



Stability, poverty reduction and South African trade and investment in Southern Africa

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Background

Since South Africa's return to the international fold in the early 1990s, South African business has made great strides into Africa, and particularly into Southern Africa where it is regarded by many as the engine for regional economic growth, as well as an agent for political stability and democracy. That the ending of apartheid would open up the African market to South African capital was never in doubt, though few predicted the rapidity with which it would seek to exploit this new market or the sheer volume of its flow into Africa. One recent report (from Liquid Africa) argued that during the last decade South Africa had become the "largest foreign direct investor in Africa".

In this view, the expansion of South African corporate activity into African markets displays a pragmatic approach of optimizing opportunities offered by the continent. The latter has also been aided by the fact that most of these markets are virtually virgin terrain as a result of years of de-commercialisation under state socialism. As a result this has led to a mushrooming of a South African business presence throughout Africa in the form of joint ventures, greenfield investments, and mergers and acquisitions. In this regard, the expansion of South Africa's private and public sector has been often applauded for providing much needed employment, facilitating the rehabilitation of infrastructure, building capacity of indigenous personnel, and providing liquidity to cash strapped markets in Africa.

But the case for South Africa's business interests in the continent extends beyond President Mbeki's Africa policy. Although the official view is that such expansion provides the necessary mobilisation of inward capital flows, which is seen as an important resource for President Thabo Mbeki's realization of the Africa Renaissance and New Partnership for Africa's Development (NEPAD), the expansion of corporate activity in Africa is generated by the reality that it offers good business prospects, and certainly not for altruistic reasons associated with regional development. South African business is truly competitive in the continent, as compared with other parts of the world.

This has often been a sensitive issue amongst African leaders who have expressed concerns over the 'hegemonic' influx of South African investment, which is compounded by the huge trade imbalance in South Africa's favour. The latter is reinforced by the head of the South African Foundation (an affiliation of businesses), Neil van Heerden, who notes that the rest of Africa offers "huge potential" for South African companies and that South African top business leaders must open their eyes to these opportunities.

The above raises an important set of questions about how this expansion is being realized.

- ❖ Of particular concern is whether this expansion is of an extractive kind that either simply exports resources out of the host country or becomes an export destination for South African exports.
- ❖ Or does it take a developmental form with positive consequences for economic development in the region and relevant host country?
- ❖ In addition, issues around how the general populace and domestic political and economic elites have received this expansion has not been sufficiently interrogated.

The latter has only been hinted at through research done by individuals analyzing economic activity in Africa. For instance, research investigating labour relations in Zambia highlighted that workers employed by the Shoprite Group were dissatisfied by the poor conditions of service offered by the company. They complained about the poor living wage, which was not sufficient to cover transport, food and accommodation costs, and unpaid overtime where workers were clocking in an average of 62 hours a week compared to the official 45 hours a week.

Therefore, in as much as economic commentators and the mainstream media perceive the expansion of South African business as taking the lead toward developing the economic rejuvenation of the Continent, this has simply been assumed and is not based on any independent study. Thus, these questions are important if assessments are to be made on the impact of corporate expansion on regional stability, within the context of sustainable development and poverty reduction in Southern Africa.

In light of these considerations, the Human Sciences Research Council last year initiated a comprehensive research project entitled ***The Mapping of South African Corporate Activity in Southern Africa***¹. It specifically investigates such questions and assesses the extent to which Rob Davies² assertions about South Africa's role in Southern African have been realized.

At the dawn of the democratic transition Rob Davies (MP) laid out three possible scenarios for development in the region. He dubbed them:

- a) 'South Africa first' approach in which state and capital would blindly pursue their narrow economic interests irrespective of the damage it inflicted on the region;
- b) 'integration under South African hegemony' approach in terms of which South Africa would initiate large-scale regional cooperation and integration projects shaped essentially by its own narrow interests and aspirations to regional hegemony. These would be projects along the lines of the Lesotho hydro-electric power scheme; and
- c) 'non-hegemonic regional cooperation and integration' approach in which South African capital would sacrifice maximal accumulation in the interests of the long-term regeneration of the continent as a whole.

