South Africa's foreign policy and the domestic developmental agenda

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Dedication

To Mzansi and its resilient people

Declaration

By submitting this dissertation, I declare that the entirety of the work contained therein is my own both in concept and execution.

Date: 22/10/2023

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Abstract

This thesis seeks to explore to what extent the domestic developmental agenda (DDA) informs the formulation of South African foreign policy with regards to national development priorities. The DDA does not refer to a formally agreed consensus-based national agenda; instead, it is used in this study to denote a tacit collective understanding at the national level that the post-apartheid South African state must promote socioeconomic development.

Post-apartheid South Africa's intensive prioritisation of national development as underpinned by the DDA has had a significant impact on not only domestic economic development policies since 1994, but on South Africa's foreign policy and international relations as well; thereby highlighting how the policy-based prioritisation of economic development domestically has been transmitted to both foreign policy formulation and external economic strategy approaches (via economic diplomacy and international trade). Noting the constructivist notion that state identity fundamentally shapes state interests and actions, this study examines how South Africa's post-apartheid identity and the values or aspirations relating to economic development have impacted on foreign policy formulation.

The urgency and prioritisation of the DDA has compelled South African state elites in both the governing party and national government to prioritise economic development as the overriding national goal across all public policy streams (foreign policy included). The prioritisation of the DDA is also an outcome of the South African state's ideational identification and projection of what the South African government, and scholars have termed the "Democratic Developmental State" identity.

In this regard South African governing elites since 1994 have strived to identify themselves as development champions motivated by a consistent aspiration to realise far-reaching national developmental objectives relating to inequality, joblessness, and poverty. This robust state identification process has consequently shaped the South African state's economic and foreign policies, gradually instilling them with developmental tenets. The Democratic Developmental State identity adopted by the post-apartheid South African state (with widespread national support) and informed by the DDA, has undoubtedly ensured the emergence of a development-oriented foreign policy; and in this regard it provides a sturdy "launch pad" for foreign policy implementation with regards to national development priorities.

However, even though it is evident that there is a tangible link between the national development agenda and foreign policy formulation, this study finds that the connection between domestic developmental aspirations (as informed by the DDA) and external policy has not resulted in the establishment of an effective and coordinated policy framework that effectually supports a development oriented foreign policy. This is due to intense (ideological) domestic contestations around the economic development policy framework which should inform the DDA.

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Contents

List of Abbreviations and Acronyms

AEO- African Economic Outlook

AGOA-African Growth and Opportunity Act

AKP- Adalet ve Kalkınma Partisi (Justice and Development Party)

ANC-African National Congress

ANCYL-African National Congress Youth League

ASEAN-Association of Southeast Asian Nations

ASGISA-Accelerated and Shared Growth Initiative

AU-African Union

BRICS-Brazil, Russia, India, China, and South Africa

BUSA-Business Unity South Africa

CARICOM-Caribbean Community

CBI-Caribbean Basin Initiative

CDE-Centre for Development and Enterprise

COSATU-Congress of South African Trade Unions

CSME-CARICOM Single Market & Economy

DA-Democratic Alliance

DDA-Domestic Developmental Agenda

DED-Department of Economic Development

DFA-Department of Foreign Affairs

DIRCO-Department of International Relations and Cooperation

DTI-Department of Trade and Industry

DTIC-Department of Trade, Industry and Competition

ECOWAS-Economic Community of West African States

EDSF-Economic Diplomacy Strategic Framework

EPZ-Economic Processing Zone

FDI-Foreign Direct Investment

FPA-Foreign Policy Analysis

FTA-Free Trade Agreement

FTAA-Free Trade Area of the Americas

GATT-General Agreement on Tariffs and Trade

GEAR-Growth, Employment and Redistribution programme

GNU-Government of National Unity (South Africa)

HIPC-Heavily indebted poor countries

IFP–Inkatha Freedom Party

IGD- Institute for Global Dialogue

ILO-International Labour Organisation

IMF-International Monetary Fund

IPAP-Industrial Policy Action Plan

IR-International Relations

MERG-Macro-Economic Research Group

NBI-National Business Initiative

NGP-New Growth Path

NIPF-National Industrial Policy Framework

NP-National Party

NPC-National Planning Commission

NUMSA-National Union of Metalworkers of South Africa

ODA-Official Development Assistance

OECD-Organisation for Economic Co-operation and Development

RDP-Reconstruction and Development Programme

SACP-South African Communist Party

SADC-Southern African Development Community

SAG-South African Government

TEC-Transitional Executive Council

TPSF-Trade Policy and Strategy Framework

UNCTAD- United Nations Conference on Trade and Development

USD-United States Dollar

US-United States of America

WTO-World Trade Organisation

ZAR-South African Rand

"The [National Development Plan] *would be incomplete without a special focus on the work that we do as the Department of International Relations and Cooperation (DIRCO), because foreign policy is but the expression of what the country wants to achieve domestically in the international sphere"*

– Maite Nkoana Mashabane, former Minister of International Relations and Cooperation (2014)

Chapter 1 Introduction to the study

1.1. *Introduction and problem statement*

South Africa's post-apartheid progress and prosperity have been significantly curtailed and undermined by pronounced socioeconomic development deficits. South Africa's governing party, the African National Congress (ANC) as well as the national government have therefore declared that the country's domestic priorities must inform South Africa's external policies. Economic development has been consistently viewed as South Africa's most pressing and urgent domestic priority since 1994 (as highlighted in successive national development blueprints from the Reconstruction and Development Programme of 1994 to the contemporary National Development Plan initiated in 2012).

According to policymakers the domestic priorities that should underpin the formulation and implementation of foreign policy include effectively addressing South Africa's long standing developmental obstacles which comprise high unemployment, unsustainable inequality, and stubborn poverty levels (often referred to as the "triple threats"). Meyiwa *et al* in the "General Introduction" to the *State of the Nation: South Africa 1994-2014: A twenty-year review of freedom and democracy* (2014) note that: "[a]s almost all the contributors to this volume have observed, alongside inequality, poverty and unemployment are the most daunting challenges facing South African society and government. Government policy has made attempts at addressing these three social evils, which are interrelated" (2014:5). In a 2017 Budget Vote speech, then Minister of International Relations and Cooperation, Maite Nkoana-Mashabane, asserted that South Africa's foreign policy is resolutely committed to addressing the aforementioned "triple threats". Nkoana-Mashabane propounded:

> *"[o]ur foreign policy is guided by the government's apex strategy, the National Development Plan (NDP), which sets out a long-term vision that seeks to address the triple challenge of unemployment, poverty and inequality, and put South Africa on a path towards long term development and prosperity"* (DIRCO,2017).

The challenges which underscore South Africa's developmental agenda have been incisively outlined in the country's national economic development blueprints, chiefly the Reconstruction and Development Programme (RDP), and National Development Plan (NDP). Whilst there is widespread agreement around the need for a domestic development agenda (DDA) and the prioritisation of national economic development, it appears as though the key challenge relates to lack of consensus with regards to the means, policies, and strategies by which the DDA is to be realised.

In essence the DDA refers to the principal understanding at the national (or collective) level that domestic economic development matters. The fundamental challenge which threatens to undermine the consolidation of the DDA pertains to the lack of consensus on what South African economic development entails. This is underpinned by two general queries; the first relates to the lack of a comprehensive and broadly accepted (national) understanding of what domestic economic development entails (for instance whether emphasis should be on redistribution or economic growth), whilst the second pertains to the absence of a definitive policy framework of how such development can be achieved. Therefore, it becomes apparent from a policy perspective that there is a high level of disagreement and contention in terms of how to address South Africa's national economic development priorities. This has far-reaching implications for all streams of government policy, including foreign policy. This potentially undermines the ability of South African foreign policy to beneficially contribute towards national economic development.

South Africa's DDA is underpinned by two key aspects, material, and ideational factors. The material factors are highlighted by dire and ominous social and economic indicators, including negative and low GDP growth, high inequality indicators, and deindustrialisation, among other socioeconomic markers. Ideational factors relate to how South African ruling party and government policymakers, academia, the private sector, civil society and other key state actors have conceptualised and articulated the developmental challenges South Africa faces. The urgency and salience of the DDA has

compelled the ANC and South African government to prioritise economic development as the paramount national goal across all public policy streams (including foreign policy), it has also impelled the national government and ruling party to project and identify South Africa as a democratic state committed to national development.

Edigheji propounds that the South African state 'expressly' commits itself to the creation and establishment of a developmental state (2010:125). A 2019 "anchor paper" endorsed by the National Planning Commission (NPC), written, and presented by Vusi Gumede at the NDP review colloquium (held in July 2019), entitled "South Africa as a Democratic Developmental State" asserts that the post-apartheid state and ANC have aspired to transform South Africa into a developmental state. Gumede goes on to argue that due to South Africa's social, historical, and political context the democratic values and norms the country has adopted and identified with have underpinned the developmental state aspiration (Gumede, 2019:7). In this regard, Gumede posits:

> *"[t]he building of the Republic of South Africa into a developmental state* (DS) *has been the 'dream' of the African National Congress (ANC) and the democratic government since the late 1990's. A cursory read of 1990's ANC policy discussion, conference as well as congress documentation confirms the ANC's aspiration of developing* ***a particular democratic developmental state (DDS) informed by South Africa's historical and contextual realities*** [my emphasis]*"* (2019:7).

Gumede's argument is complemented by contributions from Serrão and Bischoff (2009), as well as Geldenhuys (2012). Both these contributions elucidate on how the post-apartheid South African state has adopted the "democratic developmental state [DDS]" identity. Serrão and Bischoff expound: "given its geo-economic and geo-political setting, South Africa has chosen to pursue a radical rather than a conservative, status quo maintaining or freely liberal foreign policy. As such, South Africa sees itself as a **democratic developmentalist state** [my emphasis], which is pluralist and solidarist[1]" (2009:366). Serrão and Bischoff also note that in the Department of Foreign Affairs' (DFA) Strategic Plan 2006–2009, South Africa is identified as a Democratic Developmental State. The DFA's 2006-2009 strategic plan asserts, **"**South Africa defines itself as a **democratic developmental state** [my emphasis]" (DFA in Serrão and

[1] Refers to how South Africa, accepts different governance and ideological regimes (noted by South Africa's close ties to both China and Scandinavian states) hence the pluralist aspect; as well as the foreign policy tenet informed by the anti-apartheid struggle which pertains to international solidarity with regards to key causes (for example solidarity with Cuba and Palestine), thereby referring to the solidarist facet.

Bischoff, 2009:372). Geldenhuys argues that the 'developmentalism' tenet which underpins South African external policy conceptualisation and formulation is "a foreign policy extension of South Africa's portrayal of itself as a 'democratic developmental state'" (2012:34). According to Geldenhuys the salience of the "democratic developmental state" identity during the Zuma premiership has resulted in South African foreign policy becoming more development-oriented (2012:34). Informed by the DDA the ANC and South African government have projected (in their respective policy documents, government statements and leaderships speeches) South Africa as: a state that prioritises economic development and aspires to become a developmental state. One can also reasonably argue that South Africa's governing elites seek to identify themselves as development champions, and an ardent aspiration to transform South Africa into a "developmental state" underscores this observation.

South Africa's governing party, the African National Congress' (ANC), strategy documents argue that economic transformation is central in terms of addressing South Africa's developmental challenges. In its 2015 'International Relations' strategy document, the ANC asserts:

> *"[t]he main objective of our revolution is to create the prospects for meaningful participation of the majority of our people into the mainstream economy. Therefore ours is the transformation of our economy in a manner that responds to the demands of the overwhelming majority of the people of our country"* (ANC, 2015: 161).

In the same document the ANC poses the 'crucial' question of whether "we are able to use the opportunities we enjoy in the international relations platforms [sic] to advance the objectives of our national interests" (ANC, 2015: 161). Therein lies an assumption, or rather understanding that there is some connection between South Africa's external policies and its domestic priorities.

South Africa's then- minister of International Relations, Maite Nkoana Mashabane when commenting on the National Development Plan (NDP) which is South Africa's official developmental blueprint, stated: "[t]he NDP would be incomplete without a special focus on the work that we do as the Department of International Relations and Cooperation (DIRCO), because foreign policy is but the expression of what the country

wants to achieve domestically in the international sphere" (DIRCO, 2014)[2]. Mashabane goes on to explain that DIRCO contributes to the NDP and in essence domestic priorities through "bilateral and multilateral cooperation as well as economic diplomacy" (DIRCO, 2014). Minister Mashabane strongly emphasised that the NDP needs to clearly state that South Africa's national interest is "underpinned by domestic imperatives" (DIRCO,2014).

The National Development Plan (NDP) as South Africa's overarching development vision aims to address the country's core developmental obstacles: inequality and poverty. The NDP strives to "eliminate poverty and reduce inequality by 2030" (National Planning Commission-NPC, 2012:14). Thereby according to the NDP, poverty and inequality are to be addressed through inclusive and robust economic growth. The ANC's 2015 strategy document on economic transformation explains in some detail how this is to be achieved. The ANC notes:

> *"[t]he human being should be at the centre of all development activities. Key areas to enhance human development are employment, education, skills development and training...Our objective is to attain full employment –with adult South Africans either employed or in meaningful self-employment. By 2030, the unemployment rate, broadly-defined, should not exceed 6%...Achieving this requires a combination of interventions straddling macroeconomic policy, industrial strategy, infrastructure development, skills development ...The basic approach is to ensure that the country utilises its natural resources and comparative advantages to expand its industrial base including manufacturing, and gradually improves the sophistication of its production capacity and service industries"* (2015:82).

From the above quote it can be gleaned that there are several aspects referred to in relation to economic transformation that correspond with international relations and foreign policy. Foreign policy can be used in part to address aspects or concerns pertaining to: industrial strategy, infrastructure development, skills development, increased manufactured exports and market access for services and value added goods.

In light of such an understanding, Landsberg (2005) argues for South Africa's foreign policy to become a "developmental foreign policy", with developmental concerns at its core. A developmental oriented foreign policy seeks to 'fundamentally' address "domestic… disparities and inequalities" (2005: 724). Landsberg goes on to explain that

[2] Please kindly note: if a detailed reference does not contain a page number it means that the source is either online based, or an unnumbered document.

a developmental foreign policy "seeks massive amounts of resources and resource transfers to engage in redistribution in order to address inequalities" (2005:724). Therefore, it seems that there is a consistent theme that connects South Africa's domestic policy to its foreign policy, the theme being the transformational developmental agenda in relation to national development challenges such as poverty and inequality.

It is important for South African policy makers to note that the international context has a fundamental bearing with regards to South Africa's domestic priorities. Especially considering South Africa's strategy to address developmental needs through robust and inclusive economic growth. This is because South Africa's economic growth is not only dependent on regional and international markets, but intrinsically tied to them as well. In crafting the NDP the National Planning Commission (NPC) took note of the international context. The NDP document notes that because of the 'increasing interconnectedness' of global processes (often referred to as globalisation) "[a]ctivities that were previously considered to be national or domestic have become functionally integrated [into global processes] …Under these conditions, it has become very difficult for any one country, or group of countries to develop policies in isolation" (NPC, 2012: 215).

South Africa's developmental agenda is intrinsically tied to the global economic environment. Minister Mashabane noted that foreign policy could be used to actively contribute towards job creation through foreign policy tools and processes such as economic diplomacy and international trade (DIRCO, 2014); thereby ensuring: "South Africa's foreign policy [is of] benefit [to] the people of our country, our region and the continent" (DIRCO, 2014). There is to be no doubt as to DIRCO's commitment to the domestic developmental agenda:

> *"[g]iven the pressing domestic priorities the country's role in international negotiations must focus on investment, diversification and continued progressive development in infrastructure, the agricultural value chain , the mining value chain, the green economy, manufacturing sectors and tourism and certain high-level services"* (DIRCO, 2014).

To this end South Africa's diplomatic missions, multilateral and bilateral engagements are "oriented towards seeking opportunities for sustainable job creation, responsible

trade and investment, partnerships for health, education…and rural development" (DIRCO, 2014).

South Africa's economic development policies, the New Growth Path (NGP) and Industrial Policy Action Plans[3] (formulated under the auspices of the National Industrial Policy Framework) differ with the NDP on crucial aspects such as: what will underpin or drive economic growth, as well as the areas that government and the private sector should invest in and prioritise. Altbeker *et al* essentially argue that there is a tension in South African economic policy between "policies and programmes that are more redistributive than growth-enhancing" (CDE-Centre for Development and Enterprise, 2013), this can be taken to mean that policies that promote structural transformation (which is redistributive and inclusive in terms of its ethos) can at times disrupt or contradict pro-growth policies. The NGP and IPAP seek to structurally transform the economy, through a focus on productive sectors of the economy and industrialisation in an effort to generate dignified employment; whilst the NDP seeks to create work by prioritising and focusing on rapid growth, buoyed by the services sector (especially finance), production of goods South Africa has a clear comparative advantage in, and commodity exports. The paradox of this as pointed out by Amoako, is that far reaching and genuine economic transformation fundamentally rests on the "mutually reinforcing nature of economic growth and structural transformation" (2011:26). Unfortunately, South Africa does not have a seamless and unified economic transformation approach. Kaplan notes: "IPAP and NGP are very largely in agreement, but differ in important respects, from the NDP…Clearly if there is to be policy coherence in government, choices will have to be made about which set of policies is most appropriate" (Kaplan, 2013:28). The ANC in its 2015 economic transformation strategy document is candid and honest about this adverse situation. Especially in terms of how it hampers the establishment of a developmental state that can actively steer South Africa towards the achievement of its developmental goals. The party posits:

> *"[t]he vision of the developmental state has not in general been backed by effective capabilities. Weaknesses in the delivery of a wide range of public services, including , water supply, electricity supply, municipal services, postal services and education, health and security services, have been realities , which undermine the vision of the developmental state articulated through our national developmental plans (NDP and NGP), to provide policy guidance and promote future investment.*

[3] Acronym - IPAP

> ***This situation is exacerbated apparent lack of consensus on the*** **[developmental]** ***programme from within the ruling Alliance*** [my emphasis]" (ANC, 2015: 61).

It is important to highlight the emphasis by the ANC on the issue pertaining to how the lack of consensus around the developmental agenda is hampering the fulfillment of effective and impactful economic development. Thereby underlining concerns relating to different and conflicting conceptions of development, with regards to its nature and how it can be realised.

The ANC and South African government have adopted the formulation of a developmental state governance framework as a formal policy position as denoted in both ANC and government policy documents (including the NDP). The government and ruling party have adopted what can be termed a "developmental identity", to legitimise, conceptualise, as well as structure their notions of a developmental state. This has also meant that the ANC and government have projected themselves as a "Democratic Developmental State".

Although the key opposition party, the Democratic Alliance (DA) has essentially commended the NDP, it has faced fierce resistance and criticism from the ANC's Alliance partners the South African Communist Party (SACP) and the Congress of South African Trade Unions (COSATU). The South African Left including the United Front and National Union of Metalworkers of South Africa (NUMSA) have severely critiqued the NDP as a developmental vision for the country. This dissonance around the national development blueprint is likely to complicate how South Africa's foreign policy supports and contributes to the DDA.

The pursuit of extensive national economic development is a deliberate and strategic undertaking, it is characterised by clear intent and an overarching (national) sense of purpose in terms of fulfilling the domestic developmental agenda. However, this clarity of intent and its attendant strategic outlook must be 'mirrored' in a state's external policy. Therefore, a state that seeks to prioritise economic development (whilst not necessarily being a developmental state) needs to have a foreign policy that is strategically oriented towards the realisation of the domestic developmental agenda.

This study's focus on exploring how South Africa's economic development approaches relate to its foreign policy is an area of study that needs more examination. Therefore,

this study seeks to make a tangible contribution in terms of providing more insights around the interplay between post-apartheid economic development policies and foreign policy. Furthermore, the study seeks to primarily focus on how the foreign policy tenets that pertain to 'developmentalism' (and their attendant identities) have impacted on foreign policy initiatives and interests in relation to domestic economic development. In particular, the South African government's aspiration to become a 'capable' or 'developmental' state that is able to effectively steer and buttress the domestic developmental agenda, has had a notable effect on foreign policy conceptualisation and formulation. This has meant that, both ANC and government policy-makers have had to consider how foreign policy can effectively contribute towards domestic developmental goals. During the Zuma era this issue became more prominent, and former foreign minister, Nkoana-Mashabane frequently emphasised the notion of how South Africa's external relations and foreign policy are directly informed by domestic priorities and needs (especially those relating to economic development). Furthermore, during the Zuma premiership, South African policy-makers sought to 'operationalise' the country's foreign policy in the service of national economic development priorities (such as value-added manufacturing, labour-intensive job creation, and reindustrialisation). This resulted in an increasing prioritisation of economic diplomacy and trade policy as strategic foreign policy 'tools', to be utilised in relation to domestic developmental objectives.

Noted constructivist scholar Alexander Wendt (1999) notes that one of the key "national interest" aspirations of most states relates to "economic well-being" (1999:236), often this tends to be an overarching and objective need for the majority of most states (along with interests such as physical survival and autonomy) (1999:235-236). However, in terms of the explicit prioritisation of economic well-being national objectives, Wendt posits: "[i]t seems… reasonable to conclude that the interest in economic well-being only becomes a need for [economic] growth in particular state forms, and as such is a function of historically contingent type identities" (Wendt, 1999:236). Such reasoning is highly pertinent with regards to the South African context, particularly once one observes the post-apartheid state's (historically contextual) commitment to the promotion of economic well-being for all South Africans (with a focus on the formerly marginalised majority). South Africa's post-apartheid 'developmental' identity has been informed by the prioritisation of the DDA (which

upholds the central notion that the South African state must address national development challenges), this has ultimately had an identifiable impact on both economic development policy, as well as foreign policy. This study seeks to examine how the DDA as a key aspect of post-apartheid South Africa's identity formation has influenced foreign policy formulation.

1.2. *Research Question*

To what extent has a "Domestic Developmental Agenda" informed the formulation of South African foreign policy between 1994 and 2017?

In order to address this aim, research objectives include:

- examining the notion of the DDA
- delineating the economic development priorities that inform South Africa's Domestic Developmental Agenda (DDA);
- discussing and outlining the policy-related notions and arguments that underpin the DDA (including policy conflicts around economic versus human development; as well disputes around the prioritisation of structural change over economic growth);
- analysing and investigating how the ANC and South African government have understood and framed the DDA between 1994 and 2017; and the resultant the economic development policies;
- assessing how the DDA has directly impacted foreign policy formulation, particularly with regards to economic diplomacy and trade policy;
- highlighting the policy contestations around the DDA in relation to key policy objectives such as: the declared need for state-led industrialisation; and the balance between Foreign Direct Investment (FDI) and localisation; noting the subsequent impact of these contestations on South African foreign policy;

- assessing whether South Africa's foreign policy is effectively formulated to address national economic development priorities.

1.3. *Analytical Framework*

This section will concisely set out the analytical framework which underpins this study. However, the study's theoretical framework will be extensively discussed and outlined in chapter three. This study is essentially a foreign policy study, which is not underpinned by any particular Foreign Policy Analysis (FPA) framework or approach. Therefore, the research is focused on exploring how South African foreign policy is formulated and conducted with regards to the domestic developmental agenda. This is important when one considers the vital importance of diplomacy and trade negotiations in relation to South Africa's developmental priorities.

The importance of constructivism has been highlighted by the application of key constructivist ideas and contributions from theorists such as Wendt and Kratochwill , as well as those from South African foreign policy experts such as Van Wyk (2004, 2007), Serrao and Bischoff (2010). The analyses of South African foreign policy by Van Wyk, Serrao and Bischoff have underscored the suitability and usefulness of a constructivist approach in relation to South African foreign policy analysis. This is largely because of the inadequacy and limitations of more dominant IR and foreign policy approaches, such as (neo)realism and liberalism.

The reification of analytical and conceptual aspects by these dominant IR paradigms have become entrenched over the preceding decades (with notable critiques from the Critical School and constructivists amongst others). Realist and neoliberal tenets as well as frameworks are inadequate in terms of fully understanding South Africa's post-apartheid foreign policy. This study argues that South Africa is a unique member of the international community with particular concerns and interests informed by its distinct identity and history. This approach is influenced by the failure of realist and neorealist interpretations to "contextualise [state] interests" as noted by Hopf (1998: 176).

Contrary to long-standing and deeply entrenched (neo)realist and liberal assumptions about the international system, particularly the notion of states as "meaningfully

identical" (Hopf, 1998: 181) rationalist and unitary actors operating in an 'anarchical' (as in how there is no overarching central and dominant global authority) environment; a constructivist approach: "assumes that actors and structures mutually constitute each other; anarchy must be interpreted to have meaning; state interests are part of the process of identity construction" (Hopf,1998:181). In this regard constructivism posits that states are contextually unique and variable entities, as highlighted by Hopf, who propounds: "the state [from a (neo)realist perspective] in international politics, across time and space, is assumed to have a single eternal meaning. Constructivism instead assumes that the selves, or identities, of states are a variable; they likely depend on historical, cultural, political, and social context" (Hopf, 1998:176). Considering this, the study will be broadly informed by a constructivist approach in order to gain a deeper understanding of post-apartheid South African foreign policy in general, as well as to investigate how the ANC and South African government's policy-based commitment to economic development (projected through the appropriation of a domestically informed "developmental identity") has impacted on foreign policy goals or objectives. Such an analysis of post-apartheid foreign policy will provide a contextualised, socially and historically informed, detailed overview of South Africa's external relations and priorities. Furthermore, it will highlight the importance of how a state's (domestically motivated) identity shapes its foreign policy interests. In terms of this study, the Democratic Developmental State identity adopted by the ANC and South African government, and informed by the DDA has had a significant impact on foreign policy. The arguments posed in this section will be elaborated on in greater detail in chapter three.

1.4. *Research design and methodology*

Having discussed the analytical framework which underlines this study. It is important to also fully outline the methodological approach that will underpin the research. In order to gain an understanding of how the ANC and the South African government have projected themselves as "champions of development" (based on a developmental identity) and subsequently articulated economic development-oriented interests and policies with regards to South African foreign policy. I will carry out a detailed and

critical policy overview (through policy analysis and tracking) of *both* post-apartheid (1994-2017): economic development policy, and foreign policy in order to trace and delineate how key policy-related ideas and tenets have been translated into material government policy (with notable effects on various streams of government policy including external policy). This means analysing to an extent aspects such as the ANC's conceptualisation of the "developmental state" (engendered through the developmental identity) and how it has been converted or translated into official government policy, and the impact on foreign policy formulation (for example the DTI's "developmental trade policy", and DIRCO's post-2007 economic diplomacy framework).

The tracking of policy history and developments (1994-2017) will be conducted through examination and analysis of key primary sources including:

- ANC and government policy documents
- speeches and formal interviews provided by ANC and government policymakers
- formal policy-related writings from ANC and government policymakers
- official presentations by government policymakers
- government policy review documents.

The aforementioned sources will be augmented by relevant secondary (including political memoirs of relevant policymakers); as well as a small sample of interviews (consisting of 7 semi-focused interviews) with informants comprising: foreign policy experts, and government policymakers amongst others. Please see chapter 3 for a more detailed overview of the methodological approach.

1.5. *Limitations*

The lack of substantial literature and research around the relationship between economic development and foreign policy within the South African context has been both a motivation and potential obstacle in carrying out this research. This study focuses on the period 1994-2017, meaning that events post-2017 will not be addressed in detail. This is because the (president) Ramaphosa era is still unfolding and therefore difficult to conclusively analyse. The interview sample is small, and primarily meant to

enhance and complement findings from secondary sources, therefore there is a risk that the interviews may not be fully representative of the range of diverse views on South African foreign policy allowed for by a more extensive interview sample.

1.6. *Chapter Outline*

This chapter has laid out the context of the study, research aim and attendant objectives, in addition to describing the research approach and methodology. The rest of the study will focus on: providing a detailed literature review focused on investigating what has been written about the relationship between domestic developmental objectives and South African foreign policy (chapter 2); setting out the study's theoretical framework in relation to constructivist approaches (chapter 3); examining the relationship between South Africa's DDA and post-apartheid economic development policy approaches (1994-2017) (chapters 4 and 5); providing a detailed and analytical overview of South Africa's foreign policy between 1994 and 2017 (chapter 6); presenting an assessment of the extent post-apartheid economic development approaches which are informed by the DDA, impact on the formulation and implementation of foreign policy objectives in relation to national development priorities (chapter 7); and lastly, comes the study's conclusion (chapter 8).

Chapter 2: Literature review

2.1. *Introduction*

Part I of this literature review provides an overview of the developmental state, exploring the origins of the key notion of active state involvement within the national economy. It will also examine the importance and legacy of the East Asian model (as pioneered by Japan), and how it has influenced South African scholars and policymakers with regards to economic development policy. It appears as though South Africa aspires for industrialisation-based development, meant to attain a higher and more inclusive growth rate, underpinned by job creation in labour intensive value addition manufacturing sectors; noting that this requires a developmental state in the East Asian mould, part I will investigate what the prevalent literature states around this concern. Part I also explores the concept of a developmental foreign policy and how it relates to the South African context.

Part II of the literature review will examine how South African policymakers and academics have articulated the relationship or link between South Africa's foreign policy and national development priorities. The intention is to provide a scholarly overview of what has been written around this issue within the South African context.

Part I: The developmental state

2.2. *Echoes from the past: Mercantilism and the proto-developmental state*

Contemporary analyses and descriptions of what have come to be labelled as developmental states, are often characterised by terminology such as: (neo)mercantilism, "infant industries", and protectionism. In order to fully appreciate how the aforesaid terms or concepts relate to the notion of developmental states, it is important to provide a brief albeit succinct overview of the (international) political economy concept termed 'mercantilism', as well as the policy aspects related to it. Particularly when one observes that the late 18th to early 19th century European and

American mercantilist states can arguably be termed as proto-developmental states. Gilpin argues that mercantilism (which he and scholars such as Balaam and Veseth term "economic nationalism") over the preceding two centuries or so has been alternately characterised as statism, economic nationalism, protectionism, and New Protectionism (1987:31). However, despite these varying labels and manifestations, the core aspect which underpins the mercantilist state is the central notion that the national economy *must* be ancillary to objectives or aims which enhance the stature of the state and complement key national priorities. Gilpin states that mercantilism's "central idea is that economic activities are and should be subordinate to the goal of state building and the interests of the state" (1987:31). National development (as well as key priorities such as national security and international prestige) has been a consistent and highly prioritised national interest over the last 250 years for most states throughout the world. Therefore, it can be reasonably put forward that mercantilist states have generally prioritised national economic development as a key aspect of the national interest. Particularly as it complemented and enhanced key state objectives such as national security and international status.

The importance of economic development for mercantilists over the centuries has been that it ultimately guarantees sustainable economic growth and wealth generation which are imperative for a state's power and wealth aggregation. This is because mercantilists view a strong economy as a guarantor of security and national resilience. Gilpin discussing Viner's arguments posits that a traditional mercantilist approach assumes that "wealth is an absolutely essential means to power, whether for security or aggression" (1987:32) following on from this it becomes clear that "power is essential or valuable as a means to the acquisition or retention of wealth" (1987:32), therefore "wealth and power are each proper ultimate ends of national policy" (1987:32). In general, a mercantilist viewpoint presumes that wealth and power are complementary aspects. This then means that national policies which enhance national prosperity and security are prioritised. Noting this it becomes clear why industrialisation and industrial policy are highly valued by mercantilist states and policymakers. Referring to observations by Sen, Gilpin argues that "[f]or several reasons [including those mentioned above] the foremost objective of nationalists is industrialisation" (1987,33). The prioritisation and active promotion of industrial policy has become a key characteristic of contemporary developmental states and appears to have deep roots in

classical mercantilist thinking, particularly the influential ideas of "industrial mercantilists" (Gilpin, 1987:34) such as Alexander Hamilton and Friedrich List who championed the "the supremacy of industry and manufacturing over agriculture" (Gilpin, 1987:34), post the Industrial Revolution in the late 17th and early 18th centuries. Interestingly, Gilpin denotes two key beneficial outcomes (articulated by mercantilists) related to the promotion of industrialisation which are often expressed by developmental state advocates (including those in South Africa). The first favourable outcome pertains to the economy-wide benefits of industrialisation (at a national level) through what are termed as "spillover effects (externalities)" (Gilpin, 1987:33) which ultimately result in the "overall development" (Gilpin, 1987:33) and enhancement of national industry. Whilst the second outcome is closely related to the first in that the establishment of a resilient and productive national industry is associated by mercantilists as analogous to "economic self-sufficiency and political autonomy" (Gilpin, 1987: 33).

Balaam and Veseth argue that "strong state action" is an essential feature of the classic mercantilist state (2008:25). The basis for this argument is that only a strong and interventionist state can formulate and implement policies conducive to transformative industrialisation such as: the promotion of infant industries[4], provision of subsidies for domestic manufactures, and import tariff (or non-tariff) barriers. Balaam and Veseth note that classical industrial mercantilists such as Alexander Hamilton "felt that a strong manufacturing and industrial base for the nation required an active state along with trade protection for the country's infant industries" (2008:25). Revealingly, and of great importance to this study, Balaam and Veseth observe that Hamilton's views are not too dissimilar with the contemporary policy approaches adopted by a number of states which seek to promote domestic industrialisation. They explain that in Hamilton's 1791 *Report on the Subject of Manufactures* to the American Congress, the national industrialisation advocate "argued in terms that are familiar even today, both for trade

[4] The Corporate Finance Institute (CFI) defines an infant industry as follows:

> *"[a]n infant industry is a term used in economics to describe an industry that is in its early stages of development. In other words, an infant industry is a newly established industry. Therefore, infant industries lack the experience and size to compete effectively against established competitors abroad. An infant industry is characterized by a lack of efficiency, competitiveness, and a high vulnerability to sudden market changes"* (CFI, 2023)

protection and for a strong role for the state in promoting domestic industries" (Balaam and Veseth, 2008:25).

Friedrich list strongly shared Hamilton's prioritisation of national industrialisation, and placed an particular emphasis on the benefits of a nations manufacturing capacity. For List the enhancement of a nation's manufacturing capabilities and capacity was related to significant improvements with regards to human capital. Particularly as he reasoned that "[m]anufacturing involves many domains of knowledge and science, and presupposes much experience, skill and practice" (Levi-Faur, 1997:166). Therefore for List it was imperative for the American state to focus on the enhancement of American human capital via the initiation of manufacturing-based industrialisation. Ultimately the active promotion of manufacturing by the state would yield tangible benefits not only in terms of human capital development, but also with regards to the enhancement of a state's social and political stature . List argues: "[a] nation should not regard the progress of industries from a purely economic point of view. Manufacturing becomes a very important part of the nation's political and cultural heritage" (List in Levi-Faur, 1997:169). Furthermore, the initiation of effectual industrialisation (with a level of protectionism) has broad national economy-wide effects related to the enhancement of foreign trade (due to export diversification) and increased prosperity (List, 1841:118). List asserts:

> *"[t]hrough industrial independence and the internal prosperity derived from it the nation obtains the means for successfully carrying on foreign trade and for extending its mercantile marine; it increases its civilisation, perfects its institutions internally, and strengthens its external power. A nation [is] capable of developing a manufacturing power, if it makes use of the system of protection"* (1841:118).

It is important to highlight how widespread notions often referred to by South African policymakers when they discuss the National Industrial Policy Framework (NIPF), IPAPs, and the New Growth Path such as: skills development, "building capabilities", and prioritisation of labour-intensive manufacturing sector-based jobs seem to echo List's advocacy for the active promotion of national manufacturing capacity and capabilities.

The legacy of classical mercantilism is clearly visible within the contemporary context, particularly with regards to dominant notions around the promotion of industrial policy,

protection of domestic economic sectors, and concepts such as "economic security". Post World War II, the appeal of mercantilist tenets to developing and emerging states (particularly in Asia, Africa, and Latin America) can still be widely observed. Balaam and Veseth propound:

> *"many officials in developing nations view development and nation-building as processes of 'catching up' with the Western* [sic] *industrialised nations. To this end, quite often they look to the state to promote domestic industries and/or to protect their infant industries against the more mature industries and protectionist policies of the industrialised nations. In the 1980's and 1990's a popular academic trend was to contrast the economic success of Japan and some of the newly industrialised countries (NICs) with that of the United States and other industrialised nations"* (2008:25).

The emphasis on industrialisation as a key aspect of economic development and economic structural transformation via active state intervention has become a central policy debate issue in many emerging and developing countries (South Africa is no exception, as is highlighted in chapter 5). Japan's highly successful post-World War II recovery and subsequent prosperity remains the definitive example of what has come to be known as the "developmental state". This is primarily due to Chalmers Johnson's 1982 seminal *study MITI*[5] *and the Japanese Miracle: The Growth of Industrial Policy, 1925 -1975*. It was in this study of Japanese state-led and facilitated industrialisation that Johnson coined the term developmental state. Johnson's work spotlights how Japan adopted key mercantilist policy stipulations including the prioritisation of industrial policy and domestic manufacturing capability between 1925 and 1975 in order to facilitate Japan's robust economic development. Japan also adopted what Balaam and Veseth term as 'neomercantilist' (2008:26) policy tools, which are more 'subtle' than the original classical mercantilist policy mechanisms such as import tariff barriers and subsidies. As noted by Balaam and Veseth, "[c]ontrary to the use of overt protectionist trade barriers such as import tariffs, after World War II neomercantilist policies were often craftily designed to appear to be less than protectionist in nature" (2008:26). The bulk of these neomercantilist policy measures were often categorised as nontariff barriers (NTBs) (Balaam and Veseth,2008: 26), and "reflected new and more subtle forms of political and economic advantage for national industries or private enterprises

[5] The then Ministry of International Trade and Industry (MITI)

whereas other measures were employed to counter the advantages that other states gave their [national] industries" (Balaam and Veseth, 2008:26).

The key points being put forward in this section are that the classical mercantilist state can arguably be termed the proto-developmental state, particularly when one observes how the core policy tenets which underpinned the mercantilist state pertaining to national economic development such as the active promotion of industrialisation and manufacturing by the state, as well as the prioritisation and protection of nascent (and strategic) domestic industries have been widely adopted (albeit with context specific modifications) and rationalised by many Asian and African states post-World War II. However, the results of the adoption and rationalisation of the mercantilist polices have been varied and uneven across Asia and Africa, particularly with regards to the latter (as the South African context exemplifies). To date Japan and "East Asian Tigers" such as South Korea and Taiwan remain the classical examples of the developmental state.

2.3. *The State as a 'driver' of development*

During the 1950's and 1960's there was widespread understanding amongst policymakers in both advanced and developing economies that the state had a significant if not critical role to play within a national market economy system (as opposed to the Soviet Union model with promoted a centrally planned economy oriented towards communist tenets). The Great Depression, and the socioeconomic crises which underscored the lead up to World War II, as well as the reconstruction processes post World War II all underscored the importance of the state in terms of national economic revitalisation and sustainability. Furthermore, beyond America and Europe, newly independent Asian and African states widely adopted economic approaches which provided for active state intervention within the national economy. Robert Wade in his influential work "Governing the Market" (1990) posits,

> *"[t]he predominant approach to economic policy in the 1950's and 1960's assigned the state a substantial role in repairing market failures. In the industrialised countries the experience of the Great Depression and wartime dirigisme provided the impetus. The approach was also taken up by economists dealing with 'underdeveloped countries' and made the basis of a newly emerging discipline of plueconomics"* (1990:8).

As noted by Wade thinking around economic development in the 1950's and 1960's with regards to newly independent states was primarily engaged with the issue of "the acceleration of their development" (Meier, 2001:13). Development economists sought to address the concerns of policymakers in Asian and African post-independent states by putting forward "grand models of development strategy that involved structural transformation[6] and a correlative role for extensive government involvement in development programming or planning" (Meier, 2001:14). The notion of an active state which would guide or steer national economic activity within an 'underdeveloped' country was premised on the observation by development economists that several post-independent nations faced complex challenges relating to economic aspects such as "low private saving, dependence on primary product exports, declining prices of exports in relation to imports, small international markets, and pervasive underemployment" (Wade, 1990:8). Without urgently and effectually addressing these economic concerns a developing economy would be unable to achieve the high levels of productivity and investment necessary to structurally transform the economy and ensure sustainable economic growth.

During the 1950's and 1960's the dominant thinking amongst development economists was that the state could (and in some cases *had* to) play a key role in terms of addressing the aforementioned economic challenges. A central aspect which the state in a developing country context had to prioritise to ensure productivity and adequate levels of investment within the national economy was what development economists termed "capital accumulation". Capital accumulation in a sense would be 'engine' for sustainable economic growth and modernisation (characterised to a great degree by industrialisation). Based on economic development theoretical frameworks set out by scholars such as Harrod-Domar and Arthur W. Lewis in the 1950's, Edwards (2014) argues that the 'planning' role of the state was rationalised on the basis that "the accumulation of physical capital was the main source of economic growth, and that the availability of labour was not a major constraint to economic expansion [and that] productivity improvements were not considered to be a major source of growth" (Edwards, 2014:4). Capital accumulation combined with extensive and productive industrialisation would ultimately generate a kind of "virtuous cycle" which would

[6] This concept is explored in greater detail in chapter 5

ensure sustainable levels of investment in the national economy, of which a significant portion would be used to finance further industrialisation and the development of the local manufacturing sector. Edwards explains that:

> *"policies aimed at raising the aggregate savings and investment ratios* [a key aspect of capital accumulation] *were fundamental components of any successful development strategy. In countries where domestic savings were very low, these would be supplemented with foreign savings in the form of foreign aid. At the same time, the government would make efforts to generate (or "mobilize") additional resources to finance capital accumulation and industrialization. These resources, in turn, would come from 'surplus' generated by the primary (agricultural, timber, and mining) sectors"* (2014:5).

The central point to be underscored here is that, through concerted capital accumulation a developing country could sustainably 'fund' its economic development and modernisation process. Wade posits that "capital formation" (or capital accumulation) in this sense is "the engine of development" (1990:9). The capital accumulation virtuous cycle is observed by how the state undertakes "direct responsibility both for augmenting the economy's investable resources [via capital accumulation] and for establishing a mechanism to transfer those resources into productive investment [for example in transformative industrialisation and manufacturing capability]" (Wade, 1990:9). The emphasis on active state participation within the national economy by development economists was premised on the notion that the "free market" in what Wade terms a "less developed country" (LDC) would:

> *"generate less investment than was socially desirable and allocate it in less than socially desirable ways. Development economics thus restored* [capital accumulation] *to prominence, which having been at the heart of economic theory from the eighteenth century to the First World War had been displaced by issues of efficient resource allocation. But it combined capital formation* [or capital accumulation] with **an activist view of the state in a way that classical economics had** not [my emphasis]" (Wade, 1990:9).

Furthermore, noting the precariousness of a dependence on primary goods by developing countries, development economists such as Hans Singer (1950) and Raul Prebisch (1950) (as noted by Edwards) highlighted in their works how ultimately "the relative prices of poor nations' exports were destined to decline through time" (Edwards,2014:5). This necessitated the active promotion of industrialisation by the state, underpinned by key industrial and trade policy mechanisms. These are noted by Edwards who states that considering the concerns raised by Singer and Prebisch

developing countries would have to initiate a "rapid industrialisation process" which would be promoted "through an array of subsidies, preferential treatments, protective import tariffs, licenses and quotas, outright prohibitions, and mandated allocation of credit" (Edwards,2014:5). Interestingly these policy mechanisms which have their roots in classical mercantilism (as laid out in the previous section) and have often been applied by developmental states. Meier in his description of the ideal development-oriented state in the 1950's and 1960's assert:

> *"[t]he government of a developmental state was to promote capital accumulation, utilise reserves of surplus labour, undertake policies of deliberate industrialisation, relax the foreign exchange constraint through import substitution* [albeit moderately], *and coordinate the allocation of resources through programming and planning"* (2001:15).

The salience of (neo)mercantilist policy precepts during the immediate post-World War II era as observed in the key ideas put forward by development economists during the period highlights the importance of state action within the national economy, particularly in relation to developing economies. Past and present advocates of the developmental state have essentially endorsed the key assumption that the state has a significant role to play in terms of "fast tracking" economic development, noting that they often refer to mercantilist notions such as the importance of industrialisation and protection of nascent domestic industries. However, the importance of ensuring the capital and investment (through capital accumulation) needed to effectively fund the transformative development process is also a core issue for developmental state advocates.

The tragic experience of post-independent Ghana, during Kwame Nkrumah's illustrious premiership (1957 to 1966) is prescriptive in terms of underlying the importance of the capital accumulation and planning aspects of developmental state action. Nkrumah and his highly capable policymakers had presciently noted the importance of industrialisation and the establishment of manufacturing capabilities for newly independent Ghana by the early 1960's. Furthermore, within a one-party state context with power highly centralised around the executive, Nkrumah was able to strategically channel state action towards his ambitious national developmental agenda to be facilitated through "high-speed industrialisation" (Barnafo, 1983:34). A cornerstone of Nkrumah's economic development policies which focused on extensive industrialisation

and value-addition manufacturing was the initiation of the ambitious Integrated Aluminium Industry policy[7] framework as the central focus of Ghana's industrial policy initiatives. Barnafo propounds: "[i]n Nkrumah's view, self-sustaining and rapid growth was achievable only by the establishment of heavy and high-technology industries and, in Ghana's case, the logical starting point was [through aluminium value-addition]" (1983:34). However, the major challenge Nkrumah and his administration faced was related to the capital needed to fund Ghana's domestic bauxite value-addition manufacturing processes which would transform bauxite into the more valuable commodity: aluminium (which Ghana would then export). Nkrumah's capital accumulation process to fund domestic bauxite processing or value addition was highly dependent on external capital. In this case investment from the American Kaiser Aluminium and Chemical Corporation (chaired by Edgar Kaiser), as well as from the United States government (noting that although Kaiser and the USA were the primary funders there were other international donors) which had pledged to support bauxite value addition (Boadu and Pál, 2020:38). This dependence on external development financing was compounded by the fact that from 1959 onwards, including the Nkrumah premiership, Ghana's "balance of payments was deteriorating rapidly. Deficits which began in 1959 onwards started increasing. The politico-economic pressures on the government mounted" (Barnafo, 1983:36-37).

Ghana's capital accumulation challenges despite tangible gains in terms of the provision of economic infrastructure (extensive hydro electricity generation) and social infrastructure (tangible investments in healthcare and educational institutions) (Mérida, 2022; Nyarko 2021) were to ultimately undermine Nkrumah's industrialisation and manufacturing developmental vision. The Nkrumah's government's "high-speed" industrialisation initiatives had resulted in massive public expenditure towards various economic infrastructure projects, of which a number were to prove unsustainable or non-productive, if not ill advised. Unfortunately, Ghana's state planning for economic development had not been able to ensure adequate capital accumulation complemented by strategic investments aimed at effectively enhancing industrial capacity and manufacturing productivity (which would ultimately allow for reinvestments and

[7] Industrial policy agenda (envisioned by Nkrumah) which is premised on bauxite value-addition and spans "bauxite mining, alumina refining, aluminium smelting and downstream aluminium products manufacturing" (Ghanian Times,2023).

savings to augment capital accumulation, hence generating a virtuous cycle of investment and productivity underpinned by sustainable economic growth.) Barnafo succinctly captures the crisis context Ghana found itself during the Nkrumah era, he posits:

> *"[a] decision to self-finance the* [bauxite value-addition initiative] *could have been facilitated very easily by using the foreign exchange reserves which stood at £800 million in* 1957 [year of Ghanian independence] *and by curtailing some of the ambitious, state-owned projects - many of which turned out to be ill-thought out and unsuccessful. The problem was that the simultaneous pursuit of all these high-cost, and publicly owned industrial and social projects inevitably led to severe strains on the country's financial position, the stifling of private productive enterprise, and overall deterioration of the political situation"* (1983:38).

Furthermore, the effective planning ability of the post-independent Ghanian state was undermined by Nkrumah's highly centralised dictatorial-like form of governance, which curtailed Ghana's highly capable policymakers from undertaking more strategic and cautious fiscal and industrial policy approaches. Ayee notes that despite Nkrumah's sincere and radical commitment to both Ghanian and African socioeconomic development, Nkrumah "did not give the bureaucracy sufficient scope to take initiatives and act authoritatively in pursuit of the desired development goals of the country. He was also dictatorial" (2013:266). Unfortunately for Ghana's first president and visionary Pan Africanist, newly independent Ghana's inability to leverage its economic potential (underpinned by a strong state) to counter dependency on external foreign capital and expertise meant that it was not able to effectually facilitate the establishment of the bauxite value-addition focused Integrated Aluminium Industry policy, both timeously and on terms favourable to the newly independent African state.

This ultimately meant that the bauxite value-addition agenda became an unsustainable fiscal albatross, which was exacerbated by the fact that the project was never promptly implemented (to the advantage of Kaiser Industries)[8]. By the time Nkrumah was deposed in a coup (tacitly endorsed by America's Central Intelligence Agency) in 1966, Ghana had not started to process bauxite as he had envisioned. To date Ghana is still

[8] Please see the Washington Post's 1980 report entitled "How the Aluminium Deal foiled Ghana" in order to gain an insightful overview of how Kaiser Industries benefitted from Ghana's economic and political crisis in the late 1960's. Link to report:
https://www.washingtonpost.com/archive/opinions/1980/12/14/how-the-aluminum-deal-foiled-ghana/f8bc342e-8ecc-48bf-b5e1-456d2e92c8df/

trying to effectively exploit its bauxite resources, despite the country having some of the world's largest bauxite deposits (Danino, 2023), as noted by Ghana's Integrated Aluminium Development Corporation (GIADEC) in a recent 2023 report (GIADEC, 2023). Unfortunately, the Ghanian state has not been able to effectively address one of its core developmental challenges (a challenge Nkrumah and successive leaders have tried to tackle). This challenge as observed by Wade is a key characteristic of 'underdeveloped' states (it is important to note that Ghana is not an underdeveloped country and is categorised as a lower middle-income country) and pertains to "dependence on primary product exports" (Wade, 1990:8). In Ghana's case this has meant an economy that is heavily dependent on primary exports such as gold, crude petroleum, and cocoa beans (OEC, 2021).

Ghana's experience with state-led development attests to Mkandawire's argument that, "[i]n Africa, we have many examples of states whose performance until the mid-1970s would have qualified them as 'developmental states' " (2001:291), particularly noting that "for most of the first generation of African leaders 'development' was certainly a central preoccupation" (Mkandawire, 2001:295). Therefore, it can be reasonably argued to an extent that newly independent Ghana during Nkrumah's premiership had key elements that that are typical of what has become known as the developmental state. However, the quintessential example and origin of the term "developmental state" is post-World War II Japan, particularly in relation to the "economic miracle" which it engineered between 1961 and 1975 (although the foundation was set much earlier in the early 20th century). Chalmers Johnson coined the term "developmental state", which stemmed from his highly influential study of Japan's economic transformation post-World War II. In his seminal 1982 study, *MITI and the Japanese Miracle* Johnson asserts:

> *"Japan's postwar economic triumph – that is, the unprecedented growth[9] that has made Japan the second most productive open economy that has ever existed – is the best example of a state-guided market system currently available; and Japan has itself become a model, in whole or in part, for many other developing or advanced industrial systems"* (1982: vii).

The next section will provide an overview of the Japanese developmental state and examine why it has become the model blueprint for developmental state theory.

[9] 'Unprecedented' then (when Chalmers wrote his study), as China's economic miracle has been accompanied by record economic growth figures (particularly between the mid 1980's and early 2000's) which surpassed those of Japan's during the 1960's and 1970's.

2.4. *The developmental state and the Japanese context*

The quote provided above by Johnson gives a clue to the success of the Japanese developmental state. In particular there are key words or terms to seize upon, these are: "state-guided market system"; "productive open economy" and "industrial systems". Following on from this one can deduce that the Japanese system was: state-led and operated within a market (or capitalist) economy and underpinned by a productive industrial sector. Johnson explains that the distinct element of the Japanese developmental state (that has since then been adopted by other states including the "East Asian Tigers"[10]) was the complementary relationship and partnership between the Japanese state and the private sector in terms of ensuring that the market operated productively in the interests of national development. Johnson states that unlike western liberal economies (which promoted pro-market liberalisation tenets from the 1970's onwards) or the top-down planned economy-based Soviet Union model, the Japanese state partnered with market actors (within a capitalist economic framework) in order to effectively realise developmental economies. Johnson states, "in Japan the state's role in the economy is shared with the private sector, and both the public and private sectors have perfected means to make the market work for developmental goals" (Johnson, 1982: viii).

Johnson also notes the importance of the then Ministry of International Trade and Industry's (MITI), in terms of its status as the key "pilot agency" which directed, oversaw, and facilitated Japan's industrial policy, trade policy and development of the manufacturing sector. For Johnson MITI's role within Japan's post World War II economy provides an insightful and revealing vantage point into how the Japanese state via its "economic bureaucracy" (1982:viii) managed to steer Japan onto a sustainable high growth path which buttressed the structural transformation of its economy (noting the devastation wrought by World War II), through state facilitated industrial policy implemented in tandem with the private sector within a market-based economy. Johnson alludes to notion that the Japanese developmental state's political economy framework is "precisely in the line of descent from the German Historical School-sometimes labelled 'economic nationalism,' *Handelspolitik*, or neomercantilism" (Johnson in Yamamura, 1983:205). This underscores the neomercantilist policies Japan

[10] Referring to South Korea, Taiwan, Singapore, and Hong Kong

adopted between the 1950's and 1970's as it sought to build-up capabilities and international competitiveness in key industrial, manufacturing, and technology sectors.

Before Chalmers published his seminal 1982 work, he had written a perceptive study on MITI's role in the Japanese economy. This study was a chapter entitled "MITI and Japanese International Economic Policy" in *The Foreign Policy of Modern Japan* (1977) edited by Robert A. Scalapino. Johson's chapter provides a concise and detailed overview of MITI's role in terms of Japan's economic development and international trade. Johnson notes that the one-time head of the United States Council of Economic Advisers, Herbert Stein alluded to MITI as an efficient "economic planning agency" which oversaw trade and industry affairs (Chalmers, 1977:228). During MITI's first twenty years (1949-1969), Johnson notes that MITI's work, and oversight focused on: "industrial rationalism [of which a key aspect was industrial policy promotion], trade promotion, enlargement of productive capacity, nurturing of medium and smaller enterprises, and development of industrial technology" (1977:231). Although MITI might have been the "point agency", Johnson makes it clear that MITI did not always have exclusive jurisdiction over the aforementioned economic development priorities (1977:231), meaning that MITI had to work constructively with other ministries, government agencies, and private sector actors This was a key strength of MITI, its ability to simultaneously have oversight over trade and industry concerns or areas, and yet be able to constructively partner and work with other key stakeholders in the interest of national development (despite occasional policy contestations and disagreements).

MITI pragmatically adopted (neo) mercantilist measures, when necessary, in order to enhance the competitiveness of domestic firms and enterprises. Johnson notes, "MITI has been traditionally protectionist in the areas of trade and capital liberalisation, but for the stated reason of promoting Japan's international competitiveness rather than as a matter of principle" (1977:245). Interestingly, MITI adopted a liberal stance with regards to the agricultural sector "which is not within its jurisdiction" (Johnson, 1977:245). Thereby highlighting the mercantilist preference for industrialisation and manufacturing. MITI was given a wide-ranging mandate by the Japanese Diet (Japan's national legislative body, akin to the South African parliament), which gave it wide scope for policy interventions with regards to industrial policy and trade issues. Johnson

states that MITI's 'enabling' legislation authorised it to "formulate plans concerning fundamental policies for production, distribution, consumption, and foreign trading of commodities (including electric power) under its jurisdiction" (1977:247). Apart from being the main governmental body which oversaw Japan's industrial policy, MITI had extensive influence with regards to Japan's external economic policy and international trade. This is because of how legislation such as the Foreign Exchange and Foreign Trade Control Act (1949), and the Foreign Investment Law (1950), enabled MITI to exercise "approval powers over how virtually all short-term and long-term capital funds were to be spent in Japan" (Johnson, 1977:248). MITI strategically used these two important pieces of legislation to buttress and strengthen industrial policy. MITI's tactical use of the aforementioned legislation allowed the ministry to build a solid foundational framework for industrialisation and the advancement of manufacturing. Johnson quotes from an insightful MITI historical record which outlines how MITI played a key role in ensuring that conducive conditions were established for Japan's industrial policy to succeed. The MITI record indicates that the primary and initial goal of the Foreign Exchange and Foreign Trade Control Act was to regulate Japan's 'inadequate' foreign exchange in the challenging early post-war period (late 1940's to early 1950's) (Johnson, 1977: 248).

