*

*While intra-Africa trade is being promoted, the reality still remains that with trade between two or more unequal partners, it is highly likely that the richer countries will benefit more than those countries with lower economic buoyancy. Within Africa, South Africa used to be regarded as the strongest economy, until recently when it was moved to the second place. However, the country still remains the strongest economy in Southern Africa and highly economically influential when compared to any other country in Africa. As such, South Africa benefits quit a lot from trading with other African countries, and in most cases, it si benefiting more than many of its trading partners due to the many factors that places it at a vantage point, such as political stability, economic buoyancy, natural and human resources.*

As stated in chapter two, realist considers the issue of power as a factor in international relations, hence some interviewees refers to South Africa as benefiting most due to her advanced economy.

“With regards to infrastructure, the DBSA and other South African SOEs have invested significantly in regional infrastructure (including in water, transport, energy and telecommunications) in order to support industrial development, trade and integration in the region’s economy. It 2010 it was estimated that the IDC and DBSA jointly invested some ZAR 8 billion outside of South Africa” (Basharati, 2013). Its average annual rate was more than 5%—

buoyed in part by improved governance and economic reforms”. This is evidence that African countries are benefiting from the exploitation of natural resources in their countries.

- ❖ **The classical theory of direct investment suggests that the motive for direct investment is profit maximisation (Czinkota, Revoli and Ronkainen, 1992: 26). However, South Africa has maintained that it’s acting out of solidarity with the African continent rather than making profit of the continent. Has this been the case with South Africa in its conduct of business in Africa or is the country acting differently?**

The interviewees believe that South Africa tries to strike a balance between making a profit while promoting peace and other social issues in Africa. However, they state that it is government who is concerned about solidarity but businesses and private sector are driven by the desire to make profit:

*South Africa tries to find a balance between making profit and assisting other economies in the continent through direct investments. This is something that will continue in the future even though South Africa tries to maximise its potential in the continent and thus benefit the South African economy.*

*Whilst the South African government champions solidarity, business is not waiting for a bell to ring to indicate that it’s time for business in the continent. So the statement can be true for the government but not for business. South African imports are allegedly overcrowding the African market and not leaving enough room for the capacity for African economies especially in the Southern Africa region to develop their own industries. This has even resulted in some African countries developing protectionist regulations just to block South African imports. Some are reneging on their SADC commitment to limit South African imports. The government might be acting in solidarity but South Africa’s strength to export is viewed as a threat.*



*Everyone who is in business is always concerned about profit maximization and nothing else. South Africa is currently sitting on 45% rate of unemployment and to decrease that number it should maximize its profits through trade and other mechanisms. Therefore it is highly likely that SA is making profit of the continent; also, there is also an influx of migrants to SA in quest of greener pastures.*

“The classical theory of direct investment suggests that the motive for direct investment is profit maximisation” (Czinkota et al, 1992: 26). A number of scholars and writers have mentioned that with the domestic challenges faced by South Africa, the role in Africa is such that it helps with economic development in the country. “More importantly, it has brought to the fore the tensions that exist between South African business interests and the state’s idealistic-benevolent foreign policy inclinations towards the continent” (Vickers and Ajulu, 2008). South African capital has become directly involved in the continent by way of mergers, acquisitions, joint ventures and new direct greenfield investments (Daniel et al 2003: 36). As much as states in the developing world encourage closer ties and solidarity within South-South formations, national interest drives the competition for Africa’s natural resources and markets.

The biggest challenge that South Africa face which can be said to be one of the factors driving her economic diplomacy in Africa is unemployment. Statistics South Africa (2015) estimate that the rate of unemployment in South Africa is 26.4%. According to the International Labor Organisation (Business Tech, 2015), South Africa’s unemployment rate will remain around 25% going forward to 2019, as shown below:



- ❖ **Some writers have defined South Africa’s economic role in Africa as similar to those of the West, as it has elements of imperialism and hegemony. Do you think this is a fair assessment? What are the perceptions on the continent created by South Africa’s application of economic diplomacy in Africa? Can you please elaborate?**

South African officials tended to defend the country on this while diplomats and scholars were split on it.

