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# **REGIONALISATION IN SOUTHERN AFRICA: THE PROBLEM OF MALIGN SOUTH AFRICAN HEGEMONY**

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## **ABSTRACT:**

This research explores the complexities of South Africa's relations with its Southern African neighbours. The paper concerns itself with understanding the political economy of post-apartheid South Africa's relations with SADC<sup>1</sup> member states, attempting to discern the nature of South African hegemony in the process. The paper argues that due to prevailing systemic pressures, African states face the reality that in order to survive in an increasingly globalised world, they need to form regional regimes. The paper argues that the 'new regionalism' approach is the most appropriate in this regard. In this context the paper focuses on how South African dominance in the region, particularly in terms of its economic power, is an impediment to achieving integration in Southern Africa, based on the 'new regionalism' approach. Rather the strong pressures supporting 'open regionalism' will be depicted as negatively affecting the regional project in Southern Africa. Thus the paper will argue that in order for South Africa and other Southern African states to survive changes in the international system, South Africa will need to play the role of a benign hegemon. Such a role will facilitate a firm commitment to a regionalising project, based on the 'new regionalism' approach. In order for this to be achieved South Africa would have to move beyond simply the articulation of a policy that would appear to support a regional project of this nature to actually playing a positive role in the form of a benign hegemon. Such a position would ensure that the negative effects of the South African private sector expansion into the region are mitigated and that the benefits of this expansion are harnessed in the interests of the region in its entirety. However after a thorough examination of the nature of South African hegemony it will be demonstrated that South Africa seems destined to play the role of malign hegemon, jeopardising the chances of balanced and sustainable development occurring in Southern Africa. This reality would ensure the further marginalisation and polarisation of Southern Africa, in an increasingly hostile and competitive international system.

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<sup>1</sup> Southern African Development Community

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University of Cape Town

## INTRODUCTION:

**“A regional programme cannot be based on the unrealistic expectations of weaker partners. Unless all partners can expect concrete benefits, the political will to sustain a regional programme will be lacking.” (Davies, 1994: 3)**

The international system has undergone profound changes since the fall of the Berlin Wall in 1989. The end of the Cold War has brought into play many new pressures, particularly on the nation-state, whose existence in the Westphalian<sup>2</sup> sense has come under intense threat. This threat is due to the heightened pressure placed upon nation-states by the process of globalisation, which freed from the geo-political constraints of the Cold War has seen the international system become increasingly interconnected and interdependent. As a result of the globalisation process many states throughout the world have felt the need to form regional regimes in order to limit the negative economic and political consequences of globalisation, and in order to maximise the collective benefits of regional regimes. The most prominent and perhaps the most successful of such projects is that of the European Union (EU).

The changing international climate has also signalled significant shifts in global political economy. One of the most important of these for the purposes of this paper has been the fall of apartheid in South Africa. This has inextricably transformed the regional dynamics in Southern Africa<sup>3</sup>. Instead of regionalisation occurring in the

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<sup>2</sup>The notion of the nation-state dates back to the Westphalia peace pact of 1648 in which major European powers agreed to the limitation of power to strictly defined geographical territories. This resulted in a system of nation-states who were territorially autonomous and safeguarded from international intervention.

<sup>3</sup>Southern Africa is defined as the fourteen SADC countries: Angola, Botswana, the DRC, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Seychelles, Swaziland, Tanzania, Zambia and Zimbabwe.

region based on antagonism between apartheid South Africa and the rest of the region, there is now a unique opportunity to use South Africa as an instrument to bring about development throughout the region in the form of a regional project<sup>4</sup>.

For in the changing world climate regional blocs are becoming increasingly evident. The creation of the SADC, the Preferential Trade Area (PTA), the Common Market for Eastern and Southern Africa States (COMESA) and the recently created African Union (AU) all reflect an acceptance across the political spectrum throughout Africa that the best hope for the future lies in some form of regional integration. The acceptance by both state and non-state actors of a regionalising project as one that holds the promise of playing an important developmental role, seems to indicate that there is no longer a question of whether regional integration will take place in Southern Africa, but rather what form this integration will take.<sup>5</sup>

The fundamental policy question facing the region in this regard is what role will South Africa play in the future quest for a fully functional regional regime in Southern Africa? Many neighbouring states remain justifiably suspicious of South African involvement in the region after many decades of active destabilisation of Southern Africa by successive apartheid governments. Furthermore non-state actors from South Africa in the form of parastatals, such as Spoornet and Eskom, as well as major South African corporations such as Anglo American have for long enjoyed the

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<sup>4</sup> Odén, Boas, & Soderbaum (1995), p. 1

<sup>5</sup> *ibid*

benefits of operating in a relatively unregulated and uncontrolled regional environment, to the benefit of both these corporations and in many respects to the South African state itself. Thus this paper asks the following: does South Africa have the political will to change the nature of its relations with the region and play the role of benign hegemon? In particular, will South Africa through SADC seek to provide Southern Africa with a regional regime, based on the 'new regionalism' approach that is of benefit to all the participating member countries, or will it define its role more narrowly as it has done in the past?<sup>6</sup> Will South Africa continue to act in the region as a malign hegemon, just like apartheid South Africa in search of myopic, short-term gains defined by the pursuit of the perceived national interest? If post-apartheid South Africa continues to follow this course, then South Africa has the potential to further exasperate regional imbalances and inequalities.

This paper will endeavour to answer these critically important questions by analysing the nature of South Africa's role in Southern Africa. This will be done through the application of three levels of analysis: national, regional and global. The theoretical framework is multi-disciplinary, drawing mainly from international political economy and international relations theory, focusing specifically on the theory on malign and benign hegemony, regime theory and the theory on the 'new regionalism'. Contextual factors such as the nature of globalisation will be dealt with, as well as the nature of the regional project in Southern Africa. Finally it will be illustrated that Southern

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<sup>6</sup> Ibid

Africa in order to overcome historical economic and political differences, needs South Africa to play the role of benign hegemon.

### **RESEARCH PARAMETERS:**

The nature of the research focuses on the exceptionally broad and highly contested area of global and regional political economy. In particular there is a focus on a regional level on two highly significant concepts: regionalisation and hegemony.

This paper aims to develop the following argument:

Contemporary global political economy, and Southern Africa in particular are currently characterised by two major processes of structural change, globalisation and regionalisation. The process of globalisation is driving the shift towards increased regionalisation within Southern Africa. Furthermore the move towards some form of regionalisation is complicated in Southern Africa by the nature of South African hegemony. South African hegemony has historically driven an antagonistic form of regional cooperation, and is today continuing to reap the benefits of regional domination in a relatively non-integrated regional environment, to the detriment of the development of the region as a whole.

Therefore the major arguments that this paper seeks to make are the following:

1. Globalisation is the catalyst in a move towards increased regionalisation; as nations seek to exploit collective gains through factors such as increased economies of scale, whilst simultaneously limiting the negative marginalising consequences of globalisation. This is particularly pertinent for the relatively poor and underdeveloped nations of Southern Africa.
2. The move towards regionalisation, particularly in terms of the 'new regionalism' approach in Southern Africa, has historically and continues to be hampered by the political economy of South Africa's relations with the rest of the region.
3. In order for regional integration based on the principles of the 'new regionalism' approach to occur in Southern Africa, South Africa needs to play the role of benign hegemon.

These dynamics in Southern Africa are of vital importance for the future of the region, as they will determine whether there is meaningful and balanced development or whether there will continue to be one dominant power, both politically and economically, in the form of South Africa surrounded by an axis of underdevelopment and poverty. Therefore unless the nature of South African hegemony is accurately assessed, there remains little chance that this pattern of domination and exploitation will be significantly altered.

Thus this paper addresses the following questions:

- How has globalisation provided the catalyst for increased regionalisation in Africa, with a specific focus on Southern Africa?
- What is the difference between 'new regionalism' and 'open regionalism'?
- What is benign and malign hegemony?
- What is the nature of South Africa's regional hegemony?
- Are South African non-state actors an impediment to benign hegemony in Southern Africa?
- Do the prerequisites exist both in South Africa and Southern Africa to facilitate benign South African hegemony?

### **ORGANISATION:**

This paper will be divided into two major sections. The first section deals with the regionalising pressure exerted on African states by the process of globalisation. This section is not meant to be an exhaustive analysis of globalisation and regional dynamics, but is rather designed to provide the contextual framework for the substantive element of the paper, namely the impediment posed by the nature of South African hegemony in Southern Africa in the formation of a mutually beneficial regional regime.

The second section deals with the nature of South African hegemony, through a thorough analysis of the political economy of South Africa's relations with the region. Finally there will be a discussion of the prerequisites for South African benign hegemony and whether there is any hope of South Africa playing such a role in the interests of the region as a whole.

The theoretical framework in the first section revolves around systemic factors such as the process of globalisation and regionalising factors. The second section looks more specifically at regional factors with a specific focus on South Africa in Southern Africa. Therefore the theory moves between two levels of analysis, shifting between a systemic and regional level of analysis. This approach is based on the notion that in order to fully appreciate the impediment that South African hegemony poses to regional integration in Southern Africa, there needs to be some acknowledgement of the broader changes in the international system, such as the process of globalisation and the move towards regionalisation. The aim of this paper is not to provide an authoritative analysis of these two phenomena but to show how they are pressuring states throughout the world, and in particular African states, to form regional regimes in order to survive in an increasingly competitive globalised world. The pressure to form a viable regional regime in Southern Africa is impacted upon negatively by the nature of South African hegemony, which serves in many ways to prevent such a regime from coming into operation.

The assessment of South Africa's role in Southern Africa is not without its contentious issues, the first of which is what exactly constitutes the entity that is Southern Africa. There are many approaches to take when defining a region such as Southern Africa, ranging from purely geographical to more socio-political contexts. This paper will adopt an understanding of Southern Africa as, "nation states locked in the same geographical context."<sup>7</sup> There is no doubt that the borderline of a region may look different depending on whether geographical proximity, economic relations or political co-operation is used as the principle variable. But the definition used by this paper appears to be the most logical as it refers to the most important factors, namely membership of an internationally recognised organisation, in this instance the SADC, geographical closeness and historical links.<sup>8</sup> This understanding does not mean to diminish the substantial differences politically, socially and economically between Southern Africa states, nor does it fail to recognise the potential analytical problems posed for example by the inclusion of the DRC<sup>9</sup>, where it is questionable that such a state even exists. But it does intend to emphasise that all countries in Southern Africa, through their geographical and other linkages, share a common destiny, and in particular how they are all either positively or negatively impacted on by South African hegemony.

It can also be argued that any state-centric analysis of Southern Africa is in itself a flawed approach. Some scholars make the argument that due to the existence of weak

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<sup>7</sup> Odén, Boas, & Soderbaum (1995), p.3

<sup>8</sup> *ibid*

<sup>9</sup> The Democratic Republic of the Congo

states in the region, non-state actors are of greater importance than state-actors. Here they point to the role of economic actors such as multi-national corporations, and on the other side of the spectrum to the role of militias, warlords and other instances of non-state sponsored conflict. This argument certainly has merit, and as such this paper takes cognisance of such arguments by focusing on non-state actors, in particular on South African non-state actors, as they contribute to a more complete understanding of the nature of South African hegemony in the region.

The theoretical component of this paper will be based in the political economy framework of analysis. This approach acknowledges the increasing awareness in political science of the need to narrow the gap between political and economic factors. In the past the analytical distinction between political and economic factors served the invaluable purpose of ensuring that the complex processes occurring in the international system could be broken down into smaller analytical components, thus ensuring a greater ability to understand the dynamics of the international system. But this approach now has less value in an international system, which has continuously witnessed the fusion of many of these political and economic factors. They have fused to the extent that now Robert Gilpin, author of the definitive work on political economy, states that “the totality of political and economic reality necessitates the integration of individual pieces into a larger theoretical framework of political economy.”<sup>10</sup>

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<sup>10</sup> Gilpin, R. (1987) The Political Economy Of International Relations, Princeton: Princeton University Press, p.5

'Political economy' as a concept is a complex one; its significant aspects are seen by a variety of scholars in different perspectives. This paper adopts the approach that stems from the work of Martin Staniland and Robert Gilpin. Both of these scholars focus on the interaction between politics and economics. For Staniland political economy describes "how politics determines aspects of the economy, and how political institutions determine the political process," as well as the "the dynamic interaction between the two forces."<sup>11</sup> Staniland therefore emphasises the intimate relationship between politics and economics. Thus any approach that focuses purely on economic or political factors sees only a part of the overall picture. Gilpin states in this regard "that the parallel existence and mutual interaction of 'state' and 'market' in the modern world creates political economy"<sup>12</sup>.

Of great importance to this paper is the question of power, which is often referred to as the 'currency' of politics. It can be said that economists, by focusing purely on economic factors, ignore the political context of events and in particular the central importance of power, whilst political scientists, who focus purely on political factors, ignore the vitally important role that markets play in the international system. Gilpin deals with this dilemma by arguing that the relationship between politics and economics translates into that between power and wealth. Thus for Gilpin, "economics takes as its province the creation and distribution of wealth; politics is the realm of power."<sup>13</sup> Gilpin's distinction between power and wealth is simply an

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<sup>11</sup> Staniland, M, (1985) What is Political Economy? New Haven, CT: Yale University, p.6.

<sup>12</sup> Gilpin (1987) p.8

<sup>13</sup> Gilpin (1975) pp.53-54

analytical one; in reality world power and wealth are inseparable.<sup>14</sup> Therefore this paper adopts a theoretical approach that treats political and economic factors concurrently, which is of particular importance when assessing South Africa's political and economic domination in Southern Africa.

As well as utilising political economy as a general analytical framework, the second section of this paper will focus on hegemonic theory, with hegemonic stability theory on a global level as a point of departure. Amongst the most prominent scholars that have advocated this approach are Keohane and Gilpin. Hegemonic stability theory is based on two assumptions. Firstly, order in world politics is created by a single dominant power. Secondly, maintenance of that order requires continued hegemony.<sup>15</sup> Therefore hegemonic stability theory presumes a close relationship between the relative strength of the hegemonic state and the stability of the regime in question. Fragmentation of the hegemonic power is anticipated to result in regime fragmentation, while concentration of hegemonic power is supposed to lead to regime strengthening.<sup>16</sup> Hegemonic stability theory is most often associated with neo-realism, and is often a market-based perspective. The most influential alternative is commonly seen as the institutionalist or functionalist approach. The main difference between the two approaches is that in the former, hegemony is a necessary prerequisite for the emergence and maintenance of order and cooperation in world affairs, whilst in the

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<sup>14</sup> *ibid*

<sup>15</sup> Keohane, (1980) "The Theory of Hegemonic Stability and Changes in International Economic Regimes, 1967-1977" In O. Holsti et al (Eds.) Change in the International System. Boulder: Westview Press p. 15

<sup>16</sup> Keohane, (1980)

latter it is assumed that a leader may initiate and facilitate cooperation among states, but hegemony is neither a necessary, nor sufficient condition for the emergence or the maintenance of cooperative relationships among actors in world politics.<sup>17</sup>

Irrespective of these debates hegemonic stability theory has been most commonly applied at a global level. The best documented empirical cases related to the world hegemony of Great Britain in the nineteenth century and the United States after World War Two. To a far lesser extent hegemonic stability theory has been applied at the regional level. Whilst world hegemony most often refers to processes in international political economy, regional hegemony has been mainly used to characterise a superpower or 'giant state' situated outside the region itself, which has created the type of regional security complex best suited for its own national security interests, for example the United States role in South America. As Odén points out, it has been even more infrequently applied with respect to a state located within a regional subsystem.<sup>18</sup> Furthermore this type of regional hegemony has been applied to security complexes, where the power exercised by the regional hegemon has been based on coercion, domination as well as on military and diplomatic superiority instead of collaboration and positive sanctions.<sup>19</sup>

Regional hegemonic regimes have therefore not emerged as a result of mutually beneficial agreements, but have been dependent upon the extent to which the

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<sup>17</sup> Odén, (1997) p.26

<sup>18</sup> Odén, (1997) p.27

<sup>19</sup> Odén, (1997) p.27

hegemon has managed to force other states to defer to its leadership. Hegemonic stability theory has been strongly criticised from a variety of points of view, particularly by institutionalists or functionalists. However much of the criticism applies mainly to the neo-realist perspective versus the actual theory itself. This paper accepts much of this criticism, but strongly argues that the alternative vision of hegemonic stability theory, containing the proposition that regional hegemony can facilitate a kind of cooperation, is very important in the context of the role that South Africa can play in Southern Africa. The following section is a response to some of the criticism associated with hegemonic stability theory.

The most important criticism against hegemonic stability theory centres around two interrelated issues. Firstly the hegemonic regime does not provide genuine collective goods. Secondly, hegemony is destructive and the cause of increasing instability and exploitation within the international system. In the first instance critics argue that the hegemon seeks to mask its own private goods as public goods, thereby forcing other states to contribute to their achievement. If true this criticism is certainly relevant and may weaken the argument supporting the need for a hegemon. But the real problem is not so much whether goods shall be labelled private or public, but whether the hegemonic regime sustains an economic infrastructure that is of mutual benefit for all participants. This makes it both necessary and analytically fruitful to distinguish between a hegemonic regime that sustains mutually beneficial relationships and one

that is detrimental to other states.<sup>20</sup> Two ideal models of regionalisation under South Africa will be discerned from this framework, the one entitled benevolent hegemonic regionalisation and the other exploitative or malign hegemonic regionalisation.<sup>21</sup> By focusing on this framework a compelling argument can be made for the use of hegemonic theory, and in particular for the need of a regional hegemon to propel development in Southern Africa.

The different types of hegemonic regimes will be elaborated on extensively in the second part of this paper. A pre-emptive distinction at this early stage is that when separating benign and exploitative hegemonic regimes, the first order question is not to assess whether the hegemon is altruistic or egoist but to determine whether the hegemon acts in the long-run interests of the region as a whole. Benevolence in this regard does not necessarily contradict the national interest of the hegemon; on the contrary the two may be mutually supportive.<sup>22</sup>

The motivation of the hegemon in this context is of utmost importance; an exploitative hegemon seeks to create a regime that serves its own short-term national interests, through the exploitation of its fellow partners, whilst a benign hegemon facilitates the emergence of mutually beneficial relationships. A benevolent or benign hegemon will typically rely on positive sanctions (rewards), whereas as an exploitative or malign hegemon will mainly resort to negative sanctions (threats) in

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<sup>20</sup> Odén, (1997) p.27

<sup>21</sup> Odén, et al (1995) p.2

<sup>22</sup> Odén, (1997) p.28

order to create and maintain the regime.<sup>23</sup> Hirsch and Doyle here accord characteristics of hegemonic leadership as involving a “mixture of cooperation and control”.<sup>24</sup> In this respect a benign hegemon will rely mainly on co-operation whilst an exploitative hegemon will primarily rely on control. Therefore in a benevolent hegemonic regime the level of cooperation, mutual adjustment and positive sanctions are all high, where the motivation of the hegemon is to create a regime that is beneficial to all participants, all the while utilising benign forms of power. The result is that benevolent hegemony is more likely to be voluntarily accepted by the other partners compared to an exploitative hegemon.<sup>25</sup> As a consequence the regime is based on the genuine belief that the hegemon is legitimate, which means that a certain degree of “ideological consensus” will prevail, termed “ideological hegemony” by Gramsciar, Keohane and Gilpin.<sup>26</sup>

In contrast a vision of Southern African characterised by the exploitative model would be the following: South Africa does not promote balanced regional development, the country adopts a strategy of regionalisation defined narrowly in the context of short-term perceived national interests. The primary objective of South Africa would be to siphon surplus from the regional periphery to itself as the regional centre. Therefore the definition of regional interests will be the interests of South African political and economic forces, creating a real possibility of the nature of

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<sup>23</sup> Odén, (1997) p.28

<sup>24</sup> Hirsch & Doyle, (1977) p.27

<sup>25</sup> Odén, (1997) p.28

<sup>26</sup> Gramsciar, (1971), Keohane, (1984), pp.44-45 & Gilpin, (1987), p.73

South Africa's hegemony in the region being defined by the South African private sector. This tendency has the propensity to further increase regional imbalances. The political economy of this perspective is in many respects very similar to South African government policy in the 1970's.<sup>27</sup>

In contrast, a benevolent hegemon in the form of South Africa would take into consideration the dominant role of South Africa, but this dominance would be used to develop mutually beneficial relationships. According to this model South Africa would be prepared to provide a regional regime that is aimed at a more balanced regional development. A major premise of this research paper is that this does not appear to be the perspective of the South African private sector; if it was, the short-term interests of South African economic forces would be tempered in favour of a regional strategy, which takes into consideration all interdependent, albeit asymmetric relationships. Although South African dominance inevitably creates a hegemonic position, the relationships between the countries will have a more genuine multilateral character than in the exploitative regionalisation scenario. As benevolent hegemony is of mutual benefit for all countries in the region, the other states would also be more prepared to accept South African hegemony.<sup>28</sup> Most importantly for South Africa is that by adopting such a long-run perspective, a far more favourable regionalisation will likely occur, which in turn could improve the position of the whole Southern African region in the global political economy. Any other possibility would be more

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<sup>27</sup> Odén, (1997) p.30

<sup>28</sup> Odén, (1997) p.31

likely to contribute to further marginalisation of Southern Africa. The second half of this paper will explore in depth whether the conditions exist both in South Africa and in the Southern African region for the creation and maintenance of a benevolent regional hegemonic regime.

