



CAPE TOWN, SOUTH AFRICA



PROMOTING DIALOGUE ON SOUTH AFRICA'S REGIONAL INTEGRATION ROLE IN SOUTHERN AFRICA

SERIES 1 OF 3

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Background

The Centre for Conflict Resolution (CCR), Cape Town, South Africa, together with the Johannesburg-based Friedrich Ebert Stiftung (FES), hosted two public dialogues in Cape Town: one on 22 March 2017 at the Centre for the Book, on “South Africa’s Corporate Expansion in Southern Africa”, and another on 4 May 2017 at 6 Spin Street, Church Square, on “Powerful Trade Unions: South African Drivers of Regional Economic Growth?”.

Introduction

The main focus of the two public dialogues – “South Africa’s Corporate Expansion in Southern Africa”,¹ and, “Powerful Trade Unions: South African Drivers of Regional Economic Growth?”² – interrogated the political economy of Southern Africa and discussed the role of South Africa’s regional corporate expansion, as well as the role of trade unions in Southern Africa; with a view to promoting socio-economic benefits through industrialisation, effecting regional trade, and boosting infrastructural development. In both dialogues, the role of the state in becoming a modern industrial democracy was considered critical for promoting intra-regional trade, and for building regional industrialisation that can improve labour in Southern Africa. However, the growth model that Southern African states are promoting follows a line of reasoning that says “grow first, and regional integration will follow”. This model appears to be flawed, since 35 per cent of the region’s 281 million citizens are still unemployed, and levels of inequality have not diminished; in fact, they are growing. Southern Africa is still grappling with creating effective measures for implementing regional policies as a mechanism for protecting infant industries and addressing the oligopolistic behaviour of exploitative industries.

Before South Africa joined the regional body – the Southern African Development Community (SADC) – the country was already an economic giant in Southern Africa, with a gross domestic product (GDP) of \$54.4 billion in 1987 compared to Southern Africa’s total GDP of about \$20 billion; it reached a GDP figure of \$128 billion in 2000, and \$228 billion by 2010. South Africa is situated in a region rich in mineral resources, with gold, platinum, and other precious metals found in its own backyard; diamonds in Botswana, Angola, and the Democratic Republic of the Congo (DRC); copper in Zambia; and oil in Angola. Tshwane (Pretoria) was thus already viewed by SADC (and formerly by the Southern African Development Coordinating Conference [SADCC]) as a regional anchor that would lead regional integration in finance and investment. In 1988, South Africa’s manufactured exports totalled \$4,583 million – nearly twice the value of manufactured exports from the whole of sub-Saharan Africa, at \$2,505 million.³

South Africa is situated in a region rich in mineral resources, with gold, platinum, and other precious metals found in its own backyard.



MOAB KHOTSONG GOLD AND URANIUM MINE IS PART OF ANGLOGOLD ASHANTI'S VAAL RIVER OPERATIONS IN SOUTH AFRICA. IT REPRESENTS ONE OF THE LARGEST URANIUM RESERVES IN SOUTH AFRICA HAVING ESTIMATED RESERVES OF 57.2 MILLION TONNES OF ORE GRADING 0.058% URANIUM.

Image source - 911 Metallurgist
<https://www.911metallurgist.com/blog/top-10-deepest-mines-on-the-planet>

- 1 Public Dialogue (Chair) Professor Vusi Gumede, Director, Thabo Mbeki African Leadership Institute (TMALI), University of South Africa (UNISA), Tshwane (Pretoria). (Speaker) Mr Christopher Wood, Economist, Trade and Industrial Policy Strategies (TIPS), Tshwane. (Speaker) Ms Sanusha Naidu, Senior Research Fellow, Institute for Global Dialogue (IGD), Johannesburg.
- 2 Public Dialogue (Chair) Professor Johann Maree, Emeritus Professor, Department of Sociology, University of Cape Town (UCT). (Speaker) Mr Godfrey Selematsela, Vice-President, Southern Africa Trade Union Coordination Council (SATUCC); President, Federation of Unions of South Africa (FEDUSA); and President, Health and Other Services Personnel Trade Union of South Africa (HOSPERSA). (Speaker) Mr Tony Ehrenreich, Western Cape Provincial Secretary, Congress of South African Trade Unions (COSATU), Cape Town.
- 3 Dawn Nagar, “The Politics and Economics of Regional Integration in Africa: The Case of COMESA and SADC 1980-2015”, University of the Witwatersrand (Wits) PhD thesis, 2016, p. 125.

