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SOUTH AFRICA'S ROLE AND IMPORTANCE IN AFRICA AND FOR THE DEVELOPMENT OF THE AFRICAN AGENDA

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EXECUTIVE SUMMARY

This paper explores the evolution of South Africa's stance towards Africa since 1994, examines how is has approached its presumptive leadership role on the continent, and suggests that the New Partnership for Africa's Development (NEPAD, formerly known as the New African Initiative (NAI)) represents the clearest expression thus far of the South Africa's 'national interest' on the continent, which is to improve economic and political governance as a basis for enhanced economic development.

The first section discusses Africa's failure to develop, identifying 'weak states' as the underlying cause, and discussing the roots of this problem in the inter-state system's evolution since colonialism. State weakness underlines the need for improved governance as a prerequisite for development in Africa. This section argues that most African states are ill-equipped to address the particular challenges posed by globalisation, making a strong case for collective action by states.

The second section discusses the debate in South Africa after 1994 on the country's Africa policy. South Africa's relative economic dominance on the continent, especially in Southern Africa, has shaped one important position – 'realism', that is, a focus on narrowly-defined economic and political interests in the international arena – which is contrasted with an alternative 'idealist' perspective, emphasising a moral vision concerned with democracy and human rights, and strongly influenced by the ANC's history as a exiled liberation movement dependent on several African countries. This section also discusses the effects of globalisation in increasing the importance of 'cross-border externalities' – the impact *within* societies of developments elsewhere in the global and regional economies. These externalities have been a major influence both in shaping South Africa's Africa policy, and in increasing Africa's importance in global security and global welfare. This context provides the rationale for the priority issue within the NEPAD being improved governance and strengthening of African states, while the latter at the same time represent a crucial dimension of South Africa's national interest on the continent.

Section 3 provides a detailed discussion of the NEPAD as an attempt by African leaders to address the continent's lack of development on a collective basis. It focusses on the requirements for the NEPAD to operate effectively as a 'club' of African states in order to

enhance governance in each state individually. The need for effective leadership by key African Heads of State is emphasised, and the modalities of this leadership are spelled out. Finally, South Africa’s capacity to play its role as NEPAD leader is discussed, and the potential value of the Partnership to the country is spelled out.

Introduction

> A captain has from time to time to be prepared to take an unpopular line. He must have a measure of independence. He cannot *always* be 'one of the boys'. He will have to criticise individuals, or even the whole group, and say things, or insist on activities, that they do not like. He will have to be able to drop senior players from the team … Nevertheless, he must be able to engage with his players, to communicate with them. He cannot keep a glacial distance. …Nor is it likely that any captain will be able to keep his team enthusiastic if he is positively and widely disliked by them.[1]

Leadership of a group of people requires maintaining a creative tension, firstly between adhering to existing approaches with which team members feel comfortable and charting a new direction which demands adjustment and adaptation, and secondly between establishing sufficient rapport amongst the group and imposing the necessary discipline to induce its members to make the sacrifices necessary to achieve its goals. Suitably adjusted, much the same is true at the level of nation-states.

In the wake of its own democratisation in 1994, South Africa was universally expected to assume a leadership role in the African continent, given its relative economic size and level of development. But the country has found it difficult to establish the balanced approach required and make its impact felt. This paper explores the evolution of South Africa's stance towards Africa since 1994, which has culminated in the country playing a leading role in the formulation of the New Partnership for Africa's Development[2] (NEPAD) presented to the OAU Summit in Lusaka in July 2001, and currently in the implementation phase.

South Africa's policy towards Africa has been shaped by a number of factors. The first is the continent's failure to develop, which is discussed in the Section 1 of the paper, which identifies the 'weak state' as the primary underlying cause of this failure. The second factor is South Africa's relative economic dominance, especially in Southern Africa, which is in part the consequence of the rest of the continent's low level of development. This dominance has shaped one important position – 'realism' – in the debate in South Africa after 1994 on the country's Africa policy which is discussed in Section 2, and contrasted with an alternative 'idealist' perspective, which was strongly influenced by a third factor, the ANC's history as a liberation movement substantially dependent upon a number of African countries as it struggled against apartheid during 30 years of exile.

A fourth factor shaping South African policy is of course the international context, and in particular the process of globalisation. As discussed in Section 1, globalisation places particular

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[1] Brearley, page 43, emphasis added. Mike Brearley was captain of the England cricket team from 1977 to 1981, and is widely regarded as one of the finest captains in the history of cricket.

[2] The NEPAD was titled the New African Initiative (NAI) until October 23 2001. It had been known as MAP until July 2001.

pressures on national states, which most African states are ill-equipped to address. Globalisation has also increased the importance of 'cross-border externalities' – the impact *within* societies of developments elsewhere in the global and regional economies. Section 2 discusses the effect of these externalities on South Africa, and their importance in shaping the country's Africa policy.

The impact of globalisation in raising the profile of cross-border externalities has affected the industrialised countries as well, of course. Since 1994, there has been a complete turnaround in the perception of, and approach to, Africa on the part of the later group. Thomas Callaghy, an astute American observer of African politics, argued in 1994 that the end of the Cold War had resulted in Western governments neglecting Africa: Africa, it was felt then, "should be left to the World Bank and the IMF and if their salvage effort works, fine; if not, so be it, the world economy will hardly notice."[3] Just seven years later, Africa and its development problems are seen to be a major global challenge: one indicator of this is the a disproportionate amount of time (in terms of its share of world economic activity) devoted to Africa at the annual G7/8 conferences of key world leaders. The increased significance of Africa in global security and global welfare has been a significant influence in the formulation of the NEPAD, as well as on South Africa's stance on the continent, as discussed in Section 3.

The New Partnership for Africa's Development is an attempt by African leaders to address the continent's lack of development on a collective basis, and is discussed in detail in Section 4. It reflects South Africa's most advanced effort to date to provide continental leadership, albeit in collaboration with partner African governments. The NEPAD presents a steep leadership challenge, because its success will require it to address fundamental issues in inter-state African politics, in particular the understanding of national sovereignty. But at the same time, the NEPAD offers real potential, both for the continent's progress and for South Africa's relations with Africa becoming a major asset in the country's efforts to address its own development problems.

Section 1: The weak state in Africa

(a) <u>The focus on the state</u>:

During the 1980s, there were competing explanations for slow growth in Africa. One view argued that the primary cause was inappropriate policies adopted in the post-independence phase, in particular prices which discriminated against exporters and rural areas, and excessive involvement by the state in economic activity. The alternative view suggested that exogenous factors were the key, most particularly the decline in the terms of trade for most African countries from the late 1970s. Though the two analyses of growth difficulties were widely divergent, as were the policy prescriptions which flowed from each, they shared a narrow focus on economic reform as not only necessary, but also *sufficient*. In other words, both approaches implicitly saw political reform as unnecessary, and the state in Africa as a monolithic instrument

[3] Cited by Inegbedion, page 201. This was not Callaghy's own view.

which could be used *effectively* by whomever had control over it – the key was for the government in power to adopt the right *ideas* and policies.

The 1980s were a period of painful recognition that these (implicit and common) positions were limited and inadequate, painful because policy prescriptions based on one or the other of the above paradigms which were tried, failed rather dismally to regenerate growth. GDP growth on average across sub-Saharan Africa during the 1980s was around 2.5% per annum, below population growth which was just below 3%, so that per capita incomes fell. This low rate was a consequence of poor performance in the key growth drivers: investment growth averaged around 3.5% and export growth 3.9%.[4] With growing recognition that existing explanations were inadequate, a consensus developed that Africa's continuing economic decline had political origins. In other words, both poor policy choices and the inability to withstand the negative impact of external shocks via greater diversification, could be explained by the incapacity of the state to fulfil its historical task of managing development.

<u>Box 1: State strength and governance</u>

State 'power' must first be defined. One view of state power understands it simply as 'control' or 'instrumental capacity', that is, the state is able to issue instructions and *expect* its objectives in society to be achieved. This conception of power underlies the argument that authoritarian states are strong by virtue of their repressive capacity. But authoritarian states are unable to *ensure* that their objectives are achieved, or that they themselves are sustainable. In this conception, power is a zero-sum game between state and society: an increase in the state's power implies *less* power in society.

An alternative approach suggests instead that power is a positive-sum concept, and derives from co-operation and collaboration *between* state and society (or elements within society). In other words, 'power with' is distinguished from 'power over'. Strong states are those which have taken advantage of this positive-sum possibility, constructing their power 'with' or 'through' society, rather than restricting themselves to power 'over' society. This type of power is reflected in the density of the institutional networks linking the state and society, which are a key index of the state's strength.[5] In this framework, states which rely only on authoritarianism are weak, while strong states are those where there is a strong civil society which is deeply intermeshed with the state.

This concept of state power is closely related to governance, which refers to the environment within which authority and control are exercised in the society. Governance has both political and economic dimensions. In relation to the political environment, the absence of violent conflict is obviously a pre-requisite, but good political governance reflects 'durable stability' within the society, or low levels of internal social conflict, which are best achieved with a political system reflecting democratic values, respect for human rights, and consistent application of the legal framework. Economic governance refers to the broad context of institutional frameworks and

[4] World Bank (2000), page 33.
[5] This notion of state power is elaborated in Gelb (2001a).

arrangements within which public and private sector organisations operate. These institutional arrangements underpin transparent and consistent decision-making and management processes, accountability for use of resources, and effective controls over corruption and fraud.

Economic growth *is* possible in the absence of some of these factors, as the long record of success in the East Asian 'tigers' illustrates. But growth seems to require at least *either* a strong state *or* a strong business class – most African economies have had neither.

From the late 1980s, a Weberian analysis became increasingly common characterising the (archetypal) African state both as a complex and conflict-ridden *set* of institutions, not a homogenous and monolithic unity, and as a *weak* state, rather than an effective one. As this understanding of African post-colonial development won growing support from academics, policymakers and multilateral agencies inside and outside Africa through the 1990s, political reform came to be seen as just as important as economic reform, and indeed, necessary if economic reform were to be sustainable in the longer run.[6]

(b) <u>The roots of state weakness in Africa</u>:

The roots of state weakness in Africa lie in the maintenance into the post-colonial period of the state *system* determined at the Berlin Conference of 1884. The essential feature of this system, from our perspective, was the agreement by all participants (ie the colonial powers) to respect the territorial boundaries as determined. This eliminated competition amongst the colonial powers, and the strong boundaries enabled them to minimise the effort (and cost) of establishing effective administration *within* the colonial states, these being limited to a few key areas.[7] Thus, although the Berlin Conference produced a state system which was superficially similar to the 'Westphalian' system in Europe produced by the 1648 Treaty, the key difference was that the earlier treaty ended conflicts which had *already* defined some of the fundamental features of European states, in particular their need to confront an external threat.[8] This demanded that the state develop the capacity to raise human and financial resources (armies and taxes) for its own defence – those states which failed to do this effectively, disappeared. Effective resource mobilisation required close linkages – political and administrative – between the capital and the rest of the territory.

