Original Article

Another BRIC in the Wall? South Africa's Developmental Impact and Contradictory Rise in Africa and Beyond

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Abstract Globalisation is transforming the nature of authority in international relations, as hegemony is replaced by geo-governance, involving a more varied set of actors. However, private authority over markets and resources is still often constituted and refracted through states. Much has been written in this respect about China and India's rising role in sub-Saharan Africa (SSA), but South Africa remains a highly significant regional political and economic player. Facilitated through its regional leadership, it has also recently acceded to the BRIC (Brazil, Russia, India, China) cooperation mechanism, reflecting its growing international influence and the transforming nature of global governance. This article explores 'South African' geo-governance and its impacts in SSA to consider the nature and construction of South African state power, and its international influence. It concludes with some reflections on the way the South African case informs international relations and development theory.

La globalisation fait évoluer la nature de l'autorité dans les relations internationales au fur et à mesure que la géo-gouvernance se substitue à l'hégémonie et met en jeu une plus grande variété d'acteurs. Cependant, l'autorité privée sur les marchés et les ressources continue à se constituer et à s'altérer à travers les États. La littérature à ce sujet abonde sur le rôle grandissant de la Chine et de l'Inde en Afrique subsaharienne, mais il n'en reste pas moins que l'Afrique du Sud est un acteur politique et économique de premier plan dans cette région du monde. Grâce, notamment, à son statut de leader régional, elle a récemment intégré le dispositif de coopération du BRIC (Brésil, Russie, Inde et Chine), ce qui reflète la montée de son influence sur la scène internationale et l'évolution de la nature de la gouvernance mondial. Cet article examine la géo-gouvernance à la 'sud africaine' et son impact en Afrique subsaharienne afin de mieux comprendre la nature et le développement de la puissance de l'État sud-africain et de son influence internationale. Il se conclut par des observations concernant le rôle du cas sud-africain pour les relations internationales et les théories du développement.

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Introduction: South African Interests in Africa

There has recently been much media and academic interest in Chinese and Indian investment in Africa (See Cheru and Obi [2010] for example); however, South Africa (SA) remains a very important regional influence as a result of the size of its economy, power of its state and capital-state interactions. For example, in 2006 South African trade with the rest of Africa was about a third that of China's with the rest of Africa (Daniel and Bhengu, 2009), despite having an economy of only around a tenth the size, and SA was the largest single foreign investor in the rest of the continent (Adebajo, 2010). The power of

South African corporations over the state is largely structural (for example, to withhold economic investment) rather than instrumental, as they are largely 'white' owned and dominated, whereas state elites are largely 'black'. However, both share an interest in growing SA's economy, partly through regional expansion, to facilitate profit making, development and regime maintenance. Furthermore, more than half of ruling African National Congress members of parliament were directors of companies in 2007 (Southern African Report, 2011).

This article explores South African economic interests in sub-Saharan Africa (SSA) and how these articulate with distantiated power projection by the South African state; both formal, through the New Partnership for African Development (NEPAD), and less formal bilateral relations to influence development on the sub-continent and the construction of the South African state itself. SA has recently been able to leverage its growing regional influence to accede to the BRIC cooperation mechanism (People's Daily Online, 2010). SA accommodates global and regional power interests on the continent making it a 'gregional' state and power.

Geo-governance refers to 'the ways in which effective coordination is affected [between private, public and civic actors] in a world where resources, knowledge, and power are distributed through geographical space' (Paquet, 1996, p. 3). This mode of governance projected across borders in the South African case represents consent, among political elites at least, informed by economic incentives – a kind of 'dethority' exercised through influence, rather than hierarchical diktat (Carmody *et al*, 2011). For example, according to Thabo Mbeki, when he was Deputy President of SA, 'we should not humiliate ourselves by pretending that we have strength which we do not have' (quoted in Barber [2004, p. 110] in Adebajo [2010, p. 150]). This led to a different mode of operation where, through its trade and investment relations, SA serves as a site where globalisation is transmitted to the rest of SSA. Geo-governance is distinct from 'soft power' (Nye, 2005) – an excessively state focused concept relying on cultural affinity – as it also involves economic incentives.

SA functions as a 'gregional' or 'middleman' state for major powers and transnational capital, some of which originates in SA as it manipulates 'regional relations to navigate globalisation' (Hentz, 2008, p. 490). In particular, it seeks to promote economic liberalisation to allow for regional market access and governance by 'its' corporations. This is facilitated by regional political elites, but sometimes generates popular resistance, meaning that the South African state and other transnational forces with which it is imbricated succeed in achieving geo-governance regionally, but not Gramscian hegemony, which is informed by popular consent.

Dimensions of Influence: What Makes South Africa a Major Economic and Political Power on the Continent?

SA is both an old and a new economic power on the sub-continent: old in that it has long had the biggest economy in SSA, and new because its companies and government have emerged from economic sanctions and capital controls as a result of the abolition of apartheid roughly 20 years ago. SA's economy accounts for about 80 per cent of the total for the Southern African Development Community (SADC), with 13 member countries (Adebajo *et al*, 2007). With a population of around 50 million people, it accounts for over a third of SSA's economy and 17 of the top 20 companies in Africa are South African (Africa Report, 2011).