*This is just a perception as South Africa is the biggest economy in the continent. Wherever South African businesses are in the continent fair business practices are adhered to and skills transfer programmes are in place. However these need to be enhanced and there are discussions currently of having South African businesses partner with local businesses more to dispel this particular issue that South Africa is only in these countries for its own selfish gains. Of course, all countries of the world have national interests like South Africa but we value our partners in the continent and we never want to be seen as imposing anything on them.*

*The perception of most African countries as expressed above are very negative. When South Africa relaxes immigration laws to accommodate Zimbabwean immigrants, the economic strength of South Africa is appreciated. However, when South Africa starts to look out for the needs of her citizens through export marketing, it is perceived as bullying or new colonialism. The assessment is not fair as the South African government tries to balance the engagement of countries.*

*South Africa has its companies operating throughout the African continent and there is no sign of any company from one of the African countries operating in South Africa. This is to say, they go and invest in other countries and make profits and create wealth by such activities which in turn provides for growth in incomes, possibly employment and raise in social grants (for the poor, disabled, the sick and the elderly). While this presence may be regarded as dominating, the country leaves room for other countries to boost their investments within the country. As such, what may be regarded as elements of imperialism is simply a diplomatic positioning in which South Africa has placed itself and in the end benefits from.*

*Yes, to a certain extent this is a fair assessment. It is important to note that this presents two sides of the same coin. On the one side, South Africa economic participation in the rest of Africa has been beneficial to certain countries, particularly in terms of the country's outward foreign direct investment. However, the other side the perception of South Africa on the rest of the continent has been challenged.*

“South African economic diplomacy has on the whole been weak and its relations with African countries may actually have impeded its ability to project power, by causing resentment as much as advancing any claim to emerging market status and continental leadership” (Qobo, 2010). There are different perceptions on South Africa's role in Africa. Lesufi (2004) sees them as “evidence of South African imperialism”; while Patrick Bond (2006) argues that “South Africa is a sub-imperial agent of American imperialism”. However, Alden and Soko (2005) argue that

“north of the Zambezi River, although South African investments have increased substantially and the banking and financial sectors have begun to make significant inroads, South Africa’s hegemony is unrealised”. This due to the fact that there are other major economies in that space such as Egypt, Tunisia and Nigeria. South Africa’s economic-diplomacy initiatives in the rest of Africa face particular challenges and are hampered by the government’s concern not to be perceived as an arrogant, hegemonic actor by the rest of the continent (Landsberg, 2005).

**❖ What do you think are the strengths and weaknesses of South Africa’s economic engagement with Africa?**

The following were raised as strengths:

- *South Africa regarded as a gateway to Africa, according to BRICS*
- *Abundant deposits of gold, platinum, coal and chromium*
- *Fairly stable political environment in comparison to the rest of Africa*
- *Competitive financial and business service sector*

The weaknesses:

- *High unemployment rate*
- *The small size of the country’s economy compared to other BRICS members*
- *Rising labour cost*
- *Declining manufacturing sub-sector to GDP*
- *Lack of leadership, coordination and a clear roadmap.*

South Africa’s economic diplomacy has evolved on many levels but there is still a need for a more specific definition of its objectives and development of greater interaction between stakeholders (Makokera, 2015). The poor coordination of foreign policy amongst departments, as alluded to above, is a concern and a weakness. Further, economic diplomacy requires close cooperation between the government and the private sector; this does not seem to be improving in South Africa. Vickers and Ajulu (2008) call for “a ‘new global economic strategy’ for South

Africa that reflects stronger cooperation among all stakeholders”. Makokera (2015) mentions the following as weaknesses to South African economic diplomacy:

- the diplomatic service still does not have adequately and appropriately skilled personnel to do this;
- the relationship between government and business is in a sorry state;
- the perception of government as being distant and guided by unknown and misunderstood interests creates divisions which undermine the potential for partnership and the development of complementary strategies;
- the inability to tailor trade-and-investment promotion activities to take account of the unique business climate of such contexts;
- lack of understanding of the role of parastatals and lack of strategies for their engagement.