The Berlin Conference, in contrast, was intended to prevent a costly repeat of such intra-European conflict in the remote reaches of their imperial territories. It succeeded in this objective, of course, but at the cost of a debilitating legacy of state structures in Africa. The acceptance by post-independence leaders of the colonial state form, *and its boundaries*, was codified in the OAU's founding Charter which asserted the Westphalian principles of equality of states, respect for sovereignty and territorial integrity and non-interference in members' internal

[6] See, for example, Callaghy (1987), Bratton & Rothchild (1992).
[7] Herbst (2000), chapter 3. Much of this and the next paragraph is based on chapters 3 & 4 of this excellent monograph.
[8] The same need to confront an external threat was true of (developmentally) successful states in East Asia.

affairs. At the same time, the OAU (and subsequently the UN and other multilateral institutions) adopted the *de facto* practice of recognising control over the capital city as sufficient requirement for recognition by other members, ie international legitimacy, no matter how attenuated the control of the individual or group in question over the rest of the country.[9] This led to a focus in international relations on Heads of State, with little regard for the extent of their actual control over the territory. But although this system did minimise territorial conflict *between* African states, the other side of the coin was little regard for self-determination of groups within state boundaries, resulting in ongoing conflict and instability *within* states, as groups attempted to capture power over the state.[10]

Post-colonial African states therefore evolved in the absence of any external threats, so that there was no 'darwinian' process amongst states, as had occurred in Europe three or four centuries earlier. Weak states were protected rather than eliminated. It is interesting to contrast those states where colonialism, or at least minority rule, survived longer than elsewhere in Africa, in particular South Africa, Zimbabwe and Namibia. The former two have what are generally regarded as strong states by African standards. One important factor in this outcome was the early development of a *domestic* business class amongst the settler population, associated with the retention of surpluses within the society from primary product exports (mining and agriculture) and their recycling to manufacturing development. In South Africa, this began around World War I, and in Zimbabwe, after World War II. In both cases, this development was associated with increasing autonomy of the settler state from the Imperial authorities in London. But a second factor in strengthening these particular states was precisely their longevity as settler states – these were amongst the few states in Africa which faced an external threat (from independent neighbours) and which were thus forced to enhance their internal capacities.

While the approach of Africa's early post-independence leaders was understandable – given the then-recent example of the violence associated with attempts to change the colonial boundaries of the Raj in the course of India's decolonisation in 1947 - the legacy was endemic state weakness in Africa. The absence of any external threat meant there were few, if any, incentives for the state to mobilise resources more effectively in order to defend itself, and therefore also little of the accompanying improvement in governance as citizens demand some return for their contributions. For example, an efficient and effective tax collection system was not prioritised in most African states, so that revenue collection remained arbitrary and partial, and expenditures were often ineffective in developmental terms. Indeed, in contrast to any external threat increasing the pressure for effective domestic resource mobilisation, it must be recognized that the ongoing supply of aid (independent of outcomes) by both bilateral and multilateral donors further *reduced* incentives.

A useful characterisation of the post-independence state in Africa is offered by Crawford Young (1994), who argues that it is an amalgam of three different state forms. The first is the inheritance from the colonial state, which was coercive in its early phases and remained

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[9] A recent illustration of this was the rapid international recognition of the legitimacy of Joseph Kabila in the wake of the assassination of his father in January 2001.

[10] As Herbst (2000) points out, even where one state has invaded another, it has rarely been an attempt to grab more land for itself, but rather an attempt to influence the disposition of state power in the affected country.

autocratic, notwithstanding its limited territorial rootedness. The colonial state was also heavily interventionist, engaging in production on its own account and regulating markets. It was financed by fiscal resources extracted from the rural areas, but costs were kept to a minimum.

The second element which merged into “the” African state form was the ‘integral’ state constructed by the post-independence governments. This was modernising but commandist, using the political party to channel and direct social action, and the state’s own economic institutions to allocate resources. This built upon the colonial state’s autocratic nature but extended and elaborated it to promote a new, *national*, project suited to the post-colonial context. This element accounts for most of the ‘policy’ factors which are said to have contributed to slow growth.[11]

The third and final element within the African state was a prebendal or neo-patrimonial logic, which undermined and subverted the depersonalised practices of the colonial/integral state, such as uniform application of rules, rational organisation and predictability of behaviour. Instead, the dominant approach became personalised spheres of power and influence, with patronage used to develop networks, maintain power and seek personal gain.

(c) Business weakness:

The weakness of domestic business as a *class* in most African economies (in contrast to the South African and Zimbabwean examples discussed above) undoubtedly contributed to the ascendancy of neo-patrimonial logic, in the sense that business was unable (and had little incentive) to put pressure upon the state to improve governance, that is, and in particular to provide an appropriate operating environment for investments which have a long-term return, such as those in the production of goods and services.

Business weakness after independence had three sources. The first was most colonial states’ failure to enable indigenous business; the second was the availability of easy avenues for wealth accumulation via political connections; and the last was the *national* nature of the post-colonial project, which discouraged links with non-African business (both expatriates and permanent residents such as local Asians), so that capitalist behaviour was not learned (as it must be) and business associations were weak. In other words, from a longer run perspective the state was unable or unwilling to fulfil its “historical task” of creating a socio-political environment for the development of a production-oriented business class and imposing capitalist norms and values in the place of clientelist relations.

The state’s combination of multiple logics which were individually flawed and mutually contradictory led to extreme misallocation of resources, and thus to economic decline. As Young puts it, “over time, the synthesis of colonial-integral-prebendal state logics was

[11] Ndulu & O’Connell focus on this aspect of the African state.

unsustainable. The state crisis first became visible about 1980, when the bankruptcy of economic policy became apparent."[12]

This analysis underlines the need for political reform, if economic reform is to be sustainable in the longer run. Business weakness gives the lie to the implicit assumption that simply changing the profitability calculus for business, via changes in the costs of capital and of transactions, will 'automatically' lead to a boost in investment rates. At the same time, efforts to improve governance must confront initial conditions in the form of the distinct 'state logics', which will be defended by those inside and outside the state who gain from the *status quo*.

The process of globalisation which has gathered pace during the 1990s, at the same time as the need for political reform became clear, has also made the task more difficult. Sub-Saharan Africa has *already* been marginalized from the process of globalisation, as neither foreign nor domestic investors show much interest. This is the region with the highest proportion of its wealth (39%) held offshore (by comparison, only 6% of wealth in East Asia is held offshore).[13] Successful development in the era of globalisation requires engagement, in the form of managed openness (see Box 2), but this seems unattainable for the typical weak sub-Saharan national state. If this cannot be achieved by individual states because they are too weak, it must be achieved by states acting collectively. But is this possible?

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[12] Young, page 239.
[13] Collier & Gunning (1999).

Box 2: Globalisation and the state

The impact of globalisation is contradictory: while it offers opportunities for growth, if countries are able to take advantage, its overall impact is extremely uneven within and between nations. Globalisation implies rising income inequalities within most countries, because it tends to raise the demand for relatively skilled groups in the national labour force, and reduce demand for relatively unskilled labour. Unskilled workers in industrial economies are increasingly being replaced by workers of equivalent skill in cheaper wage locations, who are themselves relatively *skilled* within their own societies. This increases inequality in both industrial and developing economies. By producing these shifts in labour demand and income distribution, globalisation contributes to *social exclusion*, the lack of access to autonomous livelihoods of a minimum socially acceptable standard.

It is often argued that globalisation renders the nation-state powerless, but governments *can* and *should* seek to influence the sequencing, speed and scope of the engagement of their economy, and collectively seek to shape the nature of globalisation as an ongoing historical process. Such government influence over globalisation can be labelled 'managed openness'.[14] In part this involves seeking to establish 'credibility' with financial investors to encourage capital inflows. But more importantly, the state must develop bargaining power with potential and actual foreign investors, as well as domestic investors who are becoming global. The state's role is to regulate not only the terms of entry and exit for capital but more importantly the activities of global capital within the national market, with the objective of achieving growth. Second, to take advantage of opportunities offered by globalisation, governments need to focus on human resource development, which can contribute directly to improved distributional equity and poverty alleviation. Further, to offset the domestic consequences of external shocks and increased macroeconomic volatility due to globalisation, societies need effective institutions of conflict management, including democratic and participatory public institutions, effective social safety nets, and more credible public institutions to protect property rights and investor confidence, and to enhance public service provision.[15] All of this suggests that managed openness is a long way from the standard 'free-market' vision of neo-liberalism. More importantly, it suggests that globalisation imposes severe demands on the nation-state, so that states which are already strong will do well and become stronger, whereas those that are weak might be unable to break into the 'virtuous circle' leading to a stronger state. Rather than rendering all national states 'powerless', globalisation is more likely to promote growing inequality amongst states.

The weak state has also undermined the many attempts at collective action amongst African countries since the 1960s, in large part because heads of state have refused to sacrifice any sovereignty. A typical example was the much-vaunted Lagos Plan of Action, proposed by the UN Economic Commission for Africa and adopted by the OAU in 1980. This plan was developed in the wake of concern over declining terms of trade for commodity exporters, and in the context of proposals for developing countries to establish a 'New International Economic Order' to break domination by 'the North'. The basic idea, as in most attempts to create economic communities within Africa, was to rely on export-led growth and specialisation, but in *African* markets rather than those of industrialised countries. As Richard Sandbrook drily comments, "Collective self-reliance was the goal … Unfortunately, however, the African

[14] Weiss (1999).
[15] Rodrik (1999).

governments who endorsed the Lagos Plan largely ignored their policy commitments in the 1980s."[16] We will return below to the issue of commitment to collective action, a key feature of the NEPAD.

Section 2: SA's 'national interest' in Africa: Early post-apartheid perspectives

This section outlines two alternative positions – a realist view and a moralist view – expressed by South African foreign policy analysts about the 'new' South Africa's approach to Africa, in debates during the first part of the 1990s.

(a) South Africa and Southern Africa during the apartheid era:

In the years before 1994, South Africa's foreign policy within Africa focussed primarily upon Southern Africa, and rested upon a combination of promoting economic interests, in the form of flows of South African exports and investments to the region, and military destabilisation as part of the aggressive defence of apartheid.[17]

The Southern African region had of course been interdependent for decades: from the earliest days of gold-mining on the Rand and the colonisation of other parts of the region, the region had been a critical supplier of labour to South Africa. In 1975, the region supplied nearly 238 000 (73.8%) of the more than 320 000 black mineworkers employed in the gold-mining industry in South Africa. Political shifts at that time led the South African Chamber of Mines to begin reducing its regional recruitment, and by 1980 the number of workers from outside South Africa had dropped from about 238 000 to about 183 000, which was still 44% of the total.[18] The gold-mining industry was of course not the only source of employment in South Africa for nationals of other countries in the region, but these numbers nonetheless give a sense of the degree of labour migration within the region.

A second index of regional interdependence is that regional road and rail transport networks focussed on South Africa, especially from the 1960s. Before then, primary exporters from the region used the shortest and most direct routes to the sea, so that Mozambican and Angolan ports were important for the landlocked countries of the region, in addition to ports in South Africa. From the mid- to late 1960s, political factors attenuated east-west transport linkages, so that South Africa came to dominate transport routes between the region and the international economy. The spread of anti-colonial struggles affected transport in particular, as road and rail links are especially vulnerable as military targets. International freight traffic developed much greater reliance on the north-south route through South Africa. The last two rows of Table 1

[16] Sandbrook (1993), page 136.
[17] See Southall (1999) and Davies & O'Meara (1985).
[18] Davies, Keet & Nkuhlu (1993), Table 10. Total employment in gold-mining grew from 322 000 in 1975 to 416 000 in 1980.

below illustrate that South Africa's transport networks carried a significantly larger share of regional traffic than the country's share of regional trade.