The understanding of the type of hegemonic regime required in Southern Africa is premised on regime theory. Ruggie argues that, “regimes according to the standard definition are constituted by convergent expectations, shared principles and norms.”<sup>29</sup> The mainstream view is that regimes have been conceived as external constraints on state behaviour that function as either independent or intervening variables. Ruggie adopts a broader view and sees regimes as “intersubjective”, equating to a state of affairs existing among actors that comply with a given regime. The intersubjective element refers to the actors’ understanding of the regime and what constitutes unacceptable deviations from the regime.<sup>30</sup> Regimes, like principles and norms generally function not only in the causal sense of injunctions, but also in a broader communicative and constitutive sense.<sup>31</sup> Therefore regimes encompass the dimension of reasons and meanings as well as efficient causes. Regimes that are efficient in practice encompass mutual intelligibility and acceptability of actions within the intersubjective framework of understanding, which is embodied within the regimes, principles and norms.<sup>32</sup>

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<sup>29</sup> Ruggie, J (1998) “Constructing the World Polity” in Essays on International Institutionalisation. New York: Routledge p.84

<sup>30</sup> Ruggie, (1998) p.85

<sup>31</sup> *ibid*

<sup>32</sup> Ruggie, (1998) p.85

Krasner sees regimes broadly defined as governing arrangements constructed by states to coordinate their expectations and to organise aspects of their behaviour in various issue areas.<sup>33</sup> Therefore the concept of regimes for Krasner is composed of four analytical components:

- Principles (beliefs of fact, causation and rectitude)
- Norms (standards of behaviour defined in terms of rights and obligations)
- Rules (specific prescriptions and proscriptions for actions)
- Decision making procedures (prevailing practices for making and implementing collective choice).<sup>34</sup>

The notion prevails in regime theory literature that the four analytical concepts are related instrumentally; the greater the coherence among them, the stronger the regime will be<sup>35</sup>. Ruggie argues that there is an '*a priori*' attractiveness to this notion and it is aesthetically pleasing.<sup>36</sup> Waltz has argued that international and regional collaboration is shaped primarily by the availability and acceptability of the means and not by the desirability of the ends. Therefore notions such as reciprocity in trade regimes are neither its ends nor its means; in a quintessential way, they are the regime, and they are the principles and shared understandings the regime comprises.<sup>37</sup>

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<sup>33</sup> Krasner, (1983)

<sup>34</sup> Krasner, (1983)

<sup>35</sup> Haas, (1983a)

<sup>36</sup> Ruggie, (1998) p. 98

<sup>37</sup> Waltz, K (1979) p. 99

This illustrates the potential for South Africa as the dominant power in the region to shape the regional regime, the SADC, in such a way that it facilitates mutually beneficial regionalisation. With the norms, principles and decision-making procedures of the SADC constituting a regime that is focused on regional development in the interest of all member states.

There is also an idea that the four regime components should be coherent and the degree of coherence indicates the degree of regime coherence. This certainly works on a superficial level, but Ruggie argues that the weakness of this notion is its presumption that once the machinery is in place actors merely remain programmed by it. Clearly actors not only reproduce normative structures, they also change them by their very practice.<sup>38</sup> Thus as underlying conditions change, new claimants make their presence felt. Therefore it is possible to argue that the robustness of regimes has little to do with how coherent they are, but depends on the extent to which evolving and even diverging practices of actors express principled, reasoning and shared understandings.<sup>39</sup> The claims placed on the SADC by South African economic forces can be seen to exert this kind of pressure, where often the divergent view held by South Africa is not based on the shared principled position that a regime should be concentrated on the development of Southern Africa as a whole.

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<sup>38</sup> Ruggie, (1998) p.99

<sup>39</sup> Ruggie, (1998) p.99

Incumbent with regime analysis are a number of criticisms, the first is that by merely focusing on the regulative role of regimes, the subjective element can be lost. This illustrates the value of adopting Ruggie's broader understanding of regimes. Therefore the robustness of a regime can be seen as more than just its "objective" aspects such as formal compliance with specific injunctions, but also include the shared understanding of actors associated with that regime. Another potential weakness is that regime analysis suffers from severe small numbers problems. Relatively few regimes have been studied in any comparable fashion, so that inferences about regimes seem to rest neither on firm statistical nor experimental grounds.<sup>40</sup> It is not within the intended scope of this research paper to deal at length with the theoretical issues that surround the analysis, but rather to apply the broader approach advocated by Ruggie and Krasner. This approach will be applied to the case of the SADC to determine if South Africa as the regional hegemon complies with the norms, principles, rules and decision-making procedures of the regional regime, the SADC.

Finally, as already stated this paper makes use of two levels of analysis, the international and the regional. Naturally regionalisation is not only dependent on variables from these two levels of analysis. The globalisation processes, as well as the nature of the international political economy are highly influenced by supranational organisations such as the World Bank and the International Monetary Fund.<sup>41</sup> These

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<sup>40</sup> Ruggie, (1998) p.85

<sup>41</sup> *ibid*

variables need to be recognised and as such they will be dealt with as contextual factors, for both parsimonious reasons and in order to allow for a proper focus on the nature of South African hegemony, within the structural limitations of this research paper.

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**PART ONE: GLOBALISATION AND THE MOVE TOWARDS  
REGIONALISATION IN SOUTHERN AFRICA – THE CONTEXT OF  
SOUTH AFRICAN HEGEMONY**

*Globalisation is a positive development for the world economy...to begin globalisation is the continuation of the growing trend of growing openness and integration among economies that has brought the world a half century of unparalleled prosperity.*

*(Michael Camdessus, Managing Director, International Monetary Fund)*

*Anyone who believes that globalisation can be stopped has to tell us how he would envision stopping economic and technological progress; this is tantamount to trying to stop the rotation of the earth.*

*(Renato Ruggiero, Director General, World Trade Organisation)*

*The process of regionalisation has become so entrenched that political scientists and economists alike rarely tackle any problem of economic development without utilising theories on economic integration and regionalisation.*

*(S.K.B. Asante, Senior Regional Adviser in the Economic Commission for Africa)*

## **GLOBALISATION AS A REGIONALISING FORCE:**

Many scholars and commentators see the process of globalisation as the defining characteristic of our time. The modern international system of independent and distinct national economies is in the process of being replaced by a single transnational political economy<sup>42</sup>. Within this changing global paradigm power and authority are steadily being shifted to global institutions and corporations.<sup>43</sup> Thus in Hettne's view the process of globalisation is bringing about a borderless world, in which territory is losing its primacy, and where time and space are being compressed.<sup>44</sup> Schrire understands globalisation as being both a process and a multidimensional phenomenon. With his understanding of globalisation being, "those processes based on upon technology, which increase both the speed and scope of linkages across state boundaries in areas including the economy, polity and culture"<sup>45</sup>.

Whilst the process of globalisation clearly affects all countries, the impact has not been the same throughout the world. A distinction in this regard needs to be made between the developed nations of the North and the developing nations of the South. This distinction is of vital analytical importance as those countries in the developed North are powerful enough to set the terms of the incorporation of the relatively "poor" nations of the South into an increasingly integrated global political economy.

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<sup>42</sup> Adams, Dev Gupta & Mengisteab, (1999) p. 1

<sup>43</sup> *ibid*

<sup>44</sup> Hettne, (1999) p. 3

<sup>45</sup> Schrire, R (2001) "Globalisation: The Political Dynamics" South African Journal of Economic & Management Studies. Vol.4 No.3 September p. 5

Therefore the nations of the South are largely unable to influence the 'rules of the game', which are set by organisations such as the IMF<sup>46</sup>, the WTO<sup>47</sup> and the WB<sup>48</sup>. These institutions themselves have as their controlling shareholders and signatories nations such as the United States, who are able to exert substantial political control over these institutions. In part this is due to the authoritative founding role they played in the Bretton-Woods era. Therefore Schrire argues that it is important to not ignore the significance of political factors in shaping and guiding the process of globalisation.<sup>49</sup> The powerful economic forces associated with globalisation did not in his view develop from impersonal market and technological forces. Rather they were a result of explicit policy choices by governments, in particular both the United States and Great Britain. These countries deliberately followed policy choices of currency controls relaxation, reduction of trade barriers and a general retreat in the role of the state in the economy. Therefore despite the undeniable power of economic forces released through the process of globalisation, politics remains a key player and globalisation is thus not necessarily irreversible.<sup>50</sup> The implication also arises that those states who are being disproportionately affected by the pressures posed by the neo-liberal content of the globalisation process need to develop a political response in order to avert many of the negative effects of globalisation, such as marginalisation from the emerging global market and the lack of political control over the form and content of the globalisation process.

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<sup>46</sup> International Monetary Fund

<sup>47</sup> World Trade Organisation

<sup>48</sup> World Bank

<sup>50</sup> Schrire, (2001) p. 7

Regardless of analytical perspectives over the nature of globalisation, there is no question that the changes brought about by globalisation in the international system have contributed to a reality where whatever sovereignty those nations in the South, particularly African states, gained due to decolonisation are now rapidly eroding. This loss of sovereignty is compounded by the rise to prominence of non-state actors such as transnational corporations, normally based in the North and supported by their home governments. The traditional model where the nation state is seen as the premier authority for maintaining security and development is now being replaced by neo-liberal reform, premised on the dictates of the market and the preferences of the supranational organisations mentioned above. These factors have combined to ensure that the international system is experiencing an unheralded era of increased regionalisation, as nation-states start to react to the new forces operating in the international system by forming regional arrangements.

There are many debates and beliefs surrounding the nature of the globalisation process. Many of these positions believe in the notion that globalisation is a process that is inevitably moving forward in a linear fashion and that there is no way in which such a self-directed process can be controlled or stopped. This paper takes a different position, and as such endorses the views of Gilpin and Schrire. These scholars argue that globalisation and the inherent spread of global capitalism is to an extent a state controlled process. In this contest the globalisation process is seen as needing the support of powerful nations in order to ensure that it continues to provide the ultimate benefits that these states believe it has the potential to provide. Other scholars who

challenge the idea that globalisation is an irreversible and unstoppable process will also be detailed in this section, with a particular focus on how globalisation has the propensity to develop counter processes. One such counter process is regionalisation, which will be depicted as a logical response to the challenge that globalisation poses, particularly to nations in the South. These arguments are important for this paper as they highlight how the changing global reality is forcing states into regional arrangements that are necessary for their survival. Furthermore it will be illustrated later that South African hegemony presents an obstacle to the completion of such a regionalising project in Southern Africa.

Robert Gilpin in his book *The Challenge of Global Capitalism: The World Economy in the 21<sup>st</sup> Century* opposes the notion of globalisation as having simply a linear trajectory. His argument is premised upon the idea that capitalism is the most successful wealth-creating economic system that the world has ever known. Joseph Schumpeter, who stated, “no other system has benefited the ‘common people’ so much, supports this argument.<sup>51</sup> The process of ‘creative destruction’ to use Schumpeter’s terminology, produces many winners but also many losers, and at least in the short term poses a serious threat to traditional societal values, beliefs and institutions. Although capitalism eventually distributes wealth more equally than any other economic system, it does also according to Gilpin tend to concentrate wealth, power and economic activities.<sup>52</sup> This trend is illustrated by the unequal distribution

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<sup>51</sup> Gilpin, (2000) p. 3

<sup>52</sup> Gilpin, (2000) p. 3

of power and wealth in the contemporary international system, which presents particularly large challenges for the poor nations of Southern Africa.

As referred to earlier, Gilpin argues that the spread of capitalism and globalisation is not necessarily linear in its path; globalisation in his view can be disrupted. This is illustrated by revolts in the international system against a global economy characterised by open markets, unrestricted capital flows and the activities of multi-national corporations in the guise of trade protection. These revolts include the creation of closed economic blocs and “various kinds of neo-mercantilist cheating.”<sup>53</sup> Thus for Gilpin some individual nations and some powerful groups within nations believe the world economy functions unfairly, and these nations for Gilpin are an ever-present danger and threat to the stability of the system.<sup>54</sup>

Gilpin argues that globalisation was propelled by a number of political (especially after the end of the Cold War), economic and technological developments. These developments ensured that the world moved from the sharply divided international economy of the Cold War to an increasingly integrated global capitalist system. The rapid industrialisation in the 1980's and 1990's of East Asia and Latin America in particular, has shifted global economic power and created a competitive international economy. The continuing technological revolution and the emergence of the information economy has accelerated shifts in many countries from industrial to

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<sup>53</sup> Gilpin, (2000) p. 3

<sup>54</sup> Gilpin, (2000) p. 7

service economies. Coupled with these processes has been the increase in international trade, financial flows and the activities of MNCs becoming increasingly integrated into the global economic system in a process now familiarly known as “globalisation”.<sup>55</sup>

However Gilpin argues that at the beginning of the twenty first century the increasingly open global economy is threatened. In addition the unity and integration of the global economy is increasingly being challenged by the spread of regional economic arrangements. For Gilpin both the EU and the movement toward greater political and economic unity in NAFTA represent important shifts from an open global economy. Most importantly Gilpin argues that the political foundations of the international economy have been seriously undermined since the end of the Cold War.<sup>56</sup>

Even though the world has become increasingly integrated both economically and technologically, it continues to be politically fragmented among independent, self-interested states. Simultaneously the forces of economic globalisation have made the international economy more interdependent, whilst the end of the Cold War has decreased the need for close political cooperation amongst the United States, Japan and Europe.<sup>57</sup> The result is that the rule-based international economic system laid

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<sup>55</sup> Gilpin, (2000) p. 8

<sup>56</sup> Gilpin, (2000) p. 8

<sup>57</sup> Gilpin, (2000) p. 9

down at the BTW Conference<sup>58</sup> has been greatly eroded. Therefore the existing regimes and institutional structures in the form of the WTO, the rules governing trade, capital flows and other international economic matters, are no longer adequate for a highly integrated and fragile global economy.<sup>59</sup> The problem arising from increased economic integration of traditional economies necessitates new rules or the modification of older rules to deal with pressing economic issues and to ensure the continued existence of an open and stable global economy.<sup>60</sup>

Thus the belief exists amongst many political leaders, business executives and scholars, especially in the United States, that the future of global capitalism is secure, needs to be reappraised. The confidence of this grouping is based on the fact that the world is market dominated and that free markets can successfully guide the global economy to even higher levels of growth, which will ultimately ensure the prosperity and stability of the system as a whole. Accordingly, this group believes that the failure of command economies and closed economies of less developed countries caused governments everywhere to turn towards market solutions to economic problems.<sup>61</sup> Among developing countries, deregulation, privatisation and other economic reforms have reduced the role of the state in the economy and have led many to proclaim the triumph of international capitalism and the economic ideas upon which it rests. This faith, according to Gilpin in the 'secure victory of liberated capitalism' may turn out to be well-founded, but it is important to remember that the

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<sup>58</sup> Bretton Woods Conference

<sup>59</sup> *ibid*

<sup>60</sup> Gilpin, (2000) p. 12

world experienced this kind of 'triumphalism' prior to World War One and then the subsequent collapse of that highly integrated world economy.<sup>62</sup> Although the threat of another major war is very small<sup>63</sup>, other developments could bring down or at least seriously damage the contemporary international capitalist system.<sup>64</sup> The continued protests against globalisation in the United States and other countries, as well as the events of September 11 2002 in the United States, are a constant reminder that capitalism creates its own enemies.

Thus Gilpin argues that despite the potential benefits of free trade and other aspects of the global economy,

“an open and integrated global economy is neither as extensive, as inextricable nor as irreversible as many may assume.”<sup>65</sup>

According to Gilpin it is incumbent upon the United States and other global powers to ensure the survival of the international capitalist system by securing its political foundations.<sup>66</sup>

Schrire makes the argument that the end of the Cold War has liberated the market from some form of political control.<sup>67</sup> In this regard the finance structure of international political economy has seen a shift from an international financial

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<sup>61</sup> Gilpin, (2000) p. 12

<sup>62</sup> Gilpin, (2000) p. 13

<sup>63</sup> Current uncertainties surrounding a US-led war in Iraq, and deteriorating relations with North Korea notwithstanding.

<sup>64</sup> Gilpin, (2000) p. 13

<sup>65</sup> Gilpin, (2000) p. 13

<sup>66</sup> *ibid*

<sup>67</sup> Shire, (2001) p. 450

structure with some elements of political territorial control of financial markets; to a truly global financial structure, which due to its enormity and complexity is beyond the control of any one particular state.<sup>68</sup> This has led many optimists to believe that the victory of the liberal paradigm is irreversible;<sup>69</sup> whilst others argue that this victory is a delusion. For the latter the 'political kingdom' is too well entrenched in human society to be so "easily vanquished." The most prominent advocate of such a position is Samuel Huntington who argues in his seminal work *The Clash of Civilizations* that globalisation is bringing Western ideals to all parts of the world, and that economic integration is penetrating non-Western societies. Huntington holds that these growing contacts will not lead to harmony and a shared materialism, but rather to increased conflict.<sup>70</sup> It is beyond the stated scope of this paper to explore the merits and demerits of Huntington's thesis, but his argument does illustrate that globalisation and the perceived triumph of the liberal paradigm may not be as assured as many believe.

There are two positions that can be taken in relation to globalisation, namely a sovereignty-at-bay position and a more neo-realist argument that outlines the return of the state in some form. Economic globalisation theorists such as Friedman and Ohmae believe that conflict between the state and the market is largely over and that the market has emerged victorious. For such theorists the imperatives of economic

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<sup>68</sup> Balaam, D & Veseth, M (2000) *Introduction to International Political Economy 2<sup>nd</sup> ed.* New Jersey: Prentice Hall p. 166

<sup>69</sup> Schrire, (2001) p. 450

<sup>70</sup> Huntington, S (1993) "The Clash of Civilisations?" *Foreign Affairs*, Summer

liberalisation have overcome the reactionary forces represented by the state.<sup>71</sup> Preponderance of ideology and nationalism is now largely non-existent, and where they still exist such as in Bosnia, China, Zimbabwe and Nigeria they are seen to be indicative of backward societies.<sup>72</sup> For Friedman and Ohmae in all of the world's most advanced and dynamic societies, North America, Western Europe, Australia and Japan, governments have rejected the grand nationalism of the past, whilst the populace has rejected the grand designs of the state.<sup>73</sup> The electorate in these states is viewed as able to use its vote to punish political movements that seek a return to the past.<sup>74</sup> This reality is aptly summed in the words of former United States President Bill Clinton, "it's the economy, stupid!"

In this context the costs of attempting to disengage from the trajectory of contemporary economic liberalisation are too high for any rational government. Thus even former advocates of this more radical stance in Africa, Asia and Latin America are competing fiercely to become integrated into the global economy.<sup>75</sup>

The alternative position is advocated by neo-realists and in the context of international political economy neo-mercantilists; both schools reject the conflict paradigms and the economically deterministic conclusions of the likes of Friedman. For these theorists the extent of globalisation has been grossly exaggerated. The state

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<sup>71</sup> Schrire, (2001) p. 451

<sup>72</sup> *ibid*

<sup>73</sup> Ohmae, 1995

<sup>74</sup> *ibid*

<sup>75</sup> *ibid*

therefore remains a key player<sup>76</sup>, with the state economy more important than the global economy. The increase in power of non-state actors such as MNCs is disputed, as is the mere existence of this type of entity. Neo-realists and mercantilists argue that although corporations and supranational organisations may have global operations, they remain state based. The state itself, through the regulatory role that it plays, remains the dominant authority in determining the success and failure of these institutions.

Thus if countries such as Namibia, Malawi and other Southern African states lack genuine autonomy, this is not a consequence of globalisation, but is rather a result of the historical reality that minor powers have never had real power in a world dominated by the consequences of the inequalities in the distribution of power.<sup>77</sup>

The neo-realist position argues that in the contemporary world order major players such as the United States and Britain have structural power. Susan Strange conceives of this concept as the

“power to decide how things shall be done, the power to shape frameworks within which states relate to each other, relate to people, or relate to corporate enterprises.”<sup>78</sup>

With the end of the Cold War these countries' perceived interest would be served by a liberal economic order. Therefore the current liberal economic order promoted by the

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<sup>76</sup> Especially the United States

<sup>77</sup> *ibid*

globalisation process can be argued to be the result of political decisions taken within these countries. Thus as long as globalisation remains in the interests of major international powers and their domestic elites the process of globalisation should continue. However should these interests change then these powerful states acting collectively or singly will have the power and the will to reassert political control over the market.<sup>79</sup>

There is no question that states in Southern Africa have historically had minimal autonomy, for a variety of historical, economic and political reasons. This leaves these states in a structural position of weakness, where they end up being the 'receiver's rather than the 'formulators' of the globalisation process. In order to avert the increasing loss of autonomy for these types of states, there is a very real need for alternatives that will allow these states to react and cope with the nature and content of globalisation.

Hettne, Asante, Amin, Mittelman and Odén assume a counter position to Gilpin and Schrire's ideas on globalisation. These scholars argue that the spread of global capitalism, through the process of globalisation, rather than integrating the poor nations of the South has the potential to further marginalise them. Leaving the only realistic alternative for their survival to be a regionalisation strategy, in the form of the 'new regionalism'. Thus for many nations the stark reality is that they have to

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<sup>78</sup> Strange, S (1988) *The Retreat of the State: Diffusions of Power in the World Economy*. Cambridge: Cambridge University Press p. 25

<sup>79</sup> Schrire, (2001) p. 450

make a choice between increasing marginalisation, or the lesser evil of exploitation in the new international order. Regionalisation then becomes one of the alternatives to ensure that the degree of exploitation and polarisation that these states experience in an increasingly cutthroat and highly competitive global order is mitigated to some extent.

Throughout this paper the term 'regionalism' will be used to refer to both the general phenomenon, as well as the ideology of regionalism, which is the form of regional order that a particular geographical area will adopt. Regionalisation on the other hand will be used to denote the actual process of adopting a regional order, thus regionalisation contains what Hettne refers to as a strong "activist element" and can be seen to encompass a variety of regionalisation strategies.<sup>80</sup> The choice of regionalisation strategy in Southern Africa in the context of this paper will be reduced to that between 'new and open regionalism'.

### **Globalisation and regionalisation: contradictory or supportive processes?**

Hettne argues that within the emerging world order, there are two seemingly incompatible concepts that are pre-eminent: globalisation and regionalisation. This raises questions as to whether these two processes mutually relate, whether they are distinct or homogenous, or whether they are incompatible and contradictory. Regions for Hettne are emerging phenomena, ambiguously forming part of the process of

globalisation, both supporting and contradicting each other.<sup>81</sup> The major premise from which Hettne argues is that the processes of globalisation and regionalisation are articulated within the same larger process of global structural change. Therefore Hettne assumes that regionalisation in the current context relates to globalisation as a response to the challenge posed by globalisation, particularly for the poorer nations of the South. For Hettne the revived focus on regionalisation is a part of the global awareness resulting from the globalisation process, including negative expectations that initiate counter-pressures of 'deglobalisation'<sup>82</sup>. One way of achieving this is regionalisation, which is an attempt to bring the globalisation process and transactions under some sort of political-territorial control. Thus in the process of globalisation there are counter-pressures, of which regionalisation is one.<sup>83</sup> This standpoint does not appear to make the sort of normative assessment that Gilpin does, namely that the move towards regionalisation is possibly undermining global economic integration. On the contrary, for Hettne, regionalisation is a logical response for many states to the pressures and possibilities the process of globalisation poses.