With the winding down of apartheid and the loosening of capital controls, South African companies began to invest extensively in SSA. Rather than being externally imposed through World Bank and International Monetary Fund (IMF) programmes, this was an example of globalisation from the inside out, as South African conglomerates expanded into the rest of continent (see Carmody, 2007).

South African investment in the countries of the SADC was almost a billion dollars a year between 1994 and 2004, and the country ranked as one of the top three sources of foreign direct investment (FDI) in 10 of those countries (UNCTAD, 2005 cited in Schroeder, 2008). According to the Chief Executive of South African Breweries – Miller 'if there were more of Africa, we would invest in it' (quoted in Anonymous 2005 in Schroeder, 2008).

SA has actively encouraged regional expansion by its companies through the state-owned Industrial Development Corporation, which has invested in 60 projects in 21 countries. The SA Department of Trade and Industry also operates a 'Capital Projects Feasibility Programme', which 'is a cost-sharing scheme, providing a contribution to the cost of feasibility studies that are likely to lead to projects outside South Africa that will increase local exports and stimulate the market for the South African capital goods and services' (DTI, 2010), with a higher rate of subsidy for African projects. The South African state also facilitates corporate penetration of the sub-continent through infrastructure development and bilateral ties, even with 'rogue' regimes, such as Zimbabwe.

In Tanzania, almost 60 per cent of new foreign investment deals during 1996–1998 were from SA (Söderbaum, 2004). There are over 150 South African companies active there, where many locals boycott them, as they are 'white' and associated with colonialism. One Tanzanian pastoralist activist noted 'we now live in the United States of South Africa' (quoted in Schroeder, 2008, p. 24). By 2005, only 8 of the biggest 100 companies quoted on the Johannesburg Stock Exchange (JSE) did not have operations in Africa (Hudson, 2007).

The regional expansion of SA companies was meant to be a piece of the strategy to drive an economic renaissance there, and then in the region more generally. The main areas of SA outward investment into Africa were infrastructure (27 per cent in 2000–2003), mining (22 per cent), and oil gas and petroleum (18 per cent) (Daniel and Lutchman, 2006 cited in Southall and Comninos, 2009). By 2002, major SA companies such as AngloGold Ashanti and Mobile Telecommunications Networks (MTN) were deriving more than half of their profits from their African activities (UNCTAD, 2005). Mineral extraction and mobile telephony are two major axes of SA engagement in SSA, but while both bring some local benefits, these are extractive forms of economic activity. The growth of South African corporates has, however, facilitated more than 60 per cent expansion of the South African economy, in constant prices, from 1994 to 2009 (calculated from IMF, 2011), facilitating SA's growing international influence and rise in the Index of Government Economic Power from 12th to 9th in the world from 2000 to 2009 (Basu *et al*, 2011). Although SA is rhetorically committed to neoliberal 'good governance', economic interests take priority in its relations with SSA (Taylor, 2011).

Channels of South African Impact on Sub-Saharan Africa

SA influences the economies of SSA through flows of trade and foreign direct (FDI) and portfolio investment (FPI). There are also influences from labour migration and remittances and the construction and exportation of governance regimes. Table 1 is illustrative and the categories and typology of relations are indicative and not mutually exclusive.

Table 1: South Africa's developmental impacts in sub-Saharan Africa

		Nature of relations with region				
		Trade	*Outward foreign direct investment*	*Foreign portfolio investment*	*Labour and personal capital flows*	*Governance regimes and ideas*
Type of impact	*Capital extractive* (results in net flow of capital to SA or overseas).	Consumptive (eg cars from SA) and competitive (eg textiles from SA).	Market serving (eg retail, bank and cell phone investment from SA).	Capital flows from region into SA stock market and banks.	Regional brain drain of skilled workers and professionals and economic/trade tourism to SA.	EU-SA free trade agreement (SA as regional entrepôt for EU goods).
	Resource extractive (flow of resources to SA for further processing).	Extractive (eg copper to SA).	Export platform (eg minerals to SA).	Global FPI transformed in SA to outward FDI, often in resource sector.	Associated migration of South African 'ex-pats' and local resentment.	Private sector driven – idea of South African centred regional space economy.
	Developmental (contributing to economic growth and/or poverty reduction).	Complimentary (eg mining equipment from SA).	Various.	Capital flows from SA into regional stock markets and banks.	Return migration to countries of origin (brain circulation) and remittances.	NEPAD (infrastructural and educational development and peer review mechanism). Africa as a region of 'good governance'.

Common ways of describing trade are in terms of balance and terms of trade and the technological intensity of imports and exports. In SA's trade with SSA, it is useful to assess whether trade is complimentary, competitive, consumptive or extractive. Complimentary trade is where both the sending and the receiving countries benefit. Therefore, for example, if SA exports mining equipment, this facilitates economic growth in other countries, which more than compensates for the loss of capital associated with having to buy the mining equipment. Competitive trade is where there is direct competition between goods produced domestically and those coming from SA. If South African companies are more competitive than those in the region, this leads to a double loss for SSA economies as companies are displaced, jobs and taxes are lost and the potential for learning by-doing and multipliers and spillovers are foregone.