The substantial movement of people and goods across the region, as reflected in the above data, reflect a high degree of *social* integration across regional borders. This has in recent years contributed significantly to the 'negative spillovers' which have been important factors in shaping South African policy towards the region. For example, the movement of people and goods across the region was important in the spread of HIV across the region from the early-to-mid 1980s onward, in that prominent transmission mechanisms throughout the region were the migrant labour system and transport workers (especially truckers).[19] We will return to the issue of social problems as cross-border spillovers below.

During the 1960s and early 1970s, industrial growth in South Africa was accompanied by a regional export drive, including countries elsewhere in Africa prepared to trade with South Africa, such as Houphouet-Boigny's Ivory Coast. The political concomitant to the growth in trade was a policy of 'détente', an attempt to discourage Southern African states from supporting the South African and Zimbabwean liberation movements. This was shattered by South Africa's inability to install its UNITA client in power following its invasion of Angola in 1975, and a renewed détente effort in the context of the Zimbabwean settlement in 1979, foundered on the PF's overwhelming victory at the 1980 poll. The Southern African Development Coordination Conference (SADCC), forerunner of SADC, was formed in 1980 with the explicit aim of reducing regional dependence on South Africa, and increasing the latter's isolation. The main focus was developing transport and communications infrastructure networks which did not have South Africa as the hub.

But as the political pressure within South Africa increased during the early 1980s, the apartheid government developed a 'Total Strategy', which included an increasingly aggressive regional policy. Mozambique and Angola were pressured into signing peace agreements in 1984, but South African military action throughout the region, including into these countries, continued into the early 1990s, with an estimated $62 billion in damage over the period.[20]

(b) The realist perspective after 1994:

As the above description implies, South Africa's Africa policy prior to 1994 was almost a textbook example of the 'realist' paradigm in international relations, which asserts that states are essentially atomistic actors within international politics, pursuing their self-interest, defined as survival and the enhancement of their power, in a context of mutual competition and even hostility. This is a particularly narrow definition of 'interests', concerned with economic and military capability in the international arena, and eschewing the possibility of redistribution of gains resulting from co-operation or collaboration between strong and weak states. Of particular

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[19] Jochelson, Mothibeli & Leger (1991).
[20] R Davies, cited in Ahwireng-Obeng & McGowan (1998a).

relevance to the previous section's discussion is the view that interaction amongst states is seen as a zero-sum game, taking each state's capabilities and power as a 'given' at any point in time.

After 1994, the realist argument on South African policy towards the Southern African region was re-cast in line with the new political realities, but continued to focus narrowly on economic and political interests, or mercantilism. The core interest now (at least with regard to Africa) was the promotion of increased trade & investment flows from South Africa to SADC and the rest of Sub-Saharan Africa, with a view to enhancing domestic growth and employment creation.[21] As the then Director-General of the Department of Foreign Affairs put it in 1995, we need to "make a substantial contribution to our government's Reconstruction and Development Programme. By actively encouraging and assisting with trade promotion in the region, we are ensuring that new employment opportunities are created in South Africa. The latter objective is also being achieved by promoting and facilitating the active involvement of the South African private sector in development and construction projects in the region."[22]

At the time of its first democratic elections in 1994, South Africa was of course overwhelmingly dominant within the region. Table 1 gives some indication of its size relative to the SADC as a whole, and includes some data on transport networks to give an indication of the disparities in infrastructure. South Africa produces more than three-quarters of the total output (GDP), with less than one-third of the population. South Africa's GNP per capita was more than two-and-a-half times larger than that of SADC. However, its HDI (Human Development Index) was predictably much closer to that of other countries in SADC, indeed below that of the Indian Ocean islands of Mauritius and Seychelles.

Table 1: South Africa & SADC – Basic economic indicators[23]

1995 unless indicated	South Africa	SADC	SA % of SADC
Surface Area ('000 sq km)	1221	6932	18
Population (millions)	39	135	29
GNP ($bn)	125	165	76
GNP per capita ($)	3160	1225	258
GNP per capita (PPP $)	5030	2572	196
Exports ($bn)	27.9	40.3	69

[21] See for example, Mills (1997).
[22] Evans (1995).
[23] Gelb (1998).

Imports ($bn)	30.6	44.6	68
Road network (paved kms 1990)	51469	86000	60
Rail network (kms 1990)	23507	36000	65
Harbour traffic (mn tons 1991)	104.6	116	90
Rail freight (mn tons p.a., 1988-90)	183.4	214	86

Note: SADC refers to the 12 member countries of SADC prior to Seychelles and

the Democratic Republic of Congo joining in September 1997.

From the early 1990s, the trade and investment linkages between South Africa and the rest of the continent increased significantly, both in quantity and in scope, as African countries no longer worried about being seen to enforce economic sanctions against South Africa. South African manufactured good exports to Southern Africa grew by 15.4% *per annum* between 1992 and 1996 in US$ value terms, and those to the rest of Africa by a startling 24.2% per annum.[24] Exports of manufactures to the rest of Africa accounted for 26.3% of South Africa's total exports, a bigger share than any other region of the world. Two-thirds of these went to Southern Africa (excluding SACU), with Zimbabwe alone absorbing one-third of the total, and becoming South Africa's second biggest export destination in 1996. South African exporters' growing penetration of *non-SADC* markets in Africa is reflected in the fact that South Africa took over from the UK as Kenya's biggest source of imports in 1997. Needless to say, the growth in South African exports to African trading partners was not matched by an equivalent growth rate in South Africa's imports from Africa, leading to a rapid widening of the trade deficit with South Africa, for most countries. For example, Zimbabwe's deficit with South Africa widened from R3.25 bn in 1995, to R4.15 in 1996 to R4.48 in 1997. Outside of SADC, Kenya's deficit grew even more quickly, from R734 mn in 1995 to R1.5 bn in 1997.[25] Table 2 provides further details of South African trade with its SADC partners, and shows very clearly the trade balance favouring South Africa.

Table 2: Trade flows within SADC, 1997

	Imports from SADC as % of total imports	**Exports to SADC as % of total exports**	**Imports from SACU as % of total imports**	**Exports to SACU as % of total exports**
Angola	8.1	0.1	7.8	0.1

[24] Laubscher (1997). Note that the data for South Africa includes the BLNS countries (Botswana, Lesotho, Namibia & Swaziland) which are members with South Africa of the SACU (Southern African Customs Union). South Africa's share of total SACU exports is over 90%. Diamonds are excluded from this data.
[25] Bertelsmann (1999).

DRC	25.0	6.6	22.6	6.6
Malawi	63.9	18.0	46.3	14.8
Mauritius	9.7	2.0	9.3	0.6
Mozambique	55.3	22.0	47.2	12.4
Tanzania	8.1	7.0	6.5	1.4
Zambia	61.7	5.6	48.6	3.0
Zimbabwe	46.2	31.0	42.4	16.6

Source: IGD (2001), page 44. SACU includes SA and the BLNS countries.

South African business has also rapidly moved to position itself as producers of goods and services in a wide range of new markets in Africa, since the apartheid stigma disappeared. A listing of more than 150 projects initiated by South African firms in Africa after 1994 reveals a clear sectoral pattern, with projects in mining, finance, tourism and retail dominant. Only a dozen manufacturing projects were identified, of which about half were in brewing (a single company), and the rest mainly in agro-processing.[26] It is difficult to quantify precisely the capital flows from South Africa to the rest of the continent: while they have helped to finance the growing trade imbalances in the opposite direction, it is not clear whether they fill the gap completely. But notwithstanding the rapid growth of equity investment to Africa during the 1990s, the share of Africa in the total *stock* of South Africa's foreign direct investment was less than 5% at the end of 1999.[27]

(c) Is the realist position feasible?:

Is the growth of South African exports to Africa sustainable, or has it been a once-off increase related to the ending of apartheid? Can African markets be a key driver of growth in SA? The limited market size in Africa, and its relatively slow growth, would appear to suggest not, but South Africa still has a very small share of the total, notwithstanding the recent rapid increase in that share. Perhaps more important is the issue of spillovers from trade with Africa, into improved productivity in South African manufacturing. This is seen to be one of the major benefits from increased export activity, as firms' 'learning-by-exporting' feeds into higher overall efficiency, and improved growth performance. A recent study of South African exporting firms found that firms exporting to markets outside of Africa were significantly more efficient than both firms exporting to regional markets and non-exporters. There is no significant difference in efficiency level between the latter two groups of firms. This suggests that the regional market is

[26] Ahwireng-Obeng & McGowan (1998a), Table 7. the authors note that they compiled the list from press reports, which is a notoriously imprecise method for collecting FDI data – it is unclear whether these are projects which have actually been implemented, or merely proposed.
[27] The total stock of direct foreign investment assets was R203 billion, of which R9.9 billion was in Africa. SA Reserve Bank *Quarterly Bulletin*, September 2001. Africa's small share may in part be a consequence of the rand's depreciation against hard international currencies, but not against most other African currencies. US dollar data are not available, however.

seen by South African firms mainly as a 'vent for surplus', that is, an outlet for production which cannot be sold in the domestic market.[28] If this is indeed the case, the implications for export-led growth in South Africa via the African market are pessimistic.

One set of critics of the realist position has focussed not on the possible benefits for South Africa of increased trade and investment in the region, but rather on the possible costs for development efforts elsewhere in the Southern African region and on the continent.[29] The view of these analysts is that South Africa's size allows manufacturers to produce at a much higher level of efficiency than firms elsewhere in the region, while the 'natural' protection enjoyed by firms in many African economies, in the form of high transport costs which face imports, is much less substantial in the case of South African competitors. As a result, South African imports would destroy local manufacturing industry, and raise unemployment (though costs to local consumers would be lowered).

The counter to this argument is of course that increased growth in, and trade with, South Africa, would act as a growth 'engine' for the other countries in the region. Even if some sectors of manufacturing industry in these countries were not sufficiently competitive, overall growth would be possible in the context of increased regional integration, including South Africa. Thus the SADCC was transformed in 1992 into the Southern African Development Community (SADC), with its aims revised from reducing dependence on South Africa, to increasing ties with the latter. South Africa joined SADC in 1994. SADC was conceived not simply as a *trade* or market integration mechanism, but aimed at *development* integration.[30] In other words, its purpose was not simply the achievement of static efficiency gains via increased trade within the region, but dynamic efficiency gains through placing a priority on co-ordinated production and infrastructure development (as had the SADCC).

South Africa's entry into SADC was preceded by much debate within the country and the region about the respective merits of SADC versus the Southern African Customs Union (SACU) and the Preferential Trade Area for East and Southern Africa (PTA), which became the Common Market for East and Southern Africa (COMESA) at the end of 1994. SACU has a common external tariff and had been set up in 1910, and included South Africa and the BLS states, with Namibia joining on its independence in 1990. Its members also belong to the Common Monetary Area (CMA). COMESA was established in 1981 and aimed to achieve a common market amongst its members, which included most members of SADCC and later SADC. South Africa rejected the possibility of joining COMESA in 1994. In 1995, SADC banned dual membership, though several countries retain this status (including Zimbabwe, Zambia, Malawi).