Samir Amin's hypothesis echoes that of Hettne, in that for him the building of large integrated regions in the Third World, particularly in Africa, the Arab world, Latin America and South East Asia, is the only effective response to the challenge of a contemporary, deepening polarisation generated by the 'capitalist globalisation

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<sup>80</sup> Hettne, (1999) p. xix

<sup>81</sup> Hettne, (1999) p. 3

<sup>82</sup> Hettne, (1999) p. 3

<sup>83</sup> The notion of 'new regionalism will be dealt with in detail in the following section.

process'.<sup>84</sup> This type of regionalisation is perceived by Amin as an effective response to the marginalising aspects of the process of globalisation. Furthermore he argues that there is also a need for a re-evaluation of the patterns through which the relationship between the regions and the global system are to be organised. This could lead to the evolution of a system that reduces polarisation. Such an approach would simultaneously encompass designing the correct economic strategies to be considered in the frame of those large region's developmental needs. This would also include designing the correct responses to political and security problems, associated with ethnic and cultural diversities.<sup>85</sup>

Amin argues that for Africa patterns of development pursued in the framework of the post-Cold War globalisation process have been disastrous. Thus for Amin, regionalisation is the only alternative to marginalisation, not only for efficient autonomous efforts in the various fields of economic development, but also in the domains of communication and security.<sup>86</sup> In the absence of strong regional security arrangements, the present system will continue with the United States acting as a 'global policeman' to the exclusive benefit of Western 'common interests', re-establishing a United States unilateral hegemonic political position in the international system. Therefore Amin argues, in contrast to the dominant ideological discourse, that 'globalisation via the market' is in reality "a reactionary utopia we must counter by

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<sup>84</sup> Amin, (1999) "Regionalisation in Response to Polarising Globalisation in B. Hettne et al (Eds.) Globalism and the New Regionalism. Macmillan: London p. 66

<sup>85</sup> Amin, (1999) p. 67

<sup>86</sup> Amin, (1999) p. 67

developing an alternative project of globalisation, consistent with a humanistic perspective”.<sup>87</sup>

Amin also argues that globalisation has generated polarisation in the global system and increased conflict between societies, referring to those of the centre (the North) and those of the periphery (the South). There is no doubt that Amin presents a fairly ‘radical’ view, but nevertheless this view eloquently illustrates the point that many regions in the world are being marginalised and polarised by the globalisation process, which is particularly true of Southern Africa.

Mittelman makes an alternative argument that any imputed conflict between regionalisation and globalisation is more theoretical than real, for political and economic units are fully capable of ‘walking on two legs’<sup>88</sup>. Thus for Mittelman globalisation is understood to mean simply the compression of time and space and aspects of social relationships. This result of this coalescence is that regionalisation is but one component of globalisation.<sup>89</sup>

Even Gilpin in *Global Political Economy* makes the auxiliary argument that regionalisation has many positive benefits for states throughout the world. In Western Europe, North America and Pacific Asia as well as elsewhere, dominant powers and their allies within a region have joined forces to solve regional problems and increase

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<sup>87</sup> Amin, (1999) p. 66

<sup>88</sup> Mittelman, (1999) p. 26

<sup>89</sup> James Mittelman, (1999) p. 26

their bargaining leverage in global economic negotiations.<sup>90</sup> The countries of the EU already participate in international trade regimes as a regional bloc, thereby strengthening their bargaining power. Benefits of this nature are particularly pertinent for the relatively weak nations of Southern Africa. Of further importance for Gilpin is that economic regionalisation has also become a means to increase the international competitiveness of regional firms. Various forms of economic regionalisation including customs unions, free trade areas and single markets, provide to some extent the advantages of free trade, namely enhanced competitiveness and improved economies of scale. This is done whilst simultaneously denying these advantages to outsiders unless they invest in the international market and meet member country demands for local content, technological transfers and job creation.<sup>91</sup> Regionalisation also facilitates pooling of economic resources and formation of regional corporate alliances. For all these reasons, regionalisation has become a central strategy used by groups of states to increase their economic and political strength, and therefore this apparently neo-mercantilist approach has become an extremely important feature of the global economy. Thus there are strong political and economic motivations for Southern African states to engage in a regionalisation project, whilst being aware of the distorting role being played South Africa's overwhelming economic dominance.

For Bertil Odén, revived interest in regionalisation as an analytical tool and potential instrument for development in the post-Cold War world (dis) order is mostly related

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<sup>90</sup> Gilpin, (2001) p. 361

<sup>91</sup> Gilpin, (2001), p. 361

to the globalisation of the world economy. A new global political economy has developed in his view where relations of economic and political power have changed. Odén sees Amin's conception of regionalisation as a building block for constituting a different global system, rather than the present neo-liberal process of globalisation, which is labelled the 'only way' by triumphalist neo-liberal economists and other policy makers. Especially for groups of Third World countries, regionalisation can be seen as an alternative to the continuing globalisation of the world economy, in which individual states are linked to the North along the lines of a centre-periphery model.<sup>92</sup>

Odén argues that the alternative vision of a future world order should not be that states embark on 'autarkic' isolationist drives and delink themselves from the North in a manner envisaged by World Systems Theorists, but should rather start to develop increasing interrelationships and interdependence on a regional level, than directly with the core countries in the North. This alternative is an adaptation of the collective self-reliance concept from the 1960's and 1970's applied to the global political economy of the twenty-first century<sup>93</sup>.

Within the above framework Odén posits 'new regionalism' as an alternative to globalisation; this is different to the radical position occupied by Amin, which totally denounces globalisation due to its polarising effects. The 'new regionalism' approach of Hettne, Odén and Mittelman is more moderate, as it accepts that regionalisation

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<sup>92</sup> Odén, (1999) p.158

<sup>93</sup> For more on this type of approach see work by Immanuel Wallerstein & Frank

projects will take place within a framework of globalisation by constituting permanent parts of a global system, rather than being temporary sequences in the globalisation process.<sup>94</sup> Odén argues that this more moderate perspective is more relevant to contemporary international realities than Amin's, because it moves past the debates of the 1960's and 1970's, whilst still taking cognisance of the inherently polarising effects of globalisation.<sup>95</sup>

There exists then a definitive need, according to Odén, to view regional blocs, including those in the periphery, as constituting permanent parts of the world order and not just as second best phases in the globalisation process.<sup>96</sup> Therefore if the regionalising process is of utmost importance, and an increasing reality in the cotemporary international system especially for those increasingly marginalised and polarised nations of the South, the nature of how this regionalisation process shall be constituted is of vital analytical importance.

The following section will outline the 'new regionalism' approach as the most appropriate regionalisation strategy for the relatively poor nations of the South, in the face of the pressures posed by the changing nature of the global political economy. The second part of this paper will illustrate how South African hegemony does not allow, if not unintentionally, this type of regionalisation to occur in Southern Africa,

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<sup>94</sup> Odén, (1999) p. 167

<sup>95</sup> Odén, (1999) p. 165

<sup>96</sup> *ibid*

particularly as its private sector has advanced 'open regionalism' as the dominant regime type, to the detriment and further marginalisation of the region as a whole.

### **'New Regionalism':**

A variety of authors have defined 'new regionalism' in differing manners, but the concept usually refers to a second wave of regional cooperation and integration that had already started in the mid-1980's, but only took off after 1989 with the end of the Cold War. 'New regionalism' is tentatively defined as a multi-dimensional form of integration, which includes economic, political, social and cultural aspects and goes far beyond the goal of creating simply region-based free trade regimes and security alliances.<sup>97</sup> The 'new regionalism' differs from the 'old regionalism' due to the fact that the current processes of regionalisation are far more from 'below' and 'within' than ever before. 'New regionalism' therefore contains not only economic imperatives but also ecological, political and security imperatives, which push states and communities towards cooperation within new types of regional frameworks. Furthermore the actors behind regional projects are no longer purely states, but to a large degree different types of institutions, organisations and movements.<sup>98</sup> One of the defining characteristics of the 'new regionalism' is that it takes place in a multi-polar global order, whereas the 'old regionalism' was marked by bi-polarity and the relative decline of US hegemony. The breakdown of the communist sub-system has created

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<sup>97</sup> Hettne, (1999) xvi

<sup>98</sup> Hettne, (1999) xvi

“room-for-manoeuvre” in which ‘new regionalism’ could develop, freed from ideological and other geo-political constraints associated with the Cold War era.<sup>99</sup>

Regionalisation in the context of the ‘New Regionalism’, according to Hettne, involves the process of increasing ‘regionness’, that is increasing cooperation between national and local forces within a given geographical context. This concept refers to a single region as well as a world system. Increasing ‘regionness’ implies that this process is driven from ‘within’ and it can be compared to the historical formation of the nation-state. However the open use of force is lacking in the process of increasing ‘regionness’. Therefore this type of regionalisation implies a shared, non-coercive project among potential members of the region in the formation of a regional arrangement.<sup>100</sup> The defining difference between regionalisation and the infinite process of economic integration is that there is a political limit to the former process. This is an historical outcome of alternatives to find a transnational level of government, which reinforces certain shared values and minimises certain shared perceptions of danger, for example marginalisation from the global political economy.

The assumption is that despite structural and contextual differences, there is an underlying logic that creates processes of regionalisation. The logic of ‘new regionalism’ contains several key dimensions, including cultural identity, degree of political and economic homogeneity, security concerns and conflict resolution capability.<sup>101</sup> ‘New regionalism’ also presupposes the increasing importance of

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<sup>99</sup> Hettne, (1999) xvi

<sup>100</sup> Hettne, (1999) p. 9

<sup>101</sup> Hettne, (1999) p.10

regional civil society. This has the potential to create regional solutions to local, national and global problems as well as significantly to create economic, social and cultural networks that have the capacity to develop far more quickly than formal political cooperation at the regional level. This will be shown to be particularly true in the case of Southern Africa, where the adoption of the 'new regionalism' approach would greatly enhance the possibility of a broad based regime being established. This approach would ensure the creation of a regime with a broader focus, beyond simply trade and other economic reforms, but also on the region's total developmental needs. Should such an approach succeed it would have the capacity to ensure that Southern Africa could arrest the process of its marginalisation from the global political economy.

#### **Dynamics of 'New Regionalism':**

In order to explore the specific attributes of the 'new regionalism' approach it is necessary to first explore the general nature of a regionalisation strategy. Regionalisation signals the shift from relative heterogeneity to increasing homogeneity in terms of:

1. *Cultural homogeneity*: This is formed very slowly and the main issue is the degree of cultural affinity among states involved in regional cooperation.

2. *Security*: This is a crucial dimension; security cooperation is used by Buzan to define regional systems. Buzan's argument is that security linkages imply economic linkages, as shown in the pattern of regional economic cooperation in Europe during the Cold War.<sup>102</sup>
  
3. *Economic policies*: Economic cooperation is of equal importance to a common security order for regional integration. The significance of a common economic agenda is shown by the fact that if autarky is the ambition of a certain state, particularly if that power is a regional power (assuming other states are outward-looking) such as South Africa, this will prevent the process of regionalisation from occurring. Regional integration is normally based on some degree of economic parity. This serves as an early warning sign for SADC, as history reflects that where economically unequal countries participate in regional arrangements, it has the potential to generate tensions that ultimately erode regional arrangements.<sup>103</sup>
  
4. *Political regime*: There are strong forces favouring democratisation of national political regimes, as is the case in Southern Africa.

Regions themselves constitute arenas for sometimes competing, sometimes converging national interests, which are aimed at increasing their control over global

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<sup>102</sup> Buzan, B. (1991) People, States and Fear: An Agenda for International Security Studies in the Post-Cold War Era. Hertfordshire: Wheatsheaf p. 25

<sup>103</sup> Hettne, (1999) p. 12

forces. Therefore the important question arises that if regionalisation is a response to globalisation, can regionalisation better influence security, development and ecological sustainability for marginalised areas of the world? (3 world order values).<sup>104</sup> Regional arrangements present realistic alternatives for states to better absorb the pressures of the globalisation process, and provide real benefits particularly in terms of security and development. The following reflects the specific nature of the benefits of the 'new regionalism' approach:

**Security:** Emerging regions can absorb tensions that have become institutionalised in the historical and increasingly dysfunctional state system. This is particularly valuable for states in Southern Africa; many states such as the DRC and Angola have long-standing conflicts at the state level.<sup>105</sup> The 'new regionalism' approach to regionalisation in Southern Africa would ensure that new regional institutions are created, based on shared understandings of principles that could effectively deal with such conflicts. This would replace national institutions that have become increasingly ineffective and obsolete in the face of institutionalised conflict.

**Development:** Development for Hettne is long-term development beyond simply macro-economic stabilisation. Globalisation is undoubtedly a mechanism for encouraging market efficiency, "but the game is confined to players on the market." Therefore those parts of the world such as Africa, which have been traditionally

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<sup>104</sup> Hettne, (1999) p. 18

<sup>105</sup> Hettne, (1999) p. 18

shown to hold minimal interest for the market, need to seek alternatives to this marginalisation. Regionalisation can counter problems of marginalisation to a certain extent. The prospective benefits of regionalisation have therefore presented an extraordinary challenge to Africa, which has greater cause for anxiety than Latin America. The question is how will African states, presented with the proliferation of customs unions and regional trading blocs, react? Will African leaders continue with a business as usual approach or will they initiate and engineer regionalisation that is capable of creating a sufficient impact on the developmental needs of the continent, so that African states can become an active participant in the sweeping changes currently underway in the international system? For unless African states can establish regional regimes, there is a very real possibility that regions like the EU will become

“fortresses, more protectionist, inward-looking, and less sympathetic to the exporting needs of its developing African partners”.<sup>106</sup>

Expanding global regionalisation may have already substantially diminished late-coming Southern Africa's chance to diversify its regional patterns of trade and investment relations in the future. If this region finds itself integrated into production and investment systems that extends from America to East Asia and finally into a European Free Trade Zone, it will face much tougher competition than the region can cope with.<sup>107</sup> Alternatively if states within the region attempt to go it alone, especially the poor states such as Malawi and Mozambique, it is even less likely that they will

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<sup>106</sup> Hettne, (1999) p. 11

<sup>107</sup> Asante, (1999) p. 9

be able to compete in a globally integrated environment. Therefore the African continent, already marginalised in the world political economy, faces the risk of being completely swept aside by the fast moving current of world economic growth and structural transformation.

The only alternative for these states, according to Hettne as well as a variety of political scientists and economists, is some form of regionalisation. The benefits of regionalisation have become so entrenched that these scholars rarely tackle any problem of economic development without utilising theories on economic integration and regionalisation.<sup>108</sup> Many social scientists today argue that regionalisation is a vitally important factor in economic development in developing countries. The link between regionalisation and development has seen authors, such as Sloan prefer to substitute the term 'developmental regionalism' with that of 'regional economic integration'.<sup>109</sup> In contemporary economic literature the terms 'integration' and 'common market' have become synonymous with 'rapid economic growth', 'acceleration of economic development' and 'big push'.<sup>110</sup> Therefore regardless of terminological minutiae, there can be little doubt that the process of regional integration is now inextricably linked to that of development.

Hettne argues that there are specific development opportunities presented by 'new regionalism'. These opportunities derive from the fact that this form of regionalisation

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<sup>108</sup> *ibid*

<sup>109</sup> *ibid*

<sup>110</sup> Grugel, & Hout, (1999) p. 38

is more political than economic and the economic approach itself is broader than simply the exchange of goods. 'New regionalism's' approach to free trade is a cautious, far from an autarkic posture (as in the former SADCC<sup>111</sup>), which rather seeks in its external relationships to carefully further the interests of the region as a whole. These interests include infrastructure development, industrial policy and sustainable resource management.<sup>112</sup> Therefore no one state can benefit at the expense of another's development, and careful and deliberate attention is paid to ensure that all members of the region are able to develop their infrastructural, industrial and resource management capacity. As will be demonstrated in the following section, 'open regionalism' has the propensity to ignore the vital question of even and sustainable development. This is done at the expense of the overall development of Southern Africa.

A regionalist strategy such as 'new regionalism' does not occur unless states in a particular region want it to occur. Regionalisation also creates its own counter-forces as certain groups find it rewarding and others cling to the national space where they have vested interests to protect.<sup>113</sup> These dynamics will be illustrated to have occurred in Southern Africa, with a focus on the role of South African economic forces. Regionalisation can come about from spontaneous/unintentional convergence in terms of political, economic, political or security regime, as was the case with SADCC. Or regionalisation can occur due to a triggering political event that sets the regionalising

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<sup>111</sup> Southern African Development Coordinating Conference

<sup>112</sup> Hettne, (1999) p. 20

<sup>113</sup> Hettne, (1999) xxiii

process in motion, this is naturally related to the main players in the region. Therefore the most likely country to have the potential to provide this sort of trigger is South Africa in Southern Africa. The rise of alternative regional powers is the other side of the coin of hegemony for Hettne, thus maybe South Africa's resistance to regionalisation is because it does not want its own hegemony to decline with the emergence of other regional powers, empowered and enriched by regional integration. The defining criticism of a hegemonic structure is the non-existence of autonomous middle powers; in the example of SADC this would require regional multipolarity, which in turn makes a regionalised order possible. Therefore the argument can be made that South Africa is impeding the emergence of autonomous middle powers and multipolarity through its domination of the region, thus retarding the prerequisites of regionalisation to protect its own hegemony.

Thus Hettne supports the notion that in the absence of autonomous middle powers, such as in SADC, that there is a need for general acceptance and tolerance of the leadership of the dominant power, South Africa. However this is problematic because if a country is dominant, it will often be looked upon with fear among minor players, the so called "policy takers". The dynamics surrounding this issue in SADC will be discussed in the second part of this paper.

### **'New regionalism' vs. 'open regionalism' in Southern Africa:**

The ongoing discussion of regionalisation in Southern Africa according to Odén is mainly based on the 'open regionalism' concept with the theoretical content taken from trade integration and direct investment theory. 'Open regionalism' is defined in this context by Frank Gibney as a political furthering of the removal of trade, investment and technological barriers with an eye on the GATT disciplines, expanding sub-regional trade agreements and the working on of non-discriminatory access to economies throughout the world.<sup>114</sup> Palmer sees 'open regionalism' as the term used to emphasise regional cooperation that is outward-looking in nature and takes place within an open framework<sup>115</sup>. The defining distinction between the two processes is that 'open regionalism' places heavy emphasis on trade integration and liberalisation. 'New regionalism' advocates that greater emphasis be placed on the overall development needs of the region concerned, without resorting to autarkic measures.

The tendency towards 'open regionalism' predominating in Southern Africa is largely due to an international regime dominated by the neo-liberal orthodoxy. Evidence of the neo-liberal approach is that many countries in Southern Africa have undergone SAPs, encompassing trade liberalisation and more open rules and regulations that

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<sup>114</sup> Frank Gibney,( 1999), "Creating a Pacific Community. A Time to Bolster Economic Institutions"  
*Foreign Affairs* 72 (5)

<sup>115</sup> Palmer, (1991) *The new regionalism in Asia and the Pacific*

encourage investments.<sup>116</sup> Such programmes helped facilitate the implementation of the Cross Border Initiative (CBI), which further strengthens the liberalisation of trade and capital movements in the SADC region. SAPs as well as the CBI have only been adopted at the national level, and can therefore be reversed at that same level. Thus the argument is made by many actors in Southern Africa, especially economic actors, that due to the geopolitical marginalisation and prevailing political instability in Southern Africa, regional integration will “lock in” trade liberalisation decisions, due to the increasing costs for individual countries seeking to reverse them.<sup>117</sup> The associated costs underscore the tremendous pressure on Southern African states to conform to the neo-liberal orthodoxy. The current collapse of the Zimbabwean economy is a graphic reminder of the ability of the international regime to punish non-conformers. The following section will explore the powerful actors supporting ‘open regionalism’ in Southern Africa.

#### **Actors supporting ‘open regionalism’ in Southern Africa:**

Odén argues that it has become increasingly clear that the Marrakesh WTO agreements and GATT’s transformation into WTO will make it very difficult for any “inward-looking” regional trade agreement to emerge. Therefore the hegemony of the neo-liberal paradigm within the process of globalisation places strong pressure on the countries of Southern Africa to liberalise further and to open their economies to the

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<sup>116</sup> Seven of the fourteen SADC countries have had or have formal SAP’s based on agreements with the WB and the IMF. The macroeconomic positions of South Africa, Botswana, Namibia, Mauritius and Swaziland have made it not necessary to introduce formal SAP’s.

rest of the world. Therefore the scope for inward regionalisation is very limited, making anything else than some degree of 'open regionalism' unlikely for Southern Africa.

This sentiment is supported by the fact that it is very difficult to find a mainstream executive in Southern Africa that argues for anything other than 'open regionalism'. However some trade unions, managers and owners in the textile industry have argued for the pace of liberalisation to be slowed, with the argument that overly strong and unrestricted competition will de-industrialise important labour intensive parts of the South African manufacturing sector. Government views in this regard have been articulated by the Department of Trade Industry, which has argued that the choice for the South African textile industry is either to move production where it is cheaper, (for example in the other SADC states) or be wiped out by imports from China and South East Asia in a few years time. This is when the transition period of gradual reduced protection under South Africa's agreements with GATT and the WTO expires.<sup>118</sup>

The effect of these pressures in Southern Africa has seen South African trade flows significantly increase, while the trade regime has been gradually liberalised in a number of other Southern African countries, but not as a part of a formal traditional integration scheme. This is evidenced by the fact that SACU countries continue to

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<sup>117</sup> Odén, (1999) p. 167

<sup>118</sup> Odén, (1999) p. 168

operate along previous lines. And SADC has not been able to decide upon a trade regime, in spite of efforts made by its Trade and Industry sector. A few members of COMESA and the PTA have only carried out the proposed reduction in tariffs, and SACU countries that constitute the dominant share of this intra-regional trade have not been affected.<sup>119</sup>

The forces favouring 'open regionalism' notwithstanding, the reality is that in Southern Africa, as in many other regions, the two processes of economic globalisation and political regionalisation are occurring simultaneously. These processes, as already discussed, have the potential to be both contradictory and reinforcing. The following section will explore the tensions that exist between the two processes in Southern Africa.

