

South Africa: A Power Only in the Eyes of Others?

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Since apartheid came to an end in 1990-94, South Africa has been asserting itself as an emerging country poised to take a significant place in the new international economic order. This claim, based on its status as “Africa’s economic giant” (one-quarter of the African continent’s GDP; one-third of the GDP of Sub-Saharan Africa and three-quarters of the GDP of the SADC, Southern African Development Community), is not self-evident. In some regards the country belongs to the developed, even rich, world (per capita GDP and the weight of its tertiary sector) and to the level of countries such as Greece, Thailand or Argentina, whereas its size and regional importance bring it closer to other large emerging countries such as India, China, Mexico, Russia and Brazil. Moreover, the social dualism and major social problems affecting nearly 50% of its population jeopardize and hinder its emergence, bringing it to share similar sets of issues to those the poorest countries must face.

If South Africa appears “naturally” as an emerging country, it is because of its preponderant economic position on the continent combined with the appeal of its experience and political trajectory. This combination makes the country a “useful power” in the new world order. South Africa contributes a sub-Saharan African presence to international debates and offers its own path of development, integrated nevertheless in the process of globalization, to a continent faced with underdevelopment, instability and marginalization. What other country besides South Africa could properly represent sub-Saharan Africa today in the major international forums with the same economic and organizational features and the same democratic political track record? This situation has become a fundamental resource for the country. South Africa has been using its “usefulness” as





a trademark that it tends to export well beyond the African continent. Its appeal lies in its capacity to bring into play very different economic, social and political actors, all concerned at once with efficiency, profitability and access to new markets and with forming a pole of stability and a reliable intermediary to play a part in a sub-Saharan Africa characterized, conversely, by a high degree of volatility. South Africa thus imposes its usefulness by building an ideological and political model highly in tune with the issues of globalization for the African and developing world, thereby reinforcing its emergence strategy and confirming its economic choices.

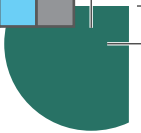
South Africa combines the characteristics of a middle power, with considerable resources and a real but limited capacity to influence, and those of a semi-peripheral state that depends largely on dominant powers to be able to exist as a major partner in the new international order. The country's specific emergence strategy draws on the association of these two positions.

Exploring the options and resources

Its colonial history and apartheid constructed a country that combines a protected modern sector, formed on the Western model and essentially benefiting a white racial minority, contrasting with a massive economically and politically marginalized population. The end of apartheid inaugurated considerable challenges. Integration of the marginalized population, the conquest of an underexploited domestic market to endow the poor populations with greater spending power, modernization and enhancement of the competitiveness of the production apparatus and development and redeployment of collective infrastructures—such are the considerable reforms that South Africa, a society undergoing rapid expansion, has had to set in motion.

Since the early 1990s, the South African economy has been painfully rediscovering the virtues of liberalism and opening up to international competition of which the policies of apartheid and protectionism had deprived it. Its economic transformation takes root in the combined efforts of the political authorities and social and economic actors within forums of negotiation such as NEDLAC (the National Economic Development and Labour Council). In these forums, the role of private entrepreneurs who possess real capacities for management and negotiation via their professional organizations and the country's major multinationals is fundamental. The South African state is thus essentially a developmentalist state that intervenes in order to strengthen the production capacities of private actors and infrastructures while striving to orient them in such a way as to benefit the poorest segments of the population. This creates considerable tensions, but the state has clearly opted for a liberal policy that favours investment aiming to strengthen the production apparatus, to the detriment of a policy of social redis-