Both SACU and the CMA are of course overwhelmingly dominated by South Africa. There was a strong view within South Africa before 1994 that, because SACU was the most effective regional organisation and integration amongst its members had proceeded furthest, the country

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[28] Rankin (2001). The paper uses survey data from 1999. Note that Tsikata (1999, page 16) concludes that the vent for surplus argument does not hold for South African exports as a whole – she does not however, disaggregate exports to Africa from those going elsewhere.
[29] Ahwireng-Obeng & McGowan (1998b).
[30] Davies (1998), Mittelman (1999).

should not join other integration groupings, but rather gradually extend SACU further into the region. This very narrowly self-interested view had little chance of winning the debate, as *realpolitik* considerations within Southern Africa gave the new government in South Africa little choice but to engage with SADC, given the latter's own history and that of its members in the context of the anti-apartheid struggle.

Engagement with SADC has not answered the questions posed either by the advocates or the critics of the realist approach to South African policy in the region. While the latter worried that South Africa would gain an excessive share in the distribution of benefits from integration – that South Africa would act as a 'hegemon' rather than a partner, as Ahwireng and McGowan (1998, a & b) put it, in one of the clearest articulations of this position – the expected benefits have been very slow to materialise. One of the concerns of the critics, including many in the region itself, has been the expected difficulties of exports from the region in gaining access to the South African market. This is based on a widespread perception that whereas the countries of Southern Africa has been forced to liberalise their trade regimes under pressure of structural adjustment programmes tied to loans from the International Financial Institutions, South Africa had maintained a protectionist regime which would discriminate against regional imports. While this may have been true in the early 1990s, in fact South Africa is now amongst the more significant trade reformers within SADC.[31] Nonetheless, in 1996, SADC agreed upon a 'Free Trade Protocol' which established a process for the negotiation of a free trade regime in the region in the context of a series of 'rounds' over an eight-year period. This essentially conformed with South Africa's view on how best to achieve the asymmetrical arrangement required to open South Africa's markets to the region. However, ratification of the Protocol was delayed, partly (but not only) by South Africa's negotiation of the Trade, Development and Co-operation Agreement with the EU, which of course took account of South Africa's involvement in SADC. It must also be noted that the potential growth benefits for the countries of the region emerging from increased market integration may well be less than often assumed – intra-SADC trade amounts to only 13% of total SADC exports, which is well below the corresponding figures for either the MERCOSUR bloc in Latin America (18%) or the European Commission (33% at inception).[32]

Notwithstanding the (slow) progress towards a SADC FTA, it is hard not to reach the conclusion that the South African government does not see SADC (*qua* institution) as the primary vehicle of its regional agenda.[33] South African officials have frequently expressed frustration with not only bureaucratic delays and inefficiencies experienced within the SADC administration, but also with the lack of commitment to *implementation* of multilateral agreements reached within SADC, including (but not only) the Free Trade Protocol.[34] Partly in response to these issues, a review of SADC was initiated in 1999, which recommended a number of organisational changes which are now underway, including the consolidation of the previously decentralised secretariat functions. However, it is not self-evident that this will resolve the problems: as discussed earlier, the lack of *de facto* commitment has plagued all efforts to achieve collective action amongst African states, and is related to the implicit rules of such collective action on the continent, in particular the protection of sovereignty at all costs. This problem is also perhaps the underlying

[31] Lewis (2001a)
[32] Lewis (2001b), page 51.
[33] This has been noted by outsiders also: see unnamed European Commission official cited by Mills (2001, page 57): "South Africa gives the impression it is paying lip service to the region. There is the sense that South Africa is not particularly constructive in Southern Africa."
[34] Although in this case, South Africa was itself slow to ratify.

source of another difficulty for South Africa – its inability to influence the SADC Security Organ, which has been under the control of Zimbabwe.

Thus it is not surprising that South Africa has engaged in a process parallel to the multilateral SADC policy and treaty exercises, of developing *projects* on a bilateral basis with its neighbours. These include the Spatial Development Initiatives, or SDIs, of which the best-known is the Maputo Corridor. The anchor project of the Maputo Corridor is the Mozal aluminium plant n Maputo, which like the corridor itself is a joint South Africa-Mozambique initiative.[35] These are intended to embody a regional industrial strategy aimed at incorporating South Africa with the region into global production networks. At the same time, focussed project-based interventions are seen to overcome the limits on governments' capacity and commitment (including that of South Africa), through more focussed inter-governmental co-operation processes than is possible in the context of broad multilateral agreements. Although this approach reflects the pursuit of South Africa's economic interests, and thus may be understood as fitting into a realist paradigm, it points the way well beyond realism in its concern with both the *internal* organisation and capacities of the states in the region, and with achieving a *positive-sum* outcome to the interaction.

(d) <u>The idealist perspective after 1994</u>:

The realist approach was one of two dominant views put forward in debates during the first half of the 1990s about the "new South Africa's" foreign policy. The second view was a 'moral' vision rooted in South Africa's liberation tradition and its success in achieving democracy in South Africa in 1994. The ANC's struggle for liberation had not only received financial and logistical support over more than three decades from a wide range of countries both in Africa and elsewhere, but a key front in its struggle, in which it had achieved considerable success, was the demand for countries to impose official sanctions against South Africa, on the *moral* ground that apartheid was a crime against humanity.

After 1994, within the ANC as political party, there was a strong view "favouring a visionary and principled foreign policy through which the ANC would apply its human rights and state morality traditions".[36] One strand within this foreign policy approach emphasised the debt owed by South Africa to the rest of Africa for the support provided to the liberation struggle. Some interpreted this debt in nakedly financial terms, that is, that South Africa could be expected to shoulder a disproportionately large share of the financial burden of African multilateral organisations.[37] But the more common understanding of the 'debt' was, as discussed in the previous section, that South Africa should adopt a stance of 'partnership' (rather than 'selfish hegemon) towards its economic relations with other African countries, to ensure that a disproportionate share of the benefits flowed to the region rather than to itself.

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[35] Gelb (1998).
[36] Daniel (1995), page 34.
[37] See Black & Swatuk (1997), page 232-33.

The second strand within the approach was based more directly on the positions the ANC had espoused in opposing apartheid, and which it had supported in other international fora during its years as an exile movement. In other words, it represented a direct continuation of the ANC's foreign policy while it was a liberation movement. In 1994, the ANC Conference emphasised as the central goals for foreign policy the promotion of human rights and democracy, a commitment to development in Africa, and a just world order.

Both dimensions – economic and political – found strong echoes in the positions espoused by policy analysts on the left as well as trade unions, social movements and NGOs.[38] In 1997, the foreign policy discussion paper at the ANC's conference re-affirmed these commitments, arguing that they were "an essential part of defining the national interest."[39] But the party was also frank in admitting that it was experiencing great difficulty in articulating these principles as implementable policies and government interactions with other countries. Government had been forced to confront this difficulty directly in 1995 in the case of the execution by the Nigerian military government of the activist, Ken Saro-Wiwa. In this case, President Mandela's direct public criticism of the Nigerian government at a Commonwealth meeting failed to win much support from other countries. The difficulty had already been identified in late 1996 by the Deputy Minister of Foreign Affairs, Aziz Pahad: "How do we get human rights enforced and implemented in the international environment?...There must be interaction between theory and practice."[40] It was becoming clear to ANC foreign policymakers that criticising human rights violations in isolation from the actual use of foreign policy instruments would have very little effect on the perpetrators, but that the use of foreign policy instruments rested in the end on whether or not 'interests' (material economic or political outcomes) were at stake. Thus Raymond Suttner, at the time the chair of the Parliamentary Portfolio Committee on Foreign Affairs, argues that increasing distance – he meant physical distance, though he might well have added economic or political – reduces a country's leverage.

It is surprising that Suttner (and the ANC) does not identify as an appropriate foreign policy measure, the provision of support for human rights groups and other oppositional actors *within* societies whose governments are undemocratic and/or human rights violators. After all, this was one of the key means through which foreign governments (especially in the West) gave support (financial, political and technical) to the anti-apartheid struggle, not just to the ANC itself but also to the myriad organisations of civil society which emerged within South Africa during the 1970s and 1980s. This omission suggests an acceptance, at least implicitly, of the legitimacy of the Head of State and his sovereignty, which as we saw above is also a key 'rule' within the OAU. This impression is reinforced by the support for 'a just world order', one of the foreign policy goals endorsed by the ANC in 1994. This should be interpreted as a call for equity *amongst nations* in the wider international arena, rather than any more far-reaching restructuring of power, including power within nations, and similarly implies an acceptance of legitimacy of the Head of State.

Section 3: South Africa's national interest in Africa – towards a synthesis

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[38] See FGD(1996).
[39] ANC (1997).
[40] Cited in Mills (1997), page 4. See also Suttner (1996).

(a) Globalisation, spillovers and public goods:

The debate between the ‘realist’ and ‘moralist’ approaches which characterised foreign policy debates during the early post-apartheid years reflected a somewhat sterile dichotomy. The realist view was unconcerned with what we have identified as possibly the key blockage to growth in Africa, that is, the weak state, while the moralists were unable to provide a vision which could be sustainably implemented. Both approaches assumed a leadership role for South Africa in the region, but on very different premises. In the former, South Africa’s leadership role was based entirely on structural issues, that is, the country’s economic dominance within the region, while in the latter approach, structure was assumed not to place any constraints upon what was seen as a voluntary choice by the country’s political leadership. Neither approach, as outlined, offered very much to enable a way forward and this was reflected in a lack of coherence in the country’s foreign policy.[41]

To overcome this dichotomy, we need first to locate the discussion of South African foreign policy in the broader international context of globalisation. Globalisation was surprisingly not a very prominent concern in the early foreign policy debate, but it was explicitly identified as a central issue by the ANC in its 1997 Discussion Document. This document argues that globalisation is “at the heart of international relations today….[and] undermines [the] national sovereignty of countries, even more so in the developing world….[However] within this international reality there are opportunities that need to be creatively used.”[42] This formulation is correct in understanding globalisation to be a contradictory, two-sided process: while it offers opportunities for growth, its overall impact is extremely uneven both within and between nations. Nonetheless, governments can and should seek to influence the sequencing, speed and scope of their own engagement with globalisation: it is not a question of unavoidable capitulation to a monolithic process, as is commonly argued. But in seeking to influence their engagement with globalisation, to ‘manage their openness’, governments need to move beyond conceptions of the atomistic nation-state and zero-sum sovereignty, and recognise their interdependency and their need to co-operate and collaborate with each other in a growing range of areas and issues. To understand the reasons for this, we need to examine the concepts of *cross-border* spillovers, or externalities, and *cross-border* public goods.

Globalisation has increased the prevalence of a wide range of cross-border spillovers, both positive and negative. With increased openness has come greater interdependence amongst states as well as greater systemic risk, demanding more co-operation and collective action *amongst nations* in relation to policy issues to internalise the externalities, both combating cross-border public ‘bads’ as well as producing cross- border public goods.[43] In the case of cross-border public goods (whether global or regional), there is an additional issue to free-riding. Paradoxically the provision of cross-border public goods must start at the national level.[44] For example, international financial regulation or international disease surveillance require well-functioning national policies and systems across all countries if they are to be effective. As a result, cross-border public goods will not be created without *leadership* from one or more nation-states.