In considering South Africa's 1994 decision to join SADC (a regional body previously subjected to military and economic domination by South Africa), the organisation feared the country's entry into the regional community. Tshwane's strong manufacturing sector was anticipated by SADC member states to cause substantial job losses, since SADC member states lacked competitive advantages; they foresaw huge revenue losses, through trade diversion and loss of protection of key industries within open markets, and through the further negative impact of South Africa's industries on infant economies.

South Africa was therefore, advised not to overpower the region's industries, but to work in partnerships and joint ventures and to take a responsible position as the driver of (and a contributor to) regional economic growth, boosting socio-economic development for the people of Southern Africa. These public dialogues of March and May 2017, while discussing contemporary issues of socio-economic growth and development in Southern Africa, thus also considered South Africa's past political and economic condition. While the country's inherited inequalities and democratic political position (and the alliance position of trade unionism that it is attached to) were taken into account, the delegates also discussed the role of trade unions in Southern Africa's political economy. Notwithstanding the difficult past inherited by South Africa's post-apartheid government after 1994, and the major setbacks it had suffered in the changing of socio-economic disparities, it is still the understanding of Southern Africa that South Africa failed the community as an anchor state, and reneged on undertakings made to SADC concerning regional economic development.



“ It is still the understanding of Southern Africa that South Africa failed the community as an anchor state, and reneged on undertakings made to SADC concerning regional economic development. ”

(FROM LEFT TO RIGHT), MR CHRISTOPHER WOOD, ECONOMIST, TRADE AND INDUSTRIAL POLICY STRATEGIES, TSHWANE; PROFESSOR VUSI GUMEDE, PROFESSOR AND DIRECTOR, THABO MBEKI AFRICAN LEADERSHIP INSTITUTE, UNIVERSITY OF SOUTH AFRICA; AND MS SANUSHA NAIDU, SENIOR RESEARCH FELLOW, INSTITUTE FOR GLOBAL DIALOGUE, TSHWANE; AT THE PUBLIC DIALOGUE "SOUTH AFRICA'S CORPORATE EXPANSION IN SOUTHERN AFRICA", HELD AT THE CENTRE FOR THE BOOK, CAPE TOWN, 22 MARCH 2017.

Image source - CCR
<https://www.facebook.com/CCRCapeTown>

Since the beginnings of South Africa's investment in regional development, its multinational corporations (MNCs) have been seen to be exploiting the region. South Africa's investments in 2001 and 2002 included \$20 million in South African Airways (SAA); \$6 billion in Eskom, for the Inga project in the DRC; \$56 million for the Sun International Hotel in Zambia; \$142 million for Vodacom in Tanzania; \$53 million for a Portland Cement factory in Zimbabwe (a business merger); and a \$3 billion infrastructure investment programme since 2013, through Transnet, with a view to moving the cargo business from road to rail. The South African government secured a further R11.2 billion contract from the Lesotho government, for building a hydro-electric power plant to generate electricity for South Africa and Lesotho. The public dialogues, therefore, assessed what the real prohibiting factors were in South Africa's failure to fulfil a regional role in socio-economic development – and whether it had indeed been a failure on South Africa's part. The discussions also interrogated whether the regional expectations placed on the Tshwane government were realistic. Similarly, delegates discussed what could be achieved pragmatically in assisting both South Africa and Southern Africa in their efforts to uplift the people of Southern Africa, support their socio-economic development, and eradicate poverty.

6 COSATU (the Congress of South African Trade Unions), South Africa's largest trade union, had long been a regional economic anchor, but also faced huge struggles in fighting labour oppression.