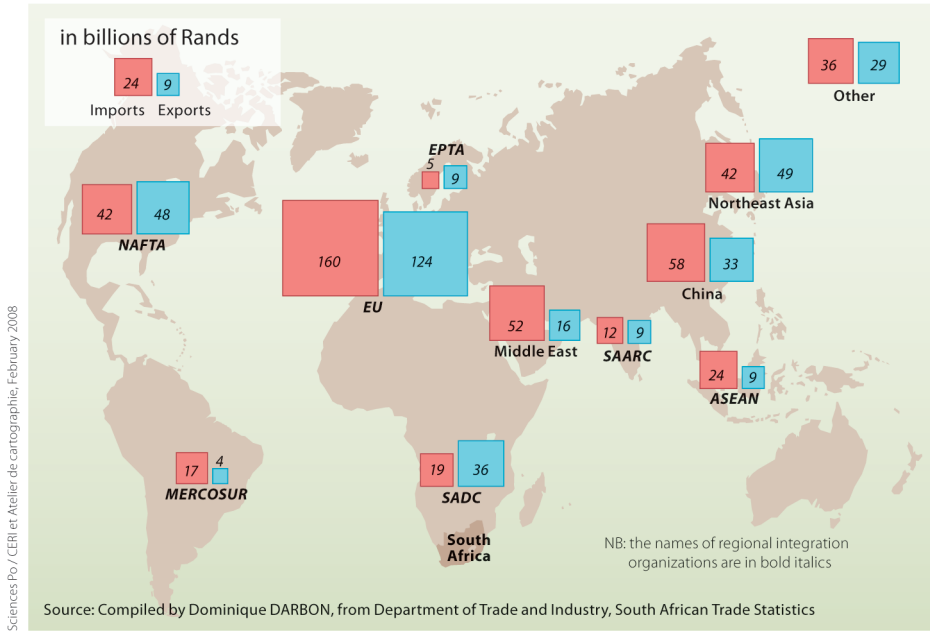
tribution, abandoned in the early 1990s. In the framework of the GEAR (Growth, Employment and Redistribution) programme from 1996 to 2006, replaced since January 2006 by the Accelerated and Shared Growth Initiative (ASGI-SA), such modernization of the economic apparatus, marked in particular by deregulation, the opening of markets, budget and monetary stabilization and the end of exchange restrictions, has translated into economic revival evidenced by continual growth (3.2% per year from 1994 to 2005, compared with 0.8% from 1983 to 1993) which is currently accelerating (5% in 2006) to reach the 6% per annum objective required to accelerate the deep structural changes in the economy. South Africa has gone from a closed economy basically focused on mining and agriculture to an open, manufacturing economy largely reliant on services (the tertiary sector now represents two-thirds of GDP). The abundant and diversified sources of energy—even if bad management causes shortages and cuts—and the exploitation of significant mineral and agricultural wealth guarantee sizeable revenue (10% of GDP), particularly with the skyrocketing prices of raw materials. Today, manufacturing, despite structural problems of low competitiveness, and certain key sectors such as automobiles, telecommunications, banking, insurance and tourism, buttressed by high-power multinationals, are plainly at the heart of the country's economic expansion.

These economic transformations are indivisible from the redistribution and empowerment policies conducted by the South African state in favour of the groups most marginalized by apartheid, particularly the blacks. They aim to correct the economic, social and territorial distortions and reduce the considerable social inequalities and extreme poverty that characterize South African society. This catching-up policy has three main directions: systematic support for the modern production sector to provoke a trickle-down effect; the modernization of less efficient economic activities; a redistribution policy based on investment in healthcare, education and social infrastructure and social aid programmes helping marginally but progressively to improve the fate of the poorest citizens; and, last, an affirmative action policy in all areas ensuring access for all former marginalized groups to jobs and management positions. This last direction is evidenced by the emergence of a new social category of affluent black managers contributing to the expansion of a better-trained middle class with considerable spending power. The series of Black Economic Empowerment programmes in particular enables black managers to attain corporate leadership positions and gradually increases the share of business capital controlled by blacks, thus contributing to the “normalizing” of the private sector, albeit very slowly. A black middle class is developing, helping to support the rapid expansion of domestic consumption. The catching-up effect has nevertheless been curbed by the economic austerity policy conducted until 2006 to the detriment of public investment and modernization of the production apparatus, which is very costly in terms of jobs. Since ASGI-SA in





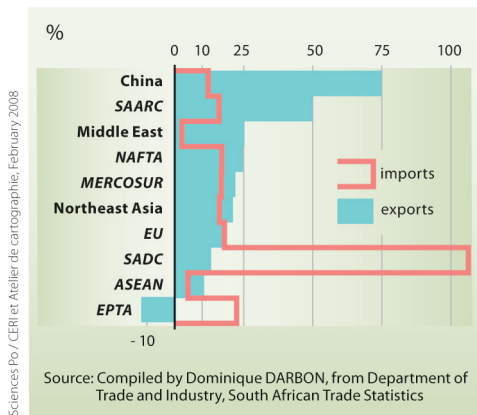
figure 37: South Africa's foreign trade, 2007



2006, and with the 2010 soccer World Cup in sight, public investment expenditure has risen significantly.