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[41] This is disarmingly admitted by Nkuhlu (1995).
[42] ANC (1997), page 5.
[43] Kaul, Grunberg & Stern (1999).
[44] Kaul, Grunberg & Stern (1999), page 469.

Box 3: Externalities, spillovers and public goods

Externalities arise when the action of one agent affects the welfare of another agent, and no means of compensation exists. In other words, some of the benefits, or costs, of the action are *external* to the actor, and spill over into the public arena, to be borne by other agents. An example of a cross-border externality is production activity in one country which results in pollution from acid rain in the neighbouring country.

Public goods are goods which have the characteristics of non-rivalry and non-excludability. By non-rivalry is meant that a unit of the good can be consumed without affecting the possibility of others consuming the *same* unit. For example, national defence is non-rivalrous, but an apple is rivalrous. Eating an apple means nobody else can eat that particular apple, but everybody in the society is defended by the national military. By non-excludability is meant that the benefits of a good cannot be withheld from some consumers except at prohibitive cost. Once again, national defence is non-excludable (it would be very difficult to exclude some members of society for the military's defence), but an apple is excludable, since some members of society can be prevented from eating it.

Pure public goods have both characteristics of non-rivalry and non-excludability, whereas impure public goods have one or the other characteristic, but not both. A club or network is an example of an impure public good. For example, many members of a golf club can use the course at the same time (it is non-rivalrous), but non-members can be barred (it is excludable). Common-pool resources, such as the stock of fish in the ocean, are non-excludable but rivalrous, and hence are also impure public goods. It is important to emphasise that just as spillovers or externalities can be negative as well as positive (pollution), so it is also necessary to consider 'public bads' as well as public goods.

Public goods and externalities constrain actors' choices and create interdependencies amongst them. If they do not recognise their interdependence and co-ordinate their actions to reflect the group's interests, the level of provision of the good will be sub-optimal.[45] A major difficulty in the provision of public goods is free riding, or the attempt to enjoy the benefits of the public good without contributing to its provision. This of course reduces the net benefits, and leads to the undersupply of the public good.

I turn now to look at two types of spillover, one regional and the other global, which impact upon South Africa and provide it with incentives to address its interdependencies with other African states through collective action. As we will see, focussing on spillovers allows us to go beyond the limits of *both* the realist and the moralist approaches to foreign policy discussed above, in that they underline the need for South Africa to promote good political governance and good economic governance, in order to improve the environment for the achievement of the country's

[45] Sandler (1992) provides helpful definitions and analysis of these concepts.

specific economic interests, that is, increased trade and investment flows, improved growth and employment creation.

(b) South Africa and regional spillovers:

The first type of cross-border spillover affecting South Africa is regional. This is the recognition that poor governance across sub-Saharan Africa (both political and economic) creates negative perceptions for investors – foreign and domestic, portfolio and direct – which directly affects investment levels throughout the region, including in South Africa. As Paul Collier and Jan Willem Gunning have pointed out, "investment rating services list Africa as the riskiest region in the world. Indeed there is some evidence that Africa [that is, sub-Saharan Africa] suffers from being perceived by investors as a 'bad neighbourhood'. … Africa as a whole is rated as significantly more risky than is warranted by these [economic] fundamentals. Similarly, private investment appears to be significantly lower in Africa than is explicable in terms of economic fundamentals. 'Africa' thus seems to be treated as a meaningful category by investors."[46] Cross-country studies of economic growth have also invariably produced a significant "Africa dummy", that is, the dummy variable indicating whether or not a country is in Africa is significantly associated with lower growth rates of GDP. A careful empirical analysis of the underlying causes of this result shows that the 'Africa dummy' is linked to the nature of the African state, and in particular to the fact that the African state is an amalgam of contradictory state forms, as discussed in Section 1. This leads "African elites to opt for neo-patrimonial rather than developmental policies".[47]

In sum, poor governance in Africa is a *regional* public bad: Africa is treated by investors as a single entity, and furthermore an entity in which poor governance leads to lower growth. Notwithstanding the evidence that the South African state has some clear dissimilarities from other states in Africa, South Africa's growth and investment performance *is* affected by the "Africa dummy" also. One example of this was the Rand crisis in the early months of 1996, in which the standard herd behaviour of foreign portfolio investors selling the local currency was precipitated by unfounded rumours of then-President Mandela being ill, the implicit assumption being that fragile political stability depended entirely upon a single individual. This currency crisis led to the South African government adopting its GEAR policy, which closely reflects international orthodoxy and with which there has been some success in achieving key targets for government policy instruments, most notably the fiscal deficit. Nonetheless, this has not led to a permanent shift in investor perceptions and immunity to capital account shocks.[48]

But there are other indications as well that South Africa is not seen as distinct from the rest of Africa by investors. Net foreign direct investment inflows to South Africa since the onset of democracy have been very small, in comparison with most other emerging market economies. Although South Africa received nearly two-fifths of all FDI flows into Africa in the second half of the 1990s, sub-Saharan Africa as a whole received just over 3% of the total for low and middle-income countries during the 1990s. South Africa's annual average inflow of FDI between 1993 and 1998 amounted to 1% of GDP (and only 6% of gross domestic fixed investment), as compared with Malaysia's 7% of GDP (and 24% of GDFI), Chile 4% (17% of GDFI), Czech

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46 Collier & Gunning (1999), page 20. See also Collier & Pattillo (1999).
47 Englebert (2000).
48 See Gelb (1999).

Republic 3% (9%), and Brazil 2% (7%). South Africa's performance was on a par with Egypt and Korea (where FDI was discouraged).[49]

In addition, there is considerable evidence from firm surveys within South Africa that domestic (fixed) investors see governance as a key issue discouraging them from committing long-term funds to expanding productive capacity. In the 1999 National Enterprise Survey carried out for the South African government, a set of socio-political factors, including crime and other social issues, tax policy, and unpredictable economic policy, was clearly identified as the dominant group of factors shaping firms' views of the obstacles to investment, playing a more significant role in this respect than macroeconomic concerns, whether inadequate demand or high interest rates.[50] Although the survey did not ask firms specifically for their views on other parts of Africa, what is significant is the emphasis on issues related to governance in the context of very poor investment rates in South Africa.

This creates an interest for South Africa to address the "Africa dummy", that is, to attempt to create a situation in which governance improves sufficiently, in a sufficient number of African countries, to enable (encourage?) investors to make distinctions amongst African states in relation to the assessment of risk. As discussed further below, the need for leadership in the provision of regional public goods also provides a rationale for South African leadership. Such leadership is made possible by the country's economic and financial power and its democratic status, but leadership requires additional qualities to simply being the biggest or the best player on the team.[51] It must also be emphasised that by addressing governance with the intention of reducing these spillovers, a more favourable environment can be created in other African countries for the pursuit of the more narrowly mercantilist interests emphasised by the realist approach - trade and investment flows between South Africa and the rest of Africa. Just as important in the short- to medium-term is that improved governance in other African states can help to alleviate some of the social spillovers from the region which affect South Africa – inward flows of refugees in search of survival and illegal immigrants in search of employment, and transmission in both directions of disease and criminal activity (especially narcotics and stolen vehicles). Since these are problems that are of concern not just to South Africa, but to the global community, this leads us to the second type of spillover.

(c) South Africa and global spillovers:

A second set of spillovers can also be identified, which affect not only South Africa but also the industrialised countries, or 'the North'. These are global in the sense that they impact upon more than a single region of the world economy. They include the impact of currency and financial crises in one group of countries on other countries through contagion effects, as well as socio-economic issues such as the spread of disease, environmental degradation, or crime, including international terrorism.

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[49] Cited in Hawkins & Lockwood (2000). Although these data take account of FDI *outflows* from South Africa (mainly elsewhere in Africa), this would not have greatly changed the data cited.
[50] See Gelb (2001b).
[51] As illustrated by the contrasting success of Mike Brearley and Ian Botham as captain of the England cricket team.

The increased openness of South Africa's capital markets after 1994 lay behind currency crises in 1996 and 1998. Most exchange control regulations were abolished, the banking system opened to foreign competition, and financial flows between South Africa and international financial markets rose rapidly as South Africa became a favoured 'emerging market' for institutional investors abroad. Gross foreigners were more than one third of trades (by value) on the Johannesburg Stock Exchange. Gross daily turnover on the South African foreign exchange market more than doubled from 1993 to early 1998.By mid-1998, South Africa's economic policymakers were congratulating themselves on having escaped the impact of the Asian crisis, when capital flows suddenly reversed from an inflow of R16 billion during the first 4 months of that year to an outflow of R7 billion during the next two months. This represented a shift from an inflow of about 0.5% GDP per month, to about the same proportion flowing out. The Rand dropped by an average of 16% against major currencies between May and August and average share prices on the Johannesburg Stock Exchange fell by 33%. As policymakers pointed out, these shifts did not result from policy or economic weaknesses within South Africa. The financial crisis was simply the spillover from the Asian crisis starting several months earlier.

South Africa was of course just one in a fairly long line of developing and transitional countries affected by financial contagion in the course of the Asian crisis, and it was recognised that there was a serious *systemic* risk in international financial markets. Governments around the world, not just in the affected countries, recognised their interdependency, and began to discuss the need for, and modalities of, improved global governance of the world's financial system, with the aim of improving global economic stability and mitigating the volatility of international financial flows. As a country directly affected, it was natural for South Africa to become increasingly involved in these debates, to help prevent further economic destabilisation. But together with debates about other aspects of global economic governance in which South Africa has also been an active participant, for example, reform of the World Bank and IMF and discussions about a new round of trade negotiations in the WTO, they also provided an opportunity to pursue the avowed foreign policy objective of promoting equity and democracy *amongst nations* within the international system. In other words, the response to the spillovers overcomes again the realist-moralist dichotomy.

Identifying itself as part of 'the South' in these global debates, South Africa takes the view that substantial changes are needed in the global system to protect developing nations, and to promote both substantive and procedural equity amongst nations. South Africa therefore takes an adversarial position vis-à-vis the developed countries of 'the North', advocating a rules-based approach to global governance, arguing that this allows developing countries a greater degree of protection and manoeuvre in the context of a highly unequal distribution of power.[52] South Africa has adhered to this rules-based approach in the WTO, even in the face of opposition from other African countries.[53]

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[52] This has been the core of South Africa's approach in the WTO. See Keet (2001). Interestingly, very similar arguments about the protection offered by rules were made in the early 1980s by those trade unionists in South Africa who supported entry into the nascent legal labour relations structures, in opposition to those who argued that the latter were merely a 'trap' set by the apartheid government.

[53] Keet (2001).

Connected to the insistence on rules for negotiation and dispute settlement, South Africa also strongly supports multilateral action and the role of multilateral institutions. This was an early lesson for the new government out of its failure to have any impact in the case of the Nigerian military government's execution of the activist Ken Saro-Wiwa. As the ANC put it in 1997, this issue "highlighted the potential limits of our influence if we act as an individual country. …and the need to act in concert with others and to forge strategic alliances in pursuit of foreign policy objectives. The search for such alliances needs to take place in part within existing multilateral institutions and forums."[54] Collective action via multilateralism enables not only more effective action in instances like the Saro Wiwa case, but also the redressing of power imbalances, and is therefore common amongst middle-level powers.