The regulation of foreign exchange was meant to aid the importation of food, key essential necessities, machinery for the industrial sector, and raw materials (Johnson, 1977:248). However, Johnson notes that the Foreign Exchange and Foreign Trade Control Act's "more important uses [by MITI] were for industrial rationalisation, industrial protection, and the promotion of exports" (1977:248). MITI also made tactical use of the Foreign Investment Law, with regards to enhancing oversight over foreign capital, as well as the development of key capabilities within technology-oriented sectors of the national economy. In essence the Foreign Investment Law ensured "control over the introduction of technology and foreign capital" (Johnson, 1977:248). The key point to note is that from the period 1949/1950 to the mid 1960's (a period of just over a decade), the Japanese government via ministries such as MITI had managed to build a solid foundation for the development of Japan's manufacturing sector, (ambitious) industrialisation programme, and the country's competitiveness in high technology sectors. This had been done by providing legislative-based 'cover' (for at least a decade) for the domestic industry to generate key capabilities and enhance its

competitiveness, before Japan was required to liberalise its international trade processes by its main trade partners, as well as its exchange controls due to IMF stipulations. Legislation such as the Foreign Investment Law also aided Japan's capital accumulation in terms of enabling the Japanese government to strategically direct investment funding to key manufacturing and technology sectors (which would become highly productive in the 1960's and 1970's). As the Japanese economy became increasingly liberalised from the mid-1960's onwards, MITI sought to safeguard key economic sectors as they faced increasing international competition.

Noted Japanese economist, Kozo Yamamura, provides a perceptive analysis of how post-World War II Japan, was able to sustain a high and sustainable level of capital accumulation, which ultimately aided the rapid and dynamic growth of the Japanese post-war economy. Yamamura (1976) explains that there was consistent demand for capital between the 1950's and 1960's due to factors such as: the need to rebuild or 'restock' Japan's devastated post-war economy (1976:259); the 'desire' by Japanese policymakers to narrow the "technology gap" with advanced economies in order to "increase productivity and to increase international competitive ability" (1976:259); the return on (capital) investment wrought by "the profitability of increasingly capital-intensive heavy-chemical industries" (1976:259), thereby sustaining Japan's capital productivity of investments and accumulation "virtuous cycle". Yamamura explains the latter point as a situation in which the "marginal productivity of capital was extremely high and the returns from investments remained high" (1976:259); in essence Japan's policymakers ensured that the capital they sourced was directed to productive ends (in terms of investments in strategic industrial and manufacturing sectors), thereby ensuring that there was a positive return form the initial capital investment. Yamamura notes that in the Japanese context the connection between capital accumulation and (sustained) high growth between the late 1950's and early 1970's was underpinned by how Japanese capital investment was oriented towards high productivity manufacturing sectors which buoyed Japan's economic growth, Yamamura contrasting with the American context posits, "Japanese investment was concentrated more in output-increasing ventures undertaken by rapidly growing manufacturing industries, rather than cost-reducing ones, as were those in the United States" (1976:259). Thereby highlighting the advantage of state-led capital allocation and market direction in terms of the Japanese context. Moreover, capital sourced by the Japanese state was restricted

or conservative in terms of social spending (a situation which contrasts with South Africa, noting the country's significant social welfare spending), this is noted by Yamamura who explains, "compared to other countries, a significantly smaller fraction of capital in Japan was allocated to such investments as housing and other social overhead capital" (1976:259), rather capital was resolutely channelled "intensively [towards] export industries or capital good(s) industries" (1976:259). The high rate of saving amongst the Japanese populace created a bulwark for the Japanese state, in terms of ensuring that Japan was not highly dependent on external capital or finance (as was the case in Ghana during the Nkrumah era). Commenting on this Yamamura states: "[w]hat enabled the sustained and large [capital] investments, without causing more than a modest and tolerable inflation…and without making the nation depend on foreign borrowing to any significant degree, was the high rate of saving achieved by the Japanese" (1976:259).

Johnson's evaluation of MITI's role within the post-war Japanese economy is highly favourable. Johnson declares:

> *"*[MITI's] *overall effectiveness must be rated highly, given the unprecedented success of the Japanese economy. ..it has done its work with a small staff and a small budget, a staff about half the size of the equivalent ministry in Germany and about a quarter of that in Great Britain. Bureaucratic capability of this magnitude is unusual, regardless of any judgments that may be made about the propriety and or desirability of bureaucracy in general"* (1977:260).

It is important to note Johnson's positive appraisal of MITI's planning and policymaking efficacy. The eminent human capital element of Japan's bureaucratic sector was a crucial factor in terms of the establishment of an effective developmental state governance framework with underpinned the transformative industrialisation of post-World War II Japan and made the country a leading exporter of high capital value added goods. Johnson asserts that MITI's achievements highlight the former ministry's characterisation as "an economic planning and development agency" (1977:263). MITI's expert ability in balancing the management of trade policy and external economic policy, was enhanced by the presence of two key bodies within MITI which specialised in international trade and economic diplomacy. These bodies were the International Trade Bureau (Tsūshō Kyoku) and the Trade Promotion Bureau (Tsūshō Shinkō Kyoku) (Johnson, 1977:264). Between 1949 and 1956 several Foreign Ministry (MOFA) policymakers held key positions in the aforesaid bodies, as well as within other MITI

structures (Johnson, 1977:265). This allowed for a degree of harmonisation between Japan's industrial policy; its promotion of domestic enterprises; international trade agenda; as well as its diplomatic relations with key international partners (such as the United States). Some of the key achievements in terms of external economic policy of the International Trade Bureau (Tsūshō Kyoku) and the Trade Promotion Bureau (Tsūshō Shinkō Kyoku) include the negotiation and promulgation of the Japan-United States Treaty of Trade, Commerce, and Navigation of 1953; and the creation of the Japan External Trade Organisation-JETRO (created in 1954 and formally promulgated in 1959). Such outcomes required:

> *"a knowledge of foreign trade, but it also required* [personnel] *who had worked abroad, who spoke foreign languages, and who were knowledgeable about the 'culture' of international commerce-such as GATT, the IMF, the OECD, and the trends toward trade liberalization and convertibility that began to accelerate during the late 1950's"* (Johnson, 1977:267).

Senior MITI policymakers in the 1960's ensured that the ministry became 'internationalised' thereby "giving it a direct negotiating role in Japan's economic diplomacy" (Johnson, 1977: 272). MITI's ability to have extensive influence with regards to both domestic and external economic policy played a critical role in relation to its notable successes between the 1950's and 1970's.

2.5. *Legacy of the Japanese (and East Asian) developmental state*

Robert Wade, in his notable work *Governing the Market* (1990), highlights the central legacy of the Japanese developmental state. His examination of why Japan had successfully attained a high level of economic development within a few decades is centred on how key decisions pertaining to economic development policy were 'divided' between the market and the public sector, and the nature of cooperation between them (Wade, 1990). Wade essentially argues that Japan (along with South Korea and Taiwan) exercised a delicate balance between 'leading' or 'governing' the market, and also ensuring that the market (and market actors) had ample space to pursue their profit-oriented objectives within a capitalist system (Kishtainy *et al*, 2012: 285). As noted in the section above Japan steered the "expansion of favoured [or strategic] industries by providing…credit and subsidies" (Kishtainy *et al*, 2012: 285). The notion behind the

'governing' of markets was to ensure an efficient and productive allocation of resources, that might not have been possible if it had been left to the market to facilitate (Kishtainy *et al*, 2012: 285). Noted developmental state theorist Alice Amsden has termed this process (of deliberate stat-led allocation of resources) "getting the prices wrong" (Kishtainy *et al*, 2012: 285), which refers to how a developmental state tends to artificially manipulate prices (or the price mechanism) in order "to build new types of competitive advantage" within the national economy (Kishtainy *et al*, 2012: 285). This allows for a developing economy to ultimately move on to a sustainable high growth path buoyed by an industrialisation process which promotes nascent domestic industries and also enhances national capabilities in high value manufacturing. Ultimately this has far-reaching economy-wide benefits which include introduction of technological expertise, enhancement of skills, and an increase in job creation within myriad industrial and manufacturing sectors. Kishtainy *et al* note that Wade's work highlights that the manner in which developmental states like Japan "chose to lead the markets explains the creation of comparative advantages in industries where none previously existed" (2012:286).

For Japan this meant that it had developed both competitive and comparative advantages in sectors focused on semiconductor, automotive, and consumer electronics production within a period of about 26 years. This was remarkable noting the devastation that Japan had experienced during World War II (including two atomic bomb attacks). However, it is crucial to note that the cooperation between the Japanese state (spearheaded by MITI) and the private sector (or market) was underpinned by "enforced performance criteria" to ensure that the private sector actors adhered to the set targets or goals outlined in performance agreements (Kishtainy et al, 2012:286). The incentive for the market actors lay in that if they met the set targets, they would benefit from state benefits such as tax exemptions, subsidies, technical assistance, access to foreign exchange or any other such related benefit (which would often enhance or safeguard their profit margins) (Kishtainy *et al*, 2012:286-287). In Japan, MITI's role was crucial in terms of what Johnson calls "market conforming" state intervention (1999:38). This was underscored by how MITI would carefully select the sectors or industries which needed to be developed (what Johnson terms industrial structure policy) (Johnson, 1999:38); secondly MITI would assess the best means through which to 'rapidly' develop or advance the selected industrial sectors (Johnson, 1999:38), which

Johnson labels "industrial rationalisation" (Johnson, 1999:38); and thirdly MITI would impose a competitive and performance-based framework to underpin the operations of the selected and supported sectors, which it would strictly supervise and enforce (Johnson, 1999:38). Johnson asserts that all these MITI responsibilities and functions would be "performed using market-conforming methods of state intervention" (Johnson, 1999:38). Johson is careful to elaborate that state-led or directed industrial policy did *not* supplant the market in Japan, he explains: "[***i]ndustrial policy is not an alternative to the market*** [my emphasis] but what the state does when it intentionally alters incentives within markets in order to influence the behaviour of civilian producers, consumers, and investors" (1999:48).

For Wade the central legacy of the Japanese developmental state might be that the Japanese state "was the first to recognise that international competitive advantage could be deliberately created by government not just to nurture a few infant industries to supply the domestic market but to push broad sets of industries towards areas of growth and technological change in the world economy" (1990:25).

Another key legacy of the Japanese developmental state is its commitment to state-led development oriented industrial policy in a challenging context from the 1970's onwards when academics, policymakers, and politicians (particularly in the United States and United Kingdom) began to increasingly argue for a downgrading of the role of the state in a fraught context characterised by stagflation and sluggish global economic growth. In such a context the notion of "government failure" became salient, indicating the ascendence of 'neoclassical' approaches, as the post-World War II trend by development economists to promote strategic state action within national economies (particularly in developing countries) began to wane. Wade notes that the mid-1970's "mainstream thinking about development policy (especially in the English-speaking academic community and international development agencies) had decisively shifted from the prescriptions of the 1950's and 1960's toward a 'neoclassical' view of the appropriate roles of markets and governments" (1990:10). Wade citing Lal, goes on to state that in such an environment "[t]he need for a special economics of development was denied" (1990:10). The fact that Japan stubbornly and successfully adhered to its own economic development policy premised on active-state involvement within the national economy despite the increasing dominance of neoclassical economic policies,

adds to the legacy of the Japanese developmental state. The adoption of key aspects of the Japanese approach to national development by South Korea and Taiwan with remarkable levels of success serves testament to the far-reaching influence of the Japanese developmental state experience. It is noteworthy to highlight that Japan benefitted significantly from a largely advantageous Cold War geopolitical context in terms of its strategic international partnership with the United States, which substantially offset Japan's defence spending (thereby allowing for greater spending to be directed towards transformative industrial policy). The United States' promotion of a free trade based international system amongst its key partners (of which Japan was a central partner) advantaged Japan's outward focused manufacturing-oriented economy, thereby providing Japan with access to the massive consumption biased American domestic economy. These favourable historical conditions complemented Japan's developmental agenda to a significant extent.

However, the legacy of the Japanese developmental state has not reverberated exclusively within the Asian context (noting the successes of South Korea, Taiwan, Singapore, China, and to a lesser extent Malaysia and Vietnam), rather it has resounded further afield to Latin America and Africa was well. Writing in 2010 Meyns and Musamba posit: "[w]hen reference is made to the 'developmental state' we think of East and Southeast Asian countries and not usually about Africa. For the past few years, however, there has been a noticeable interest in academic as well as development cooperation circles in the usefulness of the concept for political-economic conditions in Africa" (2010:7). Scholars such as noted African developmental theorist, Thandeka Mkandawire (2001) have underscored the storied history of state-led development in a number of post-independent African countries during the 1960's and 1970's (this chapter has made reference to post-independent Ghana in section 2.3). However, the failure of various post-independent African states, despite genuine aspirations for transformational economic development, as well as policies geared towards achieving the latter, due to various internal and exogenous factors (at times adversely self-inflicted, and at others the effects of a challenging global environment) undermined the notion of effective development oriented African governments. Mkandawire notes:

> *"if the state was given a central role in earlier views of the process of development in Africa, the situation changed dramatically in the late 1970's and 1980's. By the 1990's, the African state had become the most demonised social institution in Africa, vilified for its weaknesses, its over-extension,*

its interference with the smooth functioning of markets, its repressive character, its dependence on foreign powers, its ubiquity, its absence, etc [sic]*" (*2001:293).

Mkandawire's eventual argument is that despite the noticeable failures of post-independent African states during the late 1970's and 1980's, and the manifold challenges they faced in a complex post-Cold War context throughout the 1990's, which at times undermined their developmental agendas (noting self-inflicted aspects relating to authoritarianism, malfeasance, and human capital underinvestment). The notion of an African developmental state is not an impossibility nor unattainable albeit in a revised format which takes into consideration African dynamics particularly Africa's unique political, socioeconomic, and cultural aspects. Mkandawire argues: "[w]e have maintained that most arguments raised on the impossibility of developmental states in Africa are not firmly founded either in African historical experience or in the trajectories of the more successful 'developmental states' elsewhere" (2001:309-310). He goes on to clarify that Africa has tangible examples of "countries whose ideological inclination was clearly 'developmentalist' and that pursued policies that produced fairly high rates of growth and significant social gains and accumulation of human capital in the post-colonial era" (2001:310).

Mkandawire also commends the developmental achievements (often overlooked) of Botswana and Mauritius, which he argues are examples of African developmental states. In particular he commends their democratic approach to governance and economic policy. He propounds, "[t]he first few examples of developmental states were authoritarian [circa the 1960's, 1970's and 1980's]. The new ones will have to be democratic, and it is encouraging that the two most cited examples of such ***'democratic developmental states'*** [my emphasis] are both African—Botswana and Mauritius" (Mkandawire, 2001:310). African developmental theorist, Omano Edigheji (2005) builds on Mkandawire's reference to democratic developmental states with regards to Botswana and Mauritius, but he adds an interesting qualifier: South Africa. Edigheji asserts, "[t]he history of the post-independent African state is that of monumental democratic and developmental failures. The few exceptions to this have been Botswana and Mauritius, and to a degree, democratic South Africa" (2005:1). Edigheji highlights the need for 21st century development oriented African states, particularly noting how "at the beginning of the 21st century, Africa is unable to compete in the global economy.

In fact, its marginalisation has been reinforced, particularly since the 1980's" (2005:1). However, for Edigheji given the continent's history and its experiences with economic development, development prioritising states must be democratic in nature; such states are therefore best placed to become "democratic developmental states". Edigheji provides a definition and outline of a democratic developmental state:

> *"*[the African Democratic Developmental State] *not only has the institutional attributes of* ***the classical developmental state*** [my emphasis], *that is, being autonomous and coherent, but also takes on board the attributes of procedural democracy. In addition, the democratic developmental state is one that forges broad-based alliances with society and ensures popular participation in the governance and transformation processes. Although the democratic developmental state may be federalist or unitary, a parliamentary or presidential system of government, it is guided by the goals of coherence and authoritative governance, accountability, inclusiveness, stability, ability to generate consensus and popular participation"* (2005:18).

In the introduction to a 2017 study supported by the Open Society Initiative for Southern Africa (OSISA) in partnership with the Labour and Economic Development Research Institute of Zimbabwe, entitled *Towards Democratic Developmental States in Southern Africa* Kanyenze *et al* posit: "[w]hile the democratic developmental state retains the autonomous institutional nature of the [East Asian] developmental state, it places emphasis on an inclusive approach to public policy making, where the social basis and accountability go beyond a narrow group of elites" (Kanyenze *et al*, 2017:18). Kanyenze *et al* referring to Fritz and Menocal note "[c]iting the examples of Brazil, India, South Africa, Mauritius and Botswana [it can be argued] that democratisation and increased developmental orientation of the state can happen at the same time" (2017:18).

Mkandawire (2001), Edigheji (2005), and Kanyenze *et al* (2017) appear to argue for a 21st century dynamic and democratic African developmental state, which partners with all key state actors in the pursuit of sustainable development (with a focus on the development of human capital). However, they also seem to suggest that it should maintain key attributes of the classical Japanese or East Asian state, chiefly an autonomous and efficient bureaucracy which effectively steers economic development policy. This raises key questions about how the larger African states (South Africa included) will "govern the market" without some modicum of centralised authority as was the case in (in varying degrees) Japan, Taiwan, and South Korea.

2.6. *The developmental state and the South African context*

Edigheji (2005) indicates that South Africa has the potential to become a democratic developmental state. This is a perception that is held by a broad array of South African politicians, policymakers, and academics; although there appears to be no consensus-based conception of the South African developmental state. Burger notes that, "[t]he concept of the developmental state is prominent in policy discussions regarding unemployment, inequality and poverty. In ANC, government and allied labour-union circles **it is an important guiding concept** [my emphasis] in debating the role of government in addressing these problems" (2014). Gumede (2011) argues that an assessment of the extent to which South African can be termed a developmental state is required, based on the fact that the ANC and South African government (albeit with diverse agendas) have declared that they aspire towards a developmental state governance model or framework. Gumede states, "[g]iven the ongoing debates about South Africa as a developmental state…An analysis of the extent to which the South African state is indeed developmental has significance, because it has on numerous occasions indicated that it is pursuing such a model" (2011:92).

In a key "anchor paper" entitled "South Africa as Democratic Developmental State" presented at the National Planning Commission (NPC) colloquium in 2019 (and published by the NPC, the body in charge of overseeing the implementation of the NDP), Gumede explains that from 2007 onwards ANC Alliance policymakers increasingly began to call for government to adopt a democratic developmental state governance framework (2019:8). It is important to observe that there was a realisation from the onset (of post-apartheid governance) by ANC policymakers that the South African developmental state would have to be resolutely democratic in nature and orientation, noting the core values of the ANC Alliance (as a democratic organisation), as well as post-apartheid South Africa's endorsement and enshrinement of democratic governance within the Constitution. Gumede states, "[i]t is important to indicate that there had been numerous discussions and debates in the ANC, in exile even before the unbanning of political parties, that implied the desire to make South Africa ***a democratic developmental state*** [my emphasis]. In the late 1990's and early 2000's, many of those who were in positions of influence had access to the works of Peter Evans, Thandika Mkandawire, Omano Edigheji and others who wrote on developmental states" (2019:8).

As noted in the previous section, Mkandawire and Edigheji emphasise the notion of African developmental states which are democratic in nature. Within the South African context (and body politic) it appears as though the preference is for a democratic developmental state (DDS).

A significant (and influential) grouping of ANC and government policymakers, particularly from 2006 onwards have actively promoted a developmental state approach centred on the implementation of a national industrial policy meant to structurally transform the nature of the South African economy (this is extensively discussed in chapter 5). The formulation of the National Industrial Policy Framework (NIPF) in 2007 marked the formalisation and introduction of South Africa's official industrial policy strategy. Since the launch of the NIPF in 2007, the DTI (now DTIC) has initiated annual Industrial Policy Action Plans (IPAPs), in order to meet NIPF objectives. These objectives include the promotion of the manufacturing sector (with an emphasis on the automotive sector), prioritisation of value-addition (or 'beneficiation') with regards to key raw materials, and employment generation in "labour-intensive" sectors.

The increasing eminence of the DTI and the Economic Development ministry (which complemented the DTI's mandate) during the Zuma premiership, indicate the importance placed on transformative state-backed industrial policy between 2007-2017. The harsh critiques of the NDP by key constituencies within the ANC Alliance and trade union movement, are largely premised on how the NDP does not appear to support a state-led industrial policy. The emphasis on industrialisation-based economic development is indicative of the East Asian developmental model or approach. Therefore, it can be reasonably assumed that a significant grouping of both ANC Alliance and government policymakers are inspired by the East Asian developmental state approach underpinned by strategic state-led industrial policy. With reference to the East Asian model Gumede posits, "the developmental state is said to drive economic development, as well as industrialisation in the interest of the public good – what the late Guy Mhone characterized as 'develop-mentalism' " (2017:9). It would seem as through the ANC and South African government take inspiration from East Asian developmentalism (with an emphasis on industrialisation, particularly from 2007 onwards).

Landsberg and Georghiou argue that since South Africa has "declared itself a developmental state" (2015: 479) the implication thereof is that the South African state aspires to 'drive' national development, meaning that he "foreign policy of such a state should pursue development as one of its most important goals" (2015:479). Landsberg and Georghiou argue that although much policy deliberation has arisen in relation to the ANC and South African government's aspirations for South Africa to become a developmental state, there has been 'scarce' thought or analysis around the notion of what a developmental foreign policy (the foreign which a developmental state conducts) would look like (2015:479). According to Landsberg and Georghiou, "the notions of a developmental foreign policy and developmental diplomacy are scarcely on the agenda"(2015:479) of ANC and government policymakers. Furthermore, just as the implementation of a far-reaching and transformative economic development policy by a developmental state is underpinned by an efficient, astute, and insulated bureaucracy as the national level; the implementation of developmental foreign policy must be underscored by an equally diligent and capable diplomatic corps (Landsberg and Georghiou, 2015: 479). Landsberg and Georghiou argue:

> *"to be a successful developmental state, a strategic capacity should exist and a clear strategic conception of the state's national interest should be formulated. Old paradigms about the role and functions of the diplomatic corps are challenged and a meritocratic diplomatic corps is strongly advocated to support the state's declared developmental goals"* (2015:479).

Landsberg (2005) argues that a developmental foreign policy for South Africa should: resolve the tension between what he terms as South Africa's idealistic "lofty and cosmopolitan values" (2005:731) encapsulated in a "principle-driven" foreign policy; and a more pragmatic realist-based foreign policy approach centred on foreign direct investment and international market access (2005:731). The tension must be resolved in such way that South Africa's national interest-based prioritisation of national economic development comes to the fore. As Landsberg notes "a future developmental foreign policy should take issues of principle and pragmatism seriously but should go beyond this" (2005:732). Particularly as neither the principle nor pragmatic driven foreign policy approaches are "genuinely developmental foreign [policies]" (Landsberg, 2005:732) especially as each contains aspects of developmentalism but are "limited in their developmental features" (Landsberg, 2005:732). In essence a national interest

framework which places developmentalism (or the domestic developmental agenda) as the core national objective would be crucial fore a South African developmental foreign policy. Landsberg writing in 2005 alludes to this when he postulates "President Thabo Mbeki's more pragmatic and economic-driven foreign policy approach [as opposed to Mandela-era idealism] should be adjusted and refined to focus on a more robust and clearer developmentalism" (2005:732). Secondly, a South African developmental foreign policy will have to be buttressed by consensus-based and effectual national economic development policies. Landsberg asserts, "[a] developmental foreign policy will require better domestic policies on security, economic development, job creation, skills development, and the like" (2005:752). Thirdly a South African developmental foreign policy must ensure that it strategically uses its international relations platforms, as well as, political and economic diplomacy to acquire financial and economic resources to fund its national developmental agenda. Landsberg propounds, "[f]oreign economic policy will have to continue to search for markets and growth" (2005:752). A uniquely South African development-oriented foreign policy must strive to constantly assert the importance of socioeconomic development for developing countries in Africa and the Global South. Especially noting, that a global order which prioritises economic development is conducive for South Africa's realisation of its national developmental agenda. Landsberg states, "[a] developmental foreign policy will have to constantly make a coherent case for a developmental agenda; after all, a developmental foreign policy is a paradigm that seeks to reintroduce the requirements of development onto the global agenda" (2005:752). Finally, and perhaps most challengingly, a South African developmental foreign policy must ensure complementarity between all facets of its foreign policy in order to avoid a disoriented, ineffectual, and potentially contradictory foreign policy approach. This means that the governing party has to make certain that South Africa's diverse aspects relating to foreign policy such as national interest formation, external economic policy, international relations relating to disparate Northern and Southern partners, and global governance concerns are relatively in sync (noting that complete harmonization is highly difficult if not impossible). Landsberg speaks to this issue when he posits:

> *"[f]inally, a developmental foreign policy demands that South Africa should form better links with the concentric circles of its foreign policy: national interest, Africa, South-South, North-South, and multilateral strategies. In the past these different strands have often been pursued in disjointed and*

> *unsystematic ways. In the years to come greater effort should go into weaving these strands together into a clear internationalist orientation with Africa at the core; there is a need for a coherent and solid global policy project with Africa as the nucleus of such a developmental strategy. This will be a complex yet grand challenge. It does provide the opportunity over the next decade to cohere all these elements into a comprehensive foreign policy that will consolidate and reinforce South Africa's image as an activist and respected* [actor] *in world affairs that takes issues of security and development equally seriously"* (2005:753).

Drawing from Landsberg's theorisation around a South African developmental foreign policy, as well as the researcher's examination of the East Asian model. It appears that the foreign policy of a developmental state is largely premised on: tirelessly seeking capital or finance in order to fund national development (particularly if it is underpinned by an ambitious industrial policy), this is usually done through strategic development-oriented partnerships with international allies or like-minded external actors with an emphasis on trade or (development) aid; ensuring a measure of control over inward (and at times outward) flows of capital particularly with regards to FDI and foreign exchange; the facilitation of beneficial integration into the global economy; supporting and ensuring the sustainable internationalisation of domestic firms; the use of both political and economic diplomacy to support and buttress a Global Order which benefits (or complements) its national development strategy and priorities (noting that such an order must be peaceful and non-coercive to safeguard developmental gains on the national front). However, the attainment of these aforesaid foreign policy related goals is highly dependent on an efficient and astute diplomatic corps (ensconced within a broader effective bureaucratic network of government ministries).

Landsberg and Georghiou note that the domestic developmental state governance and bureaucratic framework must be mirrored (and complemented) by an efficient foreign policy personnel and international relations institutional structure. Therefore, it becomes clear that the South African government's asserted commitment towards the establishment of the developmental state has to accompanied by pragmatic policy considerations relating to foreign policy. A developmental state does not operate in a lacuna, rather it purposefully interacts and engages within the global environment as it actively manipulates its international trade, material, and human resources, as well as political standing in order to consolidate resources for its national development agenda. Njange highlights the importance of strategic foreign policy formulation and

implementation (by the diplomatic corps) in terms of ensuring crucial developmental outcomes. Njange argues:

> *"a developmental foreign policy can…be understood as a statement of the intentions of a state to dynamically deploy its diplomatic machinery for the purpose of mobilising international resources in support of the domestic project of sustainable development. Here, the concept of economic diplomacy becomes particularly relevant, to the extent that it describes the policies and activities through which a development minded state seeks to maximise its economic gains on the global stage by, among other things, promoting trade, tourism and attracting foreign direct investment" (*2016:3).

However, a key challenge facing South Africa with regards to its diplomatic machinery is one that its symptomatic of the broader malaise that relates to the inadequacy and attendant inefficiencies of the South African public service sector. ANC stalwart and former Minister of Human Settlements, Water and Sanitation and a former Public Service minister, Lindiwe Sisulu states that the problems that afflict South Africa's public service sector are largely of a political nature (Financial Mail, 2020). This has resulted in a "culture of impunity" as well as "blind self-interest" within the national public service system (Financial Mail, 2020). Sisulu declares:

> *"the underlying problems of bureaucracy are political…When political leaders and the institutions they preside over fail to provide clear and coherent policy goals, rarely allocate resources to deal with the scope of the problems, and* [do not] *allow suitable technocrats to do their jobs, it is not difficult to imagine the results being the governance morass we find ourselves in" (*Financial Mail, 2020).

The South African diplomatic corps have not been spared the 'morass' Minister Sisulu refers to. Especially if one considers the notable criticisms that have been raised around the criteria that guide the selection and appointment of diplomatic personnel. The key critique often expressed is that South African ambassadors and other diplomatic personnel are often political appointees with minimal formal diplomatic training. This results in a situation in which South Africa has an insufficient number of career diplomats in its foreign service. Citing Habib, Landsberg and Georghiou state that "cadre deployment and a crude unconstitutional application of affirmative action" (2015: 489) have undermined the establishment of a meritocratic diplomatic corps and denied: "the state the capacity to steer the economy and to deliver services, thereby undermining the development mandate. To be sure, the problem may not be so much one of cadre

deployment, but one [relating to the lack] of training, skills and professionalisation of political deployments" (2015:489).

Therefore, it appears that even though the ANC and South African government (to a lesser extent) have extoled the developmental state model as the ideal governance framework for South Africa and taken measures to adopt aspects of the developmental state governance framework as formal government policy, this has not effectively extended to foreign policy formulation and implementation due to government incapacity.

2.7. *Characteristics of the traditional developmental state with reference to contemporary South African economic development policy*

As discussed in the section above, an influential section of the ANC Alliance, as well as government has championed a developmental state governance framework underpinned by a transformative state-led industrial policy (within a democratic market-based economy). This leads the researcher to assume that the governing party and sectors of government have a preference for the East Asian traditional developmental state model, which prioritises state-led strategic industrial policy in order to generate both competitive and ultimately comparative advantage in high value and strategic manufacturing sectors (which a view towards developing value-added exports). This section will provide a definition of such a developmental state, as well as its defining characteristics. Noting that the prior sections have focused on the origins, history, and legacy of the developmental state. The feasibility of the establishment of a South African developmental state with the key characteristics of the traditional East Asian model will be extensively discussed in chapter 5.

Johnson asserts that a developmental state seeks to 'lead industrialisation' thereby assuming 'developmental functions' (1982:19). He goes on to explain that a developmental state directly assesses "what industries ought to exist and what industries are no longer needed" (Johnson, 1982:19). Johnson posits that the "dominant feature" of the developmental state (or plan-rational state) is its unparalleled ability to set "substantive social and economic goals" (1982: 19). However, a key conduit for this is industrial policy, Johnson states:

> *"[i]n the plan-rational state, the government will give the greatest precedence to industrial policy, that is, to a concern with the structure of domestic industry and with promoting the structure that enhances the nation's international competitiveness.* ***The very existence of an industrial policy implies a strategic or goal-oriented approach to the economy*** [my emphasis]" (1982:19).

The key objective of a traditional developmental state is to ensure the realisation of time-bound economic development goals, primarily through industrial policy (although in other contexts the core focus is on rapidly enhancing human capital levels). Prominent developmental state theorist Peter Evans in a study conducted with Heller asserts:

> *"[l]ate twentieth-century Asian cases challenged the mid-twentieth century theoretical paradigm of the Anglo-Saxon 'minimalist' or 'night-watchman' state. The theories of the developmental state that emerged from the analysis of Asia, particularly Northeast Asia, provoked a sea change in global perspectives on the role of the state in development"* (Evans and Heller, 2018: 1).

Evans and Heller argue that the fundamental impact of a developmental state is observed through the increased economy-wide efficiency and competitiveness of the national economy due to the strategic interventions by development focused state policymakers. Therefore, developmental state s facilitate "the delivery of capability-enhancing collective goods" (Evans and Heller, 2018: 1). In essence developmental state s develop or enhance national 'capabilities' in terms of production and innovation processes relating to the economy. Capabilities in this study refers to the ability to produce or develop particular goods and services.

Wade (2014) notes several key characteristics that underpin a developmental state governance framework or approach. These include (Wade, 2014:4):

i) the ability to respectively extract and source high levels of financial resources both domestically and internationally. This is usually achieved through taxation supplemented by aid and foreign investment. The key notion behind this is to ensure that the state is able to provide fundamental public goods as well as far-reaching human capital investments.

ii) the developmental state project has the widespread support of the populace, as well as broad based 'buy-in' from key national stakeholders. This ensures legitimacy for the government and policymakers with regards to "pushing

through" development-oriented policies. Wade argues that this is sometimes 'aided' by the application of "authoritarian state controls" (Wade, 2014:4)

iii) establishment of an 'elite', highly skilled, effective, and committed bureaucratic civil service, that fully understands the importance of the national development agenda. However, such a civil service must be 'insulated' from the influence of other key state stakeholders, such as actors from the private sector or organised labour for instance (especially those with ruling political party affiliation). However, this does not mean that that bureaucrats are censured or discouraged from extensively engaging with the aforementioned actors or other state groupings, as their mandate necessitates such engagement. This elite bureaucratic contingent must be loyal and dedicated to the mandate it has been entrusted with by the executive government (which governs the overall developmental state framework or structure). It is important to note that this bureaucratic elite is often adequately remunerated and provided with various incentives through a strict meritocratic system. This results in a motivated and disciplined cohort of public servants, who can effectively focus on their respective tasks.

iv) elite bureaucrats under the supervision and guidance of the government are able to astutely and strategically pick national 'winners' with regards to the promotion and development of nascent "infant industries" (commercial enterprises in the early stages of operation). This ability is crucial with regards to the development of local firms and companies, noting that the key role of the developmental state is enhancement or establishment of national capabilities relating to manufacturing (via expansive industrial policy) or the provision of services. A key notion behind such an intervention by government and policymakers (bureaucrats) is to provide support to strategic industries that may not initially attract investment from potential (primarily private sector) investors, as they do not provide immediate financial gains; although they are crucial for the long-term development trajectory of the state. It is important to support such industries or sectors as they ultimately create or enhance particular capabilities in terms of manufacturing know-how or the establishment of a vital foundational industrial service (steel processing for example).

v) the presence of a significant (if not prominent) national industrial policy which complements the commitment by the state to support the development of infant industries. The dual aim of initiating and implementing industrial policy is the establishment or enhancement of capabilities as well as augmentation of national competitiveness. Ultimately the objective is to ensure that national firms or enterprises are competitive within international markets.

vi) significant or extensive state control and oversight over large domestic corporate entities be they in the private or public sector. The same level of government supervision is extended to national "capital markets" (primarily relating to international 'inflows' and 'outflows' of financial capital). The key objectives that underpin state intervention in this regard, are stability with regards to the national economy and the industrialisation process.

vii) organised labour is generally compliant and supervised by the state, at times in a compromise arrangement. In this sense labour relations are regulated and "split between a well-regulated sector ['encompassing'] cooperative trade unions ...substantially under state direction, and a much less protected sector, where working conditions are set at firm level" (Wade, 2014:4)

viii) government ensures a consistently low or 'devalued' exchange rate (in order to both promote exports and locally produced goods).

ix) the state is pragmatic in terms of how it establishes or enhances capabilities, meaning that it may find strategies to circumvent or evade aspects such intellectual property rights, or counter disadvantageous FDI-related provisos.

Point (iii) refers to what Evans conceptualised as "embedded autonomy" in his seminal 1995 work "Embedded Autonomy: States and Industrial Transformation". In essence embedded autonomy refers to how the elite bureaucracy of a developmental state are 'autonomous' from state-based rent-seekers (primarily those affiliated to a ruling political party). However, this autonomy is often characterised by a delicate balance between the independence or insulation of bureaucratic policymakers from key state stakeholders (who may be seeking rents) on one hand; and the ability of bureaucrats to extensively interact and engage with various national stakeholders (including the private sector, academia, organised labour and advocacy groups) in pursuance of their

mandate (the operationalisation of the national development agenda). Therefore the bureaucrats have to be insulated from malfeasance, even though they are compelled to extensively engage with national networks of key stakeholders or participants across many sectors as they facilitate the execution of the developmental agenda. Wright drawing from Evans' work describes "embedded autonomy" as:

> *"[t]he state form is autonomous insofar as it has a rationalised bureaucracy that cannot be instrumentally manipulated by powerful rent-seeking groups outside of the state, but it is embedded insofar as state elites are enmeshed in social networks and other relations that put them in close contact with dominant players in civil society.*
>
> *This combination of traits enables the state to have a genuine capacity to formulate long-term goals, acquire the information needed to effectively pursue those goals (especially in the form of feedback from policy efforts), and yet be sufficiently constrained by forces outside of the state so that its actions do not simply foster the interests of state elites"* (1996: 177).

An initial overview of the characteristics identified by Wade and explained above indicate that South Africa's developmental state aspirations and prospects are severely compromised, due to limitations relating to both state capacity and capabilities (which will be discussed in more detail throughout the study). In terms of typical (traditional) developmental state characteristics, South Africa:

- has struggled to effectively source domestic sources of finance due to: an overextended (and narrow) tax base, as well as inadequate investment from the local private sector. FDI to South Africa has fluctuated over the last decade, due in part to lack of policy clarity and the dire state of the South African economy
- there is overt lack of consensus around the national development agenda, and this is compounded by a divisive political context
- has struggled to develop a highly competent and meritocratic public service institutional framework
- industrial policy has not been sufficiently coordinated and implemented
- state management of SOEs and public development institutions is often characterised by incompetence and malfeasance
- has liberal financial markets (meaning that it is difficult for government to exert control over capital markets). South Africa also has highly liberalised exchange control measures

- has adopted a floating currency exchange regime tacitly overseen by an independent Reserve Bank (therefore it is difficult for the state to unilaterally devalue the South African Rand)
- organised labour in South Africa is a highly influential, independent, and vocal sector.

All these factors significantly undermine South Africa's developmental state aspirations in relation to the traditional East Asian model.

Burger in his analysis centered on applying various developmental state criteria to the South African context, observes that as compared to the East-Asian developmental state (as defined by scholars such as Chalmers and Amsden), South Africa does not have a "strong state-led industrial policy in support of selected industries", the key criterion for the traditional developmental state (Burger, 2014). Burger (2014) argues that South Africa's industrialisation efforts through initiatives such as IPAP are not being carried out on the scale that the East-Asian developmental states rolled out their ambitious and far-reaching industrialisation agendas. He argues: "the budgeted IPAP expenditure of [DTI] for 2015/2016 [comprised] only 0.27% of GDP...An IPAP of this scale does not constitute a major state-led industrial policy " (Burger, 2014). Another key aspect (and criterion) of the East-Asian developmental state was the pragmatism adapted to 'proscribe and limit' workers' rights, so as to keep wages low "in support of higher exports and growth" (Burger, 2014). Based on these two criteria (amongst those mentioned above) it can be strongly argued that South African does not fit the mould of the traditional developmental state. Zalk (2014) notes that the parliamentary Portfolio Committee on Trade and Industry (during the Zuma premiership) consistently questioned whether the fiscal contribution allotted to IPAP programmes was sufficient. The Committee in 2012 stated: "while acknowledging the substantive increase in budget for incentives related to IPAP sectors, [the Committee] is also of the opinion that for the IPAP to be an effective tool to drive industrialisation thereby addressing poverty and unemployment, will require a further increase in budget allocation" (Zalk, 2014:343).

The state industrial development funding body, the Industrial Development Cooperation (IDC) contributed R13,8 and R11,5 billion in 2014 and 2015 respectively (IDC, 2015:20); primarily towards infrastructure, mining and manufacturing. These

amounts though substantial are still not enough to fund the "structural transformation" of the South African economy. Especially when one considers that South Africa has a total budget of over R1 to 2 trillion (Treasury, 2020:1).

It can be reasonably argued that South Africa is not a developmental state (in the East Asian mould), which is compounded by the fact that the overarching national development vision the NDP, does not explicitly endorse state-led industrial policy. A more extensive discussion on South Africa's developmental state aspirations is located in chapter 5.

Part II Domestic Economic Development and Foreign Policy

2.8. *The South African context: foreign policy and domestic development*

There is scarce IR or FPA literature around the relationship between South Africa's post-apartheid DDA or its development approaches in relation to foreign policy. Rather there has been greater focus and emphasis on unpacking, explaining and reviewing South Africa's post-apartheid IR evolution and foreign policy processes. It appears there is a strong assumption that South Africa's external policies and relations actively address the country's domestic priorities. Therefore, most analyses of South African foreign policy focus on issues such as: South Africa's multilateralism, economic diplomacy, South-South cooperation, federated diplomacy and South Africa's promotion of the "African Agenda". However, an extensive examination of the domestic aspect of these concerns is often bypassed or overlooked. Recent notable examples of such analyses are found in insightful texts such as *The South African Foreign Policy Review* series (2012-2019) edited alternately by Landsberg, Masters, Van Wyk and Zondi; as well as the 2018 *Foreign Policy in Post-Apartheid South Africa: Security, Diplomacy and Trade* edited by Adebajo and Virk. The DDA in the aforesaid books is often not fleshed out and problematised in relation to South Africa's foreign policy initiatives or processes.

Furthermore, there is sparse literature that provides a clear outlay or theoretical perspective of what a development-oriented foreign policy informed by South Africa's

DDA would look like or how it may be implemented. The most succinct and perceptive discussion pertaining to the notion of a development-oriented foreign policy (or a developmental foreign policy) is presented by South African academic, Chris Landsberg. In his paper "Towards a Developmental Foreign Policy? Challenges for South Africa's Diplomacy in the Second Decade of Liberation" (2005), Landsberg sets out a concise theory of developmental foreign policy with regards to the South African context.

Landsberg's contribution is vital because it serves as a pioneering contribution in terms of highlighting the importance of identifying, enhancing, and fortifying South African's DDA to ensure that it grounds and gives direction to South African foreign policy. Landsberg is adamant that South African foreign *must* be directly informed by its development needs and priorities. He also goes on to argue that South Africa's DDA could be basis for establishing a developmental state governance framework which prioritises and vigorously seeks to address South Africa's development needs.

Landsberg notes that a developmental foreign policy is imperative and urgent because of what he terms as South Africa's "precarious domestic situation" (2005:724) due to unsustainable unemployment and low economic growth amongst other socioeconomic challenges. Therefore it becomes clear that a developmental foreign policy is informed by a country's domestic context. It is in essence a response to a pressing need to address vital domestic goals. Landsberg expounds:

> *"[b]ecause of its precarious domestic situation, South Africa's policy makers need to engage the international community – we include the industrialized North and the developing South as part of the international community - in a way that deliberately tries to help address its national condition…We argue here that a developmental foreign policy is pro-engagement; it is not isolationist. Because it is fundamentally concerned with addressing domestic…disparities and inequalities, such a foreign policy seeks massive amounts of resources and resource transfers to engage in redistribution to help address inequalities. It is argued here that such resource transfers can come about only through engaging the outside world, not by becoming isolationist. Because of* [this*] national* [backdrop]*, the republic needs a developmental foreign policy"* (2005:724).

The DDA is a central aspect of Landsberg's argument for South Africa to adopt a developmental foreign policy. However, Landsberg also asserts that a foreign policy that actively promotes economic development can only be formulated and implemented through the auspices of an efficient developmental state governance framework. Landsberg declares: "[t]here can be no developmental foreign or national policy

paradigms without developmental states" (2005:727). Therefore, for Landsberg South Africa's DDA necessitates the adoption of a developmental state governance framework in order to address economic development. Such a framework can effectively support and steer a developmental foreign policy in the interest of the DDA.

Another South African scholar who has managed to take into consideration South Africa's DDA, in their analyses of South African economic diplomacy is Brendan Vickers, who previously served as a senior policymaker in the former Department of Trade and Industry (DTI). Vickers's primary interest and focus has been on South Africa's economic diplomacy and international trade policies. Together with Ajulu, he authored a report in 2008 entitled "South Africa's economic diplomacy: trade and investment promotion" as part of the South African Presidency's Fifteen Year Review. In this report Vickers and Ajulu note that South Africa's external economic relations and policies have been noticeably informed by domestic economic development approaches and the DDA. Echoing later arguments in Vickers' subsequent publications (2012, 2014), the 2008 report posits that there has been a shift in South Africa's focus on expansive international trade to a greater focus on facilitating the development of South Africa's manufacturing sector (via the implementation of industrial policy) through the attraction of FDI and strategic international economic cooperation. This shift according to Vickers is indicative of a move away from an economic policy approach underpinned by trade liberalisation tenets to a more development-oriented economic policy informed by the DDA and greater prioritisation of industrial policy. Vickers and Ajulu state: "[t]his new approach broadly resonates with an apparent shift in the government's political discourse, away from trade policy and its unilateral impulses and towards a more critical industrial policy, questions of economic development, diversification and technological upgrading (as part of the 'developmental state' agenda)" (2008:7-8). The policy approaches and ideas that underpin South Africa's DDA have had a fundamental and observable impact on South Africa's external economic policies with regards to international trade and economic diplomacy. Vickers notes that South Africa's economic development policies: the NDP, NGP, IPAP and National Industrial Policy Framework (NIPF) "all call for more 'developmental' trade policies to shift the structure of the economy onto a more sustainable, diversified and labour-absorbing industrial development path" (2014:58).

Qobo and Dube (2015) posit that a consistent drawback throughout the three presidential epochs from Mandela to Zuma with regards to the realisation of the DDA has been the tenuous 'linkage' between "foreign economic strategies and domestic economic objectives" (2015:145), which is compounded by a "gap between what is expressed in rhetoric and the actual execution of foreign policy" (2015:145). For Qobo and Dube it is not clear from a policy and strategic perspective how South African's foreign policy will deliver in relation to "developmental gains". Qobo and Dube observe that South Africa's inadequate and at times expedient international relations policy approaches further complicate the aforesaid challenges. Qobo and Dube commend South Africa's development focused foreign policy initiatives with regards to Global South cooperation and partnership as observed through South Africa's notable role in the establishment of the BRICS New Development Bank, as well as its strategy to ensure greater policy space for its industrial policy when engaging with the WTO. However, they caution: "...there remain ambiguities about the precise development contributions of the country's diplomatic engagements. There is thus no coherent foreign economic strategy that is defined by a well-articulated domestic economic agenda" (2015:161).

Apart from Landsberg, Vickers, Qobo and Dube other South African academics have focused on how the country's political culture and identity as guided or influenced by the DDA have shaped South Africa's foreign policy. Geldenhuys (2012) elucidates that South Africa's unique political culture has had a distinctive impact on South Africa's foreign policy. Geldenhuys' analysis focuses on how South Africa's political culture denoted as "ruling elite or supraculture" (2012:31), as observed through how state leaders "articulate a vision of the nation's role in world affairs that corresponds to deep, cultural beliefs about the nation" (Hudson in Geldenhuys, 2012:31) relate to foreign policy. These 'beliefs' pertain to what Geldenhuys' terms the "declaratory or aspirational" aspects of South African foreign policy (2012:31). The South African government's aspiration to formulate a foreign policy which directly promotes national development is undoubtedly motivated by the salience of the DDA. According to Geldenhuys this aspiration projected by the South African government can be identified as one of the key South African foreign policy tenets: the developmentalism tenet. Geldenhuys states the developmentalism tenet "is the foreign policy extension of South Africa's portrayal of itself as a 'democratic developmental state' "(2012:34).

The identity projected by the South African government and ANC, of South Africa as an aspiring "democratic developmental state" noted above by Geldenhuys has also had a significant bearing on South African foreign policy. This is highlighted by Jo-Ansie K. van Wyk, in her 2004 paper entitled "South Africa's post-apartheid foreign policy: a constructivist analysis", in which she notes that the identity adopted by South Africa's governing elites which is premised on key domestic aspects such as the DDA has helped to steer the direction of South African foreign policy. Particularly when one applies the constructivist rationale that identity shapes or informs interests. Van Wyk states:

> *"[a] state's identity performs various necessary functions on the international level…It is often the driving force behind a state's foreign policy, as it helps to define the domestic and international parameters of what a state regards as its national interests. For South Africa, it means a foreign policy formulated and practised in order to achieve domestic growth, development and a better life for all"* (2004:107).

Notshulwana (2012) and Van Nieuwkwerk (2004) both argue for a greater alignment between South Africa's conceptualisation of its national interest framework and its foreign policy in order to effectively address national development priorities. For Van Nieuwkerk, South Africa's national interest framework should guide foreign policy direction, and it must be informed by urgent national priorities pertaining to human security and economic development (2004:96). Van Nieuwkerk states:

> *"[i]n a democracy, the national interest is what a majority, after discussion and debate and through a representative parliament, decides are its legitimate long-term shared interests. The basis for such a decision should not be limited to immediate interests (survival, security) but should include economic well-being"* (2004:96).

Notshulwana postulates that with regards to its multilateral engagements and alliances, South Africa should ensure that it is guided by a coherent and strategic national interest framework which effectively promotes development (2012:9). Notshulwana focuses on South Africa's multilateral engagement with BRICS. He posits that in terms of its participation within the BRICS multilateral forum "South Africa will need to develop a comprehensive and coherent statement of its national interest, which places national development…at the core" (2012:9).

Noting the South African contributions discussed above, it is apparent that there is a need for more analyses that focus on how South Africa's DDA relates to the country's post-apartheid IR and foreign policy. Particularly with regards to how particular

national economic development approaches impact foreign policy (and vice versa). This will allow for a deeper understanding of how a developing country such as South Africa, engages with the international context in pursuit of national development objectives.

2.9. *Conclusion*

The South African government has initiated an ambitious state-led industrial policy advocated for and endorsed by the ANC, centred on the structural transformation of the South African economy in order to steer the country onto a higher (and inclusive) growth path underpinned by job creation in labour intensive (value addition manufacturing) sectors actively supported by the NIPF and the economic policies echoed in the New Growth Path. The idea of a "plan rational" state which strategically implements industrial policy as the cornerstone of a broader national development agenda originates form the Japanese developmental experience, and the establishment of what Johnson has termed the developmental state. The idea of a South African version of this state, albeit a democratic and popular one (the Democratic Developmental State), is a key aspiration of both government and ANC policymakers. However, the East Asian developmental state model is underpinned by an effective and highly astute bureaucratic sector insulated from interference via embedded autonomy, furthermore it is able to consistently and sustainable accumulate the capital necessary to fund extensive economic development via a transformative industrial policy. In this sense the East Asian model, aspired to by South African policymakers has both the capacity and strategic vision, as well as adequate resources to implement an ambitious economic development agenda. Within the South African context both capacity (in terms of economic planning and foreign policy implementation) and strategic vision are a challenge, and garnering the resources necessary to fund economic development has been a constant test since 1994. Chapters 4 and 5 will explore in greater detail the challenges that undermine South Africa's Democratic Developmental State vision (as informed by the domestic developmental agenda).

In relation to South Africa, the research around the connection between external policy and domestic economic development remains somewhat limited. This is primarily due to research approaches that assume a 'pre-set' causal link between South African

foreign policy and national economic development, without critical analysis of such a link. The dominance of realist and neoliberal IR and foreign policy analysis research methods has also undermined nuanced research around the connection between domestic development priorities and South Africa's external policies. This is because such research methods (as will be discussed in the next chapter) do not take South Africa's unique and distinct historical, political, social and economic context into consideration in their analyses. There has also been greater focus on grand theoretical research narratives focusing on post-apartheid South Africa's role and place within the region, continent, and broader international context with regards to concerns such as peace and security, as well as global governance. However, these contributions tend to focus more on South Africa's external political or economic objectives without necessarily elucidating how these relate to the DDA. The following chapter will present the theoretical and methodological approaches which underpin the study.

Chapter 3: A constructivist approach to foreign policy and theoretical outline

3.1. *Introduction*

This chapter seeks to concisely provide an outline and description of the theoretical framework which has been adopted for this study and clarify how it relates to the research question posed in chapter one. The theoretical framework which underpins this study is informed and inspired by the political-social theory known as 'constructivism'. This chapter will therefore define what constructivism is and expand on how it relates to the methodological approach.

Constructivism allows for an insightful conceptual and analytical framework through which to assess and observe South Africa's post-apartheid foreign policy (Van Wyk, 2004: 105). Constructivism's value is highlighted by how it seeks to explain changes and developments in foreign policy by focusing on the impact of "ideas (such as values, norms and rules) in defining ranges of actions and interactions" (Van Wyk, 2004: 105). By seeking to understand a state's particular and socially constructed identity as well as the 'ideas' that underpin its policy approach and actions, one is able to gain perceptive insight into the logic and strategic orientation that underpins specific policy priorities and approaches. This is because such ideas "define the meaning and identity of the individual actor and the patterns of appropriate economic, political, and cultural activity engaged in by [the actor]" (Boli *et al* in Reus Smit, 2009:221). Kaarbo, Lantis and Beasley (2013) emphasise the importance of identity and ideas in relation to foreign policy: "[c]ore values and national identities are connected to a society's political culture-the values, norms, and traditions that are widely shared by its people and are relatively enduring over time. These enduring cultural features may also set parameters for foreign policy" (2013:14). Drawing on the work of Ba and Hoffman (2003), Van Wyk posits that constructivism provides a useful theoretical lens through which to better understand the "importance of identity in defining what actors want" (2004:105), thereby noting that identities influence the development of interests. Van Wyk goes on to note how constructivism can also provide insights into the interplay or 'relationship'

between "an actor's interests, identities and behavior and the social context in which the actor exists" (2004:105).

3.2. *Constructivism: an overview*

The term constructivism was first referred to in IR by Nicholas Onuf in 1989, and since then it has "acquired considerable significance in the study of international relations" (Olivier et al, 2015:50). Jackson and Sorenson (2006) note that constructivism is premised on human experience and perception, and how these shape the international context. Jackson and Sorenson explain: "[t]he focus of social constructivism (in shorthand: constructivism) is on human awareness or consciousness and its place in world affairs" (2006:162).

A concise definition of constructivism is articulated by Finnemore and Sikkink, they state:

> *"[c]onstructivism is an approach to social analysis that deals with the role of human consciousness in social life. It asserts that human interaction is shaped primarily by ideational factors, not simply material ones*..[and] *that the most important ideational factors are widely shared or 'intersubjective' beliefs, which are not reducible to individuals; and that these shared beliefs construct the interest of purposive actors"* (2001:391).

In essence it can be asserted that constructivism is primarily concerned with "how world politics is socially constructed" (Soltani *et al*, 2014:154). Constructivism largely emphasises how human understandings and perceptions directly inform how 'constructed' structures such as states act and navigate the international sphere, thereby highlighting the manner in which actors and the structures they create are intertwined. A constructivist outlook therefore observes that structures are underpinned by human notions and perceptions, which imbue structures with particular meanings.

For constructivists the international sphere and the institutions within it are all socially constructed by humans or the structures they form. This social construction takes place as humans seek to understand their environment, and adopt norms, values and tenets informed by particular beliefs, experiences or motives. Therefore, constructions such as

'states' and 'sovereignty' for example, only have meaning in terms of how they are rooted within human experience and perception.

As opposed to the dominant (and competing) neorealist and neoliberal worldviews that pervade IR theory, constructivism is not 'materialist', in that it does not sorely focus on 'material' factors associated with power such as military capability and economic status (Jackson and Sorenson, 2006:162) at the expense of socially constructed ideational aspects. However, constructivists do not overlook material forces, rather: they argue that they are giving meaning and significance through the (socially constructed) ideas that underpin them.

In this regard, constructivists believe that the "human structures" that appear within the international system (including states) are "determined more by shared ideas than material forces" (Burchill, 2005:186). Furthermore, constructivists firmly posit that there is no objective reality that is independent of human experience and perception. In this sense: "[t]he social and political world, including the world of international relations, is not a physical entity or material object that is outside human consciousness" (Jackson and Sorenson, 2006:162). This central constructivist tenet critically challenges the foundational and central realist notion (adopted by the liberals) of an objective (non-contextual) international environment that influences or rather predetermines how states act with the international context.

The core belief that influences the neorealist paradigm (which in turn informs the neoliberal outlook) is that of an exogenous international environment that exists independently of actors (such as states) and is characterised by the pervading presence of 'anarchy' (relating to a context in which there is no organising or central authority), which determines how the actors behave and perceive of their role within the international system. Notably this anarchical environment is permeated by a strong sense of uncertainty, which predisposes actors such as states to (rationally) prioritise military and economic resources in order to safeguard their respective positions.

This is in direct contrast to the constructivist understanding of how states act within the international sphere. Constructivists argue that states act on the basis of how they make sense of the world around them, therefore states are informed by their own particular context as well as the interactions they have with other state actors. According to a

systemic constructivist analysis it is through 'process' and interaction that states begin to formulate the tenets that guide their actions internationally. Therefore, constructivists who focus on systemic analysis (such as Wendt) assert that the notions and understandings that underpin the international system are created and reproduced through the endeavours of actors. Koslowski and Kratochwil note:

> *"[t]aking a constructivist approach, we argue that in all politics, domestic and international, actors reproduce or alter systems through their actions. Any given international system does not exist because of immutable structures, but rather the very structures are dependent for their reproduction on the practices of the actors"* (1994:216).

Constructivists are adamant that the social world is not static and subject to predetermined stipulations that are outside the purview of human experience (as is the case with neorealists and neoliberals). In this sense the rules, beliefs, values and norms that regulate or hegemonise the international (and domestic) sphere are embedded within particular socio-historical contexts. Their particular meaning and relevance is able to be understood by analysing how they were socially constructed by particular actors (through interaction and action) at a certain epoch characterised by distinct conditions.