### **5.3. Data Analysis and Key Findings**

#### **5.3.1 Background**

This section presents the data analysis by the researcher based on the information collected through literature and interviews. The above “presentation of thick descriptions is fundamental to fully understand the meaning of behaviours or actions in the data and will provide a foundation for later conceptualising and explaining” (Hennink et al, 2011: 239). This study is not meant to develop a grounded theory about South Africa’s economic diplomacy. The analysis will present key findings that emerge from the data.

The researcher has considered and analysed data by writing down words, phrases and arguments gathered through interviews that shed light on the South African economic diplomacy in Africa. A pattern was developed by the researcher from the data collected as well as from the literature.

#### **5.3.2 Findings**

The findings are presented below in the form of themes picked up by the researcher:

- ❖ The South African foreign policy which encompasses economic diplomacy:
  - South Africa foreign policy was impacted by a number of international events that happened during its drafting.
  - The policy is more focused on Africa and multilateral diplomacy.
  - The policy is an outcome of the solidarity between the ANC and African countries.
  - Although economic diplomacy is mentioned in foreign policy, the white paper and other dti documents, there is no coherent economic diplomacy document.
  - South Africa's foreign policy is drafted to portray that the country is focused on assisting Africa.
  - South Africa's domestic challenges are impacting its foreign policy implementation.
  
- ❖ Solidarity, peace building and peacekeeping, reconstruction and development
  - South Africa has played a major role in the bringing peace in Africa.
  - The South African Defence Force is deployed in countries like DRC, Sudan, etc for peacekeeping.
  - The South African government has also been assisting with a number of conflict resolutions, reconstruction and development, such as in Burundi and South Sudan.
  - South Africa has been providing development aid to Africa for decades.
  
- ❖ Economics, trade and investment
  - A number of South African companies have spread into the continent, creating jobs.
  - A number of South African companies are busy with infrastructure projects around Africa.
  - The perception about South African business people in Africa is mixed: both positive and negative.
  - South Africa has provided development aid to African countries to help with reconstruction and development.

- South Africa's economy is in a crisis and in great need of the African markets.
  - The issues of unemployment and other social issues put pressure on government to utilise economic diplomacy to boost the South African economy.
  - South Africa is not maximising the benefits from the areas coming out of conflict in Africa; the Chinese and Western countries seem to do better than South Africa.
- ❖ Training, coordination, research and development
- The dti and DIRCO need to invest in research to inform the documents, pronouncements and practice of economic diplomacy.
  - The dti and DIRCO need to ensure that coordination in the implementation of economic diplomacy is improved.
  - The South African government must ensure that the South African businesses operating in the continent uphold the issues of human rights and ensure that the local communities benefit in many ways.
  - There is a need for training of individuals with specialised economic skills to work in all South African missions abroad.

#### **5.4. Summary**

This chapter presented the findings collected through the semi structured interviews with government officials, academics and diplomats as well as through literature review. The following chapter will summarise and conclude the broader treaties and provide recommendations where needed.

## CHAPTER SIX

### CONCLUSION AND RECOMMENDATIONS

#### 6.1 Introduction

The concept of economic diplomacy has become a buzzword in the political and international relations arena. It has become an area of focus for a number of scholars when assessing the impact of state relations and their impact on development. This study analysed the impact of economic diplomacy using South Africa as a case study. Since South Africa's transition to democracy in 1994, a number of scholars have been analysing her economic relations with the rest of the African continent. It is obvious that South Africa's expansion into the African continent has aroused different interpretation from different sectors. As shown here, there are those who believe South Africa is behaving like the Western imperialists and those who believe that South Africa is driven by the spirit of solidarity.