South Africa's approach within the North-South debates can be characterised as 'reformist'. Reflected in its support for rules-based approaches and for multilateralism, the country's adversarial stance towards 'the North' is located *within* the parameters of the overall global system: the government clearly shares many assumptions with the major powers concerning the need for systemic order and the obligations and responsibilities of national governments within the system. These shared assumptions provide the underpinning for South Africa's self-conceptualisation of its role as a 'bridge' between North and South. This role had already been articulated in March 1995 by the then-Minister of Foreign Affairs, Alfred Nzo,[55] and can be seen as an expression of South Africa's national interest in improved global governance, and in securing a more prominent role for South Africa in this process (for example, by obtaining a permanent seat in the UN Security Council).

What bearing does this have on South Africa's policy towards Africa? To understand this, we need to take account of the impact on both South Africa and 'the North' of global spillovers arising from the unequal impact of globalisation across countries. One clear example of increasing interdependence amongst nations is in the area of health, where recent experience has shown that even within 'the North' it is extremely difficult to contain the spread of disease. Disease outbreaks in poor nations thus have to be seen as not just national or even regional in scope, but as posing potentially grave *global* risks. In this respect the establishment and maintenance of health systems, including disease surveillance, represents a global public good.[56] Poverty and inequality elsewhere also have effects on industrialised countries. In part this is through the impact on their domestic politics, where leaders who actively promote globalisation have been under attack from an increasingly vocal domestic political constituency which deplores the unequalising impact of globalisation. But poverty and inequality also raise the difficulties facing poor countries' participation in the provision of global public goods, whether it be improved health systems at the national level or economic governance mechanisms such as the WTO. As Mohan Rao has argued, "equity and justice promote co-operative behaviour, itself needed for the provision of public goods….This is the pervasive instrumental aspect of equity in a global public goods context."[57]

Improving governance in Africa is a pre-requisite for addressing poverty and disease in the continent. Without improvements in public expenditure management, in public service planning

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[54] ANC (1997), page 2. See also Pityana (2000).
[55] Nzo (1995), page 97.
[56] Zacher (1999).
[57] Rao (1999), page 70.

and policy implementation, in controls over corruption and fraud, and other aspects of governance, it seems unlikely that effective health or education systems, or improved infrastructure networks and services, can be constructed and maintained. Thus, at least implicitly, better governance in Africa has been identified as a *global* public good. For related reasons, the firmer incorporation of Africa into the global economy and *its* governance has also come to be seen as a global public good. Hence the much higher priority placed on Africa by the industrialised nations, as noted in the introduction.

In its efforts to address these issues, 'the North' seeks leadership within Africa with whom it can engage. Indeed, one impulse for the process which led eventually to the NEPAD was 'the North's' demand (the word is used advisedly) for interaction with African leaders (as well as others from 'the South') in the context of the annual G7 meetings, as well as other multilateral fora. South Africa is an obvious candidate, not only because of its relatively strong democratic credentials, and its natural constituency in Africa. From a South African perspective, these interactions support its promotion of its role within the global governance debates, underlining South Africa's interest in promoting Africa higher up the global agenda, and in emphasising issues of governance across the continent.[58] This perspective on global spillovers reinforces the argument already made concerning the regional public goods dimension: these considerations help to shape South Africa's policy towards Africa, underlining its national interest in promoting better governance across the continent.

(d) Spillovers and South Africa's foreign policy:

In sum, in the context of globalisation and the cross-border spillovers and externalities which are associated with it, South Africa's key 'national interest' in Africa lies in promoting improved governance as a basis for development, that is, strengthening the state. This will not only advance the interests of specific groups within South Africa which participate in economic relations with other parts of Africa, but also serve the objectives of broader South African society, in mitigating a major obstacle to investment and growth in the economy, and in promoting South Africa's role in international affairs.

Greater emphasis on these spillovers has helped to introduce increasing coherence into South Africa's foreign policy towards Africa since 1997 (when then-Deputy President Mbeki began to articulate his vision of an African Renaissance). An early indication of this was then-President Mandela's speech to the SADC Summit in Blantyre, Malawi in September 1997, in which he identified both the critical importance of improved governance, and the manner in which absolute respect for sovereignty hampers efforts at the international to achieve this. His statement is worth quoting at length, because it was addressed directly to an audience of African Heads of State, and because it reflects that the commitment to these concerns goes beyond the specific agenda of one or other national leader, but is deeply rooted in South African government thinking:

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[58] In this context, as part of its role as 'South' representative, South Africa will link to all of Africa, including North African countries, rather than simply to sub-Saharan Africa.

> Our dream of Africa's rebirth as we enter the new millennium depends as much as anything on each country and each regional grouping on the continent committing itself to the principles of democracy, respect for human rights and the basic tenets of good governance….Amongst SADC's basic principles are respect for the sovereignty of member states and non-interference in one another's internal affairs. This is the basis of good governance on the inter-state level. But these considerations cannot blunt or totally override our common concern for democracy, human rights and good governance in all of our constituent states. At some point therefore, we as a regional organisation must reflect on how far we support the democratic process and respect for human rights. Can we continue to give comfort to member states whose actions go so diametrically against the values and principles we hold so dear and for which we struggled so long and so hard?[59]

South Africa is able to assume a leadership role in Africa which does not require it either to act as pure hegemon, on the basis of self-interest alone, nor to be "unbearably preachy" in making purely moral appeals, as one commentator recently characterised the country's stance.[60] Instead, South Africa's leadership can focus on enabling collective action and achieving common goals. Such leadership will require both criticism, as voiced by former President Mandela, as well as support and encouragement, as provided in the peace negotiations and reconstruction efforts in Rwanda and currently in Burundi. In these situations, South Africa is playing an important role in keeping hostile factions inside the process, as well as in providing credibility and assurance to donors from 'the North' wishing to assist the process with financial resources.

Section 4: The New Partnership for Africa's Development (NEPAD) – Promoting governance as a priority

Given South Africa's national interest in Africa as outlined above, it is not surprising that South Africa has been the most active promoter of the New Partnership for Africa's Development (NEPAD), to which we now turn. The NEPAD is an attempt to embody, in a coherent programmatic framework, the considerations addressed thus far in this paper: the need for collective action by weak African states to address development on the continent, in the context of the challenge of globalisation and the regional and global spillovers resulting from the *lack* of development.

(a) Priorities within the NEPAD:

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[59] Mandela (1997). Then-Deputy President Mbeki raised most of the same themes in an April 1997 speech to the Corporate Council on Africa, a US business group. See Mbeki (1997).
[60] Mills (2001), page 6.

The overall structure of the NEPAD is illustrated in Box 1 below.[61] Three groups of issues are identified, and the relationship amongst them is important. Governance issues are given top billing as "*Pre*-conditions for development", together with regional cooperation and integration, the first of which (ie. cooperation) at least is seen to be necessary to address the governance problems. South Africa insisted on these issues remaining as the primary focus, resisting substantial pressure to 'demote' them down the list from some of its African partners in sponsoring the Initiative.[62] Progress in the second group, "Priority sectors", will depend on prior and accompanying improvements in governance and/or regional collaboration. For example, to enhance the provision of infrastructure will require substantial improvements in the various regulatory frameworks which are themselves an aspect of economic governance, but which, given limited capacity, are only likely to be achieved via regional co-operation.

Within these priority sectors, a number of compromises had to be made in the identification and ordering of the issues, as the trade-off for retaining the primary focus on the issues of governance. But South Africa's own priorities in this second category are communicable diseases (within the human development issue), information and communication technology and energy (within the infrastructure issue) and improved market access for African exports to developed country markets.

Provision of financial resources will in the first instance have to come from ODA and debt relief, and an important premise of the NEPAD is that the resource flows of these types will increase, in line with governance improvements by African countries. Greater access to industrialised countries' markets for African exports will of course also provide additional resources for investment in domestic programmes. But as success is achieved in improving governance and in the 'priority sectors' (most particularly, infrastructure, including ICT, and human development, especially health), risk premia and the costs of doing business in Africa should fall, so that domestic private savings and capital inflows are expected to rise over the longer term.

<u>Box 4</u>: The structure of the NEPAD strategy

A. Preconditions for development:

1. Peace, security, democracy and political governance
2. Economic and corporate governance, with a focus on public finance management
3. Regional cooperation and integration

B. Priority sectors:

1. Infrastructure
2. Information and communications technology
3. Human development, with a focus on health and education and skills development

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[61] It is well-known that the NAI (now the NEPAD) was the outcome of a "merger" between the original MAP project and the OMEGA plan sponsored by President Abdoulaye Wade of Senegal. The box contains the structure agreed upon in the course of the merger, in which the overall prioritisation of the MAP was preserved, though some compromise was necessary. As is the case with all mergers, the final outcome will only become evident quite a long time after the initial agreement. I am assuming here that this broad intent will remain intact. Clearly, the views expressed throughout this section, regarding priorities and necessary steps within the NEPAD, are the author's personal positions.

[62] Author's own experience.

4. Agriculture
5. Promoting diversification of production and exports, with a focus on market access for African exports to industrialised countries

C. Mobilising resources:
1. Increasing savings and capital inflows via further debt relief, increased ODA flows and private capital, as well as better management of public revenue and expenditure

(b) The NEPAD as a club:

The implicit idea behind the NEPAD is the formation of a 'club' of African Heads of State which will collectively undertake to improve governance amongst themselves, by engaging in both joint and individual actions. Even though 'the North' contributed to the political momentum towards its construction, the formulation of the NEPAD rested on the leadership of a small group of African Heads of State. If it is to succeed, it will have to be implemented by a similar small group.

The benefits of being a member of the club are intended to be not only the direct effect of improved governance in one's own country, but also the positive spillover from improved governance in the other members of the club. Thus, *if it succeeds*, the club will act as a signalling device to investors (including providers of ODA) to attach a lower risk premium to members. In other words, the club is intended to eliminate the 'Africa dummy', at least for its members, by compensating for the latter's weak state power.

The essential features of a club are that membership is voluntary, and that the benefits deriving from membership are non-rivalrous but *excludable*, that is, all members obtain benefits, but members, or potential members, can be barred from sharing the benefits. Since everybody will want to join, unless there is excludability free-riding leads to the potential benefits being overwhelmed and results in under-supply, that is, the club simply is not formed. The only way to enable excludability is to impose payment – there must be an entry fee to join the club (as well as regular subscription renewal fees).

In the case of the NEPAD club, the entry fee must be willingness to commit to the underlying principles, that is, improved governance, as well as willingness to adhere to the club rules, that is, to participate in the club's monitoring and assessment process and the imposition of penalties if commitments are not met. Penalties could include warnings followed by possible suspension or even expulsion: excludability must be credible if the club is to be a meaningful entity.

In principle, the NEPAD club will require members to commit to the agreed codes of good practice in relation to political and economic governance issues, and to associated monitoring and assessment processes.[63] Implicit in these codes of good practice is a *path* to best practice, with milestones along the way. Since potential member states in Africa will start from different points along this path to best practice, *all* potential members can (and must) make commitments to move forward along the path, towards best practice.

The role of the individual Heads of State within the NEPAD is crucial, as only Heads of State have the (potential) authority to enable effective participation in efforts to improve governance (and to meet other NEPAD objectives) by ministers and officials within their administrations. It is not certain of course that ministers or officials will indeed comply with instructions from their Head of State, but the prospects are at least higher when the instructions come from the top.