Economic expansion, however modest by comparison with other emerging countries, is steady and accelerating, buoyed by dynamic domestic consumption as well as the redeployment abroad of certain activities. International trade accounts for about half of GDP and positions the country among the major expanding economic regions.

figure 38: Annual growth of South Africa's foreign trade, 2006-2007



South Africa thus has a strong commercial foothold in the world's major economic regions. At the same time sub-Saharan Africa seems to be the natural area for its expansion and action. South African development cannot accelerate without a stabilized and prosperous "hinterland", just as South Africa cannot be stabilized in the long run without an eventual decrease in its neighbours' instability.

South Africa is now one of the main investors in Africa and is establishing itself as the sole practicable gateway to the continent, at the risk of running up against competition from other emerging countries, China in particular.





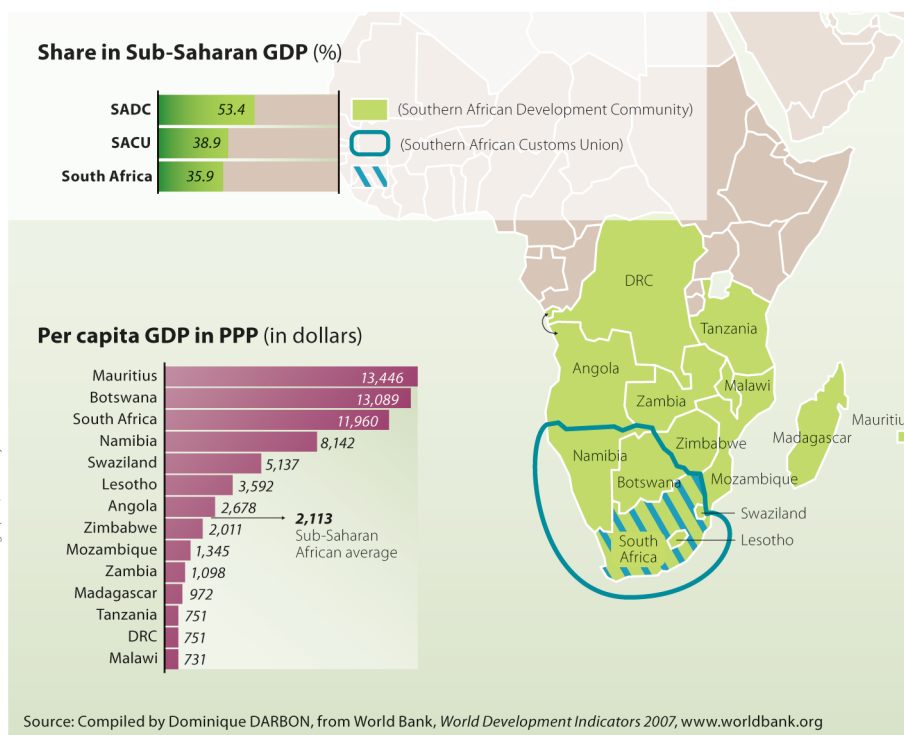
The strategy of multiple interfaces: playing the ‘usefulness’ card

South Africa’s emergence is taking advantage of the political aura that the country has enjoyed since it successfully managed its transition process. But it also benefits from its political stability and its capacity to suggest options for solving crises and underdevelopment in poor countries, particularly those in Africa. These alternatives, combining Africanist assertions (African Renaissance), developmentalist pressures and an active role in the global political order (the New Partnership for Africa’s Development, NEPAD), are buoyed by the country’s economic power of attraction as well as by a political activism that reverberates throughout the various regions of the world via the various communities (national, linguistic and religious) that make up the country (Africans, Europeans, Indians, Anglophones, Portuguese-speakers, Muslims, Christians, etc.). South Africa appears in international debates as an “honest broker” that can legitimately serve as a bridge between the richer states and the most destitute states and populations. These qualities, the real organizational capacities present in the country and the lack of a better alternative have prompted great world leaders seeking an African interlocutor to recognize South Africa as the only African country in a position to act as a leader and representative of Sub-Saharan Africa or even all Africa.