**Tensions within the SADC between 'open regionalism' and the 'new regionalism' approach:**

'New regionalism' has never been explicitly discussed with Southern Africa as a case. However an analysis of Southern Africa through SADC policy documents reveals that there are elements of a broad-based regional project that does take into consideration economic globalisation, within a Southern African context. The features of these policy objectives distinguish the regional trend in Southern Africa from being simply

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<sup>119</sup> Odén, (1999) p. 169

based on 'open regionalism'. The distinguishing features of these objectives are as follows:

- 1.) They are much broader sector wise than the enhanced trade integration model associated with 'open regionalism'.
- 2.) They are modes of regionalisation outside the trade integration pattern.
- 3.) There is an emerging common view on main policy issues, not only macroeconomic ones. This trend is however still fragile, and can be broken over specific issues.
- 4.) They involve regional security and environmental issues.<sup>120</sup>

Therefore it does appear that the official SADC approach to regionalisation in Southern Africa is closer to the 'new regionalism' approach than commonly perceived.<sup>121</sup>

Within the SADC an apparent tension is developing between the principles within its treaty document and other policy documents. The treaty document as shown above appears to be closer to the 'new regionalism' concept. While contradictorily, other SADC discussion papers display an increasing focus on the importance of the private sector for creating growth and development with SADC countries. At the SADC Consultative Conference, the main aim was to convince the private sector to invest in

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<sup>120</sup> Odén, (1999) p. 169

<sup>121</sup> Although SADC documents in this regard are not very clear.

and trade with the SADC countries. This aim can be seen in the following SADC policy statements:

“The easing of regional trade barriers, enlarging regional markets and promoting investment are most useful when used as strategies to market a particular region as an attractive option for international trade and investment.”<sup>122</sup>

“To unleash the private creativity and entrepreneurship, investment incentives such as guarantees against nationalisation of private enterprise, the right to repatriate capital, profits and dividends, lower corporate tax rates, including tax exemptions, have been employed to attract local and foreign investment. The direct role of governments has been minimised whilst their management capacity, as well as that of providing infrastructural support, have been enhanced.”<sup>123</sup>

These policy statements reflect as their dominant perspective ‘open regionalism’, which is not surprising as many donor agencies, representatives of the BWI’s and private sector interests in SADC countries have pushed this policy line as previously outlined.

As long as the focus is on the trade of goods, investments and capital flows the pressure for ‘open regionalism’ will remain strong in the SADC region. The question

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<sup>122</sup> Southern African Development Community, 1996, p.20

<sup>123</sup> Southern African Development Community, 1996, p.20-21

that then arises is whether this is in the best interests of the region, or is it in the interest of private sector objectives, particularly from South Africa? The pressure exerted in favour of 'open regionalism' seems incompatible with the otherwise stated SADC developmental integration policy which envisages strong state intervention in order to avoid increasing regional imbalances. Thus according to Odén the very real possibility exists that SADC will develop into a two-track organisation; on the one hand following 'open regionalism' in the fields of trade, investment and capital flows and on the other, following more regionally based activities in the regional goods sectors of security, the environment and culture.<sup>124</sup>

What is becoming increasingly clear is that the role of South Africa in shaping the arguments around the type of integration required in South Africa is of vital importance. The nature of South African hegemony appears to indicate that there would be more support for the 'open regionalism' rather than the broader 'new regionalism' approach. This is because within South Africa the private sector, mainstream economists and external institutions such as the World Bank and the IMF, advocate a regionalisation strategy within the context of the dominant neo-liberal paradigm.<sup>125</sup> The very real risk is thus prevalent that trade and investment considerations will reduce the scope for any other type of regionalisation in Southern Africa. This could have potentially devastating effects, as the onus for 'new regionalism' in Southern African is pressing, due to the nature of the pressures

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<sup>124</sup> *ibid*

<sup>125</sup> *ibid*

associated with globalisation on the distorted and weak economies of the region as previously outlined.

This section has illustrated that the nature of the contemporary globalisation process has placed inordinate pressure on states throughout the world, particularly on states within Africa. These political and economic pressures mean that Southern African states need to formulate some kind of effective response in order to ensure that they are not further marginalised and polarised. The 'new regionalism' approach appears to be the most appropriate response to the process of globalisation for states in Southern Africa. However, the strong support for 'open regionalism' particularly by powerful private sector actors seems to imply that the important developmental role that regionalisation could play is threatened. In particular the need for South Africa as the regional hegemon to throw its collective weight behind 'new regionalism' has been identified as critical. This would ensure a more equitable and sustainable future for the region as a whole. Part 2 of this paper will explore the specific dynamics of the role that South Africa needs to play in Southern Africa, specifically in relation to the theory that surrounds benign and malign hegemony.

## **PART 2: SOUTH AFRICA'S ROLE IN SOUTHERN AFRICA**

*I want to know when the South Africans are going to invest in Uganda.  
(President Yoweri Museveni of Uganda)*

*It is therefore natural that we should look to South Africa...for capital, technology  
and managerial skills.  
(President Sam Nujoma of Namibia)*

*South Africa is an inspiring story. It is a nation that represents the last best hope of  
the continent.  
(Former Under Secretary for Trade, US Department of Commerce, Jeffrey E.  
Garten)*

*What the Apartheid regime could not achieve politically is now increasingly being  
accomplished by the structural power of South African capital.  
(Iheduru, 1996)*

*A central proposal of the RDP is that we cannot build the South African economy  
in isolation from its Southern African neighbours. Such a path would benefit  
nobody in the long run. If South Africa attempted to dominate its neighbours, it  
would restrict their growth, reducing their potential as markets, worsening their  
unemployment and causing increased migration to South Africa.  
(RDP White Paper, 1994)*

## **BENEVOLENT & EXPLOITATIVE HEGEMONIC REGIONALISATION:**

The dramatic changes that have taken place in South Africa since 1990, which led to the emergence of a democratic regime in April 1994, has presented wide-ranging challenges not only to the country and its citizens, but also the Southern African sub-region, the African continent as a whole, and the strategy for regionalisation in Africa.<sup>126</sup> With the defeat of Apartheid it was thought that Africa was now presented with a great opportunity to work towards a new African order by establishing mutually beneficial political and socio-economic relations.<sup>127</sup> South Africa continues to be regarded by analysts as the key role player in this regard due to the relative size of South Africa's economy and the extensive economic ties it already has with other Southern African countries. This has led many commentators to believe that South African involvement in the region has the potential to be a catalytic event, which could give new momentum to a programme of sub-regional and regional economic cooperation and integration.<sup>128</sup>

Democratic South Africa cannot escape its African destiny. For as former South African President Nelson Mandela stated, "if we do not devolve our energies to this continent, we too could fall victim to the forces that have brought ruin to its various parts."<sup>129</sup> The question that then arises, as it has been asked in Part 1, is what role

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<sup>126</sup> Asante, (1999) p. 134

<sup>127</sup> Adebayo, (1996) p. 12

<sup>128</sup> Asante, (1999) p. 134

<sup>129</sup> Nelson Mandela, in Marais (2001) South Africa limits to change: The Political economy of transformation. Cape Town: University of Cape Town Press

democratic South Africa is playing in the region and what is the likely nature of the role that it will continue to play in the future? This question brings into sharp focus the nature of South African hegemony.

Part 2 of this paper will explore more fully the debates surrounding benign and malign hegemony, and will specifically examine the malign hegemonic tendencies of South Africa's interaction with Southern Africa. These tendencies will be illustrated to be a major impediment to the evolution of 'new regionalism' as the predominant regionalisation strategy in Southern Africa. Part 1 has illustrated that this approach is imperative in ensuring that Southern Africa is best able to withstand the pressures of an unprecedented era of globalisation. In support of this main premise, Part 2 of this paper will seek to explore the nature of the political economy of Southern Africa. Firstly, by looking at the importance of Southern Africa as a market to South Africa, the overwhelming dominance of South Africa in the region as well as the role of the South African private sector in Southern Africa. The asymmetrical and deeply one sided penetration of Southern African markets by South African firms will be depicted to reinforce the understanding of the malign hegemonic tendencies that South Africa displays in the region. Finally, Part 2 will conclude by exploring the fundamentals required in Southern Africa to ensure that the region attains balanced and sustainable development, allowing it to become a meaningful player in the global arena. The argument here will focus on the prerequisites for benign hegemony and whether these actually exist in South Africa and in the region.

### **Benevolent<sup>130</sup> & exploitative<sup>131</sup> hegemonic regionalisation:**

The debates surrounding the utility of hegemonic stability theory and the primary distinction between the two types of hegemony stated above have been discussed in Part 1. This section will focus more fully on the inherent differences between these two types of hegemony. In this context the motivation of a hegemon is of vital significance; an exploitative hegemon seeks to create a regime that serves its own interests, through the exploitation of its fellow partners, whilst a benign hegemon facilitates the emergence of mutually beneficial relationships.<sup>132</sup> A further distinction can be made that revolves around the kind of power that the hegemon exerts, that is whether the hegemon exerts benign or coercive forms of power.<sup>133</sup> This is fundamentally the difference between negative and positive sanctions that are used by the hegemon to maintain the regime. Therefore in a benevolent hegemonic regime, the level of cooperation, mutual adjustment and positive sanctions will be high, while the level of enforcement and negative sanctions and control will be considerably lower.<sup>134</sup>

The motivation of a benign hegemon is to create a regime that is beneficial for all participants, by using for the most part benign forms of power. This in turn ensures that other partners in the regime will more voluntarily accept the hegemon's power, as

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<sup>130</sup> For the purposes of this paper, this term can be used interchangeably with the term benign hegemony

<sup>131</sup> For the purposes of this paper, this term can be used interchangeably with the term malignant hegemony

<sup>132</sup> Odén, (1997) p.28

<sup>133</sup> Snidal, (1985)

<sup>134</sup> Odén, 1997, p.28

opposed to exploitative hegemony, which is far more likely to generate tension and resistance.<sup>135</sup> This consensus creates what is in Gramscian terms “ideological hegemony”. In such a scenario South Africa would act to ensure that the regional regime created in Southern Africa would follow more closely to the ‘new regionalism’ model and not as closely along the lines of ‘open regionalism’.

In the exploitative model South Africa would not act to promote a balanced regional development. On the contrary South Africa would adopt a strategy of regionalisation that would be defined in terms of short-term national interests. The primary objective of South Africa in this regard would be to siphon surplus from the regional periphery, to itself as the regional centre.<sup>136</sup> The determinants for regional relations would be the short-term interests of South African economic forces, in particular that of the private sector. This would result in a regional regime lacking in legitimacy and would in fact be more likely to generate political resentment on the part of South Africa’s partners in the region, as well as conflict behaviour. The political economy of this perspective would have strong parallels with that of apartheid South Africa’s relations with the region.<sup>137</sup>

However a benevolent hegemonic regime would take into consideration the dominant role of South Africa, but instead of using such dominance to exploit the region, it would be used to create mutually beneficial relationships. Within this model, South

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<sup>135</sup> Odén, (1997) p. 29

<sup>136</sup> Odén, (1997) p. 29

<sup>137</sup> Odén, (1997) p. 29

Africa would be more likely to provide a regime that is aimed at regional economic interests in their totality. Thus the short-term interests of South African economic forces would be tempered in favour of a regionalising strategy that takes into account all interdependent relationships, and a strategy would be adopted that would seek to lessen the deep economic imbalances evident in the region.<sup>138</sup>

Although it is inevitable that South Africa's acute dominance in the region<sup>139</sup> creates a hegemonic position, the nature of this hegemonic position is of utmost importance. By adopting a more long-run perspective, more favourable regionalisation could take place, closer to the 'new regionalism' perspective. This would have the possibility of improving the region's position in the global political economy, or at the very least avoid its further marginalisation. The following section will study the dynamics of South Africa's relationship with Southern Africa, as a point of departure for exploring what type of hegemonic regime will prevail in Southern Africa.

### **South Africa and Southern Africa:**

The restoration of links, severed or distorted during apartheid between South Africa and Southern Africa, has received a great deal of attention since February 1990. Significantly, most of the studies undertaken in the early stages of democratic rule in South Africa had an almost exclusive focus on Southern Africa and not the continent

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<sup>138</sup> Odén, (1997) p. 29

<sup>139</sup> The extent of South Africa's dominance in Southern Africa will be detailed in the following section.

as whole.<sup>140</sup> This is perhaps not surprising as South Africa has for a long time regarded the region as its own 'back yard'. In the South African conscious the region has gone beyond simply a geographical expression and turned into a social construct.<sup>141</sup> Historical processes in the region have ensured that a regional political economy has developed where the principal poles of accumulation are located in South Africa. The other countries, all members of the SADC, have been playing subsidiary roles as labour reserves, markets and suppliers of services to South Africa for decades.<sup>142</sup> The durable nature of this regional political economy ensured that it survived waves of active destabilisation<sup>143</sup> by the apartheid South African state. This enduring nature was evidenced by the fact that regional trade relations continued, albeit in an altered manner during this period. Thus Southern Africa even at the height of apartheid was an important part of South Africa's own political economy. Therefore the effect of the nature of South African hegemony in the region and the alternatives that face regional integration need to be seen in the context of the long standing historical importance of Southern Africa to South Africa. The trend that is starting to emerge is that post-apartheid South Africa appears to be focusing less on political motivations and is rather acting to secure and entrench economic interests. The specific nature of this trend will be explored in subsequent sections.

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<sup>140</sup> Reports in this regard include: The African Development Bank's four-volume report: *Integration Strategy for Southern Africa*. Further information can be found in the Centre for Southern African studies of the University of Western Cape's Macro Economic Research Unit's *Reconstructing Economic Relations with the Southern African region: Issues and Options for a Democratic South Africa*

<sup>141</sup> Adebayo, (1996) p. 18

<sup>142</sup> Adebayo, (1996) p. 20

### **The importance of Southern Africa to South Africa:**

The South African government's macro-economic framework for the management of the South African economy, *Growth, Employment and Redistribution (GEAR)*, is quite clearly aimed at making South Africa an open competitive trading economy. This is in stark contrast with apartheid South Africa's fascination with self-sufficiency. The South African government's strategy is plainly articulated within GEAR, namely that in order to achieve its intended economic growth targets, an export-led strategy is of fundamental importance. GEAR's stated performance target was to achieve an annual growth rate in non-gold exports of 10,2 per cent and in manufactured goods 12,8 per cent by the year 2000.<sup>144</sup> The South African government has been highly successful in achieving these targets, and the period since 1994 has seen unprecedented growth in exports, at a rate that surpasses even the most successful of the 'Asian Tigers'.<sup>145</sup> This success is evidenced by the fact that South African exports increased by 23 per cent between 1995 and 1996 alone; this trend has continued on an upwards curve over the last seven years.<sup>146</sup> The incredible structural transformation of the South African economy often goes unnoticed, but is highly significant in informing South African policy choices in terms of the political economy of its relations, not only with the rest of the world but also with Southern Africa.

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<sup>143</sup> Pretoria's active destabilisation of Southern Africa during the apartheid era involved military, economic and political measures that sought to undermine newly independent majority rule regimes, particularly in the Frontline states.

<sup>144</sup> The original timeframe for the achievement of GEAR's targets ended in the year 2000.

<sup>145</sup> Ahwiring-Obeng & McGowan, (1998) p.6

<sup>146</sup> For a detailed illustration of South African export performance in this context please see **Appendix 1**

Thus it appears that democratic South Africa has targeted export promotion as a key manner of growing the economy. As export led growth has become of paramount importance for South Africa, analysis of the political economy of its trade relations with SADC member states is then imperative.<sup>147</sup> A focus on Africa is not only important in the context of this research paper, but because Africa, and in particular the Southern Africa region, is now South Africa's single largest export market.

The long-standing importance of African markets for South Africa has been ignored for a variety of reasons. This is due in part to South Africa's historical trading relationships with Europe, North America and Japan.<sup>148</sup> These historical patterns have led to the incorrect perception that African markets are unimportant for South Africa. This mistaken perception is reflected by the assertion by a World Bank economist that, "South Africa's major trading partners are the high income, developed countries of the world."<sup>149</sup> It remains true that four major trading nations, the United Kingdom, the United States, Germany and Japan are of vital significance to South Africa, however seven Southern African nations rank among South Africa's top twenty-export markets. As early as 1994/5 these nations purchased a total of 23,1 billion Rands worth of South Africa's goods, almost as much as the top four G7 nations and more than any single export market such as the UK.<sup>150</sup> Most notably South Africa imports a lot less from these African markets, thus allowing it to sustain a substantially favourable trade surplus with African countries. The overwhelming

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<sup>147</sup> Ahwireng-Obeng & McGowan, (1998) p.6

<sup>148</sup> Lewis, (1990) pp.72-74

<sup>149</sup> Merle Holden, (1996), ix

extent of this surplus is evident in the fact that in 2002 South Africa exported almost R26 billion worth of goods to the SADC countries, whilst importing goods worth only R3 billion from the same countries.<sup>151</sup> This facilitates a trade surplus in excess of R23 billion with the region.

The overall picture of South Africa's trade relationships illustrates that Southern Africa is a highly significant market and that it can no longer be claimed with accuracy that South Africa's major trading partners are primarily in the developed North. **Appendix 1** illustrates the size and composition of South Africa's major export markets in the North. Of particular significance is the overall size of these markets, and also the fact that South Africa imports most of its capital goods from these markets as well. Thus South Africa does not maintain as favourable a trade surplus with countries in the EU and NAFTA as it does with its Southern African neighbours.

On the other side of the spectrum, is the growing significance of the Southern African region as an export market in its own right, and secondly the country specific disparities in the level of imports and exports between South Africa and its neighbours. From 2001 to 2002 South African exports grew notably in relation to the following SADC states:

- DRC - 63%

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<sup>150</sup> Ahwireng-Obeng & McGowan, (1998) p.7

<sup>151</sup> See **Appendix 1.1.** for a graphic representation of the increasing level of SADC trade within and between South Africa.

- Seychelles – 70%
- Zimbabwe – 38%
- Mauritius – 33%
- Tanzania – 32%
- Angola – 27%
- Malawi – 26%
- Zambia – 18%
- Mozambique – 14%<sup>152</sup>

The following export and import statistics reflect the notable trade surpluses between South Africa and individual SADC member states (approximate values):

	<b>EXPORTS:</b>	<b>IMPORTS:</b>
▪ Angola	R3 billion	R127 million
▪ DRC	R5 billion	R600 million
▪ Mauritius	R5 billion	R339 million
▪ Mozambique	R2 billion	R17 million
▪ Zambia	R5 billion	R600 million
▪ Zimbabwe	R6 billion	R2 billion <sup>153</sup>

South African trade with Africa displays an average growth rate of 26 per cent, far beyond the rate of growth with that of any other region. There is also a growing

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<sup>152</sup> Department of Trade & Industry [www.dti.gov.za](http://www.dti.gov.za)

<sup>153</sup> *ibid*

tendency, which indicates that this trade will continue to grow at an increasingly rapid rate. This assertion is supported by the fact that in 2000 the African continent purchased unclassified goods<sup>154</sup> that made the continent the largest regional market for manufactured South African goods, ahead of the European Union. With South Africa exporting large quantities of goods to the continent, combined with such favourable trade surpluses, it is most likely that this will lead to malign hegemonic tendencies. These malign tendencies are reinforced by the dominant position that South Africa has in Southern Africa. Infrastructural and other factors ensure that South Africa is able to maintain trade surpluses with its SADC neighbours, entrenching its economic and political power in Southern Africa. The following section will illustrate key areas of South African dominance in Southern Africa.

#### **South African dominance in Southern Africa:**

The long years of apartheid destabilisation tended to obscure South Africa's enduring role as the transportation and economic hub of the Southern African region. South Africa's continued dominance reflects that the SADC and its forerunner the SADCC<sup>155</sup> failed in their stated objective to reduce the region's dependence on South Africa. Between 1980 and 1988 trade with South Africa exceeded intra-SADCC trade by a ratio of almost three to one.<sup>156</sup> As a result of this continued reliance on South Africa, SADCC members did not publicise their continued linkages to the apartheid

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<sup>154</sup> Exports that exclude: gold, platinum, armaments and oil

<sup>155</sup> Southern African Development Co-ordinating Conference

<sup>156</sup> Holland, (1995) p.266

state and its private sector. For example the SADCC states continued to use the state owned South African Transport Services.<sup>157</sup> Conversely Pretoria did not publish statistics on South Africa's trade with and through African states. In part this was done to ensure that South Africa could continue its sanctions busting activities. Secrecy of this nature ensured access to markets for South Africa that had been denied by apartheid era sanctions

*Transportation and infrastructural dominance:*

In the area of road and in particular rail transportation South Africa retained and enhanced its regional dominance from the 1980's into the twenty-first century. This trend occurred for a variety of reasons. Firstly, South Africa has the majority of transportation and other infrastructure in the region: fifty-five per cent of the region's railway lines, seventy-five per cent of the region's paved roads, five million of the region's six million motor vehicles and the country generates seventy-five per cent of the region's installed electricity capacity.<sup>158</sup> Secondly, the rapid deterioration of transportation infrastructure in Tanzania, the DRC, Mozambique and the recently ended civil war in Angola have meant that land-locked SADC states have become increasingly dependent on South Africa's transportation network. Finally, the adoption of the containerisation system for goods shipping and freight forwarding by

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<sup>157</sup> The forerunner to today's commercialised Transnet Limited

<sup>158</sup> South African Press Association, 10 September 1996

South Africa in the 1970's,<sup>159</sup> meant that South African transport became so competitive that according to one expert,

“Military destabilisation of the SADCC routes is therefore no longer very instrumental in the sustenance of the South African dominance in the region's transport system.”<sup>160</sup>

As a consequence of destabilisation policies and these technological and managerial improvements, by the early 1990's the share of Southern African overseas trade passing through South Africa ports was higher than when SADCC was formed. This is illustrated by the fact that fifty per cent of Zimbabwe's overseas trade passed through South African ports in the 1990's.<sup>161</sup>

To cement this domination by both South African non-state and state actors, South African companies Safmarine and Unicorn are the only major players in long-distance shipping between Southern African and world markets. In typical South African oligopolistic fashion Safmarine owns forty per cent of Unicorn, allowing it to establish complementary trading policies. South African Airways is the largest airline based in Africa, it is also the principal airfreight carrier within Southern Africa and between the region and the rest of the world. All of these factors combine to ensure that South Africa dominates the entire transport infrastructure in Southern Africa.