It would be inadequate to thoroughly analyse South Africa's foreign policy without taking into consideration the country's particular historical experiences, as well as its notions of identity within the context of shifting international trends. One can strongly argue that South Africa's contemporary interests are not consistent or similar to apartheid era goals or objectives. The identity of contemporary South Africa is drastically different to that of apartheid South Africa, furthermore, the international context that allowed for the existence of the apartheid state has dematerialised. In such a context, it is clear that there will be a clear transformation in terms of the interests espoused by the post-apartheid South African state. In this regard, constructivism offers a perceptive analytical framework through which to observe post-apartheid South Africa's international relations.

Constructivism does not make *a priori* assumptions about the context in which human structures operate, this allows for a more perceptive analysis of how humans shape and order both the international and domestic contexts in which they are embedded. Constructivism provides an analytical framework through which to observe the

interplay between human understandings of institutions, and their material manifestations. In this regard the 'role of identity' becomes salient, especially in terms of how it has a direct effect on how actors act within the international context based on their particular understandings. A key point that is emphasised through constructivism is the nuanced and complex relationship between agents (or actors) and the structures which they imbue with (functional) meaning. Reus-Smit refers to this as the "constitutive relationship between agents and structures" (2005: 188). This "mutually constitutive" relationship emphasises how structures such as states are influenced by contextually located actors.

Having discussed the core assumptions that underpin the constructivist approach, a definitive definition of constructivism by Reus-Smit can be applied: "[c]onstructivism is characterised by an emphasis on the importance of normative as well as material structures, on the role of identity in shaping political action and on the mutually constitutive relationship between agents and structures" (2005: 188).

Constructivism does not offer a particular preconceived worldview that relates to the international environment, nor does it seek to make definitive claims about how states behave within the international context. Rather it seeks to understand the unique nature of the international context and the manner in which actors make sense of it. This means that unlike the neorealist and neoliberal paradigms, constructivism does not make generalised assumptions about key aspects such as identities and interests, especially since they "inform the actions" of states. Finnemore and Sikkink explain this point further when they note:

> *"[u]nlike proponents of materialist and utilitarian theories, constructivists cannot take identities and interests for granted, and understanding the processes by which they originate and change has been a big part of the constructivist research program…For constructivists, understanding how things are put together and how they occur is not mere description. Understanding the constitution of things is essential in explaining how they behave and what causes political outcomes"* (2001:394).

3.3. *Relevance of constructivism to South African foreign policy*

A wholly neorealist perspective of South African post-apartheid foreign policy would be

highly inadequate, as it would not be able to take into consideration the extensive "dramatic reconstruction" that South Africa has undergone in terms of identity formulation and its defined role within the world; as well as the material effects that have emanated from this. Therefore, South Africa's material aspects such as geographical context, and level of development both economically and militarily have come to be understood in a particular way due to South Africa's post-1994 approach to foreign policy and international relations, which has been underpinned by particular values such as human rights, a strong commitment to development, solidarity and partnership (which contrast sharply with the predetermined cynical self-interest denoted by neorealism). Therefore, it can be stated that South Africa's contemporary approach to external relations is contextual, in that it is embedded within particular historical events (both internally and externally), as well as idiomatic understandings. Noting this, it is important to thoroughly investigate how South Africa's unique ideational notions about itself have impacted foreign policy, specifically with regards to economic development.

There is widespread and broad recognition as well as a collective understanding (at the national level) that South Africa must actively prioritise and promote economic development across all sections of South African society (particularly the millions of black South Africans adversely impacted by poverty and joblessness). The South African Constitution speaks to this, as do a number of state conventions enshrined in various legislative stipulations. The challenge lays in conceptualising and formulating a nationally endorsed transformational developmental agenda, which can effectively address the structural challenges that bedevil the South African economy, as evidenced by the "triple threats" (inequality, significant poverty levels and unsustainable employment). The shared sense (at national level) of the urgency of these developmental challenges and widespread appreciation that the South African state has to effectively address them has resulted in the emergence of what the researcher has termed the domestic developmental agenda (DDA). National development visions such as the Reconstruction and Development Programme (RDP) in 1994, and the National Development Plan (NDP) in 2012 are examples of state policies inspired and prompted by the DDA.

South Africa's DDA is underpinned by two key aspects, the first relates to material

factors: highlighted by negative and low GDP growth; high inequality and unemployment indicators; low manufacturing capacity; deindustrialization; significant number of social grant recipients; high energy supply costs (accompanied by energy shortages); sub-par social infrastructure indicators; amongst other socioeconomic indexes and markers. The second aspect pertains to norms and ideational factors: relating to how South African ruling party and government policymakers, academia, the private sector, civil society amongst other key state actors have conceptualised, articulated and framed the developmental challenges South Africa has faced in terms of: ANC policy; government policy; academic and expert contributions around the South African economy and development (including critiques of ANC and government policy); business sector cues and sentiments relating to the above; and civil society response, as well as advocacy around development concerns.

My research is primarily focused on exploring and analysing how the DDA relates to South Africa's foreign policy. In particular I will focus on how two key state actors: the ruling party (ANC) and South African government (the dominant entities in terms of South African foreign policy formulation and implementation) have conceptualised, framed and articulated (essentially made sense of) developmental concerns as observed in national economic development policies, and the subsequent impact on South African external policy.

The notion that a state's identity, widely shared ideas and social context shape or impact on its foreign policy is central to my research enquiry. As noted earlier in this chapter the foreign policy analysis theoretical framework which underscores the notion noted above is termed constructivism. A key constructivist theorist and scholar, Alex Wendt (1994) argues that a state's particular identity shapes its interests and consequently influences the state's foreign policy.

Wendt (1994) argues that a state's identity is essentially composed of two key forms of identity. These identities highlight how a state understands itself in terms of its unique internal (or domestic) identity, as well as the image or role that it seeks to project within the international system. Wendt terms these two forms of identity as, "corporate identity", and "social identity" (1994:385). He also mentions a third identity, which he terms a collective identity, which focuses on how states act in collective unison or

solidarity on the basis of shared meanings and values and ideas (1994:385-386), however this study primarily focuses on corporate and social identities. Corporate identity refers to the intrinsic or internal aspects of the state that relate to key aspects such as: material resources; human capital; national institutions and conventions; as well as widely held intersubjective and shared national beliefs (values and ideas) (Wendt, 1994:385). Social identity pertains to how a State defines itself in relation to the 'other', for instance other states and non-state actors within the international system (Wendt, 1994:385). This includes how a state makes sense of meaning vis a vis other states; and understands its position or role within the international system via observation and consideration of other actors (both state and non-state actors). Social identities have what Wendt terms as "both individual and social structural properties" (1994:385), thereby they relate to both the domestic and external contexts.

Corporate identity provides the impulse for action and is underpinned by four essential (and generalised) interests (Wendt, 1994:385), which Wendt identifies pertaining to: physical security (which relates to sovereignty); ontological security (with regards to predictability and stability in terms of relations and interactions with other states and international actors); recognition (in terms of being viewed as a legitimate and respectable member of the international community); development concerns (which applies to the notion of wellbeing and human security of the populace) (Wendt, 1994:385). The central focus of this thesis is on the "development concerns" interest and how it relates to South Africa's state identity. Wendt describes the development concerns interest as "in the sense of meeting the human aspiration for a better life, for which states are repositories at the collective level" (1994:385). The South African state's corporate identity is deeply intertwined with the development concerns interest due to the country's unique history and contextual socioeconomic challenges. Wendt asserts that "[c]orporate identities have histories" (1994:385), noting this this study will focus on South Africa's policy history with regards to ruling party, as well as government (as dominant state actors) economic and foreign policy formulation and implementation (via policy tracking). It can therefore be argued that corporate identity identifies the (basic) needs of a particular state.

Wendt asserts: "[h]ow a state satisfies its corporate interests depends on how it defines the self in relation to the other, which is a function of social identities at both domestic

and systemic levels of analysis" (1994:385). Therefore, it becomes clear that social identities are formed at both the domestic and international level, and ultimately frame a state's external actions (as is often stated or indicated in its foreign policy). In essence social identity refers to the state's aspirations and self-identification vis a vis other actors. In this regard this study will investigate how South Africa has formulated a social identity centered on the development concerns corporate interest, which conveys the state's aspiration to realise the DDA.

As the collective embedded within the state (noting that the state is not an essentialised rational, homogenised and unitary actor) strives to make sense of its context (both at the domestic and external level) both corporate and social identities (underpinned by certain ideas and values) are conceptualized and formulated in a continuous process which ultimately shapes and actuates interests. The evaluation and prioritisation of these interests is underscored by political processes (primarily at the domestic level). These interests, shaped by the state's unique identity premised on particular ideas or notions of itself, guide state action within the international sphere (as well as in the domestic context).

Wendt argues: "[s]ome state identities and interests stem primarily from relations to domestic society (for example 'liberal', 'democratic')" (1994:385). Observing this, I have opted to focus on the state identity (in South Africa's case a combination of development concerns corporate interest(s), and a social identity-based aspiration to realise the DDA) that is projected by the ANC and South African government at the domestic level, primarily in relation policy-based ideas concerning economic development and the DDA. This is the state identity espoused and projected by both the ANC and South African government, which projects and defines the South African state as a "Democratic Developmental State". Guided by the DDA the ANC and South African government have projected (in their respective policy documents, government statements and leaderships speeches) South Africa as a state: that prioritises economic development; that aspires to become a developmental state (especially post-2007); a state which steers development; and which champions the DDA (as explicitly stated in the RDP and NDP for instance).

Through appropriating and conceptualising nationally-held intersubjective

understandings around South Africa's DDA and economic development in general, the ANC and South African government (which is comprised of a significant number of ANC members and affiliates) have adopted a 'developmental' identity (i.e. the notion of South Africa as either a developmental state or a capable state which actively stimulates economic development) which is characterised by a strongly asserted commitment to South Africa's economic development. This study seeks to investigate and analyse how this domestically formed identity has impacted on South African foreign policy (noting that South Africa's internationally influenced social identities also relate to the 'developmental' identity). However, it is important to note that this study is not an application of a particular constructivist framework or approach, rather the research undertaken will be informed by *the constructivist notions* relating to how 'identity' shapes state interests and action as explained above.

Considering the arguments posed above, it is important to also note that any adopted state identity is often underpinned by contextually informed norms and ideas. Noting this the work of another important constructivist scholar, Friedrich Kratochwill becomes pertinent to this study. Kratochwill along with Wendt and Onuf is viewed as one of the key constructivist theorists (Zehfuss, 2004). Kratochwill places an emphasis on the importance of rules and norms with regards to constructivist analysis. Zehfuss notes, "Kratochwil's work is… an exploration of the role of rules and norms for political life and its analysis [within the field of IR]" (2004:15). Kratochwill views states as institutionalised entities that are framed by unique rules and norms. In a 1994 article Kratochwill co-authored with Koslowski, premised on the application of a constructivist approach in order to analyse 'transformation' within the Soviet Bloc and its impact on the international system between 1989 and 1991 (1994:216). Kratochwill's focus on rules and norms as they relate to states within the international system is highlighted in the following section: "[t]he state is not just a legal entity or a formal organization. Rather, it must be understood as an ensemble of normatively constituted practices by which a group of individuals forms a special type of political association" (Koslowski and Kratochwill, 1994:223). For Koslowski and Kratochwill, changes within the international system at both the local and external levels occur when actors (for instance states) "reproduce or alter" their normatively-based practices due to alterations or shifts in their identities and beliefs (1994:216). Therefore the 'action(s)'

states take with regards to their respective "normatively constituted practices" initiate changes at the domestic level and ultimately at the international level (Koslowski and Kratochwill, 1994:216). Koslowski and Kratochwill note:

> *"[t]herefore, fundamental changes in international politics occur when* ***beliefs and identities of domestic actors are altered thereby also altering the rules and norms that are constitutive of their political practices*** **[my emphasis].** *To the extent that patterns emerge in this process, they can be traced and explained, but they are unlikely to exhibit predetermined trajectories to be captured by general historical laws"* (1994:216).

Koslowski and Kratochwill's constructivist approach to IR is highly beneficial with regards to examining post-apartheid South African foreign policy. This is because it allows for a nuanced and insightful exploration of post-apartheid South African external policy. Particularly as it permits a contextualised analysis of South Africa, with an emphasis on aspects such as the country's post-apartheid identity as a democratic state with champions socioeconomic development; as well as facets such as the norms and ideas that underpin the aforesaid identity (and encapsulated within the DDA).

The key point to be made here is the observation that South Africa's fundamental identity transformation after 1994, resulted in a context in which its normatively constituted practices were also altered or transformed, thereby generating new priorities and "national interests". Considering this, the focus of this study will center on examining South Africa's post-apartheid Democratic Developmental State identity, and the norms and ideas which underpin it as denoted by the DDA.

3.4. *A note on collective identity*

Although South Africa's social identity at both the domestic and external levels has shaped its prioritisation of developmentalism both domestically and internationally (the focus of this study); a central focus on social identity cannot fully explain why it has consistently emphasised the importance of international cooperation, partnerships, and solidarity. Therefore, South African foreign policy tenets such as "an African renaissance or agenda; solidarity with the Global South [and] liberatory solidarity" are difficult to fully comprehend through an analytical perspective premised on social identity. In such a situation Wendt's notion of collective identity becomes a vital analytical perspective

through which to understand how South Africa 'identifies' with other actors and is able to act collectively with such actors. This is because Wendt's collective identity focuses on how states (or actors) identify with the 'Other'. Whereas social identity might register mutually shared intersubjective meanings (for example those pertaining to the prioritisation of economic development at the global level) within an international context filled with diverse actors, and include them in interest formation, this process does not provide an insight into how an actor acts in collective *unison* with others. However, Wendt's notion of collective identity seeks to address this issue of how state actors act in collective unison or solidarity on the basis of shared meanings, values, and ideas. Wendt argues, "[t]he ability to overcome collective action problems depends in part on whether actors' social identities generate self-interests or collective interest" (1994: 386). Therefore, for Went when it comes to how actors act or perform collectively, it is important to ascertain the level to which an actors social identity is able to carry out self or collective oriented interest formation. Wendt elaborates on his understanding of self-interest and collective interest, when he posits:

> *"I shall define self-interest and collective interest as effects of the extent to which and manner in which social identities involve an identification with the fate of the other (whether singular or plural). Identification is a continuum from negative to positive-from conceiving the other as anathema to the self to conceiving it as an extension of the self"* (1994:386).

This elaboration by Wendt provides an insight into his notion of collective identity. In terms of how collective identity is underpinned by how one actor identifies with another. Therefore, a positive identification seems to the initial step towards the establishment of a collective identity, and ultimately potential collective action. Wendt defines collective identity as the "positive identification with the welfare of another, such that the other is seen as a cognitive extension of the self, rather than independent" (1994:386). The significance of collective identity is that provides what Wendt (drawing from Ruggie's work) terms as an "important foundation" for multilateral (denoting collective action focused cooperation or partnership) approaches (amongst state actors) by "increasing the willingness to act on 'generalized principles of conduct' and diffuse reciprocity" (1994:386). Although it is beyond the scope of this study, an in-depth focus on South Africa's collective identity with regards to the DDA, would provide insightful insights into why South Africa has consistently emphasised that it cannot pursue its developmental agenda in isolation from its fellow regional and continental counterpart.

Furthermore, it would aid in gaining a deeper understanding into why South Africa has consistently and vociferously advocated for mutual development through the African Agenda. To a certain degree it can be argued that South Africa has simultaneously promoted both the DDA and the African Developmental Agenda from 1994. Wendt's collective identity would aid in providing a deeper understanding into why this has been the case.

3.5. *Methodological Approach*

This study is an in-depth case study which focuses on South Africa. A case study enables an "in-depth, multi-faceted understanding of a complex issue in its real-life context" (Crowe *et al*, 2011:1). Crowe *et al* note that the "central tenet" which underpins the case study research approach is "the need to explore [a] …phenomenon in depth and in its natural context" (2011:1). In terms of this study the 'phenomenon' to be explored is the formulation of South African foreign policy (between 1994 and 2017), whilst the "natural context" in which the phenomenon is situated in is the post-apartheid South African state. Yin (1984) defines the case study research approach as an empirical inquiry which seeks to investigate a particular "contemporary phenomenon" in its "real-life context" particularly when "the boundaries between phenomenon and context are not clearly evident" (Yin in Zainal, 2007:2). This study is inspired to a great degree, by the need for *more clarity* around the relationship and interplay between national economic development priorities and foreign policy in the South African context. In this regard, the case study adopted for this study is a single case exploratory case study which focuses on understanding the processes (and aspects) relating to how South African foreign policy interacts with the (contextually located) national development agenda.

An advantage of the case study approach is that it allows for an intensive analysis of both South African external policy and national economic development policy. However, a key limitation of a single case study (such as this one) is that it does not allow for a comparative research approach. Morin and Paquin note, "comparison remains a central component of FPA. Regardless of whether the method is quantitative or qualitative… the comparison between different states, different periods or different fields remains

essential when it comes to identifying specific characteristics and generalizations, as well as continuity and change" (2018:18). With regards to this study the 'comparison' element is observed in terms of the comparisons between the different presidential epochs of post-apartheid South Africa. The conceptualisation, formulation and implementation of both foreign policy and economic development policy differed noticeably between the Mandela, Mbeki and Zuma eras, albeit with some continuities. This study seeks to analyse and review the changes and particular continuities that relate to each of the premiership periods. This approach is integral, particularly when noting that "[a] comparative exercise is essential to provide an overview, even in the framework of a study focusing on a single case" (Morin and Paquin, 2018:18).

To gain an understanding of how the ANC and the South African government have projected themselves as a Democratic Developmental State and subsequently articulated economic development-oriented interests and policies which relate to South African foreign policy. This study will undertake a detailed and critical policy overview (through policy analysis and tracking) of both post-apartheid (1994-2017), economic development policy, and foreign policy. This means that the study will trace and delineate how key policy-related ideas and tenets have been translated into government policy (including foreign policy). A key aspect of the research will focus on how the ANC's conceptualisation of the developmental state (engendered through the developmental identity) has been converted or translated into official government policy, and the impact on South African foreign policy formulation.

The tracking and analysis of policy history and developments (1994-2017) will be largely conducted through analysis of key primary sources including: ANC and government policy documents, speeches and formal interviews provided by ANC and government policymakers, formal policy-related writings from ANC and government policymakers, official presentations by government policymakers, and government policy review documents. The aforementioned sources will be augmented by relevant secondary resources and a small sample of interviews (consisting of 7 semi-focused interviews) with informants including: foreign policy experts, government and regional policymakers, private sector participants. Data will be sourced from saved recordings of interviews, which included face-face sit down interviews, as well as online interview sessions conducted via Microsoft Teams. The data from interviews will allow for a more

nuanced analysis, as it will provide expert erudition from individuals who have substantial knowledge about South African foreign policy due to their capacity as expert analysts or practitioners. Therefore, adding another 'layer' to the information gleaned from secondary sources. My interview questions and queries focused on enquires premised on ascertaining whether the informants observed a discernible DDA at the domestic level, and whether it was related to the formulation and implementation of foreign policy. The selection of informants was based on factors such as location, past interactions, level of expertise, background, experience and academic contributions. The interviews will be made available on Microsoft OneDrive (please kindly see Annex 3).

Semi-structured interviews have been proposed as they allow for both formality and latitude from the structured or guided interview guide, in order to allow respondents freedom to articulate their perceptions and notions. Semi-structured interviews present open-ended questions to the selected informant by the researcher. This allows for deeper more nuanced insights as opposed to structured interviews. The 'semi-structure' of semi-structured interviews emanates from the presentation of preset open-ended questions by the researcher (Jamshed, 2014:87). These preset questions act as an interview guide for the researcher thus lending the interview 'structure'. The preset (or 'structured') questions contain obligatory questions and topics which have to be explored or addressed during the duration of the interview (please kindly see Annex 2). The great advantage of semi-structured interviews lies in that the interviewer has the flexibility to pose questions or probe the informant further outside of the preset question interview guide. This allows for more nuanced and perceptive information sourcing. Longhurst notes, "semi-structured interviews are conversational and informal in tone [and] allow for an open response in the participants' own words rather than a 'yes or no' type answer" (2010:105).

The research question is primarily qualitative. This means that the focus of the research process in terms of analysing and reviewing information (or knowledge) will be premised on interpreting how the intersubjective beliefs South African governing elites have about national development relate to the country's foreign policy. This emphasis on 'understanding' complements the constructivist analytical approach adopted for this study, particularly as "[u]nderstanding the constitution of things [for example South African ANC and government policy] is essential in explaining how they behave and

what causes political outcomes" (Finnemore and Sikkink, 2001: 394).

3.6. *Conclusion*

This study will be informed by a constructivist analytical approach (and is not underpinned by the application of a particular constructivist theory). Specifically, the notion of identity will be adopted as an analytical tool, through which to understand how South Africa's pressing need for economic development (has resulted in the South African state appropriating and projecting an overarching "Democratic Developmental State" (social) identity both domestically and internationally. he following chapter focuses on the evolution of the DDA between 1994 and 2006 in relation to economic development policy.

Chapter 4: The Domestic Development Agenda and South African economic development policy (1994 to 2006)

4.1. *Introduction*

This chapter will introduce, define, and discuss the notion of the domestic developmental agenda (DDA). The discussion will focus on how an identifiable consensus in post-apartheid South Africa amongst key state stakeholders premised on a widespread understanding of the need for a far-reaching national development agenda has evolved since 1994 (as represented in government economic policies). Particular attention will be paid to the origins and complexities of the DDA (between 1994 and 2006) as observed in post-apartheid South Africa's inaugural economic policies: the Reconstruction and Development Programme (RDP) and the Growth, Employment and Redistribution (GEAR).

4.2. *The emergence of the Domestic Development Agenda*

The establishment of the new and independent South African Republic in 1994, mandated nation rebuilding and reconstruction, which were encapsulated in the mantra of 'transformation'. To address the challenges that faced post-apartheid South Africa, and aid the country's transformation into a non-racial society, the South African state led by the government of national unity (GNU) had to commit to three core tenets as enshrined in the country's newly drafted Constitution (formalised in 1996). These tenets were steadfast commitments to: a (liberal) democratic Constitution, a non-racial and representative democracy, and the establishment of a fairer and more equitable economy (Giliomee and Mbenga, 2007:407). The commitment to work towards an inclusive and more equitable economy established the urgent need for an economic development vision for the "New South Africa". However, unlike the other two tenets relating to Constitutionalism and good governance the establishment of a fairer national economy was not explicitly set out in the 1996 Constitution. There was no convention which precisely delineated what kind of economic system South Africa should establish in order to address past-transgressions pertaining to apartheid-era socioeconomic

marginalization and exclusion. This increased the salience (and imminent challenge) of the "developmental question" as South Africa embarked on its transformational journey in the early 1990's. In such a context the appearance of what can be termed the domestic developmental agenda (DDA) can be observed. The DDA refers to the notion that South Africa's urgent economic development challenges and priorities are the South African state's fundamental concern and should therefore underpin and guide government policy**.**

The emergence and evolution of South Africa's DDA has been marked by the establishment of two central state-generated development visions: the RDP in 1994 and the NDP in 2011**.** These two national development visions and frameworks have coloured and shaped South Africa's DDA. The RDP was generally viewed as the ANC's (and its alliance partners) developmental vision for post-apartheid South Africa. It had the widespread support of the mass democratic movement, and the majority vote for the ANC in the 1994 elections underlined popular support for the RDP. This meant that the RDP had bonafide legitimacy and appeal for a large and significant section of the South African populace. The Base RDP document (1994) asserts "[t]he RDP has been drawn up by the ANC-led alliance in consultation with other key mass organisations. A wide range of non-governmental organisations (NGOs) and research organisations assisted in the process" (1994: 1.1.3) In this sense the RDP could be considered a 'popular' developmental agenda. The ANC in a 1999 publication of its quarterly policy, 'Umrabulo' propounds:

> *"[w]e won hegemony in society on the Reconstruction and Development Programme as a programme of the GNU and our election slogan of 'A better life for all.' This vision of an integrated. co-ordinated, political, and socio-economic transformation framework, captured the imagination of our people, the mass democratic forces and other forces way beyond the support base of the ANC and its Alliance partners who engineered this programme. In fact, the extent of popular support for the RDP made it difficult for its detractors (the historical white parties, business, the media, etc) to openly criticise it"* (ANC, 1999).

This statement highlights the contradictory aspects of a popular economic development agenda, albeit one underscored by notable resistance and scepticism from key constituencies largely rooted in the previously advantaged and long established white private sector and civil society. Although the RDP was widely endorsed, it was marked by intense contestation in its formulation and faced resistance with regards to its

implementation. Ironically the fiercest contestation around the nature and substance of the RDP was within the mass anti-apartheid democratic movement and the ANC Alliance. At the heart of the dissonance around the formulation of the RDP, was the rift between three central stakeholders: pragmatic ANC policymakers (largely centred around then Deputy President, Mbeki and allied former ANC exiles), the progressive academic economists grouped under the auspices of the Macroeconomic Research Group (MERG) project, and the ANC left (including COSATU, the SACP and supportive trade unions). This policy-driven rift amongst the democratic movement collective was intensified by the economic policy positions denoted by the largely white South African private sector, finance and economic technocrats retained from the apartheid-era (as part of the GNU framework), international donors and multilateral bodies, as well as various local constituencies. These concerns will be discussed in greater detail further on in this chapter. However, what is important to highlight is that despite the contestations and critiques of the RDP which undermined the facilitation of genuine consensus around the implementation of South Africa's post-apartheid economic development policy, it can be reasonably argued that the adoption of the RDP at the state-level indicates the advent of what this study has labelled the DDA.

The National Party (NP) and Inkatha Freedom Party (IFP) despite disagreements and misgivings regarding government policy, either begrudgingly acknowledged the RDP or at the least tacitly paid lip-service to it. The RDP's focus on "reconstruction and development" to address the high levels of inequality and poverty (adversely affecting non-whites and Africans in particular) due to flawed and discriminatory apartheid-era socioeconomic policies was beyond reproach from any reasonably minded state actor in the early years of independent South Africa. Even though key members of the NP and white private sector grumbled about what they perceived to be the RDP's 'socialist' leanings they did not object to the diagnostic aspects of the RDP, in relation to concerns such as the need for a widespread social welfare programme and increased spending on social infrastructure related to heath, housing and education. De Klerk as Vice President and leader of the NP was quoted as stating that his party 'supported' the RDP due to not having "deep-rooted policy differences over what was necessary on the social welfare side… The NP was not against the expansion of housing [programs] and the improvement of education" (Schreiber, 2016:10). Bernie Fanaroff, the former head of the RDP in the presidency (1994-1996) posits: "[e]veryone, including both the NP and

IFP, was in fact very supportive [of RDP objectives]. Everyone was in favour of a school feeding program and building clinics, roads, and schools in the townships" (Schreiber, 2016:10).

Chris Liebenberg, the compromise finance minister who took over the Finance Ministry portfolio in mid-1994 after the resignation of the NP affiliated Derek Keys, stated in a 1995 interview that the "philosophy of the RDP really spells out the corrections of the distortions [caused by the legacy of apartheid] and [lays] out a long term economic philosophy which will bring about [the transformation of the South African economy through] a competitive South Africa and beneficiation of our raw materials, a booming tourist industry, etc.[sic]" (O'Malley Archive, 1995). Liebenberg's constructive view of the RDP is important to highlight because of his background as a non-partisan government minister since he was not directly affiliated with either the ANC or NP. Therefore, Liebenberg was viewed as a credible compromise ministerial selection due to his extensive experience in the finance and banking sectors. In this regard he was seen to a great extent as a representative of the private sector with regards to policymaking around economic policy.

The coalescing albeit unevenly (and with visible strains) of a notable level of agreement around the spirit and essence of the RDP in the period 1994-1996 marks the appearance of the DDA. Although evident tensions, conflicting economic solutions and priorities, ideological biases, and external pressures ultimately undermined the full-scale adoption and implementation of the RDP, it is clear that the vision it articulated set the tone for post-apartheid South Africa's economic development discourse. Furthermore, the RDP clearly set out South Africa's developmental priorities (job creation, mitigating inequality, nullifying the effects of poverty), and the need for economic development policies that are fundamentally 'transformational', in terms of altering the flawed structural foundations of the South African economy. This is what lays at the core of the DDA. Unfortunately, the technical or 'how' part of addressing the core developmental priorities and transforming the national economy remains the key challenge for South African policymakers and the ANC. The lack of consensus around the macroeconomic policy and governance framework that should underpin the DDA has undermined post-apartheid South Africa's socioeconomic progress.

4.3. *The revitalisation of the DDA and the NDP*

The formulation and promotion of the NDP indicates the increasing (or nascent) consensus (noting how the RDP outlined the DDA) around the DDA despite lingering contestations. The NDP was formulated and drafted through a broad-based consultative process that ensured engagement with a widely representative cross-section of South African society between 2009-2012. This approach was overseen by a diverse National Planning Commission comprised of 26 individuals "largely drawn out of government" (NPC, 2012:15). The NDP executive summary asserts:

> *"South Africans from all walks of life welcomed the diagnostic as a frank, constructive assessment. This led to the development of the draft national plan, released in November 2011… South Africans have broadly supported the draft plan, proposing modifications and making suggestions to implement it effectively. Their input has informed this plan" (NPC, 2012:15).*

The NPC's claim that a broad spectrum of South African society including government, the private sector and civil society appears to be credible, particularly when noting the enthusiastic and positive support for the NDP from business and the official opposition. This indicates that the NDP appears to have attained a significant level of 'buy-in' from key state stakeholders.

However, it is important to reflect on the period relating to the NDP's inception and the political-economy context. The fact that the NDP was launched two years into president Zuma's premiership meant that it would come up against the dominant economic development policies at the time, these being the government's industrial policy underpinned by the 2010/2011 – 2012/2013 Industrial Policy Action Plans (IPAP), as well as the broader employment creation focused New Growth Path (NGP) launched in 2010. These economic policy frameworks were overseen by the then Department of Trade and Industry (DTI) and the Department of Economic Development (DED) respectively. There was great complementarity between the two policies in terms of both having widespread support from the ANC's Alliance partners (COSATU and the SACP) and key trade unions such as NUMSA. This was due to the emphasis the IPAP and NGP placed on aspects such as job creation, decent work, value-added beneficiation and reindustrialisation. Furthermore, the ministers who headed the DTI and DED, Rob

Davies and Ebrahim Patel respectively, were well regarded within the ANC Alliance and union movement. In his recently published political memoir, "Towards a New Deal: a political economy of the times of my life" (2021). Davies argues that the controversial demise and subsequent end of the Mbeki era at the ANC's 52nd National Conference at Polokwane (2007) signalled a notable shift in economic development policy towards a greater focus on state-intervention in the economy through industrial policy and development-oriented trade (Davies, 2021). Davies states:

> *"[t]he period between* [the ANC'S 2007 National General Council] *and the Polokwane conference saw the formation of a loose coalition around Zuma. It included the SACP and Cosatu, the ANC Youth League and an assortment of individuals who came to be known as the 'walking wounded'….The Polokwane conference was also noteworthy for the adoption of a resolution on economic policy far more radical than anything that had been agreed to at earlier ANC conferences. Its central focus was on the need to create 'decent work' through, among other things, 'active industrial and trade policy'. Other elements included 'an active beneficiation strategy' (meaning adding value to mineral resources), more effective land reform and ensuring that macroeconomic policy became a tool for advancing the creation of decent work"* (Davies, 2021).

The context discussed above indicates that the NDP was introduced within a particular policy environment or climate, one which was conducive for more radical transformative economic policy approaches as encapsulated in the IPAPs and NGP policy frameworks. Noting this, it can be argued that the NDP could be viewed as a compromise national development vision which would streamline and coordinate the preceding Zuma-era developmental policies set out in the IPAP and NGP and align them to the South African government's dominant market driven economic policy position (implemented assiduously by Treasury and Reserve Bank since 1996). The key personality and champion behind the energetic promotion of the NDP, was South Africa's maverick former Finance Minister, Trevor Manuel in his capacity as Minister in the Presidency for the National Planning Commission[11] (NPC). This was not incidental, and it can be reasonably posited that Manuel represented the diverse interests: of the Treasury and finance ministry technocrats, the general private sector (not just those affiliated with the ANC), international investors and stakeholders, and moderate ANC members (including stalwarts such as the then deputy president Ramaphosa and

[11] Body responsible for the implementation of the NDP

finance minister, Pravin Gordhan). In 2014, Business Unity South Africa (BUSA) a "representative and unified organisation for business in South Africa" (BUSA,2022), as well as the official opposition, the Democratic Alliance (DA) expressed concern over President Zuma's second term cabinet (2014-2018) (Business Standard, 2014). Both BUSA and the DA expressed concern about the apparent demotion of Gordhan from the Finance Ministry to the Ministry of Local Governance and Cooperation (Business Standard, 2014). Gordhan had been viewed as a pragmatic and moderate policymaker who robustly defended fundamental (and stable) market-based macroeconomic policies and the operationalisation of the NDP. His dismissal as well as the departure of Manuel as NPC minister (to be replaced by Jeff Radebe) highlighted tangible concerns relating to who would champion the NDP. One of Manuel's key objectives during his tenure as Minister in the Presidency was to sell the NDP and convince sceptics in both the opposition and private sector that the ANC's economic development policies were palatable to the extent they subscribed to the NDP's overarching national vision and market-oriented growth path. In lieu of Manuel's leadership BUSA "welcomed the appointment of trade-unionist-turned-billionaire Cyril Ramaphosa as deputy president, urging him to press for the implementation of the ANC's National Development Plan (NDP)" (Business Standard, 2014).

Despite the observable tensions and contestations around the NDP within and outside the ANC Alliance, it can be argued that the national development blueprint had significant support from notable ANC members, government policymakers (particularly those in the Finance and Treasury portfolios), the private sector and official opposition. This cross-sectional coalescence around a national economic development agenda represented what then leader of the DA, Helen Zille termed "an emerging consensus" (2011). The then DA leader, posited:

> *"[t]he National Planning Commission's National Development Plan (NDP) points to an emerging consensus at the non-racial, progressive centre of South African politics. The developing policy coherence on the fundamental issues facing South Africa is an exciting and significant development"* (Zille, 2011).

Zille's positive take on the NDP amounts to an enthusiastic endorsement of the ANC and government's national development framework as encapsulated within the NDP

document. The use of terms such as "emerging consensus" and "developing policy coherence" in reference to South Africa's national challenges indicates a burgeoning consensus around the DDA. In this regard it can be proffered that during the Zuma premiership, the notion of the DDA became more salient and consolidated. In an official statement on the NDP released in 2011, Zille states: "[w]e expect the NDP to be catalytic in the realignment of South African politics because…it transcends traditional party lines" (Zille, 2011). For the DA, the NDP is a sound policy framework that can from the basis for non-partisan consensus around South Africa's economic development agenda. Under Musi Maimane the DA also viewed the NDP as a viable nation building proposal. In a 2014 media statement that invoked Mandela's conciliatory and uniting legacy, Maimane asserted:

> *"[t]he Democratic Alliance, like Madiba, is committed to positive change in South Africa. To that end, we have devoted our agenda to championing the National Development Plan. This is a policy document which will place South Africa on the path that Madiba laid out for us… Those who sit across from us in the National Assembly pay lip-service to the NDP and call it a great policy; but how will we ever know if it is not implemented?... let us strive for government action that grows opportunity for all, through the National Development Plan"* (Maimane, 2014).

The statements highlighted above from DA leaders indicate that the NDP has tangible buy-in from the main opposition and their attendant constituencies. This points to a significant level of genuine agreement around (government) economic development policy in contrast to the RDP in the early 1990's. Particularly if one observes that the South African private sector has also endorsed the NDP. The National Business Initiative (NBI) "a voluntary coalition" (NBI, 2022) comprised of South African and multinational companies (including ABSA, FNB, KPMG, Pick n Pay, and NEDBANK amongst others), as well as BUSA which consists of "cross-cutting organised business interests" (BUSA, 2022) partly represented by Business Leadership South Africa (BLSA) and the Manufacturing Circle, have expressed their approval and support for the NDP. The NBI explained in its 2016 "Business Action in Support of the NDP" Action Plan that it, "believes that the National Development Plan (NDP) remains the primary, overarching vision for South Africa's development to 2030" (2016:1). In 2013, then BUSA chief executive, Nomaxabiso Majokweni asserted: "[w]e, as business, have been saying this [the NDP] is the long-term vision we needed to adopt as a country…We need to ensure

that the implementation is effected [sic]. We can't continue to have plans that are not effected…The NDP needs to become the focal point" (IOL, 2013).

Naidoo and Maré state, "the NDP appears similar to the RDP in its scope and symbolic value and has attracted widespread societal support from opposition political parties, business and non-governmental sectors" (2015: 424). The formulation and presentation of the NDP has facilitated an emerging albeit tentative consensus around South Africa's domestic development priorities. The observable support for the NDP from ANC members, the main opposition and South African private sector indicates that there is a general concurrence amongst key South African stakeholders on the need to prioritise economic development. This concurrence or general understanding extends to a shared understanding of the key challenges that undermine sustainable development, including: high unemployment, sub-standard public education and health systems, inadequate economic infrastructure, a predominantly resource (or commodity) oriented economy, spatial divisions characterised by racial and economic factors (NDP, 2012:3). This study argues that South Africa's DDA is characterised by two key aspects: the recognition or awareness that economic development is fundamental priority for South Africa; and secondly the acknowledgment that South Africa (meaning the government and other key state actors) must address the developmental priorities (or challenges) noted above.

However, the predominant obstacle to addressing South Africa's developmental priorities harks back to the RDP era and pertains to the lack of genuine consensus around the adequate policy measures (macroeconomic and otherwise) which must be adopted and implemented with regards to economic development. This has resulted in intense contestations around government policy, thereby constraining and undermining the realisation of the DDA.

This chapter will now turn to the origins of policy contestations by analysing the establishment and evolution of post-apartheid economic development policy as framed and articulated by the RDP (1994-1996) and Growth, Employment and Redistribution (GEAR) (1996-2006) policy frameworks.

4.4. *From MERG to RDP (1993-1996)*

A central aspect of the MERG economic development blueprint for post-apartheid South Africa, was the involved and explicit role of the post-apartheid government with regards to the promotion and realisation of urgent developmental priorities (particularly in terms of human development). The MERG framework posited that tangible investments relating to both social and economic infrastructure were crucial if independent South Africa was to achieve sustainable economic growth (MERG, 1993). A vital facet which underpinned the proposed MERG framework was the facilitation of increased public sector investment in order to both buttress and increase spending on (much needed) social and economic infrastructure. The MERG report notes:

> *"[e]xpenditure should be redirected in favour of government investment, especially in the form of infrastructural development…Government investment in social infrastructure and human development should be significantly increased as a proportion of GDP and optimal use of borrowing should be made for a few years* [to fund public investments toward developmental priorities]*"* (1993:25).

The MERG collective viewed public spending oriented towards human development objectives as a fundamental prerequisite for inclusive economic growth. Furthermore, the MERG researchers were wary of the prevalent orthodox liberalisation measures espoused within National Party policy frameworks such as the Normative Economic Model (NEM). Considering this, the MERG report asserts that the MERG framework "contrasts sharply" with the then ruling party's NEM approach which "favours the advantaged sections of society and assumes that the trickle-down [sic] effects will distribute the benefits to the disadvantaged. The MERG approach, however, targets the disadvantaged directly" (1993:3). The MERG strategy was therefore premised on targeted public investments and spending focused on enhancing South Africa's human capital and infrastructure in order to create a sound foundation for durable and inclusive economic growth.

The MERG framework was antithetical to the NEM strategy in that it explicitly endorsed an active role for the state in terms of economic policy interventions. This meant that the post-apartheid state had to be directly involved in stimulating economic growth and addressing long-standing structural concerns (such as inadequate infrastructure and low levels of human capital investment). MERG researchers argue that the NEM

approach was premised on orthodox liberalisation reforms and an emphasis on the private sector as the key conduit for economic growth and recovery.

Therefore, the MERG collective viewed the NEM as being explicitly and uncritically biased towards the private sector. For the MERG researchers this was a flawed and problematic position, particularly observing South Africa's dire and urgent socioeconomic context in the early 1990's which necessitated a significant level of state intervention within the domestic economy. This was markedly the case in relation to the issue of investment, viewed as a crucial element for both economic growth and development. The MERG report posits that the "government consumption expenditure" which was viewed by NEM policymakers as an 'obstacle' to private sector-led growth is in actuality a key aspect with regards to human capital investment (1993:7). In this regard "it represents investment in human resources" (MERG, 1993:7). Noting this the MERG report goes on to explain: "[a] careful reallocation of this expenditure will deliver the skills which will enable the overwhelming majority of the population to close the income gap between themselves and the privileged minority" (1993:7).

For MERG researchers the 'reallocation' of government expenditure meant that the post-apartheid state would have to adopt a *pro-development oriented fiscal policy*. This is set out in the MERG report, as highlighted by the assertion: "the starting point for the design of fiscal policy is the principle that the relative size of public sector investment needs to be increased" (1993:11). However, MERG researchers emphasise that such state endorsed public investment must be strictly focused and targeted at social infrastructure and human capital investments (thereby avoiding profligacy or inefficient spending). The MERG report argues, "the proposed increases in public expenditure ***must be*** [my emphasis] directed into investment in infrastructure and human resource development, not into low productivity employment in the public sector, nor into consumption-oriented social welfare" (1993:11). The MERG collective propounded that post-apartheid fiscal policy should be evaluated on the basis of how it addressed South Africa's pressing socioeconomic priorities. This meant that fiscal policies should be judged to a great extent "in terms of their effects on the living standards and opportunities of black people [and] their effects on the status and income of women" (MERG, 1993:21) amongst other development-related objectives.

The MERG report argued that one of the core challenges the South African economy faced in the early 1990's was a "fiscal crisis" characterised by the a significant "decline in public sector investment at the same time that private sector investment declined" (1993:22). This context presented a serious and adverse impediment to the generation of sustainable and inclusive growth for post-apartheid South Africa, noting that national economic growth was heavily dependent on a substantial infusion of investment. Considering this the MERG report proposes an 'initial' growth phase which is underpinned by significant public investments in social and human infrastructure, in order to generate a sustainable GDP growth rate of 5% during the first few years of the post-apartheid state. In essence MERG advocates public investment targeted towards projects:

> *"to initiate job creation and training programmes for the unemployed; to improve the status of the poorest women in the rural areas; to improve the availability and quality of education, health, housing, and electrification; to raise the minimum level of wages of low-income earners; and to improve the skills of employed workers"* (1993:2).

Ultimately such targeted and development-focused public sector-led investments, are viewed by the MERG researchers as resulting in a context in which GDP growth is projected to "rise steadily through the 1990's to reach almost 5% per year in the early years of the 21st century" (1993:2). MERG researchers confidently state that such growth "should generate about 300 000 additional jobs a year. The total number of jobs created between 1992 and 2004 would then be 2,5 million" (MERG, 1993:2).

Although the post-apartheid government is projected to be a key source of investment, during the 'initial' phase set out in the MERG report, it will also strive to "crowd in" the private sector with regards to investment and economic policy in general (1993:265-266). The MERG collective acknowledges the crucial role of the South African private sector in terms of economic development. However, the MERG report is adamant that the post-apartheid state should provide policy direction in terms of public investment and economic development. The report asserts: "South Africa needs a mixed economy…the change to a new [post-apartheid] economic system will depend on a strong private sector interacting with a strong public sector. (MERG, 1993:265).

MERG researchers are wary of whether the private sector alone can provide the necessary levels of "productive investment" needed to boost economic growth. The

MERG report posits: "[i]n the present circumstances, a key question is whether or not in the absence of positive state involvement, the private sector would carry out the high level of productive investment which South Africa requires [?]" (1993:266), this important query is valid due to "[t]he low level of net private industrial investment over the past decade, and the low levels of investment currently planned by the private sector" (1993:266), which leads "to the conclusion that the private sector will not, by itself, be investing strongly in the new capacity in the foreseeable future" (1993:266). MERG researchers' response to the issue of inadequate private sector investment notes: "[r]ight-wing [sic] commentators suggest that private investment would increase if the present role of government were reduced, but the evidence points to a different conclusion: private sector investment would be strengthened by the state taking a stronger role, albeit different from its past role [during apartheid]" (1993:266). This assumption by the MERG collective has been noted by various South African economists and scholars, as it underlines a central aspect of the MERG approach: the centrality of state-led investment in relation to economic development priorities.

Peet describes the MERG framework as a "post-Keynesian policy framework advocating a state-led social and physical infrastructural investment program to be followed by sustained growth with increasing private investment" (2002:70). Fourie concurs with Peet that the MERG framework was "post-Keynesian'' (2002:6). Marais calls the MERG proposals "neo-Keynesian" (2013:107). Schneider drawing on Bundy's work, notes that MERG report "proposed a social democratic, Keynesian approach with a modest developmental state intervening to provide infrastructure and to spark development" (2018:309). Nattrass (1994a) expounds that the MERG policy recommendations appear to be formulated on 'sound' economic tenets and commendable objectives (1994a:219).

Nattrass explains that at the 'core' of the MERG recommendations "is a two-stage plan to transform the economy" (1994a:220) which consists of "an 'initial public-investment-led phase' between 1993 and 1999" (1994a:220) and then an increasingly private sector backed " 'sustained growth phase' between 1999 and 2004" (1994a:220). Nattrass notes that MERG 'identifies' with Keynesian tenets (1994a:224). In her critique of MERG Nattrass argues that, it is important for MERG researchers to reconcile their proposals with the sobering fact that for far-reaching economic development to be realised the private sector has make extensive contributions. This means that MERG has

to presciently and perceptively note the aspirations of potential investors. Nattrass states, "[a]lthough MERG identifies with Keynes's principles, little appreciation is evident of Keynes' point that investment is driven by expectations and the 'animal spirits' of investors. MERG overlooks the question of business confidence" (1994a:225). In light of this Nattrass propounds that "the effects of economic policies [such as MERG] on the expectations and confidence of investors must always be one of the major considerations of policy makers...Nobody benefits when capital leaves" (1994a:225). Nattrass's incisive argument sheds some light on why the MERG influence in the final RDP document[12] was significantly moderated and toned down.

Padayachee laments what he views as a lost opportunity with regards to the eventual rejection of MERG proposals in 1994. He comments:

> *"…the American New Deal and the recommendations of the South African Macroeconomic Research Group (MERG)…were examples, in very different eras, of progressive macroeconomic policy interventions based on a state-led investment and 'crowding in' approach to development in direct contrast to a private-finance, market-led and 'crowding out' neoclassical orthodoxy. The first succeeded beyond the imagination of most through a combination of the genius of John Maynard Keynes's ideas and the political mastery and will of Franklin Delano Roosevelt; the second, despite sound policy ideas, was unceremoniously dumped by the ANC political leadership on the grounds that there was no alternative at that time to the dominant orthodoxy view"* (Padayachee, 2018:3).

At the heart of the rejection of MERG proposals was a preference (with far-reaching consequences) by ANC and GNU policymakers for a conservative approach to fiscal policy informed by the prevalent "neoclassical orthodoxy" (Padayachee, 2018). He expounds, that the effect of neoclassical orthodox interventions since the 1980's "has been to severely limit, if not entirely exclude, a role for the state in macroeconomic policy [Therefore,] policy-makers concerned about growth and inequality can be spooked by such paralysing analyses, leading them to reject any activist role for fiscal policy" (Padayachee, 2018:5).

The shift from an activist development-oriented fiscal policy alluded to in the 1994 RDP Base Document, towards the conservative fiscal approach laid out in the 1994 RDP

[12] Taken to mean that key MERG recommendations and ideas (which were informed by a Keynesian approach) filtered through to the RDP Base Document, and to a lesser extent (due to revisions by ANC policymakers) to the RDP White Paper.

White Paper, signalled the refutation of the MERG proposal for public sector-led investments targeted at human development concerns. Adelzadeh and Padayachee note this when they assert:

> *"[t]he potential contribution of fiscal policy to the realisation of some of the medium and long-term objectives of the RDP has been frustrated in the* [White Paper] *by the straitjacket imposed by the elevation of fiscal discipline to the status of a principle. The* [RDP White Paper] *states that '...the overall process for taking forward the RDP... is geared to cutting government expenditure wherever possible' ... It should be a major concern that such a commitment might lead to the decline in the ANC's pledge in the* [RDP] *Base Document to establish comprehensive health care, welfare and social security programmes as well as programmes to provide basic needs"* (1994:5).

Ultimately, Adelzadeh and Padayachee are highly critical of what they argue is a lost opportunity (due to the rejection of the MERG proposals in the RDP White Paper) with regards to empowering and enabling the post-apartheid state to actively use macroeconomic mechanisms such as fiscal and monetary policy to facilitate or generate financial resources targeted towards urgent human development-oriented investments related to social and economic infrastructure. Adelzadeh and Padayachee, assert, "fiscal policy has been totally emasculated a priori by the fear that fiscal discipline will be sacrificed. Furthermore, monetary policy is set to be independent in its policymaking with no specified measures to make it accountable to the democratic government" (1994:16). Padayachee retrospectively notes in a 2015 paper that, MERG proposals relating to monetary policy and the role of the South African Reserve Bank (SARB) were essentially rejected by the ANC (2015:5). Padayachee notes that the then deputy head of the ANC's Department of Economic Policy (DEP), Tito Mboweni in late 1993, refuted MERG recommendations challenging the role and independence of the SARB on the basis "that the MERG position is not ANC policy" (2015:5). Furthermore, towards the end of 1993, the MERG report was essentially rejected by the ANC, as observed by Padayachee: "[t]he full MERG report was presented at the (old) Rosebank Hotel on December 3 [1993], and it was immediately and unceremoniously dumped by DEP head Trevor Manuel at that same meeting" (2015:6). Citing Stiglitz, Padayachee argues that the dilemma that faced South Africa in the early 1990's was that in a context in which fiscal policy was "constrained by budget stringency (as was the case in South Africa around the time of the transition)" (2015:6) monetary policy should then "have become

the main instrument affecting macro-economic policy" (2015:6) in the service of economic development.

The argument being out forward here is that: the state-led public investment programme set out in the MERG report, which endorsed active state intervention via macroeconomic policy in the interest of realising much needed economic development priorities (such as improvements in education, health, and social services) was essentially undermined by the ANC's economic pragmatism, highlighted by the rejection of key MERG proposals as well as the significant revision of the RDP Base Document. This resulted in a 'tempered' RDP policy document, which complemented the ANC's DEP preference for orthodox liberalisation policies, which prioritised private sector investment and resilience. Padayachee argues that "post-Keynesian" economists such as himself, view the adoption of liberalisation policies by the ANC as a short-sighted policy choice; particularly as it denied the post-apartheid government the ability to operationalise fiscal and monetary policy in the service of urgent developmental priorities (2018:14). Referencing Skidelsky's insights on Keynes, Padayachee argues that "[c]utting through post-Keynesian varieties is one simple idea and two policy suggestions, the glue that holds the edifice together" (2018:14), the "simple idea" refers to Keynes' major contribution that macroeconomic policy should be implemented to maintain "full employment", which was to be achieved through a monetary policy which sought to "secure permanently low interest rates" (2018:14), and a fiscal policy meant to "achieve a continuously high level of public or semi-public investment [as the MERG report envisioned]" (2018:14). Writing in 2018, Padayachee laments, "[w]ith South African unemployment officially at 27 per cent, and more accurately over 45 per cent, who can argue against the imperative to make employment generation THE central goal of both fiscal and monetary policy?" (2018:14).

The MERG initiative's aspiration of a two-staged economic growth strategy in which the state facilitates socioeconomic development phased by "crowding-in" the public and private sectors towards the fulfilment of a "state-led social and physical investment program as the growth driver in the first [stage], followed by a more sustainable [second stage] growth phase which would see private sector investment kick in more forcefully as growth picked up" (Webster and Adler, 1999: 363), is echoed in the RDP Base document. The 1994 RDP Base policy document (not to be confused with the RDP

White Paper submitted in late November 1994) expounds active state participation through which government stimulates economic growth via strategic implementation of macroeconomic and microeconomic policy interventions. The RDP asserts: "[r]econstruction and development will be achieved through the *leading and enabling role* of the state, a thriving private sector, and active involvement by all sectors of civil society which in combination will lead to sustainable growth" (1994: 4.2.1). In this regard the RDP envisions the state as the key facilitator of economic development within South Africa. It could be argued that from this perspective the South African state is imbued with developmental responsibilities and later discourses around the notion of a South African developmental state are undoubtedly influenced by the vision laid out in the RDP. A typical Keynesian approach stipulated in the RDP is the promotion and facilitation (via public investment) of public works by government (an example of government intervention). The RDP declares that the state and government have a mandate to actively (if not directly) promote and create employment for millions of South Africans. This is underscored in section 2.3, which states:

> *"[t]he democratic government must play a leading role in building an economy which offers to all South Africans the opportunity to contribute productively…In the short term, the RDP must generate programmes to address unemployment…Public works programme. The key area where special measures to create jobs can link to building the economy and meeting basic needs is in redressing apartheid-created infrastructural disparities. There must be a coordinated national public works programme to provide much-needed infrastructure, to repair environmental damage, and to link back into, expand and contribute to the restructuring of the industrial and agricultural base"* (RDP, 1994: 2.3.1-5).

Another key feature of the RDP is its commitment to use public finances to directly fund national development priorities. The RDP document propounds,

> *"[d]espite relatively high levels of government spending, South Africa displays a worse record than many poorer countries in meeting basic needs. This situation reflects the impact of apartheid in terms of both racially skewed spending and corrupt, unaccountable government…[t]he RDP is, therefore, committed to a programme of restructuring public expenditure to finance the democratic government's contribution to the RDP"* (1994: 6.5.5-6).

The RDP White Paper released in November (1994), provided some elaboration and clarification around some of the policy commitments set out in the Base RDP policy document. In the White Paper the South African government's main directive is declared as being job creation, with a view to ensure optimum or full employment (often noted as a key Keynesian objective). Closely tied to this job creation objective is a pronouncement focused on poverty alleviation, in order to address adverse apartheid legacies with regards to debilitating social indicators related to living conditions, healthcare, social services and education amongst others. The RDP white paper asserts that the state must facilitate a level of redistribution to mitigate the aforesaid disadvantageous indicators. Government is called on to generate employment through the promotion and generation of "labour intensive" national public works projects under the auspices "of the National Public Works Programme administered by the Department of Public Works" (1994: 3.1.3). The White Paper expounds:

> *"[t]he fundamental goal of the RDP is* ***an employment-creating, labour-absorbing economy which will ultimately lead to full employment*** [my emphasis]. *Secondly, redistribution must occur to alleviate poverty in the process of meeting basic needs. The RDP takes the view that neither economic growth by itself or redistribution on its own will resolve the serious crisis in which South Africa finds itself. Therefore, to achieve a successful economy the Government will adopt an integrated approach to reconstruction and development. This will involve the promotion of a more equitable pattern of growth, an equitable distribution of assets, services and access to markets, and the maintenance of macro-economic stability"* (1994: 3.4.5).

According to the White Paper, the "labour-absorbing economy" envisioned by the RDP, will only be viable if the South African government is able to directly invest public resources towards both economic and social infrastructure initiatives as well as social welfare programmes, with a view towards ultimately stimulating greater private sector investment. The White Paper states,

> *"[t]he Government will make substantial public investments so as to meet the basic needs of all citizens and in particular the disadvantaged…Public investment[s] in sectors of the economy aimed at alleviating poverty - such as construction and building materials, communication, health and human resource development would logically also attract private investment once they are developed as more active markets"* (1994:3.5.1).

Industrial Policy is also denoted in the White Paper as a key policy tool for labour-generation and the establishment of a more productive economy, the white paper posits, "[t]he objectives of the Government's industrial policy are employment generation, increased investments, improved trade performance and enhanced productivity" (1994: 3.6.1).

The discussion on the RDP provided above, strongly indicates that the RDP was significantly informed by Keynesian economic tenets. Peet notes that the for the 1994 elections the ANC endorsed the RDP Base Document "a popular policy document written by intellectuals from [the COSATU affiliated Economic Trends grouping] and MERG" (2002:70). Peet posits that (as argued earlier in this chapter) the MERG adopted a "post-Keynesian policy framework" (2002:70). This is evidenced by how the RDP strongly affirms the active role of the South African government within the national economy. The RDP makes it clear that South Africa's adverse apartheid legacy and intensive socioeconomic challenges are best addressed by a proactive and capable state working in tandem with the private sector.