STRIKING MINERS AT ANGLOGOLD ASHANTI MINE NORTH OF JOHANNESBURG, IN NOVEMBER 2012.

Image source - Africa News and Analysis
<https://africanjournalismtheworld.com/tag/num-v-amcu/>

Trade Unions: Drivers of the Political Economy

As South Africa's apartheid era came to an end in 1993, the country was asked to join SADC. Also on board during the early SADC negotiations with the new post-apartheid government was COSATU (the Congress of South African Trade Unions), South Africa's largest trade union. COSATU was created in 1985, at the height of the liberation struggle against the racist labour practices of the apartheid government.⁴ It had long been a regional economic anchor, but also faced huge struggles in fighting labour oppression. In July 1987, after adopting the Freedom Charter, the National Union of Mineworkers (NUM) joined COSATU. The power thus orchestrated by COSATU was unquestionable; within a month, NUM staged the biggest strike ever in the history of South Africa, with 3.5 million mineworkers downing tools and halting mining production – a move driven by several failed attempts to negotiate with the South African Chamber of Mines, who offered a 17- to 23-percent wage increase while NUM demanded a 30-percent negotiated settlement deal. At the regional level, other Southern African mineworkers were also implicated in the strike, with a huge labour force already actively involved in South Africa's mines since the early 1970s and 1980s, and even later. For example, in the years 1974, 1980, and 1984, mineworkers from Angola working in South African mines totalled 108, 291, and 48 respectively (the low numbers in this last case resulting from strained relations between Tshwane and Luanda, partly because of South Africa's support of a rebel group there – the National Union for the Total Independence of Angola [UNITA]).⁵

South Africa would thus enter the region already labouring under major setbacks – and facing a dilemma, in that it was confronted by a plethora of powerful, elite business groups and conglomerates as well as a huge, labour-centric working class. Since democracy, in the 1990s, South Africa had been the continent's most unequal country, with a Gini coefficient of 0.76 in its urban areas, a monthly per capita income of less than R620 for 22 per cent of its households, 2.1 million people living in cheap scrap dwellings (shacks) due to housing shortages, and 85 percent of its households without electricity. While SADC heads of state had outlined the organisation's regional expectations to South Africa during the 1990s – while it was negotiating its entry into the region, and assisting SADC in boosting regional trade, in building SADC's 1995 Spatial Development Initiatives (SDIs) and increasing regional investments – South Africa was not able to commit fully; also, the country had to work out how to approach Southern Africa (given its huge socio-economic disparities), and how to appease COSATU (to protect its workforce, and their jobs, and thus – as they were also African National Congress [ANC] members – ensure the ruling party's political influence).

In 1993/1994 therefore, COSATU was once again at the forefront of events, jealously guarding the interests of its workforce. South Africa joined the regional body in 1994 with its own domestic issues of inequality and poverty, largely owing to the misplaced wealth of 80 percent of South Africa's economy, which was still owned by four

4 See Leon Levy, "African Trade Unionism in South Africa", *Congress of South African Trade Unions*, (2016), <www.cosatu.org.za/docs/misc/2016/History%20of%20Trade%20Unionism.pdf>. At the time of COSATU's formation it represented about 500 000 workers and 33 smaller unions. COSATU's membership has increased over the years, to about 2.2 million members in 2016. Before South Africa decided to shed its racist past, COSATU was thus already at the forefront of the economic struggle against white supremacy, and fighting worker oppression – mainly against industries such as mining giant Anglo American, one of the four elite businesses that controlled and owned the wealth of South Africa's entire economy (the others being Rembrandt, SA Mutual, and Sanlam).