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<sup>159</sup> The rest of the region only adopted this system by the mid-1990's

<sup>160</sup> Sassa, (1991), pp.257-258 & Iheduru, (1996) pp. 6-7

<sup>161</sup> Ahwireng-Obeng & McGowan, p. 14

South Africa's dominance of the infrastructural network in the Southern Africa regional economy has been cemented by four recent projects that have been given full support by the South African government. The first is the Lesotho Highlands Water Project (LHWP), which is quite literally making rivers in Lesotho reverse course and flow Northward towards Gauteng's industrial heartland. The strategic importance of this project to South Africa was graphically depicted when South Africa invaded Lesotho in 1998<sup>162</sup>, under the guise of restoring political stability, but in reality acted to protect its infrastructural interest in the area, namely the LHWP.

The second major project is the Cabora Bassa hydroelectric scheme on the Zambezi River in Mozambique. This scheme will be completed in 2003 and is part of a larger scheme that has the potential to link Southern and sub-equatorial power transmission grids as far North as the Zaire River in Kinshasa. It has the potential capacity to more than double the power now produced on the entire African continent.<sup>163</sup> South Africa's parastatal Eskom is deeply involved in all these schemes and the South African economy will be the prime consumer of the new power source. The ecological and other implications are borne not by South Africa, but by the host countries of such projects. Therefore although this project offers the potential of furthering the development of the whole region through the provision of energy, the social and environmental costs are paid by the host nation and not South Africa. Furthermore such large capital expenditure very often sees the need for long-term

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<sup>162</sup> In so doing South Africa abandoned its cautious approach to relations with the region, choosing to act in a unilateral manner, rather than attempting to gain wide spread support in the region for its intervention in Lesotho.

dependence on South African capital and skills, hampering the diversification of host states key industrial sectors. This is typical of malign hegemonic tendencies where South African interests are pursued without due consideration to the political, economic and social costs of such projects to other SADC states.

The third project is the Trans-Kalahari Road between Lobatse in Botswana and Windhoek in Namibia. Recently opened, this road will primarily serve to link Gauteng Province with the capital of Namibia, and with that country's major port, Walvis Bay. The road will bring the port five hundred kilometres closer to Gauteng than at present. In this regard the Namibian government is pushing hard to make this the port of choice for South African exporters to Europe and the Americas.<sup>164</sup> The Maputo Corridor, the last of the major projects, is a result of bilateral agreements between the Mozambican and South African Ministries of Transport. This innovative project combines private sector investment with initiatives from government departments in Mozambique and South Africa, as well as the World Bank. This development has the possibility of rejuvenating Maputo's harbour services that have collapsed due to bad management and corruption. The situation at Maputo has been so degenerative that the Mozambican government signed over the operation of its customs service to a private British company. The result of these inadequacies has been that previous trade through Mozambique now passes through South Africa at as much as three times the distance it once did. The Maputo Corridor project will reduce

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<sup>163</sup> Ahwireng-Obeng & McGowan, (1998) p. 16

<sup>164</sup> Ahwireng-Obeng & McGowan, (1998) p. 15

costs and expedite exports and imports between South Africa's major industrial regions and the outside world.<sup>165</sup> The project also represents an important attempt to link the Mozambican economy with South Africa, however, rather than ensuring that Mozambique experiences increased investment and other economic opportunities. Such a project has the potential to merely facilitate increasingly unequal penetration of the Mozambican market by the South African private sector. Mozambique is especially vulnerable to such one-way engagement, due to its drive to resurrect a war-ravaged economy. South African investment in the short-term may well result in long-term structural economic imbalances, if careful attention is not paid to the overall development needs of Mozambique. Therefore South African private sector interests should not be promoted at the expense of Mozambique.

All these projects have the potential to create tremendous benefits for both South African state and non-state actors. They also ensure through the role of South African capital and expertise that countries in Southern Africa are made more dependent on South African transportation networks and the incumbent expertise of South African firms. For these nations trade, not only with South Africa, but also with other major world markets will become dependent on South Africa in some manner.<sup>166</sup> Therefore it could be argued that South Africa's infrastructural and transportation dominance in the region stems more from transportation dependency than from trade dependency.

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<sup>165</sup> Ahwireng-Obeng & McGowan, (1998) p. 20

<sup>166</sup> Iheduru, (1996), p.6

### *Telecommunication dominance:*

The world economy is rapidly becoming the global information economy, where knowledge and information are becoming more important than the slower processes involving commodity production. Therefore in the modern economy, global competitiveness hinges upon economic flexibility and speed, based on the skills and abilities of 'knowledge workers'. These workers are increasingly replacing semi-skilled workers as the major component of the work force in developed countries. Within this new global paradigm access to information via telecommunications is of vital significance, as it is a key factor in determining the competitiveness and success of individual economies. In this context access to the Internet plays a decisive role; if a country has a well-developed system of access to global information then it has a huge competitive advantage. In Southern Africa there are large inequalities in the state of telecommunications infrastructure among the twelve members of SADC.

South Africa has nearly 90 per cent of the region's infrastructure for the use of the traditional phone. South Africa's state-owned monopoly Telkom, which may compare poorly with public and private telephone utilities in the North, is light years ahead of the rest of SADC. In SADC countries, state monopolies have impeded access to the Internet due to obsolete technologies and high cost structures.<sup>167</sup> It is fair to conclude that regarding the key area of telecommunications, South Africa is totally dominant within Southern Africa; its level of development in this area is more similar to smaller

European core powers such as Denmark and Austria, than to other developing countries. Thus in the global information economy South Africa is very well positioned, whereas its partners in SADC such as Namibia and Zimbabwe are rather marginal; Angola, Lesotho, Malawi and Tanzania are completely marginalised and underdeveloped in this regard. This gives South Africa a decided structural advantage over its neighbours.<sup>168</sup>

*The political economy of South Africa's dominance in Southern Africa:*

South Africa is the second largest and by far the most populous country in the region. South Africa's population size is nearly one-third of the region's total.<sup>169</sup> Economically, South Africa dwarfs the rest of the SADC. Its economy is 3.4 times larger than the rest of the SADC economies combined.<sup>170</sup> It is 13,5 times larger than the region's second largest producer, Angola. Furthermore, South Africa's economy is sufficiently diversified to make the manufacturing sector's contribution to total GDP similar to that of developed Northern countries.<sup>171</sup>

The overwhelming dominance of South Africa in Southern Africa is reflected by the fact that South Africa occupies a structural position of dominance similar to that of

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<sup>167</sup> Ahwireng-Obeng, p.19

<sup>168</sup> Ahwireng-Obeng, p.19

<sup>169</sup> South African companies expanding into the African telecommunications market are illustrated by MTN's major commitments in Tanzania, the DRC and further North in Uganda and Nigeria. See Appendix 4 for further information.

<sup>170</sup> Kotelo, (1995) p. 10

the United States in the world economy. South Africa accounts for almost 5 per cent of Southern Africa's population, just as the United States represents nearly the same proportion of the world's population. Yet South Africa produces around 44 per cent of Southern Africa's GDP and the US about 26 per cent of global GDP. South Africa is by far the largest African exporter, a position the US achieved much less dominantly in the 1990's in the world as a whole, with 12 per cent of global exports.<sup>172</sup>

If as many have argued the US has been guilty of aspiring to hegemonic pretensions globally, what would be the basis of believing that South Africa will shy away from aspiring to regional hegemony within Southern Africa? It is apparent from the above discussion that the material and technological bases are present in order for this to occur.<sup>173</sup>

The various areas of South Africa's dominance clearly show that according to the definition of hegemony, South Africa is a regional hegemon in Southern Africa. The following sections will explore whether post-apartheid South Africa has continued to cement relations of dependence, as well as explore the effect of South African hegemony on the regionalisation strategy in Southern Africa.

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<sup>171</sup> Ahwireng-Obeng & McGowan, (1998) p. 20

<sup>172</sup> Ahwireng-Obeng & McGowan, (1998) p. 21

<sup>173</sup> *ibid*

## **THE MALIGN NATURE OF SOUTH AFRICAN HEGEMONY:**

With the fall of apartheid in South Africa it was widely expected that South Africa would act to ensure that it engaged the region in a manner that sought to correct the destabilising actions of the apartheid regime. In some respects this approach has been reflected by both Pretoria's policy choices and its actions. The new perspective on interaction with Southern Africa was illustrated in the ANC government's earliest policy document, the Reconstruction and Development Programme (RDP). The manner of interaction espoused in this document was one that stated that,

“in the long run sustainable reconstruction and development in South Africa requires sustainable reconstruction and development in Southern Africa as a whole. The democratic government must negotiate with neighbouring countries to forge an equitable and mutually beneficial programme of increasing cooperation, coordination and integration appropriate to conditions in the region.”<sup>174</sup>

The notion of beneficial regional integration has been endorsed by numerous other policy documents that have originated from the ANC government and in statements made by senior ANC officials. Among these are the following made by cabinet member and ANC intellectual Kader Asmal, who stated that South Africa's new role in Africa is one that accepts

“unequivocally that South Africa has an African destiny. It follows, therefore, that our links with this continent are of particular importance, but we recognise

that this alone will not help arrest the declining international interest in the continent. Accordingly, we dedicate our foreign policy to helping ensure that Africa's people are not forgotten or ignored by humankind."<sup>175</sup> NB

Nelson Mandela, the then President of the ANC stated in 1993:

“Southern Africa will however only prosper if the principles of equity, mutual benefit and peaceful cooperation are the tenets that inform its future. Reconstruction cannot be imposed on the region by outside forces or unilaterally by ourselves as the regions most powerful state. It must be the collective enterprise of Southern Africa's people. Democratic South Africa will, therefore, resist any pressure or temptation to pursue its own interests at the expense of the subcontinent.”<sup>176</sup>

These notions of unity and a sense of a common destiny denote a positive and beneficial role for South Africa in Africa. President Thabo Mbeki of South Africa has also consistently articulated these ideals. Mbeki's conceptualisation of an African Renaissance, based on the understanding of trying to create African solutions to African problems, is indicative of this approach. Also Mbeki's full support for initiatives such as the New Partnership for Africa's Development (Nepad) and the recent establishment of the African Union has served to underscore South Africa's commitment in this regard. Actions of this nature are a strong indication that South Africa is certainly at the ideological level trying to reconfigure its relations with

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<sup>174</sup> *Reconstruction and Development Programme Document* (para 4.12.1)

<sup>175</sup> Kader Asmal in Marais, (2001) p.32

<sup>176</sup> *Foreign Affairs, (1993) Summer*

Africa and Southern Africa in particular, in a more constructive and favourable manner.

The South African government has also shown an awareness of being perceived as the “policeman” of the region. Thus South Africa has demonstrated a preference for multi-lateral diplomacy, operating in particular through regional organisations such as the SADC on key issues such as the current crisis in Zimbabwe. This it would appear is aimed at allaying fears that democratic South Africa would seek to engage the region in the same dominant and unilateral manner as it did under apartheid.

All of these factors give the impression that the South African state is acting in the interests of the region as a whole, with regional organisations such as the SADC allowed to play a leading role in the solving of conflicts and in the development of Southern Africa. However as it will be illustrated in this section, the role played by non-state actors from South Africa is often overlooked, as well the complicity of state actors in South Africa who support hegemonic tendencies, which contradict the more obvious stated policy choices of the South African state. Therefore the key distinction between South Africa’s articulated policy and effect of its actual role in Southern Africa will be taken cognisance of throughout this section.

The apparent contradiction in South African policy and practice raises the question: does South Africa in reality act in the region in many respects just like the old order? Many analysts argue that elements within South Africa would like to see a return to

the old pre-1970's 'normality'.<sup>177</sup> This is the insular, neo-mercantilist approach that has characterised South Africa's relations with Southern Africa for more than a century. This mode of interaction focuses on the promotion of South Africa's immediately evident interests, while remaining resistant to the longer-term implications of reproducing or exasperating regional imbalances or inequalities. Its main policy thrust is to seek one-sided penetration of the neighbouring countries' markets, while being lukewarm or resistant to allow access to its own.<sup>178</sup> This approach is very much associated with that of malign hegemonic tendencies. This understanding of the nature of South African hegemony would seem to place apartheid South Africa and democratic South Africa in the same category in terms of the effect of its relations with Southern Africa. Therefore it will be argued in the following section that South Africa is both wittingly and unwittingly displaying malign hegemonic tendencies that are to the detriment of the region as a whole.

Davies argues the trade surpluses and infrastructural advantages that South Africa has within the SADC region are to a large extent the consequences of historical development patterns dating back to colonial times.<sup>179</sup> Such structural advantages and disadvantages and patterns of economic growth and development only change slowly, if at all. Therefore the observation can be made that history has made South Africa the 'giant of the South' within Africa, and that this structural imbalance has been reinforced since the political transition that began officially in February 1990. The

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<sup>177</sup> See for example the document prepared by the Macro Economic Research Group (MERG), prepared by the Centre for Southern African studies of the University of the Western Cape.

<sup>178</sup> Adebayo, (1996) p. 19

reinforcement of South African hegemony has been a result of the actions of both South African state and non-state actors. Actions taken by both sets of actors will be illustrated below.

**The case of the Southern African Customs Union (SACU) – The malign hegemonic role of South African state-actors:**

South Africa's relationship with the SACU represents an indication of how South Africa's malign hegemonic tendencies have had negative consequences for its Southern African neighbours. The problems raised within the SACU context give an idea of the challenges that need to be urgently addressed if a regime based on the 'new regionalism' approach is to emerge in Southern Africa.

The SACU was constituted in 1910 when the Union of South Africa was established. A customs union was concluded between the new country and the three High Commission territories of Basutoland, Bechuanaland and Swaziland. In 1915 after South Africa's seizure of South-West Africa from German sovereignty it was *de facto* extended to the now Namibia. After these states gained independence in the 1960s<sup>180</sup> a new customs union was negotiated to reflect the changed economic and political circumstances. The outcome was the 1969 SACU agreement, which was accompanied by the Secret Memorandum of Understanding (SMU). The most significant feature of

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<sup>179</sup> Davies, (1997) p. 1

<sup>180</sup> Except for Namibia, which remained under South African control.

the agreement was that it established a Common Customs Area (CCA) with the application of a Common External Tariff (CET) and equivalent trade regulation for all commodities coming into the CCA. Provision was made for the free interchange of goods and services between the member countries in the CCA, with a focus on the economic development of the whole CCA and in particular on the less advanced members of the SACU, as well as provision for the diversification of the economies of these less advanced member states. In accordance with these agreements a Common Revenue Pool (CRP) was also established. Many of the specific features of SACU render it unique among customs unions throughout the world. The unique features are as follows: although intra-union trade is unrestricted, other than for clearly defined exceptions, one country is unilaterally responsible for determining the tariffs, and the same country is responsible for administering all the customs, excise and other SACU duties. All these are collected in the CCA and are paid into the Consolidated Revenue Fund of South Africa.<sup>181</sup> This quite obviously places South Africa in a controlling position within SACU.

The difference between the spirit of founding provisions and the actual functioning of SACU are an important indicator of the malign hegemonic tendencies of the South African state. Despite SACU's special provision for industrial development of the BLNS<sup>182</sup> states, South Africa has not been sympathetic to their industrial development. Developments have been tolerated in this regard only if they fit into a

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<sup>181</sup> Adebayo, (1996) p. 21

<sup>182</sup> Botswana, Lesotho, Namibia and Swaziland

part of a broader South African industrial structure, rather than being substantive disruptions of the South African industry in question. Examples of South Africa acting in a malign hegemonic manner by blocking attempts at industrialisation, include blocking Swaziland's attempts at building a large-scale fertiliser factory, a proposed brewery in Botswana and a motor vehicle assembly plant in Namibia. All of these initiatives were blocked because they either fell foul of various regulations or were met with aggressive retaliatory action by South African producers. Until such actions are halted, South Africa has the ability to ensure that there is little chance of achieving significant industrial development and diversification within SACU.<sup>183</sup> South Africa acting in this manner will ensure that the spirit of the founding provisions of the SACU are not upheld, further distorting the difference between South Africa's stated policy preferences and the malign hegemonic role that it ends up playing.

Actions of this kind have led to strong sentiments being expressed about South Africa's role in the region by neighbouring states. This is evidenced by the following quote from one of Namibia's weekly newspapers *New Era* entitled 'Local Entrepreneurs Decry Economic Sabotage: South Africa chokes Business'

"Local industries are being throttled by unfair pricing and competition from bigger South African firms. And experts say limitations inherent in the South African Customs Union (SACU) have tied [the Namibian] government's hand and rendered it ineffective in protecting local industry. As a result, dumping of

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<sup>183</sup> Adebayo, (1996) p. 21

cheaper South African goods on the market has forced many local firms out of business. Sources in the private sector charge that a substantial number of local enterprises have lately ceased operations due to unfair pricing and competition from South African companies.”<sup>184</sup>

A further example of South Africa using its hegemony in SACU is illustrated by its actions concerning the revenue sharing formula. In 1991 South Africa signalled that it felt the formula was unaffordable. Between 1991 and 1993 South Africa indicated that the revenue sharing formula was leaving it with a reduced percentage of the Common Revenue Pool (CRP). The dispute surrounding the revenue formula was left by the de Klerk government for the incoming democratic government to deal with.<sup>185</sup> Adebayo argues that South African dissatisfaction with the revenue sharing formula is not congruent with reality. The 1969 SACU agreement and the SMU provided for a complex formula that decided revenue share. Within these provisions it is only South Africa that determines the duties payable, knows how much has accrued and decides after bi-lateral negotiations how much should be paid out to each member state, with a two-year lag in payment.<sup>186</sup> Therefore South Africa receives in effect a two-year interest free loan from other SACU members. Furthermore in this two-year period the real value of the revenue depreciates due to inflation and any fall in the value of the Rand. In any case the amount paid out to the BLNS countries was only between two and three per cent of South Africa’s budget. Therefore it can be argued that South

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<sup>184</sup> Vol.166 (1996)

<sup>185</sup> Adebayo, (1996) p. 21

<sup>186</sup> *ibid*

Africa is 'crying wolf' as South Africa itself has resisted all attempts to have the 1969 agreement renegotiated. These attempts began in 1980 when a study by the Customs Union Commission considered a new revenue sharing formula in conjunction with the developmental needs of all the BLNS countries. These recommendations were dismissed by South Africa, who used its veto for the first time. The initial report was followed by the 1985 McCarthy Report, published due to increased pressure from other SACU members for revenue formula revision. This report was submitted to the South African government, who after substantial doctoring submitted it to the BLNS states who unanimously rejected it. Between 1988 and 1990 SACU agreed to establish the SACU Renegotiation Study Group on revenue formula revision in which all the members were represented. In 1991 the South African government proclaimed the proposals for re-negotiation as outdated and requiring comprehensive reform.<sup>187</sup>

In 1994 there was an initiative by the ANC that focused on *Reconstituting and Democratizing the Southern African Customs Union*. This document made it appear that the ANC government supported reforms to enhance democracy and equality in SACU. But the reforms suggested by this group were not fundamental; there was rather a focus on transparency and democratisation. There was no mention at all of comprehensive reform of the revenue sharing formula and its anomalies.

Further evidence of South Africa's malign hegemonic domination of SACU is revealed by South Africa's approach to negotiations with the European Union over a

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<sup>187</sup> Adebayo, (1996) p. 21

Free Trade Agreement (FTA). South Africa has argued that such an agreement would have profoundly positive benefits for its four SACU partners. However the European Union had made it clear that it was negotiating not with SACU but with South Africa only. As a result there were no SACU representatives present at the negotiations, which has serious consequences for SACU's CRP, a key source of government revenue for all SACU members other than South Africa.<sup>188</sup> South Africa undertook the negotiation process, negotiating in the main for its own self-interest. This situation was highly problematic as all South Africa endeavoured to do was to consult in the most superficial sense with the other SACU members before taking positions at negotiations, resulting in South Africa ensuring that its own position was strengthened whilst simultaneously marginalising SACU members, as well as non-SACU members of the SADC.<sup>189</sup>

South African policy makers have recently made much of the amendments made to the Customs Treaty. On October 21 2002 the rules of SACU were realigned at a meeting of the heads of state of the member countries. Whilst the changes have been trumpeted as being far reaching reforms that will bring about democratisation of the SACU institutions, they appear to be little more than new administrative procedures, clearer rules on the coordination of trade policies and an attempt to present SACU as a more business friendly environment.<sup>190</sup> The intention of the reforms reflects South Africa's apparent preference for 'open regionalism' with South Africa leading the

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<sup>188</sup> Lesotho for example derives as much as 50 per cent of total government revenue from the CRP

<sup>189</sup> Ahwireng-Obeng & McGowan, (1998) p. 33

charge for the Custom's Union to become a free trade area, in effect putting SACU out of business. Led by South Africa the Union is cutting tariffs on imports as free-trade deals come into existence between the EU and elsewhere. This situation means that SACU states that are highly dependent on SACU customs revenue will have to find alternative sources of revenue. This source of revenue is not as vital for South Africa as it is for the rest of the SACU members. Only time will tell whether the drive to create a more 'business friendly' environment will bear fruit, not only for South Africa but also for her less developed neighbours. Perhaps South Africa's real intentions are best illustrated by Tshediso Matona of the Department of Trade and Industry who declared that, "we will not be the European Union of tomorrow. But we are driven by the same processes."<sup>191</sup> This statement again underscores South Africa's preference for "open regionalism", rather than the more balanced and arguably more appropriate 'new regionalism' approach.

The latest development with regards to South Africa's relations with SACU serves to underscore South Africa's true intentions in relation to the region. South Africa is currently pushing hard to formulate a free trade deal between SACU and the US, without appearing to have much concern for the very real negative impact such a deal could have on its less developed counter-parts in SACU. An agreement in this regard is expected to be finalised as early as 2004. The agreement would leave South Africa in the very favourable position of being able to access sixty per cent of global markets

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<sup>190</sup> *The Economist* (2002, October) 'Customs Union is a small success that's a lesson for Africa' *Sunday Times Business Times* p.3

<sup>191</sup> *ibid*

with the best possible access, an extremely favourable position for a country with a GDP less than 1 per cent of the US economy.<sup>192</sup> The form and content of the agreement had been initiated by a meeting between South African Minister of Trade and Industry Alec Erwin and US trade representative Robert Zoellick at the World Economic Forum's New York meeting.