The state is seen as the custodian and overseer of bona fide economic development through extensive job creation and socioeconomic-based redistribution. Jahan *et al* in an IMF brief entitled "What is Keynesian Economics" (2014) state: "[t]he central tenet of this school of thought is that government intervention can stabilise the economy" (2014:53). The RDP subscribes to this Keynesian tenet of government intervention, to not only stabilise the South African economy, but to structurally transform it as well. The RDP views the South African private sector as a key and central partner in terms of ensuring sustainable economic growth, greater productivity, and consistent employment. This is congruent with Keynesian tenets as noted by Jahan *et al*, "Keynesian economics supports a mixed economy guided mainly by the private sector but partly operated by the government" (2014:53). With regards to macroeconomic policy, the RDP appears to allude to expansionary fiscal policy in terms of attaining key objectives such as initiation of public works and human capital investments. Weinstock explains: "[f]rom a policymaker's perspective, expansionary fiscal policy is generally used to boost GDP growth and the economic indicators that tend to move with GDP, such as employment and individual incomes" (2021:1). The RDP explicitly calls for the

state to directly fund employment and social welfare related programmes. In a crisis context in which the South African economy faced myriad challenges and was in need of far-reaching reform, the RDP endorsed a macroeconomic approach which ensures that government is able to spend money to improve the socioeconomic conditions of the majority of South Africans. Therefore, the policies articulated within the main RDP policy document strongly indicate the adoption of a Keynesian oriented expansionary fiscal policy (within moderation and with safeguards to mitigate excessive government spending). This approach is echoed by Boyle and Munichiello when they state,

> *"[e]xpansionary, or loose* [fiscal] *policy is a form of macroeconomic policy that seeks to encourage economic growth. Expansionary* [fiscal] *policy can consist of either monetary policy or fiscal policy (or a combination of the two). It is part of the general policy prescription of Keynesian economics, to be used during economic slowdowns and recessions….Expansionary fiscal policy includes tax cuts, transfer payments, rebates and increased government spending on projects such as infrastructure improvements."* (2020).

Although the South African economy was not necessarily afflicted by recession, it was in dire need of revitalisation and structural reform, meaning that employment generating economic growth was imperative, hence the applicability or appeal of expansionary fiscal policy.

This section has described how the RDP, post-apartheid South Africa's inaugural economic development policy was largely influenced by Keynesian fundamentals. These can be observed through an overview of the RDP's legacy with regards to policymaking and social learning. The legacy of the RDP is characterised by the fundamental introduction of the notion of active state intervention with regards to public policy, in the interest of the majority of South Africans (antithetical to apartheid-era policies). Furthermore, South Africa's high (and unsustainable) unemployment is viewed as a key public policy and macroeconomic issue in RDP stipulations. This means that although economic growth is a key policy objective, greater prioritisation is placed on job creation. Another key policy-related legacy of the RDP is the conceptualisation of the state as a guarantor and facilitator of redistributive initiatives aimed at directly addressing the adverse consequences of apartheid governance. The inception of post-apartheid era industrial policy is the other legacy of the RDP. To-date the notions of

active state intervention with regards to the DDA, which place an emphasis on job creation via "inclusive growth"; introduction of a state-backed industrial policy; and government's role in redistribution processes are all key elements or aspects of either ANC or government policy.

The sudden introduction of GEAR in 1996 just over a year after the promulgation of the RDP, brought much confusion and angst with regards to both the perceptions and expectations pertaining to South Africa's DDA. Webster and Adler take note of this: "[i]n the first year and a half of the new government, the two parallel thrusts—left-Keynesianism and macroeconomic conservatism [as espoused by GEAR]—ran parallel to each other, leading to a muddle in government policy" (1999: 365).

4.5. *GEAR and liberalisation orthodoxy (1996-2006)*

The adoption of GEAR by South African political and private sector elites indicates the pragmatism that was needed to ensure that South Africa would be effectively and meaningfully incorporated into the global economy. Unfortunately, this meant adopting a set of policy tenets that ran counter to the spirit and ethos of the RDP (in terms of the prioritisation of human development), meaning that the notion of a "caring and activist" RDP state would be replaced by the conception of a pragmatic[13] and (high) economic growth prioritising state.

GEAR was the outcome of elite bargaining (at both the domestic and international level) in the face of harsh or severe economic realities. These realities related to two key economic indicators: economic growth (GDP) and the rate of job creation (and inversely the level of unemployment). Mahadea (1998) in his critique of GEAR posits:

> *"[a]fter several years of recession and low or negative economic growth rates, South Africa entered a recovery phase in 1994, registering a growth rate of 2.7% in that year, 3.4% in 1995, 3.2% in 1996 and 1.7% in 1997. But this economic revival has not been accompanied by the creation of new jobs. A process of jobless growth seems to prevail in South Africa. The unemployment situation today, at*

[13] Pragmatic pertains for instance, to the strict adherence to (GEAR) liberalisation tenets such as a "sound fiscal policy" which is conservative and restrictive in terms of spending public finances, noting that the MERG and RDP Base Document call for extensive public funding with regards to socioeconomic programmes.

> *about 30% or more, and the associated poverty are worse than three years ago"* (Mahadea, 1998: 446).

The aspirational and ambitious developmental vision expressed within the RDP, could not be attained with the economic growth rates noted above, well below the 5% GDP growth threshold (5% being viewed as a decent albeit not transformative level of growth). The economic indicators for the period 1994 to 1997 starkly highlight that the RDP had fallen drastically short of its commendable objectives. This in turn underscored the limitations of the South African state with regards to the issue of generating resources to fund economic development, as well as the capacity of the state to implement the ambitious RDP. For sceptical and pragmatic state elites this state of affairs pointed to the need for a swift change of economic policy in order to arrest the socioeconomic crisis engulfing the "New South Africa". The GEAR policy document laments the sub-par economic growth between 1994 and early 1996:

> *"it has become increasingly evident that job creation, which is a primary source of income redistribution, remains inadequate. It is widely recognised that the present growth trajectory of about 3 percent per annum:*
>
> *· fails to reverse the unemployment crisis in the labour market;*
>
> *· provides inadequate resources for the necessary expansion in social service delivery; and*
>
> *· yields insufficient progress toward an equitable distribution of income and wealth"* (1996:1).

GEAR departs from the RDP's broad and extensive developmental vision, by asserting the need for high economic growth, in order to generate more financial resources which can then be channelled towards key RDP objectives. In essence the mantra of GEAR could be summed up "high growth by all means possible". For South African policymakers shifting to a more robust and dynamic growth path meant "a transformation towards a competitive outward oriented economy" (GEAR, 1996:1). In this regard GEAR sought to prioritise South Africa's international competitiveness and facilitate greater integration into the global economy. These GEAR priorities to a significant degree contradicted several core RDP tenets as will be discussed later in this section. This is despite then finance minister, Trevor Manuel's assurances (in a 1997 Budget Vote speech) that, "the success of the RDP is dependent on the successful implementation of the GEAR" (1997).

The context or environment in which GEAR was formulated was characterised by a number of domestic and international pressures relating to the South African economy. Unfounded rumours relating to President Mandela's alleged ill-health, coupled by projected fears relating to the ANC government's newly installed finance minister (Trevor Manuel, appointed in April 1996) considering the NP's unilateral decision to leave the GNU political framework (in May 1996) underpinned the noncommittal approach of the domestic private sector with regards to potential investment and support for government reforms. An IMF 1997 "Staff Country Report" notes that developments in the global economy in 1996 resulted in the "tightening of conditions in international financial markets" (1997:7) which foreshadowed the 1997 Asian Crisis, thereby significantly impacting on prospective international investment. Ultimately all these factors led to a marked depreciation of the South African rand (ZAR) in early 1996. The IMF commenting on these developments in relation to the ZAR's depreciation notes:

> "*[p]olitical uncertainties... contributed to the initial fall* [of the ZAR], *as well as the subsequent declines in April and early May* [1996]: *in mid-February* [1996], *the President's health was (erroneously) thought to be in doubt; in late March, an ANC member was appointed Minister of Finance for the first time; this was rapidly followed by a sharply polarized debate about economic policy between representatives of labour and business; and in May, it emerged that the National Party would leave the Government coalition. But at each stage after these particular uncertainties were resolved, the rand failed to fully recover, suggesting that more fundamental factors may also have been at work"* (1997:7).

To address the burgeoning crisis, the ANC government had to show a firm commitment to the reforms proffered by business and NP-related state elites in tandem with multilateral bodies such as the IMF. A strong commitment to implementing these reforms would provide a signal to both South African and international capital that the South African government was genuinely committed to a sustainable market-based economy underpinned by sound macroeconomic tenets. Given the brief "window of opportunity" in which the government could operate (highlighted by the depreciation of the ZAR), ANC elites decided to fast-track the adoption of orthodox pro-market reforms (as espoused in GEAR) at the expense of consensus-building with Alliance members and

labour around the need for such economic pragmatism. This was to be a bitter legacy of the formulation and implementation of GEAR. Padayachee argues that the ANC "after gaining power … introduced its own homespun neo-liberal macroeconomic policy framework [GEAR] – with the announcement that it was non-negotiable" (2018:11). Alec Erwin then Deputy Minister of Finance (1994-1996) and a key ANC policy-maker, explained in 2016: "we were so preoccupied with influencing our exchange rate and the markets, [we decided that] we could not have a public debate around GEAR.... In hindsight we were too cautious" (Padayachee, 2018:11).

The critical situation in 1996 is succinctly surmised by former IMF managing director (1987- 2000), Michel Camdessus who posits: "[f]rom February to October [1996], the rand depreciated by 20 percent against the U.S. dollar, and the central bank's foreign exchange reserves fell to a dangerously low level" (2000:696). This scenario echoed an earlier precedent and crisis relating to South Africa's precarious economic situation in 1993, which threatened the stability of the fledgling 'new' South Africa. Former Minister of Labour (1994 -1998), Tito Mboweni described the dire context in late 1993: "[o]ne of the problems/constraints facing the economy at that time, was that the country only had foreign reserves to cover for plus/minus three weeks of imports" (2004:1). Derek Keys, South Africa's Finance Minister between 1992 and 1994, counselled the supragovernmental Transitional Executive Council (TEC) to negotiate for financial assistance from the IMF to avert the potential balance of payments crisis South Africa faced (Mboweni, 2004; Camdessus 2000). Mboweni describes the TEC (established in September 1993, and operational in December 1993) as being:

> *"[o]ne of the institutional arrangements arising out of the political negotiations process at the World Trade Centre in Kempton Park* [as a kind] *of 'provisional government'. The TEC as many will recall, established a number of sub-councils. I served on the sub-council on finance. Effectively, the then* [National Party headed] *government could not take any major economic decisions without the concurrence of the TEC sub-council on finance. Those were nice days when we had power without the stress of responsibility!"* (2004:1).

This is important to note because it was the TEC acting on Keys' recommendation, that authorised an IMF financial assistance loan to the tune of US$850 million, which was authorised in December 1993 (Camdessus, 2000:694). Camdessus calls it "one of the

largest loans of the decade to any African country" (2000:694). The loan termed a Compensatory and Contingency Financing Facility (CCFF) was not accompanied by binding IMF conditionalities (which the ANC had resolutely opposed), rather it was facilitated through a "memorandum of understanding (MoU) on policies to be followed in 1994" (Camdessus, 2000: 693). Attendant to the MoU, a "Statement on Economic Policy" was completed by the TEC, which according to Mboweni, "was fairly simple: assure the IMF that the future government will pursue prudent macroeconomic policies. This was something that the ANC in particular had adopted as an approach as early as 1992 in a document entitled - *Ready to Govern*. We did not sell out!" (2004:1).

The 1993 IMF agreement underscored a tacit understanding between the IMF (and other multilateral finance institutions) and South African political elites (including two notable TEC members such as Mboweni and Pravin Gordhan who would be later finance ministers, amongst other influential economic or finance-related government portfolios) around particular economic liberalisation tenets articulated in the dominant IMF economic discourse of the late 1980's and 1990's. The IMF MoU though not binding set the tone for how the state elites who held ultimate oversight over South African economic policy adopted a pragmatic and technocratic (as represented by the 'prudent' macroeconomic policy legitimated by the IMF and international capital) approach to macroeconomic policy. However, such an approach to economic policy ran counter to the popular and participatory outlook of the RDP, particularly with regards to the realisation of unpopular 'prudent' policies relating to privatisation, trade liberalisation and "fiscal discipline". Such policies appeared antithetical to ANC Alliance members such as COSATU, the SACP as well as labour in general, particularly if they were to compromise the dual paramount goals of job creation and structural transformation (partly facilitated through sustainable redistribution). Therefore, it can be argued that in 1996 the South African government faced a context strikingly similar to the one in 1993, and with a sense of "history repeating itself", GEAR (as with the TEC's agreement with the IMF in 1993) was the outcome of elite bargaining in the face of severe economic realities.

By October 1996, the ZAR's depreciation had conflagrated into a situation in which, "official reserves were down to the equivalent of just a few weeks of imports, [whilst]

pressures on the government to increase social spending were rising" (Camdessus, 2000:697). To arrest the crisis and counter negative domestic as well as international investor sentiment, the South African government in mid-June 1996, urgently presented GEAR to the South African parliament ahead of its imminent (and largely unilateral) implementation shortly thereafter. The South African government's fierce determination to implement GEAR between 1996 and 1997, in the face of trenchant opposition from COSATU, SACP, labour and civil society ultimately paid off, in terms of generating respite for the South African economy and allowing for a modicum of stability for the battered South African economy due to a positive shift in perception from domestic and international markets in relation to the GEAR measures adopted by the South African government.

The South African government's top-down largely non-consultative adoption of GEAR was in part a recognition by government (including National Party-related finance policymakers) and ANC pragmatists (grouped around exile leaders such as Mbeki and Mboweni) that South Africa simply did not possess the necessary financial resources nor capacity to fully and extensively realise the ambitious objectives set out by the RDP. Considering this, it was therefore more strategic for the South African government to aim for the "low-hanging fruit" in terms of immediate and urgent reforms which would unlock investment and boost growth, thereby avoiding a looming recession and the resultant instability. Influential policymakers at the time including Manuel, Mboweni and Alec Erwin (Minister of Trade and Industry, 1996-2004) rationalised GEAR as an economic stabilisation programme which would ultimately promote the developmental objectives set out in the RDP through enhanced and sustainable growth. Therefore, the ethos of GEAR could be captured as: "the immediate implementation of painful reforms for a more sustainable and robust future growth path".

Mboweni in his discussion of GEAR-era reforms notes:

> *"[t]he post-apartheid South African government…placed considerable emphasis on restoring fiscal consolidation and stability. The economic strategy* [as encapsulated in GEAR] *at first was to create stable macroeconomic conditions as a necessary precondition for economic growth and employment creation. The basic logic of the approach followed was that by improving fiscal sustainability, poverty reduction and income redistribution would become attainable objectives*

> *over the medium term…This successful fiscal consolidation allowed the government to adopt a more expansionary fiscal policy stance from fiscal 2001/02. More emphasis is now placed on infrastructural development and social upliftment"* (2004:2).

In a 1999 *Umrabulo* (ANC policy journal) interview, Erwin argues that GEAR was necessary in terms of realising macroeconomic coordination and soundness throughout the South African economy through reforms such as: "[r]eduction of the public debt, to redirect expenditure away from interest repayment; [attraction of higher] levels of investment through restructuring of state assets" (1999). However, Erwin notes that such reforms were 'difficult' to implement in terms of the harsh impact they would have with regards to outcomes such as job losses in some sectors despite the long-term gains (1999).

Manuel in his 1997 National Budget Speech as finance minister sought to justify the necessity of the GEAR, which he calls an "economic reform programme", and emphasises that the South African government remained highly committed to the realisation of the RDP agenda. Manuel asserts:

> *"[t]he RDP is the embodiment of the commitment of this government to the elimination of poverty in a rapidly growing economy…The success of the RDP is inherently bound by our ability to generate* [a] *developmental and redistributive thrust within* ***a sound fiscal and macroeconomic framework.*** *To give effect to the RDP in the context of a rapidly globalising and highly competitive international environment requires a significant change in the path of economic growth and development. The challenge to Government is to align economic policy in a way that will ensure an acceleration of economic growth and a substantial improvement in job creation by the turn of the century. The policies set out in the GEAR programme are designed to achieve these objectives"* (1997).

It is important to unpack the "sound fiscal and macroeconomic framework" which underpins GEAR. In essence GEAR represented the South African version of the pro-market liberalisation economic reforms, widely promoted by the IMF and World Bank in the 1980's and 1990's. Padayachee and Fine posit, "[t]ypically, since at least the early 1980's, the IMF and World Bank …[influenced] economic policy in developing countries [by actively promoting]…market-driven policies favouring liberalisation of trade and financial flows, fiscal conservatism, flexible labour markets and the like" (2019:158-

159). GEAR was viewed positively by then IMF managing director, Michael Camdessus as well as the IMF's Africa Department, although the latter wished for "further monetary tightening and deeper structural reforms" (Camdessus, 2000:697).

GEAR was the local manifestation of the internationally dominant economic approach in the 1980's, 1990's and early 2000's represented by the "Washington Consensus". The so-called Washington Consensus[14] a term coined by British economist John Williamson in 1989 (Kishtainy *et al*, 2012:328), was meant to refer "to the package of free-market economic reforms prescribed to developing countries[15] [experiencing economic crisis] during the 1980's" (Kishtainy *et al*, 2012:328). The IMF in a 1997 "Working Paper" entitled "Policy Complementarities and the Washington Consensus" states, "the types of policies referred to in the Washington Consensus are ***generally the right ones*** [my emphasis] for developing countries to pursue" (1997:3). The Washington Consensus package of liberalisation or pro-market reforms consisted of ten economic tenets (as surmised by Edwards, 2014):

i) ensuring 'fiscal balance' in order to counter inflation-related pressures and stabilise prices.
ii) strategic reorientation of public spending or expenditure towards the poverty afflicted segments of the population, with a particular focus on investments in social infrastructure (health and education) to directly mitigate poverty levels. Subsidies that benefit "middle class" are to be generally avoided
iii) implementation of tax reforms aimed at: reducing tax evasion; generating greater government income; and eliminating counter-productive or inefficient "incentives to production and investment"
iv) modernisation of the financial sector, with emphasis on market determined interest rates and a "well-functioning" capital market underpinned by market principles (thereby ensuring that "scarce capital" is allocated to the most "productive uses").

[14] Williamson states, "what I originally defined as the Washington Consensus…was a list of ten policy reforms that were, I argued, widely held in Washington to be needed in most or all Latin American countries as of 1989" (Williamson, 2004:3).
[15] Particularly Latin American countries

v) eschewing an 'artificially' strong national currency, which might adversely impact export sales.
vi) reduction of trade-related protectionist measures or policies.
vii) active promotion and encouragement of foreign direct investment (FDI).
viii) privatisation of inefficient public or state-owned enterprises (SOEs).
ix) implementation of deregulation measures and policies which enhance business transactions, promote competition, and reduce or 'eliminate' the "red tape" associated with barriers to entry in key industries or business sectors .
x) enforcement of the rule of law through the prioritisation and improvement of property rights and attendant laws "as a way of securing higher investment by both foreigners and nationals".
(Edwards, 2014:20-21)

These ten pro-market reforms can be listed as concise policy terms or phrases, as done by Symoniak (2011):

i) fiscal discipline
ii) public expenditure priorities
iii) tax reform
iv) interest rates
v) exchange rates
vi) trade liberalisation
vii) foreign direct investment
viii) privatisation
ix) deregulation
x) property rights (Symoniak, 2011:2).

The GEAR document (1996) lists thirteen "key elements" that underpin GEAR's "integrated strategy" for higher sustained economic growth premised on "a competitive outward oriented economy" (1996:1). These key policy tenets are highly complementary to the ones set out in the "Washington Consensus", there is a high

degree of convergence between GEAR policy objectives and Washington Consensus policy prescriptions. In this regard it can be asserted that GEAR is a pro-market and liberalisation economic development policy. The essence of GEAR is the fundamental notion that by undertaking extensive and far-reaching liberalisation-oriented structural market reforms, the South African economy can move on to a higher and more robust growth path, which will generate a greater level of prosperity and employment (primarily through trade and investment). Another key aspect of GEAR is its commitment to greater economic integration into the global economy through structural reforms that liberalise or "open up" the South African economy with regards to international capital and investors (local and foreign). This is a concern that was not extensively addressed in the RDP policy documents. Therefore, GEAR can be considered in part as a kind of "statement of intent" by the South African government to the international community that South Africa is open for business and investment, and ready to abide to the best practices (as laid out by multilateral organisations such as the IMF and World Bank) pertaining to international business and trade. Particularly considering South Africa's prior isolation during the late apartheid era; therefore, GEAR signalled a kind of return to normalcy on the global stage.

GEAR's "core elements" or tenets are directly informed by Washington Consensus policy recommendations for developing countries. However, it is important to emphasise and note that GEAR was a unique liberalisation[16] policy approach underpinned by South African realities and concerns. These included the need for social welfare disbursements, targeted poverty reduction interventions and infrastructure spending. Therefore, even though GEAR largely adopts Washington Consensus tenets, it also allows for policy compromises related to the aforesaid concerns. The Washington Consensus policy tenets adopted by the South African government are listed in the GEAR policy document as:

[16] This relates to how although GEAR was underpinned by universal liberalisation tenets, its application in South Africa, took note of contextual factors and realities thereby proscribing the application of some tenets (for example extensive privatisation of SOEs). In this sense GEAR had unique characteristics as a South African economic liberalisation policy.

- urgent implementation of a "fiscal deficit reduction programme" in order to counter inflation; reduce or 'contain' debt; and free more resources for investment.
- promotion of a competitive market determined exchange rate.
- consistent implementation and prioritisation of "monetary policy to prevent a resurgence of inflation"
- gradual liberalisation of exchange controls
- tariff reduction to prevent or contain the cost of production-related input prices and support "industrial restructuring"
- implementation of tax incentives centred on stimulating "new investment in competitive and labour absorbing projects" How related to WC?
- greater promotion of privatisation initiatives or "restructuring of state assets", in order to optimise investment
- advancement of labour flexibility reforms particularly in relation to the collective bargaining system
- investments in human capital through a "levy system to fund training on a scale commensurate with needs"
- greater "expansion of trade and investment flows in Southern Africa"
- clear commitment to consistent and "coordinated policies"
  (GEAR, 1996:2).

Whilst the socioeconomic oriented policy compromises are listed as:

- strategic budget reform in order to enhance the level of expenditure spent on previously marginalised members of the population, particularly those disadvantageously affected by poverty (an example of this would be South Africa's social welfare grants).
- initiation of an "expansionary infrastructure programme" to address inefficient service delivery and backlogs
  (GEAR, 1996:2).

A quick reference to the Washington Consensus tenets discussed earlier in this section, would indicate that GEAR policy stipulations mirror Washington Consensus policy

tenets to a great extent, albeit with a few stipulations relating specifically to the South African context (such as labour flexibility, expansion of regional trade, and social welfare). The GEAR document subtly critiques the fundamental macroeconomic approach that informs the RDP (significant public spending termed "expansionary fiscal strategy", antithetical to GEAR's "fiscal deficit reduction programme"). GEAR asserts:

> "*[a]n expansionary fiscal strategy could be considered* [for GEAR]. *However, even under the most favourable circumstances, this would only give a short-term boost to growth since it would reproduce the historical pattern of cyclical growth and decline. Increased growth above 3 percent* [a GEAR target] *would be choked off by a rising current account deficit, upward pressure on real wages and curtailment of investment plans. Higher fiscal deficits would also lead to higher inflation and higher interest rates, exacerbating the burden of interest payments on the fiscus. More importantly, in the present climate of instability a fiscal expansion would precipitate a balance of payments crisis. Without attention to more deep-rooted* [pro-market] *reforms, there is no possibility of sustainable accelerated growth"* (GEAR, 1996:3).

GEAR argues that in order to attain higher economic growth beyond 3%, the South African government would have to extensively cut its public spending, thereby countering the RDP logic of active and targeted state involvement via public spending within the economy. Key policy objectives relating to job creation, redistribution, and industrialisation a set out in the RDP, would need direct funding from the state. However, such funding is discouraged by GEAR as being unsustainable and non-complementary to higher growth.

With reference to labour reform policies, GEAR posits that "structured flexibility" (1996:5) with regards to the collective bargaining framework is key in order to "support a competitive and more labour-intensive growth path" (1996:5). Such 'flexibility' allows for "greater sensitivity" (GEAR, 1996:5) in terms of wage determinations according to: "varying capital intensity, skills, regional circumstances and firm size; reduced minimum wage schedules for young trainees, reducing indirect wage costs; and increasing the incentives for more shifts, job sharing and greater employment flexibility" (GEAR, 1996:6). GEAR therefore sought to curtail not only public spending or costs directly related to the state, but those pertaining to labour as well, the rationale being that (unsustainably) higher wages and general labour costs

would compromise job creation as well as investment opportunities. To this end GEAR aimed to facilitate "a social agreement to facilitate wage and price moderation, underpin accelerated investment and employment and enhance public service delivery" (1996:5).

A key outcome premised on the implementation of GEAR tenets was for South Africa to average 4,2 % GDP growth per annum from 1996 through to 2000, with growth rising to a peak of 6% post-2000 (see Appendix 4)[17] (GEAR, 1996). According to the GEAR policy document (in Appendix 4) this (modest) increase of growth would be largely underpinned by expansion of manufactured exports at a rate of 10% per annum (from 1996), buoyed by increased public and private sector investment within the domestic economy (GEAR, 1996). GEAR (as set out in Appendix 4) posits that the growth of South African (value-added) manufactured exports complemented by greater levels of domestic investment would be underpinned by reforms pertaining to: fiscal discipline (in order to generate greater national savings which could then be used as "domestic financing for…accelerated investment") (GEAR, 1996); policies which attract sustainable FDI; and measures that ensure the "containment of wage increases" (GEAR, 1996).

The pragmatic and arduous if not controversial reforms set out in GEAR would prove to be extremely difficult for the South African government to implement. This was largely due to the contentious manner in which GEAR had been formulated and adopted,. Commenting on GEAR, Hart argues: "GEAR can be seen as part of a vanguardist [sic] project to to exercise a new form of activism defined in technocratic [with regards to the application of IMF and World Bank endorsed economic tenets] and hierarchical terms…to assert the dominance of a transnationally-connected elite over mass mobilisation and action [as observed in the 'popular' appeal of the RDP]" (2007:94). The swift and (largely) unilateral implementation of GEAR by state elites unleashed a fractious battle between the South African government, members of the ANC Alliance and labour which was to undermine consensus around economic policy for over a decade and generate bitter divisions within the ruling party.

[17] Appendix 4 does not have page numbers

GEAR had also overestimated the level of national savings South Africa could generate, as well as the volume of investment from the fickle domestic private sector. In essence, the South African government was unable to generate high rates of national savings to offset its level of spending (Harjes and Ricci, 2006)[18], neither was it able to compel the private sector to "play its part" in terms of the facilitation of capital to complement government reforms (Marais, 2013: 114). Marais posits, "[n]o specific measures were proposed to ensure the private sector met its assigned duty of productive investment. Affected instead was a crude act of seduction. GEAR's adjustments were meant to stimulate an attractive posture for private investment" (2013:114).

Noting the aforementioned risks and challenges it becomes much clearer to understand why GEAR fell short of its objectives. South Africa's economic growth between 1996 and 2005 (GEAR was revoked in early 2006) according to South African Reserve Bank figures provided by Mahadea and Simson (2010:392) in their analysis of South African economic growth between 1994 and 2008, averaged a modest a modest 3,3% (below the 4,2% per annum projected by GEAR). Such anaemic growth was not conducive to job creation. Marais posits, "[o]n the job front, [GEAR's] performance was abject. More than half a million (non-agricultural) jobs were lost between 1994 and 2000" (2013:118). This situation echoed Mahadea's prescient observation in 1998, when he opined: "[a] process of jobless growth seems to prevail in South Africa. The unemployment situation today, at about 30% or more, and the associated poverty are worse than three years ago [1995]" (1998:446). Ultimately, GEAR's inability to generate higher sustainable economic growth and greater levels of employment was due to the issue of how the South African government "did not have the ability to implement the GEAR strategy" (Roux, 2014:197).

[18] Writing in 2006 Harjes and Ricci argue:

> "South Africa has experienced a steady decline in its national saving rate over the past several decades that has been accompanied by a fall in domestic investment Government saving reached a trough in the early 1990's and has, since then, recovered significantly. Nevertheless, both corporate and personal saving fell throughout most of the 1990's and gross private saving reached its lowest point in 2001 at about 13 percent of [gross national disposable income (GNDI)]. Such a low saving rate ranks poorly relative to those in other economies, particularly emerging market countries" (2006:48-49).

4.6. *Foreign Policy in relation to the RDP and GEAR*

The ideational and policy-based contestations around the DDA between 1994 and 1996 had a significant impact on South Africa's foreign policy with regards to economic development. From a developmental perspective, South Africa's foreign policy was viewed as a policy-based mechanism through which contribute to the overarching GEAR objective of generating high economic growth. This meant that South African foreign policy via its 'tools': economic diplomacy and international trade would be oriented towards generating the economic resources necessary to fund the RDP (under a GEAR policy framework). Observing the context in 1994, Adelzadeh and Padayachee state:

> *"South Africa is under tremendous pressure from the domestic corporate sector, multinational corporations, international financial institutions and foreign states to take policy and legal steps to liberalise its trade and investment regulations and laws and thus incorporate completely into the world economy. How, when and under what terms South Africa is incorporated into the globalisation process has important implications for the success of the RDP"* (1994:8).

As noted by Adelzadeh and Padayachee, South Africa faced intense pressure with regards to the nature of its integration into the global economy. Particularly, one which was dominated by deepening American Hegemony and the widespread promotion of the "Washington Consensus". In such a context South Africa faced difficult choices around issues pertaining to the liberalisation of its trade regime, and how this would impact the local manufacturing sector and various domestic industries. Furthermore, scholars such as Adelzadeh and Padayachee were presciently and perceptively critical of the commitments South Africa had begun to make with regards to the General Agreement on Tariffs and Trade (GATT) processes, particularly within a context in which a clear industrial policy framework had not been developed (1994:8). They posit: "the question arises as to why the government is currently implementing the GATT when 'an effective industrial policy' is not yet in place, and the details and time-scales for [liberalisation measures] are not clearly spelled out, either in the [RDP White Paper] or elsewhere" (Adelzadeh and Padayachee, 1994:8). Adelzadeh and Padayachee's concerns were to prove highly pertinent as noted by Vickers (2014) in his analysis of South African trade policy between 1994 and 2014. Commenting in 2014, Vickers

postulates: "[t]he trade liberalisation project of the 1990's that initially drove South Africa's post-apartheid global economic re-integration has now stalled amid growing liberalisation scepticism and de-industrialisation concerns" (2014:58).

Vickers argues that the South African government's external economic policy between 1994 and 2004 was characterised by three key aspects: extensive tariff reform; unilateral liberalisation of the economy (under GEAR); and "no overarching industrial policy framework" (2014:57-58). South African foreign policy under GEAR was focused on supporting two key aspects. These were export-led growth (with a focus on manufactured products), and the attraction of FDI (supported by key "supply-side" reform measures) (Vickers, 2014:59). Considering this it can be observed that South African foreign policy became oriented towards a trade policy approach which facilitated greater market access for South African commodities and value-added goods (for example automobiles); whilst economic diplomacy sought to promote and market South Africa as an attractive investment destination (as highlighted in the 1996 Department of Foreign Affairs' "Foreign Policy for South Africa: Discussion Document").

Post-apartheid South Africa's urgent integration into the global economy during the Mandela and Mbeki premierships was premised to a great on ensuring that such integration would address the DDA (particularly with regards to government policy). Barber (2005) notes that post-apartheid South Africa came into being at a time when the United States was the dominant power within the international system. This meant that the "New South Africa" was incepted within the broader American sanctioned "New World Order"; an order which set the tone for how global trade and governance were to be facilitated. South Africa was a unique phenomenon in such a context. Especially as in South Africa "[t]here was born the only child of the new order, and as such it was treasured" (Barber, 2005:1082). In sense there was much international 'goodwill' for post-apartheid South Africa. South African policymakers sought to take advantage of this with regards to economic development. South Africa's positive image in the first few years post the 1994 elections, was a key factor in ensuring that development assistance and finance was channelled its way. However, this was done as an exception for the new nation, due to the fact that South Africa was considered to be a relatively wealthy nation, meaning that it did not qualify for development aid as a poor country or Least

Developed Nation. Therefore, donors forwarded development funding to South Africa as a kind of "once off" meant to aid the country's post-apartheid reconstruction. Barber posits that since South Africa "was too wealthy to qualify for development aid, an exemption was made to compensate for the suffering endured under apartheid" (2005: 1082). In such a context key donor such as UNICEF contributed $20 million "to contribute to the health of women and children" (Barber, 2005:1082), whilst the European Investment Bank disbursed a $USD 4 billion loan facility "to finance post-apartheid reconstruction and development in South Africa" (Jordan, 1996). Unfortunately, it soon became apparent that donor funding for post-apartheid reconstruction and development (often complementary to RDP objectives) was both inadequate and not sustainable. Furthermore, the goodwill extended to South Africa by the international community would not be indefinite. These aspects were noted by then Reserve Bank Governor, Chris Stals in 1996, when he conceded that South Africa like other developing countries would have to compete for "investor funds" (Jordan, 1996). Stals stated, "South Africa is now moving beyond the stage where investment interest was dependent on the return of the country to the world community" (Jordan, 1996). Therefore, South Africa had to robustly indicate that it was "open for business", and also translate whatever 'goodwill' there was into tangible financial resources to fund the RDP. This meant that the greenlight was given for foreign investors, and South Africa fully endorsed the ethos of the newly established WTO (set up as the successor to GATT, in order to facilitate and ease international free trade). The nature of the South African economy necessitated such an approach. Particularly as South Africa is "an outward oriented economy that is largely dependent on trade flows and inward investment" (Vickers and Ajulu, 2008:5).

The formulation and implementation of GEAR in 1996 ensured that South Africa adopted economic (liberalisation) tenets which were complementary to the global economic governance rules of the time. In retrospect a number of scholars and policymakers have commented that South Africa conceded too much to the WTO process in terms of trade liberalisation measures, particularly noting that South Africa negotiated WTO terms with developed economy status (an issue discussed in chapter 7). This was a legacy of South Africa's GATT Uruguay Round (1986-1994) engagements, at which "South Africa accepted developed country commitments" (Vickers and Ajulu, 2008:2).

In a presentation to the Select Committee on Trade and International Relations (July 2014), entitled "South Africa's Trade Policy and Strategy Framework" Vickers then Chief Director: Research and Policy International Trade and Economic Development (ITED), noted that post-apartheid South Africa has initiated "extensive tariff liberalisation since 1994" (Vickers, 2014:4). This means that by the end of the Mbeki premiership, South Africa was a "relatively open economy, only 'moderately' protected by tariffs" (Vickers, 2014:3). South Africa's Most Favoured Nation (meaning trade measures that are applicable without discrimination to a country's trade partners) tariff rate was 7,7% in 2014 "down from 23% in the 1990's" (Vickers, 2014:3). Furthermore, more than half of South Africa's trade-related duties were set at 0% (Vickers, 2014:3). South Africa since 1994 set out to simplify its trade regime, resulting in a context in which compared to its trading partners South Africa's "tariff regime is transparent and overly complex" (Vickers, 2014:3). This means that there are not intricate trade policy tools such as "non-tariff barriers (NTBs)" (Vickers, 2014:3). With regards to foreign investment, Vickers notes that "South Africa ranks amongst the most open jurisdictions for FDI in the world and provides strong protection to investors in line with high international standards" (2014:3). South Africa's inception of key liberalisation policies domestically via GEAR was complemented by a parallel process with regards to external economic policy. The key notion which underpinned both processes was that South Africa needed far-reaching economic and trade reforms which would enhance South Africa's integration into the global marketplace, and also generate financial resources necessary to fund RDP programmes, be it through investment or trade revenue.

Apart from safeguarding foreign investment and reforming trade policy, the post-apartheid government had to seriously engage with the issue of regional economic integration on one hand, and regional expansion in relation to the outward orientation of the South African private sector within SADC and further afield across the continent. There was prescient realisation by both ANC and government policymakers that South Africa's economic prosperity and development could not occur in isolation (particularly noting how apartheid South Africa had disrupted regional economic development, particularly in the 1970's and early 1980's). Instead, South Africa would to be an active driver and promoter of economic growth and development within the region. President Mandela at a 1996 SADC summit asserted, "South Africa supports the goal of full economic integration of the SADC region" (Jordan, 1996). The 1996 Foreign Policy

Strategy documents echoes president Mandela's sentiments, "[t]he South African RDP should be regionalised to promote development projects in the whole sub-continent. Investment in neighbouring countries by the private sector should be encouraged" (DFA, 1996: 8.1). The ANC in particular felt an obligation to the region, particularly noting the significant support the ANC had received from SADC countries. Jordan states, "President Mandela's [ANC] had pledged to repay the invaluable support it got from [African] neighbours during the fight against apartheid by taking them along on his drive for redevelopment and economic growth" (1996).

However, the inverse side of the coin with regards to this was that whilst the ANC and government were at pains to highlight mutually beneficial regional economic integration and development, the South African private sector realised the immense opportunities for expansion and profit making that a new, pro-African, and legitimate dispensation allowed them. What Schoeman describes as "taking advantage of the opportunities offered by the demise of apartheid" (2007:99). Vickers and Cawood propound:

> *"[f]ollowing decades of apartheid-induced economic isolation, South Africa's democratisation in April 1994 opened a heady new era for the internationalisation of South African capital and the global expansion of its corporations…[in the 1990's] the domestic and external context provided propitious enabling conditions for South African corporations to expand internationally, especially into the rest of Africa where many firms appeared to have locational advantage"* (2018:131).

In this sense Africa was to become the South African private sector's most important market and investment outlet. For government policymakers the success of "South Africa INC" was crucial, particularly in terms of ensuring that South African businesses could secure "market access abroad (particularly for…intermediate manufacturers and service suppliers)" (Vickers and Ajulu, 2008:5). The South African government buttressed the continental expansion of South Africa INC by effectively liberalising the country's exchange controls during the 2000's in order "to support outward investment in SADC and the wider African continent" (Vickers and Cawood, 2018:138).

The impact of the South African private sector was widely felt throughout the region and broader continent in the first years of the post-apartheid state. South African exports to "the rest of Africa jumped [55%] over two years to USD $2,4 billion in 1994" (Jordan, 1996), however as if a portent of what was to come "imports from the region rose by just under [50%] to USD$ 645 million" (Jordan, 1996). Therefore, from the inception

post-apartheid South Africa's economic engagement with the rest of the continent was significantly lop-sided. By 1996, South African mining corporation Anglo American was 'active' in seven African countries, whilst Standard Bank had operations in thirteen African countries (Jordan, 1996). Writing in 1996, Jordan provides a succinct outline of how South African services began to branch out into the region and further afield. He notes:

> *"South African Breweries has expanded into Botswana, Lesotho and Swaziland, owns 70% of the Mozambican national brewer, and 50% stakes in the state-owned breweries if Tanzania and Zambia. Pepkor,* [then] *South Africa's biggest retailer, has plans to open seven stores in Zambia by the end of this year and proposes to build a shopping center in Maputo. Rival Pick'n Pay has announced plans to open stores in Bostwana, Kenya, Namibia and Zimbabwe"* (Jordan, 1996).

It is important to note another trend which was incepted in the immediate post-1994 years, which is that South African private sector expansion and investment into Africa was largely premised on the extractives and services sector, highlighting the South Africa's competitive and comparative advantages in those sectors. To date, South African corporations in the services and mining sectors dominate the African market. South Africa is renowned for its high-level financial services sector, the purchase of a 20% stake in South African bank Standard Bank for USD $5,6 billion, by the Chinese Industrial and Commercial Bank of China (ICBC) in 2007 set a continental record. Until then it was "biggest foreign investment yet in Africa" (Vickers and Ajulu,2008:3). However, as opposed to its trade with key non-African trade partners, South Africa's continental trade is highly diversified and apart from the aforesaid services and extractive sectors also includes value-added manufactured goods including machinery, steel products, electronic equipment, automotive products, and processed foodstuffs (Vickers and Cawood, 2018: 136). South Africa's comparative continental advantage with regards to manufacturing capabilities has led to greater calls for domestic industrial policy and the revitalisation of South Africa's manufacturing sector by industrialisation advocates within government and the ANC. Towards the end of the Mbeki premiership, South Africa's industrial policy was formally introduced and there was an increasing policy focus pertaining to how government SOEs could export their services throughout the continent (as their private sector counterparts had successfully done).

Apart from trade liberalisation measures such as lower tariffs, and relaxed exchange controls as key aspects of external economic policy, the South African government through the International Development Corporation (IDC) worked to facilitate the advancement of South African enterprises throughout the continent (through policy mechanisms such as export finance) (Vickers and Ajulu,2008:18-19). By 2008 IDC-backed or supported business operations were estimated to amount to 60 projects spanning 21 African countries including Egypt, Algeria, Tanzania, Senegal, Nigeria, and Swaziland amongst others (Vickers and Ajulu, 2008:19), indicating the expansive reach of the South African private sector (albeit with government support). In their 2008 report for The Presidency's Fifteen Year Review, Vickers and Ajulu note the IDC's role when they posit, "another feature of South Africa's penetration of the African economy has been the promotional role played by South Africa's penetration of the state through entities such as the IDC, which not only provides funding but also shares the risk by taking a direct stake in some projects" (2008:19).

The economic development approach favoured during the Mandela and Mbeki premierships, was one focused on successfully and sustainably integrating South Africa into the global economy, particularly with regards to key aspects: the attraction of foreign investment; facilitation of high-volume trade; and the attainment of market access for South African services and goods (particularly throughout the continent). The key underlying notion behind such an approach was that South Africa (especially through GEAR) need to actively participate within the international market-based system in order to garner vital financial resources to fund its RDP programme (which was valued at USD $10 billion in 1996)[19].

The challenge for ANC and government policymakers was that South Africa's pursuit of its economic development national interests, did not necessarily complement its idealist tenets relating to the "African Agenda" in terms of regional integration and mutual regional (and continental) development. The clear economic dominance of South Africa often aroused resentments and frustration with the continental powerhouse. Particularly noting South Africa's persistent and prominent trade imbalance (in South Africa's favour) with the rest of the continent. The 2008 fifteen-year Presidency Review notes, "[i]n relation to the broader continent, the balance of trade is…in South Africa's

[19] Jordan, 1996

favour. For example, in 2001 South Africa's total trade with the rest of the continent [excluding the Southern African Customs Union] amounted to USD $856 million in imports and USD $3,7 billion in exports, translating to an imbalance of nearly 5:1" (Vickers and Ajulu, 2008:18).Furthermore, the competitive and comparative advantages of South African companies over their regional and continental counterparts (particularly during the 1990's and early 2000's) meant that South African enterprises often displaced domestic ones, further entrenching South Africa INC's dominance. Drawing from Adebajo's analysis Vickers and Cawood observe that by 2003 South African companies ran and oversaw Cameroon's national railroad; managed Tanzania's national electricity supplier; also supervised airports in seven African countries (2018:138). Noting that during the early 2000's "Shoprite's 72 shops in the rest of Africa sourced South African products worth R429 million rather than buying some of those products in their host countries" (Adebajo in Vickers and Cawood, 2018:138). However, there is some evidence that South African corporate investment in Africa has yielded some developmental outcomes, particularly in terms of the corporate taxes South African companies pay in countries such as Mozambique (Vickers and Ajulu, 2008:3). In Mali for instance the increase in gold production due to South African investment resulted in increased gold mining revenue for the Malian state (Vickers and Ajulu, 2008:3). The generation of employment by South African companies operating across Africa can also be noted as a significant developmental outcome (Vickers and Ajulu, 2008:3).

Ultimately, the economic development approach which informed the first thirteen years of post-apartheid South African governance in support of the DDA had the unintended effect of highlighting the developmental gap between South African and the rest of the continent. As post-apartheid South Africa strove to assert itself within regional, continental, and international markets it drew pointed criticisms (and resentment) that South Africa pursued an external economic approach which benefitted it at the expense of regional and continental trade partners. This meant that "local resentment … swelled [in countries such as] Kenya, Tanzania, and Nigeria to what some saw as efforts to export apartheid [sic] labour practices and destroy infant industries" (Adebajo in Vickers and Cawood, 2018:140).

4.7. *Conclusion*

The post-apartheid South African state has generated and promulgated two key national development visions: the RDP and NDP. Both have garnered significant buy-in from central state actors and constituencies, particularly the RDP, which was South Africa's inceptive national development vision framework. The RDP popularised the "domestic developmental agenda" (DDA), which was premised on the prioritisation of socioeconomic development in order the redress the adverse and far-reaching impacts of apartheid (such as the "triple threats": unemployment, inequality and poverty), as well as the reconstruction of the "New South Africa". In this sense the formalisation of the RDP as government policy in 1994, marks the advent of the DDA as a *central focus of state policy and governance*. The NDP initiated in 2012 differs in strategic intent and focus from the RDP; however, like the latter it places the DDA as its core mandate. In this regard both the RDP and NDP are presented as national development visions which seek to actively promote the realisation of the national developmental agenda. In essence it can be argued that the RDP and NDP in their prioritisation of the DDA, underscore the overarching norm that guides the South African state's actions. This norm pertains to how the post-apartheid South African state *must* actively address the country's urgent developmental challenges.

The RDP and NDP advocate for starkly divergent economic policy strategies and approaches with regards to addressing the national development priorities and objectives underscored by the DDA. This has resulted in intense policy contestation amongst key state actors within government and the ANC Alliance, as well as notable policy divergences (depending on who yields authority over policy formulation and implementation), in relation to the main national strategic policy framework which should underpin and guide the realisation of the DDA. The differences in approach between the RDP and NDP can be traced back to a sudden shift from a proposed Keynesian influenced economic approach (prioritising significant human development related investments) to complement the RDP, towards the unilateral and highly divisive adoption of the pro-liberalisation and (economic) growth focused GEAR "macroeconomic stabilisation" approach. The promoters of GEAR argued that it would allow for the sustainable and pragmatic attainment of RDP objectives.

The RDP was meant to guide the work and scope of the GNU and subsequent governments, this is evidenced by how the deviation to a more pro-market approach via GEAR macroeconomic stabilisation was justified on the basis that it was meant to ensure sustainable financial and economic resources to fund or support the RDP (as asserted by then finance minister, Manuel). The RDP garnered widespread consensus amongst diverse (and oppositional) state actors between 1994 and 1995 in terms of its social (or human) development ethos and focus. There was an unambiguous shared understanding amongst state actors (including NP and IPF constituents) that key development priorities relating to poverty alleviation, healthcare and education had to be actively addressed by national government. The dissensions centred around macroeconomic policy and the role of the state within the national economy. Ultimately the realisation of the aspirational and ambitious RDP vision would prove to be unrealistic, noting the dire economic context which engulfed post-apartheid South Africa between 1994 and early 1996, noting that the state coffers were essentially depleted, thereby undermining the sustainable funding of RDP projects and initiatives. In such a fraught context, it was pragmatically decided by a coterie of state elites that a pro-market liberalisation oriented macroeconomic stabilisation strategy in the form of GEAR would be the best if not sole option with regards to resuscitating the South African economy and ensuring robust economic growth (thereby generating resources to fund the RDP). Critiquing the adoption and implementation of GEAR, Peet writing in 2002 underscores the persistent appeal of RDP as well as the Keynesian influenced approach articulated by MERG (2002:77). Peet propounds:

> *"[a]lternatives to GEAR that express the social transformation perspective exist. The RDP remains officially in place, with support from significant leftist fractions of the ANC. The trade unions and social movements have their own (Keynesian) development alternatives. Indeed, South Africa presents an opportunity for what Arthur MacEwan (1999) calls a democratic strategy of development, the core of which consists of state investment in social programs. When the ANC took power in 1994, internal conditions existed for supporting this kind of democratic strategy….Thus the question underlying this…discussion must at last be addressed. Why did the ANC shift from its long commitment to structural transformation through democratic developmental means, towards structural adjustment using neoliberal economic means?"* (2002:77).

In essence the divergences between the RDP and GEAR highlight the issue of how the South African state has not generated widespread consensus and "buy-in" around the form of the market-based system which should underscore both economic development

and activity. There is no national consensus on whether such a system should be Keynesian with significant state intervention (as inspired by the developmental state approach)[20] within the economy, or whether it should be predominantly free market oriented along orthodox 'neoliberal' tenets. The original RDP vision was significantly Keynesian in nature, whilst GEAR explicitly adopted neoliberal liberalisation tenets, thereby highlighting the divergence in economic approaches and ideals. The entrenchment and dominance of GEAR between 1996 and 2006 was to ferment dissent and ultimately generate a "push-back" against liberalisation tenets during the "tail end" years of the Mbeki premiership.

A notable legacy of GEAR is the commitment by the South African government to certain economic tenets informed by the Washington Consensus pertaining to fiscal and monetary policy. These include policies such as: inflation targeting, a free-floating exchange rate, liberalised exchange controls, an independent Reserve Bank, a preference for fiscal discipline as opposed to expansionary fiscal policies amongst others. The 'technocrats' or policymakers at the Finance Ministry and Reserve Bank have a resilient and stern commitment premised on adhering to the policies mentioned above and strive to 'insulate' themselves from political interference and populist sentiments with regards to economic policy. This has often exacerbated tensions between ruling party policymakers and public servants (at the Treasury and Reserve Bank). The commitment to orthodox economic tenets tends to contradict and constrain the ANC's ambitious economic development policy-based objectives. Particularly those relating to the notion of a developmental state and the 'transformation' of the national economy (which will be discussed in the following chapter). This is a core concern with regards to consensus around the DDA.

[20] This refers to how developmental states generally use fiscal policy *in the service* of key development priorities such as industrial policy or manufacturing capability enhancement. Therefore, a South African developmental state would adopt fiscal policy as policy tool to boost economic growth (a Keynesian approach). Which would be similar to the post-apartheid state MERG envisioned (noting its key focus on social infrastructure spending within the South African context).

Chapter 5: From the Accelerated and Shared Growth Initiative to the National Development Plan, South Africa's contemporary developmental challenges (2006-2017)

5.1. *Introduction*

This chapter will provide an analysis and critique of the contemporary challenges that underpin the DDA. These challenges will be discussed through the prism of South Africa's economic development policies between 2006 and 2017. Particular focus will be paid to the contradictions and differing priorities set out in these policies, and how they ultimately impact on the prospects for a unified position on the DDA by key state actors and institutions.

5.2. *The Accelerated and Shared Growth Initiative (ASGISA) and National Industrial Policy Framework (NIPF)*

Although GEAR had successfully managed to integrate South Africa into the global economy, achieve sustained (albeit modest) domestic economic growth and ensure the support and goodwill (in terms of creditworthiness) of multilateral institutions as well as potential foreign investors; it faced increasing opposition within the ANC Alliance from COSATU and SACP as well as broader civil society. This opposition was informed by the widespread view that the spoils of South Africa's economic growth were not being redistributed equitably, especially with regards to the formerly marginalised majority.

The Mbeki administration's decision to adopt a more inclusive growth model through the Accelerated and Shared Growth Initiative (ASGISA) in 2006 was a formal acknowledgement of the critiques and limitations associated with GEAR, indicating that government was aware of the urgent need of a more equitable and transformative economic model. In essence ASGISA sought to address structural constraints that adversely impacted on inclusive economic growth. Through the ASGISA framework, the

Mbeki administration identified six "binding constraints on growth" (Presidency, 2007: 2).

The six constraints were:

- deficiencies in government's capacity
- the volatility of the currency
- low levels of investment infrastructure and infrastructure services
- shortages of suitably skilled graduates, technicians and artisans
- insufficiently competitive industrial and services sectors and weak sector strategies
- inequality and marginalisation, resulting in many economically marginalised people being unable to contribute to and/or share in the benefits of growth and development (the Second Economy) (Presidency, 2007: 2).

Considering such challenges, the South African government sought to focus on generating greater capacity and efficiency within the domestic economy by prioritising: the development of manufacturing capability (which meant the need for industrial policy), increasing investments in economic and social infrastructure, and improving South Africa's economic competitiveness. ASGISA also sought to revitalise the GEAR aim of increasing and enhancing South Africa's manufactured exports. To this end the South African government identified a number of sectors to be prioritised with regards to enhancing South African manufacturing. The government sought to actively encourage private sector involvement and investment within the selected manufacturing sectors, which included: textiles, chemicals, metals beneficiation, paper and pulp production, crafts and biofuels (Roux, 2014:199). Roux notes that these sectors were all "labour-intensive, rapidly growing sectors worldwide, suited to South African circumstances and open to opportunities for [black empowerment redistribution policies] and small business development" (2014:199). The acknowledgment by the South African government of the urgent need to invest towards the establishment of a sustainable labour-intensive manufacturing highlighted the importance of an industrial policy framework.

In early 2007, the South African government via the Department of Trade and Industry (DTI), formally introduced a national industrial policy strategy. In a policy document authored by the DTI, entitled "A National Industrial Policy Framework" (NIPF), the DTI states that it is important for South Africa to shift towards a more sustainable (and higher) growth path as opposed to one primarily driven by consumption and commodity demand (susceptible to global fluctuations), in order to do this the DTI declares that South Africa must initiate a national industrial policy which enhances the country's manufacturing capacity and competitiveness through the diversification of its exports (DTI, 2007). The NIPF policy document's "executive forward" written by the then DTI minister, Mandisi Mpahlwa, asserts:

> *"[i]n the past few years it has become evident that South Africa's economy is capable of higher levels of economic performance. Consequently government aims – principally through the Accelerated and Shared Growth Initiative of South Africa (ASGISA) – to push purposefully towards its 2014 vision to achieve six percent gross domestic product (GDP) growth from 2010 onwards, and to reduce unemployment and poverty by half. In order to achieve this higher growth and development trajectory the South African economy needs to undergo some fundamental restructuring. ASGISA explicitly recognises the central role of a strong and coherent industrial policy in driving this process… It is important to stress that the NIPF is a Policy Framework* [sic] *and not a blueprint for the industrial economy"* (DTI, 2007:1).

A key outcome of ASGISA as observed from Minister Mpahlwa's comments is the formal introduction of a national industrial policy in 2007. Although both the RDP and GEAR had made tangible references to industrial development initiatives and programmes, there was no formal declaration denoting the introduction of a South African national industrial policy. The closest attempt to facilitate a coherent industrial policy framework was laid out in the DTI's 2001 discussion document entitled "Driving Competitiveness: An Integrated Industrial Strategy for Sustainable Employment and Growth". In the document's introductory section, Alec Erwin, Mpahlwa's predecessor as DTI minister acknowledges the intense disputes within the ANC Alliance around the issue of industrial policy. Erwin notes that the South African government has faced criticism for its perceived negligence of employment oriented industrial policy. The critiques of labour and ANC Alliance members centre around the issue that the government does not appear to have a discernible industrial policy that can enhance job creation and economic development (DTI, 2001). Erwin posits:

> *"Government has argued that there has been an industrial strategy but concedes that it may not have been made explicit enough or accessible enough to the economic actors. In the end, whilst debate may continue, the government needs to have a policy framework within which it acts and interacts with the main economic constituencies... In order to make the industrial strategy more explicit and accessible and to deal with changing conditions a new policy statement needs to be made."* (DTI, 2001).

Although the discussion document argues that the South African government has an identifiable industrial strategy, it concedes that such a strategy does not take the form of a visible and accessible as well as integrated national industrial policy which explicitly supports economic development objectives.

The NIPF supports the formulation and implementation of annual Industrial Policy Action Plans (IPAP) which set out the industrial sector goals and priorities for each year. The inaugural IPAP (2007-2008) notes: "South Africa has implemented a number of industrial policy initiatives since 1994. However, it has not until now [2007] produced a comprehensive statement of government's approach to industrialisation and industrial policy. Cabinet adopted [NIPF] in January 2007. The NIPF sets out government's broad approach to industrialisation in the context of [ASGISA]" (DTI, 2007:2).

Former finance minister, Trevor Manuel's March 2007 speech at a "New Growth Paths" dialogue facilitated by the University of Pretoria and the Helen Suzman Foundation, noted the importance of a more consolidated industrial policy, especially within a context in which South African sought to enhance its growth rate and international trade outcomes. Manuel explained that as South Africa was gradually shifting from a "basic exporting system" (2007:2), to a more diversified and productive export framework (underpinned by increased manufacturing and greater diversification of the economy) the need for a strategic industrial policy was becoming more urgent and salient. Particularly as the South African government was initiating and prioritising economic reforms focused on unlocking greater productivity and higher levels of investment. These reforms would include economic infrastructure upgrades and developments, as well as incentives targeted at greater private sector participation or support with regards to improving the competitiveness of South African exports (Manuel, 2007). In his speech Manuel emphasises that this more 'proactive' industrial policy must be underpinned by complementary macroeconomic policies (pertaining to

production and labour costs as well as competition) in order to ensure its effectiveness. Manuel posits:

> *"[o]ver the longer term, a well-conceived and implemented industrial policy will stimulate stronger growth and job creation through encouraging businesses to use more labour, inducing continuous growth in productivity and ensuring that new ideas translate into new opportunities…Industrial policy will be most effective if it is being complemented by a broad range of other policies, including tax and fiscal policy…. Government is working on filling in the details of a more proactive approach to industrial policy this year* [2007][21]" (2007:13).