5 Regional mineworkers in South Africa for the years 1974, 1980, and 1984: Botswana, 33,357, 23,200, and 26,433; Lesotho, 134,667, 140,746, and 138,443; Malawi, 137,676, 32,319, and 29,268; Mozambique, 139,993, 56,424, and 60,407; Swaziland, 9,984, 19,853, and 16,823; Zambia, 703, 918, and 1,274; and Zimbabwe, 5,691, 10,377, and 7,492 respectively.

conglomerates from the apartheid era (Anglo American, Rembrandt, Sanlam, and SA Mutual). Others, such as SA Breweries and Barloworld Limited, had long been involved in the business sectors of Southern Africa. Rob Davies, South Africa's minister of trade and industry, was previously part of the Macro-Economic Research Group (MERG), and his views in the 1990s supported COSATU and labour unions generally.⁶ The decision-makers in South Africa's regional developmental cooperation were all members of the ANC-dominated government, guided by its Reconstruction and Development Programme (RDP).⁷ COSATU represented labour, as did many South African members of parliament, including Ben Turok (former chair of the trade and industrial policy group) and Rob Davies (former chair of the portfolio committee on trade). The Afrikaanse Handelsinstituut (AHI) represented the Afrikaner business elite. The English business elite were represented by Anglo American, with Gavin Reilly as executive, and called for an ad hoc regional integration approach; as Reilly noted, "Political reform in South Africa has opened up further opportunities for cooperation in the fields of tourism, transport, electricity supply, and the development and use of scarce water resources ... [These] sinews that bind ... the region ... need progress, [and not] castles in the air."⁸ Furthermore, there were two parallel sets of trade negotiations happening simultaneously, relating to South Africa and the European Union (EU).⁹

Ultimately, the concerns raised were more about the impact of a South African market-led integration approach, and protecting South Africa's workforce against regional markets. COSATU had been highly active in regional liberation struggles – notably in the Southern African Trade Union Co-ordination Council's (SATUCC) rejection of the World Bank and International Monetary Fund's (IMF) neo-liberal structural adjustment programmes (SAPs) during the 1980s, which were attached to imperialist market liberalisation packages for Africa's governments. The SATUCC was created in March 1983, representing 18 regional unions in 13 out of 15 SADC member states, with a combined membership of 72 million working men and women. Since inception, the organisation has embraced a high political profile, reporting on economic, political and labour working conditions as well as on human and trade union rights, and attempting to influence the policies of SADC. The SATUCC outlined a major brief on South Africa's impact on the region, and on how the country's admission to the region should be orchestrated so that the regional workforce and infant industries would be protected from South Africa's powerful industries in the sub-region.¹⁰ However, the South African hegemony had taken on multiple roles to tackle its own domestic socio-economic inequalities. South Africa adopted a market-driven integration approach, using SADC as a vehicle,¹¹ as well as a micro-regional development-led integration approach, using two of SADC's four Spatial Development Initiatives. These two approaches required

Concerns were raised about the impact of a South African market-led integration approach, and protecting South Africa's workforce against regional markets.



A PARTICIPANT AT THE CCR PUBLIC DIALOGUE "SOUTH AFRICA'S CORPORATE EXPANSION IN SOUTHERN AFRICA", HELD AT THE CENTRE FOR THE BOOK, CAPE TOWN, 22 MARCH 2017.

Image source - CCR
<https://www.facebook.com/CCRCapeTown>

6 James J. Hentz, "South Africa and the Political Economy of Regional Cooperation in Southern Africa", *Journal of Modern African Studies* 43, no. 1 (March 2005), pp. 21-51.
7 Gavin Maasdorp, "A Vision for Economic Integration and Cooperation in Southern Africa", report of the meeting of 21 January 1994 with South Africa's Departments of Finance and Foreign Affairs, and Trade and Industry; the Central Economic Advisory Centre; the Development Bank of Southern Africa (DBSA); the Industrial Development Corporation (IDC); and Chamber of Commerce (SACOB) (partially attended), in Hentz, "South Africa and the Political Economy", 2005, pp. 21-51. See also Gavin A. Maasdorp, *Rethinking Economic Cooperation in Southern Africa: Trade and Investment* (Johannesburg: Konrad-Adenauer Stiftung, 1993); Chris Landsberg, *The Quiet Diplomacy of Liberation: International Politics and South Africa's Transition* (Johannesburg: Jacana Media, 2004), pp. 196-198.
8 Hentz, "South Africa and the Political Economy", 2005, p. 31.
9 Nagar, 2016, pp. 139-142.
10 See Southern African Trade Union Co-ordination Council, <www.satucc.org/about-us-2>.
11 Nagar, 2016, pp. 257-258. See also Chris Alden and Mills Soko, "South Africa's Economic Relations with Africa: Hegemony and its discontents", *Journal of Modern African Studies*, vol. 43, no. 3 (2005), pp. 367-392; and Brendan Vickers, "South Africa's Economic Policy in a Changing Global Order", in Landsberg and Jo-Ansie van Wyk, *South African Foreign Policy Review* (Johannesburg: Africa Institute of South Africa, and Institute for Global Dialogue, 2012).