From the research it would appear that scenario three, which was considered least likely by Davies and others to succeed has in fact become the option embraced by the post apartheid South African state.

But the same cannot be said about the behaviour of SA corporates? Like business anywhere, typical corporate sector interests – profit, market share, elimination of competition, the urge to dominate and or monopolise - drive the South African business sector. As Absa Bank's Rupert Pardoe has noted, Absa was 'not investing in Africa for

¹ See the following article (<http://www.sarpn.org.za/documents/d0000556/index.php>)

² The current Member of the South African Parliament and Chair of the Portfolio Committee on Trade and Industry.

altruism. We're investing in Africa to make some money.'³. And in pursuit of profit, South African capital has not always acted like angels.

Likewise, and despite the desperate need for new FDI in Africa, the South African investor has not always been welcome on the continent. Speaking in the Kenyan Parliament in 2001, an opposition legislator complained that 'if we continue doing this we'll end up owning nothing in Kenya ... they bulldoze their way around. It seems like they still have the old attitudes of the old South Africa'⁴.

Given this distinction between the behaviour of the post-apartheid South African state and its corporates, this has important implications for the way SA investment is interpreted in the region.

Even though political elites may raise concerns about the amount of SA investment in their respective economies, their concerns are confined mainly to fact that SA capital represents a real threat to their ownership and property rights.

The real questions are, then:

- ❖ is SA expansion promoting development in the economies that they investing in.
- ❖ are they promoting skills development and training of locals to occupy managerial positions in their African operations?
- ❖ How has the expansion of SA business affected local industries, producers, and small medium enterprises in the region?
- ❖ Or whether this expansion is another way of opening up a market of consumers who are thirsty for the latest cell phones, fashion, and multimedia.

The Proposed Conference

In this context, the Southern African Regional Poverty Network (SARPN), a regional poverty network based in the Integrated Rural and Regional Development research programme at the Human Sciences Research Council (HSRC) proposes to host a conference entitled **Stability, Poverty reduction and South African trade and investment**. The conference would interrogate such issues by bringing together a group of government, business, and civil society partners to discuss and provide insight into how SA investment is perceived in the region. It will do so by asking the following questions:

- To what extent does SA investment enhance the prospects of economic growth in the region? Investment by South African business sector offers a good case study to see in which sectors this investment is taking place and whether such sectors are sustainable to generate economic growth for the host country.

³ New York Times 17.02.02.

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- What contributions are SA corporates making to enhance human security in the region? Human security consists of the necessary conditions in improving one's living standards through access to resources, a decent living wage and the ability to be producers and consumers in the market. Such concerns are likely to play a major part in regional dynamics and will have a positive impact on reducing poverty in the region. However, instability or disequilibrium in any one of these interconnected dimensions, results in greater propensity for conflict and in turn military insecurity. Therefore failure on the part of regional governments to address the conditions of acute poverty experienced by the majority of their citizens will habitually threaten democracy at a national level and regional stability.

Such a conference, which has not been held before despite the key policy questions it raises, would be ideally suited to draw on the valuable lessons learnt from the experiences of business, government and the general populace on what they see as the positive and negative impacts of business expansion into respective economies. Moreover, this can be useful in determining the viability of current trade policies and practices, which can help shape future trade policy decisions for regional authorities.

About SARPAN

SARPAN is a regional network, presently based at the HSRC, and is dedicated to promoting public discussion on key policy issues that affect poverty reduction in Southern Africa.

It was established two years ago with a grant from DFID (SA). A three year funding programme and budget is presently being finalised for submission to various donors. A regional governing body is also being finalised with includes senior policymakers from governments, civil society and research agencies in Southern Africa.

It works closely with partners which include SADC, the SADC-PF, various national and international NGOs and CSOs, bi-lateral and multilateral development agencies, universities and civil society agencies and networks. Its very popular website is widely recognised as one of the best for up to date information and perspectives on poverty issues in Southern Africa.

It can be consulted at www.sarpan.org.za