A key outcome of ASGISA was the formalisation and prioritisation of a domestic industrial policy strategy and framework, meant to enhance South Africa's economic growth rate (noting that the policies underpinning GEAR had not generated the envisioned growth rate and job generation outcomes), in terms of more inclusive growth via greater job creation, as well as through improved trade volumes due to increasing export diversification. Interestingly, the DTI as opposed to the Finance Ministry took ownership of industrial policy (the mainstay of ASGISA) with the Treasury meant to play the main supportive role. This is important to note as GEAR had been actively promoted by Treasury (with backing from the Presidency). In an April 2007 published government note providing an update on the on the process relating to the launch of the NIPF, the DTI declares*:* "[i]n the case of South Africa there is no question as to where industrial policy should reside,, obviously it will be in the DTI. The DTI has a very good infrastructure for economic development in the form of institutions" (2007).

Furthermore, it appeared as though NIPF and its attendant IPAPs had greater support within the ANC Alliance as opposed to GEAR. The challenges denoted by the presidency in its formulation of ASGISA also highlighted the need for greater government involvement with regards to skills development and the facilitation of both economic and social infrastructure. Considering this the notion of a "developmental state " gained greater salience and traction amongst ANC (as well as some government) policymakers.

[21] The NIPF was launched on 31st May 2007

5.3. *Industrialisation and the South African context*

Former DTI policymaker, Brendan Vickers notes that in the 'second decade' of South Africa's post-apartheid democracy, an "institutionalised industrial policy" was initiated with a view to bolster the potential of the country's productive sector and directly influence the country's "external trade agenda and negotiations" (2014:57). Vickers writing on South Africa's regional economic integration explains the dynamics that arose as institutionally backed industrial policy became entrenched, he posits that there was a 'fundamental shift' from "a conventional market-led model premised on the European Union's (EU) experience, to a 'developmental integration' approach that concurrently prioritises market integration, infrastructure development and structural economic transformation" (DTI in Vickers, 2014:59). It is clear therein that South African policymakers seized upon the notion of "structural economic transformation", especially the Departments of Trade and Industry, and Economic Development (now combined together into the Department of Trade, Industry and Competition) during the Zuma epoch.

In the South African context industrialisation is not only focused on "promoting structural change in order to improve economy-wide efficiency" through economic diversification into either new and innovative sectors or high technology ones (Black, 2012:4); rather it is premised on addressing the "massive structural unemployment" that plagues the country (Black, 2012:4). Therefore, it becomes clear that industrialisation provides a stable foundation and framework for manufacturing, which is considered to be a key job-generating sector.

There is a general understanding that to secure sustainable economic development and growth, a country must diligently invest in its manufacturing capabilities. This will ultimately diversify its export base and also have a positive impact in terms of productivity and innovation. In a highly competitive and globalised world economy, no nation can afford to not strategically industrialise and actively stimulate its manufacturing capacity.

5.4. *The importance of South African manufacturing*

Having noted the link between industrialisation and manufacturing, and highlighted the significance of the latter, it is important to now focus on the critical value of manufacturing in terms of South Africa's domestic economic development priorities. The deindustrialisation in South Africa has fundamentally affected the state of manufacturing in the country. The 2016 African Economic Outlook (AOE) note for South Africa states:

> *"[t]he structure of the economy has remained almost unchanged over the past five years with finance, real estate and business services contributing between 20% and 21 % of the total nominal GDP, general government services contributing around 17%; trade catering and accommodation around 14% and manufacturing around 14%"* (2016:4)

The figures provided by the AOE indicate that the sectors that are making the most substantial contributions to national GDP and generating the country's economic growth are not significantly labour intensive, thereby highlighting the need for reindustrialisation and revitalising manufacturing.

According to scholars such as Luiz, South Africa could be categorised as experiencing a middle-income trap (MIT). Luiz defines a MIT as: "the experience of countries which have achieved high [or modest] economic growth rates in the past, but which have become marooned in [a middle-income zone, as they 'transition between low and high-income status'] that has seen their growth rates decline and then struggle to transition to high income status" (2016:4). Salazar-Xirinachs et *al* drawing from Eichengreen, Park and Shin (2011) elucidate that the significance of a MIT is that it highlights the failure of a state to adequately develop its economy, Salazr-Xirinachs *et al* explain that the concern is that "some emerging economies after enjoying a period of strong growth, had failed to undertake the required changes in their productive structures needed to sustain future growth and job creation" (2014:10). Luiz points out there are essentially two fundamental factors that underlie why countries experience a MIT, firstly a country may find itself "struggling to compete" with the low wages pegged by low-income countries (2016:5), and secondly it may also struggle in terms of competition with the "technological aptitude of advanced countries" (2016:5). This results in a context in which these countries (such as South Africa) are "squeezed from below and above and

find themselves increasingly with less economic space to perform" this is evidenced by "increasing deindustrialisation …and a growth slowdown as countries are unable to transition to higher value activities" (Luiz, 2016:5). This is compounded by South Africa's severe skill shortage crisis. Luiz argues that countries that have managed to successfully transition out of MIT status are those that managed to produce diversified and "sophisticated export baskets which allowed them [to move up the value chain]" (Luiz, 2016:11). Considering such a worrying situation, it is imperative for South Africa to urgently invest in reindustrialisation and manufacturing, as well as human capital development.

It is telling to observe that South Africa 'formally' adopted an industrial policy in 2007 (Zalk, 2014:335). Thereby highlighting how prior to this South Africa's economic growth had been primarily buoyed by its mineral commodities exports, as well as the rapid expansion of its services sector internally and externally. Therefore, an industrial policy which effectively supports manufacturing sector-oriented employment is a key priority for the South African government.

The greatest potential for job creation lies in South Africa's 'tradable sector', which is composed of sectors such as "mining, agriculture and manufacturing" (Hausmann, 2014: 3). In essence the tradable sector produces "things that are exportable" (Hausmann, 2014:3), and therefore stimulates employment opportunities in the stated productive sectors. The tradable sphere of the economy tends to be employment intensive, as opposed to the services oriented non-tradable part of the economy, which prioritises skilled labour (Hausmann, 2014:3). Non-tradable sectors include skilled positions in: retail, tourism, financial services and transportation amongst others (Hausmann, 2014:3).

It is therefore imperative for industrial policy to prioritise and facilitate investments into the tradable sectors, especially in light of how "[t]he bulk of South Africa's unemployed labour is unskilled or semi-skilled and can most easily be absorbed into labour–intensive activities" (Black, 2012: 5). The long-term reasoning behind this is that "income growth" experienced at the "low end of the distribution of income" (largely compromised of unskilled or semi-skilled labour) will stimulate educational opportunities as well as vocational oriented outcomes that will most likely result in a

skills upgrade (Black, 2012:5). Black quoting the *Business Day* emphasises the pragmatism behind promoting jobs in the tradable sector, especially with regards to manufacturing; the underlying notion being: "we need to create the jobs for the workforce we have, not the workforce we wish we had" (2012: 5).

The notions raised by Hausmann and Black are succinctly surmised by Zalk when he posits:

> *"[i]n the context of South Africa's employment challenge, growth and diversification of tradable sectors - and manufacturing in particular -are critical, first, because the tradables sectors are less skill-intensive than the private non-tradables sector, and thus likely to absorb more labour in the context of a weak education and skills system; and second, because manufacturing has the highest growth multipliers, and many manufacturing sectors have high employment multipliers*" (2014:335-336).

It can be argued that strengthening South Africa's manufacturing sector will have far-reaching and positive outcomes throughout the country's economic sectors and structures. A robust manufacturing sector would also complement and enhance the services sector as well as the resource extraction economy. Therefore, a strong manufacturing sector in combination with services and commodity exports would contribute significantly to economic growth and development.

5.5. *Economic transformation and the New Growth Path (NGP)*

The commitment by the South African government to inclusive growth via structural transformation (through reindustrialisation, higher employment, export diversification oriented manufacturing, and inclusion of more Africans in the mainstream economy amongst other policies) of the South African economy was further emphasised in the New Growth Path (NGP) economic policy framework put forward by the former Department of Economic Development (DED) in 2010. Like the NIPF, the NGP prioritises job creation in a number of key (labour intensive) sectors, including: infrastructure development, agriculture, public sector and mining (Kaplan, 2013).

The Industrial Policy Action Plan for 2011/12-2013/14 (February,2011) asserts: "[g]overnment has committed to making employment creation the main criterion for economic policy. The New Growth Path...articulates this sentiment, as made clear in its aim of establishing a more labour-absorbing growth path" (DTI, 2011: 12). The DTI made it clear that the NGP with key IPAP contributions, seeks to promote economic transformation by building on from prior government policies such as ASGISA and the [NIPF] (which is being realised through annual IPAP iterations) which espoused that "restructuring the economy is essential to ensure more inclusive and sustainable growth" (2011:12).

In essence "IPAP constitutes a central tool in the NGP job-creation strategy" (DTI, 2011: 12); this is noted by the International Labour Organisation (ILO) which observes that IPAP contributes directly to the NGP's manufacturing sector development mandate, as it seeks to build a competitive and highly productive manufacturing sector (ILO, 2014: 6). Thus, there is a high degree of overlap and consensus between the NGP and IPAP (Kaplan, 2013:28). The primary focus on unemployment is understandable considering how it has doubled since the mid-1990s, the ILO noted that unemployment in South Africa "increased from 2 million in 1995 to 4,6 million in March 2013" (2014: 2), coupled with deepening inequality: "the level of inequality and joblessness has further entrenched the spatial patterns experienced [during] apartheid" (ILO, 2014: 2). It light of such a dire context, it is therefore not surprising that South African policymakers have constructed an industrial economic policy centred on 'labour absorption', and genuine inclusive growth.

Both the IPAP and NGP argue that the 2007-8 financial crisis highlighted the folly of dependence on unsustainable (non-transformative and non-productive) growth premised on basic commodities and financial speculation (DTI, 2011:19). According to the 2011 IPAP document, the downside of such perilous 'consumption' driven growth for South Africa, was the decline of productive sectors such as manufacturing, thereby undermining the viability and sustainability of the South African economy. The 2011 IPAP document notes that at the peak of pre-financial crisis growth between 2005 and 2007, high unemployment and did not fall below 22,8% (DTI, 2011: 20). The IPAP (2011) states:

> *"growth leading up to the crisis was driven by unsustainable increases in private credit extension and consumption not sufficiently underpinned by growth of the production-driven sectors of the economy. Thus, consumption-driven sectors (i.e. finance and insurance, real estate, transport and storage, communication, wholesale and retail, catering and accommodation) grew by 114% between 1994 and 2010 (7.1% annually).*
>
> *By contrast, production –driven sectors (i.e. agriculture, mining, manufacturing, electricity and water, and construction) grew by only 38,3% (2,4% annually)"* .(DTI, 2011:20).

This focus on consumption fuelled growth at the expense of investments in production-driven sectors does not bode well for both long-term employment creation and inclusive growth. The ILO in 2014 noted: "South Africa has only recently begun to place equal emphasis on industrial and sectoral strategies that support growth and create employment, albeit through upstream and downstream linkages rather than focusing only on growth" (2014:3).

The IPAP (2011) argues that the employment generated through consumption fuelled growth is 'precarious' as it is primarily dependant on private credit extension, which is easily susceptible to global financial dips or shocks. The DTI posited in the 2011 IPAP:

> *"[i]n recent years, formal employment growth has predominantly come from the services sector, particularly wholesale and retail, and business services, sub-sectors. However these employment gains are currently precarious...The unsustainable dependence of wholesale and retail employment growth on private credit extension, rather than income growth in productive sectors , has been demonstrated by the large reduction of employment in this sector...Therefore, long-term increases in employment –in all sectors of the economy –need to be underpinned by higher growth in the production sectors of the economy, led by manufacturing"* (DTI, 2011:21).

In light of such reasoning the NGP asserts that there is 'growing consensus' underpinning the creation of 'decent work', reduction of inequality and combating poverty through "a new growth path founded on the restructuring of the South African economy to improve its performance in terms of labour absorption" (DED, 2011:1). The success of this 'new growth path' will be determined by: the quantity and quality of jobs created, the growth rate in terms of its composition and 'labour intensity', as well as equity with regards to lower inequality and poverty rates (DED, 2011:6). The NGP seeks to promote investment in 'labour absorbing' productive sectors such as: manufacturing, infrastructure, agriculture, mining, 'green economy', tourism amongst others (Kaplan, 2013: 6). By doing so, the NGP seeks to generate a vast array of employment

opportunities. However, the NGP states "[i]n the long run, as full employment is achieved, the state must increasingly support knowledge –and capital-intensive sectors in order to remain competitive" (DED, 2011:7). This means prioritising value-added manufacturing, beneficiation, and reindustrialisation. Hence the need for industrial policy as espoused by IPAP. The IPAP (2011) indicates that manufacturing and industrial policy will primarily focus on the following sectors: automotive, clothing and textiles, 'green industries', forestry as well as iron and steel (2011:15). IPAP (2011) also identifies mineral beneficiation "as an area of work that presents much untapped opportunity" (2011:17).

It can essentially be argued that through the auspices of the NGP and IPAP, South Africa has established a development oriented industrial policy which is essential for the transformation of the South African economy.

5.6. *Divergent objectives: transformative redistribution vs growth*

Amoako asserts that the process of structural transformation requires adequate investment to be fully realised (2011:26). Therefore economic growth is crucial, as he explains: "[r]apid economic growth makes it easier to generate resources (i.e. the higher private savings and government revenues) to finance the necessary investments and other expenditures. So, growth can indeed facilitate structural transformation" (Amoako, 2011: 26). Amoako sees the economic growth and structural transformation as "mutually reinforcing" (2011:26). The term 'economic transformation' is widely used by South African policymakers, the ruling party (ANC) and its Alliance partners, and by activists as well; a testament to the mobilisation for transformative economic reform in South Africa.

Whereas one gets the impression that the NGP and IPAP are predominantly focused on the structural transformation of the South African economy, it would seem as though the NDP primarily focuses on economic growth. The Congress of South African Trade Unions (COSATU) in its critique of the NDP states:

> *"[t]he NGP and IPAP place the reindustrialisation of the South African economy, and the region at the heart of the new growth path. And central to this vision is the vital role of a radically expanded manufacturing sector as the engine of the economy. This lies at the heart of the growth path, not*

> *just because of the numbers of people employed in manufacturing, but also because of its multipliers, which are critical to alter the character and trajectory of growth and to build a more equitable economy. The new growth path deliberately aims to move away from a narrow consumption-led (particularly luxury consumption), financialised, and service driven economy, perched upon an untransformed minerals sector.* ***The NDP, as a matter of deliberate choice, fails to take this vision of industrialisation forward*** [my emphasis]*, but rather proposes strategies which entrench some of the worst features of the old growth path"* (COSATU, 2013:5).

It is important to investigate to what extent the NDP is predominantly focused on economic growth, the nature of such growth as well as the accusations that this is at the expense of structural transformation.

The Centre for Development and Enterprise (and its associates: Kaplan and Nattrass amongst others), a South African economic policy think-tank which has "a special interest in the role of business and markets in development" promotes the notion that economic growth can address South Africa's key developmental challenges, poverty and unemployment. Altbeker *et al* in a Centre for Development and Enterprise (CDE) summary report of a Round Table entitled "Does South Africa have a growth plan?" held in 2013, state: "[t]he centrality of economic growth to resolving or ameliorating many of South Africa's most pressing challenges is widely accepted by all" (CDE, 2013:2). To back this assertion, Altbeker *et al* refer to the work of Professor Arvind Panagariya, a participant at the round table dialogue. Panagariya's work according to the CDE (2013) illustrates "how the rapid acceleration of economic growth in India between 1991 and 2010 had reduced poverty far more rapidly than previous policies-many of them described by their proponents as being 'pro-poor' " (2013:2). This had a "profound impact on poverty" in India as those living below the poverty line "fell from nearly 50 per cent in the early 1990s to 30 per cent in 2010", thereby lifting 200 million people out of extreme poverty (CDE, 2013:2). Professor Panagariya explained that such growth in India had reduced poverty through two main aspects, rising incomes, and increased tax revenue (CDE, 2013:2). The tax revenues were then used to provide "resources for poverty-alleviation schemes such as the employment guarantee scheme in rural areas" (CDE, 2013:2). Altbeker *et al* state "[t]his has been South Africa's experience, too" (2013:2), in light of how between 2003 and 2008 when the annual growth rate averaged just over 5 per cent "the country saw rising levels of employment, with two million net new jobs created between the first quarter of 2003 and the last quarter of

2008, or about 1 000 new jobs a day" (CDE, 2013:2). As a consequence unemployment was reduced by '6 percentage points' and the increased tax revenue stemming from a corresponding rise in income "allowed government to expand the social safety net, with the number of people receiving social grants rising from under 6 million in 2003 to over 12 million in 2008" (CDE, 2012:2). It is interesting to note that Altbeker *et al* do not mention the effect the pre-2007 financial crisis credit fuelled boom might have had on the growth South Africa experienced between 2003 and 2008. The critiques of South Africa's pre-financial crisis 'consumption driven' growth articulated by COSATU, the DTI and DED (in the IPAP and NGP respectively) come to mind; especially when one considers how the aforementioned institutions have decried its unsustainability as well as the fragility of the jobs such growth generates. In spite of such reservations, Altbeker *et al* state: "[t]here is, therefore, clear evidence that rapid and sustained economic growth has the potential to impact very strongly on levels of poverty. And this has happened in as large a country as India and as unequal a society as South Africa's" (CDE, 2013:2).

Altbeker *et al* seem to argue that there is a tension in South African economic policy between "policies and programmes that are more redistributive than growth-enhancing" (CDE, 2013:3), this can be taken to mean that policies that promote structural transformation (which is redistributive and inclusive in terms of its ethos) cannot effectively complement growth-enhancing policies. The CDE (2013) is adamant that growth is the key to addressing South Africa's employment crisis. One of the participants at the CDE round table, Professor Fedderke, noted:

> *"[o]ne of the things that is unusual about South Africa's economy is the large proportion of GDP generated by services, especially financial services. South Africa's economy also has a relatively small contribution from manufacturing...One important implication of this is that it* ***may just be unrealistic to expect that the manufacturing sector will generate the kinds of growth that some of our economic plans say it will*** [my emphasis]. *That may simply not be viable"* (CDE, 2013:38).

This view supports the NDP's notion, that government "should encourage the financial sector as a source of comparative advantage, together with retail and business services" (CDE, 2013:33). The NDP executive summary states: "[t]o eliminate poverty and reduce inequality, the economy must grow faster and in ways that benefit all South Africans"

(NPC, 2012:14). This 'faster growth' is largely dependent upon private sector investment and job creation within the South African economy (CDE, 2013:31), and will be buttressed by the highly influential financial sector as well as myriad business-related services. The NDP indicates that "most new jobs are likely to be sourced in domestic–oriented businesses, and in growing small- and medium firms" (NPC, 2012:28). The National Planning Commission (consisting of drafters of the NDP) posit: "[s]ome argue that the economy is not competitive in labour-intensive manufacturing because the cost structure is too high, the exchange rate is too high, infrastructure is inadequate, and the skills base is too limited" (2012:31).

The pragmatism underpinning the NDP in terms of what will drive growth and the nature of the jobs that will be created, steers it directly into conflict with the structural reform agenda being espoused by the NGP and IPAP. If the NDP sees "up to 90 per cent of new jobs being" (CDE, 2013:31) generated in "new, small, labour-intensive firms that produce for the domestic market" (CDE, 2013:31) then clearly this runs counter to the emphasis on employment being created in the productive sectors delineated by the NGP and IPAP, respectively. This also detracts from the extensive industrial policy articulated by IPAP. The NPC argue:

> *"[t]here are important trade-offs to be considered in mineral beneficiation. South Africa is losing global market share in products such as ferrochrome. However, first stage processing or smelting is high energy and capital intensive, potentially drawing energy and capital away from other sectors. South Africa should be selective about the areas in which it intends to support first-stage beneficiation. Priority areas should include those where suitable capacity already exists, or were beneficiation is likely to lead to downstream manufacturing. Beneficiating all of the country's minerals in neither feasible nor is it essential for developing a larger manufacturing sector"* (NPC, 2012:32).

This is bound to contradict important aspects of South Africa's ambitious and pro-beneficiation industrial policy.

It therefore becomes clear that there is a stark contradiction between the NDP on one hand, and IPAP and NGP on the other, in terms of the nature of economic growth and the driver of such growth. The NDP does not seem to call for structural reform but seeks to address unemployment and poverty in a pragmatic and conventional manner. This seems to correspond to a great extent to the Indian case study presented by the

CDE. However as stated by the NDP, in the contemporary South African context growth will be primarily driven by the export of commodities and investment (if forthcoming) from financial and commercial sectors. COSATU strongly asserts: "[t]here is no industrial strategy in the NDP. The first phase (2013-2018) of the NDP strategy revolves around a low-wage, service-led, and SMME focused perspective. There is no attempt to engage with the IPAP or the NGP, even though they also cover this medium-term period" (2013:5). Thus, it can deduced that the NDP appears not to support the extensive industrial policy articulated by the IPAP, or substantial investment in the productive manufacturing sectors denoted by the NGP, which will then become the drivers of economic growth and employment.

In the words of COSATU the NDP envisions a South African society in which economic growth is spurred on by financialisation and "a service driven economy perched upon an untransformed minerals sector" (2013:5). This view informs Ben Fine's critique of what he calls South Africa's 'minerals-energy complex' (MEC). Fine (2008) argues that South Africa's entrenched mining and energy sectors have been the basis for the financialisation of the South African economy, a context in which the finance sector has come to have an undue status to the detriment of other sectors of the economy.

The NDP foresees the continuing prioritisation of South Africa's financial services due to 'comparative advantage' (CDE, 2013:33). Andrew Donaldson, former Deputy Director-General: Public Finance at South Africa's National Treasury critiqued the essence of the MEC when he stated:

> *"[t]he minerals-based economy has delivered rising prosperity over and above the increase in output and productivity. But now we have reached the end of the road, and we have to build a more diversified economy and expand enterprise and participation in other ways"* (CDE, 2013:21).

Fine's worry in 2008, was that there may be "a resumption of a state-led strategy around core MEC sectors to provide secure domestically-based surplus for ongoing internationalised financialisation" (2008) albeit with BBBE as a significant feature.

The NGP and NDP both realise the crucial importance of the private sector with regards to economic growth, the NDP believing that it will be responsible for the majority of jobs created; and the NGP positing "we need to both maximise growth and to ensure that it generates more employment, mostly in the private sector, in order to reach our

target" (2011:9). This is somewhat complicated as the NDP sees jobs largely being generated by small to medium services-based enterprises, whilst the NGP envisions employment being largely created in productive sectors such as mining, agriculture and the "manufacturing sectors, which are included in IPAP2" (2011:10) such as the automotive and textile industries. This might therefore mean that larger firms which can buttress manufacturing and supportive smaller companies will be given precedence in terms of the NGP. A 2013 report endorsed by COSTAU, authored by two UCT economics scholars and a Statistics South Africa policymaker, argues that employment in South Africa is generally created by large firms. Kerr *et al* (2013) note that in the six years between 2005 and 2011 "net employment growth came mainly from large firms. The importance of large firms in net employment creation in South Africa makes the country an anomaly relative to many other economies". This discredits the NDP's claim that small and medium business enterprises will support economic growth by generating employment. Kerr *et al* (2013) explain:

> *"[t]he National Planning Commission's* [NDP] *envisages that most of the vast numbers of new employment to be created by 2030 will come from small and medium–sized firms. Our research suggests that this is unlikely to occur unless regulation or policy changes fairly dramatically to create a more enabling environment and higher rates of birth, survival and growth for SMMEs"* (2013).

Therefore, the question of how and where precisely jobs will be generated, remains a contested one, at least according to the NGP and NDP.

Nattrass (2011) argues that the NGP "does not…rely on the existing growth path to generate jobs" (Nattrass, 2011:1). Nattrass's critique of the NGP is its focus on production which "is somewhat overstated" (2011:1). Her point is that productive sectors such as mining, manufacturing and agriculture do not create as much employment and opportunity as the service-based sectors such as finance, real estate, transport and business services amongst others; as has been highlighted by "analysing employment trends during the 2000's" (Nattrass, 2011:1).

A key and divisive issue that relates primarily to the NGP and NDP, is that of the nature of the work underpinned by economic growth. The NGP advocates for 'decent work' even in relation to new forms of employment, whereas the NDP gradually "sees work becoming more and more 'decent' over time as the economy grows, rather than seeing

this as a requirement for all jobs that are to be created between now and 2030" (CDE, 2013). Nattrass is critical of what she views as the NGP's unrealistic commitment to providing decent work. Nattrass (2011) views such a commitment as being misplaced and counterproductive in terms of achieving inclusive growth. Nattrass notes:

> *"[i]nclusive growth requires strong employment growth, especially for the many unskilled unemployed who have never worked before. To maximise employment growth, it makes sense to expand activities and sectors which require relatively low amounts of capital investment and output expansion for each additional job created...But note that these sectors also have the lowest average earnings per employee and higher proportions of what the NGP calls 'precarious' employment (i.e. jobs without access to benefits or a contract) than other sectors"* (2011:4).

It would be worth noting here, that in the Indian case study referred to by the CDE and presented by Panagariya, it was discovered that the jobs created during India's "growth acceleration" were primarily in the "services and construction, and that manufacturing jobs-especially in the formal sector–had barely grown...as a result of [inflexible] labour laws" (CDE, 2013:37). The long-term consequences of this are dispiriting, Panagariya observes:

> *"...the Indian experience showed that a key difference between manufacturing jobs and services jobs is that, with the exception of some IT –related services, most of the Indian services jobs that had been created were low-paying and did not offer pathways to increased productivity and higher pay*" (CDE, 2013:37).

Nattrass (2011) goes on to state that the dilemma raised by the NGP's job creation policies is that:

> *"[t]o expect the economy as a whole to generate large-scale new employment without making it substantially easier (and more cost effective) to hire large numbers of lower-skilled workers is unrealistic . Such growth as will occur in the current high real wage environment will favour small numbers of highly skilled workers and will rapidly come against the skilled labour constraints*" (2011:6).

The discussion pertaining to the nature of work accompanying economic growth is a divisive one, that has not yet been fully resolved by South African policymakers and broader society. A lingering concern is how a large number of unskilled South Africans can be meaningfully integrated into the economy. Former Treasury official Andrew Donaldson states it is imperative to expand opportunities for those sections of the economy that "are weakest-the informal, unregulated, low-skill, poor-institutionalised

economy in which half the population earns its income" (CDE, 2013:23). As noted earlier, perhaps Black's pragmatic assessment of the South African job context in worth serious consideration.

There is a general scepticism about the ability of the South African state to initiate and steer industrial policy. Fine (2008) notes that a consistent critique against the idea of a developmental state that steers development oriented industrial policy has been "the absence of appropriate capacity to deliver appropriate policies, especially industrial policy and, for economic and social infrastructure, especially at lower levels than central government" (2008). Donaldson lamented the shortcomings of South Africa's industrial policy implementation,

> *"*[we have] *...seen poor design and implementation of industrial policies, most obviously in the failure to take advantage of private sector impetus in industrial development zones (IDZs). We built a new port at Coega but failed to bring in a global logistics partner of substance. We declared Richard's Bay an IDZ, but there is not a single investment to show for it, mainly because of a complete absence of coordination between the national and provincial departments involved, the local municipality, and business stakeholders. Coordination failures of this kind are pervasive"* (CDE, 2013:23)

Ricardo Hausmann, Chairperson of the International Panel on the Accelerated and Shared Growth Initiative (ASGISA), which sought to advise the South African government (in particular the Treasury) in relation to ASGISA policy, is wary of some aspects of industrial policy as noted by his statement in the "Final Recommendations" (2008) document; he posits: "[b]eneficiation should not be used as basis for selective intervention and industrial promotion. Greater processing of natural resource exports does not constitute either an easy or natural next step in the process of structural transformation, especially in South Africa" (2008). Hausmann and the panel are adamant that beneficiation is not a core priority, "[p]rivileging beneficiation is unwarranted and it takes government's attention from other opportunities that may have more potential to create export jobs in South Africa" (2008).

Hausmann *et al* argue that investing resources towards beneficiation is not a practical and informed initiative (2008:16). This is primarily because such undue focus towards beneficiation detracts from other tenable and more promising if not urgent initiatives. Hausmann *et al* (2008) argue that it may be more practical and beneficial for South

Africa to focus on its expertise in mining, in terms of exporting services, equipment and technical 'know how'. The potential for South Africa's own supply industry premised on its mining sector is huge, the AEO report for South Africa states that has a burgeoning mining services and manufacturing industry:

> *"[t]he mining services and equipment sectors have developed into important exporters in their own right. Indeed, South African suppliers are global leaders in numerous areas, particularly the provision of washing spirals, underground locomotives, submersible pumps, hydropower equipment and mining fans"* (2014:13).

In terms of mining sector related services, South Africa is a notable leader in "geological services, prospecting, shaft sinking, turnkey solutions …and operation services" (AEO. 2014:13). South Africa is also competitive "on a global scale" in terms of the "four vital areas of mine safety, tracked mining, shaft sinking and ventilation" (AEO, 2014:13). Mining equipment accounts for almost 10% of South African exports (AEO, 2014:13). In light of all this it surprising to observe that as of 2014: "[m]ining equipment and specialist services have not received any direct government subsidy at any stage in their development" (AEO, 2014:13). Hausmann *et al state*: "...the needs of mining generate a host of skills and capabilities in the design and production of high-performance pumps and valves and other capital equipment for the mining industry. These capacities can be further applied and developed not only in mining but in many industries worldwide" (2008:16).

Another concern with beneficiation is that without efficient infrastructure in place, exacerbated by high (and at times inconsistent) energy costs; the prospects for the implementation of successful beneficiation projects may not be feasible. It is also difficult to estimate or ascertain the immediate value of beneficiation to the South African economy. Especially in terms of the undoubtedly steep costs that would be related to beneficiation. Hausmann argues that in a context in which a developing state such as South Africa, "does not have limitless capacities and resources" a prioritisation of beneficiation comes "at the expense" of more tangible and strategic economic objectives that can unlock the 'potential' of other key sectors (Hausmann, 2008). Hausmann declares:

> *"[t]here is no reason for countries like South Africa to focus attention on beneficiation at the expense of policies that would allow other export sectors to emerge. This makes no sense*

> *conceptually, and is completely inconsistent with international experience. Quite simply, beneficiation is a bad policy paradigm"* (2008).

An impassioned if not wholly inappropriate bluster by Peter Bruce, then editor–in-chief of *Business Day* and *Financial Mail* in September (2014) witnessed by noted ANC activist, Ben Turok, captures the antipathy an influential constituency has towards state-led industrial policy and beneficiation. Turok states that Bruce:

> "*launched a vitriolic attack on* [the then] *Minister of Trade and Industry, Rob Davies and* [then] *Minister of Eonomic Development, Ebrahim Patel. He compared them with 'demented little animals' who should have been 'fired long ago' and referred to beneficiation as a 'tumour eating away at the Zuma administration's brain', calling it 'an unattainable pipe dream'. Citing Margaret Thatcher's view that the best industrial policy was not to have one at all, he said, '[s]he believed government should get out of the way. She did and it worked. You should try it' "* (Turok, 2015:11).

Ultimately however, the most damaging repudiation of state-led industrialisation is by the NDP. It is difficult to ascertain the reverberations of this, but it serves to contribute to the deep-seated skepticism of industrial policy and beneficiation. COSATU declares that the NDP does not articulate any sense of industrial policy and that the NDP drafters "don't really believe in state-led industrial strategy" (2013:5).

Despite the NDP's ambiguity around industrial policy, the South African government through the NIPF and subsequent IPAP iterations has formally established an industrial policy programme since 2007. From 2007 onwards, South Africa has "firmly institutionalised industrial policy on the domestic landscape through the NIPF and the annual IPAP programmes...This is likely to entail even greater state intervention in the economy to fast-track industrialisation efforts and promote broad-based black empowerment, especially in the manufacturing sector" (Vickers, 2014: 72).

The initiation and formalisation of industrial policy coincided with the resurgence of developmental state discourse as a key aspect of both government and ANC policy (particularly the latter). In an April 2007 departmental note announcing the launch of the NIPF entitled "Update on the process towards the launch of the National Industrial Policy Framework (NIPF)", the DTI elaborated on how developmental state theory related to the South African context. According to DTI policymakers, a truly transformative industrial policy had to be steered and buttressed by a capable developmental state, as such an intensive and far-reaching policy intervention could not

be sorely entrusted to the private sector. In essence the South African developmental state would oversee economic transformation through the implementation of an intensive industrial policy, skills development programmes and capability development in key sectors. However, the private sector would be 'engine' behind the state's economic development agenda, in terms of investment and job generation (DTI, 2007). The DTI propounds:

> *"[t]he government's approach to economic transformation is based on the understanding that the necessary changes on the economy will not emerge spontaneously from the invisible hand of the markets but from collective efforts aimed at shaping economic development and such efforts should be championed by the state. This suggests a developmental state is one that is capable of leading efficiently in the definition of a common national agenda, mobilising all society to take part in its implementation and directing society's resources towards this common goal. For the government to effectively play this leadership role it has to get the macroeconomic environment, skills development and industrial policy right. While the government plays this leadership role on one hand, the private sector on the other hand is the main engine of investment, growth and employment creation"* (DTI, 2007).

Therefore, it is clear that one of the key outcomes of the NIPF and its attendant IPAPs, was the conceptualisation of a South African developmental state, which actively promoted and safeguarded the national developmental agenda. It is important to provide an overview of developmental state theory, which will be done in the section below, before further discussing the notion of the South African developmental state.

5.7. *The notion of a South African developmental state*

The notion that the state should play a key role in terms of economic development, has been a consistent aspect of the ANC's political thought for a greater part of the political party's existence.

The ANC's initial post-apartheid economic development blueprint, the RDP, serves as an example of the ANC's long-standing view of an active role for the state with regards to national development (especially in a context in which redistribution is necessary). However, the strategic association of this notion with the conceptualisation of the Developmental state is a relatively recent development. The earliest formal reference

to the Developmental state framework by the ANC can be traced back to the party's 2005 National General Council (NGC) (Edigheji, 2010:1). At the 2005 NGC the ANC "committed itself to constructing a ***developmental state that will intervene to restructure*** [my emphasis] the South African economy" (Edigheji, 2010:1). At the landmark 2007 52nd Polokwane National Conference, the ANC reiterated the commitment declared in 2005 (Edigheji, 2010:1). In its 2007 Economic Transformation policy documents, the ANC propounded: "[a]ccelerating growth and transforming the economy both require an effective, democratic and developmental state … Our understanding of a developmental state is that it is located at the centre of a mixed economy. It is a state which leads and guides that economy, and which intervenes in the interest of the people as a whole" (ANC, 2007).

The move towards greater state intervention with regards to economic development as illustrated by the formal policy positions on developmental state governance, occurred within a political environment in which the Mbeki government had to revitalise its economic approach by addressing the apparent limitations of the GEAR economic plan (1996-2005). This meant defining and delineating a greater role for government intervention in the national economy as encapsulated in the Accelerated and Shared Growth Initiative for South Africa (ASGISA) economic growth strategy officially introduced in 2006. A key aspect of ASGISA was the explicit introduction of government backed industrial policy.

The ANC's 2009 Election Manifesto fleshed out the strategic outline of how the ruling party would adopt a Developmental state framework:

> *"[t]he developmental state will play a central and strategic role in the economy. We will ensure a more effective government; improve the coordination and planning efforts of the developmental state by means of a planning entity to ensure faster change. A review of the structure of government will be undertaken, to ensure effective service delivery.*
>
> *An important aspect of a successful developmental state is investment in public sector workers and in turn our people expect that they execute the tasks with which they have been entrusted. This means that the right and adequate numbers of personnel should be placed in the correct positions, and where this is not the case, government should have the capacity to implement corrective measures, either through training or redeployment where warranted"* (ANC, 2009a).

The ANC's 2009 manifesto noted the importance of establishing an efficient governance structure to underpin the establishment of a developmental state framework. Complementary to this, was the attendant institutionalisation of an effective bureaucratic system of capable and skilled public sector workers. The ANC further clarified its stance on the developmental state in its 2009 election manifesto "Policy Framework" discussion document. In this document, the ANC asserted that a key characteristic of its adoption of the developmental state governance framework would be the active role of the state with regards to the national economy. The ANC posited:

> *"[t]he developmental state will play a central and strategic role in the economy, by directly investing in under-developed areas, directing and promoting public and private sector investment to support a sustainable and labour-intensive growth path.*
>
> *State-led industrial, agricultural and trade policies will underpin the development of a macroeconomic framework that supports growth and employment. These include: measures to ensure large-scale investment in the productive sectors of the economy; public investment in creating and maintaining strategic economic and social infrastructure; the improvement of human resources through investments in skills-building, education and health; engaging in trade negotiations for reforms that support development objectives; and establishing and strengthening institutions to support innovation, research and development and agricultural activities"* (ANC, 2009 b).

The explicit reference to 'state-led' industrial policy is worth noting, as this declared commitment to industrial policy (a key aspect of developmental state governance), has subsequently become a sore point for both government and ANC Alliance policymakers.

COSATU in its 2010 policy critique document entitled "Economic Policy Contestation in Government: Are the Polokwane Economic Policy Resolutions being implemented by government" argues that in the 2009 elections manifesto state-led industrial policy is to be aligned to the broader 'transformation' agenda focused on ensuring the increased participation of black business actors within the South African economy. COSTAU sees the developmental state governance framework as an opportunity to enhance transformation and empowerment initiatives, the ANC Alliance partner asserts:

> *"[i]n terms of direct intervention to shape the activities of the private sector, excessive energy and resources have been pumped into a BEE programme, which although claiming to be broad-based, has been both narrow and shallow in terms of its developmental impact. The shift in emphasis*

towards a state-led industrial strategy[r]*eflected in IPAP 2* [initiated in 2010], *is therefore welcome"* (COSATU, 2010: 17).

A key policy tool to ensure a more 'developmental' black empowerment outcome with regards to manufacturing and the provision of services is the initiation of "a programme of systematic state procurement of locally produced goods and services by all levels of government and state entities" (COSATU, 2010: 18). COSATU posited that the R800 billion infrastructure budget announced during the inceptive stage of the Zuma presidency could be used to promote black-owned industrialists and businesses. To this end COSATU declared, "[l]everage of local procurement for the more than R800 billion infrastructure programme has the potential to build new strategic economic sectors, and massively increase the employment impact of this public investment, as identified in IPAP 2" (COSATU, 2010: 18). The rationale behind COSATU's optimism and reasoning can be observed in a 2011 DTI presentation outlining the objectives and processes aligned to IPAP 2. The presentation entitled "Industrial Policy Action Plan (IPAP 2) Procurement leverage for industrialisation", indicates that domestic procurement (for goods and services) can be 'leveraged' in order to "raise domestic production and employment in a range of sectors" (DTI, 2011:5).

In order to facilitate this the Preferential Procurement Policy Regulations (2011) were promulgated by government in line with the Procurement Policy Framework Act (2000). The DTI noted that the 2011 Preferential Procurement Policy Regulations (PPPR) complemented NGP and IPAP policy requirements "to deploy procurement lever" (DTI, 2011:9). According to the DTI preferential procurement policy with regards to industrialisation would be primarily focused on three contexts: SOE's, with an emphasis on strengthening localisation and "supplier development"; supporting the National Industrial Participation Programme[22] (NIPP), which seeks to secure business opportunities for local suppliers and manufacturers with regards to public sector procurement; and promotion of the National Localisation Campaign "[u]nder the auspices of the 'Proudly South Africa' initiative" (DTI, 2011: 10). The DTI divided the

[22] The Department of Trade, Industry and Competition describes the NIIP as*:*
"a programme that seeks to leverage economic benefits and support the development of South African industry by effectively utilizing the instrument of government procurement. The NIP programme is mandatory on all government and parastatal purchases or lease contracts (goods and services) with an imported content equal to or exceeding US$10 million. The programme is targeted at the South African industries, enterprises, and suppliers of goods and services to government / parastatals, where the imported content of such goods and services equals to or exceed US$10 million" National Industrial Participation Programme – The Department of Trade Industry and Competition (thedtic.gov.za)

sectors to be targeted for PPPR into four clusters demarcated by their level of maturation and economic potential. The sectors included industries such as: "agro-processing, automotives, (auto sector) components, medium and heavy commercial vehicles, clothing, textiles, footwear, leather, biofuels" amongst others (DTI, 2011:6). The nuclear, advanced materials and aerospace sectors were denoted as "cluster 4": the cluster for the development of "long-term advanced capabilities" (DTI, 2011:7).

Therefore, it can be observed that within the South African context, the Developmental state agenda as articulated by the ANC in relation to industrialisation has a particular ethos as informed by the South African context. This ethos is premised on ensuring a kind of redistributive developmentalism underpinned by race-based empowerment considerations with regards to the structural transformation of the South African economy. This has led some commentators (Freund, 2007; van der Westhuizen 2002, 1999), to compare the South African developmental approach to the Malaysian experience, in relation to the promotion of a state-led affirmative action-based corporatist framework in Malaysia (aptly named "Malaysia INC"). Freund notes, "the ANC made use of the 'Malaysian model' in trying to harness SA capitalism through BEE to create a black business elite in tandem with government" (2007:194). The ANC's approach is characterised by the "crowding in" of local manufacturers and service providers with regards to public sector industrial projects, infrastructure initiatives and industrialisation-oriented services.

It is crucial to note that the ANC began to formally adopt the Developmental State paradigm as party policy at the beginning of former president Zuma's ascent to executive power at the party level post-Polokwane. By the time Zuma became president in 2009, the Developmental State framework was firmly established as ANC policy. Therefore, it can be reasonably argued that the extent to which the ANC has been able to implement a functional and sustainable developmental state framework during the Zuma era is a useful 'benchmark' through which to assess the Zuma premiership (2009-2017).

5.8. *Developmental state Deferred?*

Unfortunately, the ANC's attempts to establish a sustainable, politically viable and efficient developmental state framework appear to have floundered. The ANC has introspectively lamented its inability to build a capable development-oriented state. This was highlighted in the ANC's 2015 "Economic Transformation" policy document, when ANC policymakers solemnly propounded: "[t]he vision of the developmental state has not in general been ***backed by effective state capabilities*** [my emphasis]" (2015: 61).

Edigheji (2010) notes that South Africa's declaratory intention to become a developmental state is unique, as states that are viewed in both historical and contemporary contexts as being developmental states are recognised as such through the notable development outcomes, they achieve due to their respective policy interventions. Therefore the "South African government is one of the few governments in the world that has expressly committed itself to the construction of a developmental state" (Edigheji, 2010: 2). Developmental states are often denoted as such by 'scholars' as opposed to government or party affiliated policymakers (Edigheji, 2010:2). This makes the South African context rather distinctive, as the ruling party is formulating and subsequently implementing policy based on a particular political narrative around developmentalism. This may prompt sceptics to pointedly enquire if a developmental state governance framework is suitable for the South African context.

The greatest obstacle to the developmental state agenda within the South African context, pertains to the lack of both adequate government capacity (largely relating to human capital and aspects of social infrastructure) and national capabilities (pertaining to material factors such as: financial resources and economic infrastructure). The inadequate level of state capacity is mitigating against South Africa's developmental state aspirations, however as noted by Edigheji "[t]his argument fails to take cognisance though of the fact that developmental/transformative institutions are established to overcome capacity weaknesses; hence, weak capacity of the state is not an excuse but rather a motive for constructing a developmental state" (2010:3).

Butler (2010) argues that before the South African government focuses on the grand outcomes of the developmental state project, it is prudent for South African policymakers to be modest and realistic in terms of the fundamentals that need to be in place to support the economic development agenda. The ANC has admitted that its developmental state aspirations have not been "backed by effective state capabilities" (and government capacity) (ANC, 2015:61). Therefore, these state capabilities and government's capacity must be to enhanced and revitalised, if the aspirations of a developmental state governance framework are to be realised, even at an elemental level. Butler candidly asserts: "[t]he notion of the developmental state can encourage imprudence and speculative initiatives that outrun policymakers' real capacities to create benevolent new institutions" (2010: 183). Developmental state s by their nature need a high degree of both governance and bureaucratic efficiency, buttressed by sustainable state capabilities in terms of fundamental aspects such as energy generation, highly functional industrial infrastructure as well as sufficient technological resources. The inefficiency of the South African state has been already discussed earlier in this study, and observers such as Butler posit that it is wise for South African policymakers to take stock of overall national governance and policy processes to accurately (and honestly) assess how to build greater capacity and capabilities. However, this is not to say that there are no governance "bright spots": in relation to what Butler (2010) terms "sites of efficiency". Butler argues:

> *"[p]roposals for more ambitious developmental state institutions and for major reforms to state architecture need to be considered in the light of limited human resources … Apartheid-era legacies of dispossession, moreover, demand that priority be given to investment in health and education. Such investment will be required if economic growth is to accelerate, and it can also directly enhance human development by creating a healthier and more knowledgeable population. Finally, the quality of government expenditure and the effective administration of the state are of central importance. I argue that, given a scarcity of resources and skills, the maintenance and expansion of existing sites of efficiency in the state should be government's priority"* (2010: 183).

The challenging paradox noted by Butler: that it is unfeasible and non-viable to construct and sustain a developmental state without development-focused investments in human capital and social infrastructure; is worth noting if not instructive. Consequently it can be argued that the South African government could then enhance

and expand the "existing sites of efficiency", with a view of developing these 'sites' into durable "building blocks" for the establishment of a capable state as an essential first step towards inaugurating a developmental state governance framework. Examples of such sites of efficiency include respectable levels of bureaucratic efficiency including policymaking and governance efficacy at government bodies and institutions such as: the Treasury, the Development Bank of South Africa (DBSA), Department of Trade, Industry and Competition (formerly DTI), Department of Forestry, Fisheries and Environment (formerly Department of Environmental Affairs), and the former Department of Science and Technology (Edigheji et al 2010; Calland, 2013). These governmental bodies have garnered commendation over the preceding years as reputable sites of sound governance and policymaking due to either inspired (and principled) leadership or the establishment over time of a competent bureaucratic framework.

The ANC's commendable goal of revitalising and stimulating South Africa's industrialisation to attain a more inclusive economic growth path is at great risk of foundering if incremental and urgent investments towards social infrastructure are not made. The need for improved industry related infrastructure is apparent and well publicised. However, the facilitation of social infrastructure is analogous to investments towards economic infrastructure. Greater interventions oriented towards enhancing South Africa's human capital are highly complementary to those pertaining to economic infrastructure. Improved healthcare and education are a key pillar for the developmental state framework. In essence a developmental state is governed by astute and capable citizens, they buttress the developmental state institutional structure. The ANC notes the need for greater state capacity in terms of expertise and efficient public service:

> *"[o]ur role is to transform the orientation of public services to delivery-orientated service, to allow society a greater say in the coverage and quality of services delivered. This is central to improving the prospects of the poor. Quality of public services, in turn, depends on the quality of skills we employ. In the 53rd Conference, the ANC resolved to make our government a more capable and effective state, with the technical and political capacity to lead development and transform the economy. This implies 'a proper balance between political leadership and a professional public service' "* (2015:81).

Closely related to this concern is the issue pertaining to the coordination and oversight of economic development outcomes or targets, as is often the case in a classical development context in which the state steers industrial policy. An example here would-be Japan's famed Ministry of International Trade and Industry (MITI), especially during the 1960's, 1970's and 1980's. MITI had extensive oversight and influence with regards to the formulation and implementation of both industrial and trade policy. A comparable and contemporary institution would be China's National Development and Reform Commission (NDRC). However, the political culture of South Africa is unique in terms of its emphasis on democratic engagement and participation, therefore it would be difficult for the ANC government to create a body with the level of control of a MITI[23] or NDRC. Furthermore, the ANC does not have comparable financial resources to the East Asian institutions discussed above. The phenomenal success of both China and Japan's export-oriented industrialisation policies meant that bodies like MITI and NDRC (as well as other government bodies) could make significant reinvestments into the domestic economy in terms of myriad interventions meant to enhance both economic and social infrastructure. Having such extensive financial resources also meant that MITI and NDRC could extend control by incentivising domestic actors to partake in industrialisation initiatives (as was also the historical case in the Korean and Taiwanese contexts).

The South African ruling party's failure to generate consensus around a precise development agenda, and the resultant contradictions between the ministers of Economic Development and Trade and Industry on one hand, and Treasury as well as the National Planning Commission (NPC) on the other hand during the Zuma era highlighted the issue of how there is no central institution or entity that can authoritatively oversee national development (although the NPC has been officially mandated with this task). Landsberg and Georghiou note that although the NPC was intended by the executive branch of government to be the key pilot agency coordinating national economic policy, this expectation was thwarted due to excessive politicking (primarily due to factionalism) and disagreements around the role and function of the NPC. Landsberg and Georghiou explain: "[w]hile the Zuma government started off with

[23] Though Japan is considered a democracy, it is important to note the entrenched and conservative bureaucratic system as well as the fact that the Liberal Democratic Party (LDP) has been the key governing political party in post-World War II Japan, with brief intermissions of oppositional rule.

clear intentions to see the putative NPC become a powerful navigating unit and potential super ministry, the sad reality is that this agency became a victim of Polokwane squabbles and ANC–SACP–COSATU alliance politics" (2015:484).

The NPC's (recent) "Review of the National Development Plan 2030: Advancing Implementation towards a more Capable Nation" (2020) provides a bleak assessment of the South African government's level of capacity with regards to the economic development agenda. The NPC starkly states:

> *"[i]n the seven years since the NDP was adopted, progress towards achieving the NDP's main goals has been slow compared to what was expected. Against this realisation, the National Planning Commission conducted a deep assessment to understand this poor performance…The NDP did not spell out an implementation plan with sufficient rigour and detail, beyond the broad approach it outlined…*
>
> *Political and ideological contestations in the state and in the governance of the country have shifted the NDP from being the central focus of government…*
>
> ***The capacity of the state to drive the NDP's development agenda has been eroded through a weakening and looting of key state institutions, poor management in the public service*** [my emphasis], *ineffective support to SMMEs, rising debt and collapsing confidence. The prevalence of poor service delivery, coupled with a slow-growing economy with limited inclusivity, is negatively affecting the social wage and undermining social cohesion"* (NPC, 2020:5).

Another concern relating to capacity is the DTIC's limited ability to initiate structural economic transformation. Noting the limited resources and expertise accessible to the Trade and Industry Ministry, it may be more productive for the ministry to engage all private sector stakeholders (albeit without necessarily negating its empowerment objectives) in order to create resilient and sustainable public-private partnerships. Such an approach would ensure that there is a potent mix between experienced private sector actors and the emerging "black industrialists" (the target of DTIC's empowerment focused procurement initiatives). The reality is that DTIC does not have the economic or political power to compel the private sector to act in a predetermined manner. Rather it appears as though DTIC will have to provide diverse incentives aimed at bringing the broader and more established private sector stakeholders (including white-owned enterprises) on board in terms of its developmental vision. Unlike the East Asian context with its top-down approach, a more organic and collaborative industrial

policy implementation process might suit South Africa. Referring to Hausmann, Butler argues that a more flexible and open-ended approach could " 'relieve the DTI's [now DTIC] capacity constraints by mobilizing the energy and resources of the rest of society' in a form of 'self-organisation' for industrial policy" (2010:188). The DTIC will also have to strike a delicate balance between its support and promotion for established (and sustainable) export-oriented enterprises, and its commitment to emerging black-owned businesses (as well as nascent entrepreneurs in general). The former are crucial in terms of earning much needed foreign exchange and deepening South Africa's integration into global markets; whilst the latter are vital with regards to structural transformation initiatives which ensure that more people of colour are able to participate meaningfully within the domestic economy. If the DTIC and other government institutions can promote impactful linkages between the two stakeholder groupings it would enhance the resilience of the South African economy.

The ANC may also have to perceptively interrogate the developmental approach and attendant structures or mechanisms that best suit South Africa's unique historical, cultural, political, and socioeconomic milieu. In this regard the ANC might have to consider less popularised models of the Developmental state , such as the Scandinavian model which focuses extensively on developing human capital and social infrastructure as opposed to industrialisation. Ha Joon Chang illustrates this point when he posits: "[d]evelopmentalism can emerge under different political conditions and (to an extent) be achieved through a combination of different tools (less sectoral industrial policy and more welfare-labour policies in Scandinavia than in East Asia)" (Chang, 2010: 85). Developmental state's do not emerge within a vacuum, they are often embedded within a national context characterised by particular historical and cultural aspects. Therefore, national values and ideas about societal organisation are intrinsic to developmental state governance. Ultimately it can be conclusively argued that South Africa is not a developmental state, especially noting how it is struggling to be a capable and efficient state in the first instance. South Africa's socioeconomic indicators show that the country cannot be confidently recognised as an efficiently run state. In this regard the 'basics' need to be established before more ambitious development aspirations can be set.

5.9. *Emergence of a development-oriented foreign policy*

The inception of industrial policy and the renunciation of GEAR had a considerable impact on South African foreign policy from 2006 onwards. The overarching objective of ensuring South Africa's integration into the global economy remained in place (noting that South Africa is an export-dependent economy). However, the nature of South Africa's participation within the international economy vis a vis its domestic priorities became a key policy focus for the South African government and ANC. Vickers argues:

> *"[w]hereas trade liberalisation was complementary to the austere macro-economic reform agenda of the initial post-apartheid years, industrial policy considerations have been the hallmark of the second decade of democracy* [2004-2014]. *These measures, designed to strengthen and diversify South Africa's productive capabilities rather than outward oriented reforms, continue to provide the overarching framework for South Africa's external trade agenda and negotiations"* (2014:58).

Noting Vickers' observations, it can be argued that the increasing prioritisation of re-industrialisation through the NIPF, as well as the promotion of greater state intervention in the domestic economy since 2006 have influenced the orientation and conceptualisation of South African foreign policy. The "tail-end" years of the Mbeki premiership coincided with increased policy advocacy for formalised industrial policy, as well as a policy-based commitment towards a developmental state governance framework. This ultimately meant that there was to be a more active role for the state in the economy, underscored by a move away from extensive liberalisation (as was the case under GEAR), towards a more strategic trade and global integration approach. Considering this, foreign policy largely began to be viewed as a mechanism through which to facilitate inclusive and transformative economic development via the operationalisation of its 'tools': trade policy and economic diplomacy. This noted by Vickers when he asserts:

> *"[the] emphasis on more development-oriented trade policies reflects sensibilities by the governing tripartite alliance led by the African National Congress (ANC) and a progressive global epistemic community that more strategic trade and tariff policies are instrumental for achieving industrial development…This view is consistent with the structural transformation experiences of the East Asian and other late-industrialising developmental states"* (2014:58).

A far-reaching consequence of this shift in policy was an extensive (and critical) review of South Africa's trade liberalisation policies under GEAR auspices, resulting in a more

pragmatic approach to international trade and economic diplomacy as highlighted in DTI's 2010 Trade Policy and Strategy Framework (TPSF). The TPSF explicitly made it clear that external trade policy would actively promote domestic developmental priorities such as industrial policy and value-added manufacturing (DTI, 2010).

Apart from an increasing focus on aligning South Africa's international trade and external economic policy with industrial policy and the enhancement of value-added manufacturing capabilities. The Zuma epoch spotlighted an envisioned "second wave" of South African commercial expansion across Africa, by a section of key policymakers, including the then Minister of Public Enterprise, Malusi Gigaba. Unlike the first wave of South African private sector extension and proliferation across the region and continent described in chapter four, this wave would be state-led and include South Africa's SOEs (particularly Transnet). The key concept behind this vision of SOE continental expansion was the exportation of South African infrastructural services, technical expertise, and infrastructure- related goods (such as rolling stock for example). The central approach underlining this vision was the notion South Africa had a comparative advantage over its regional and continental counterparts with regards to infrastructure-related services and products. In an interview with the *Financial Mail*, Minister Gigaba, stated: "[w]e have said that each [SOE] must develop an African footprint. They must invest in infrastructure in SA and [throughout] Africa so their revenue streams are not limited to what they can achieve locally" (Financial Mail, 2011:28). Paton writing for the *Financial Mail* describes Gigaba's vision as an "invigorated form of state capitalism in which slimmed-down corporatised SOEs of the past two decades would be replaced by state-owned and -controlled economic giants with the ability to reshape the local and regional economies" (Financial Mail, 2011:28). During the Zuma epoch the corporate leadership at both Transnet and Eskom appeared to share Gigaba's ambitious vision.