Consumptive trade is where goods are imported for non-productive purposes from SA, such as Mercedes to Zimbabwe, which remained one of the largest consumers of these in Africa despite its economic crisis (Lockwood, 2005). In this case, SA receives the benefits of the jobs created by assembly, although the profits flow (mostly) offshore to stockholders.

Extractive trade is where minerals are mined for processing by South African companies and the profits remitted to SA. Given the dominance of South African conglomerates in these areas, this is a common pattern in SSA. Since the end of apartheid, SA has had a highly favourable trade balance with SSA, often of the order of eight to one, although this has narrowed more recently. Trade then forms an important aspect of the South African-led geo-governance matrix shown above.

The Lucas paradox, where richer countries rather than exporting capital, as predicted by conventional theory, actually receive net capital also appears to operate in SA's relations with the region. For example, total South African investment in Botswana, Lesotho, Swaziland, Namibia, Zimbabwe and Mauritius is 4 per cent less than those countries' investments in SA (calculated from South African Reserve Bank, 2010).

In SA's case, however, capital also flows outwards, particularly as major South African conglomerates have listed on the London, New York and Dubai stock exchanges to denominate assets in hard currencies and get into stock market indices, which lower loan capital costs (Carmody, 2007). SA is a net recipient of FPI (Hausmann and Andrews, 2009), but is subject to dramatic outflows during times of economic turbulence, forcing high interest rates and reducing domestic economic growth (Bond and Zapiro, 2004). In terms of the exact mechanisms, according to UNCTAD (2009, pp. 69–70):

> it would … appear that portfolio investment into South Africa is financing FDI outflows from South Africa to the rest of the region. In effect, South Africa is trading financial assets for real assets in favour of the rest of the region thus using its relatively sophisticated financial markets to attract financial resources that are in turn invested across Africa.

SA then acts as a centre of capital conversion from FPI to FDI, with 95 per cent of FPI into the continent flowing into the JSE (Davies cited in South African Government News Service, 2011). South African companies have substantial regional impacts through their investments as detailed below.

Net-working the Continent: South African Mobile Telephony

Africa has the highest proportion of mobile telephone users out of total telephone users in the world (International Telecommunications Union 2007 cited in Sanchez, 2008). MTN is an interesting company because it was a product of the government of SA's Black Economic

Empowerment (BEE) initiative. The chairperson on MTN is Phuthuma Freedom Nhleko, who is also a director of another BEE company Johnnic Holdings and also of older South African companies such as Old Mutual and Nedbank. The fact that mobile telephony is a new economic activity meant that there was a niche for emergent 'black' business in this area.

MTN is now the largest mobile telephone operator in Africa, with a subscriber base of over 90 million in 2008, and operations in 21 countries in Africa and the Middle East (MTN, 2009; Southall and Comninos, 2009) employing over 6000 people (Monama 2009). In 2003/2004, MTN Nigeria's profits surpassed those in SA (Hudson, 2007) and by 2007 it had a subscriber base of 16.5 million in that country – 43 per cent of the total (Daniel and Bhengu, 2009). Thus, while the formal economy of SSA is around the same size as Belgium's, it can be important to specific companies (Lockwood, 2005).

In 2008, 46 per cent of MTN revenues were recorded in West and Central Africa. The weakness of the SA rand relative to the oil-driven appreciation of the naira partly accounted for this performance and it recorded profits of almost a billion dollars in the region on revenues of over 6 billion. According to Stiglitz (2010), foreign mobile telephone companies are 'mining' SSA countries of their wealth. For example, in Tanzania the poorest 75 per cent of the population who use mobile phones spend an average of 22 per cent of their monthly incomes on them (Gillwald and Stork, 2008). In part, this represents a flow of income from poor people to overseas stockholders in Vodacom, headquartered in SA, which is a major operator in that country.

There are relatively few successful South African multinational companies, but in 2007 MTN announced that it planned to purchase the Dubai-based company, Investcom, for US$5.5 billion (Daniel and Bhengu, 2009). It was able to use its regional growth as a springboard to globalisation. However, South African negotiators on a free trade agreement with the United States are concerned that unregulated competition from US firms would undermine the BEE programme in SA (Copson, 2007), although this largely benefitted a few hundred, largely politically connected, individuals (see Ponte and van Sittert, 2007). 'Black' corporate leadership may make South African investment in the region more acceptable to political elites (Rundell, 2010).

Mobile telephony is one of the few areas where indigenous capitalist participation has been significant in Africa (Southall and Comninos, 2009). This results from a confluence of factors, particularly the exploitation of market opportunity by a number of indigenous entrepreneurs, backed by state, multinational and private capital; the generally poor state of fixed-line communications, which allowed from rapid penetration of mobile phones; liberalisation and privatisation of the telephony market and finally rapid advances in technology. However, rather than propelling SSA into cutting-edge global production networks thereby transforming production structures, mobile telephony, mineral extraction, retailing and banking might better be conceived of as creating thin forms of integration or 'thintegration' (Carmody, 2010), making Africa an information society but not a knowledge economy as the following statistics on SA, Africa's most innovative economy, show. These figures indicate the extent of the development gap between SA and the rich world, and consequently SA has to exercise influence through other mechanisms (Table 2).