the enhancing of transport projects in a micro-region with Mozambique, through the formation of the Maputo Development Corridor (MDC); and electrical power generation, through the creation of the Southern African Power Pool (SAPP).¹²

South Africa was also able to use the SDIs as an initiative to solve a number of its domestic problems, such as improving and providing electricity for South African households.¹³ In the late 1980s, 85 percent of households in South Africa had no electricity; by 2009, this was the percentage of households that *did* have electricity. The electricity-generation partnership created among power utilities in the SADC region from 1995 grew into a trade market in 2001. This new Short-Term Energy Market takes the form of a day-ahead market (DAM).¹⁴ Moreover, regional integration frameworks are also important for South Africa's New Growth Path (NGP) (2011) and Tshwane's National Development Plan (NDP) (2030). These two policies outline an economic growth policy that includes infrastructure projects across Africa. The National Industrial Policy Framework (NIPF) and the Industrial Policy Action Plan 2012/2013–2014/2015 sought to promote value-added trade and industrial production that build employment and promote job creation, while the Trade Policy and Strategy Framework (TPSF) is an industrial policy instrument to support trade in favour of local manufacturing, as well as to diversify the economy so that it is not so heavily dependent on commodities and non-tradable services.



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CAMDEN POWER STATION IN MPUMALANGA, SOUTH AFRICA, WAS THE STARTING POINT OF THE NATIONAL POWER GRID CONSISTING OF A SERIES OF 400KV LINES, WHICH TODAY INTERCONNECT THE ENTIRE COUNTRY.

Image source - Eskom
<http://www.eskom.co.za>

Trade Unions and Business

COSATU's role has changed since the days of liberation. After 1994, it took on a new role: guarding South Africa's ending of apartheid. Thus, was its position weakened; and its impartiality and individuality (as a Trade Union also defending labour) were compromised when it decided to formalise a tripartite alliance with the ANC and the South African Communist Party (SACP). Nevertheless, COSATU believes it has been operating from a strengthened position, having successfully campaigned against the unseating of South Africa's former president, Thabo Mbeki, in 2011.¹⁵ COSATU has lost some of its impartiality, however; this became increasingly evident during the Marikana uprisings. In addition, the organisation remains divided – riddled with factions, due to linkages with South Africa's ruling political parties. These factions have become infused with political ideals, and compete with those advocating for protection of workers' rights, economic change, and equality. Factionalism is not entirely novel in this context; back in 2001, the Association of Mine Workers and Construction Union (AMCU) broke away from NUM, and has existed separately ever since. But,

¹² See World Bank Indicators reported on South Africa's total GDP for the periods 2000-2010, <ata.worldbank.org/indicator/NY.GDP.MKTP.CD?page=2>.

¹³ Nagar, 2016, p. 159.

¹⁴ Southern African Power Pool (SAPP), *Annual Report, 2014*, <www.sapp.co.zw>. See also Alison Chikova, “Energy Trading in the Southern African Power Pool”, SAPP (March 2009).

¹⁵ See South African History Online, <www.sahistory.org.za/topic/congress-south-african-trade-unions-cosat>.

Trade unions must become vehicles for eradicating poverty and building the necessary regional economic integration platforms; as well as creating conditions that are conducive to institution-building, for both governments and businesses.