The corporate expansion of South African infrastructure focused parastatals such as Transnet and Eskom is highly dependent on the extent to which they can expand into SADC markets (and further afield). In order to generate more revenue Transnet and Eskom committed themselves to regional programmes focused on providing services and products to SADC countries. To this end Transnet established a corporate vehicle to oversee its regional expansion. Transet in its 2017 Integrated Report stated: "[w]e envisage driving our regional activities through a wholly owned subsidiary, Transnet

International Holdings, which has been approved by the Transnet Board of Directors, the Department of Public Enterprises and Minister of Finance" (2017:10). According to the report, Transnet International Holdings (TIH) will be "operationable" in 2018 (2017:10). A direct incentive for the establishment of TIH was the R2,1 billion Transnet made during the 2017 financial year from its regional and continental operations. Transnet has four "satellite offices" within the SADC region, in Namibia, Lesotho, Tanzania and Swaziland (Transnet Corporate Profile, 2017).

Transnet articulated the establishment of TIH as part of the regional integration agenda, implicit in the African Agenda approach as articulated by DIRCO and the Presidency. In this sense Transnet through TIH sought to contribute to regional integration and regional infrastructure development through its rail, engineering, ports, pipelines and coal and mineral systems priority areas. In terms of rail TIH will "grow cross-border volumes and enable regional integration" through facilitating the development and realisation of the: Maputo Corridor that extends through South Africa, Swaziland and Mozambique; East/West Corridor which passes through South Africa, Namibia, Botswana and Lesotho; as well as the North/South Corridor which covers South Africa, Zimbabwe, Zambia, Democratic Republic of Congo and Tanzania (Transnet Integrated Report, 2017:47). Transnet notes: "[t]he increase in cross-border volumes is the largest revenue driver of the Transnet International Strategy" (Transnet Integrated Report, 2017:47). Through its regional operations TIH seeks to use its engineering division to oversee the maintenance of the aforementioned the rail networks and systems (Transnet Integrated Report, 2017:47). TIH envisions that once the rail networks have become operationable, it will be able to introduce the TransAfrica Locomotive to "satisfy market need at a competitive price" (Transnet Integrated Report, 2017:47). Other prospective ventures for TIH include providing services related to port transit logistics; as well as developing infrastructure systems to support oil and gas (Transnet Integrated Report, 2017:47). Transnet's freight rail and engineering division has initiated a capacitation agreement with Tanzania Railways Limited, and Tanzania Zambia Railways Corporation (Transnet Sustainability Report, 2017:51). The National Ports Authority which is falls under Transnet's authority, has signed "interport" agreements (MOUs) with the Ghana Ports and Harbour Authority, Namport (Namibia), Maputo port (Mozambique), the Kenya Port Authority, Port Corporation of Sudan and

Port of Cabinda (Angola) (Transnet Sustainability Report, 2017:51). In its 2017 Sustainability Report, Transnet stated that its African ventures are in support of South Africa's foreign policy priority of regional integration. Transnet has taken great care to describe its African commercial enterprises as a win-win situation in which, the SOE expands its regional (and continental footprint) and generates much needed revenue from African markets; whilst also contributing to the development of regional infrastructure as well as the implementation of the SADC integration agenda. Transnet asserts:

> *"[i]n developing an international strategy for Transnet, great care was taken to ensure that while targeting the commercial objectives and gains that are of specific interest to Transnet, the strategy was aligned with and supported Government's broader regional integration initiatives.*
>
> *Transnet's Africa Strategy outlines Transnet's intention to extend business beyond the borders of South Africa and into the region to become the leading logistics provider in sub-Saharan Africa. Transnet is targeting 25% revenue from outside South Africa by 2025.* ***South Africa is a potential gateway to the region, and Transnet, through its port, railway and pipeline infrastructure, is well placed to enhance regional integration*** [my emphasis]. *The hubs, rail corridors and shipping feeder networks depicted in the* [African Union] *2030 vision map represent the areas where Transnet will either have an operational presence and/or an ability to participate in the logistics chain and growth of cargo corridors"* (Transnet Sustainability Report, 2017:49).

The IPAP 2017/18-2019/20 report notes the prioritisation of "African industrial development" by the DTI, this is supposed to be supported by investments in regional trade and "industrial development integration"; pooling regional industrial knowledge including value chain research; regionally oriented capacity building initiatives; "cross-border industrial projects"; and delineating strategic opportunities for South Africa within the region (DTI, 2017:39).

Eskom like Transnet has a regional outlook in terms of expanding its operations and services into the SADC region. Eskom as part of the Southern African Power Pool (SAPP), has power supply agreements with Zimbabwe and Zambia (Eskom, 2016b). Eskom states that it "has been involved in the electricity sector in various countries in Africa for a long time and has utilised different forms of engagements" including the use

of both electricity acquisition and provision instruments “such Power Purchase and Power Sales Agreements” underpinned by bilateral trading treaties (Eskom, 2016b). Eskom’s explains that its regional development strategy involved the establishment of the Southern African Energy Unit, which allows for South Africa to import electricity from Lesotho, Mozambique and Nambia; and to sell electricity to the aforementioned SADC countries as well as Botswana, Swaziland, Zambia and Zimbabwe (Eskom, 2016a). The electricity utility SOE through operating and maintenance granting agreements provides capacitation services in Uganda and Mali (Eskom, 2016a).

South African SOE’s such as Eskom and Transnet are the vehicles for South Africa’s regional integration initiatives, and provide an important conduit for the realisation of the regional development aspect of the African Agenda, albeit from a commercial and economic development context. Eskom and Transnet also seek to expand their respective operations into the region for two key strategic reasons: firstly, South Africa’s domestic economic infrastructure has to complement and be connected to the regional infrastructural network for maximum efficiency, as this will allow for the smoother transportation of South African exports throughout the region and ease the transit of imports into the country. Secondly, both Eskom and Transnet (particularly the former) desperately need financial resources in order to both continue and expand their respective operations; therefore by providing marketable services and developing economic infrastructure at both a regional and continental level, the two SOE’s can generate much needed revenue. To garner legitimacy, and State support both SOE’s have managed to project their regional (and continental) operations through the auspices of the African Agenda international relations tenet, and foreign policy goal of regional integration.

The African context at the regional and continental level is highly important in terms of South Africa's long-term economic growth prospects. In order to ensure sustainable economic growth over the long-term, as well as ensure substantial gains from the investments in domestic economic infrastructure; South Africa will have to enhance and expand its economic reach within African markets. Therefore, under the framework of the African Agenda, South Africa seeks to have a 'win-win' economic approach within the region and wider continent through greater economic integration; as a direct consequence of its investments in economic infrastructure as well as increased

economic expansion due to the enhanced flow of South African exports throughout the region. This notion behind this approach is captured in a 2015 speech made by the then deputy minister of International Relations and Cooperation, Luwellyn Landers on "South Africa's foreign policy priorities for the 21st century", Sanders asserts:

> *"[w]e aspire for a South Africa that continues to attract international trade and investment* [and also participates] *in the ongoing initiatives aimed at positioning Africa as a major economic continent that* [can] *upscale trade and investments within itself.*
>
> *One of the key objectives is to expand Africa's industrial base"* (Landers, 2015:10).

South Africa's long term economic sustainability (and by extension national development agenda) is premised on the extent to which it can gain greater market access into African markets for its exports and services; this in turn will be enhanced by South Africa's investments in domestic infrastructure as well as its commitments to greater regional (and continental) economic integration with a view towards promoting economic growth in other African countries.

However, the ambitious SOE expansion vision aspired to by a key ANC constituency has been undermined by high level corruption linked to rent seeking (or "state capture"), especially during the Zuma era. The African Economic Outlook's 2016 South Africa report asserts, "…several state-owned companies could pose risks to the public finances. The authorities are closely monitoring South African Airways, the South African Post Office, SANRAL[24] and Eskom, with the aim of stabilising these entities and mitigating any risks that may materialise" (2016:8).

5.10. *Conclusion: The fragility of the DDA*

The demise of GEAR was to a great extent underpinned by two key aspects, the first being the failure of GEAR implemented policies to attain widely publicised policy objectives pertaining to economic growth and job creation. By 2006 it was clear that GEAR had failed to attain its projected GDP growth and job generation figures. The second aspect relates to how GEAR faced intense opposition from key state actors

[24] South African National Roads Agency Limited

within government and the ANC Alliance (especially the latter). This was to undermine the full implementation of GEAR liberalisation programmes (particularly noting that proposed GEAR liberalisation reforms relating to labour and SOE reforms were not implemented largely due to fierce political resistance). Therefore, from both a policy and political perspective GEAR was ultimately untenable and unsuccessful (in light of its inability to create jobs for millions of black South Africans). The twilight of the Mbeki premiership witnessed burgeoning resistance and "pushback" to GEAR macroeconomic orthodoxy, ultimately resulting in a context in which the ANC and subsequently the South African government formally adopted a heterodox (albeit uncoordinated) economic development policy approach. This was informed by the widespread realisation within both government and the ANC Alliance that GEAR had failed to generate high and inclusive economic growth indicative of structural transformation of the economy, complemented by sustainable labour-intensive job creation. In such a context the notion of a South African developmental state which would strive to realise the aforesaid economic development priorities gained greater traction and policy legitimation both within government (in the form of state-backed industrial policy) and the ANC Alliance.

The formalisation and introduction of ASGISA in 2006 marked an observable and significant shift in government policy with regards to economic development policy. This is because ASGISA advocated the necessity of an official national industrial policy for South Africa. Therefore, under the auspices of ASGISA the formal introduction of industrial policy was facilitated through the promulgation of the NIPF. This development marked the adoption by a key and influential section of government (primarily located in DTI) of economic development policies oriented towards structural transformation and redistribution, as opposed to the long-established liberalisation stance assumed since 1996. The shift towards industrial policy was justified on the basis of: high levels of deindustrialisation since 1994, inadequate job creation, and the need for export diversification. The ascendency to the presidency of former deputy president Zuma, allowed for greater consolidation of the developmental state governance framework notion, industrial policy (under the IPAP iterations), and the promotion of labour-intensive job creation as core aspects of economic development policy. This is evidenced by the introduction of the NGP in 2010, as a pro-job creation and inclusive growth oriented economic policy framework, complementary

to the NIPF and the notion of strategic government intervention within the national economy. Much like the RDP, the NGP was significantly Keynesian in nature, and allowed for government to spend, if necessary, in order to buttress or stimulate job creation. Furthermore, NGP policies were highly complementary with IPAP programmes, thereby highlighting its intense focus on employment generation. The NGP allowed for state support to certain value-addition prioritising sectors.

The initiation and formalisation of industrial policy in 2007, coincided with the resurgence and popularisation of the developmental state discourse within the ANC Alliance and government. The DTI and other influential actors within the ANC Alliance saw a developmental state governance framework as a key aspect for the realisation of a (structural) transformational industrial policy. The developmental state governance framework proposed within ANC policy documents, lent DTI and DED policymakers political legitimacy, and allowed them "policy space" to actively canvass for strategic government intervention in the local economy. However, the introduction of the NDP vision in 2012 has complicated the rationalisation and consistency of economic development policy. This is because the NDP does not appear to complement and enhance key policy tenets such as extensive industrial policy, strategic state intervention within the economy (in order to revitalise manufacturing and build value-addition capabilities), and labour-intensive job creation within the tradable sector. The irony of this situation is that (as argued in the previous chapter), the NDP as a national development vision buttresses and consolidates the DDA.

Despite emerging consensus around the NDP (as pointed out in chapter four) with regards to the centrality and importance of the DDA, it is clear that the tensions and disputes around: the macroeconomic framework which should underpin the DDA; the extent and contribution of industrial policy; the role of the state within the domestic economy (as evidenced in debates around the Developmental State); as well as the private sectors' obligation to economic development objectives; all serve to undermine the fragile consensus around the DDA. South African economic policy is not clear and definitive, largely due to how disagreements within the ANC Alliance have spilled over into government (which in some instances tries to be practical and insulate itself from either a populist agenda or "state capture"). The ANC has failed dismally to generate consensus around economic development policy within the Alliance movement. This is

partly mirrored at the governmental level, were policymakers have at times clashed around policy approaches which are either state interventionist or pro-market. This has resulted in a situation in which there is no strategic cooperation amongst key state stakeholders: the ruling party, government, labour and civil society around a common and unified approach to the DDA.

More worryingly, it appears as the though the South African state does not have the capacity to either implement a far-reaching pro-market economic development approach, or a state-led economic transformation and development programme. This is because the ruling party and government are unable to initiate and implement far-reaching structural reforms that accrue to either developmental approach. The government has been unable to compel or incentivise significant private sector investment over the preceding decades. Partly because the ruling party has not been able to convince South African labour: of the potential benefits of labour flexibility legislation, extensive reform of SOEs (including privatisation in some cases), sustainable public wages and the unfeasibility of large-scale industrialisation within the South African context. Challenging labour laws and high energy costs deter private sector investment at both corporate and SME commercial levels. Extensive corruption has generated high levels of negative investor sentiment. Furthermore, as noted in this chapter, the South African state simply does not have either the capacity or capabilities needed to actively and successfully promote a developmental state governance framework. Moreover, the NPC (2012) posits that the labour and production manufacturing "cost structure" for South Africa is prohibitively high; the value of the ZAR is often too high; whilst infrastructure needs to be urgently upgraded; and the country's skills base is extremely limited (NPC, 2012:31).

The best hope for the firm establishment and realisation of the DDA lies with the NDP (perhaps in a revised form), however the NDP is fiercely rejected by key constituencies such as COSATU, SACP and broader labour movements. Considering all this it becomes apparent that South Africa does not have a unified and precise economic development policy. The implications of such a situation for the other streams of government policy is worrying at the least.

The following chapters will analyse how South Africa's foreign policy and international relations have been impacted by this problematic context with regards to national

economic development (as underpinned by the DDA). Chapter 6 will focus on the evolution of South Africa's post-apartheid foreign policy post-1994, with an emphasis on how the DDA increasingly became salient between 1994 and 2017. The aim of chapter 7 is to provide an analysis of how the DDA has impacted on the formulation and implementation of external economic policy. It will also assess to what degree the DDA has been able to be an effectual framework for a development-oriented foreign policy post-2007.

Chapter 6: South Africa's post-apartheid foreign policy (1994 – 2017)

6.1. *Introduction*

This chapter will provide a detailed overview of the development of South Africa's foreign policy from 1994 to 2017. This will be done through a constructivist lens , placing a particular emphasis on how ideas, values, and post-apartheid conventions or norms (particularly those relating to the domestic development agenda) have shaped the South African state's identity as well as its interests, noting the subsequent impact on South African foreign policy between 1994 and 2017 . Furthermore, this chapter will highlight how South African foreign policy increasingly became more development-oriented between 2007 and 2017, thereby underscoring the growing prioritisation of the DDA with regards to external policy formulation and direction

6.2. *South Africa's post-apartheid identity and foreign policy*

A constructivist analysis of South African foreign policy indicates that South African foreign policy is underpinned and informed by what Geldenhuys (2012) terms the "declaratory or aspirational" (2012:31) aspects of South African foreign policy. These 'aspirational' aspects which have a significant and tangible impact on South African foreign policy conceptualisation, formulation, and implementation are drawn from particular values, rules as well as notions about South Africa's identity. They are a consequence of the interaction of what Wendt (1994) terms the corporate (relating to needs) and social identities (pertaining to self-identification and aspirations). In essence these identities provide perceptive insights into the rationale that underpins South Africa's foreign policy. Therefore, it can be observed that South African foreign policy is formulated according to particular identities and ideas within a unique social-historical context. Furthermore, as noted by Koslowski and Kratochwill (and a key focus of this chapter), change within the international context (at both the domestic and external levels) occurs when states alter or transform their "normatively constituted practices" (1994:216). South Africa's 'transformation' of its normatively constituted practices

post-1994, due to its new beliefs and identity, subsequently (following Koslowski and Kratochwill's logic) altered (or reproduced) the norms and rules which were constitutive of its political practices during the apartheid era. This subsequently initiated far-reaching and 'transformative' changes in South Africa's post-apartheid foreign policy, for instance a prioritisation of the African continent, and a policy-based focus on domestic development (as well be extensively outlined within this chapter).

The declaratory and aspirational aspects that inform South African foreign policy are encapsulated in the 'tenets' that guide South African policymakers, and are articulated in government conventions, policy documents, and statements. Geldenhuys states: "'[t]enets' refer to ideas or opinions that a person (or a government, for that matter) holds true and are supposed to guide their actual conduct. Included under this rubric are what South African policy-makers have variously called foreign policy objectives, principles, pillars, and roles" (2012:31). Geldenhuys lists seven key tenets that underpin South African foreign policy and argues that these have been "remarkably consistent under the successive presidencies of Nelson Mandela (1994-1999) Thabo Mbeki (1999-2008) and Jacob Zuma (2009-2017)" (2012:31). These seven tenets are: democracy and human rights; "sovereignty as responsibility and accountability"; the African Agenda or African Renaissance, South-South solidarity, "liberatory solidarity", 'developmentalism' (a central concern of this study); and "good international citizenship" (Geldenhuys, 2012:31). However, Geldenhuys asserts that the aforementioned seven tenets are not exhaustive, and also notes that there are other significant tenets to take into consideration such as: multilateralism, nuclear non-proliferation and "emerging power status" amongst others (2012:31).

The South African government's aspiration to become a 'capable' or 'developmental' state that is able to effectively steer and effectively support the DDA, has had a notable effect on foreign policy formulation. This has meant that, both ANC and government policymakers have had to strategically contemplate how foreign policy can effectively contribute towards domestic developmental goals. During the Zuma era this issue was a key policy priority, and former foreign minister, Nkoana-Mashabane frequently underlined the notion of how South Africa's international relations and foreign policy are directly informed by domestic developmental needs and priorities. Geldenhuys referring to data collated by the South African Reconciliation Barometer (2010), asserts:

> *"South Africa's developmental foreign policy can be linked to a pertinent attitude among the ruling elite and no doubt also the masses towards the role of the state. The ANC government and its constituency clearly support the idea of a strongly interventionist state to address the country's serious socio-economic challenges"* (2012:34).

South African scholars and analysts including Landsberg (2005, 2015), Geldenhuys (2012), Notshulwana (2012), Van Niekerk (2004) and Van Wyk (2004) have emphasised the strong developmental impulse within South African foreign policy and noted the challenges South Africa's international relations face in terms of ensuring developmental outcomes at the domestic level. Landsberg has taken it a step further and propounded the necessity of a "developmental foreign policy" for South Africa, considering the urgent need for inclusive and sustainable economic development within the country.

Closely related to the developmentalism tenet are the African Agenda and South-South solidarity tenets. In terms of continuity, president Zuma built on former president Mbeki's concerted consolidation and deepening of South Africa's political and economic relations with African countries, as well as those from the global South, most notably China, India and Brazil amongst others. The Zuma administration was more pragmatic in terms of its approach to the African Agenda and South-South solidarity, which translated into an emphasis on cooperation and partnership with African and Southern actors in terms of economic interests. The notion behind this has been a growing realisation that South Africa's economic development prospects are significantly dependent on the extent of regional integration and intra-African trade, as well as investment from key developing world economies such as China and India.

This chapter is divided into the different presidential epochs of post-apartheid South Africa, highlighting the importance South African leaders have had on government policy, especially pertaining to external relations and concerns. South African foreign policy does not occur in a vacuum, noting that it is underpinned by a number of value-based tenets. Political leaders such as former presidents Mandela, Mbeki and Zuma have all espoused and promoted these tenets. However, depending on their particular agenda, sociopolitical context and even projected personality, they may have promoted some tenets over others. This will be discussed further on in this chapter. Masters states: "[t]he executive continues to play a central role in international relations, a point

sharpened by the burgeoning popularity of summit diplomacy. South Africa is no exception. Since, 1994, South Africa's presidents have continued, to varying degrees to occupy the central position in the foreign policy machinery" (2012:21). The centrality of the South African executive in South Africa, is owed to a number of factors including: historical aspects, institutional frameworks and governance structures (Masters, 2012). Considering this it becomes apparent that in order to ensure a thorough understanding of post-apartheid South African foreign policy, one has to seriously engage with the foreign policy approaches and decisions adopted by respective South African presidents.

However, the organisation of this chapter along presidential epochs in terms of analysis does not mean that leaders are the sole focal point of analysis. This is because leaders operate within a complex set of relationships and frameworks. This underlines how state leaders are supported by a kind of bureaucratic and governance 'superstructure'. It is important to bear this in mind in terms of avoiding the narrow perspective of "the unitary actor assumption", and its attendant limitations. The unitary actor assumption is the "assumption that decision makers act as a homogeneous entity…It means treating the government *as if* it were a single individual, rather than (at minimum) a group of decision makers or (more generally) a composite of many agencies and offices, each staffed with many people at various ranks within a hierarchy" (Breuning, 2007:57). The approach adopted for this chapter acknowledges the limitations of the unitary actor assumption, and notes that even though South African foreign policy will be largely discussed in terms of the respective leadership eras (from Mandela to Mbeki then Zuma); it does not negate the important role that other policymakers including ministers, parliamentarians, advisors, academics and activists have played in relation to foreign policy formulation and implementation. The focus on South African leaders is useful in terms of the succinct overview that this chapter seeks to articulate, hence its adoption. However, there will be reference to the other myriad actors and aspects that have contributed to the development of post-apartheid South Africa's foreign policy.

It is also important to highlight that the constructivist overview that informs the analytical framework of this chapter, posits that the international context also has a significant bearing on the foreign policy and international relations of states. South

Africa is no exception, and its leaders and governments have had to adapt to shifts in the international context when formulating and subsequently implementing foreign policy.

6.3. *The Mandela era (1994-1999): the post-apartheid state's integration into the global economy*

President Nelson Mandela, democratic South Africa's first president, liberation struggle stalwart and enigmatic global icon set the tone that would underpin the trajectory of South Africa's post-apartheid foreign policy. In many ways he symbolised and personified the values that South Africa sought to consolidate domestically and project externally; primarily a staunch commitment to democracy, the upliftment of human rights, the ceaseless aspiration towards genuine unity through the promotion of non-racialism and measures to combat the ills of apartheid (and the world at large): socio-economic deprivation and inequality amongst others. However, it would be the country's traumatic and painfully tragic immediate past that would have a lasting impact on South Africa's foreign policy.

When South Africa's first elected post-apartheid government took over the reins of power in 1994, 'transformation' was at the heart of what it sought to achieve. Transformation meant a complete break with the harrowing and unjust socio-political system of apartheid, which had had devastating effects on 'non-white' South Africans. These adverse effects included economic marginalisation; discrimination on the basis of race; apartheid state sponsored terror and violence; as well as unjust legislation meant to perpetually undermine non-whites. South Africans of African descent who formed the majority of the population were the most perniciously affected.

South Africa in the early 1990's found itself in a transitional context characterised by constant change, as the post-apartheid South African nation sought to make sense of the "new South Africa". In this situation the adoption of new transformational and progressive notions and values around non-racialism, human rights, and 'developmentalism' began to convert the needs and aspirations of the post-1994 South African state. This was to undoubtedly influence the formulation and direction of South African foreign policy. Particularly noting Koslowski and Kratochwill's (1994) argument, that a change of beliefs and identity, ultimately results in an alteration or

reproduction of "normatively constituted practices" thereby initiating change at both the domestic and international level. In terms of the South African context, the values, and ideational notions which the post-apartheid South African state adopted as it consolidated its identity from 1994 onwards, had a profound impact on foreign policy conceptualisation, formulation, and implementation. In this sense, South Africa's new post-apartheid identity initiated far-reaching changes with regards to the independent Southern African country's external policies and international relations.

During the Mandela era there was an emphasis on the ideals and values that should underpin the formulation and conduct of foreign policy. South Africa was to be an exemplary state and continually strive to promote and uphold universal values such as human rights and justice amongst others. South Africa had to be a complete antithesis of the apartheid state, thereby indicating the effect of post-apartheid South Africa's concretising identity. Furthermore, the new South Africa had to urgently prioritize South Africa's socioeconomic development, noting the stark developmental challenges facing the country.

Between 1994 and 1999, the "New South Africa" was still a state in the process of conceptualising its evolving social identity based on the essential needs identified by its corporate identity (for example economic development; recognition by the international community; and national stability), meaning that its core social identity was grounded on the notion of the South African state as a "Promoter of Reconstruction and Unity" with a focus on economic development and nation building. This was the key identity which it projected both domestically and internationally. This meant that at home the South African state actively promoted the RDP, whilst internationally it supported (idealistic) regional development and mediation initiatives.

For the Mandela government the pursuit of "wealth creation" (Van Nieuwkerk, 2017:20) was vital and a key overarching national interest objective, particularly noting the estimated $ USD 10,5 billion estimated cost (Jordan, 1996) of RDP programmes. In order to ensure consistent and sustainable wealth creation (needed to sustain national development priorities), the Mandela administration sought to initiate a "balanced and coordinated approach to globalisation" (Van Nieuwkerk, 2017:20) which would enhance South Africa's international image and effectively support intensified "pursuit of trade and investment" (Van Nieuwkerk, 2017:20). South African policymakers

particularly those at the Treasury and DTI, realised that South Africa's prospects for adequate economic growth and global trade were highly dependent on the extent South Africa could successfully integrate into the global economy (which was becoming increasingly interconnected in the 1990's). Following the rationale of South African government policymakers, South Africa needed to significantly prioritise the 'liberalisation' of two key policy aspects in order to integrate meaningfully into the global marketplace. These two policy aspects were trade and macroeconomic policy, which both had to be liberalised via trade reform with regards to the former, and macroeconomic stabilisation (GEAR) in relation to the latter. The central notion which underpinned the liberalisation of both trade and economic policy was ensuring that South Africa as an economically outward oriented trading nation would integrate successfully into the global trading and capital markets. This was imperative as post-apartheid South Africa was a trade and investment dependent developing economy. In this regard policy space was limited with regards to trade and macroeconomic policy. Especially noting the dire state with regards national savings and state coffers between 1994 and 1996 (please see chapter 4).

The latter years of the Mandela administration were characterised by intense political debates and factionalism around the economic policy that the ANC should adopt. The radical faction of the ANC Alliance comprised of SACP leftists, workers' organisations (spearheaded by COSATU) and party activists asserted that the ruling party had to adopt a redistributive economic policy that would effectively address the apartheid legacies of unemployment, poor education and widespread poverty which adversely impacted the non-white majority. In essence the measures being called for by the radical ANC Alliance stakeholders meant greater state intervention with regards to the national economy, as well as increased public spending to counter the socioeconomic challenges mentioned above. The key challenge with regards to this was that for South Africa to strategically integrate into the post-Cold War liberalised global economy (dominated by US hegemony) it had to implement economic measures informed by the "Washington Consensus" approach. Mbeki who was Deputy President under Mandela, realised that South Africa had to adopt and endorse the 'neoliberal' economic policies related to the Washington Consensus and endorsed by multilateral institutions such as the IMF, World Bank and WTO, if the country were to meaningfully participate in the global economy. A fundamental dilemma relating to this was that librealisation policies

were in stark contradiction to the radical interventions demanded by influential ANC Alliance left (and its supporters). In essence the Washington Consensus approach called for less state intervention in domestic markets, as well as restrained public spending. The central notion behind this was that, by promoting policies that enhance the efficiency and well-being of the private sector and fluid functioning of domestic "free markets", significant and sustainable economic growth could be attained. Furthermore, countries that were committed to adopting neoliberal policies would be able to acquire greater financial support from the IMF and World Bank, as well as various international investors. Mbeki and his (strategic) allies noting South Africa's precarious economic position in the early 1990's, realised the importance of being viewed as a "good international citizen", inherent to this identity was the understanding that South Africa was an active supporter of the prevailing global liberal order and committed to international trade (vital for global prosperity and the sustainability of the post-World War II order). The benefits of being a compliant member of the liberal international system would be observed through goodwill from development finance multilaterals and the increased flow of the international investment, South Africa was in dire need of.

In such an international context, the drivers for economic development would be the private sector and foreign (and domestic) investment, which would be extensively relied upon as the "main engines of [economic]growth" (Khan and Hemson, 1998:170). Furthermore, South Africa's macroeconomic stabilisation GEAR policy framework, underlined by pro-liberalisation policy reforms would serve as a key mechanism for the realisation of RDP policy objectives. Particularly, as the implementation of GEAR policy reforms was seen by policymakers as crucial, as it would unlock and expediate financial resources through which to fund RDP programmes. Tsheola states, "[w]hereas [the RDP] was used an electioneering tool in 1994…GEAR has been portrayed as the instrument for the realisation of the RDP objectives" (2002:79). GEAR was internationally more viable and marketable as a national economic programme, as opposed to the RDP and its allusions to active state involvement within the domestic economy. Amongst key government and ANC policymakers prioritisation and shift to GEAR was premised on "the belief that the former constrained that country's ability to engage globalisation whereas the latter offered a beneficial form of engagement for domestic transformation" (Tsheola, 2002:79). The fundamental notion behind the implementation of GEAR reforms was to ensure the rapid and uncomplicated

restructuring of the South African economy towards an outward orientation (characterised by integration into international markets). The dominant economic thinking in the 1990's viewed the outward orientation of a country's economy as advantageous in terms of engendering "economic growth, job creation, reduction in prices, improvements of wage" (Tseheola, 2002:79). However, such advantages or benefits could only be accrued if the South African government was able to attract international flows of capital and attain market access for South African goods and services. This meant that the South African government was highly dependent on "imported capital" (Tseheola, 2002:82) as a key aspect of its capital accumulation or formation, in order to fund its national economic development priorities. Furthermore, such imported capital could only be forthcoming if South Africa had the right "investment climate" as well as what Tsheola terms "establishment of sound market fundamentals" (2002:82). Implementation of these sound market fundamentals which included: exchange control reduction, extensive tariff reduction, significant trade and investment expansion (Tsheola, 2002:82); ensured the relatively successful integration of South Africa into the global economy between 1994 and 1999.

In 2003, the DTI in its *Medium-Term Strategy Framework 2003-2006* document reviewed the state of the South African economy from 1994 (eight years since democratisation in 1994, and four years post the Mandela presidency), highlighting positives such as (modest) economic growth (which averaged 3% between 1994 and 2003); a successful macroeconomic stabilisation programme; significant penetration of South African exports into global markets (at the regional continental and international level). There is no doubt that reforms implemented during the Mandela era, contributed substantially to the outcomes mentioned above. The DTI states in the 2003 Medium Term Strategy Framework:

> *"South Africa has enjoyed eight years of consecutive economic growth. Significant economic achievements have been recorded since 1994 including macroeconomic stabilisation, a profound restructuring of the real economy, and substantial export success. The economy has demonstrated resilience in the face of several exogenous shocks and positive growth is forecast for 2003"* (DTI, 2003: 2.1).

However, the DTI also points out that South Africa's successful integration into the global economy, and relative economic stability did not necessarily translate into meaningful developmental outcomes with regards to job creation and poverty

reduction. The DTI asserts: “[t]he critical challenge remains strengthening the linkage between economic growth and export success with employment creation, poverty eradication and a marked reduction in inequalities” (DTI, 2003: 2.1.). This “critical challenge” was bequeathed to the Mbeki administration in 1999 and was to prove to be a severe test throughout the his premiership.

6.4. *Thabo Mbeki (1999- 2008): the fleshing out of the National Interest*

Thabo Mbeki’s ascension to the presidency occurred in 1999; as president, Mbeki presided over the ‘golden age’ of South African foreign policy. During his premiership (1999-2008), South Africa's foreign policy became honed and focused; the country's international prestige was also greatly enhanced. This was significantly aided by South Africa’s effective integration into the global community, both economically and politically during the Mandela premiership. By the time Mbeki became president, South Africa’s international stature was acknowledged both continentally and internationally. The country was seen as a major African economy, and an important international interlocutor (particularly with regards to global multilateral initiatives). Mbeki’s conceptualisation of South African foreign policy was ambitious and broad but grounded in practical realities. The Mbeki era saw South African foreign policy become more coherent and strategy oriented. A noticeable feature of the Mbeki's approach to foreign policy was the prioritisation of the African continent, as inspired by the necessity for an “African Renaissance”.

Mbeki is often viewed as a “foreign policy president”, and there is general consensus that he was very 'hands on' with the conceptualisation, formulation and implementation of South Africa's foreign policy. The *Economist* in a 2006 article on Mbeki and South Africa's foreign policy stated: "[i]n foreign policy, Mr Mbeki has managed to develop a vision of post-colonial [sic] Africa with an energy and effectiveness that has often eluded him at home. His admirers like to call him a foreign-policy president, his opponents jibe that he spends more time abroad than he does in South Africa" (2006). The same article notes that Mbeki's unique contribution to South African foreign policy was his promotion of the “African Agenda”, it posits: "Mbeki has added his own

distinctive twist...a foreign policy based on African solutions to African problems. It is likely to prove his most important legacy" (The Economist, 2006).

Mandela had set the tone for how the national interest would be conceptualised and articulated (noting tenets related to developmentalism and the African Agenda). Mbeki would build on this, and 'flesh' out the essence and substance of the tenets that would underscore South Africa's national interest. During the Mandela era the key challenge was to establish a foreign policy framework that genuinely reflected the post-apartheid transformation ethos and mandate. This meant applying the unique South African experience to general foreign policy and international relations concepts and tenets. The process was informed by the core essence of South Africa's post-apartheid transformative approach to governance, which sought to redress the injustices of apartheid and in doing so establish a "better life for all". South Africa's harrowing and complex history was fundamentally universal, and leaders like Mandela realised that they could share the experience of the 'miracle' South Africa had achieved through its transition into a multi-racial democracy with the rest of the world. Thereby establishing empathy and building on the goodwill many countries across the word showed towards South Africa, as noted by Van Wyk: "[t]he 'South African miracle' and Nelson Mandela's iconic status granted the country a special place in the international community" (2004:108). In such a context South Africa had to establish or reorient its diplomatic relations with several countries throughout the globe, especially non-western states. Considering its history and future outlook, South Africa had to emphasise that it was African with regards to identity, as well as a developing world actor.

However, as necessary, and vital as it was for South Africa to prioritise ideological and ontological interests related to its international position this did not directly (nor immediately) provide solutions and answers to the material challenges that reflected the adverse legacy of apartheid: primarily socio-economic deprivation for the majority of South Africans. It was during Mbeki's premiership that a pragmatic and strategic calibration of how the broad ideological interests could contribute to addressing South Africa's domestic challenges began. Therefore, it can be argued that during the Mbeki era there was a concerted and focused attempt to align the national interest as informed by domestic imperatives to foreign policy approaches.

As South Africa consolidated its position and found its 'footing' and 'voice' within the international system between 1996 and 2006, its corporate and social identities reacted to the changing context, thereby experiencing noticeable shifts. This meant that South Africa's corporate interests as determined by its corporate identity, were altered, and 'modified' with regards to the opportunities presented by the shift in the country's social identity or its newfound perception of itself between 1996 and 2006. As an increasingly influential regional (and continental) power in global affairs, South Africa needed greater financial resources in order to satisfy local demand (for consumption); sustain economic growth; and to fund its developmental programs. The South African state during this period identified itself as an "African Regional Advocate", as well as a "Reform Minded Dynamic Economy" committed to macroeconomic stabilisation and (liberalisation) pro-market economic reforms.

Having done the hard work of conceptualising South Africa's foreign policy and clearly denoting the ethos and strategic direction of South Africa's international relations, the Mbeki government now sought to operationalise its foreign policy mechanisms and implement its external relations programme. In the Department of Foreign Affairs' (DFA, now DIRCO[25]) strategic plan 2003 to 2005, then Minister of Foreign Affairs, Dlamini Zuma stated:

> *"[o]ur membership of the African Union has become the biggest single factor in our international relations. The development of AU policies, the elaboration of NEPAD and the continued harmonisation of AU and NEPAD policies with those of the Regional Economic Communities of the continent seeks to build a more dynamic Union capable of dealing with the challenges of the 21st century. AU membership, aside from the intrinsic political, security and economic benefits it brings, enhances our ability to exert influence on a wider international arena"* (DFA, 2003: 8).

This statement by former minister, Zuma highlights the central role that Africa came to play in terms of South Africa's international relations approach and commitments. In essence it would be impossible for South Africa to be prosperous and peaceful in a context in which this does not extend to its regional neighbours and the rest of the African continent. Hence, a prosperous Africa and Southern African region would most

[25] In a 2009 speech, the then newly appointed Minister of Foreign Affairs, Maite Nkoana Mashabane explained the name change of the Department of Foreign Affairs (DFA) to the Department of International Relations and Cooperation (DIRCO). Minister Mashabane stated: "[t]he name change to the Department of International Relations and Cooperation is in line with international trends and is informed by the need to give greater clarity on the mandate of the department. In this regard, over and above its normal functions the department will also engage in dynamic partnerships for development and cooperation" (DIRCO, 2009).

likely ensure (or safeguard) South Africa's own prosperity. In this way South Africa's national interest in terms of socioeconomic transformation is greatly tied to Africa's prospects and state. There was also an acknowledgment by the Mbeki government that South Africa in playing a key and primary role on the continent, would enhance its own global standing and augment the view of South Africa as an 'emerging power'. Therefore, one can observe a potent mixture of idealism, strategic outlook and self-interest concocted together and labeled as the 'African Agenda'.

The 'mission' of the DFA is stated as "[w]e are committed to promoting South Africa's national interest and values, the African Renaissance and the creation of a better world for all" (DFA, 2003:15). Thereby emphasising the notion that South Africa's national interest is closely tied to the African context, as well as the promotion of human rights and democratic values worldwide.

Then Deputy Minister of Foreign Affairs, Aziz Pahad fleshes out this 'mission' to an extent, by explaining:

> *"[i]t is important to underscore that South Africa's foreign policy is premised upon its national interests, domestic policies and values. Domestically, South Africa is committed to bringing about a better life for all in an environment of peace, stability and security. This objective could only be achieved in an international environment characterised by global peace and security and an equitable and just system"* (DFA, 2003: 9).

There is no precise delineation of what the national interest explicitly entails, especially in terms of specific domestic priorities, even though socioeconomic development was and remains a key if not paramount national priority in South Africa. South Africa's promotion of the African Agenda meant it had to ensure partnership and buy-in from Northern partners as well as multilateral institutions.

The African Agenda was a means by which the South African government (particularly under president Mbeki) resolutely sought to promote Africa's modernisation in terms of economic development and governance. It was animated by the mantra of an "African Renaissance", denoting the aforesaid modernisation processes and renewal of African institutional frameworks, including the transition from the Organisation of African Unity (OAU) to the African Union (AU). The African Agenda also represented South Africa's support and advocacy for African developmental priorities and progress. Aspects such as the African Renaissance represented the ideational aspect of the African

Agenda, whereas the New Partnership for Africa's Development (NEPAD) could be considered as the policy instrument of the African Agenda. A key aspect of the African Agenda was African ownership and agency with regards to African challenges.

With specific reference to South Africa, the African Agenda especially during the Mbeki era, was means through to showcase the South African domestic context (with regards to the positive aspects). This was in relation to facets pertaining: to South Africa's much vaunted transition in the 1990's (which avoided extensive bloodshed) as a key conflict mediation case study; South Africa's relatively stable democracy underpinned by good governance tenets such as Constitutionalism; the South African government's prioritisation of developmentalism; and South Africa's adoption of sound (liberalisation) macroeconomic fundamentals (especially between 1996 and 2006). In essence it can be reasonably argued that South Africa via the African Agenda wanted to highlight the benefits of African-led governance and economic reform as key means of political and economic progress, along international standard. Therefore, post-apartheid African governed South Africa was to an extent was an exemplar of such progress, as highlighted by its regional, continental, and international pedigree.

Vale and Maseko argue that the African Agenda as articulated through the notion of the African Renaissance complemented other 'globalist' outlooks focused on modernisation in an era of increased international interconnectedness (globalisation). In terms of the African Renaissance this meant an Africa and South Africa integrating into the global marketplace through processes facilitated by Africans themselves. Post-apartheid South Africa spotlighted how this could be done through cooperation and partnership with Northern partners (western advanced economies), therefore it did not have to be a conflictual process, but rather a collaborative one which would benefit Africa's global standing. Writing in 2002 Vale and Maseko were wary of how some observers (particularly western ones) often expressed the opinion that South African should "assume responsibility for the next wave of democratisation and economic liberalisation on the continent" (2002:134). Vale and Maseko observe that contained within the African Renaissance discourse is a notion that Africa (with South African playing a central role) will attain the modernisation and global standing of the noted East Asian tigers, through a linear process underpinned by the implementation of universal (market oriented) governance and economic policies (albeit with an African

disposition). In a 1997 presentation to the Foundation for Global Dialogue (FGD), Mbeki's one-time political adviser, shared this vision of African modernisation within a 20th century context. He posited:

> *"[t]he advent of the East Asian economic miracle is one of the most important socioeconomic developments of the twentieth century…This miracle has offered hope to the people of Africa that economic development can be rapid and can be achievable without the annexation of foreign markets through imperial physical force"* (Vale and Maseko, 2002:127).

Vale and Maseko note that in such a vision Africa is viewed as "an expanding and prosperous" market which can be assuredly grouped along with other regional markets in Asia, Europe, and North America (2002:127). In such a context South Africa plays a vital role in terms of capital facilitation, trade, and fostering partnerships (such as North-South cooperation) (Vale and Maseko, 2002:127). However, despite the expansive modernisation and what Vale and Maseko term as the 'globalist' vision underlining the African Agenda, Landsberg (2012) highlights that there is an elemental aspect to it, rooted in practicality. Landsberg's perspective underscores the importance of NEPAD as a policy instrument through which to enhance and rationalise Africa's governance institutions. Particularly noting how the African institutional architecture and framework was a central mechanism through which African states could facilitate: economic integration; resolve disputes; address common challenges; deal with security concerns; and generally, share costs and responsibilities with regards to continental programmes (Landsberg, 2012:27). South Africa during the Mbeki epoch sought to play a central role in the promotion of the African Agenda via NEPAD. This is noted by Landsberg who states:

> *"[f]unctionalism and institutionalism were clear policy thrusts running through the African Agenda, and policy emphasised the building of strong continental and regional institutions as South Africa set out to play the role of institution builder and policy initiator. Mbeki was the chief champion of a modernising development model for the continent in the form of NEPAD"* (2012:27).

NEPAD was also a key vehicle for Africa's collective connection to the world, particularly to the Global North. Mbeki therefore "played a leading role in negotiating a strategic partnership between Africa and the industrialised states" (Landsberg, 2012:27) centred on collaborative partnership based on "mutual accountability and responsibility" (Landsberg, 2012:27). The benefits for South Africa in relation to NEPAD processes were tangible, particularly in terms of how they would positively relate to the

DDA. These included infrastructure funding (via NEPAD auspices) to enhance SADC transport linkages; as well as, the United States and SACU free trade agreement and the extension of African Growth and Opportunity Act (AGOA) due to American support for NEPAD. A 2003 statement from the Office of the United States Trade Representative on the US-SACU free trade agreement (FTA) notes that the FTA agreement complements AGOA. The statement reads:

> *"[b]y building on the success of the African Growth and Opportunity Act (AGOA) and creating a comprehensive infrastructure for trade and investment, the FTA will bring new hope and prosperity to Southern Africa and the United States, further drive regional growth and development, and provide for a common economic future*" (USTR, 2003).

The statement goes on to state that the US-SACU FTA which was the United States' first FTA agreement within Sub-Saharan African "can help drive economic integration in Southern Africa and promote the goals of the New Partnership for Africa's Development (NEPAD)" (USTR, 2003). Therefore, the African Agenda and NEPAD relate to South Africa's DDA in the sense that they ultimately generate either financial resources or economic infrastructure at the regional level which would buttress South Africa's domestic developmental initiatives. AGOA was critically important for South Africa's automotive sector exports (particularly motor vehicles and key components such as catalytic convertors).

South Africa's expansive foreign policy during the Mbeki era was to a great extent underpinned by vital economic considerations. Hence the notion of the country's using its foreign policy and international relations to attain economic goods and ensure consistent economic growth became a core policy and strategic precept. The Mbeki government was therefore able to generally align the domestic context to foreign policy, and tie this to the notion of economic diplomacy. Thereby denoting that the country's pressing socioeconomic demands were intrinsic to the national interest. As Le Pere notes:

> *"[m]ultilateral trade policy and economic diplomacy have been very important vehicles for...spurring the country's economy...In seeking to address the legacies of apartheid deprivation and high-levels of social and economic underdevelopment, South Africa has deliberately adopted an outward looking trade and economic policy. A practical element of this is to engage in different international and multilateral economic forums on the basis of partnership, cooperation and mutual benefit"* (Le Pere, 2014: 41-42).

The realisation that South Africa's extensive foreign policy approach was underpinned to a great degree by economic considerations due to the urgent domestic context, necessitated the formulation and application of a South African themed economic diplomacy. The 2003 *Ten Year South African Government Review* noted the need to ensure an economic diplomacy approach that would promote "[e]xpanding and deepening economic ties with Africa and [international trade partners]" (Presidency, 2003:67). The 2008 Fifteen Year Review states: "[i]n the context of foreign-policy objectives and the domestic imperative of faster and shared growth, the Government identified 'economic diplomacy' as an area for more intense attention. It resolved to improve coordination between departments engaged in the country's economic relations in both bilateral and multilateral terrains" (2008:67).

During the Mbeki era the notion of economic diplomacy was in a state of flux, however Vickers and Ajulu (2008) note that an understanding was birthed that economic diplomacy could be more effective if it were closely aligned to South Africa's developmental agenda. Writing in 2008 they argue that this "it is possible to discern a shift of emphasis in South Africa's multilateral trade diplomacy: from middle power facilitator to active and assertive leadership of developing country coalitions, underpinned by a consistent development agenda" (Vickers and Ajulu, 2008:6). They go on to note that such a shift "involves promoting a more domestic-oriented agenda that prioritises the country's further industrial development and diversification, with particular emphasis on gaining greater industrial policy space" (Vickers and Ajulu, 2008: 6).

The point being made here is that under Mbeki's leadership, South Africa's foreign policy became viewed as an effective means through which to meet material needs informed by the domestic context. South Africa's foreign policy was now consistently operational, in the service of economic and developmental interests. The question was whether this was clear to the majority of South Africans, and more importantly whether there were tangible socioeconomic benefits for them.

During the late period of the Mbeki era (2005 to 2007), the pressing corporate interest pertaining to development concerns begun to gain greater salience and urgency, particularly when one observes that the GEAR macroeconomic stabilisation program had been unsuccessful with regards to its growth and employment projections. This

highlighted the necessity of a more transformational economic development approach. As the state sought to frame and address the corporate interest relating to development, South Africa's social identity underwent a notable transformation, as the state appropriated the "developmental state" notion (increasingly being asserted by the ANC Alliance) and begun to identify itself more explicitly as a "Champion of Development" both at the local and international level (in terms of greater emphasis on South-South cooperation and regional integration underpinned by the African Agenda).

On the domestic front, the challenges relating to the DDA were to prove considerably troublesome and complex for the Mbeki administration. The limitations of GEAR with regards to job creation, inclusive economic growth, enhancement of manufacturing and industrialisation were to become increasingly stark during the Mbeki premiership. The cracks were beginning to show, as Mbeki ascended to the presidency. Then Trade and Industry Minister, Alec Erwin in a 1999 interview with the ANC's policy publication *Umrabulo*, acknowledged that some key GEAR reforms might have had unintended consequences with regards to unemployment and lacklustre manufacturing. Erwin notes:

> *"[w]hilst we have done a lot over the last five years* [1994-1999] *to strengthen the economy and to address its structural problems, we are not yet creating jobs in large enough quantities to deal with our unemployment problem and absorb school leavers. This is therefore and important issue to address, because it will be difficult to alleviate poverty, create a better life or redistribute unless we have job creation"* (ANC, 1999).

Erwin went on to explain that this situation was compounded by challenges relating to the manufacturing sector, due to the unintended adverse effects of trade liberalisation (with regards to extensive tariff reduction for the textile and industrial sectors). The Trade and Industry Minister states that in the sectors where there had been job losses, government had hoped for a recovery: "we hoped that we would have grown by at least 4% by now, and in the stronger industries even higher. Though we…stopped the decline in the clothing and textile [industries] and general manufacturing is no longer shedding jobs, overall, the economy is not creating sufficient jobs" (ANC, 1999). Unfortunately, the challenges raised by Minister Erwin were to prove to be persistent throughout the Mbeki epoch. This was primarily because South Africa's extensive liberalisation between 1996 and 2005 had not been accompanied by an effective industrial policy (centred on enhancing manufacturing and capabilities in strategic sectors, with some

exception for the automotive sector). Therefore, GEAR mandated liberalisation had been good for generating export earnings and international market expansion (for South African products) but it had not delivered with regards to key developmental outcomes. These outcomes related to the structural transformation of the South African economy and included job creation and the enhancement of South Africa's manufacturing capabilities. By 2000 scholars such as Hirschsohn *et al* were questioning the Mbeki's government's commitment to industrial policy. Hisrchsohn *et al* propound that since 1994:

> *"the state is leading the policy-making process and has adopted a clearer trade policy by boldly implementing tariff reform. However, the ability and commitment of the state to provide the resources required to fund a comprehensive industrial policy remains unclear and it is extremely slow in delivering supply-side measures* [to support industrialisation]*"* (Hirschsohn *et al,* 2000:57).

Two years into the Mbeki presidency there was a groundswell of advocacy for a formal national industrial policy framework to support urgent development priorities such job creation and export diversification (with an emphasis on value added manufactured goods). This advocacy stemmed largely from COSATU, the labour movement, civil society, and a key constituency of pro-industrialisation ANC policymakers. A 2002 *South African Labour Bulletin* report states that for a number of years, "criticism was levelled against the [DTI] for failing to come up with an industrial strategy. It has been argued however, that post-1994, the DTI had developed elements of an industrial strategy even though it was never formalised and put down in a document" (South African Labour Bulletin, 2002:8). However, another *South African Labour Bulletin* article released in 2005 candidly goes to the heart of the matter when it declares "[l]abour has critiqued current industrial strategy, asserting that there has been a failure to **establish a `developmental' industrial strategy** [my emphasis]" (South African Labour Bulletin, 2005:53). It is the DTI's 2003 Integrated Manufacturing Strategy which is being critiqued in the quote above. In the introduction to the Integrated Manufacturing Strategy, Minister Erwin concedes that his department had finally drafted an industrial strategy noting the increasing demands for one from key stakeholders. Erwin accedes: "[t]here has been a call from many quarters that the [DTI] should set out in documented

form a clear and accessible industrial strategy. This strategy document does that, after much consultation." (DTI, 2003:i).

Ultimately the Integrated Manufacturing Strategy was supplanted by the ambitious and well backed NIPF in 2007. However, it was somewhat too late for the Mbeki administration, as the preceding years of not formulating and implementing a 'developmental' industrial policy had fermented widespread discontent amongst key constituencies within the ANC Alliance and government. Particularly in light of the inadequacy of GEAR in terms of addressing core developmental priorities. By the early 2000's it was clear that the indicators projected by GEAR with regards to investment, economic growth, and job creation were unattainable. Thereby signalling the need for a more 'developmental' economic development approach. By 2001, South African unemployment in terms of the expanded definition stood at an unsustainable 42% (Tsheola, 2002:89). Drawing from Fraser and King, Tsheola writing in 2002 bleakly propounds that the six years (1996-2001) of GEAR policy implementation are "yet to yield the expected FDI, unprecedented economic growth and job creation promotion" (2002:82). Willy Madisha, then president of COSATU, noted in 2001 that between 1994 and 2001 R55 billion of "domestic capital" had been invested externally, in contrast to R45 billion worth of FDI which had been channelled to South Africa (Tseheola, 2002:84).

In such a challenging context there was renewed and vigorous mobilisation around the DDA, particularly around the long-standing notion that the post-apartheid state should actively intervene in the national economy with regards to national development priorities. Therefore, there was greater interrogation of how South Africa's foreign policy could address job creation, infrastructure development, facilitation of industrial policy and the empowerment of black South Africans. The failure of the Mbeki administration to delicately balance post-apartheid South Africa's integration into the global economy, with a robust domestic economic development agenda. underpinned by transformative industrialisation and labour-intensive manufacturing, encouraged a more radical approach to both foreign policy and economic development policy during the Zuma era. One of the key notions that arose out of dissatisfaction with the Mbeki government's legacy with regards to economic development policy between 2007 and

2008, was the call by DTI policymakers for a trade policy with would effectively support a structurally transformative industrial policy.

6.5. *President Zuma (2009-2017): The salience and prioritisation of the DDA in relation to foreign policy*

Mbeki's legacy includes his conceptualisation and operationalisation of a "pragmatic foreign policy…introducing the ideas of socioeconomic transformation at home and in international relations and elevating the salience of development and economic factors in foreign policy" (Landsberg, 2011). This was a legacy which his successor, Zuma sought to improve upon by consolidating the substantial gains made with regards to foreign policy and international relations. Zuma was bequeathed with respectable foreign policy machinery and policy framework.

The political malaise and crisis that resulted in Mbeki's removal from power, was partly due to his somewhat exclusionary style of governance and perceived detachment from the ills plaguing South Africa; although it can be argued that the direct and immediate issue was the simmering discontent of those who had been marginalised within the ANC Alliance, especially those on the Left. This constituency was to actively support Zuma's ascendancy to the leadership of the ANC and the state. When Zuma became president he either appointed or promoted a number of these individuals to key positions within cabinet and the party. Hence, disgruntled Alliance members who had been previously sidelined because of their leftist views and or intense criticisms of Mbeki's domestic economic and social policies (at times foreign policy, as in the instance of Zimbabwe) were now in a position to significantly influence governance and take part in policy formulation. In terms of foreign policy one key development was a greater consideration for economic development in terms of ascertaining how South Africa's international relations could directly contribute to South Africa's domestic developmental priorities.

In this regard job creation became a key objective which foreign policy has to actively address, as noted by Sidiropoulos when commenting on the issue of whether there would be continuity under Zuma:

> *"[t]he ANC's Polokwane[26] resolutions are of particular importance in this context. Yet they do not run counter to the principles of South Africa's foreign policy; rather they build upon them. However, one foreign-policy vision has already been formulated together with concrete targets. The goal is for the country to expand its investments and its trade to create jobs…"* (2009).

In president Zuma's maiden address to parliament in 2009 he strongly asserted that South Africa's foreign policy had to contribute towards an "environment conducive to sustainable economic growth and development" (Calland, 2013:101). The Zuma government viewed economic growth as a "key component of South Africa's foreign policy" (Calland, 2013:105). Therefore, during the Zuma era there was a strong view that foreign policy should serve South Africa's domestic needs and priorities (as informed by the DDA). This was due to the greater openness and representation initially encouraged by the Zuma government, and had allowed for strong Leftist and populist positions to be considered in policy formulation and governance initiatives. This is a context examined by Le Pere who argues:

> *"[t]he Zuma era has thus been adaptive and continuous in terms of the normative charters which guided his predecessors, with the center of gravity less concentrated in the Presidency than was the case during the Mbeki years. The Zuma Presidency was itself a product of intense intra-party politics and factionalism but which ultimately sought to place renewed emphasis on the welfare concerns of the ANC's broader constituencies, particularly in addressing the legacies of poverty, inequality and unemployment…"* (2014:33).

Thereby it can be argued that under the Zuma the notion of the domestic context exerting a greater influence in terms of external relations and initiatives took hold, more so in terms of South Africa's economic development. The Zuma era led to a greater interrogation of the premise of the national interest, and it appears as though there is a growing sentiment that it is related to the urgent fulfilment of the DDA. The IGD notes: "Zuma's administration has given particular emphasis to building linkages between domestic and foreign policy" (2014:15). The Zuma government sought to ensure that domestic imperatives have a direct bearing on foreign policy formulation and implementation. Therefore the "enhancement of [South Africa's] economic wellbeing" with regards to other states and international institutions has consequently become the paramount focus of South Africa's international relations and foreign policy.

[26] The 52nd National Conference of the ANC, held in Polokwane in 2007. It is significant in that Mbeki lost the election for the ANC's presidency, as Zuma had secured the majority of votes.

There was an explicit recognition by the Zuma government that foreign policy must ensure economic benefits in the form of greater domestic economic growth, infrastructure development and job creation amongst other aspects. This means that the material needs of the country are clearly acknowledged in terms of foreign policy implementation and practice. The result of this was a greater emphasis on bilateral and multilateral partnerships to enhance South Africa's economic and developmental prospects. This focus informed the name change of the foreign ministry from the Department of Foreign Affairs (DFA) to the Department of International Relations and Cooperation (DIRCO). In a statement on this name change, minister Mashabane explained that the shift from DFA to DIRCO sought to highlight the importance of "dynamic partnerships for development and cooperation" in relation the "normal functions" related to foreign affairs (DIRCO, 2009). The 2011 white paper on South African foreign policy "Building a Better World: The Diplomacy of Ubuntu", asserts that the name change "reflects the Department's role in building deeper and more expansive relations and using these partnerships to advance South Africa's national interests" (2011).