The study has explored an extensive body of literature to consider the theory, policy, and conceptualisation and gather data on the issue of economic diplomacy. Through literature and primary data it emerged that economic diplomacy is concerned with issues of trade but is linked to domestic economic realities. The South African government has in a number of pronouncements and forums emphasised the centrality of the African continent when it comes to South Africa's economic diplomacy. This study also demonstrated that such a focus is also as a results of how the South African foreign policy has evolved post 1994. The study has showed that South Africa's approach and foreign policy towards the African continent is based on solidarity due to the nature of the historic relationship between the African National Congress, the ruling party, and the rest of the African continent.

The coordination of economic diplomacy within the South African government seems to be a problem. The departments charged with leading issues of international economic relations seem to have different views on the actual implementation. There is no one document to reference, officials depending which department they are from, refer to different documents. Although there are platforms through the dti to link with private sector in the implementation of economic



diplomacy, the links seems to be weak. The behaviour of South African companies in Africa is an issue that requires closer cooperation between the government and private sector.

## **6.2 Recommendations**

The following are the recommendations for South African government to consider going forward in the drafting and implementation of policies directed at improving the country's benefit and practice of economic diplomacy:

**Policy/strategy:** South Africa needs to have a single document focusing strictly on the country's economic relations with the African continent, the sub-regional bodies and regional bodies. The strategy must guide from a policy perspective so as to deal with issues of human movement, technical barriers to trade, beneficiation, and regulate South African companies operating in Africa. The many documents referred to in this study should be studied and utilised to come up with the country's strategy that covers all aspects of engagement (from government, private sector, peacekeeping, peace-making and others).

**Coordination:** The lead departments in issues of economic diplomacy, the dti and DIRCO, need to come up with guidelines to streamline how the two departments can maximise on working together. There should be closer coordination amongst the sections dealing with same countries or areas. The cluster committees dealing with international issues should be equipped to ensure that South Africa is focused on economic diplomacy. These clusters must be used as a platform to create a closer relationship between government and the private sector. It is in such clusters where government should encourage private sector to uphold issues of human rights in their engagement in Africa.

**Training:** The training of all officials working for the dti and DIRCO in issues of trade and economic relations is critical. DIRCO had started this process but along the way collapsed, this need to be revived. As much as you need diplomats to deal with political issues in embassies/high commission, diplomats with economic skills are essential. The training for Heads of Mission, Diplomatic Training and Cadet Program should intensify training in economic diplomacy.

As the concept of economic diplomacy has become a buzzword globally and as demonstrated above, it is also key to South Africa's economic relations with the African continent. The following recommendations are therefore put forward for further studies:

- A case study of major South African companies in the African continent, their practice and attitude.
- After 1994 South Africa opened embassies/high commissions in almost all African countries and expanded the Foreign Service. How has this contributed to the economy of the country?
- The coordination of economic diplomacy by different departments in South Africa seems to be a challenge. A comparative study with some of the successful countries in the implementation of foreign policy and economic diplomacy.
- The implication of policies and regulations adopted by African countries seems to act as non-technical barriers to trade. How far have the different regional economic communities succeeded in removing these barriers.

### **6.3 Summary**

It is clear that South Africa can benefit greatly from a much closer economic diplomacy relationship with the African continent. South Africa is located in the same continent and should take advantage of proximity. However, it is also clear that South Africa need to assure the African continent that its corporations are engagement with the continent is not another phase of imperialism or hegemony. There is a need for a clear economic diplomacy strategy towards Africa to be understood and bought into by officials from all departments concerned. There is a need for further studies to consider role of South African corporations in different countries. There is also a need for studies to consider how well South African corporations are doing in countries coming out of conflict in Africa.

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