Markets, Minerals and Migrants: South Africa's Regional Economic Impacts

South African companies have rapidly expanded their presence throughout Africa in other areas. SSA was an attractive investment ground for SA companies because they were

Table 2: Knowledge economy indicators: South Africa compared to Organisation for Economic Cooperation and Development (OECD) countries

Percentage of gross domestic product spent on research and development (2006)	South Africa – 0.95	OECD average – 2.26
Number of researchers per thousand employed (2005)	South Africa – 1.4	OECD average – 7.3
Triadic patents per million population (2006)	South Africa – 0.6	Switzerland – 114.8
Exports of information and communication technology equipment Millions of US dollars (2007)	South Africa – 1142	Ireland – 23 532
ISO 9001 Certifications (2008)	South Africa – 3792	United Kingdom – 41 150

Sources: OECD (2009) and ISO (2009). Triadic patents refer to the number of patents registered in the European Union, Japan and the United States. International Standards Organisation 9001 certifications are given for quality management systems.

generally too small to compete in the developed world (Hudson, 2007). While South African manufactures were not, for the most, globally competitive after the end of apartheid, given sanctions and the particular economic incentive structures that prevailed before economic liberalisation, they were competitive in the region, where they account for about 70 per cent of South African exports (competitive, consumptive and complimentary trade). Indeed, SA has enjoyed trade surpluses with its neighbours, with a ratio of exports to imports of six to one in its favour in the late 1990s (Landsberg and Kornegay, 1999 cited in Landsberg, 2002). However, imports, largely raw materials (extractive trade), from the rest of Africa increased sevenfold from 2000–2008 (Scott *et al*, 2012) and by 2009 this ratio was only 2 to 1 in SA's favour (calculated from Statistics South Africa, 2010). In part, this may be as a result of re-exports to Asia as copper from the Chinese Special Economic Zone in Zambia is transhipped through Durban, for example (Interview with employee Chambishi Special Economic Zone, Zambia August 2009). China is now SA's largest trading partner.

In 2002, the South African Department of Foreign affairs argued that 'the current most important issues with regard to the Central African Region are conflict resolution, promotion of peace and stability and good governance and reconstruction and development' (quoted in Landsberg, 2002, p. 169). The other main priority, it argued, was the expansion of economic relations with the region. According to the head of the local economic development unit of eThekwini municipality in SA, 'our own market doesn't have the numbers to put us in a competitive position' in manufacturing and SA can't compete with low cost producers internationally (Interview, July 2010, Durban, South Africa). Consequently, the focus is on developing manufacturing for the regional market – the 'Sub-Sahara'. According to him, NEPAD's infrastructural projects, such as road and rail, will allow more access to SSA. SA has floated bonds to raise money for infrastructure development in the region (Moyo, 2009).

With echoes of colonialism, it was also felt that political stability promoted by NEPAD would facilitate commerce. However, the existing types of economic engagement in the Great Lakes region, for example, may have facilitated or fomented conflict. A United Nations Report to the General Assembly cited 12 South African companies, which may have been involved in the looting of minerals during the war in the Democratic Republic of Congo (Hudson, 2007).

The massively increased presence of South African companies and trade in SSA has been highly contentious in other countries. For example, some Zimbabwean business-people accused SA of deliberately trying to deindustrialise the country (Landsberg, 2002). A loan from the SA government to Zimbabwe for half a billion dollars reportedly contained conditionalities promoting economic liberalisation (Bond, 2006).

Many formal retailers in Africa also find themselves under increasing pressure from South African supermarkets in particular. For example, the major South African retailer, Shoprite, with operations across Africa and also now in India, by the early 2000s reportedly contributed 2 billion rand, or around $400 million to SA's exports (Naidu and Lutchman, 2005 cited in Miller *et al*, 2008).

Shoprite is planning 70 new stores in Nigeria, and these chains serve as important engines of intra-African trade, but often import much of their produce from SA (Rundell, 2010). This, along with the scale of other SA investment, has given rise to fears of neo-colonialism in the region. Speaking of South African investment in Africa, the managing director of a Shoprite subsidiary spoke of 'an army on the move' (Barber, 2004, p. 179 quoted in Adebajo, 2010, p. 113).

In a little over 10 years after the fall of apartheid, South African companies acquired controlling stakes in Tanzania's national brewery, airline and largest banking chain (Schroeder, 2008). In Kenya, there was a 'beer war' between South African Breweries and Kenya's national brewery, which ended when the two agreed to grant each other effective near monopolies in Kenya and Tanzania, respectively. According to one executive, 'SABMiller went away with their tail between their legs [in Kenya]. There was real consumer resistance to the South African product' (quoted in Rundell, 2010, p. 44). In response to issues such as these, SABMiller now makes an effort to source inputs locally.

Shoprite also had a policy of embedding through sourcing fresh produce locally in the African countries in which it operates. In Zambia, one Asian company, which had undergone a major investment expansion to supply Shoprite, noted that its contract had been cancelled as the corporation was favouring SA producers instead (Carmody and Hampwaye, 2010), perhaps influenced by the SA's 'Proudly South African' campaign. This national/regional tension is evidenced in the title of the group's 2005 annual report 'Proudly South Africa, Proudly African' in which it is emphasised that the company is 'growing with Africa' (Shoprite, 2005).