Therefore under president Zuma there was an *intensification* and emphasis on the DDA in relation to foreign policy. Under Mbeki, South Africa's economic interests were often framed in terms of ideational tenets such as the 'African Renaissance' or 'African Agenda'. As explained by Van Wyk when she posits:

> *"[f]ocsing on Africa, 'partnership' and 'renewal' as key areas, Thabo Mbeki cast himself as a neo-pan Africanist seeking the 'economic kingdom' for the African continent, articulating his African foreign policy as one contributing to an African Renaissance and an Africa built on a new partnership with the rest of the world"* (2004: 126).

Reference to the 'African Agenda' or 'African Renaissance' was not necessarily discarded by the Zuma administration, instead one can argue that they were used less intensively and in a more general (if not ambiguous) sense. Although it is quite evident that the phrase 'African Renaissance' was barely used by president Zuma or his cabinet. The Zuma administration sought to strategically understand (as a means of formulating policy) how South Africa can gain economic goods from its partnerships, contributions, and engagement with Africa, which can aid the realisation of the DDA. Thereby it can be asserted that under the Zuma premiership economic interests were brought to the fore

in terms of South Africa's foreign policy engagements with African countries and other international partners. In essence the Zuma government was somewhat 'ideology lite' when it came to its dealings with African actors. The idea that Africa should prosper remained central, but the reverberating query that underpinned this aspiration was: the extent to which South Africa stands to gain from Africa's prosperity. South Africa's stark domestic challenges as informed by the DDA necessitated such calibration.

South Africa's membership of BRICS has been a key outcome of the Zuma government's foreign policy. It is likely to yield significant results in terms of development financing and economic diplomacy outcomes. The immediate backdrop to South Africa's intense and committed promotion of BRICS is the 2007-2009 'Great Recession'; which alerted emerging powers in the Global South to the dangers of a globalised economic system dominated by Northern powers. The BRICS grouping offers South Africa political clout but more importantly it will create important and vital economic opportunities. Considering this context Calland states: "[i]n building South Africa's foreign policy in recent years, a great deal of attention has been paid to strengthening economic ties with major emerging markets, especially the so-called BRICS grouping …South Africa's foreign policy has, therefore, largely been driven by its economic interests" (2013:91).

In a 2012 speech entitled "South Africa's Role in BRICS, and Its Benefits to Job Creation and the Infrastructure Drive in South Africa", foreign minister, Mashabane asserted that one of the core pillars South Africa's membership of BRICS was premised on was the promotion of infrastructural programmes (Mashabane, 2012). Mashabne stated:

> *"...in our State of the Nation Address in February 2012, we publically singled out infrastructure development as a key vehicle for improving the quality of life and of providing a more focused access to basic services and competiveness and jobs...Since then, we had begun working on our infrastructure strategy. The reason we singled out infrastructure is precisely because we know that the bedrock of new growth on the African Continent will come from integration and infrastructure development. Our BRICS partners have an important role to play in this regard. We have to take them on board, work with them in order to realise the measurable benefits of this partnership.*
>
> *Infrastructure is therefore at the heart of how we will change the lives of our people in the next decade"* (Mashabane, 2012).

The establishment of the BRICS New Development Bank (NDB) in 2014 was a key development for South Africa, which had to commit an astonishing US $10 billion as part of its NDB capitalisation share. The NDB will serve as an important source of

financial resources with which to fund domestic economic development and economic infrastructure in particular. The Gauteng provincial treasury's report on "South Africa's position in BRICS" (2013) notes: "[t]he BRICS bank is anticipated to reduce the bureaucratic frustration that developing countries have faced in accessing loans, bids and financial assistance from the Bretton Wood Institution" (Gauteng Provincial Treasury, 2013). The cost of economic infrastructure development continues to soar, and South Africa needs significant lines of credit and other financial assistance in terms of fulfilling its economic development programme; the NDB will be crucial in this regard. The NDB will serve as a key source of 'developmental finance' for South Africa. In 2016 the NDB provided US$ 180 million to Eskom to enhance electricity “grid connection” infrastructure in Soweto (NDB,2023). This was the first NDB funded infrastructure project in South Africa. To date, NDB has provided financing for about 14 economic infrastructure projects throughout South Africa.

This has been paralleled by an increasing focus on economic diplomacy, in terms of how it can facilitate and encourage beneficial economic agreements and commitments that relate to domestic economic growth. This resulted in a mandate to DIRCO from the executive, requesting the foreign ministry to develop an economic diplomacy strategic framework in 2008. The rationale underpinning South Africa’s economic diplomacy initiatives was articulated by the Department of Trade and Industry (DTI), the lead ministry in terms of international trade and economic diplomacy during the Zuma era. The DTI propounded:

> *“South Africa will need to ensure that its ongoing integration into the global economy is pursued in a manner that more explicitly supports its national developmental objectives. ‘Strategic integration’ should aim to ensure that we preserve the policy space to pursue national objectives while leveraging the benefits of more integrated regional and global markets”* (2010: xvii).

DTI not only played a prominent role in terms of ‘guiding’ economic diplomacy, but during the Zuma era it “consolidated its central position in guiding the economic elements of foreign policy” (Masters,2012:30). This included the DTI playing a prominent role via economic diplomacy initiatives at the WTO and G20

Post-apartheid South Africa’s participation within multilateral forums such as the WTO and Group of 20 (G20) has been largely premised on reinforcing the developmental agenda at the global level, in order to promote the socioeconomic development interests

of African countries, as well as the emerging and developing countries of the Global South. To this end South Africa seeks to reform the internal economic governance structures or processes in key multilateral bodies such as the WTO and IMF, through its influential standing in institutions such as the G20. With regards to the WTO, South Africa seeks to transform "the WTO from a mercantilist institution that serves narrow commercial interests to an organisation that promotes [sustainable development]" (Vickers, 2012:128). According to Vickers this is consistent with the 1994 Marrakesh Agreement which underpinned the inauguration of the WTO, "which would ensure that trade opportunities are made available to developing countries including South Africa, on a more equitable basis and that trade rules do not subvert their development prospects" (2012:129). This context has informed South Africa's robust and consistent advocacy for developing countries around trade and development concerns since the inception of the WTO's Doha Round[27] in 2001. Therefore, as noted by Vickers, South Africa's strategy through its engagement with processes such as the Doha Round has focused on 'building' and strengthening alliances with other like-minded emerging and developing countries in order to "collectively pursue developmental gains" (2012:129).

Xavier Carim, the Deputy Director General, of the International Trade and Economic Development Division of the DTI, in a 2013 parliamentary presentation to the Trade, Industry and Competition Portfolio Committee, on "South Africa's Approach to the WTO 9th Ministerial Conference" succinctly outlined South Africa's objectives in relation to the Doha Round. These were: enhancement of market access for products denoted by developing countries as being of "export interest" (PMG, 2013); renegotiation of rules and stipulations which "perpetuate imbalances" within the international trade framework (PMG, 2013); and safeguarding of "appropriate policy space for developing countries to pursue development objectives through the meaningful implementation of

[27] Rob Davies, South Africa's then Minister of Trade and Industry, provided an overview of South Africa's approach to the Doha Round. In South Africa's Statement to the 9th World Trade Organisation (WTO) Ministerial Conference in Indonesia, Davies asserted:

> *"[i]t is important to recall that the Doha Round was launched in 2001 with an explicit commitment to place the needs and interests of developing countries at the heart of its work programme.*
> *We had agreed to 'address a number of implementation problems of developing countries' because we recognised that the agreements inherited from the Uruguay Round were unbalanced and biased against developing countries"* (Davies, 2013).

the principle of Special and Differential Treatment (S&DT)[28]" (PMG, 2013). It is important to highlight that all these objectives have a beneficial impact on the realisation of South Africa's DDA (as well as African developmental priorities in general). Furthermore, South Africa's advocacy for "appropriate policy space" has been crucial in terms of legitimising the country's decision to adopt developmental approach that is based on extensive state-led industrialisation since 2007. Commenting on this noticeable shift Vickers and Ajulu in the 2008 Fifteen Year Presidential Review posit that such a change in developmental strategy (from pragmatic liberalisation) "resonates with an apparent shift in government's political discourse, away from trade policy and its unilateral impulses towards more critical industrial policy" (2008:7). Former DTI minister, Rob Davies's statement at the 2013 WTO Ministerial Conference in Indonesia, endorses the view raised by Vickers and Ajulu, Davies asserts: "[i]t is…important to state that, for South Africa, trade policy and outcomes for trade negotiations must provide the policy space for industrialisation and support for economic diversification" (Davies, 2013).

Between 2009 and 2013, South Africa viewed the G20 as an important institutional avenue through which it could vigorously advocate for African developmental causes (noting that it was the only African member of the G20), as well as campaign for global economic governance reform in manner which takes into consideration the urgent needs of developing and emerging countries in Africa, Asia (including the Middle East), and Latin America. In a 2012 speech presented at The New Age Business Briefing, Minister Nkoana-Mashabane stated:

> *"[p]lease allow me to remind our honourable audience here …that South Africa is the only African country represented in the G20. The G20 has become an important institution on the reform of the financial and economic global governance architecture. We have always been at the forefront of promoting more inclusive formations and more equitable participation of notably emerging and developing economies in the world system and its decision-making structures"* (DIRCO, 2012)

South Africa's participation in G20 in tandem with like-minded emerging states highlights its strategic promotion of a globalisation process (in terms of greater

[28] The WTO states:
"WTO Agreements contain special provisions which give developing countries special rights and which give developed countries the possibility to treat developing countries more favourably than other WTO Members. These special provisions include, for example, longer time periods for implementing Agreements and commitments or measures to increase trading opportunities for developing countries" (WTO,2023).

international connectedness, governance, and engagement) underpinned by parity and compromise, as opposed to dominance by economically powerful advanced economies. Furthermore, South Africa's active participation in G20 processes such as the Seoul Consensus (2010), which seeks to reform entrenched global economic frameworks (noting the persistence of core Washington Consensus-based policies at the global level), eventually enhances South Africa's domestic economic development policy approaches, by enabling the South African government to adopt policies which are more suitable for the South African context (such as promotion of labour intensive manufacturing employment). The G20 "Working Group on Development" was set up in 2010 to provide an agenda for the G20's developmental approach, comprised of co-chairs South Korea (2010 G20 convenor) and South Africa; the working group drew up a guiding document, as a basis for consensus building leading up to the Seoul Summit (Zondi, 2013:79). One of the key points that came out of the process relating to the drafting of the document as well as the consultative processes which accompanied it, related to domestic 'ownership' over national economic development policies. The point was articulated in the document as: "creating a global development partnership by engaging developing countries, including extremely poor ones, to ensure national ownership on the basis of their own national development policies" (Zondi, 2013:80).

6.6. *Conclusion*

The political and historical conditions described in this chapter at both the local and international levels have had a direct bearing on the development of South Africa's "national interest" agenda. They have compelled post-apartheid South Africa to begin to precisely delineate its role and agenda both domestically and internationally. This has had the effect of mobilising South African policymakers within government and the ruling party, as well as broader civil society to interrogate what the pressing needs of the country are, and how South Africa's external relations can contribute to the fulfillment of those needs. This process has led to a context in which there has been a closer alignment between South Africa's domestic socioeconomic crisis and its international relations. In such a context it can be argued that economic development as framed by the DDA has been identified as the paramount foreign policy priority.

Particularly noting how South Africa's 'transformation' post-1994 extensively altered its beliefs and identity, thereby effectively reproducing the "New South Africa's" normatively constituted political practices and processes post-1994 (with an emphasis on democracy and human rights). This ultimately meant the prioritisation of national development by the post-apartheid government, and over time the adoption of foreign policy as key mechanism through which to realise national development. This historical and political process was informed by beliefs pertaining to how the post-apartheid state must tackle national development challenges, as well as the adoption of a development-oriented national identity.

The Zuma government assertively and explicitly emphasised that foreign policy must ensure economic benefits that ameliorate South Africa's development challenges. This means that South Africa's external relations and approaches *must be* informed by the DDA. Noting this, development concerns corporate interests have become the key national interest concern that underpins contemporary South African foreign policy. This speaks to the assertion in the 2011 Foreign Policy white paper: "[c]entral to South Africa's national interest is to address the challenge of eradicating poverty, developing its people and creating prosperity" (2011:12). Under presidents Mbeki and Zuma, South Africa increasingly placed economic concerns at the core of its national interest objectives. However, president Mbeki's articulation of South Africa's economic national interests at times tended to be ambiguously couched within idealistic foreign policy tenets such as the "African Renaissance" or "African Solidarity"; thereby making it occasionally difficult to precisely delineate how the South African government's prioritisation of African peace and security, as well as good governance would directly contribute towards domestic economic development priorities such as job creation.

Under president Zuma, there still was no clear and nuanced delineation of the national interest. However, it was widely understood that South Africa's core economic development challenges had to be at the centre of national interest formation. Therefore, there was an attempt by policymakers to emphasise how their foreign policy endeavours be it economic diplomacy, regional peace and security, or international trade related to the DDA. As noted by Landsberg, "[t]he Zuma government set out to champion a national interest-oriented foreign policy to benefit people and country" (2012:27). However, despite differences in approach to national interest formation, the

Zuma premiership "like its predecessor [battled] with the challenge of reconciling moralistic approaches to foreign policy with utilitarian, economic self-interest considerations" (Landsberg, 2012:27)

The state context that has emerged from a backdrop premised on the active prioritisation of economic development (the core corporate interest of the South African state), is captured well by van Wyk who states: "[f]or South Africa, it means a foreign policy formulated and practiced in order to achieve domestic growth, development and a better life for all" (2004:107). It can then be reasonably argued, considering the established consensus (informed by the DDA) around the notion of how domestic priorities *must* inform foreign policy, that socioeconomic development should be the key and primary concern in terms of South Africa's national interest. A key missed opportunity with regards to Zuma's legacy in terms of foreign policy could have been: the declaration of a precise and definitive national interest framework and convention that is informed by the vital needs of the majority of South Africans (with regards to socioeconomic development). More importantly, an external approach premised on a concise and explicit national interest framework that places economic development at its core, would have formed the foundation for a much-needed developmental foreign policy.

The period between 2007 and 2017, can be effectively termed the "developmental decade", as it was the period during which the DDA gained greater prominence within the South African body politic and became the paramount policy goal, as evidenced by key economic development policies such as the ASGISA, NIPF (and the attendant IPAP iterations), and NGP. The national developmental vision, the NDP, underscored and reiterated the importance of the DDA. During the aforementioned period, South Africa's corporate identity underlined the importance of the development concerns corporate interest (particularly in the aftermath of the Great Recession at the international level, and the radical shift from the Mbeki incumbency to Zuma premiership on the domestic front), this had the effect of enhancing South Africa's Democratic Developmental State social identity. This consequently had a profound impact on South African foreign policy, in that South Africa's external policy became explicitly development oriented as highlighted by the operationalisation of foreign policy in the interests of the DDA (as indicated by the initiation of the Economic Diplomacy and Strategic Framework in 2008

and Trade Policy and Strategy Framework in 2007). This key outcome will be discussed in greater detail in the next chapter.

However, despite the intensified focus on how South Africa's national interest and foreign policy (particularly in terms of trade and economic diplomacy) directly related to the DDA during the Zuma era; such explicit emphasis on the connection between national development priorities and government external economic policies *did not* necessarily result in effective and clear economic diplomacy or trade outcomes with regards to national development. This was primarily due to the challenges noted in chapter 5 pertaining to the governance challenges which undermined the Zuma administration. Primarily related to state capture, intense policy contestations, and lack of bureaucratic capacity (including within the diplomatic corps). Consequently scholars such as Vandome (2022) are wary of the South African government's ability to formulate a genuine and coherent economic diplomacy policy framework (although he notes that the intent is present). Vandome argues that since the Mbeki era and into the Zuma epoch South Africa "never developed an effective economic diplomacy strategy as part of its Africa Agenda. The government and the ruling party regularly refer to 'economic diplomacy' in policy documents as an umbrella term to include any form of international or regional economic policy" (2022:254). The next chapter will focus on how the DDA impacted on the ANC and government's notions of economic diplomacy, and how this relates to foreign policy formulation with regards to national development priorities.

Chapter 7: The DDA and South African foreign policy formulation and implementation

7.1. *Introduction*

The previous chapter has examined how the DDA has informed and shaped post-apartheid South African foreign policy. During the Zuma epoch, the DDA became more salient as a key priority area for foreign policy. Particularly with regards to how both the South African government and ruling party began to emphasise that South Africa's external policy was directly informed by domestic priorities, especially national development. Therefore from 2007, the government and ANC have clearly asserted in their respective policy documents and statements that South Africa's pressing domestic developmental priorities directly inform and guide the country's foreign policy implementation. This chapter will analyse the complex link between national development (as underpinned by the DDA) and the operationalisation of South African foreign policy through key aspects such as: economic diplomacy and international trade. Despite there being a tangible connection or link between the DDA and South African foreign policy, this has not translated into seamless and effective foreign policy implementation in terms of addressing economic development objectives. It is important to note that the researcher *does not* intend to carry out a comprehensive and detailed analysis of economic diplomacy and trade policy with regards to the DDA. Rather the 'implementation' aspect seeks to highlight how the problematic context in which foreign policy is formulated is most likely to have an adverse effect on the implementation of external economic policy. This addresses the research objective of the thesis which seeks to assess whether South Africa's foreign policy is *effectively formulated* to address national economic development priorities. The complicated and fraught formulation (which is explored in detail within this chapter) of both economic diplomacy and trade policy is likely to undermine the implementation of a development oriented external economic policy.

7.2. *The DDA and post-apartheid South African foreign policy*

It is evident that South African foreign policy has been infused with developmental considerations and concerns since 1994, specifically when noting how national economic development policy frameworks and visions formulated by the South African government such as the RDP and NDP have declared that South Africa's foreign policy must be informed by domestic priorities. Such a context underscores the significance of key aspects such as post-apartheid South African norms, values, and ideas; particularly in terms of how they relate to identity and (national) interest formation with regards to national development.

Noting the importance of a constructivist approach with regards to analyses of South African foreign policy and international relations, Serrão and Bischoff, as well as Geldenhuys, highlight the importance of how context specific (as in uniquely South African) norms and ideas relate to state identity and ultimately inform foreign policy orientation and focus. Serrão and Bischoff referencing Campbell (1998), posit: "rather than simply representing an exogenously determined and rigid national identity, foreign policy is an essential political practice [which] (re)produces the national identity of a given state" (Serrão and Bischoff,2009:370). For Serrão and Bischoff, government rhetoric (in relation to speeches and policy declarations for instance) is a key source in terms of effectively delineating post-apartheid South Africa's identity (as a Developmental Democratic State). It is also important to highlight how Serrão and Bischoff note that the conceptualisation, formulation, and implementation of foreign policy is "an essential political practice"; thereby underscoring the political dynamics and contestations that underscore the development and conduct of South African foreign policy. Chapters four and five have extensively addressed the political dynamics and contestations around the DDA which have filtered through to foreign policy as highlighted in the chapter six. The formulation of South African foreign policy has been a "political practice" to a great extent as will be examined in this chapter.

Geldenhuys draws on the political culture of South African governing elites for his arguments. He defines political culture as "a pattern of shared values, moral norms, beliefs, expectations, and attitudes that relate to politics and its social context" (Geldenhuys, 2012:29). Although Geldenhuys does not adopt an explicitly constructivist

approach, he acknowledges how scholars such as Serrão and Bischoff (2009), and Van Wyk (2004) have effectively adopted constructivist frameworks in order to produce insightful studies on the nature of South Africa's post-apartheid identity with regards to foreign policy (2012:31). The significance of this is to underline how socially constructed phenomena such as "political culture" or the ideational aspects (such as economic development notions) of the DDA are a significant aspect in terms of attaining a nuanced understanding of post-apartheid South African foreign policy. Furthermore, South Africa's post-apartheid identity as a "Democratic Developmental State" is intrinsically intertwined with the norms, values, and ideas which were enshrined in the key state legislative frameworks, conventions, national development blueprints, and institutions post-1994. These norms, values, and ideas uphold human rights, non-racialism, human security, and socioeconomic rights. Therefore, it is no surprise that these aforesaid aspects are implicit in the 'DNA' of the Democratic Developmental State identity. In the 1994 RDP document, the ANC alludes to the identity that it aspires to assume post-the 1994 elections, should it be elected as the governing party. The ANC propounds:

> *"[a] victory for democratic forces in [the 1994 general] elections will lay the basis for effective reconstruction and development, and the restoration of peace.*
>
> *But an election victory is only a first step. No political democracy can survive and flourish if the mass of our people remain in poverty, without land, without tangible prospects for a better life.* ***Attacking poverty and deprivation must therefore be the first priority of a democratic government*** [my emphasis]*"* (RDP, 1994: 1.2.8 -1.2.9)

This declaration by the ANC, underscores two key aspects, the first is the paramount prioritisation of socioeconomic development (highlighting the importance of the DDA); whilst the second aspect relates to the (policy bound) articulation of a "democratic government" identity. For Van Wyk (2004), the ANC's prioritisation of democracy and economic development is indicative of a 'transformational' post-apartheid state identity that is premised on "achieving a better life for all" South Africans (2004:109). In this regard, unlike the antithetical 'Other' of the apartheid state, the 'democratic' post-apartheid state seeks to ensure and actively promote the human security and socioeconomic rights of *all* South Africans. The adoption of such an identity has had a tangible impact on foreign policy as observed by Van Wyk. She posits:

> *"[a] state's identity performs various necessary functions on the international level…It is often the driving force behind a state's foreign policy, as it helps to define the domestic and international parameters of what a state regards as its national interests. For South Africa, it means a foreign policy formulated and practised in order to achieve domestic growth, development and a better life for all"* (2004:107).

Van Wyk's notion of post-apartheid South African identity is highly complementary with the Democratic Developmental State identity conceptualisation. It will now be important to observe how the Democratic Developmental State identity informs South African foreign policy. At a 2004 conference organised by the Africa Institute of South Africa (AISA), then South African foreign minister, Dlamini Zuma articulated the core ethos (the prioritisation of national development) which underpins the country's post-apartheid foreign policy (Van Nieukerk, 2004: 93). Dlamini Zuma asserts:

> *"our collective experiences as South Africans have placed us in a unique position to understand the challenges facing humanity… firstly, ours is a reality of two nations, one developed and wealthy, the other marginalised and poor … Hence we have* ***committed our foreign policy to the eradication of poverty and underdevelopment*** [my emphasis]…"(Van Nieukerk, 2004: 93).

Noting how the post-apartheid state openly identifies itself as a Democratic Developmental State, Serrão and Bischoff citing Muller, posit: "[a]s a developmental state, South Africa seeks to 'create a more diversified export-oriented sector that is internationally competitive', which is 'aimed at realising socio-economic objectives such as job creation and higher growth rates and incomes (poverty alleviation)' " (2009:379). South Africa's Democratic Developmental State identity is underpinned by the state's understanding and conceptualisation of the DDA (in both its material and ideational manifestations). This is noted by Gumede, who strongly argues that the post-apartheid's state's primary and overarching objective is national development. He propounds**:** "[d]evelopment, in a nutshell, has been the raison d'être of the post-apartheid state. The public polices and legislative interventions that have been implemented since 1994 can be said to have been deliberate attempts to broaden the concept of liberty to include human development and socio-economic justice" (Gumede, 2011:88).

From the arguments and contributions discussed in this section, it is important to highlight two key aspects. The first is that it can be strongly and reasonably argued that the post-apartheid South African state has adopted a discernible identity: that of the Democratic Developmental State. This identity is underpinned by the state's

conceptualisation and understanding of what this study has termed the DDA. A key facet of this process has been the South African state's endorsement of norms and ideas which buttress the prioritisation of national development. This study has predominantly focused on one particular norm and central idea. The norm pertains to how the South African state *must* effectively address national development challenges; whilst the idea relates to the notion of active intervention by the South African government within the national economy (as articulated policy documents which advocate for a developmental state governance framework).

The second aspect which needs to be highlighted pertains to how the Democratic Developmental State identity has shaped the orientation and focus of South African foreign policy. South African foreign policy has increasingly become more development oriented since 1994 (particularly from the latter years of the Mbeki presidency onwards). As noted in the study, this is due to two key factors: firstly, the increasing urgency of national development priorities (for instance job creation), and secondly, the growing salience of the ideational features of the DDA (such as the idea of an active developmental state which promotes industrial policy). These factors have noticeably impacted on the formulation of foreign policy, as observed through the prioritisation of economic diplomacy and trade policy (since 2007) as key foreign policy tools in the service of domestic developmental objectives such as industrial policy and labour-intensive job creation (which will be discussed extensively within this chapter). However, it is important to emphasise that the DDA's influence on foreign policy does not necessarily translate into 'developmental' external economic policy, as highlighted by economic and commercial diplomacy between 1996 and 2006. Thereby underscoring the political practices or processes noted by Serrão and Bischoff (2009) which underpin the conceptualisations and formulation of government policies.

7.3. *Post-apartheid foreign policy as a mechanism for the realisation of national development*

One of the key initial post-apartheid foreign policy strategy documents produced in 1996, the "Foreign Policy for South Africa: Discussion document" (released as a legislative Green Paper) emphasises the importance of national development priorities

(such as inclusive growth) in relation to South African foreign policy objectives. The discussion document stipulates:

> *"[a]chieving sustainable economic growth in South Africa is a government priority and its international dimension is important for all departments and government agencies involved. To attain the objectives which government departments are expected to achieve, proper coordination at the policy and working levels is essential and it is important to work towards an integrated 'economic foreign policy' "* (DFA, 1996: 5.3).

The 1996 foreign policy discussion document initiated the notion of foreign policy as a key 'mechanism' through which economic development priorities or objectives such as sustainable growth could be realised. Unfortunately, the emphasis on "economic foreign policy" was to be subsumed into an intensely values-based foreign policy approach under both the Mandela and Mbeki presidencies (1994-2007), which obfuscated the focus on the economic aspects or interests in relation to South Africa's international relations.

Noting the international context in 1996 (and the 1990's in general), the discussion document referring to contributions from then Trade and Industry minister (at the Heads of Mission Conference, September 1995), Trevor Manuel, asserts that South Africa must guarantee that its domestic reforms enable the country to smoothly integrate into the global economy (DFA, 1996), in order to safeguard the realisation of fundamental priorities such as economic growth. These reforms pertain to the liberalisation policies described in (chapter4) and include: incentives to attract foreign investment (such as low production costs and labour reforms); enhancing domestic competitiveness (through supply-side reforms such as skills development for instance); and the liberalisation of exchange controls (DFA, 1996). The discussion document also states: "[t[here is a range of opportunities for foreign investors in South Africa in the Reconstruction and Development Programme (RDP) and this should be brought to the attention of foreign industrialists and development assistance donor governments" (DFA, 1996:7.2). Thereby highlighting how foreign policy could be utilised as a mechanism to provide resources and assistance for national development. This is noted in the 1996 foreign policy document, which states, "[a] major focus of the activities of South African missions abroad is the [RDP]…Particular attention is given to the international dimension and to the role of the Department of Foreign Affairs in meeting the challenges presented by the RDP" (DFA, 1996: 10.2). Reference is made to a

statement provided by the then deputy Foreign Minister, Aziz Pahad in a 'senate' session held on the 25th May 1995 which highlighted "the relationship between international economic relations and the RDP" (DFA, 1996: 10.2); minister Pahad posited: "South Africa is critically dependent on its business and economic relations with the outside world, particularly the industrialised world, to meet the growing demands of our people for a better life, and to ensure the successful implementation [of the RDP]" (DFA, 1996: 10.2). The unilateral top-down adoption of GEAR attenuated notable policy aspects of the RDP (industrialisation for instance), including those pertaining to external policy. Particularly noting that GEAR as a pragmatic macroeconomic policy with full executive support was actively streamlined across all government departments. This had the unintended effect of tempering the explicit objective of aligning the national development vision (as espoused by the RDP) with foreign and trade policy as stated in the 1996 discussion document. According to the foreign policy discussion document initial steps had been taken to facilitate cooperation and complementarity between the departments of Foreign Affairs, and Trade and Industry with regards to external policy measures relating to RDP priorities (DFA, 1996: 10.2). The 1996 discussion document states:

> *"[t]he Departments of Foreign Affairs and of Trade and Industry have also coordinated their activities. A special committee was established to study how more regular and formalised liaison could be implemented. The Directors-General of the two departments have taken the lead and the nature and extent of cooperation have been expanded. Integrated trade and investment activities at missions abroad are also being promoted. While good liaison exists at the working level, a major challenge is coordination at the policy level. Interdepartmental policy-coordinating mechanisms, such as the External Trade Relations Committee which already exists, are to be used more frequently and new areas of responsibility will be developed"* (1996: 10.2)

The prominence and prioritisation of GEAR in 1996 appears to have disrupted the processes (with one disruption being the promotion of then Trade and Industry Minister, Trevor Manuel to Finance Minister in 1996) outlined in the statement quoted above. It could be argued that this was because of the top-down streamlining of the GEAR framework across all government departments, with an emphasis on the adoption and realisation of specific liberalisation tenets. This resulted in a kind of disruptive specialisation for the two ministries, thereby undermining the cooperative aspect of their developmental mandate in the service of the RDP. In essence the

mandates of the foreign ministry and trade ministry became highly specified and distinct from 1996 onwards. In his March 1997 National Budget Speech, then Finance Minister, Manuel highlighted the two core objectives of South Africa's foreign policy in relation to GEAR, which was defined as a broad "economic reform programme" aimed at realising and enhancing the RDP developmental vision (Manuel, 1997). Thereby in relation to foreign policy, the two key aspects of focus were the attraction to South Africa of "a steady stream of capital investment" (Manuel, 1997), and "continued tariff reform" with regards to trade liberalisation (Manuel, 1997). The key notion behind these two policy objectives was to safeguard and ameliorate post-apartheid South Africa's integration into the global economy. In this regard it could be argued that between 1996 to 2005 the main foreign policy thrust with regards to the DDA was to facilitate greater FDI and international trade flows (through improved market access to regional and international markets) in order to boost South Africa's GDP growth. The predominant conceptualisation was that by enhancing South Africa's growth, the country would be able to generate the necessary economic resources to fund the RDP. In the 1997 National Budget Speech, Manuel underscores the importance of foreign investment:

> *"…investment is important. Sustainable job creation requires a steady stream of capital investment. And, in cases such as our own where savings ratios are low, we need to compete to attract savings from elsewhere in the world. For all these reasons, it is imperative that we take stock of the disciplines of the global economy. We need to examine continually how we integrate into that economy without sacrificing our fundamental and implacable commitment to social transformation"* (Manuel, 1997)

He goes on to explain how government has prioritised domestic reforms (relating to liberalisation tenets) with an objective to augment South Africa's international trade prospects (through increased exports). Manuel propounds, "[t]he importance that Government attaches to investment is reinforced by the approach we have adopted in relation to the supply-side measures introduced to enhance and support trade and industrial development" (Manuel, 1997). In this regard the roles of the Department of Foreign Affairs (DFA), and the Department of Trade and Industry (DTI) became clearly delineated and specialised. The DFA would focus on the promotion of South Africa as an investment destination, as well as the attainment of greater market access for South African exports. On the other hand, the DTI would safeguard progressive trade

liberalisation (to ease South Africa's integration into the international economy) and the implementation of industrial policies that would boost exports with a focus on cost effectiveness and efficiency (through liberalisation-oriented "supply-side reforms"). This form of "division of labour" between the two ministries was to be a key legacy of governance during the GEAR era (1996-2005), when government's paramount mandate was a vigorous focus on economic growth.

The nature of the DFA and DTI's roles is highlighted in a 1999 speech by then-deputy foreign minister, Aziz Pahad. In his address at the Heads of Missions Conference, 18 January 1999 conference, Pahad asserted:

> *"[s]o, as we discuss our strategic objectives and the thematic approach* [to South African foreign policy]*, we do it fully understanding that while we are not competing with other Departments, we strongly believe we can make a contribution to their work and the activities of the reconstruction and development of our country. Let me quickly give a few examples: [w]e are aware that the Department of Trade and Industry has got its butterfly concept* [metaphor pertaining to how South Africa's economic engagement and cooperation should extend to both Western and Eastern partners]*, and, we appreciate the butterfly concept. We are also conscious that the Presidential Review Committee* [in the 1998 Report of the Presidential Review Commission on the Reform and Transformation of the Public Service in South Africa] *has recommended that the aspect of foreign trade and investment should be transferred to the Department of Foreign Affairs. It makes sense. But in the meantime, there is much that we can do to make the DTI perspectives become a reality. Who is better equipped to enable our private sector, and indeed our trade representatives, to make contact with leading politicians and private sector elements in the respective countries? It can only be the Department of Foreign Affairs and Heads of Mission. Who is better placed than the Department of Foreign Affairs, through our missions, to be able to identify greater opportunities for trade and investments?"* (DFA, 1999).

Minister Pahad's comments indicate that the DFA was initially favoured by the executive to take the lead on international trade and investment policies, thereby superseding the DTI on trade issues (particularly export promotion). This was informed (as stated by Pahad) by the 1998 Report of the Presidential Review Commission on the Reform and Transformation of the Public Service in South Africa. The Presidential Review report states:

> *"[g]iven the current lack of effective coordination between the departments of Foreign Affairs and Trade and Industry, the Commission…firmly believes that trade officials in embassies should report to the relevant diplomatic representative and not to the DTI. We therefore recommend that the international trade function in DTI should be phased into the Department of Foreign Affairs; and*

> *that the two departments establish a task team to deal with the details of this transfer, especially in respect of the reporting lines"* (Presidential Review Comission, 1998).

This recommendation was not completely adhered to by either the DFA or DTI, thereby resulting in a context in which both ministries actively dealt with trade policy issues. However, the specialisation aspect around trade concerns seems to indicate that the DFA dealt more with the promotion of South African exports (including pursuing greater market access), whilst the DTI addressed the technical aspects relating to trade liberalisation such as tariff reductions (as well as South Africa's interactions and engagements with the WTO). It is important to note that during the Zuma premiership, the DTI was able to establish oversight over trade policy (as well as economic diplomacy), thereby overriding the foreign affairs ministry (DIRCO) in terms of trade issues and external economic policy.

7.4. *The emergence of an economic diplomacy approach*

The increased focus on ensuring that the DDA was the core focus of South Africa's foreign policy from 2007 onwards (as analysed in the previous chapter) meant that the notion and question of economic diplomacy gained greater salience amongst both government and ANC policymakers. In a September 2012 DIRCO parliamentary presentation to the National Council of Provinces (NCOP) portfolio committees of Trade and Industry, Economic Development, Small Business, Tourism, Employment and Labour; Ambassador Thami Ngwevela, the then Chief Director of DIRCO's Diplomatic Academy provided an informative overview of the development of the economic diplomacy framework. Ambassador Ngwevela posited that in 2008, DIRCO was mandated with developing an Economic Diplomacy Strategic Framework (EDSF) premised on "[supporting] South African missions -its embassies, consulates and high commissions abroad- in meeting the domestic priorities for growth and prosperity in the international environment" (Parliamentary Monitoring Group, 2012). The EDSF sought to provide a "conceptual framework" and 'tools' which would underpin the Economic Diplomacy training programme designed by DIRCO "in close partnership" with the DTI. The economic diplomacy training programme for South African diplomats and foreign policy policymakers would be facilitated by DIRCO with a focus on ensuring

that domestic economic policy would be 'translated' into foreign policy [sic] (Parliamentary Monitoring Group, 2012). This would be realised through the fulfilment of a number of policy-related training objectives including: engendering a clear understanding of South Africa's economic interests to policymakers; the provision of policy 'instructions' pertaining to how diplomats could facilitate greater market access for South Africa exports; provision of instructions aimed at generating greater levels of investment for the country; elaboration of tourism and national branding promotion strategies; and directives on how to actively promote the African Agenda as a central aspect of regional and continental economic integration (Parliamentary Monitoring Group, 2012). The overarching goal of this training would be to make sure that "diplomats had the capacity and professionalism to efficiently and effectively function in *economic development* [sic]" (Parliamentary Monitoring Group, 2012), and also engender a solid understanding of government policy (as new economic development policies were stipulated in 2010 and 2012, the NGP and NDP respectively) to assure that diplomats "were provided with an understanding of key policies such as the [NGP], [IPAP2] and the Trade, Policy, and Strategy Framework [TPSF]" (Parliamentary Monitoring Group, 2012). Ambassador Ngwevela in her presentation to the NCOP committees emphasised that, "[t]he DTI and DIRCO had three main priorities for [economic diplomacy]. These were trade and investment, tourism, and managing the image and brand of South Africa" (Parliamentary Monitoring Group, 2012). The presentation provided by Ambassador Ngwevela raises two key queries, the first relates to the level of DTI's engagement and input with the EDSF put forward by DIRCO. This leads to the second query which pertains to the priorities mentioned by Amabassador Ngwevela: trade and investment, tourism, and the promotion of "Brand South Africa". According to the ambassador, DTI concurs with DIRCO in relation to the prioritisation of these aspects. However, the IPAP plans and the Trade, Policy, and Strategy Framework (TPSF) initiated in 2010, indicate that the DTI has an ambitious and far-reaching priority for economic diplomacy (and foreign policy in general). This priority (as will be discussed in greater detail further on in this chapter) is centred on the endorsement and implementation of industrial policy with a view to generate extensive labour-intensive manufacturing and develop South Africa's economic capabilities (through value-added manufacturing). In this sense Ambassador Ngwevela's presentation appears somewhat cosmetic and does not offer insights around DTI's deeper policy motivations.

In a 2010 presentation to the Parliamentary Portfolio Committee on International Relations and Cooperation delivered by M. Dlomo, Deputy Director: Diplomatic Training Research and Development (DTRD) at DIRCO, the foreign ministry attempted to provide a succinct overview and introduction on economic diplomacy. This presentation appears to be the first one to formally address the theme of economic diplomacy within a parliamentary session. Thereby indicating the adoption of an EDSF by the South African government in 2010. The Dlomo presentation provides a basic definition of economic diplomacy in the South African context. Economic diplomacy is thereby defined as: "a diplomatic tool to achieve political economy objectives" (DIRCO, 2010). A definition of diplomacy is also furnished: "[as the] political process of negotiations and influence between governments (and non-state actors)" (DIRCO, 2010). Dlomo goes to elucidate that at DIRCO's Diplomatic Academy training sessions focused on economic diplomacy emphasis is placed on the "[i]mplementation of foreign policy and link between foreign policy and economics" (DIRCO, 2010). The definition posited by Dlomo complements the one provided by the Ministerial Review Panel for DIRCO in its media briefing on the Foreign Policy Review Report 2019. The Review Panel defined economic diplomacy as:

> *"a nation's promotion of its economic fortunes, interests and needs in the global environment.*
>
> *It is how diplomats and other states' representatives negotiate for their countries interests in international relations. This is done with the aim of increasing trade, attracting investments and helping to grow and develop national economies.*
>
> *This is also done in a manner that translates domestic economic policy into its international relations"* (Ministerial Panel, 2019:11).

In essence DIRCO's approach to the EDSF (between 2010 and 2017) is informed by prior precedent and therefore represents more continuity as opposed to radical change. This is because according to DIRCO (as laid out in a PowerPoint document presented to the NCOP committees in 2012), its 'strategy' in relation to economic diplomacy is meant to "[compliment] South Africa's developmental policies and strategies" (DIRCO,2012) through the pursuit of "market access for South African products" (DIRCO,2012) and "the promotion and attraction of investment to South Africa" (DIRCO, 2012), noting attendant objectives such as the advancement of "Brand SA" and a commitment to regional (and continental) economic integration (DIRCO, 2012). These stated objectives complement government's foreign policy approach between 1996 and 2007 to a greater

extent. Particularly noting the traditional or conventional prioritisation of FDI and greater market access for South African exports. In this regard the EDSF as defined and framed by DIRCO does not indicate a far-reaching 'developmental' orientation in relation to foreign policy or economic diplomacy. This contrasts with the DTI's understanding of external policy (and the thrust of economic diplomacy), especially with regards to international trade.

7.5. *The ANC's notion of economic diplomacy*

The ANC's 2007 "Report of the Commission on International Relations" outlined the notion and importance of economic diplomacy in terms of enhancing South Africa's international trade. The party noted that the post-apartheid context had generated "new opportunities" for South African businesses and commerce in key sectors such as: retail, mining, financial services, agri-processing, and engineering amongst others (ANC, 2007). The ANC went on to note that the economic opportunities accessible to South Africa might generate tensions with other African countries, noting the strength of the South African economy in comparison to its regional peers, as well as the fact that a number of SADC countries including Angola, DRC, Zimbabwe and Mozambique were either mired in or recovering from varying forms of political conflict. Highlighting these concerns, the ANC IR report posited, "[t]he advent of democracy has created new opportunities for the South African Business both in Africa and in the world …This opportunity is welcomed and good; however, it brings with it new challenges in the relationship between South Africa and other African countries" (ANC, 2007).

The ANC went on to endorse a policy position that sought to actively promote the realisation of economic diplomacy through South Africa's international diplomatic missions. ANC policymakers propounded:

> *"[t]he conference endorsed the idea of resuscitating and beefing up of economic desks in the South African embassies to ensure our businesses/companies exploit the available business opportunities abroad and, in the continent, and ensure our goods enter their local markets in those countries; while at the same time we encourage the African countries to produce quality goods that can compete with the South African products and for them to take advantage of the developing and growing economy. This will encourage trade amongst states in the continent and in the [S]outh and also expand on our objective on the national interests"* (ANC, 2007).

It can be argued that this ANC policy endorsement in part generated support for the mandate given by the executive to DIRCO to develop an economic diplomacy framework in 2008. In 2012, the ANC decided to review government's approach to economic diplomacy as noted in the ANC's 2012 IR policy discussion document. The ANC asserted that in light of the previously adopted resolutions it was 'critical' for the party and government to enhance the link between domestic priorities and foreign policy via well calibrated economic diplomacy. The 2012 IR document stated: "[w]e re-emphasise the previous resolutions on the critical need to build connections between our international relations and domestic interests through *economic diplomacy as a tool of foreign policy*" (ANC, 2012:26). Economic diplomacy was therefore designated as integral part of the foreign policy 'toolkit'. In this sense the ANC conceptualised economic diplomacy as a key policy mechanism through which to further South Africa's national or domestic interests within the international sphere. In this regard the ANC stated, "[t]he ANC is of the view that economic diplomacy is not merely about basic economic knowledge, but deeper appreciation of the importance of growing our economy to enable us to increase our voice and choice in international affairs" (ANC, 2012:26). It is important to highlight that the ANC also declared that South Africa should not use economic diplomacy in a 'narrow' sense without taking into consideration the country's regional environment and stated values. In essence the ANC raised concern about facilitating an economic diplomacy premised largely on self-interest and devoid of South Africa's aspirations[29], particularly the country's commitment to the "African Agenda". This was articulated in the 2012 IR policy discussion document: "interpretation of economic diplomacy is not about promoting narrow economic interests, but it is about responding to our historical responsibility to enhance Africa's economic renaissance" (2012:26).

By 2017 the ANC had begun to conceptualise economic diplomacy as not only an important foreign policy 'tool' but as a key instrument through which to achieve the country's national development priorities. The ANC's 2017 IR policy discussion

[29] The ANC's influence on foreign policy (and by extension economic diplomacy) is significant, a key example would be prioritisation of South Africa and Russia relations during the Zuma period (under the auspices of South-South cooperation), at the expense of the country enhancing or deepening ties with key cooperation and trade partners such as Germany and the Netherlands. Unfortunately, the issue of state capture highlighted how foreign policy can be 'captured' for narrow rent-seeking interests which seek to benefit actors connected to ANC elites. The internationally related financial dealings of Eskom and Transnet, particularly during the Zuma premiership attest to this (although Eskom's dealings with Hitachi during the Mbeki era should also be noted)

document states, "[e]conomic diplomacy is an important component of our foreign policy which seeks to **contribute towards the realisation of the NDP vision and trajectory** [my emphasis]" (ANC,2017:12). In the 2017 IR document, the ANC argues that it has actively promoted economic diplomacy in the preceding years in order to support economic development. The party also posits that its economic diplomacy initiatives have complemented key domestic priorities such as industrialisation as laid out in the IPAP strategies. The ANC asserts:

> *"…we sought to leverage trade and investment opportunities to create a better life for all our people. The ANC and government have gained valuable experience in this purview as evidence by the benefits we derived through revising and realigning our economic diplomacy strategies and plans. These economic policy strategies and plans include, but not limited to, the Industrial Policy Action Plan (IPAP)"* (ANC, 2017:12).

To further galvanise and enhance the implementation and complementarity of economic diplomacy with national development priorities the ANC stated that it supported the establishment of a "economic diplomacy unit" located within DIRCO (ANC, 2017:12). The ANC viewed this as an important development as it would aid South African missions in terms of their ability to both guide and advise South African commercial actors with regards to market access, understanding local business culture, and commerce related intelligence. The 2017 IR document states:

> *"[f]urthermore, government shall strive to strive to improve coordination of our economic diplomacy efforts. In this regard, we are encouraged by the efforts which are under way to ensure fully operationalisation of the recently established economic diplomacy unit in DIRCO. This will enable us to take advantage of the economic boom in the continent and improve trade levels with both traditional and newly identified markets. In doing so our business and the private sector must adhere to corporate laws in host countries and contribute to the improvement of local socio-economic conditions*" (ANC, 2017:12).

The ANC's understanding of economic diplomacy (between 2007 and 2017) is more nuanced than that of DIRCO policymakers. For the ANC it is fundamental that economic diplomacy serve as a 'tool' of foreign policy in the service of the DDA. This means that foreign policy and economic diplomacy must become more 'developmental' or development oriented. Along with the traditional focus on investment, increased market access and national brand promotion, the ANC is adamant that economic diplomacy must also relate (and aid) key national development priorities such as industrialisation

and job creation. This complements DTI's approach to foreign policy and trade policy (a key aspect related to economic diplomacy).

7.6. *The DTI's developmental approach to international trade*

During the Zuma era trade policy gained greater traction and relevance as a key foreign tool through which to pursue DDA objectives. This development was prompted by broader political and economic shifts due to the transition from the Mbeki epoch, to a more 'open' and policy diffuse era during the Zuma presidency. The consequence of this was the generation of "policy space" by government and ANC Alliance policymakers to formulate and ultimately implement policies that were informed by pressing developmental priorities such as: low levels of labour-intensive employment, as well as subpar production of value-added manufactured goods. Thereby underscoring the prominence and appeal of the developmental state policy framework and state identity (informed by the DDA). The DTI post-2007 became a key actor and advocate for more 'developmental' economic policies, especially with regards to trade and industrial policy. The core ethos that underpinned the DTI's approach to trade and economic diplomacy was the notion that South African trade policy should directly contribute to development. In order to formulate a development-oriented trade policy, the DTI's International Trade and Economic Development (ITED) division commenced a review of South Africa's trade policy in mid-2007 (DTI, 2010: v). Two key aspects informed the initiation of this review, the first related to the need for DTI policymakers "to better clarify and define the contribution trade policy can make to the South African Government's broad economic development strategy" (DTI,2010: v). Whilst the second aspect pertained how trade policy would correlate to industrial policy (considering the NIPF framework initiated in 2007). The DTI posits: "with the adoption of South Africa's National Industrial Policy Framework (NIPF) in 2007, it has become increasingly important to specify with greater clarity how trade policy will complement and support South Africa's industrial upgrading and diversification objectives" (2010:v). In order to address these two aspects or concerns the DTI decided to devise a "South African Trade Policy and Strategy Framework" , which was formally launched in 2010 (two and half years after the DTI had undertaken its trade review). The DTI states that the South African Trade Policy and Strategy Framework (TPSF) "sets out the contribution trade

policy should make to advancing industrial development, upgrading and diversification along a growth path that addresses structural constraints in the economy, including unemployment and poverty" (DTI,2010:v). According to the DTI a key aspect of trade policy relates to "tariff [policies]" which have to be calibrated "primarily on a sector by sector basis, dictated by the needs and imperatives of [particular]sector strategies [or priorities]" (DTI, 2010:v). The rationale behind this is that with the inception of a formal industrial policy (in 2007) and the shift towards a more explicit developmental approach to economic (and foreign) policy programmes, trade policy must be informed by key economic development objectives. This then means that the pro-liberalisation approach characteristic of GEAR-oriented "macro-economic stabilisation" policies (between 1996 and 2006) has to be revised with regards to trade policy, especially as South Africa seeks to develop capabilities in labour-intensive manufacturing sectors such as the automotive sector for instance. The key motivation in revising trade policy post-2007 lies in the need for ensuring the "policy space" in terms of having a flexible trade policy framework that can either protect or promote South African exports (especially value-added products). This goes against the prior orthodox GEAR approach, which was primarily premised on extensive liberalisation with regards to South Africa's trade regime.

The DTI propounds that tariff policy is a fundamental aspect of the government's broader industrial policy strategy. The DTI promulgates: "[t]ariff policy is, of course, not the sole determinant of trade performance but as an important element of South Africa's growth path and an instrument of industrial policy, it requires [prioritisaiton]" (DTI, 2010: xii). Noting this is becomes apparent that the DTI considers tariff policy as a key instrument of industrial policy. Based on a comparative analysis of what the DTI terms "successful developing countries" (DTI, 2010: xiii), the trade ministry argues that such countries have effectively and strategically used their respective trade policy through specific tariff calibrations or adjustments to enhance industrial development. It can be reasonably assumed that the developing countries being referred to include countries such as China, Malaysia, and the favoured example of the "Asian Tigers". The DTI explains its approach in the TPSF as follows: "[the successful developing countries] have ensured that their tariff policy is informed by industrial policy and that where trade liberalisation is pursued, it is done gradually and selectively to support broader programmes aimed at industrial development" (DTI, 2010: xii).

The fundamental facet of this argument is that unlike its pragmatic developing country counterparts, South Africa did not strategically integrate into the international economy post-1994. This has consequently disadvantaged South Africa's developmental prospects, particularly with regards to the key economic development objectives such as labour-intensive job creation and the diversification of exports (underpinned by value-added manufacturing), which are crucial for the structural transformation of the South African economy as mandated by the DDA. South Africa's widespread application of trade liberalisation measures therefore "opened up" the domestic economy "too fast, too soon", with adverse impacts for job creation and the application of sector-based industrial policy (with the exception of the automotive sector). Alluding to South Africa the DTI asserts, "the many developing economies that embarked on rapid structural reform, including uniform and across-the-board liberalisation have tended to re-orient their industrial sector along static comparative advantage lines, except in those industries that were already mature and globally competitive" (DTI, 2010: xii). The DTI believes that this was the case with South Africa, and go on to postulate:

> *"[t]his international experience resonates in South Africa. Since 1994, South Africa has undertaken significant tariff cuts and while exports in most sectors grew, manufactured exports continue to be heavily dominated by resource-based products. In other words, tariff reductions have not induced the necessary structural changes in the economy to significantly alter the export basket beyond the range of products that reflect South Africa's static comparative advantage"* (DTI, 2010:xiii).

The DTI is therefore highly concerned about the level of tariff liberalisation South Africa has implemented since 1994, the TPSF seeks to restore South Africa's ability to strategically apply tariff policy. For the DTI this is necessary in order to alter South Africa's "static comparative advantage" which favours primary resource-based goods or commodities at the expense of potentially more viable value-added goods (though their precise nature is somewhat ambiguous).

The TPSF notes that since the 1990's, South Africa's average tariff rate has been drastically reduced, from a mean of 23% to a mere 8,2% in 2010 (DTI, 2010: xiii). This significant reduction was undoubtedly prompted by GEAR policy tenets. The DTI also notes that that in 2006 "the proportion of zero-rated tariff lines rose to about 54% [and that]...There has also been considerable simplification of the tariff regime" (DTI, 2010:xiii), which was evidenced by how in 1990 South Africa's tariff schedule was composed of 13609 tariff lines (of which 28% were subject to import controls), by 2006

the total of tariff lines had been reduced to 6400 (DTI, 2010:xiii). According to the DTI this represented "a decline of 53%", which was also accompanied by the 'elimination' of import controls (2010:xiii). This resulted in context (circa 2010) were the South African economy "is now moderately protected by tariffs" (DTI, 2010:xiii). For the DTI this was a grave context, which undermined industrial policy, the enhancement of manufacturing capacity and by extension the generation of dignified labour-intensive jobs. The DTI argues that in order to realise these developmental objectives, the government has to "purposefully intervene" in the "industrial economy [with the aim of] achieving dynamic, competitive advantages" (DTI, 2010: xiv). This approach is characteristic of classical developmental state policy tenets, notably in terms of the notion of "building capabilities" (via active state support) within a particular sector-based industry in order to strengthen the viability of that specific sector with an eye towards international competitiveness. For the DTI trade policy expressed through the application of "strategic tariff policy" is a sustainable means for building capabilities within South Africa's manufacturing sector (for example the automotive sector). The DTI reasons:

> *"[a]s tariffs are a key instrument of industrial policy and because they have implications for capital accumulation, technology change, productivity growth and employment, changes to the tariff regime need to be carefully calibrated to the specificities of each sector and its production upgrading possibilities"* (DTI, 2010:xiv).

This assertion by the DTI is important to spotlight, particularly as it indicates how the trade ministry has effectively appropriated tariffs as a "key instrument" of industrial policy as it is set out in the NIPF.

One of the key policy approaches informed by the calibrated and selective application of trade policy via tariff mechanisms pertains to the level, quality and strategic relevance of certain industries in relation to others centred on the importance of the specific industry in terms of enhancing manufacturing and the potential for job creation. The general rationale applied by the DTI through the auspices of the TSPF is to gradually remove tariffs on what are termed "mature upstream industries", these are industries and productive processes which are structured to provide or produce raw materials and primary goods as key inputs to industries which specialise in refining or processing raw materials into value-added products. The industries which focus on processing raw materials and primary goods into marketable finals products are known as downstream

industries. Noting the production processes related to the oil and gas industry, the exploration and extraction processes attendant to the production of crude oil and natural gas are an example of upstream industries. Whereas the refining and processing of crude and natural gas into final products such as: petroleum, naphtha, kerosene, diesel oil, ethane, propane, and butane is an exemplar of downstream industries. The marketing, packaging and transportation of these energy products are also core aspects of the downstream industry. The World Bank states, "[u]pstream is an industry term that refers to exploration of oil and natural gas fields, as well as drilling and operating wells to produce oil and natural gas" (2017). With reference to the World Bank's support for natural gas production initiatives worldwide, the Bank asserts that it "will continue to support and finance…downstream natural gas investments for transport and distribution to consumers and for power generation" (2017). The United Nations highlights the distinction between upstream and downstream industries, when it posits: "[d]ownstream industries are, in general, more stable and have higher profit margins than the upstream (raw material producing) industries" (UNESCWA-United Nations Economic and Social Commission for West Asia, 2020). The DTI justifies its removal of tariffs on upstream industries, whilst strategically using tariffs (and non-tariff barriers) to protect or promote downstream industries, as a means through which to actively enhance value-added manufacturing industries; stimulate the development of manufacturing capabilities and expertise; and generate (skilled and dignified) employment. The TSPF lays out the DTI's reasoning:

> *"[a]s a general guideline, tariffs on mature upstream input industries could be reduced or removed to lower the input costs for the downstream, more labour creating manufacturing. Tariffs on downstream industries, particularly those that are strategic from an employment or value-addition perspective, may be retained or raised to ensure long-term sustainability and job creation in the context of domestic production capabilities/potentialities and the degree of trade and production distortions on these products at the global level. These determinations will be conducted on the basis of case-by-case, detailed investigation and analysis"* (DTI, 2010: xiv-xv).

This approach by DTI underscores the explicit use of trade policy through tariff mechanisms to actively promote NIFP objectives. In this sense it can be argued that trade policy has become a key tool of national industrial policy.