Erwin made it clear at the time, ostensibly to signal South Africa's commitment to regional integration, that such an agreement must include all SACU members (as opposed to South Africa's relatively marginalising approach to the EU trade negotiations). However the relative size of the SACU countries in relation to South Africa shows that this commitment is little less than scant comfort. South Africa's dominance in the region makes it the only likely beneficiary of access to US markets and the only economy in SACU that will be able to withstand the loss of SACU customs revenue. The distortions that are evident in the agreement are reflected by the following data from the World Bank, which states that in 2001 the US GDP was \$10,2 trillion, whilst the entire SACU GDP was \$123,7 billion with South Africa accounting for an astounding ninety two per cent of this.<sup>193</sup> Two-way trade between the SACU and the US was \$7,9 billion. With US firms showing an increasing awareness of the need for new markets, the SACU region has seen a growth in the presence of US firms.<sup>194</sup> This growth has been most evident in South Africa. This fact, combined with the reality that South Africa is responsible for the overwhelming

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<sup>192</sup> Wray, Q (2003, January 15) 'Sacu-US deal could fill in gaps left by Agoa' *Business Report* p.2

<sup>193</sup> *ibid*

<sup>194</sup> *ibid*

majority of SACU trade with the US, makes it likely that it will be the only beneficiary of a free-trade agreement. The weak and structurally imbalanced SACU economies will not be able to withstand US economic forces and many local SACU firms may be threatened at the cost of furthering unemployment and poverty in the region. Whether South African trade negotiators will be steadfast in their resolve to protect not only South African but also SACU interests is not clear, but the reality would seem that SACU member states will have to guard themselves against such dangers as US subsidised agricultural dumping.<sup>195</sup> This is because contrary to South Africa's stated preference for a regional negotiation approach, it is evident that South Africa is only in pursuit of furthering its myopic trade objectives at the expense of the rest of SACU.

The above discussion makes it appear unlikely that democratic South Africa has the commitment to restructure the hegemonic role that it plays in SACU. If South Africa continues to play such a myopic role in pursuit of its own objectives in SACU, it will serve to exasperate existing political and economic imbalances within the customs union.<sup>196</sup> South Africa's relations with SACU seem to indicate that economic and political actors within South Africa will be unlikely to embrace a more equitable role in the region. This element of South African hegemony makes it a stumbling block for increased regional integration in the form of 'new regionalism' in Southern Africa and closer in nature to malign hegemonic tendencies.<sup>197</sup>

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<sup>195</sup> *ibid*

<sup>196</sup> Adebayo, (1996) p. 22

<sup>197</sup> Adebayo, (1996) p. 23

### **The malign hegemonic role of South African non-state actors:**

Before the end of apartheid and even more so today, South African business and its government have been expanding aggressively into the rest of Africa. By the beginning of 1996 the South African government had already established 22 trade missions in African countries. The South African state's commitment to expansion of trade in Africa was reflected by a new provision that will make foreign exchange allowances more available to South African firms investing in other SADC states than to those investing elsewhere.<sup>198</sup> This reflects the complicity of the South African state in encouraging South African non-state actors to expand rapidly into the sub-region. An indication of the rapidly growing presence of South African firms in Southern Africa is shown by the growth of membership of the Johannesburg based private sector South African Foreign Trade Organisation (Safto), and the African Business Development Group which grew from 12 members in 1992, to about 80 South African corporations by the end of 1999, some of them among the largest in the country.<sup>199</sup> This group has since disbanded because trade with Africa is now seen as part of South Africa's overall trade promotion activities.<sup>200</sup>

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<sup>198</sup> Ahwireng-Obeng & McGowan, (1998) p. 25

<sup>199</sup> Wells, (1995)

<sup>200</sup> Ahwireng-Obeng, (1998) p. 25

*The importance of Southern Africa to South Africa firms:*

The importance of African markets to South African business has already been touched upon in a previous section, however it is worth emphasising that it remains a matter of controversy among experts. Some experts deliberately underplay the importance of Southern Africa to the South African private sector as they adopt the 'Afro-pessimist' perspective that the region's political economy is too weak<sup>201</sup> and that it is not a viable market. Among those that adhere to this view are Jeffrey Herbst who argues it is better for South Africa to focus on the rest of the world's GDP as its key export and service markets.<sup>202</sup> The alternative viewpoint is that the importance of African markets cannot be underestimated Southern Africa imports \$120 billion a year of goods and services, and by 1999 South Africa accounted for only for a small fraction of this business. Therefore there is enormous scope for the South Africa private sector to tap into a potentially lucrative market.<sup>203</sup>

In addition to Southern Africa's potential as an expanded export market and as a site for South African investments in minerals, tourism and low-cost, labour intensive manufacturing<sup>204</sup>, South African firms are also tendering for large-scale Western-funded infrastructure projects in Southern Africa. As already illustrated South Africa's dominance of the political economy of Southern Africa means that South

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<sup>201</sup> Such experts point to the fact that the SADC, including South Africa, constituted only 0.58% of the global GDP in 1993, making it an insignificant market in global terms.

<sup>202</sup> Wackernagel, (1996) (b)

<sup>203</sup> Ahwireng-Obeng & McGowan, (1998) p. 25

<sup>204</sup> For example labour cost in Uganda are one eighth of the cost of that of South African labour.

Africa is by far the best positioned country in the world to take advantage of these positive trends and thereby gain greater market share in Southern Africa. Evidence of the South African private sector's rapid expansion into the region can be found in **Appendix 2.**

*South African firms investment in Southern Africa:*

The United Nations Conference on Trade and Development (1997) indicates that at the end of 1996, South Africa had an outward stock of direct foreign investment (DFI) that constituted 81 per cent of Africa's total DFI. Only Nigeria comes anywhere close to matching South Africa, but still lags far behind. Most significantly South Africa's total DFI increased in today's value by R71 935 million in the period 1990 to 1994.<sup>205</sup> Most of this DFI is directed into African markets. This rapid growth of South African investment is part of an aggressive expansionary drive into Southern African markets by the South African private sector, supported by the South African government. Evidence of this rapidly growing South African presence in the region is shown by the fact that major South African firms were operating in over half of all African countries by early 1997. South African mining companies have spent upwards of \$100 million in mineral exploration in Africa.<sup>206</sup> The result has been an exploration boom in Southern Africa, with the sub-continent ranking third after Latin America and Australia in terms of exploration spending.<sup>207</sup> Most major South African

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<sup>205</sup> United Nations Conference on Trade and Development (UNCTAD) 1997

<sup>206</sup> Loxton, (1997) p. 1

<sup>207</sup> Williams, 1996 p. 6b

firms have announced expansion plans in other African countries. South African Breweries (SAB-Miller) now run breweries in Botswana, Lesotho, Swaziland, Tanzania and Zambia, leading the groups Chairman to proclaim our strategy is, “to dominate African market share.” Also South African retail giants Shoprite-Checkers and Pick ‘n Pay have opened operations in Zambia, Mozambique, Namibia, Botswana, Kenya, Angola and Zimbabwe.<sup>208</sup> Financial institutions such as Standard Bank now have operations in 13 different African countries, prompting the African Development Bank to comment that South African financial institutions have become “increasingly important” to the region.<sup>209</sup> There is also substantial anecdotal evidence of the activities of smaller South African companies moving to expand their operations in the region; information on these activities is not as easily available. Therefore the figures above do not portray the enormity of South African investment in the region<sup>210</sup>.

The enormity and the rapid growth in South African investment has been for the most part a very one-sided process, where the major criterion for investment decisions appears to have been more to do with short term profitability, rather than the need to help promote growth and diversification of productive capacity in other Southern African states, which would help promote a more equitable and sustainable regional environment. The pattern that is evident appears to reinforce Patrick Bond’s prediction of,

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<sup>208</sup> Marais, (1998) p. 135

<sup>209</sup> Marais, (1998) p. 137

<sup>210</sup> See Appendix 2 for a schedule of major South African investments in the region.

“a new wave of SA mining houses plucking non-renewable resources, SA construction firms piggy-backing on aid funded projects for short term gain and SA manufactures shipping out products that can’t be sold at home, wiping out the SADC industries in the process”.<sup>211</sup>

The emerging trend of South African firms investment in the region has also led *Africa Confidential* to conclude that the ANC government has,

“repeatedly assured its fellow members (in SADC) that it wants to be a partner, not a boss. Yet the facts, economic and military, say otherwise.”<sup>212</sup>

Finally McGowan and Ahwireng-Obeng observe the following from the South African private sectors involvement in the region,

“South Africa cherishes the notion that because it is the most developed country in the region it can use the other SADC countries as receptacles for its goods, while protecting its own interests”.<sup>213</sup>

Therefore there is an increasing danger that reconstituted regional relationships through the power of South African capital is starting to bear as Marais states,

“a greater affinity to the abortive CONSAS dream rather than to the progressive visions extolled by the ANC government in South Africa”.<sup>214</sup>

The views expressed above are a clear indication of the malign hegemonic effect that the South African private sector has in the region.

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<sup>211</sup> Bond, P (1992) ‘South Africa’s Comic Investment Image’ in *Africa South* (April)

<sup>212</sup> ‘Still the boss’, *Africa Confidential*, Vol. 36 No.17 25 August 1995

<sup>213</sup> Ahwireng-Obeng & McGowan, (1998) p. 32

<sup>214</sup> Marais, (2001) p.139

The reasons behind the rapid expansion of South African investment in Southern Africa are multifaceted. Firstly South African firms bring to the region substantial expertise and know-how that gives them a competitive advantage over local businesses. This gives the impression that South African products are highly competitive both in terms of their price and quality. Evidence of this is the fact that South African exports to Tanzania more than quadrupled between 1993 and 1996 and evident in the high growth in exports to the SADC region as illustrated in **Appendix 1.1**, as well as in previous sections.<sup>215</sup>

Secondly, there exists a vacuum in Southern Africa for investment, as foreign investment to the region has been declining in real terms for the last fifteen years. Southern Africa receives on average only two per cent of global FDI and only five per cent of FDI into developing countries. In this environment of disinvestment, there is substantial opportunity for South African firms to aggressively expand into the region.<sup>216</sup> The result of this rapid growth in the presence of South African firms is that the majority of sizable private-sector corporations in operation in Southern Africa today are South African, creating an enormous opportunity for them to increase their structural power in the policy process.<sup>217</sup> This undue influence allows private sector interests to further press for 'open regionalism' as opposed to 'new regionalism'. The former is far more suited to their short-term interests, while in contrast the latter is more suited to even and balanced development in the region as a whole.

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<sup>215</sup> Ahwireng-Obeng & McGowan, p.29

<sup>216</sup> *ibid*

<sup>217</sup> Iheduru, (1996) p.8

Not only South African state-actors but also powerful international actors are supporting the movement of South African firms into the region. These powerful actors include the United States, first under the Clinton administration and now to a lesser extent under the Bush administration, the World Bank and the IMF. All of these actors are actively encouraging and supporting this trend. South Africa has been targeted as one of ten 'Big Emerging Markets' by the US Department of Commerce.<sup>218</sup> These ten economies are viewed as key markets for the US to develop particularly close ties with.<sup>219</sup> Holland points out that in conjunction with this support by the US for South African private sector expansion into Southern Africa, there is also a growing belief not only in the US but also amongst other G7 nations and the BWI's that the South African private sector is the 'saviour of Africa' and an 'engine of growth'.<sup>220</sup> Therefore the objective is that there is an opening up of the region to South African exporters and capital investments, from which benefits would allegedly trickle down to the targeted countries<sup>221</sup>. This supportive environment for South African firms is aided by the adoption of Structural Adjustments Programmes that have mandated economic liberalisation and the creation of investor friendly conditions in many African states. This allows South African firms to take advantage of these new initiatives and investment regimes.<sup>222</sup>

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<sup>218</sup> Included in this group are Brazil, India, Indonesia, South Korea and Poland.

<sup>219</sup> Garten, (1996) p. 8

<sup>220</sup> Holland, (1995) pp. 265-283

<sup>221</sup> Marais, (1998) p. 137

<sup>222</sup> Ahwireng-Obeng, (1998) p. 30

South African firms expansion into the region is also facilitated by the attitude of African leaders themselves who view South Africa as the continent's last economic hope. The relocation of the African Business Round Table and the African Development Bank to Johannesburg South Africa, indicates that the continent's economic leaders view South Africa as the catalyst being behind economic development, not only in the region, but also through Africa as a whole.<sup>223</sup> A public sector show of support for South African firms was evidenced by Namibian President Sam Nujoma's ambitious plan to attract South African investment to his country. His proposal to make Walvis Bay an export processing zone (EPZ) with waived tax and excise duties for new investors, shows the keenness of regional governments to attract private South African capital. Nujoma in this regard adopted an approach that was used in Singapore and South Korea that no strikes in the EPZ would be tolerated for five years.<sup>224</sup> The nature of these actions reflects how far African countries, even with strong trade union movements, are prepared to go to attract South African firms. Long-term losses are sacrificed in favour of short-term gain in many such instances.

Much of the desire to attract private South African capital seems to fulfil a short term need for investment, and the resultant job creation. However the negative effects of the lack of diversification of industry, undue influence of South African firms in neighbouring countries' policy processes, the enormously asymmetrical nature of the

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<sup>223</sup> Garten, p.8

<sup>224</sup> Ahwireng-Obeng & McGowan, (1998), p.30

trade relationships and the lack of regulation of labour practices seems to be ignored for expediency's sake.

Many would argue South African firms' expansion into the region is a result of economic forces that favour the most competitive and cost-effective producers. Their contribution to the regions economies, according to traditional neo-liberal economic theory, can only be positive, as South Africa's FDI attracts further investment, creates jobs and reduces poverty. At a theoretical level such an understanding of the effect of the South African private sector in the region would be accurate. However due to the wide disparities that exist in the region there are also other more negative implications that need to be examined in order for the malign nature of South African private sector hegemony to be understood.

The first predominant problem with the aggressive penetration of South African firms into regional markets is that it has for the most part been a one-sided process, with South African businesses gaining access to markets at the expense of local producers and manufactures. Again this could be argued is simply a result of economic principles of competition and efficiency, but in the context of the lack of robust competition and the fragile nature of many Southern African markets, this type of expansion by South African firms has the potential to bring about the de-industrialisation of Southern Africa, as evidenced by the decline in the African

shipping industry, Zimbabwean textile industry and Zambian retail stores.<sup>225</sup> An example on a smaller scale is that of the Mozambican poultry industry which in 1995 employed 1 800 people through direct jobs as well as employment for 10 000 peasant and co-operative chicken breeders. This employment was of vital importance to a country which was until recently regarded as the poorest nation in the world. However new imports of frozen chickens from South Africa has threatened to put the local chicken industry out of business, and has thus placed immensely important employment opportunities under threat as well.<sup>226</sup>

*Appendix 3* illustrates the level of South African exports and imports to and from Southern African countries. The trends that the graphs depict are evidence of grossly distorted and one-sided trading relationships<sup>227</sup>, further emphasising the malign hegemonic effect of the South African private sector. Of particular significance is the lack of exports from Southern African states to South Africa. The result is that South Africa enjoys an exceedingly high trade surplus with the majority of SADC member states. This is to the detriment of SADC countries' balance of payments and to the development of a strong, varied and viable industrial and productive capacity in the region. Such capacity is imperative in ensuring that the region can compete in a brutally competitive global economic environment. The continuation of such inequalities will ensure that South Africa is the only country to benefit in the long run. Even these benefits are likely to be short term for South Africa itself, as South Africa

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<sup>225</sup> Iheduru, (1996) p. 13

<sup>226</sup> Ahwireng-Obeng & McGowan, (1998) p. 31

<sup>227</sup> Also refer to page p. 72

needs the region to show its own growth potential in order to provide a sustainable and growing market for South African goods. The relationship at the moment between SADC member states and South Africa will only serve to stunt any further growth prospects.

The evidence examined in this section on the hegemonic nature of the expansion of the South African private sector into Southern Africa gives credence to the notion that,

“What the Apartheid regime could not achieve politically is now being achieved through the structural power of South African capital.”<sup>228</sup>

Therefore it seems that the initiatives of Vorster and P.W. Botha to create a regional sub-system to South Africa's advantage are now reactivated, albeit in a different form. In this new context, the ‘onslaught’ is led by profit-seeking South African firms that are rapidly creating what has been insightfully called a “constellation of Southern African economies led by private capital”.<sup>229</sup> In addition the adoption of a market friendly and neo-liberal macro-economic framework, GEAR, by the South African government means that the South African state is fully behind this export and investment drive.<sup>230</sup>

The hegemonic tendencies of both state and non-state actors from South Africa is not necessarily beneficial for peasants, unskilled and semi-skilled labour in the region.

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<sup>228</sup> Igeduru, (1996) p. 4

<sup>229</sup> Igeduru, (1996) p. 26

<sup>230</sup> Ahwireng-Obeng & McGowan, (1998) p. 31

The role that South African actors play in the region is not indicative of a supportive mutually beneficial, balanced development approach, as is articulated in most official government policy documents. In the dialectic between partnership and hegemony, agency and structure, structurally based hegemony best explains the nature of South African hegemony in the region since 1990.<sup>231</sup> It is highly likely that these trends will continue until regional actors in government, business and civil society act to reverse these trends. However even then the structure of global political economy makes it even harder to break these patterns.<sup>232</sup> This is because core powers in the international system strongly support the current trends that make exploitative South African hegemony in the region the most probable outcome. The following section will explore an alternative role for South Africa, that of benign hegemon. Adoption of this type of hegemony has the potential to avoid the negative reality depicted above.

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<sup>231</sup> Ahwireng-Obeng & McGowan, (1998) p. 31

<sup>232</sup> *ibid*

## **THE NEED FOR BENIGN SOUTH AFRICAN HEGEMONY:**

Any analysis of regionalisation in Southern Africa as it has already been stated, needs to take into account the dominant position of South Africa. The nature of South Africa's role in the region has been widely discussed in this paper, in particular the scenario of asymmetric regional development, whereby South Africa exploits neighbouring countries according to a bilateral hub-and-spokes, centre periphery model, has been dealt with. The alternative scenario is one where there is symmetric, multilateral regionalism and development.<sup>233</sup>

Few observers of the Southern African region have paid attention to another realistic yet positive scenario, namely that of benign hegemony. This view takes into account the fact that there may exist two different types of hegemonic regionalisation in Southern Africa: malign and benign.<sup>234</sup> In the former scenario South African political and economic actors do not promote a mutually beneficial regional development. In fact this type of regionalisation is an exploitative type, which leads to surplus being siphoned from the neighbouring countries to South Africa. Therefore regional relations are determined by,

“short-term, myopic or exploitative interests of South African political and economic forces, which will result in increased regional imbalances.”<sup>235</sup>

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<sup>233</sup> Odén, (1993)

<sup>234</sup> Odén, Boas & Soderbaum, (1995)

<sup>235</sup> Soderbaum, (1996) p. 38

The political economy of this approach has striking similarities with the CONSAS project initiated by the apartheid South African state, although in a very different form.<sup>236</sup>

The scenario of benign hegemonic regionalisation also takes into account the overwhelming dominance of South Africa in the region, but instead views this dominating role in a more positive context. In this case South African actors behave in an enlightened manner that leads to a type of development and regionalisation, which is good for the long-term development of the region as a whole.<sup>237</sup> Theoretically it is important to note that when separating benign and malign hegemonic regimes, the first-order question is not to assess whether the relatively stronger political and economic actors in South Africa are altruistic or egoistic, but rather to determine whether these forces act in the long-term interest of the regime as a whole.<sup>238</sup> The point being that benevolence is not necessarily contradictory to the interests of the hegemon itself. On the contrary, in the Southern Africa context the two are mutually supportive. For South Africa cannot survive as an island of relative prosperity amongst a sea of poverty.

In this new-enlightened context the regional economic and political relations will have a more multilateral, although still largely asymmetric character, than in malign regionalisation. The theory being that as the benign hegemonic regime sustains a

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<sup>236</sup> This supports an earlier viewpoint that the structural power of South African capital is achieving in a different manner what apartheid South African could not achieve politically.

<sup>237</sup> Soderbaum, (1996) p. 38

mutually beneficial regional development focus, the other actors and states become more prepared to voluntarily accept South African leadership.<sup>239</sup> The most significant benefit of such an approach being adopted by South Africa is that it has the potential to ensure that a more favourable regionalisation takes place, which in turn has the prospect of improving the position of the whole region in the global political economy.

A benign hegemonic regime in the form of South Africa is more likely to facilitate the implementation of 'new regionalism' in Southern Africa. South Africa's role in this regard is of incredible importance due to the large-scale absence of efficient governance, national and joint institutions that function effectively.<sup>240</sup> Furthermore, as it has already been indicated there is an absence of a cooperation culture among Southern Africa states in the crucial areas of trade and fiscal policy, which is combined with the presence of widespread market failures and externalities, the large short-term cost of achieving public goods and the inherent risks of collective action. These regional shortcomings, combined with the region's obvious marginalisation from the global political economy, means that the economic and political forces present in South Africa are of crucial importance. Thus they have the potential to initiate and sustain a development pattern which is favourable for the whole region.

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<sup>238</sup> Soderbaum, (1996) p. 38

<sup>239</sup> Soderbaum, (1996) p. 39

<sup>240</sup> In this regard refer to the failings of the SADC in previous sections

Without a benign hegemon the end result could well be one of fragmentation, marginalisation and malign hegemonic regionalisation in Southern Africa.<sup>241</sup>

The evidence already presented in this paper, combined with the fact that South Africa has higher tariff and non-tariff barriers than its neighbouring countries have towards the relatively more competitive South Africa, indicates that South Africa sustains a malign form of hegemony. Regardless of any agreements made in international trade negotiations such as at the WTO and GATT, or domestic concerns, there is scope for South Africa to change this situation if the political will and commitment existed.

The fundamental conditions for the establishment of a benevolent hegemonic regime in Southern Africa can be reduced to two basic requirements. Firstly South Africa must have the capacity, as well as the willingness, to create and maintain a mutually beneficial regime. Secondly the other countries in the Southern African region must be willing to let South Africa play the role of benevolent hegemon, whilst at the same time they must have the capacity to participate within such a regime.<sup>242</sup> These two basic requirements exist, but South Africa needs to dramatically reassess the effect of the role that it is currently playing in Southern Africa. The following section will discuss these two requirements in greater detail. In particular there will be a focus on

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<sup>241</sup> Soderbaum, (1995) p. 39

<sup>242</sup> Odén, (1999) p. 30

the key question of whether there exists the political will for South Africa to reconstruct the nature of its hegemony in Southern Africa.