The return on average capital employed was an incredible 50 per cent for the company during 2004–2005. As the majority of the stock market remains in 'white' hands (England, 2011), statistics such as these are one of the reasons why post-apartheid inequality in SA increased, as did extreme poverty (Hoogveen and Ozler, 2005), although a wider social safety net has recently changed this (Marais, 2010). Rising inequality and deepening poverty for some of SA's population make it attractive for some corporates to focus more on regional investments to serve the middle classes in neighbouring countries than the impoverished masses at home, where urban poverty appears to be increasing (Maharaj *et al*, 2010).

As noted in Shoprite's (2003, p. 2) annual report, 'the Group's objective for growth outside South Africa is to gain a foothold in the most lucrative markets as soon as possible'. The number of Shoprite stores in Africa, outside of SA, increased by over 30 per cent from 2003 to 2010. Although this may have contributed to formal sector employment growth in the receiving countries, the vast majority of Shoprite's workers in Zambia are casual, for example, with some likening their wages to conditions of slavery (Miller, 2005).

Some academics also refer to the 'Malling of Africa' as a result of the fact that many of the shopping malls being built around Africa are being built by both South African companies (Miller, 2003), with Shoprite often as an anchor tenant. Often these are highly exclusionary and governed spaces patrolled by armed guards. In Zambia, South African companies control 39 per cent of the retail sector (Zambia Investment Centre cited in Miller *et al*, 2008).

In some cases, locals have been displaced to make way for SA businesses. For example, in Tanzania hundreds of small-scale gemstone miners were forcibly removed from a tanzanite mining site in 1997 to make way for SA investors. This precious stone is only found in a 12-kilometre square area of Tanzania, and the company that mines it is trying to get people to buy it to celebrate births, in the same way as diamonds are associated with engagements. Thus, depending on where you are positioned in the supply chain, the same commodity can have very different meanings – joy over family expansion, or displacement and loss of livelihood (Schroeder, 2010).

There have also been more positive effects to South African investment. In many cases, the sale of former state-owned enterprises to South African companies has reinvigorated them, as in the Zambian dairy industry (Kenny and Mather, 2008). However, in some cases South African companies, like Chinese ones, have taken opportunistic advantage of economic and political crises in other countries to invest and purchase assets at bargain basement prices, such as the South African Impala Platinum Company in Zimbabwe.

The platinum mine in which it invested was opened in the mid-1990s by the Australian company BHP (Broken Hill Proprietary). This mine cost $200–250 million to build and exceeded the total FDI in Zimbabwe since independence several times over (Gibbon, 1996), but BHP shut it down in 1999 because of difficulties with equipment, manpower and unstable geological conditions (Economist Intelligence Unit, 2005). It was subsequently sold to Zimplats in 2000 for a 'nominal amount' (Zimplats, nd).

Zimplats is 83 per cent owned by the South African Impala holdings – the holding company for the South African Impala Platinum (Implats) Ltd. Some members of the board of directors of Implats, such as Khotso Mokhele and Thandi Orleyn, 'straddle' both public and private sectors, being President of the South African National Research Foundation and a member of the board of the South African Reserve Bank, respectively. However, most of the board are 'white'. South African investment in Zimbabwe rose in 2001 even as the chaotic land invasions in that country proceeded (Palloti, 2004).

Zimplats made an operating profit of $25.4 million in the quarter to 30 June 2006 and was planning to invest $2.5 billion in Zimbabwe in the subsequent 10 years (The Herald, 2006). Despite Zimbabwe's deepening economic crisis, Zimplats recorded a profit of over $100 million in 2007; more than double its 2006 profits (Daniel and Bhengu, 2009). Shockingly, and rhetoric about indigenisation notwithstanding, domestic ownership of the Zimbabwean economy is now at 1960s levels. Thus, while Robert Mugabe trumpets his nationalist credentials, the economy has been largely sold off to foreigners.

Despite the development of syn-fuel technology to convert coal to oil under apartheid, SA is dependent on importing about 98 per cent of its oil needs (Hudson, 2007), with around a quarter of this coming from Africa. The national oil company PetroSA has an agreement with the (North) Sudanese state oil company, Sudapet for example. Therefore, just like China, or indeed some would argue the United States, 'when it comes to South Africa's economic relations, it now seems that anything goes – or rather if it is oil any government will do' (Hudson, 2007, p. 143). This is in contrast to the ethical foreign policy that Nelson Mandela sought to pursue during his administration, although this was also of course tempered by *realpolitik*.

The South African state-owned power generation company, Eskom, which generates over 90 per cent of SA's electricity, is active is 31 countries in Africa (Southall and Comninos, 2009). The biggest potential investment is in the Grand Inga project in the Democratic Republic of Congo – the largest hydroelectric project in the world, twice as big in terms of generating capacity as the controversial Three Gorges Dam project in China. When fully developed, it is projected to generate sufficient power for the entire continent of Africa, and be able to export power to the Middle East and Europe.