The Committee of Heads of State which will lead the NEPAD has the crucial role of managing compliance by states with their commitments, and deciding upon penalties in cases of non-compliance. The NEPAD explicitly includes suggestions for independent assessment of performance in relation to commitments, but in the end, it must be the Heads of State Committee which evaluates the assessment and determines the appropriate course of action.

Effective penalties *must* involve the reduction of resource provision to non-compliers, which will in turn require the donor community in 'the North' themselves to commit to restructure their aid relationship with Africa.[64] For the donor community, the improvement in governance has become an important focus, not least because such features of the latter as improvements in public expenditure management, lower corruption and enhanced protection of property facilitates their demonstrating to their own domestic constituencies that their aid resources have been used effectively in combating social problems such as inequality, poverty and disease. The delicate balance of penalties and incentives in the form of more focussed and larger flows of resources from the donor community is an essential dimension of the NEPAD's structure.

As already noted, creating cross-border public goods requires leadership from nation-states. But where the cross-border public good to be created is improved governance, and this requires demands to be made at the national level upon the weak states in Africa, it places an additional premium upon the quality of leadership of the process. As illustrated by the quote from former President Mandela above, some African leaders are willing to pose the difficult questions.

The issue of compliance, and appropriate incentives to encourage it, follows from excludability. This is the critical difference between a club of states, such as is being proposed in the NEPAD, on the one hand, and discussion fora, such as the OAU, or lobby groups, such as the G77, on the other. In these latter structures, the collective has no rights vis-à-vis the members, who retain their sovereignty relative to the group. Indeed, in the case of the OAU, protection of sovereignty appears to be one of the major objectives of the group. The NEPAD clearly implies

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[63] See A New African Initiative, Paragraphs 54.1, 54.2.
[64] See New African Initiative, paragraph 54.7 (ii).

some ceding of sovereignty by Heads of State in Africa to the 'club' or collectivity of Heads of State.

(c) Leadership and sovereignty within the NEPAD:

It is important to repeat that *effective* sovereignty barely exists in Africa, if this is understood to mean "the ability of government to formulate, implement and manage public policy".[65] As Michael Prowse recently put it, "sovereignty in practice is measured not by the pompous assertions of politicians in assemblies but by the power that nations can actually project…the historical conditions in which small nation states [the UK was implied here] could enjoy real sovereignty have long since disappeared. With a global economy and large numbers of transnational actors, political power is now dispersed."[66] What we are in fact concerned with is *de jure* or external sovereignty.

As argued in Section 1, *de jure* sovereignty has been a staple of the African post-colonial inter-state system. Will Heads of State in Africa be willing to put their sovereignty on the line in this manner? Perhaps a more useful way of posing the question is to ask firstly, how best the leadership of the NEPAD can challenge the sovereignty of their peers, where this is necessary, and identify non-compliance with commitments and impose some form of sanction or penalty. And related to this, will the NEPAD leadership be *willing* to behave in this manner? This issue is without doubt the major challenge to the success of the NEPAD, but also its major promise, since a shift on this core issue in African politics carries the potential for very high returns in terms of development outcomes.

As indicated in Section 3(b) above, the NEPAD makes reference to codes of good practice in relation to governance, which embody a *path* to best practice. This points to the need, in assessing the issue of sovereignty, to distinguish between conflict countries on the one hand, which by definition are not yet on the path and must be assisted and supported to get onto it, and non-conflict countries on the other hand, which need to move forward *along* the path.

The taboo on external intervention by other African governments began to erode during the second half of the 1990s in relation to countries in which there is a situation of military conflict, or an immediate post-conflict situation, where the priority is naturally to end the conflict and establish conditions for 'normal' political contestation and economic activity. One indicator of the weakening of the taboo was the OAU's adoption of its 'yellow and red card' mechanism for heads of state who have attained, or held on to, power by unacceptable means. But more important have been the military interventions intended to resolve conflict situations, most notably the ECOWAS intervention led by Nigeria in Sierra Leone, and the South Africa-led SADC intervention in Lesotho. These episodes have contributed significantly to the legitimacy of efforts by African governments to maintain order within their sub-regions.

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[65] WH Reinicke, cited by Kaul et al. (1999), page 466.
[66] Michael Prowse, Financial Times, March 3-4 2001.

The NEPAD builds on these latter experiences (especially the ECOWAS process) in its approach to conflict prevention, management and resolution. The emphasis is on strengthening existing *African* mechanisms and organisations to carry out these tasks, to enable the continent to take responsibility for its own stability. The emphasis is naturally on conflict prevention, including the development of early warning systems and limiting the proliferation of small arms and light weapons. But background documents for the NEPAD affirm the necessity for Africa to develop forces at a regional level for peacekeeping (including peace enforcement). In addition, there is a need to take to take account of the Brahimi Report prepared for the UN Department of Peace Keeping Operations, which accepts the need for the use of force against 'obvious aggressors'.[67]

Thus there is an implicit acceptance within the NEPAD that conflict management and the maintenance of stability may well call for the use of military force on occasion, but that such force should be used in *mediating* between the parties, rather than resolving a conflict in favour of one side or the other, even where one side professes values (democracy, human rights and so on) at the core of the NEPAD. The apparent willingness to accept such limits on sovereignty is reinforced both by the actions of key NEPAD leaders in the recent past, and indeed by South Africa's current refurbishment of its naval and air forces, a costly exercise ((in both financial and political terms) which presumably would not have been undertaken if there were no intention to use the new capacity, perhaps only as a threat.

It is absolutely essential, of course, to distinguish between disinterested peacekeeping and self-interested intervention. With African governments more willing over recent years to engage in military action outside their own borders, there have been several ventures which have been motivated on the grounds of conflict resolution. The obvious example has been the DRC, where the 'defence treaty' group (Zimbabwe, with Namibia, Angola and the Laurent Kabila government) presented itself as addressing the regional threat posed by instability within the DRC, while pursuing much narrower economic and (domestic) strategic concerns.[68] Though there is as yet no clarity within the NEPAD as to the appropriate circumstances, and limits, for possible peacekeeping interventions might be undertaken, it is worth emphasising that South Africa has spelled out very precise conditions for its own participation in a White Paper. These conditions include a clear international mandate, clear entry and exit criteria, and regional co-operation.[69]

Perhaps more helpful in providing indications as to how the NEPAD might act, is South Africa's actual behaviour in recent conflict situations in which it has become involved. In the case of the DRC, it resisted considerable pressure to become involved in peacekeeping, recognising the risks of a 'military quagmire'.[70] Since Laurent Kabila's assassination in early 2001, the peace process has been resurrected, and South Africa is laying a central role in support of its facilitator, former President Masire of Botswana, including financing and hosting the dialogue process.[71] This represents an extension of South Africa's role in the Rwanda and Burundi peace

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[67] SA Government input to MAP Working Group on Political Governance, Abuja, June 2001.

[68] Williams (2001).
[69] Department of Foreign Affairs (1998).
[70] Taylor & Williams (2001).
[71] Star (Johannesburg), October 20 2001.

processes, where it has acted not simply as facilitator, but has also provided financial and logistical support. In both of the latter cases, an important aspect of South Africa's activity has been to engage with groups in those societies *across* the political spectrum and also from civil society (to the extent that this exists). The involvement of civil society is an important pre-requisite for peacekeeping and long-term resolution of conflict.[72] South Africa's willingness to facilitate the involvement of such groups in processes of conflict resolution is equally significant in pointing towards an appropriate strategy for addressing sovereignty in *non*-conflict countries.

In a sense, countries of the latter sort provide a more complex environment than do conflict countries for a challenge to sovereignty of the type implicit in the NEPAD. The first step is for the Heads of State in the NEPAD leadership structure to be willing to engage in open and public disagreement with their peers. The possibility for this was suggested in the citation above from former President Mandela, and was also clear in the meeting (on September 10 2001) between a group of Southern African Heads of State and President Mugabe. But while these clear expressions of difference are a helpful start, it is perhaps easier to express such differences when there are not direct and immediate costs for the target. If the conception of the NEPAD as a club is to have any efficacy, by contrast, there must be such costs for poor performers in the form of downgraded participation in the club's programmes and their associated resource flows.

Exerting discipline on poor performers is likely to be possible only if the Head of State of the affected country has committed *ex ante* to the country's programme for improving governance, which must include milestones and timeframes. The involvement of governments in formulating programmes for their countries is necessary – the Head of State must 'own' his programme if he is to commit to it. But of course this is not sufficient: as the activities of the international financial institutions (and other 'Northern' donors) over the past two decades have amply illustrated, in an exchange of resource flows for policy reforms, the commitment by the recipient countries is easily ignored by *both* sides to the bargain. Africa (like other regions of the developing world) is littered with examples of slow or inconsistent policy reform which has not led to any significant reduction in resource inflows.[73]

What will make the NEPAD different from previous 'implicit bargains"? How can its threat be made credible, in particular for participating Heads of State? Three things can be dome which will increase the probability of achieving credibility. The first and most critical step is to encourage internal political pressure *in favour of improving governance* on Heads of State of countries participating in the NEPAD 'club'. Even though the NEPAD represents, in the first instance, a Heads of State grouping, it should actively engage with civil society organisations amongst its participants. A moment's reflection should convince that this is appropriate: the role of the NEPAD is to complement the weak nation-state in African countries, and states must engage with society in performing their tasks. Furthermore, engagement with non-state actors is likely to be very helpful – in the African context – for maintaining the "measure of independence" necessary for leadership[74]. By bringing another player (or set of players) within the country into

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[72] Jackson (2001)

[73] This has little to do with the *content* of the agreed reforms, but rather reflects the political costs of implementing reforms, on the one hand, and cutting back on aid and other support, on the other. See World Bank (1999b) and Easterly (2001).

[74] See the quote at the start of the paper.

the equation, the probability of the government reneging on its commitments is reduced. But if this should nonetheless happen, there will be existing power centres within the country who present an alternative within a constitutional framework.

If governance is to be improved in these societies, a *demand* for it must be constructed, rather than be expected to emerge automatically. Participating countries should be required to demonstrate that they have consulted widely within their own societies, in formulating their programmes for improved governance. But in addition, the NEPAD implementing agencies will have to establish independent and direct contact with relevant organisations within member countries. This implies providing financial and technical assistance, either directly from the NEPAD or indirectly from the donor community in the 'North', to organisations engaging in human rights and public interest activities, supporting the media and other information agencies, and non-government organisations, especially those focussing on poverty reduction. Such organisations will provide a growing counter to existing neo-patrimonial logic and behaviour within African states.

Engaging with civil society is of course in and of itself a challenge to sovereignty, notwithstanding that such an engagement could only happen if there were consent of at least some representatives of the population. It is encouraging that a start to introducing this dimension has already been made, at the September 2001 summit in Harare, of which a feature was the interaction between Southern African Heads of State and Zimbabwean civic organisations. Even though there was some concern about insufficient representation of groups not sympathetic to the government, the *intent* behind the interaction was surely correct. Such interactions would have to be institutionalised in the NEPAD context, and broadened beyond government-sponsored groups.

The second step towards enhancing credibility is for the donor community to play its part and shift resources away from governments which fail to perform. The interaction between the NEPAD and civil society may make it possible for donors to continue some humanitarian support to the population while not relating to the government. But without some actual cost to a non-performing government, commitment to a governance programme cannot be credible. This underlines the need for the restructuring of the donor relationship with Africa, already mentioned above, in which the NEPAD institutions can play a co-ordination role through their interaction with donor agencies.[75]

Thirdly, the NEPAD lead (founding) countries must put themselves on the line as well. Unless they are themselves prepared to pay the entry fee - the commitment, compliance and assessment processes which they are asking other countries to accept – they can hardly expect others to take seriously their demand for payment.