THE CONGRESS OF SOUTH AFRICAN TRADE UNIONS EMBARKING ON A NATIONAL STRIKE IN OCTOBER 2017.

Image source - SA Breaking News
<http://www.sabreakingnews.co.za/2016/10/07/cosatu-national-strike-in-pictures/>

the nadir of unionisation and factionalism was reached with the violent strikes that commenced in 2012 at South Africa's Marikana mine, which continued into 2014 at the Impala, Amplats, and Lonmin mines – all of which became heavily contested, with factions forming alongside the awkward posturing of South Africa's ruling-party elites during these mining debacles. South Africa's deputy president, Cyril Ramaphosa (NUM's first general secretary and a board member of Lonmin, as well as the owner of Shanduka and a black economic empowerment [BEE] partner of Lonmin),¹⁶ further complicated the workers' protest against low mining wages. As the mining debacle unfolded, COSATU was unable to deliver on a mining wage for its workforce. The mining sector – in particular, NUM – lost credibility, when it too failed to deliver, and 34 miners were gunned down and many more were tortured and severely injured.

Scholars such as Rutendo Dhlwayo argue that unions are powerful structures for organising foreign migrants and integrating them into the union system, and that the presence of migrants should be used as an opportunity to fight against xenophobia.¹⁷ Positive examples abound of South Africa's unions acting in favour of the region, and its workers' struggle against South Africa's xenophobic violence. For example, in 1995 NUM was instrumental in negotiating a miners' amnesty with South Africa's Department of Home Affairs, for those who had worked in the country for more than ten years to be treated equally. NUM also called for the abandonment of remittances paid when regional workers returned home, as well as for an equal wage system.¹⁸ As the xenophobic attacks intensified in South Africa in 2008, COSATU organised marches against xenophobia, and sat with committees from Tshwane's National Development and Labour Council (NEDLAC) to address the xenophobic violence that was being perpetrated against foreign nationals. The Gauteng-based South African Transport and Allied Workers Union (SATAWU) came to an agreement with the freight-hauling company Alrode to have all its employees – both South African and foreign – treated equally within its bargaining council system. Similarly, the South African Commercial, Catering and Allied Workers Union (SACCAWU), in the Western Cape, protected its workers' rights by arranging citizenship for its women employees from Zimbabwe who worked at the Ritz Hotel in Cape Town.¹⁹

Politics, Business and Trade Unions: Promoting Regional Integration

Trade unions must become vehicles for eradicating poverty and building the necessary regional economic integration platforms; as well as creating conditions that are conducive to institution-building, for both governments and businesses. While it is difficult to implement equitable distribution of trade and company profits, regional industrialisation policies must consider a regional approach to bringing companies together to conduct trade and implement regional value chains. This must be an industrial policy implemented at heads-of-state level, for

16 See especially Rutendo Dhlwayo, "The Rise or Fall of Trade Unions in South Africa: The Marikana incident", *Consultancy Africa Intelligence*, 12 October 2012, <www.polity.org.za/article/the-rise-or-fall-of-trade-unions-in-south-africa-the-marikana-incident-201210-11>.

17 Dhlwayo, "The Rise or Fall of Trade Unions in South Africa", 2012. See also Sakhela Buhlungu and Malehoko Tshoaei (eds.), *COSATU's Contested Legacy: South African Trade Unions in the Second Decade of Democracy* (Cape Town: Human Sciences Research Council [HSRC], 2012), p. 241. Buhlungu and Tshoaei, *COSATU's Contested Legacy*, p. 241.

18 See Nagar, 2016, p. 94 concerning remittances paid by South Africa to Southern African member states for the periods 1980 and 1983: Angola, zero remittances paid; Botswana, R32 million and R48 million; Lesotho, R153 million and R281 million; Malawi, R31 million and R51 million; Mozambique, R67 million and R117 million; Swaziland, R13 million and R32 million; Zambia, R600 000 and R1 million; and Zimbabwe, R15 million and R9 million respectively.