Large dam projects such as these are controversial because they often displace significant numbers of people, submerge local ecologies, serve as breeding grounds for malaria and water-borne diseases and are sometimes subject to mismanagement. In Lesotho, the Katse dam was constructed on unsuitable geology meaning that there are periodic earthquakes. The amounts of waters behind large dam walls, sometimes measures in the millions of tonnes, are so significant that geophysicists can measure their impacts on the altered spinning of the earth (Rich, 1994).

In addition to these channels, SA has also attracted highly skilled workers from SSA, but also loses highly skilled personnel to rich countries. In 2001, 18 per cent of the outflow of research and development staff in SA's scientific councils was to jobs overseas (Kahn *et al*, 2004). There is, however, a certain amount of 'brain circulation' as knowledge workers leave and come back, and SA attracts them from the region. However, the impact of SA on the region is one of brain drain, as the country arguably attempts to move up the surplus value chain.

At the same time as SA has attracted high-skill immigrants, it has shut out low-skill ones. This had dramatic impacts in Lesotho as the proportion of gross national product accounted for by remittances fell from 62 to 18 per cent in the decade after 1990 (Hassan, 2002). The vast majority of remittances in Lesotho are used for household subsistence, rather than savings or investment (Crush *et al*, 2010). As SA does not keep detailed records, data on the scale of remittance outflows from the country are not available (Gupta *et al*, 2007). The fact that there is a major transnational migrant labour system in Southern Africa, of which SA is the hub, has also dramatically increased the prevalence of HIV in the region as a result of family separation and disruption (Campbell, 2003).

In sum, this section has explored South African economic engagement across a number of sectors. The primacy of profit in South African corporate engagement is evident, as is the competitive displacement of local businesses and sometimes people by more powerful South African business actors. However, the impacts of South African corporate engagement have been contradictory, as they have also often increased investment and formal sector jobs. This contradictory economic configuration requires an attendant mode of regulatory governance, which the next section discusses.

The Rise of the South in Africa: 'South African' Geo-governance in Sub-Saharan Africa

Some have argued that SA serves a 'sub-imperial' role in Africa (Bond and Zapiro, 2004), as a gateway for Western interests, or that it is attempting to be a regional hegemon in its own right. However, particularly given its own economic problems, it has found regional hegemonic status difficult to achieve, although under Nelson Mandela it did intervene militarily in Lesotho. Consequently, a different strategy was pursued with 'emergence of a regional presence as the *sine qua non* for being taken seriously globally' (Mistry, 1999,

p. 133 quoted in Hentz, 2008, p. 493). The SA state consequently uses the region as a springboard to the global, in part by facilitating global forces' access to the region. SA's global presence then, in turn, increases its regional influence.

During the late 1990s and early 2000s, much was written about the developmental potential of the 'new regionalism' where neighbouring countries in the Global South could establish new institutions of coordination in contradistinction to those of neoliberalism. However, in practice, so-called 'open-regionalism', which favoured global integration, took precedence. Before the end of apartheid, only around 8 per cent of SA's trade was with the rest of the continent, but this has now risen to almost 11 per cent (calculated from Statistics South Africa, 2011). Has the reintegration of SA's economy resulted in the creation of a new regional space economy?

Rather than being natural artefacts, regions are geographical areas defined by sets of social and economic practices. ' "Regionalization" refers to the process of cooperation, integration, cohesion and identity creating a regional space' (Söderbaum, 2004, p. 7) and this is 'preceded by the existence of region builders' (Neumann, 2003, p. 161).

When the ANC-led government came to power in 1994, it had to balance the demands and expectations of those who were disenfranchised and immiserised by apartheid with the structural power of those who had been enriched by the previous system (Hentz, 2005). One way to attempt to achieve this was through regional market opening, which it was hoped would create both jobs and profits for South African companies. However, in order for market opening to be achieved, there had to be consent on the part of other African states and a move away from the use of force.

According to Grieco and Ikenberry (2003, p. 112 quoted in Schoeman, 2007, p. 104), a hegemon must 'use its domestic market to stabilise the larger continental economy and it must be able to resist domestic pressures to look out only for its citizens' own interests'. Given the challenges facing the South African economy itself, Thabo Mbeki, the former President of South Africa, attempted to find a way out of this conundrum: the need for acceptance of South African leadership in the region, to allow its companies to expand in Africa, without the economic resources to back it up through the idea of African Renaissance and in particular NEPAD, promoted by SA. Adebajo (2008) calls this 'hegemony on a shoestring'.

NEPAD (2001) was, in essence, meant to be a bargain between the rich countries and Africa, whereby African governments would agree to peer review of their governance by an eminent persons group, in order to improve their performance, in exchange for more trade, aid and investment from the West. However, some question the link between NEPAD and SA investment in SSA, which they argue is largely *ad hoc* and takes place outside of government inspired frameworks (Alden and Le Pere, 2009).

President Wade of Senegal, who was involved in designing NEPAD, has criticised it as highly ineffectual. According to him, 'expenses adding up to hundreds of millions of dollars have been spent on trips, on hotels. But not a single classroom has been built, not a single health centre completed. NEPAD has not done what it was set up for' (quoted in Djité, 2008, p. 195). An economist involved in designing the programme noted that it was 'dead'. However, President Zuma (2010) has argued that NEPAD, through infrastructure development, can transform the economies of the continent and overcome the effects of colonialism. Although little has been done to date, discourse is important in generating consent for corporate penetration, and Zuma says 'we will support efforts to speed up the political and economic integration of the SADC region, and promote intra-regional trade and investment' and 'intensify efforts to promote the interests of South Africa globally' (quoted in NEPAD, 2010).