That does not mean that South Africa settles only for playing the “usefulness” card. It optimizes its position by using the stands it takes and policies it conducts to claim its place as an indispensable continental intermediary. The emergence of South Africa thus results largely from its capacity to play a part in different spheres and take advantage of each of its roles to reinforce its overall position. It has become a privileged economic and political partner of emerging or established major powers, benefiting from AGOA (the US African Growth and Opportunity Act) since 2000 (renewed in 2002), a special trade agreement with the EU since 2000 (Trade Development and Cooperation Agreement), and a special alliance with India and Brazil (IBSA since 2003). It ensures a leadership role within several groups of emerging or poor countries (G20 since Evian in 2003, G33, G8+) but can also take a lead in disputes, for instance within the WTO over the marketing of certain drugs and services. It is present as a mediator on new international issues, such as United Nations reform, peaceful conflict resolution and interposition between belligerents, and has had its role as essential African partner confirmed in international organizations, including the FATF (Financial Action Task Force), over which it presided until 2006, as well as the WTO, the IOC (International Olympic Committee) and the UN. At the same time it has constantly multiplied initiatives on the continent either to renovate the pan-African organization, now the AU (African Union), whose parliament it hosts, to initiate new development projects such as NEPAD, to relaunch an



figure 39: **Economic weight of South Africa in Sub-Saharan Africa, 2006**

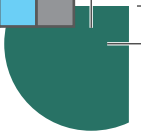


overall renewal project for Africa of which the “African Renaissance” is a particular example, or to strengthen its role within the SADC, now with 14 member states and involved in the creation of a free trade area by 2008. It is stabilizing the SACU (Southern African Custom Union) countries, helping to federate its regional area of influence, without being economically bound by it, and is trying to gain acceptance as continental leader.

In short, South Africa is endowed with an ideological apparatus borne by an intense international activism that positions it as the indispensable actor in the new world order, not necessarily because its power imposes it as such, but because it is the only country on the African continent capable of acting as a role model, able legitimately to represent the poorest countries’ demands and give them a strong resonance. These political resources are thus the best amplifier of its economic achievements, which in turn reinforce the former.

The pitfalls of a limited power strategy

South Africa is thus likely to pursue its current expansion and emergence strategy, which should make the country a significant actor in the new world order. There



remain, however, a series of internal and external challenges largely tied to the legacy of apartheid that will continue to weigh heavily on its economic expansion in the next ten years.

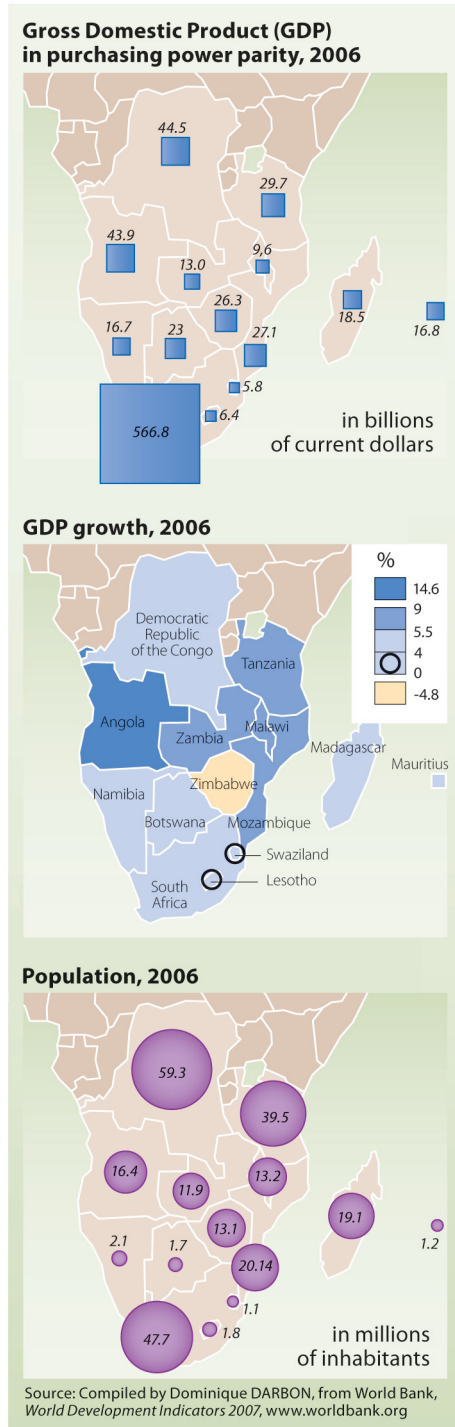
Regarding the rise in domestic consumption, partly due to expansion and the overall rise in the standard of living, investment remains insufficient. National savings are very low, FDI remains too limited and especially too fluctuating, while South African companies that see more advantageous investment opportunities opening up abroad and particularly elsewhere in Africa tend to export their capital and know-how. For lack of sufficient domestic investment, unemployment remains at an extremely high level (30% to 40% of the active population) and companies in the informal sector are not managing to emerge; this reinforces the feeling of frustration of over 50% of the population that lives in poverty contrasting with an ever richer minority (South Africa is ranked second on the Gini Index). Social and criminal violence runs very high. The xenophobic riots of early 2008 fuelled by some prominent leaders of the *Contralesa* (Congress of Traditional Leaders of South-Africa) and populist politicians, are but one form of violence caused by growing social discontent. In these prevailing economic and social conditions, the rise in consumption is partially ensured by an increase in imports from emerging countries, particularly China and India, more than by a rise in national production—all the more so since economic competitiveness, especially in the manufacturing sector, is still crippled by fairly high salaries for an emerging country, the relative rigidity of the labour market, an insufficiently trained workforce, the departure of young managers abroad and the dramatic impact of AIDS on the workforce. South Africa differs from other emerging countries in that, since 2003, its current account balance is occasionally in deficit. The ASGI-SA, by launching a vast programme to invest in infrastructure and the fight against poverty, and by making the enhancement of the economy's competitiveness a priority, particularly in high-tech sectors, hopes to address all of these problems.