### **The future of Southern African regionalisation:**

In the present structure of regionalisation in Southern Africa, the spontaneous, market driven forces tend to support regionalisation in certain sectors, while being counteracted by the absence of appropriate institutions for formal regionalisation in Southern Africa.<sup>243</sup> Such an approach suits both South African state and non-state actors as they derive the short-term benefits from one-sided penetration of Southern African markets, within an unregulated formal regional environment.

In order to reverse the current exploitative impact of South African hegemony, there is a need for active South African leadership at the domestic and regional level that emphasises that the future development of South Africa cannot be removed from the development of the Southern Africa as a whole. The level of commitment required needs to go much further than the rhetoric and 'lip service' that surrounds South African President Thabo Mbeki's articulation of an African Renaissance, as well as an African led recovery in the form of Nepad. South African state and non-state actors need to focus on playing the role of a mutually beneficial hegemon, as opposed to the role of malign hegemon that it is currently being played out in the region.

This kind of approach might go against the priorities of many South African actors, as there is a tendency to focus first on South Africa's uncomfortable domestic reality. Secondly, due to historical relations with the region, there is a common belief within South Africa that it needs to be exceptionally cautious in its dealing with Southern Africa. But the costs of South Africa not adopting the role of benign hegemon are high, both for the region and South Africa itself. It would see South Africa play a shortsighted role, thereby increasing regional imbalances and instability. This would also be detrimental to the long-term development of South Africa. This is especially true in the face of the changing nature of global political economy and the pressure on regions throughout the world to adopt mutually beneficial regional regimes. The following section will explore more fully two key dimensions, of the two basic requirements for beneficial regional integration, economic capacity and institutional capacity.

*Political will:*

The potential benefits of regional cooperation and integration along the lines of the 'new regionalism' have been widely discussed in Part 1. In order for these benefits to accrue to Southern Africa, there must be a minimum degree of ideological and political consensus between the SADC governments as well as between the domestic political and economic actors within these states that hegemonic regionalisation constitutes the best strategy for enhanced development. The evidence already

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<sup>243</sup> *ibid*

presented has shown that in particular, South African economic forces do not display a commitment to such a consensus. Therefore South Africa must first commit itself to 'new regionalism', thereby creating broader consensus within the region on the 'new regionalism' approach. This would mean South Africa would have to define its political and economic instruments in a more long-run perspective.<sup>244</sup> The particular challenge for the South African government in this regard is for it to ensure that domestic economic actors promote, or at the very least do not contradict the preferred type of regionalisation. This would require the mitigation of the powerful forces that appear to favour 'open regionalism'.

On the other side of the spectrum Southern African states themselves must be politically ready to accept South African hegemonic leadership. This means that these countries must firstly accept the existence of such a regime and secondly display the political will to cooperate within that regime, instead of pursuing conflicting strategies and policies. Recent events in Zimbabwe under the leadership of Robert Mugabe are a classic example of the dangers of Southern African states acting to serve their own myopic interests, at the expense of development in the region as a whole. The Zimbabwean crisis has also highlighted the dangers of South African domestic political concerns triumphing over the greater need for the assertion of the region's commitment to good governance. What is rather needed is for SADC countries to define their national interests in light of long-term considerations as

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<sup>244</sup> Odén, (1997) p. 30

opposed to short term 'free-rider polices'.<sup>245</sup> In this regard South Africa's overwhelming domination of the region has already been presented as the key challenge for Southern African states. The corresponding challenge for South Africa is to ensure that its dominance does not lead to scepticism and mistrust on behalf of other SADC member states.

*Economic capacity:*

Political will in its own right is insufficient for a benevolent hegemonic regime to exist. The hegemon must also have the necessary economic resources and capacity to ensure that political and economic infrastructure is established in order to enhance balanced regional development.<sup>246</sup> The role played by the South African private sector has already shown that such a desire for balanced regional development is being sacrificed in favour of short-term South African corporate interests. The fragile and fragmented economies of Southern African states also need to be assisted to ensure that they have sufficient capacity to be meaningful players in such a benevolent hegemonic regime.<sup>247</sup> Furthermore, the strong internal and external forces that are supportive of 'open regionalism' in Southern Africa leads to the question of who is setting the agenda for South Africa's participation in the regional political economy: the market or the state? The imperative for some form of strong state intervention, especially on behalf of the South Africa in this regard is evident, if the region is

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<sup>245</sup> Odén, (1997) p. 30

<sup>246</sup> Odén, (1997) p. 31

<sup>247</sup> Odén, (1997) p. 31

indeed going to develop a benevolent hegemonic regime. This does not suggest that the market mechanism must be replaced, rather that the unrestricted free play of South African market forces is for the most part only beneficial to South Africa and not to the region in the long-term. For a benevolent hegemon to exist there is the necessity of a degree of state intervention and equalisation to remedy the distortions in the regional political economy brought about by years of conflict and by apartheid South Africa's active destabilisation of the region.<sup>248</sup>

### **Is Southern Africa prepared for South African benevolent hegemony?**

The pattern that has emerged in recent years is that despite the pro-regional rhetoric, Southern African states have displayed a tendency to engage Pretoria in bilateral rather than in multilateral forums, a tendency that is more likely to be encouraged by an exploitative hegemon. A benevolent hegemonic regime requires a degree of ideological consensus regarding South African leadership as beneficial. However if SADC member states continue to adopt short-term strategies of trying to outplay each other by developing bilateral relationships with South Africa, then a more balanced regional development is unlikely.<sup>249</sup> In fact the reverse will occur and South African economic forces will continue their one-sided penetration of Southern African markets as outlined previously.

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<sup>248</sup> Odén, (1997) p. 34

<sup>249</sup> Odén, (1997) p. 41

It is understandable that certain Southern African states are more wary of South African led integration strategies than others. Some SADC states such as Botswana appear to eagerly anticipate the prospects for expansion through better access to South African markets.<sup>250</sup> Whilst other states are afraid of firstly, strong competition with their own national markets and secondly, the redirection of aid flows and FDI to South Africa. A distinction needs to be made in this context between weak and strong states. Mozambique and Lesotho<sup>251</sup> for example are both weak states and could benefit through investment from South Africa. However these benefits could turn out to be a double-edged sword. In a positive context South African investment and other skills could help advance these countries' development. However as previously demonstrated South African firms' activities could also have the negative effects of reducing productive capacity, de-industrialisation and creation of further reliance on South African skills and capital.

On the other side of the spectrum a relatively strong and dynamic unit such as Zimbabwe, which was until a few years ago a genuine economic competitor in certain sectors with South Africa, would fear South African competition. Such a country would have greater reason to fear even stronger competition, as fears of this nature led to Zimbabwe and South African engaging in a serious economic conflict in the textile industry in recent years.

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<sup>250</sup> Botswana is one of the few countries that maintain a relatively favourable balance of trade with South Africa. However this is mitigated by the reality that major firms operating in Botswana are South African owned.

<sup>251</sup> Lesotho historically has had a terminally weak economy due to its geo-political position and its extreme dependence on South Africa.

Therefore the challenge for South Africa in creating a benevolent hegemonic regime is for it to ensure that all partners receive equal benefits, otherwise sufficient political goodwill will not be developed. The disparate economic capacity evident in Southern Africa means that the creation and distribution of regional goods is of paramount importance as these are easier to identify than 'international' or 'national' sectors. It is clear that the most dynamic regionalising forces in South Africa are economic actors. The behaviour of economic forces does not necessarily contradict the creation of a benevolent hegemonic regime. Sustainable regional integration must be compatible to some extent with market forces and private initiatives. However whilst some spontaneous market forces may support a benevolent hegemonic regime, others whilst only fulfilling their own short-term interests may create severe obstacles in the creation of such a regime.<sup>252</sup> This again emphasises the importance of "regional goods" which are compatible with state driven initiatives, and which have the potential to sustain beneficial regionalisation when partners strive to create regional goods.

#### **South African benign hegemony: the reality**

Even though it appears at face value that official South African regional policy emphasises cooperative regionalisation, rather than hegemonic regionalisation, the relative and absolute strength of South Africa ensures that it has to play some kind of hegemonic role. Thus the reality is that South Africa's regional policy, both public

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<sup>252</sup> Odén, (1997) p.43

and private, is more hegemonic than officially stated. This is evidenced by the large-scale investment and other initiatives previously discussed. It is also clear that global forces through their large-scale marginalisation of Southern Africa have left a relative vacuum, allowing South Africa to fill the space with a hegemonic regime. South Africa's hegemonic position will only be tolerated in a broader context, as long as it fulfils the role expected of it by the global-liberal hegemony of international trade, capital liberalisation and neo-liberal market principles, whilst politically maintaining democratic forms of governance.<sup>253</sup>

It has been illustrated that South Africa has the capability to provide common regional goods in a number of issue areas. Whilst the South African government at the rhetorical level appears committed to cooperative regionalisation and to be supportive of SADC, the *realpolitik* of South Africa's approach has been proven to be ambiguous at best. This makes the failure to reform and strengthen SADC and its institutions a direct cause of a benevolent hegemonic regime not prevailing. South Africa's chances of playing such a role are relatively good, as there is at least a low level of acceptance on behalf of neighbouring states in Southern Africa that such a regime needs to exist. A reformed SADC will be dependent upon South Africa providing resources, in the form of a kind of institutional common good. A successful reformation and strengthening of SADC is therefore closely connected to a situation where South Africa provides common goods in the form of SADC institutions. This type of common good should not be confused with that of traditional hegemonic

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<sup>253</sup> Odén, (1999) p. 187

stability theory, but rather a common good where other member states will also be required to contribute to the cost of the institutions.<sup>254</sup> The incentive of other Southern African states to provide such assistance shall surely be borne out of the realisation that due to its dominance, South Africa is destined to play a hegemonic role, and such assistance will go some way to ensuring that the type of regime will be more benevolent than exploitative. The benefit for SADC states is that this approach will allow marginalised states to have some influence in determining the regional regime created. This should mitigate to some extent the need for 'open regionalism' and rather see a greater developmental focus associated with that of the 'new regionalism' approach.

South Africa as a benevolent hegemon would also have to reform its approach to SACU. The undue emphasis on trade integration and the creation of a free-trade area threatens to put SACU 'out of business'. There should rather be an emphasis on strengthening SACU institutions to ensure that Lesotho and the other BLNS countries continue to derive much needed customs revenue. This would be within the context of a more flexible and equitable SACU institutional structure. Any trade negotiations between South Africa, the EU and the United States would have to contain real consideration of the weak industrial and other economic capacities of fellow SACU members. This could only be facilitated by active participation of all SACU members in the negotiation process. The consequence of South Africa engaging unilaterally in these negotiations will most likely be the loss SACU customs revenue and the de-

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<sup>254</sup> Odén, (1999) p. 189

industrialisation of SACU members. It would also run contrary to the spirit of the founding provisions of SACU. These provisions make special mention of the need for South Africa to take into consideration the less advanced members of SACU, as well as to provide mechanisms to improve their productive capacity.

There is little doubt that apart from statements to the contrary, actual political support for regional issues on the political agenda is low in South Africa. Government expression of commitment to some form of cooperative stance on regional issues is a good step forward. However South Africa needs to act more decisively with clear leadership in SADC and other regional organisations, thus taking on the role of a benevolent hegemon.<sup>255</sup>

The growing focus on a free trade area in SADC is unfortunate as it focuses member states on the potential negative short term effects on their national economies, whilst the positive effects are seen as too long-term and not as easily definable. Trade integration between such deeply unequal states as those in Southern Africa, can only succeed if compensatory mechanisms are put in place. These types of measures are bound to take a long time to negotiate. They will also be politically sensitive as the potential to generate resentment to the dominant player in the region is enormous, especially if South Africa is viewed as insufficiently prepared to accept that it has to compensate weaker partners.<sup>256</sup>

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<sup>255</sup> Odén, (1999) p. 189

<sup>256</sup> *ibid*

In order to avoid such resentment South Africa needs to give much closer consideration to the role of its private sector. The decline of the African shipping industry, the Zimbabwean textile industry, Zambian retail stores and the Mozambican poultry industry has shown the malign hegemonic effect of the South African private sector. Private sector forces have contributed to the loss of jobs in many SADC states, the de-industrialisation of key economic sectors and contributed to increasing unemployment and poverty in already poor states. Furthermore the desire of many Southern African states to attract South African capital has created a “rush to the bottom” epitomised by the steps taken in the Walvis Bay (EPZ).<sup>257</sup> Such steps, although successful in ensuring short-term gain, are most likely to signify the loss of revenue and increase dependence on South African capital and skills.

South Africa as the benign hegemon must be conscious of the disparities that exist between itself and its partners, graphically illustrated by the exceptionally high trade surpluses that it enjoys with its regional partners. Therefore it must pay careful attention to the region’s overall development needs, not just the short term desires of its own private sector. South Africa as the benign hegemon must act to protect diversity in industrial capacity within Southern Africa. This can be done by ensuring that South African firms must stick to a vision of the regions overall development. Specific actions could include the stipulation of a degree of local participation in regional projects run by South African firms. Those South African firms must also be compelled to train and equip private sector partners within SADC. These measures

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<sup>257</sup> Where President Nujoma waived customs duty and labour legislation.

would allow SADC members to grow their manufacturing, industrial and tertiary capacity. Therefore projects would be embarked upon based on the principle of partnership with benefits for both sides, rather than the rather one-sided nature of the current effect of the South African private sector. The end result of such benign hegemony will be that the region will experience far more even and sustainable growth, thereby ensuring the continued availability of Southern Africa as a long-term market.

Perhaps the best hope there is for the establishment of a benevolent hegemonic regime in the region lies with functional cooperation around financial and physical infrastructure. These areas have greater immediate scope for mutual benefits between participating countries. Such initiatives would not mean that South Africa would cease to dominate these key areas; the likes of Eskom and Spoornet would likely be the beneficiaries, but at least attempts would be made to develop mutually beneficial relationships that would foster regional development. Areas of mutual concern in this context could for example centre on the critical issue for the region as a whole, water management and hydroelectric supply, the transportation sector and communications. These specific areas support the creation of a benevolent hegemon, which would be prepared to absorb some of the cost of 'regional goods'. Again such initiatives would need some sort of firm political commitment to the SADC institutions as providing the tools for regional development. The ambiguous stances taken in South Africa and

other SADC states again emphasise that market forces will be allowed to continue to develop deeper polarisation in the region.<sup>258</sup>

The probable outcome for Southern Africa is that a market driven spontaneous regionalisation will take place in which the concern for regional imbalances and sustainability will be ignored. The main beneficiaries of such a regional environment will be South African private sector forces, at least in the short term. This type of regionalisation is similar to that of coercive or exploitative regional hegemony. The irony of the argument presented throughout this paper is that such a situation would almost be in effect the lack of hegemony rather than enforcement of control by a dominant South African state. However the lack of political will to exert benign hegemonic control over South African private and public sector interests should be seen to be as complicit as if democratic South Africa were acting in a deliberately malign way as apartheid South Africa did. The final alternative is that some of cooperative regionalisation will occur in Southern Africa moulded on the principles of South African and the SADC official regional policy.<sup>259</sup> Such a strategy would have to recognise and accommodate the dominating role of South Africa. Part 2 of this paper has illustrated the enormous difficulties that exist around such an exercise. In the end it appears that South Africa's hegemony is in effect being exerted in a malign manner and as such it is an impediment to 'new regionalism' in Southern

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<sup>258</sup> Du Pisani, (1999) "New Sites of Governance: Regimes and the Future of Southern Africa" in B. Odén et al (Eds.) *Theory, Change and Southern Africa's Future*. Palgrave: Hampshire

<sup>259</sup> *ibid*

Africa, and to the betterment of the region as a whole in an hostile international environment.<sup>260</sup>

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<sup>260</sup> *ibid*

## **CONCLUDING REMARKS:**

This research paper has demonstrated that the current international system has placed increasing pressure on states throughout the world to form regional regimes in order to survive the pressures of the globalisation process, as well as to gain from the collective benefits that such regimes offer. The pressure on states in the South is especially severe, as these states are increasingly facing a reality where they are being progressively marginalised from global trade and investment. In this context, the position of states within Southern Africa is indicative of a Hobbesian reality where only the strong will survive and the weak will become weaker. Therefore, states in the region are increasingly becoming aware that they need to strengthen the existing regional regime, SADC, in order to effectively counter such negative pressures. This paper has argued that the most appropriate approach in this regard is 'new regionalism', as this regionalisation strategy is the only strategy that pays careful attention to economic, political, social and environmental factors. Due to its inclusive focus, 'new regionalism' offers the best opportunity for ensuring that Southern Africa achieves balanced and sustainable development.

With regards to the chosen regionalisation strategy, this paper has demonstrated South Africa's role as one of critical importance. This is due to South Africa's regional dominance, giving it both the capacity and the potential to facilitate a regional regime that benefits not only itself, but also its partners in Southern Africa. The paper has shown that it is imperative that South African actors actively embrace the 'new

regionalism' approach; thereby ensuring that consideration is shown concerning the deep structural imbalances prevalent in Southern Africa, and ensuring that all the region's developmental needs are taken into consideration. However, South Africa has throughout this paper been illustrated to contradict its stated policy preferences for multi-lateralism and broad regional development. The reality of South Africa's actual role in Southern Africa has been unmasked to reveal that instead of facilitating balanced regional development, there appears to be a greater commitment to the principles of 'open regionalism'. This approach, with its almost exclusive economic focus and desire for free trade areas, suits South Africa's own rapidly expanding private sector's presence in Southern Africa far more than 'new regionalism'. This regular contradiction between stated policy and action makes the role of South Africa in Southern Africa absolutely critical in determining the prevailing bias towards 'open regionalism'.

The paper has also illustrated that the South African private sector is benefiting greatly through South Africa's infrastructural and other dominance, which is increasingly jeopardising local industries in Southern African states. The conventional wisdom that South African investment will bring "trickle down" benefits to neighbouring countries has been shown to be questionable at best. Through South Africa's overwhelming dominance, new relations of dependency are being created based on Southern African state's increasing reliance on South African capital, expertise and skills. This threatens to reduce the overall skill base in Southern Africa, reduce industrial and productive diversification and generate resentment and conflict

behaviour. Thus it appears that the short-term economic gain of the South African private sector prevails over the long-term economic developmental needs of the region as a whole.

This stance is mirrored in the nature of South African relations with the SACU, which reflects a great desire to further narrow South African interests at the expense of its fellow member nations. This is demonstrated by South Africa's lack of regard for the interests of its fellow SACU members, who will be considerably weakened by the loss of SACU revenue when South Africa's vision of a free trade area is realised. This loss of revenue will be compounded by the fact that South Africa has concluded negotiations with the EU, and is currently in negotiations with the United States to formulate a preferential trade agreement, of which the only major beneficiary will be South Africa. The rest of SACU, with their weaker and in most instances distorted economies, will lose out to overwhelming competition.

Therefore the nature of the role that South Africa appears to be playing in Southern Africa reflects characteristics of malign hegemony, which has been demonstrated in this paper to undermine long-term balanced regional development. Therefore, the choice for South African policy makers is to choose between such a malign role and the alternative scenario of benign hegemony. Benign hegemony has been illustrated to hold far greater promise for the creation of a regional regime that will further the development of the region in its entirety, which is both in South Africa's and Southern Africa's long-term interests. The required conditions, both in South Africa

and in the region, have been illustrated to enable South Africa to play the role of benign hegemon; the only ingredient missing is genuine political will on behalf of South Africa to adopt the principles of a benign hegemony. The evidence presented makes it debatable that such political will, will ever come into existence.

South Africa as a benign hegemon would act in the totality of the region's economic and political interests. As a benign hegemon, it would seek to ensure that there is balanced regional development, and that there is productive diversification in Southern Africa. Furthermore, South Africa would act to ensure that the negative consequences of the South African private sector's regional expansion would be tempered in favour of a broader regional developmental goal. Therefore, South Africa, the benign hegemon, would be as insistent about the development of the whole region, as it is about the broadening of the skills base and empowerment opportunities within South Africa. Thus South Africa needs to show the same commitment as it does to black economic empowerment and affirmative action in South Africa to the region as a whole. This would mandate that South African firms, instead of simply attaining short term gains, would have to provide elements of local representation, provide training opportunities and ensure that host states are left better off in the long-term through South African investment. South Africa as a benign hegemon would also have to ensure that the regional regimes the SADC and the SACU are strengthened, and that it provides public goods in the form of improved regional institutions, designed in the interests of the region in its entirety. All of these actions are imperative, as South Africa cannot survive politically or economically in

the long-term if it continues to exploit its regional market, as this would reduce future growth opportunities and ensure long-term economic and political instability. The imperative is just as strong domestically, where the maintenance of white economic dominance will likely contribute to future economic and political instability within South Africa itself.

If South Africa continues to display malign hegemonic tendencies, the future of the regionalisation strategy in Southern Africa is grim. It will generate a reality where South Africa will continue to engage Southern African according to short-term myopic interests, without due regard for the long-term destabilising effect of its dominance and the unregulated role of its own private sector. This would ensure South Africa's Southern African partners would continue to be marginalised and polarised from the global economy. Only a brave and principled shift in policy and practice will ensure that South Africa can avert such a negative and ultimately destructive reality for the Southern African region. The greatest irony of all is that if South Africa does not change its posture in the region, it will ultimately ensure that its own long-term future is equally undermined.