NEPAD fits with ideas of 'good' or matrix governance, which seeks to establish and coordinate networks of actors; to regularise the chaotic flows and relations of globalisation – to establish a mode of regulation for the neoliberal regime of accumulation in the (under)developing world, and achieve access to resources (Carmody, 2010). Through deregulation and the protection of private property, the state is to foster the conditions for market governance and, in theory, for the private sector to flourish (Harrison, 2005): a 'matrix state' (Martinez, 1999). NEPAD then, in addition to its infrastructural dimensions, is an attempt to produce a regionalised space of 'good' governance – to facilitate capital accumulation, economic development and the fulfilment of human rights, but this is an ambitious task given the diversity of African state-society formations and the inherent contradictions of the project.

When SA was the only African government to condemn the human rights abuses of Sani Abacha, the Nigerian military dictator in the 1990s, it showed itself to be out of step with most other African leaders, who value regime survival above everything else, given the economic benefits that flow from it (Clark, 2002). This partly explains why Mandela's successor Thabo Mbeki adopted a 'softly, softly' approach towards Robert Mugabe, and other African autocrats, which has been continued by his successor Jacob Zuma. According to the South African foreign minister, such an approach is justified because Africans do not like being talked down to, as it reminds them of their colonial past (Adebajo, 2010). Although a South African diplomat noted that Jacob Zuma has been very clear that 'South Africa should lead the region'. What SA has achieved is market access in exchange for political quiescence: corporate geo-governance (access to resources and markets for its companies), rather than hegemony.

The economic impacts of SA on the region have been contradictory. It has promoted investment, and hence job creation, but South African firms have outcompeted domestic companies. At the same time, rapid economic growth in SA, before the global economic downturn, meant there was a major and growing export market for the region. This conjuncture articulates with other processes operating at different scales, such as the new inter-regionalism being forged with Asia and debt relief to create a new scalar alignment potentially favourable to African poverty reduction (Carmody, 2010). However, the terms of SA's regional reintegration have been largely in its, as opposed to the region's, favour. The article now moves towards a conclusion with an assessment of how new interscalar dynamics are unfolding with reference to the issue of governance in particular.

Future Trends: The Merger of South African and Chinese Geo-governance?

There is an emerging middle and upper class in SA, but also a growing class gulf that impacts governance and the region. According to Mzi Khumalo, chairman of Johannesburg Consolidated Investments, 'we are here to run a business. I am not for any of this brotherhood stuff' (quoted in Andreasson, 2010, p. 275). Income inequality has worsened in post-apartheid SA, as those with access to capital and skills have, in general, benefitted from the more liberal economic regime.

Altough SA's economy was growing at 5–6 per cent before the global economic crisis and jobs were being created for the first time in decades, increasing inequality and the unfulfilled promises of liberation were some of the most important factors in the rise of Jacob Zuma and demise of Thabo Mbeki. However, Zuma may not sufficiently reflect the level of anger in the general population, which is perhaps best captured by the former leader of the ANC youth league Julius Malema, whose rhetoric is similar to that of Robert Mugabe's (Mbeki and Rossouw, 2010). Some argue that this may be a 'Nongqawuse syndrome' (Andreasson, 2010), a Xhosa millerian prophet in the nineteenth century who encouraged people to slaughter their cattle. This reflects the contradiction between the particular (post)apartheid model of accumulation and state legitimation. SA is attempting to strike a balance between its domestic economic and socio-political needs, through market opening in Africa for example, with the broader interests of the region in order to legitimise such economic penetration, through international initiatives such as NEPAD, and SA taking a leading role in multilateral negotiations and institutions on 'Africa's' behalf. As such, SA is a 'gregional' state, which attempts to balance global and regional interests to 'national' ends.

SA is, however, under pressure from the increasing Asian presence in Africa. For example, 'exports to Africa as a percentage of total exports has barely changed since 1998 (at around 13–14 percent). Exports to SADC states have actually declined to around 10 per cent of South Africa's total exports. As these figures suggest, industrialised South Africa faces potential competitive pressures from the industrialised East that are unlike those of Africa's primary producers' (Martin, 2008, p. 129). In relation to China, 'South Africa exports base metals and mineral products in exchange for machinery, textiles, clothing and footwear. It is exporting fewer advanced manufactured goods to China now than it did in 1993. China, on the other hand, has been exporting greater and greater quantities of advanced goods' (Willcox and Van Seventer, 2005, p. 211).