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[75] This is also the man focus of the UN Economic Commission for Africa's recent document, the *Compact for African Recovery*.

Finally, it is important to point out that it cannot be expected that the NEPAD process will be credible at the outset, given that a fundamental departure in African politics is being attempted. The credibility of the process will only develop over time, if the new approach is adhered to, and both the domestic populations in Africa and the donor community are correct to be somewhat wary of unqualified endorsement of the process. At the same time, it should be recognised that it would be a massive boost to the NEPAD's credibility if a government which wanted to participate were barred from doing so, because it was unwilling to commit to the agreed process, or alternatively if a participating government were subjected to the appropriate sanction in response to non-performance. Consequent upon such an improvement in credibility would be a far greater reliance on the NEPAD as the legitimate 'certification' mechanism in Africa, which would lead to the channelling of an increasing share of resources through NEPAD-linked institutional processes. In other words, a single successful disciplinary exercise could be sufficient to place the overall NEPAD process on the right path.

(d) South African leadership:

The NEPAD needs South Africa's leadership. Yet South Africa remains unsure how best to exercise its influence and power in Africa, as acknowledged even by senior government officials, who see the country as still learning how to lead.[76] Furthermore, despite its much greater strength in human and financial resources relative to its NEPAD partners elsewhere in Africa, South Africa still has very severe and well-known capacity constraints, especially in its public sector.

Nonetheless, South Africa appears to be the one country in the NEPAD leadership whose primary concern has been the NEPAD process itself, and ensuring that it succeeds. In other words, for South Africa the means *is* the end, as far as the NEPAD is concerned. This is because South Africa's 'national interest' in relation to Africa is to support the continent's development (for which improved governance is the necessary first step), so that the impact of spillovers from the rest of the continent is mitigated or eliminated.

In undertaking the NEPAD, South Africa has formed alliances with the other strong economies on the continent, most notably Egypt and Nigeria. Both these countries see themselves as, to some degree, rivals of South Africa for this role in the continent. Nigeria has of course a natural leadership role in West Africa, not dissimilar to that of South Africa in the southern part of the continent. Egypt, which must focus its regional policy towards both the Middle East and Africa, has recently joined COMESA and become an active role-player in that grouping, apparently an attempt to secure a stronger support-base within Africa.

The other countries within the initial group all appear to have specific and immediate national concerns which the NEPAD could help them to pursue, but which do not depend directly on the success of the NEPAD in achieving development progress in the continent generally. These

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[76] Interview with senior official, Africa Branch, Department of Foreign Affairs, Pretoria, September 2001.

interests include *inter alia* extended debt relief, improved access to industrialised country markets, and greater representation for African countries in international fora and multilateral institutions. These are of course also concerns for South Africa, and are important steps for promoting development in the continent. But the point is that they do not themselves *depend* on achieving development progress. Therefore, for countries whose primary focus within the NEPAD is one or more of these issues, the NEPAD is a means *to* an end, rather than itself being the key objective, as for South Africa.

This is not to belittle the leadership contribution of South Africa's partners, but it does suggest a particular role for South Africa within the leadership group. The question is: will South Africa's leadership partners allow it to play this role, as the process moves into its implementation phase? The answer must be that as long as the NEPAD holds the promise of progress in achieving the more specific national goals, South Africa will be able to also maintain the momentum towards improved governance. Since the more specific national goals focus to a considerable extent on increased resource flows from the industrialised countries, this underlines not only the delicate balance within the structure of the NEPAD between penalties and incentives in the form of flows from the donor community, but also the strong interdependency between South Africa and 'the North' in relation to the NEPAD.

An important step in establishing South Africa's particular leadership role will be achieving agreement that the initiating countries should also commit to the process of programmes for improving governance, independent assessment and penalties in the case of non-performance. As noted above, this commitment by the leading countries is necessary to enhance the NEPAD's overall credibility, and, as argued above, it should involve interaction with civil society in these countries. Bold leadership will be required to accomplish this – as Mike Brearley put it in the passage cited at the outset, a leader "has from time to time to be prepared to take an unpopular line."

In addition to dealing with its partners in the initiating group of the NEPAD, South Africa will also have a particular role to play in leading the NEPAD in the Southern African context. Here there are grounds for greater optimism than for some time. From the early 1990s, when the unifying factor of opposition to apartheid South Africa disappeared, and especially after democratic South Africa joined the region in 1994, tensions and differences amongst SADC countries threatened to overwhelm their weak regional ties and the organisations representing these ties. In 1997, the entry of the DRC into SADC caused this outcome, creating two rival groupings – the defence treaty (Zimbabwe, Angola, Namibia and the DRC government) and the peacekeeping bloc (South Africa, Botswana, Mozambique and Tanzania). These groupings correspond broadly to those countries where governance issues are not very high on the agenda, at least not that of the national government, versus those where there is a relatively strong commitment to (and indeed performance on) improving governance.[77] Governments in the latter group broadly tend to accept overall South African leadership, even though they do not always "like" doing so.

[77] These categorisations were provided informally by DFA officials.

Since the first group, led by Zimbabwe, had control of SADC's Organ of Politics, Defence and Security, much of the tension played itself out over this organisation's relationship to the overall SADC structures, especially the Heads of State summit. The difficulties were compounded by the weaknesses of the organisation's Secretariat and functional structures, which led, partly under South African prodding, to the 1999 decision to examine the overall restructuring of the organisation. In March 2001, the proposed new structure was accepted, involving the creation of a much stronger and centralised organisation, and importantly, the re-integration of control over the OPDS into the overarching SADC structure. In other words, the group led by South Africa prevailed in the dispute, and the prospect of SADC fulfilling its potential is now all the greater. This is not suggest that the differences amongst SADC members are finally resolved, but there seems to have been an important shift in the balance of power which can now be consolidated through careful leadership.

The overhaul of SADC at the same time as the NEPAD is being implemented is important for both processes. On the one hand, the decision was made at the OAU Summit in Lusaka (July 2001) to implement the NEPAD on the basis of regional arrangements, so that the effectiveness of SADC is a crucial pre-requisite for the NEPAD's success. But on the other hand, the NEPAD offers to SADC the possibility for shifting towards 'open regionalism', and away from the 'closed regionalism' approach which has characterised SADC's development efforts thus far, and which have met with at best limited success.

The issue of 'open' versus 'closed' regionalism is the central debate today on the question of regional integration, rather than the earlier concern with the distinction between 'trade' and 'development' integration, that is, 'shallow' versus 'deep' integration, which was the focus when SADC was established nearly a decade ago. Closed regionalism refers to efforts to integrate in which the regional market is seen more or less as an end in itself, in the sense that growth is expected to take place on the basis of the (enlarged) regional market. Open regionalism on the other hand is seen as a stepping stone to more effective linkages with the global economy, and in effect involves establishing trade and co-operation linkages not restricted solely to the immediate geographic region, but further afield as well. The issue is whether closed regionalism is *necessary* step along the way towards these more geographically diverse trade and co-operation links.

For larger developing economies, if they have reasonably strong states, there seems little doubt that the open regionalist approach is more likely to pay dividends.[78] This conclusion has also been reached by South African government officials. As the Minister of Trade & Industry recently argued, South Africa "is spearheading a process where integrated manufacturing platforms are the basis for a regional industrial strategy. This entails using Southern Africa as an integral part of supply chains for globally competitive manufacturing processes. … regional policy aims to achieve a dynamic regional economy capable of effectively competing in the global economy."[79] Yet without the improvements in governance which the NEPAD seeks, it is hard to imagine the increased harmonisation of standards and the ease of cross-border movement which integrated production tied into global networks would require in the region. At the same time, the NEPAD offers a route to regional cooperation to achieve the necessary improvements in infrastructure provision and in the skills base.

[78] See Gelb (2001a).
[79] Cited in ANC Today, Volume 1 (35), • 21 - 27 September 2001

Thus at the moment when SADC is possibly moving into a new and more productive phase of its existence, there is the prospect of synergy with the NEPAD which will mean that SADC has much greater potential as a platform for South Africa's participation in the global economy.

Conclusion

In a 1997 speech to the Department of Foreign Affairs, then-Deputy President Mbeki referred to the need for South Africa to 'walk on two legs" in its foreign policy – to cultivate strong relations with the South, as well as strategic relations with the industrialised countries.[80] This echoed views expressed earlier by other government leaders, who presented South Africa as a 'bridge' between the North and the South.[81] In seeking to develop this role, as a leader of the South, the African continent has a crucial place in South Africa's policy.

It has taken several years for South Africa to work out an approach to its presumptive leadership role within the continent, an approach which transcends both the narrow confines of the interests of South African exporters and investors in Africa, and the high-sounding but ineffectual campaigning for higher standards on democracy and human rights on the continent. The New Partnership for Africa's Development is grounded in the full realities of South Africa's relations with the continent, including those beyond its immediate regional neighbourhood in Southern Africa. At the same time, it is also grounded in the realities of globalisation, especially the unevenness of its impact amongst and within nations, and reflects an attempt to shift the continent, including South Africa itself, towards a more effective engagement. In these senses, South Africa's Africa policy has become far more nuanced and offers much greater potential for relations with the rest of the continent to become a solid basis for international relations with other regions and for meeting domestic challenges. But the country still faces a steep learning curve, in particular with regard to the exercise of its leadership skills in the continent, if the current policy is to succeed in meeting national objectives.

At a broader level, both Africa and the rest of the world face important junctures at present. In Africa, the OAU is in the process of transforming itself into the African Union (AU) at just the time that there are questions about the fundamental principles of inter-state relations on the continent. The AU represent a very ambitious plan for continent-wide integration, one which seems unlikely to be realised in the absence of success for the NEPAD. Yet the very process of shifting fro the OAU to the AU may help to introduce some fluidity into the situation which could facilitate the NEPAD meeting its most severe challenges.

On the wider international scene, the attack on the US on September 11 – a particularly clear example of a global spillover – has introduced a number of new and urgent priorities. In the

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80 Mbeki (1997b).
81 Nzo (1995).

coming months, international attention will be focussed on the Middle East and West Asia, the regions from which have sprung the particular brand of international terrorism which appears to have carried out the attack. But the important question for the NEPAD, and hence for South Africa, is whether this event will lead to a *narrowing* of focus in the medium-term on international terrorism specifically, as a rapid-acting and particularly visible risk to global security, or whether it will lead to increased priority being given to cross-border spillovers and the threat they pose *as a group* to global security. The latter approach would of course include the slower, more insidious (but not necessarily less damaging in the long-run) impact upon the 'North' of poverty, disease and deprivation in Africa, so that the 'space' for the NEPAD would remain open. At this stage, it appears that the US has not surprisingly opted for the former course, while Europe is tilting towards the latter. From a South African perspective, it seems obvious that the latter course is the more sensible, since there is clearly a link between these different effects – the lack of development (and democracy) provides the climate of desperation which makes suicide missions possible. The only sustainable way of addressing international terrorism is by promoting development, and for Africa at least, the NEPAD offers the most promising basis for some time.

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