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**APPENDIX 1. SOUTH AFRICAN TRADE BY REGIONS**

**South African Trade - EXPORT: EUROPEAN UNION (R 000)**

SOUTH AFRICAN EXPORT: EUROPEAN UNION (R 000) 2002 (JAN - OCT.02)



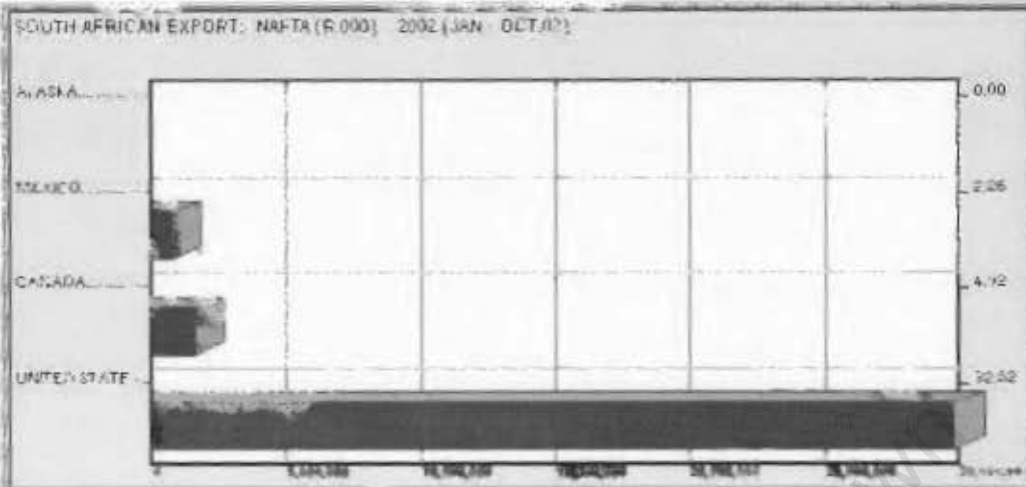
Total: countries	10,810,097	83,745,472	80,325,829	65,690,298	53,190,745	26	0	100.0%	100.0%	24.1%
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**South African Trade - IMPORT: EUROPEAN UNION (R 000)**

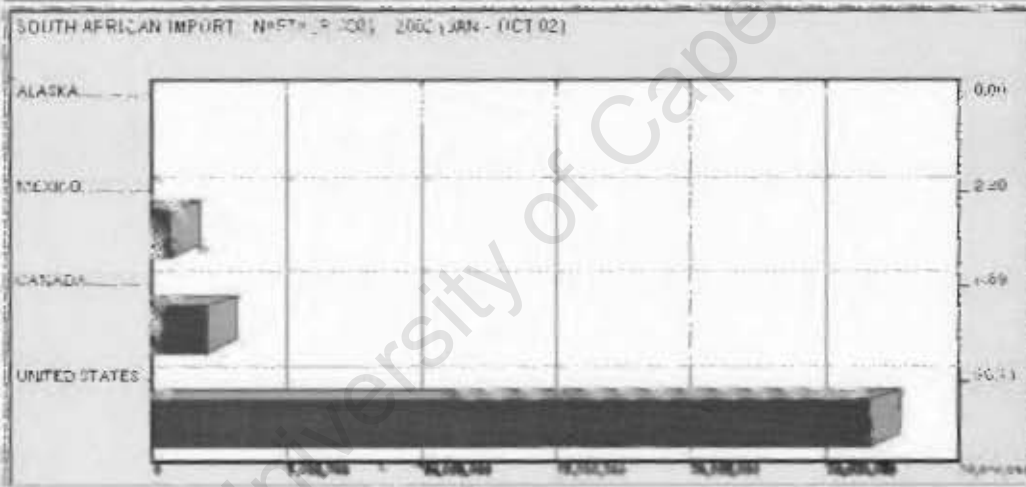
SOUTH AFRICAN IMPORT: EUROPEAN UNION (R 000) 2002 (JAN - OCT.02)



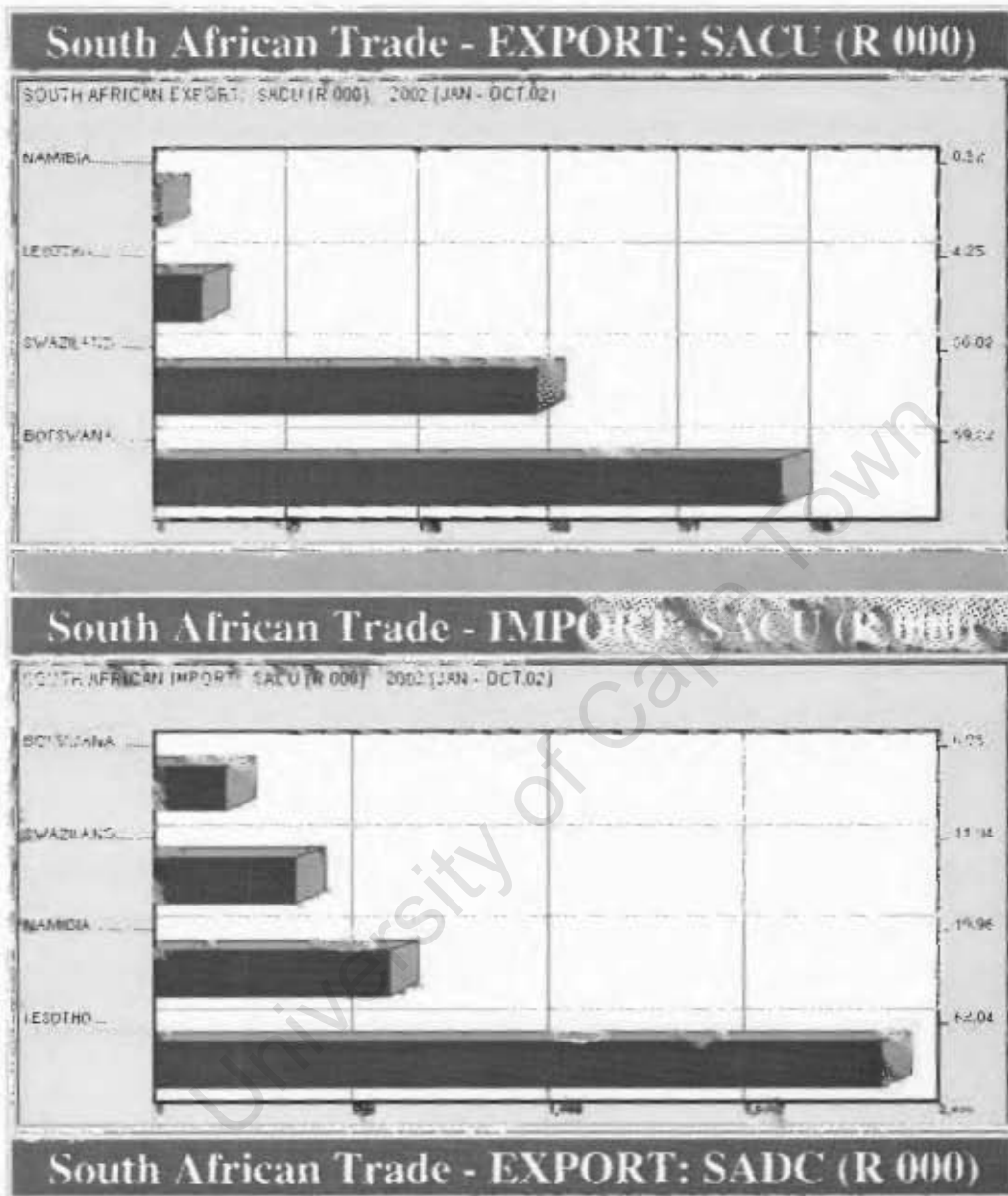
**South African Trade - EXPORT: NAFTA (R 000)**



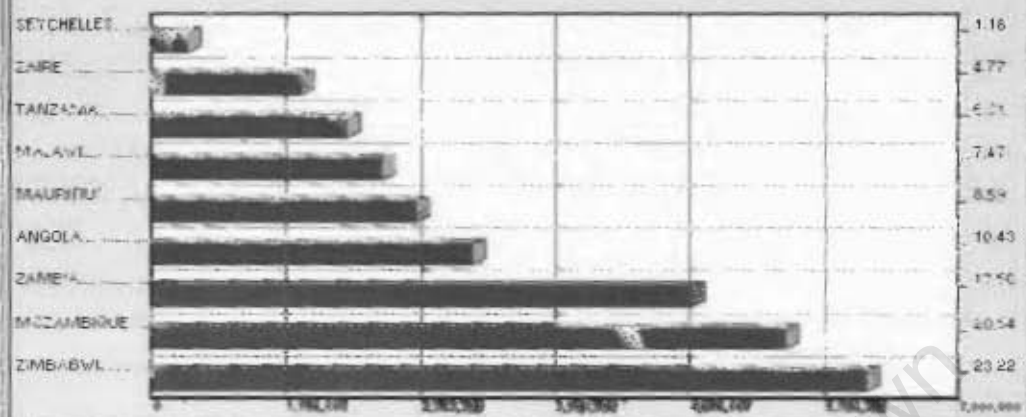
**South African Trade - IMPORT NAFTA (R 000)**



## APPENDIX 1.1

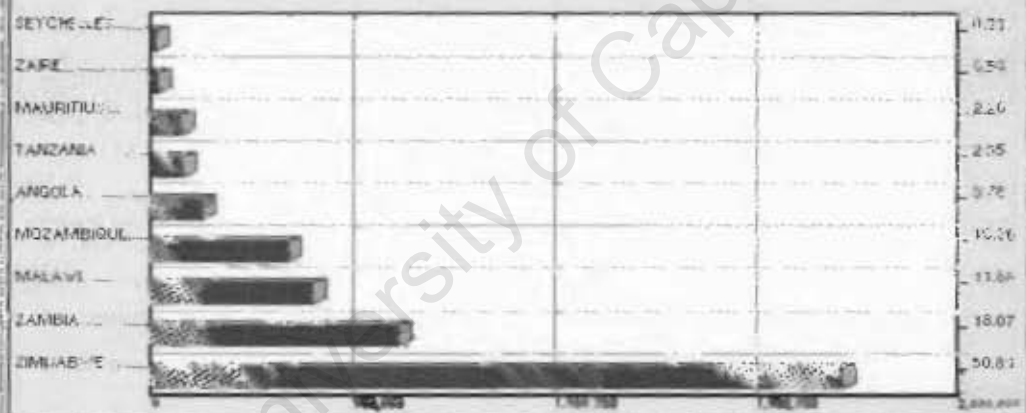


SOUTH AFRICAN EXPORT: SADC (R 000) - 2002 (JAN - OCT 02)



**South African Trade - IMPORT: SADC (R 000)**

SOUTH AFRICAN IMPORT: SADC (R 000) - 2002 (JAN - OCT 02)

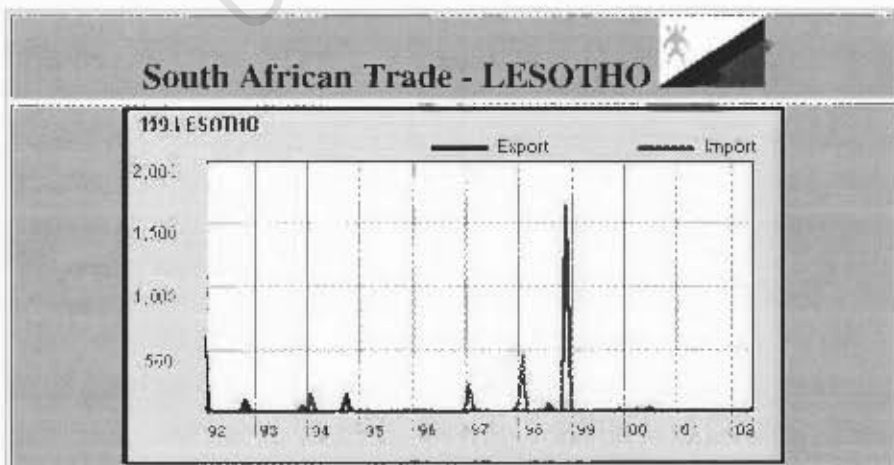
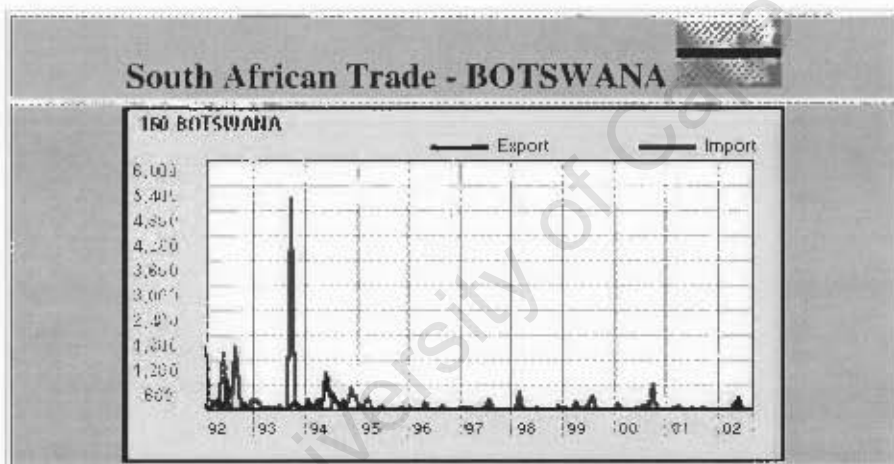
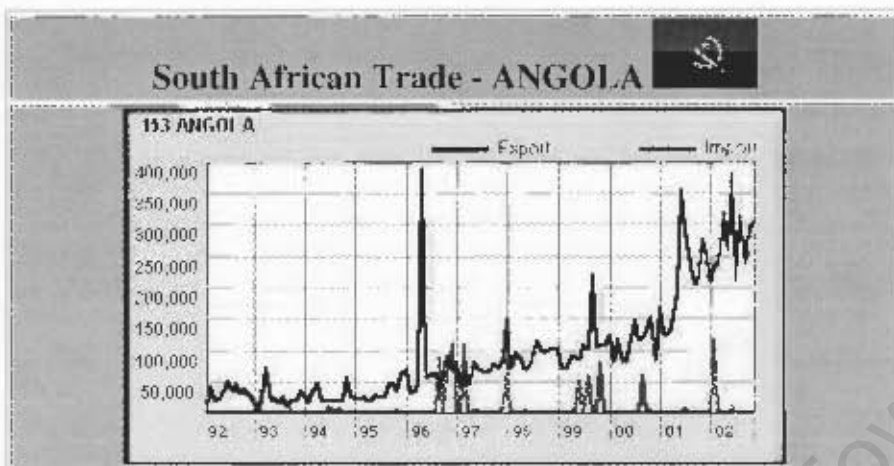


**APPENDIX 2.**

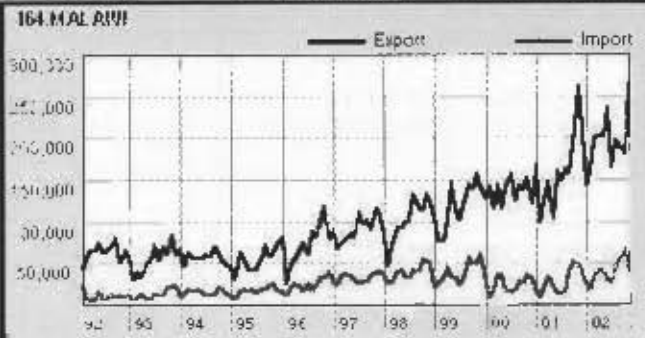
Selected South African projects in Africa since apartheid's end<sup>59</sup>

Country	Economic activity	SA firm or group	Value
Angola	Electric Power	Eskom	
	Mineral (Exploration)	Trans Hex International	
	Mines (Exploration)*	Anglo-American Corporation	
	National Parks	SA Park Board and others	
	Textiles	Zibana	
Botswana	Banking	Standard Bank of SA	
	Hotels/Resorts	Protea Hotels Sun International	
	Mining (Kaoopval Craton)	Anglo-American Corporation	
	Telecommunications	NZ Telecoms United	
Burkina Faso	Mineral (Exploration)	Anglo-American Corporation Gencor Limited Randgold	
Central African Republic	Miscellaneous (Exploration)	Trans Hex International	
Congo	Infrastructure (Dams)	Rand Merchant Bank	25bn CFA
	Farming	Individual Families	
Egypt	Electrical Power	Eskom	
	Hotels/Resorts	Protea Hotels	
Ethiopia	Mineral (Exploration)	JCI Limited	
Gabon	Mineral (Exploration)	Gencor Limited Randgold	
Ghana	Banking	Standard Bank of SA	
	Mining (Diamonds)	De Beers Consolidated Mines Ltd.	
	Mineral (Exploration)	Anglo-American Corporation Gencor Limited JCI Limited	
	Mining (Tarkwa Gold) (Ashanti Gold) (Pretea Gold)	Gencor Limited Goldfields JCI Limited	
Guinea	Mining	Anglo American Corporation	
Ivory Coast	Air/ites	SAA	
	Mineral (Exploration)	Anglo-American Corporation Gencor Limited	
Kenya	Banking	Standard Bank of SA	
	Hotels/Resorts	Protea Hotels	
	Mineral (Exploration)	JCI Limited	
Lesotho	Banking	Standard Bank of SA	
	Electric Power	Eskom	
	Hotels/Resorts	Sun International	
	Mineral (Exploration)	JCI Limited	
Madagascar	Banking	Standard Bank of SA	
Malawi	Hotels/Resorts	Protea Hotels	
	Mining	Gencor	
Mali	Mining (Sadiola Gold)	Anglo-American Corporation	
	(Kalana Gold)	JCI Limited	\$303 m
	(Syama Gold)	Randgold	\$84 m
	Mineral (Exploration)	Anglo-American Corporation JCI Limited Randgold	
Mauritius	Hotels/Resorts	Protea Hotels	
Morocco	Hotels/Resorts	Sun International	
Mozambique	Aluminium Smelting	Gencor Limited/Ah,saf	\$1 190 m
	Banking	Standard Bank of SA	
	Brewing	SA Breweries	\$51 m
	Cashew Nut Factory	Anglo-American Corporation	\$45 m
	Coking Coal*	JCI Limited	\$1 500 m
	Electric Power	Eskom	\$130 m
	Farming	Private Families	
	Iron Biquettes	JCI Limited	\$550 m
	Mining (Tigen Sands)	Gencor Limited	\$530 m
	Mineral (Exploration)	Gencor Limited	
	Mineral (Exploration)*	Anglo American Corporation	
	Natural Gas	EDC	\$600 m
	Railways and Ports	Spuornet	
	Shipping	Unicorn	
	Supermarkets	shoprite/Clerkers	
Namibia	Banking	Standard Bank of SA	
	Hotels/Resorts	Sun International	
	Oil Exploration	Sasol	\$27 m
	Mineral (Exploration)	Anglo-American Corporation	
	Trans Hex International	Mining (Zinc)	1600
	Supermarkets*	Pick'n Pay	R35 m

**APPENDIX 3: South African exports and imports – SADC member states**



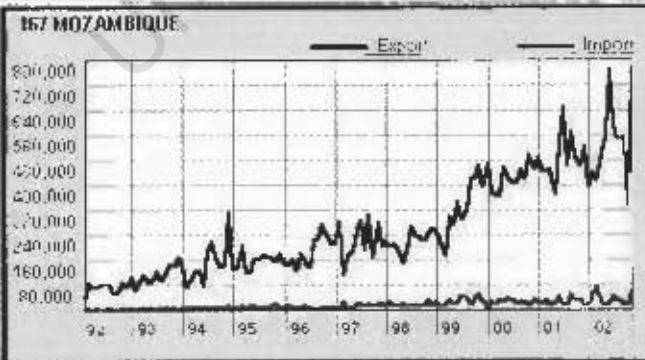
### South African Trade - MALAWI



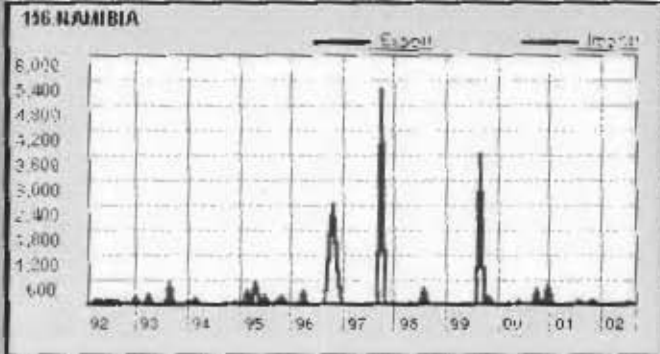
### South African Trade - MAURITIUS



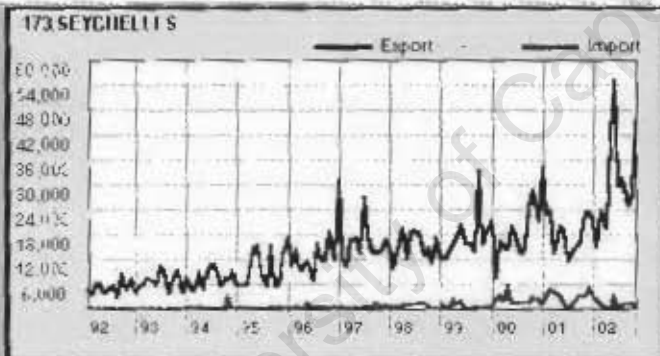
### South African Trade - MOZAMBIQUE



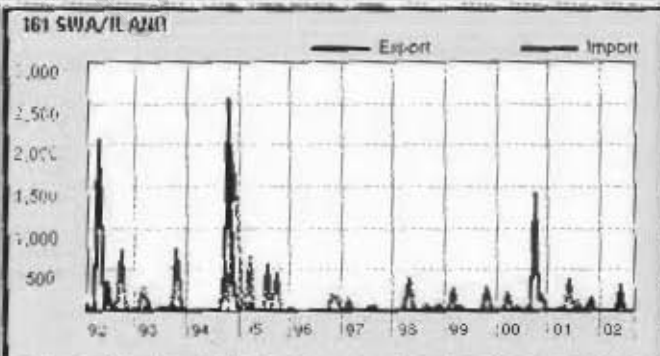
### South African Trade - NAMIBIA



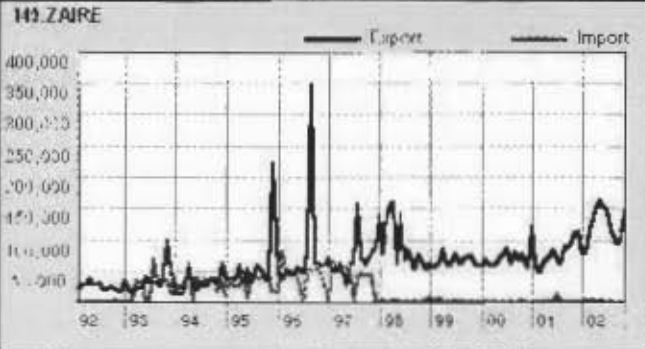
### South African Trade - SEYCHELLES



### South African Trade - SWAZILAND



### South African Trade - DRC



### South African Trade - ZAMBIA



### South African Trade - ZIMBABWE