Political power largely flows from economic power, and as the relative role of SA decreases, as compared to China, its direct influence on the continent is likely to be more limited in the future, even as its indirect influence is transformed and more deeply interwoven with global social forces. According to Davies, 'what is naturally South Africa's regional commercial space is fast becoming China's' (quoted in Lee, 2006, p. 322). China deploys a strategy of what Carmody and Taylor (2010) have referred to as flexigemony, where Chinese actors work through extant institutions and state-society formations to achieve resource access. This is also reflected in South African institutions, such as the 20 per cent sale of the Standard Bank of South Africa for $5.5 billion, with its extensive branch network across Africa to the Industrial and Commercial Bank of China in 2007, which boosted FDI in SA that year hundreds of per cent. According to Adebajo (2010, p. 197), 'this represented the largest foreign direct investment in South Africa's history, and could establish a future partnership for the economic domination of the continent, though both rivalry and cooperation are the more likely outcome of this growing bilateral relationship'. SA accounts for 40 per cent of the total stock of Chinese FDI in Africa (UNCTAD, 2010) and it is now a gateway for Chinese influence on the continent. Unlike with other countries, China restrained exports of textile and clothing to SA in order to maintain good relations.

The growing influence of the BRICS powers in Africa is not a zero-sum game. For example, the banking group FirstRand has announced that it will refocus on Africa and take advantage of the growing regional links with China and India (Rundell, 2010). The question is whether SA's own internal governance issues, structured by its mode of incorporation into the global political economy, mean it becomes part of a submerging, rather than an emerging middle. Car exports to the European Union fell 47.4 per cent from 2008 to 2009 as a result of the global financial crisis and growing inequality challenges internal governance, as evidenced by riots before the World Cup in SA for example. If this is the case, this will in turn compromise its ability to influence global governance regimes. However, if the contradictions of SA's development (in Africa) can continue to be contained, the current trajectory of increasing international influence is likely to be maintained. Writing of SA's accession to the BRIC, He Wenping (2011) argues that 'the strong economic links China has with South Africa … can not only boost expansion of Sino-African relations overall but also set an example for, as well as guide and lead, the establishment of a new type of strategic partnership between China and Africa as a whole'.

Conclusion

SA is one of the world's most unequal societies. This is a consequence of the political economy of apartheid and the particular path of economic liberalisation pursued by the majority governments. Some argue that SA is characterised by a 'double temporality' where the democratic state coexists with the reality of continued white domination of the economy (Barnard and Farred, 2004). Current developments represent a modified re-inscription of South African domination of the sub-continent, in concert with other powers and transnational capital – corporate-led geo-governance.

The South African state has attempted to navigate the currents of globalisation, by opening its economy and promoting market opening in Africa, while attempting to reform the system to global governance to be more favourable towards developing countries (Bond and Zapiro, 2004). SA then serves as a conduit for globalised and marketised geo-governance in SSA. According to ANC director of policy:

> We don't oppose the WTO. We'd never join a call to abolish it, or to abolish the World Bank or the IMF. Should we be out there condemning imperialism? If you do those things, how long will you last? There is no organizational alternative, no real policy alternative to what we are doing. (quoted in Bond 2004 in Maharaj *et al*, 2010, p. 17)

SA has also negotiated a controversial free trade agreement (the Trade Development and Cooperation Agreement) with the European Union, which has meant that it has become a site where the structural power of transnational capital and major world powers is expressed and transmitted throughout the region. This can be potentially developmental. As the United Nations Conference on Trade and Development argues that 'in their efforts to achieve expansion and rationalisation of production capability and to acquire technology for industrial growth, policymakers in Africa should recognize the important role that TNCs [transnational corporations] from Africa and other developing countries could play to promote economic growth' (UNCTAD, 2009, pp. 97–99). Also according to Shaw *et al* (2009, pp. 32–33), 'South African service and retail suppliers in third countries, such as Tanzania and Zambia may benefit from Chinese mineral demands as they supply throughout the region, from banking and telecommunications to supply chains for mines and supermarkets'.

There is an implicit division of labour under development here. Whereas SSA supplies minerals and agricultural raw materials to the outside world, South African companies provide the service infrastructure, and this facilitates China's continuing ascent in the global hierarchy based on manufacturing. In that sense, SA is serving as a regional conduit or 'courtesan' state for transnational capital (Mittelman, 2000), some of which comes increasingly from China. This has facilitated the country's rise to prominence in international fora, such as the BRIC, where it has been noted that 'it's not a natural fit', as its economy is less than a quarter the size of Russia's and only a little bigger than China's sixth richest province (Khan quoted in Herskovitz, 2010). Its principal sponsor for accession was China as 'this is something that China sees in its own interest with its aim of understanding the future of Africa and becoming an even bigger player there' (Zonis quoted in Herskovitz, 2010). Its attraction to China, in particular, as a partner is partially its relative global weakness. Consequently, its bargaining role may limit the extent to which SA can genuinely influence global governance regimes so that they are more developmental.

SA is the key node for globalised geo-governance in SSA. However, the increasing inequality, which is a feature of globalisation (Milanovic, 2011), is expressed both domestically within SA, and in its relations with the region. This generates both alliances among the beneficiaries of current arrangements – what Sklair (2001) calls the transnational capitalist class – and resistance from subaltern classes. This article has explored how South African-based actors, particularly the state and corporations, have promoted geo-governance, or private authority, over resources and markets in SSA. Coordination has been effected through the embourgeoisement of the ANC and BEE elite, the construction of a conducive 'liberal' discourse through NEPAD and direct policies and subsidies. However, this mode of geo-governance is unstable given the inequalities and resistances, which it generates.

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