AIDS is a specific challenge to the country. With a rate of prevalence hanging around 31% of the adult population, particularly high among the younger generations, the financial, economic and social costs to meet are considerable and likely to jeopardize the country's expansion as well as that of all the southern zone of Africa.

At the same time the emergence of South Africa is partly limited by the "toxicity" of the African continent. While the latter constitutes a considerable political and economic resource for South Africa and is at the very heart of its definition of useful power, it is just as likely, owing to the rivalries running through it, its bad habits and the new appetites the major powers have acquired for it, to affect South Africa's potential for expansion. Unlike other emerging countries that have strong domestic markets and an area for expansion made up of relatively stable and expanding neighbours, contributing to the strengthening of the



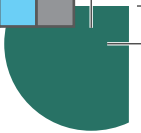
figure 40: **GDP, economic growth and population of SADC states**



growth trend, South Africa is extremely isolated at the tip of the African continent and its natural area for expansion seems for the moment hardly conducive to the development of real economic and financial partnerships. The SADC zone constitutes an interesting but still economically very weak and fairly unstable neighbourhood (Zimbabwe, the Democratic Republic of Congo, Burundi, Zambia).

At the same time, the exasperation of several African countries with regard to South Africa's dominant and moralizing positions is being expressed more and more openly, and it contributes to the fostering of new rivalries likely to affect South African expansion, and already hinders the continent's revival. Aside from Nigeria, whose emergence is old news since the country's independence, other oil-producing and resource-rich countries such as Angola are conducting competing policies likely to benefit from the support of Brazil, for instance, which may opt for historic and Portuguese-speaking solidarity. The presence and ambition demonstrated by the major emerging countries in Africa, including China and India, added to the new economic aspirations of other major powers, is a factor also likely to thwart South African expansion on the continent and thus limit the country's ability to rely on a neighbouring growth area.

South Africa is thus engaged in an emergence race in which it must manage to reconcile contradictory expectations on both the domestic and the external level. Its position as an interface between several international interest groups enables it to draw resources from all its partners and assert itself as an international and not merely an African medium power. This position is likely to help regulate the new appetites generated by a sub-Saharan Africa rich in mineral and energy resources as well as new markets. Faced with what more than ever resembles an economic "scramble



for Africa”, South Africa will be in a strong position as long as it can convince these other powers and the African states that the continent needs a strong leadership that can help structure it. That will require demonstrating its own capacity to consolidate its stability and successfully integrate its poor population.

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