7.7. *The risk of distorted foreign policy outcomes due to divergent policy biases*

The shift towards more developmental and interventionist economic development policy approaches post-2007 is emblematic of the significant resistance and "push back" against the dominance of orthodox pro-liberalisation economic policy tenets, which were a fundamental governance aspect of the Mandela and Mbeki governments between 1996 and 2006. Trevor Manuel, a 'giant' of the post-apartheid political-economic framework is to a great extent a personification of South Africa's deeply entrenched economic orthodoxy approach, particularly noting his long-tenure as finance minister from 1996 to 2009 (a record breaking 13-year term). His influence permeated into the Zuma era, as one of the main 'architects' (along with ANC stalwarts such as Cyril Ramaphosa and Joel Netshitenzhe) and promoters of the NDP, in his role as Minister in the Presidency for the National Planning Commission (2009 to 2013). Manuel's influence from 2007 began to wane significantly, as former deputy-president Zuma ascended to the presidency and began to consolidate his authority. President Zuma, who had been crucially and vociferously supported by a broad coalition including the ANC Right, ANC Left, SACP, COSATU, ANC Youth League (ANCYL), key labour federations and pro-empowerment groupings, now had to develop and present a wide-ranging and representative political and economic agenda. A key theme that tenuously united all these key groups and actors was the notion of "economic transformation" (which has been diluted into the "catch all" Radical Economic Transformation-RET mantra over time), underpinned by a focused and insistent determination by actors aligned to the SACP, COSATU, ANC Left and labour to fundamentally alter economic policy and move it away from its engrained (economic) orthodoxy. The intense policy disputes around industrial policy; the role of the Treasury and Reserve Bank; nature of economic growth; job creation strategies; and trade policy are to a great extent a result of the divergent policy preferences and biases of groupings and actors centred around personalities such as Trevor Manuel and institutions such as the Treasury and Reserve Bank on one hand, and those advocating for a more 'developmentalist' economic development approach (premised on strategic government interventions within the economy) located around former president Zuma, the DTI and DED. These tumultuous policy contestations not only resulted in tangible material consequences at the domestic level, but they also filtered through to foreign policy formulation and implementation.

Noting that South African foreign policy is not conceptualised and formulated in a vacuum, and that is characterised by what Serrão and Bischoff (2009) term "political practice", it becomes clear that the domestic context post-2007 had a fundamental impact on South African foreign policy. The most visible impact as noted at the beginning of this chapter is that the DDA has become more explicitly and intentionally linked with foreign policy. Consequently, South African foreign policy has been imbued with far-reaching developmental considerations, thereby highlighting the increasing salience and urgency of the DDA during the Zuma epoch. This has had a profound impact on South African foreign policy, in terms of how it became viewed (from 2007) as a key mechanism for the realisation of key national development priorities such as: economic growth (through greater export of goods and services); job creation (ensured through FDI, greater market access for SA exports, export of value-added products); industrialisation (through the promotion of value-added exports); structural transformation of the economy (via development partnerships such as BRICS, China-SA cooperation). The rationale which underpinned this approach posited: if South African foreign policy is one of the key mechanisms to realise these development priorities, then economic diplomacy and trade policy are the tools through which to operationalise foreign policy in the interest of the (domestic) priorities listed above. The subsequent and relatively prompt conceptualisation of the South African Trade Policy Strategy Framework (TSPF) and Economic Diplomacy Strategic Framework (EDST) in 2007 and 2008 respectively, underscore the notable policy shifts that were to effect South Africa's external policy, thereby highlighting the greater prioritisation of the DDA.

Despite the shift towards a more development-themed foreign policy informed directly by the DDA, South African foreign policy formulation and implementation remained adversely affected by the perennial deep-seated policy divisions around how the DDA was to be realised in relation to economic development policy throughout the Zuma premiership. This hampered the seamless and coherent design of foreign policy, ultimately distorting the direction and focus of external policy. In essence the central challenge pertains to the contestation by key state actors (primarily government and ruling party policymakers, as well as private sector and broader civil society including the opposition and academia to a lesser extent) around which fundamental policy tenets should underpin national development. In essence these actors can be loosely

categorised by two key policy approaches, which the researcher has termed the "pragmatic" and "aspirational" approach.

The *pragmatic approach* is formed around supporters of the NDP (and earlier orthodox economic liberalisation policy frameworks such as GEAR). The actors supporting this approach argue that South Africa should address outstanding liberalisation reforms relating to key supply-side (relating to the production of goods and services) aspects such as: labour market reform, infrastructure development, energy sector reform, barriers to trade, and a review of government subsidies. The key objective of this approach is to lessen the costs related to the export of South Africa's traditional mainstay exports (minerals, metals, and financial services), as well as those goods (including value-added ones) in which South Africa has a clear comparative advantage. The idea is that by doing this, South Africa will be able to solidly integrate into the global economy on the basis of increased exports produced at a lower cost (and more efficiently). This approach argues that greater export growth will lead to higher rates of economic growth, and have beneficial outcomes relating to FDI, domestic investment and job creation (as stated in the NDP). The emphasis of the pragmatic approach is on reforms related to "low hanging fruit" such as improved infrastructure, lower energy costs and minimal trade barriers, all targeted at ensuring the cost-effective efficient exportation of goods South Africa has in abundance or that are not onerous for South Africa to produce due to comparative advantage. To sum up this approach one could use the adage: "[t]ake care of the little things first". The emphasis is on economic growth, albeit with a safety net for those adversely impacted by poverty (hence support for social grants). Supporters of this approach are wary of extensive state intervention and costly subsidies. This grouping is also sceptical of industrial policy and the promotion of value-added goods or exports in which South Africa does not have a viable comparative advantage. The pragmatic approach advocates view foreign policy via economic diplomacy as a mechanism for: ensuring greater market access for South African exports; generating higher levels of FDI for South Africa; facilitating more regional trade (to garner greater market access); and promoting "Brand South Africa". However, it is difficult to ascertain precisely where the jobs envisioned by the pragmatists will be generated. Key institutions related to this approach are: the South African Reserve Bank, the Treasury, the National Planning Commission and (to a lesser extent) DIRCO.

The *aspirational approach* is coalesced around supporters of the NGP and NIPF (and its subsequent IPAP iterations), as well as advocates for industrial policy and structural economic transformation. They have an aspirational or ambitious vision for South Africa's national development. This includes the active promotion of industrialisation and value-added manufacturing in order to transform South Africa's traditional economic base (largely centred on the Mining Energy Complex). This aspiration is premised on countering the exclusionary nature of South Africa's traditional and entrenched high capital and high skills economic base which marginalises (or disadvantages) the majority of South Africa's low skilled workforce. Therefore, the aspiration which underpins this approach is the promotion of high (and inclusive) economic growth on the basis of labour intensive (value-added) manufacturing facilitated by extensive industrialisation. In this regard this approach strongly disapproves of the largely orthodox liberalisation method noted above. Instead, supporters of the aspirational approach actively promote the structural transformation of the South African economy through industrial policy, subsidies, anti-competition legislation, and affirmative action-based policies. In this regard they advocate for informed state intervention and are open to the state playing a "developmental role" within the national economy. This approach is highly critical of the manner in which South Africa liberalised its trade in the early 1990's (as set out in the 2010 TPSF), a process in which South Africa entered the WTO multilateral framework as a developed country. This meant that South Africa had no policy space to advocate for its unique industrialisation or sector promotion strategies with regards to trade processes**.** Therefore, for policymakers who support the aspirational approach, trade policy as a tool of South African foreign policy (especially since the inception of the NIPF in 2006) must be used in the pursuit of two key objectives: to promote industrial policy and enhance (value-added) manufacturing capability. The 2010 TPSF asserts: "[t]ariff reform will be considered against the measure of building a diversified industrial economy capable of producing increasingly sophisticated, higher value-added products and generating employment opportunities" (2010:16).

This raises concerns whether trade policy (for instance through tariff reform) will complement economic diplomacy (as cursorily defined by DIRCO) with regards to key aspects such as economic growth and job creation. Particularly when one observes that the trade policy promoted through the aspirational approach is centred on: preferential

trade deals (as opposed to liberalisation oriented Free Trade Agreements-FTAs); development partnerships at the bilateral and multilateral level for example the African Growth and Opportunity Act (AGOA) and BRICS (as opposed to bonafide FTAs with the exception of regionally based FTA frameworks such as the SADC and EU FTAs), active promotion of the autocar industry (with a R27 billion subsidy in 2016, as well as tariff cover), and tariff review with consideration to employment generation and strategic sector prioritisation (instead of broader tariff liberalisation measures). To supporters of the pragmatic approach the emphasis on a "developmental trade policy" might compromise aspects such as greater market access for South African exports, detract from the focus on goods or products in which South Africa has comparative advantage, distort market outcomes, hamper the establishment of FTAs, and disadvantage South African firms due to minimal competition. Advocates of the aspirational approach predict that significant employment will be generated in labour-intensive productive manufacturing sectors. Key institutions related to this approach are: the DTI, the former Department of Economic Development (DED), the Presidency (during the Zuma premiership), COSATU and SACP.

Noting the radical changes on the horizon, the prevailing order (the pragmatic grouping) spearheaded by central figures such as Trevor Manuel (with the support of the Treasury, Reserve Bank, and the nascent NPC) sought to maintain long-established economic policy tenets albeit with some compromises to the increasingly dominant aspirational grouping buoyed by the impending ascendency of Zuma to the presidency. Manuel presciently strove to provide policy certainty and clarity with regards to economic policy in the fraught political context between 2007 and early 2009 (the period during which president Kgalema Motlanthe served as a "caretaker president"). During the same period key institutions looking forward to extending their authority and shaping economic policy (the aspirational grouping), such as the DTI, SACP and COSATU (represented by figureheads such as Mandisi Mphalwa, Rob Davies and Jeremy Cronin) began to mobilise and canvass their 'radical' ideas (as espoused in the TSPF and IPAPs) pertaining to structural economic transformation. Consequently, battle lines around the nature and content of the economic development policies which should aid the realisation of the DDA under president Zuma's leadership were starkly drawn. In particular the tensions and "war of words" between the DTI and Treasury reached a crescendo between 2007 and 2009, setting the tone for the policy contestation which

would undermine the Zuma presidency. Noting that the policy tensions between DTI and Treasury played out in the "public eye", the press headlines of the period provide an insight into the nature of divergent policy biases of the two influential institutions. For instance, the *Business Day* article heading of 7th November 2007 reads "Mpahlwa Tackles Manuel on Trade Policy Quick Fix" (Business Day, 2007a); whilst the *IOL* report of 11th December 2008 is titled "DA pats Manuel on the back, slams Mpahlwa" (IOL, 2008); and a 9th November 2007 *Business Day* report alluding to the DTI and Treasury is headed "Rival crews can both steer by the star of competition"(Business Day,2007b). The irony of the strained and increasingly disruptive relationship between the DTI and Treasury during this period lies in that Manuel and Mpahlwa (then Minister of Trade and Industry) were once colleagues at the Treasury, when Mphalwa served as Deputy Finance Minister between 1999 and 2004 (noting that he was also Chairperson of the Portfolio Committee on Finance, in the National Assembly from 1997 to 1999). Commenting on the nature of the strained relationship between the DTI and Treasury in an interview carried out by the *Financial Times* (May 2009), the then incoming Finance Minister, Pravin Gordhan acknowledged the policy dissonance fermented by disagreements between the DTI and Treasury. Below is a verbatim excerpt from the interview:

> **Financial Times:** *Will there be any change to the Treasury? Is there going to be a new division and allocation of economic responsibilities that will affect the way you work?*
>
> **Pravin Gordhan:** *No I don't think so. What we have is essentially the same architecture in place with one or two additions. There is* [Ebraim] *Patel's new ministry* [Economic Development] *and the Planning Commission that Trevor Manuel* [Mr Gordhan's predecessor as finance minister] *now heads. As we work through the early days of this process we will have greater cohesion and a more diverse contribution to economic challenges that we face and the kind of strategic path that we map out – and that cohesion is quite critical. Because you had a situation where the macro side was handled by the Treasury and the micro side by the Department of Trade and Industry (DTI), and I don't think those have been moving at the same pace in terms of the reforms that have been necessary in South Africa* (Financial Times, 2009).

Gordhan's perceptive and measured critique of DTI and Treasury underlines the disputes between the key institutions in terms of economic development policy. It is therefore important to look at the nature of the disputes and intense policy bias between the two institutions and their respective policymakers. At the centre of the tensions between the DTI and Treasury lay acute contestations around the role of the

state within the national economy. Manuel the central figurehead of the pragmatist camp best exemplifies and articulates the fundamental thinking of the collective that is resistant to a greater role for the state in the local economy. Their core argument is that the state acts best as a 'facilitator' of economic activity, which encourages and stimulates the private sector to invest and operate commercial endeavours (thereby generating employment opportunities). Therefore, they prefer a 'lite' developmental state, which is often termed the "capable state" as it does not extensively interfere in the economy, but rather facilitates a conducive "investor or business climate". This evidently entails the adoption and implementation of pro-liberalisation policies and incentives which actively support the efficient operation of the (free) market. Noting this, one is able to better interpret Manuel's strident assertions against government intervention with regards to industrial or trade policy between 2007 and 2009. Conversely, the opposing camp, consisting of the 'aspirationalists' often represented by Mpahlwa and Davies are robustly determined to ensure that the developmental state approach widely endorsed within the ANC Alliance (and amongst some key policymakers within the DTI, Presidency and later DED) yields tangible results with regards to structural transformation objectives pertaining to industrial policy and (value-added) export diversification. To these actors the active role of the state is not an anathema, rather, it is a fundamental necessity if the South African economy is to be transformed in order to realise the DDA.

A key member of the aspirational approach collective, COSATU, managed to successfully advocate for the formulation and subsequent implementation of a development-oriented trade policy as espoused in the TPSF. This is noted by Mabasa and Orr who state:

> *"…COSATU has managed to achieve some objectives of its trade policy campaigns. The most prominent gain was the introduction of the* [TPSF] *in 2010. This piece of legislation compels the government to consider a number of socioeconomic impacts before renewing or establishing trade agreements. According to COSATU, the TPSF is different from previous* [trade] *policy because it places the creation of decent employment at the centre of trade negotiations. The federation views this as a shift from orthodox economic prescripts, which reduce trade policy discourses to attracting direct investment and competitiveness*" (2017:129)

This is an example of how during the Zuma epoch, the notion that foreign policy must explicitly and intentionally promote the DDA via policy tools such as trade policy was

realised through policy advocacy and intense political processes. However, this did not mean that the intense contestations around trade policy would abate.

In late 2007 a decision by the DTI (due in part to pressure from the private sector) to reduce steel import tariffs, exposed the divergence between the DTI and Treasury with regards to international trade policy. The DTI had acquiesced to reduce import tariffs on both imported carbon and stainless steel and was also considering lowering tariffs relating to the "paper and pulp, the chemicals and the aluminium sectors" (Bizcommunity, 2007). This was to allow for more competitively priced alternatives for local producers, after "widespread complaints of high prices for South African-sourced steel" (Bizcommunity, 2007). However, Mphalwa maintained that the DTI's compromise on steel-related tariffs did not mean that there would be a "blanket removal of all tariffs" (Bizcommunity, 2007). Mphalwa faced a level of provocation when articulating the DTI's stance due to then finance minister, Manuel's recent comments when delivering the 2007 Medium Term Budget Policy Statement. Manuel had declared, "[o]ur approach…needs to ensure that competition is fostered through tariff simplification and reform" (Bizcommunity,2007). Manuel had reiterated a position laid out in the 2007 Medium Term Budget Policy Statement released by the Treasury which asserted: "…net economic gains could be achieved through further tariff reduction and simplification that promotes innovation in production and market strategy" (Bizcommunity, 2007). In response to queries related to his opinion on Treasury's stance, Mphalwa countered, "[t]he argument that South Africa must reduce tariffs to boost productivity must be taken with a degree of caution" (Bizcommunity,2007). He went on to emphasise that the DTI and Treasury each "had a perspective" (Bizcommunity, 2007) with regards to concerns such as tariffs and other issues relating to economic development. In essence Mphalwa highlighted the DTI's resistance to the Treasury's stance in terms of establishing a broad and (significantly) simplified tariff structure (as had been the case under GEAR). Explaining the DTI's position and objection to Treasury's recommendation, Mphalwa propounds, "[o]ur own stance is not a stance of protectionism – it is simply a more nuanced approach ... that sees a role for addressing the matters of tariffs in relation to the different sectors, and you will not have a blanket approach that applies equally to all sectors" (Bizcommunity, 2007).

The simmering tensions between the Treasury and DTI had been intensifying in the recent months before the situation detailed above. In August 2007, Manuel had stated that the IMF had expressed concern about the DTI's NIPF industrial policy programme (Creamer media, 2007). The IMF asserted that the implementation of the NIPF would likely result in "economic distortions" throughout the national economy (Creamer media, 2007). Furthermore, the IMF expounded that the NIPF was "too broad" and comprised of "too many interventions" (Creamer media, 2007). The IMF was particularly concerned about the DTI's sectoral policy interventions and opined: "…while cross-cutting interventions (such as enhancing competition policy and supporting research and development) seem justifiable on economic grounds, the basis for sectoral interventions is less well-founded" (Creamer media, 2007). Manuel's acknowledgment of the report and tacit agreement with its core critiques spotlighted Treasury's scepticism and lukewarm support for NIPF, and by extension industrial policy. This underscored further tensions between the DTI and Treasury around the financing requirements for the NIPF. To compound the situation, the Organisation for Economic Co-operation and Development's (OECD) 2008 *Economic Assessment Report* (an outcome of South Africa's growing engagement with the OECD in the early 2000's) was highly critical of South Africa's industrial policy programme under the NIPF. Manuel in his capacity as Finance Minister, was present (as was the then OECD Secretary General, Angel Gurria) at the South African launch of the OECD report, and addressed pointed questions about his view on the DTI's planned IPAP programmes. Gurria's comments at the launch were critical of DTI's policy strategy (to the extent of comparing the DTI's approach to apartheid-era protectionist policies), the OECD Secretary General, stated, "[t]he emphasis on industrial policies risks preserving the apartheid-era pattern of protected national champions insulated from foreign competition and enjoying high mark-ups. This runs counter to the acknowledged need to enhance the level of competition in the economy" (Creamer media, 2008). When pressed about the growing dissension between DTI and Treasury around the funding and implementation of NIPF through its attendant industrial policy plans (IPAPs), Manuel severely stated: "[u]nless people [read DTI policymakers] can put a business plan on the table, that is costed and viable, where the benefits to all of us as citizens of the country are explained, you shouldn't expect us to give the taxes that you earn and pay over to the State to ill-considered proposals" (Creamer media, 2008). The OECD in

its 2008 "Economic Assessment" report disproves of a national industrial policy agenda, essentially arguing that it would undermine competitive and open international trade and detract from key reforms relating to aspects such as infrastructure development and improving the competitiveness of South African goods (reforms which complement liberalised trade). The OECD propounds:

> *"[e]specially given South Africa's geographical remoteness, which makes it more difficult to benefit from globalised trade flows, particular attention may need to be paid to facilitating international trade. While policies such as infrastructure development, regulatory streamlining, and support for meeting international standards all have roles to play in that respect, another important part of this can come through pro-competitive trade policies. A greater emphasis on competition would also suggest a reduced focus on potentially costly and wasteful industrial policy interventions, which is also justified by the acknowledged deficiencies in public sector administrative capacity, planning and logistics"* (OECD, 2008:46).

Observing that the OECD report was released in 2008, one can reasonably argue that the report presciently critiques the 2010 TSPF, which places industrial policy squarely at the centre of South Africa's trade policy. The OECD report also perceptively notes the divergent policy tensions that characterise South Africa's economic policy approach. Highlighting the contestations around tariff setting policy, as well as the precise role of the state within the domestic economy. The South African Economic Assessment report elucidates:

> *"[t]he existence of a relatively high level of protection for some sectors – like the car or textile industries – in an environment of overall limited trade barriers is emblematic of a certain tension between two contradicting policy approaches. This tension goes beyond the area of trade policy, and the divergence of views is sometimes expressed within the government: while AsgiSA reasserts a high level of government support for a pro-competitive policy approach, this is occasionally challenged by calls in favour of the use of command-and-control regulation and of the 'developmental state' paradigm. Of particular concern are the recent initiatives undertaken that lay the basis for a more active role of the state in the economy: [such as the] National Industrial Policy Framework (NIPF), which aims at eliminating the perceived shortcomings of South Africa's development trajectory"* (OECD, 2008:79).

Additionally, the OECD is concerned that NIPF unrealistically tries to provide policy solutions for numerous economic challenges thereby extending the role of the state in the domestic economy. The OECD expounds, "[a]lso worrying is the fact that [the NIPF] tries to deliver too much, as trade and innovation policy goals and instruments are

mixed with objectives aiming at promoting BEE and employment. All these goals would be best served by focusing on the improvement of competition conditions and continued market liberalisation" (OECD, 2008:79). Manuel's overt reference to the IMF and OECD's prescriptions (especially between 2007 and 2009) indicate that his own policy inclinations leaned towards their pro-market and competition stance. Therefore, it can be argued that Manuel exhibited a visible and identifiable bias towards industrial policy and possibly the notion of an interventionist "developmental state". Treasury was wary of the DTI's sector-targeting policy approach to both trade policy and industrial policy. Treasury viewed the trade ministry approach as overly interventionist. This is observed by Vickers who explains that there were 'tensions' between Treasury and DTI around policy measures to promote manufacturing and industrialisation particularly as "[t]reasury is more efficiency oriented [sic] and doesn't like sector targeting [particularly as the Treasury preferred] more horizontal measures that are generally applicable to the economy [therefore their approach was:] 'let the winners win, let the losers lose" (interview with Dr Brendan Vickers, 2022).

With the Zuma presidency looming over the horizon in 2008, the ANC Alliance vociferously announced in a key policy declaration that industrial policy must "lead the transformation of the economy" (Creamer media b: 2008). For the ANC Alliance this meant that monetary and fiscal policy had to be aligned to the DDA and subsumed into developmental economic policies such as the NIPF as well as the inbound policy programmes which were to become the TSPF and NGP once they were formally launched in 2010. However, the appointment of Manuel in 2009 as Minister in the Presidency for the National Planning Commission in the first Zuma cabinet (2009-2014) was to complicate the full realisation of the ANC Alliance's developmental aspirations. Manuel's initial view of what the NPC's role and mandate would be is quite telling, in a 2013 interview with the *Daily Maverick* Manuel states that he expected the NPC to be a high-level governmental body which would coordinate government's overall policy framework (including the direction of economic policy). During the interview Manuel stated:

> *"[t]he commission* [National Planning Commission] *itself is an interesting construct. I'll be bold enough to say that my initial thought was to have the commission structured more along the lines of the Indian Planning Commission which has about half a dozen ministers on it. It is chaired by the prime minister and often the president or the deputy president could chair it and I would do the*

> *spade work inside. I lost that battle, and it was not about wanting to be a prime minister. It was about wanting to follow a construct whose relationship to implementation would be understood"* (Daily Maverick, 2013).

From his comments it is deducible that Manuel sought to head and operationalise a body that could effectively influence, review, guide and conceivably censure government policy. The comparison to the Indian Planning Commission (which was dissolved in 2014) is interesting to note, especially as the Indian Planning Commission had full executive backing as it has headed by the Indian Prime Minister and supervised by a chairperson (which was a cabinet-level position) (BYJU, 2022). The Indian commission also had a level of oversight over key or strategic ministries as their cabinet-level heads were *ex-officio* members of the commission (BYJU, 2022). For Manuel the transplantation of the Indian Planning Commission to South Africa and adapting it to South African realities and challenges appeared to be an attractive proposition, as it would enable him to continue to exert substantial influence within the Zuma government. Given his unpopularity within the ANC Alliance, and his departure from the Treasury, the position as Minister in the Presidency was the key means by which Manuel could still directly affect policy. Unfortunately, the South African NPC was never to attain the status and influence of the Indian Planning Commission, thereby meaning that the NPC would be more of an advisory body or "research-oriented secretariat" (interview with Professor Vinothan Naidoo, 2022). A context alluded to by Manuel in 2013 speech at a Helen Suzman Foundation Roundtable dialogue, where he conceded:

> *"[i]t is very important that we understand the National Development Programme in respect of two views. The first is its lateral positioning. The National Planning Commission is not government. I am a member of Cabinet but the NPC comprises 25 commissioners drawn from outside of government and our role is advisory. So we are not government and we are not an NGO nor are we an independent think tank. We are positioned relative to government with a strong persuasive ability. It is very important that this never be lost sight of"* (Helen Suzman Foundation, 2013).

Therefore, Manuel and the pragmatists' ability to regulate, supervise, rationalise, induce compromise with regards to government policy were severely curtailed. This was the case with their capacity to dynamically promote investor friendly and pro-market reforms. Gordhan as Finance Minister had hoped that Planning body located within the

presidency would be able to effectively review budgets and performance across government (Financial Times, 2009).

Subsequent events were to quash Gordhan's expectations, and ultimately result in a frustrated Manuel (who had relinquished his cabinet position in 2013) critiquing the lack of focus within government with regards to the adoption and implementation of the national development vision (the NDP) produced by the NPC in 2012. Manuel's departure from government, and Gordhan's sacking by Zuma in 2017; appeared as ominous portents to notable international observers. Particularly from a policy-based perspective. This is underscored by former Swedish Finance Minister, Anders Borg's comments in a 2017 World Economic Forum article entitled "South Africa must resist the dangerous spiral of economic nationalism". Borg asserts:

> *"[n]ow dark clouds are gathering over South Africa. The political developments of the last few years make the future look increasingly uncertain. President Jacob Zuma reinforced the push for radical economic transformation that comes from the left-Wing faction that includes Rob Davies, Minister of Trade and Industry, and Ebrahim Patel, Minister of Economic Development, whilst internationally respected and capable politicians such as Trevor Manuel and Pravin Gordhan have been pushed out of politics"* (2017).

In this regard South Africa's domestic policy contestations around economic development, were viewed by some key international partners and interlocutors as potential "red flags" in terms of South Africa's economic and political prospects. The severe critiques of the NDP between 2012 and 2017 spotlighted the projected fears of commentators such as Borg.

Manuel had forewarned of the potential failure by government to establish the NDP vision as the as government's core policy framework. In a 12th June 2013 address during the presentation of the Presidency Budget at the National Assembly, Manuel pleaded:

> *"[t]urning to the criticism of NDP proposals on the economy, it is worth highlighting that there is not much disagreement on the goals and targets. Much of the disagreement centres on the proposed strategies to create jobs, grow the economy and ensure economic inclusion. Even if we accept that the criticisms of the proposed strategies are valid, this begs the question whether we should wait for complete consensus before starting to tackle the many challenges we face"* (Manuel, 2013).

The quandary faced by the NPC (with adverse effects for government policy streams) related to the fact that Manuel through his person and experience had infused (whether

intentionally or unintentionally) the NPC office and the drafting of the NDP with a sense of continuity and momentum from the past, in terms of his seemingly overt bias towards industrial policy, trade policy reform (as laid out in the TSPF) and the popular notion of an interventionist developmental state. The NDP's glaring weakness is its lack of genuine and intense engagement with key demands (or aspirations) from the DTI, the ANC Alliance, and labour with regards to industrial policy and international trade. Manuel and the NPC commissioners seem to have not fully engaged with the aforesaid concerns. This has drastically undermined the appeal of the NDP to more radical minded government and Alliance policymakers, thereby hamstringing policy formulation and implementation. This has filtered through to foreign policy formulation and implementation, particularly with regards to direction of economic diplomacy and the nature of trade policy, the key 'tools' in terms of operationalising foreign policy in the service of the DDA. There was a need for clear and precise delineation of what Naidoo terms "institutional boundaries" between the key economic development institutions such as the Treasury, DTI, and DED in order to avoid policy disputes, unnecessary overlaps or duplication of tasks, and to ensure effective implementation of specialised tasks related to economic development objectives (interview with Professor Vinothan Naidoo, 2022). Unfortunately, this was not the case as underscored by the tensions discussed above and their adverse consequential impact on foreign policy.

7.8. *Conclusion*

This chapter argues that the DDA has impacted the formulation and implementation of South African foreign policy to a great extent with regards to national development priorities. This is because the DDA as projected in the RDP and NDP (noting their respective limitations) national visions has underscored the urgency and salience of national development objectives. Noting Finnemore and Sikkink's assertion that a state's identity "fundamentally shapes" its preferences and actions, it is important to highlight how South Africa's dominant Democratic Developmental State identity is underpinned by the norm that the South African state must actively address national development, as well as the central idea that the South African government can intervene within the national economy in the interest of national development

priorities. This fundamental norm and dominant idea as an intrinsic part of the Democratic Developmental State identity have ultimately resulted in a context in which foreign policy has been imbued or infused with developmental considerations, especially from 2007 onwards (coinciding with the Zuma presidency). This was notably due to the rise to prominence of a collective formed around what the researcher has termed the aspirational approach, which has engrained within government policy (through the EDSPF and TSPF for instance) the notion that foreign policy through attendant aspects such as economic diplomacy and trade policy must explicitly and intentionally promote the DDA.

Therefore, it can be argued that the DDA has given a greater focus and direction to foreign policy with regards to the prioritisation of developmental objectives. This means that South African foreign policy has become more development-oriented, especially since 2007. Greater emphasis on the DDA by key state actors, underpinned by widespread consensus that economic development is the key policy objective of the state (as articulated in the RDP and NDP) has ensured that foreign policy is more focused and unambiguously committed to national economic development.

Conversely, the intense disagreements and lack of consensus relating to the *how* to realise the DDA from a policy perspective have undermined the ability or capacity of the DDA to provide an effective guiding framework for the implementation of South African foreign policy in relation to national development priorities. This has weakened the potential effectiveness, as well as precision of South African foreign policy with regards to its 'tools': economic diplomacy and trade policy. The EDSPF does not seem to complement the TPSF, particularly since the former is not as extensive and detailed as the latter. Additionally, the EDSPF only provides a generalised definition of economic diplomacy, thereby it does elaborate on what a contextually located South African economic diplomacy looks like in relation to key policy frameworks such as the NIPF, IPAP, and TPSF (although it pays lip-service to them) for instance. Whereas it is clear that South Africa's "developmental trade policy" seeks to promote industrial policy a key aspect of structural transformation, the core objective(s) of the EDSPF in relation to the DDA are not clear, for instance how the EDSPF relates to job creation. They are alluded to but not fleshed out, ironically the EDSPF ends up reiterating long-standing generalised (economic diplomacy) objectives pertaining to investment attraction and

expansion of market access for South African goods without clarifying how they relate to the DDA and structural transformation. The 2011 Foreign Policy White Paper describes the economic diplomacy the EDSPF seeks to promote:

> *"South Africa's economic diplomacy will therefore be focused on providing guidance to government and the business sector on economic developments and markets, pursuing market access for South African products, attracting investments and tourism, removing barriers to trade, and supporting the development of larger markets in Africa. It should also enhance competitiveness of South African goods and services in the major global markets, while maintaining its international reputation as a stable and reliable supplier"* (DIRCO, 2011).

Another aspect that is not clear is the focus of economic diplomacy in relation to trade agreements, the TPSF states a preference for preferential trade agreements and development partnerships: "[w]e have [learnt] important lessons that will inform our future bilateral engagements. First, as compared to free trade agreements, more focused preferential trade agreements allow for a more strategic [international economic] integration process among developing countries [such as South Africa]" (DTI, 2010: xviii). However, the manner in which the EDSPF is presented is oriented towards FTAs, noting the focus on investment and market access. Therefore, the intended focus of South Africa's economic diplomacy remains obfuscated. Especially, since the DTI favours a more cautious and strategic economic diplomacy approach based on careful calibration of bilateral ties, as opposed to DIRCO's broad and generalised approach to economic diplomacy (interview with Dr Brendan Vickers, 2022). In an interview (2022) with Dr Brendan Vickers, former Chief Director of Policy and Research in DTI, he noted that there were tensions between DIRCO and DTI because of their differing approaches to economic diplomacy with regards to trade agreements. This was because DIRCO placed greater emphasis on the political capital or significance of potential bilateral trade deals, whereas the DTI tended to be more strategically inclined in terms of assessing the far-reaching impact of such bilateral trade arrangements. Vickers posits: "[t]here was tension between DIRCO and DTI [in terms of how] the political reflex of foreign policy is to negotiate a FTA with your partners" (interview with Dr Brendan Vickers, 2022). DIRCO tended to consistently advocate for bilateral trade agreements with countries that it had cordial relations with, the underlying reasoning being "friends trade with friends" (interview with Dr Brendan Vickers, 2022). DIRCO's approach to economic diplomacy is essentially pro-FTAs, as opposed to DTI's case by case analysis of

the prospective benefits of any bilateral trade deal. Ultimately, the DTI's interventions vetoed potential FTA deals promoted by DIRCO with economic powerhouses such as Turkey, China, and the USA (to be facilitated through the Southern African Customs Union-SACU regional framework) (interview with Dr Brendan Vickers, 2022). For the DTI, these potential FTA agreements were all "high risk" in terms of the potentially adverse effects on the domestic economy. DTI's assessments of the aforesaid prospective trade agreements indicate a more nuanced and strategic approach to both economic diplomacy and trade policy, as opposed to DIRCO's more risk-taking and seemingly pro-liberalisation attitude (interview with Dr Brendan Vickers, 2022). When critiquing DIRCO's approach Vickers states, "the political side of diplomacy wants to push for these symbols [trade arrangements or deals as an outcome of political ties or relations] that you can see…[as] the [DTI] we pushed back [against this]" (interview with Dr Brendan Vickers, 2022).

DIRCO's EDSPF does not seem to have a specific criterion for foreign investment, and the emphasis tends to be focused on the volume of investment as opposed to its quality and strategic advantage This differs with the DTI's approach, which sought to evaluate potential FDI inflows on the basis of tangible economic benefits. Vickers notes that the DTI was circumspect about FDI, with regards to its nature and quality (interview with Dr Brendan Vickers, 2022). In this regard, the DTI was "shifting the discourse" on FDI in terms of making it clear to potential investors that it was "not just any investment that we want [but rather] investment that is going to support the development of the real economy, create jobs, be productive [sic]" (interview with Dr Brendan Vickers, 2022).

Nganje argues that the various (and often contradictory) ideological facets which underpin the conceptualisation of South African foreign policy undermine the formulation and implementation of a strategic development focused foreign policy. Nganje states, "translating the different strands of [South African] foreign policy into coherent diplomatic strategies that add value to domestic efforts to fight poverty, unemployment and social exclusion has over the years proven to be quite a challenge." (2016:4). This remains a core challenge for South African policymakers, and it has been compounded by the inability of South African policymakers to formulate a consensus-based economic development policy framework informed by the DDA. This is because national policy positions on industrial policy, the extent of government involvement

within the domestic economy, and trade policy reform all have a direct bearing on foreign policy. Specifically with regards to key factors impacting foreign policy such as: the nature of bilateral and multilateral trade arrangements; the level of foreign investment; external trade; regional and continental integration; and access to international financial or technical resources for development. Therefore, precise, and binding positions on national development policy are fundamental for the efficient implementation of foreign policy with regards to the DDA.

Chapter 8: Conclusion: Towards a developmental foreign policy

8.1. *Introduction*

This thesis concludes by positing that the DDA informs the formulation of South African foreign policy with regards to national development priorities *to a great extent.* This is because post-apartheid South Africa's intensive prioritisation of national development as underpinned by the DDA has had a significant impact on not only domestic economic development policies since 1994, but on South Africa's foreign policy and international relations as well; thereby highlighting how the policy-based prioritisation of economic development domestically has been transmitted to foreign policy formulation and external economic strategy approaches (via economic diplomacy and international trade).

8.2. *Summation of research findings*

This study argues that the "Domestic Developmental Agenda" (DDA) has informed the formulation of South African foreign policy between 1994 and 2017 to a great extent. This conclusion has been reached through the problematisation and examination of the notion of the DDA. The DDA does not refer to a formally agreed and explicitly recognisable consensus-based national agenda, rather it is used to denote a tacit and collective understanding at the national level that the post-apartheid South African state *must* promote socioeconomic development. This understanding is widespread and shared across the South African body politic, transcending political and social identity lines. South Africa's two national development visions, the RDP and NDP have buttressed the salience and urgency of the DDA. As noted in chapter one (and three), South Africa's DDA is underpinned by two key aspects, which are material and ideational factors. The material factors are exemplified by the dire socioeconomic indicators that plague the South African economy such as low GDP growth, high unsustainable unemployment, and pervasive inequality amongst others. The material aspects of the DDA have compelled the post-apartheid state to prioritise and urgently

address South Africa's developmental challenges. This has meant that the ruling party and national government have had to develop, conceptualise, and formulate respective economic development policy frameworks, programmes and initiatives (for example GEAR, ASGISA, NIPF and NGP) in order to address South Africa's urgent development challenges. These are extensively discussed in chapters four and five. Ideational factors pertain primarily to how the South African governing party as well as government policymakers (the primary state elites from a policy perspective) have conceptualised, framed, and articulated the developmental challenges South Africa faces with regards to particular norms and (policy) ideas. The ideational aspects of the DDA which this study has focused on are the prevalent norm that the post-apartheid state must actively address South Africa's developmental challenges and priorities; as well as the central idea of a post-apartheid state which strategically intervenes within the national economy in order to bolster national development programmes. The importance of these aforesaid ideational aspects of the DDA is that they underpin the core identity that the post-apartheid South African state has adopted, that is the Democratic Developmental State identity. This identity denotes a South African state that is committed to addressing national development priorities through the adoption of a developmental state governance framework.

The urgency and prioritisation of the DDA has compelled South African state elites in both the ruling party and national government to prioritise economic development as the overriding national goal across all public policy streams (foreign policy included). This therefore means that the DDA has had a direct bearing on foreign policy formulation. The prioritisation of the DDA is also an outcome of the South African state's projection of its Democratic Developmental State identity. In this regard South African governing elites since 1994 have strived to identify themselves as development champions motivated by a consistent aspiration to realise far-reaching national developmental objectives relating to inequality, joblessness, and poverty. To this end, these ruling elites have also declared an ambition to transform South Africa into a "developmental state". This has been underscored by the enshrinement and deliberate prioritisation of the DDA in national policy documents, government statements, and leadership speeches. In this regard South Africa is projected as a state that actively prioritises economic development (see the Constitution, RDP and NDP), and ultimately aspires to become a legitimate "developmental state" (in relation to the South African

context) in order to effectively steer development and buttress the DDA. Noting Geldenhuys' (2012) observation that the 'developmentalism' tenet which informs South African foreign policy conceptualisation and formulation is an 'extension' of South Africa's projection and identification as a Democratic Developmental State, the study has applied a constructivist overview in order to address the study's research query: the extent to which the DDA informs South African foreign policy. Particularly when one considers how constructivism can provide important insights with regards to analyses of South African foreign policy. Furthermore, the study underscores how a constructivist approach helps to gain a nuanced understanding of the context specific South African norms, values, and ideas which relate to the Democratic Developmental State identity (adopted to address the DDA); and ultimately inform foreign policy orientation and focus. In this regard chapter three explored how a constructivist overview could be applied to the research question.

The South African state's adoption of a consistent, long-standing, and overarching state identity as a Democratic Developmental State has been directly informed by its domestically anchored social identity, which is closely tied to its development concerns corporate interest(s) which emanates from the South African state's corporate identity. Wendt (1994) argues that a state's corporate identity essentially works to detect and delineate a particular state's fundamental needs (including economic development needs). However, the prioritisation of a particular fundamental need is a 'function' of what Wendt has termed social identity. In essence social identity enables the state to order, address, satisfy or realise its corporate interests. This is due to how social identity aids the state in framing action and imbuing such action with (intersubjective) meaning. In essence the social identity helps the state define 'itself' in relation to the 'other' (with reference to both state and non-state actors), which according to Wendt is "a function of social identities at both domestic and systemic levels of analysis" (1994: 385). South Africa's social identities formed at both the domestic and international level have framed its external actions as highlighted through foreign policy formulation since 1994. However, this study has predominantly focused on South Africa's domestically anchored Democratic Developmental State social identity. The importance of such an identity is underlined by Wendt who explains that certain state identities and interests originate or stem "primarily from relations to domestic society" (1994:385). This is the case with the Democratic Developmental State identity.

Observing this, the study focuses on the (Democratic Developmental State) identity that is projected (in South Africa's case through the interplay between development concerns corporate interests, and a social identity-based aspiration to realise the DDA) by the ANC and South African government at the domestic level, primarily in relation to policy-based ideas concerning economic development and the DDA. Therefore, it can be strongly and reasonably argued that South Africa's adopted development-oriented state identity (as a Democratic Developmental State) has shaped the country's domestic and external interests, preferences, and ultimately actions. South African foreign policy conceptualisation and formulation has therefore been impacted significantly by South Africa's distinct identity. As noted in chapter six, South Africa's social identity has been susceptible to fluctuations and changes due to either domestic shifts in political power configurations (as was the case post the 2007 ANC Polokwane Conference) or economic development policy revisions (highlighted by the shift from RDP to GEAR). However, the Democratic Developmental State identity has generally remained constant as the overarching social identity since 1994 (thereby impacting to a great extent how the post-apartheid South African state identifies and presents itself), especially as it has been closely intertwined with national development visions such as the RDP and NDP.

Furthermore, this study has highlighted how the Democratic Developmental State identity is underpinned by norms and ideas (related to the DDA). Constructivist scholars Koslowski and Kratochwill note that changes or transformations within the international system at both the domestic and external level transpire when states "reproduce or alter" what Koslowski and Kratochwill term "normatively based practices" (1994:216). They note that fundamental change within the international context occurs when the beliefs and identities of "domestic actors are altered thereby also altering the rules and norms that are constitutive of their political practices" (Koslowski and Kratochwill, 1994:216). Noting this key contribution by Koslowski and Kratochwill the study argues that the post-apartheid South African state's adoption of new "beliefs and identities" (such as economic well-being for all, and the Democratic Developmental State identity) antithetical to the apartheid state from 1994 onwards resulted in the reproduction of the constitutive rules and norms which underpinned its political practices. Therefore, South Africa's fundamental and far-reaching identity transformation post-1994, resulted in a context in which its normatively constituted political practices were transformed or reproduced, thereby generating new priorities

and "national interests" (such as inclusive economic development). The widespread recognition of the DDA at the national level in the early 1990's (and its salience from 1994 onwards), rooted in central belief that the post-apartheid state *must* address national development challenges was a significant aspect of the reproduction of the post-apartheid state's political practices, along with the adoption of a development-focused social identity.

However, despite the apartheid's state's recognition and apparent promotion of the DDA; there were severe policy-based contestations around key aspects pertaining to the DDA. This is examined in chapters four and five. These contestations were premised on disagreements around concerns such as: what development entails, as well as which type of development should be prioritised within the South African context. Between 1994 and 2006, the contestations were largely centred around the issue of: human development versus economic development. Whereas between 2007 and 2017 contestation centred around the key idea that the state could actively and strategically intervene within the domestic economy in order to facilitate structural change and promote economic development. Therefore, the decade between 2007 and 2017 was characterised by the prioritisation of structural transformation via effective industrial policy; value-added manufacturing; facilitation of labour-intensive manufacturing jobs; and an emphasis on inclusive economic growth. However, the introduction of the NDP in 2012, was to generate a degree of policy uncertainty and friction within the ANC Alliance and government. Particularly as the NDP did not appear to complement or actively support the policy measures set out in the pro-industrialisation economic frameworks such as the NIPF, IPAPs, and NGP. This was to complicate the formulation and implementation of foreign policy as discussed in chapter seven.

The prioritisation of pro-liberalisation measures (under GEAR auspices) between 1996 and 2005, had a significant impact on South African foreign policy. During this period South Africa's external policy was largely focused on extensive trade liberalisation, attraction of FDI, and market access for South African commodities and manufactured goods. The fundamental objective was the facilitation of South Africa's smooth integration into the global economy. This was viewed as imperative, particularly if South Africa was to attain the economic resources it needed to fund RDP programmes, and attain high economic growth. However, from 2007 onwards there was a significant

shift in foreign policy focus and conceptualisation. During this period South African foreign policy became more increasingly development-oriented, as underlined by the move away from intensive trade liberalisation to a more pragmatic trade policy approach. This was informed by the DTI's reasoning that trade should be used as a 'tool' for the promotion of key national development objectives such as industrial policy and value-added manufacturing. Furthermore, South African economic diplomacy became increasingly directed towards more development focused foreign investment, as well as strategic bilateral and multilateral trade arrangements premised on addressing specific national development priorities (such as localisation, and technology and skills transfers).

Chapters six and seven highlight how South African foreign policy became progressively 'developmental' between 2006 and 2017. In 2003, the South African government in its "Ten Year Government Review" noted the importance of economic diplomacy in terms of the expansion of South African trade and attraction of FDI. The importance of economic diplomacy was reiterated in the 2008 "Fifteen Year Review" which asserted that South Africa's "domestic imperative of faster and shared growth" (underpinned by the DDA) meant that the South African government had 'identified' economic diplomacy "as an area for more intense attention" (SAG, 2008:67). These developments indicate the increasing influence and effect of the DDA on South African foreign policy with regards to national development priorities such as inclusive growth and job creation. As noted in chapter seven, throughout the 1990's South African policymakers in the DFA and DTI agreed that foreign policy had a critical role to play with regards to key aspects relating to economic development such as export expansion (and promotion) and foreign investment attraction. However, by the 2000's the role of foreign policy with regards to the national development agenda was more intensely interrogated by both ruling party and government policymakers. There was a growing consensus from both within the ANC Alliance, as well as some key sections of government that foreign policy could become a more effective mechanism for the realisation of national development priorities.

This thesis argues that during the late period of the Mbeki administration (2005 to 2007), foreign policy began to be viewed and characterised as an effective means through which to effectually realise and support national development priorities. This

period marks the formalisation of foreign policy as a critical operational mechanism in the service of national development objectives. This means that foreign policy was prioritised as a key strategic mechanism or instrument with regards to the realisation of the DDA. The Zuma premiership (2009-2017) spotlights the explicit infusion of foreign policy formulation with specific economic development objectives (for example job creation and industrial policy), as underscored by the greater alignment of domestic development policy goals with foreign policy during the Zuma epoch. During this period South Africa's external economic policy was clearly delineated by the DTI. This meant that key foreign policy aspects such as economic diplomacy and trade policy were regarded by DTI policymakers (and by like-minded ANC Alliance policymakers) as important foreign policy 'tools', to be applied effectively to address national development priorities such as high and inclusive growth, the generation of labour-intensive jobs, support for transformational industrial policy and value-added diversification of exports. The formulation of the EDSF and the TSPF, particularly the latter underscore the strategic operationalisation of South African foreign policy in the service of specific national development priorities. The TSPF for instance mandated that trade policy must become a key 'tool' for the promotion of national industrial policy.

A key argument that this study puts forward is that South African foreign policy has visibly and intentionally become more development-oriented since 2007. Key state actors in the ruling party and government have placed greater emphasis on the DDA, a context which is underpinned by widespread consensus that economic development is the paramount policy objective of the post-apartheid South African state (as stipulated in the RDP and NDP). This has consequently ensured that South African foreign policy is explicitly focused and unambiguously committed to the realisation of national economic development objectives. Therefore, in reference to the research question it can be asserted that: *the DDA has informed the formulation of South African foreign policy (between 1994 and 2017) to a great extent.*

The formulation and formalisation of fundamental foreign policy frameworks such as the EDSF and TPSF are a direct outcome of the increasing salience and prioritisation of the DDA, particularly between 2007 and 2012. In this sense it can be contended that South Africa's corporate identity has safeguarded the development concerns corporate interest, which has prompted the South African state via its social identity (due to

widely held local intersubjective beliefs and notions around economic development, the DDA, constitutionalism and the legacy of the anti-apartheid struggle) to adopt a Democratic Developmental State identity, which prioritises the fulfilment of South Africa's national development objectives. This robust Democratic Developmental State identity has consequently shaped the South African's state's economic and foreign policies, gradually instilling them with developmental tenets. The adoption of a constructivist overview has therefore underscored the importance of how a state's identity (as well as its notions of 'self' at the individual and collective level) ultimately shapes its preferences and interests. The Democratic Developmental State identity adopted by South African governing elites (with widespread national support) and informed by the DDA, has facilitated the emergence of a development-oriented foreign policy; and in this regard it provides a sturdy "launch pad" for foreign policy implementation with regards to national development priorities.

However, as highlighted in the study, the promotion and adoption of the Democratic Developmental State identity has been fraught with contestations that relate to the DDA which underpins this identity. These contestations and disagreements primarily pertain to divergences about the nature of the South African developmental state, as well as the extent to which it should be permitted to intervene within the domestic market economy (noting attendant disagreements relating to the nature of development and how it can be realised).

In essence South African foreign policy is caught between "two poles" with regards to economic policy direction. The glaring 'gap' between economic development strategies which are pro-liberalisation and those promoting redistribution via extensive structural transformation of the economy, has complicated foreign policy calibration and implementation. Ultimately, the two dominant policy approaches do not appear to provide a consolidated, precise, and effective framework for the implementation of South African foreign policy with regards to developmental priorities due to competing interests and divergent policy preferences (as discussed in chapters four and five). Therefore, even though there is a clear collective understanding at the national level that the South African state *must promote* socioeconomic development (the essence of the DDA), there is however, no consensus around the precise national economic development policy and degree of government intervention that should underpin the

state's promotion of national development priorities. Such a context underscores the fact that adoption of distinct national identities is both a social and political process, furthermore, noting that these processes occur within a complex context characterised by intricate power relations (for example factionalism within the ANC Alliance), the potential for contestation and conflict is considerable. Death observes that "the contestation and constitution of South African national identity [is an] ongoing project of redefining the 'Rainbow Nation' in a global context" (2011:460). Unfortunately, the intense contestations around the post-apartheid identity and attendant (economic development) ideas have significantly complicated the formulation (and ultimately implementation) of South African foreign policy. Thereby undermining the establishment and advancement of an effectual developmental foreign policy.

8.3. *Areas of further study*

This study is far from conclusive, and at best offers a detailed and insightful exploratory overview of the relationship between South African foreign policy and development. The researcher's preference for a domestic oriented understanding of how South Africa frames and projects its economic development policies underlines key limitations of the study. This highlighted by how the study does not provide a perceptive and nuanced analysis of how exogenous (as in non-domestic) influences and factors impacted on the DDA. Particularly noting that there is no neat bifurcation between South Africa's domestic context and the broader international environment. Rather there is a constant interplay between the two settings, and a consistent never-ending flow of metaphysical and material aspects which shape both South Africa and its regional, continental, and international environment. The metaphysical aspects or facets may relate to ideas, discourses, and shared intersubjective meanings. Whilst the material denotes the flow of people and trade goods for instance. However, it is with regards to the former (the metaphysical aspects) that this study's shortcomings are spotlighted. This is because the research undertaken does not provide a holistic analysis of the DDA, due to the researcher having a bias for the domestic sources of the DDA, which unfortunately comes at the expense of a more nuanced understanding of South Africa's developmental agenda. Such a shortcoming overlooks the importance of exogenous influences in the

conceptualisation and problematisation of the DDA notion. These external influences are important aspects in terms of fully understanding the significance of the DDA. In light of this the researcher notes that there are several key areas of further research.

The first area of research pertains to examining the extent developmental state theory (as articulated by scholars such as Johnson, Wade, Mkandawire, and Edigheji amongst others) has influenced South Africa's conceptualisation and projection of its Democratic Developmental State (which seeks to actively address the DDA) social identity. This would enable one to gain a more in-depth understanding of how and why South African ANC and government policymakers adopted the Democratic Developmental State identity in relation to tackling national development priorities (as spotlighted by the DDA), as well as attendant economic development policies related to state-led industrialisation.

A second area of research relates to the exploration of the Wendt's notion of collective identity with regards to the DDA. Even though this thesis has reasonably argued that the DDA primarily stems of domestic ideational and material factors, it is also clear that South Africa's realisation and conceptualisation of the DDA is significantly influenced by external aspects (such as developmental state theory and South Africa's regional geographical environment). The situation within SADC has a significant bearing on how South Africa's attempts to realise the DDA. This is an aspect which is not adequately discussed within this study. Furthermore, domestically articulated ideational aspects such as the "African Agenda" and "African Renaissance" relate to a great extent to the DDA, although this is not examined in detail within the study. An application of Wendt's notion of collective identity would provide important insights into how South Africa 'identifies' with its regional and continental counterparts vis-à-vis developmental concerns (including the DDA). It would also allow for greater insight into whether South Africa genuinely values collective action centred multilateralism in the pursuit of mutual regional economic development. Particularly noting how South Africa since 1994 has consistently and concurrently sought to promote both the DDA and African Agenda.

Another potential area of research relates to an examination of the DDA's relationship with international socioeconomic developmental initiatives (seeking to address common developmental challenges, with a focus on developing countries) such as the Millenium Developmental Goals (MDGs), and the Sustainable Developmental Goals

(SDGs). Yet another aspect for further research might involve a comparative analysis of South Africa, with a state such as Ethiopia which is also implementing an ambitious (and relatively successful) national industrial policy aimed at generating jobs within labour intensive sectors and the enhancement of manufacturing capabilities. Such an analysis would indicate to what extent South Africa could be considered a developmental state in the East Asian mould, and also provide an insightful (comparative) assessment of South Africa's industrial policy.

Annex 1: Economic Development Policies 1994-2017 table

Policy Title	Duration	Focus	Implementing Ministry/Department
Reconstruction and Development Programme (RDP)	1994-1996	Economic reconstruction, and socioeconomic development focus (with an emphasis on social infrastructure)	Presidency, and Minister responsible for the RDP
Growth, Employment and Redistribution (GEAR)	1996- 2006	Macroeconomic stabilisation, and implementation of liberalisation policies	Ministry of Finance, Reserve Bank of South Africa
Accelerated and Shared Growth Initiative for South Africa (ASGISA)	2006-2007	Enhancement of economic growth (with an emphasis on inclusive growth)	Presidency, Ministry of Finance
National Industrial Policy Framework (NIPF)	2007	Formulation and implementation of industrial policy	Department of Trade and Industry
New Growth Path (NGP)	2010- 2017	Job creation, ensuring inclusive growth	Ministry of Economic Development
Trade Policy and Strategy Framework (TPSF)	2010	Trade policy reform, industrial policy	Department of Trade and Industry
National Development Plan (NDP)	2012	Establishment and implementation of national development vision to guide the South African government's economic development initiatives	Presidency

Annex 2: Semi-structured interview questions used in interviews

Structured Questions:

1. In your opinion what or whom influences South African foreign policy (in terms of values, ideas or personalities)?

2. Do you think South Africa's foreign policy contributes meaningfully to the country's economic development?

3. Is there an observable and strategic link between national development and South African foreign policy?

4. What do you understand by the term economic diplomacy?

5. Do you think South Africa is effectively exercising economic diplomacy?

Open-ended questions:

- were determined by the background and expertise of a particular participant, as well as how the informant responded to the structured questions listed above
- they were thematic in nature: either focusing on national development-related economic development policies, or particular aspects of South African foreign policy or international relations
- Examples of such questions include:

    - Do you think DIRCO and DTI work in tandem to enhance economic diplomacy? Is there complementarity between the two?

    - Are there any tangible gains in relation to (national) economic development for South Africa with regards to South-South engagement?

    - How has trade policy acted as an instrument of industrial policy?

- What do you think has informed or underpinned past and present Grand Economic Frameworks – and their complementary policies?
- Do you feel that there is national consensus around economic development
- policy? If not- how can it be generated?

Annex 3: Interviewees/Informants

List of interviewees/informants:

Professor Tim Murithi - head of Programme at the Institute for Justice and Reconciliation, based in Cape Town (South Africa), and Extraordinary Professor of African Studies, Centre for African Studies, University of the Free State, Bloemfontein, South Africa.

Sanusha Naidu - senior Research Fellow at the Institute for Global Dialogue (IGD), Pretoria, South Africa.

Dr Clever Chikwanda- formerly attached to the Southern African Development Community Secretariat (Gaborone, Botswana), and currently Post Doctoral Fellow at the Institute for Democracy, Citizenship and Public Policy in Africa, University of Cape Town, South Africa.

Lihle Mabuza- officer at the Human Rights Directorate in the Department of International Relations and Cooperation (DIRCO), Pretoria, South Africa.

Sambulo Mathebula- formerly Deputy Director-International Relations, Gauteng Department of Economic Development (Johannesburg, South Africa). Currently Manager: Regulatory Advocacy, Standard Bank Group, Johannesburg, South Africa.

Professor Vinothan Naidoo- senior Lecturer in Public Policy and Administration at the University of Cape Town, South Africa.

Dr Brendan Vickers – formerly Chief Director of Policy and Research in the Department of Trade and Industry (the DTI) (Pretoria, South Africa). Currently Adviser and Head of Section in the International Trade Policy Section, Commonwealth Secretariat, London, United Kingdom.

Interview details:

Name of informant/interviewee	Interview date	Location	Format
Professor Tim Murithi	3 September 2019	In-person interview: University of Cape Town, Rondebosch, Cape Town. South Africa	MP3 Audio
Sanusha Naidu	11 October 2019	In-person interview: Regus Office Complex, Mowbray, Cape Town. South Africa	MP3 Audio
Dr Clever Chikwanda	14 December 2019	In-person interview: Regus Office Complex, Mowbray, Cape Town. South Africa	MP3 Audio
Lihle Mabuza	15 July 2021	Internet based interview: Microsoft Teams	MP4 Video
Sambulo Mathebula	11 June 2021	Internet based interview: Microsoft Teams	MP4 Video
Professor Vinothan Naidoo	18 August 2022	Internet based interview: Microsoft Teams	MP4 Video
Dr Brendan Vickers	24 August 2022	Internet based interview: Microsoft Teams	MP4 Video

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