19 Buhlungu and Tshoaei, *COSATU's Contested Legacy*, p. 241.

governments, trade unions (to align labour practices), and businesses. So far, action plans have been very vague, with no effective plan for how to improve regional business relations; additionally, tariff adjustments have not brought about the desired skills development. Trade unions should therefore have input into a clear regional policy framework, in support of robust socio-economic development that will minimise the negative impact that liberalisation policies have on regional trade among Southern Africa's economies. Throughout the region the private sector has a critical role, and must be adequately represented at SADC heads-of-state meetings in order for government ministries to find ways of advancing development through more equitable corporate regional business policies. Also, South Africa's one-way direction model of corporate expansion into the region must be addressed.

Similarly, domestic policies and protectionist trade practices by powerful states such as South Africa has impacted negatively on the region, leaving Southern Africa ill-equipped to weather economic shocks. Since Southern Africa's regionalisation processes began in the 1990s, there has been a proliferation of international bilateral and multilateral trade deals with Europe, and later with the United States (US). Southern Africa's textile industry was also affected by Europe's free trade agreement with South Africa, as well as by the Africa Growth and Opportunity Act (AGOA) trade agreement with the US. This caused negative growth for (and a drop in production of) South African textiles, from \$562 million in 2000 to \$392 million in 2001, dropping further to \$95.6 million in 2007. While legally binding regional policies for international trade commitments could be considered – which would sanction states that distort trade in regional trade commitments that they have joined – such an approach however, would not be feasible, given the fact that the very founding treaties to which Southern African governments accede themselves, favour member states promoting international bilateral and multilateral trade – such treaties may then have to be addressed by SADC and other RECs accordingly, at Treaty level first before any legal binding commitment could be considered.²⁰

Alliances can be powerful structures if used to the advantage of development, and powerful drivers of economic growth. They can help to mitigate the socio-economic damages of trade diversion, and create the necessary conditions to benefit the regional integration process, through trade and could also spillover by generating wealth. South Africa, as a powerful economy, must use its alliance member COSATU for the benefit of the country and the region.²¹ The extent of regional investments by both the South African government and its corporate sectors has decreased recently, largely due to the spate of incidents of xenophobic violence in South Africa between 2008 and 2017, which have harmed prospects for regional corporate ventures and partnerships. Subsequent to the brutal killing of a Mozambican national in Alexander Township in Johannesburg in 2015, the

“The extent of regional investments by both the South African government and its corporate sectors has decreased recently, largely due to the spate of incidents of xenophobic violence in South Africa between 2008 and 2017, which have harmed prospects for regional corporate ventures and partnerships.”



A TAXI DRIVER IS PUSHED AROUND DURING A CONFRONTATION WITH FOREIGN NATIONALS IN JOHANNESBURG, IN APRIL 2015.

Image source - International Business Times
Photo - Marco Longari/AFP
<http://www.ibtimes.co.uk/south-africa-xenophobia-anti-immigrant-violence-durban-johannesburg-photo-report-1496588>

20 See Nagar, p. 173. Any legally binding commitments must nuance the argument concerning bilateral and multilateral international trade agreements and the impacts of trade on Southern African economies; and on the African continent, and must take into account that governments – as sovereign states, and member states that are attached to regional economic communities (RECs) – were provided the right by their respective RECs to undertake international bilateral and multilateral trade agreements that are in accordance with regional treaties, such as the 1992 Treaty of the 15-member Southern African Development Community (SADC), as well as the 26-member Common Market for Eastern and Southern Africa, the East African Community, and the SADC (COMESA-EAC-SADC) 2008 Agreement (to which 13 out of 15 SADC member states belong, and to which they are signatories).

21 Cited in Nagar, 2016, p.76, see Edward Mansfield, “Effects of International Politics on Regionalism in International Trade”, in Kym Anderson and Richard Blackhurst (eds.), *Regional Integration and the Global Trading System* (New York: Harvester Wheatsheaf, 1993), pp. 199-217; and Mansfield and Helen V. Milner, “The Domestic Politics of Preferential Trade Agreements in Hard Times”, *Department of Political Science* (Philadelphia: University of Pennsylvania, 2014), pp. 1-40.

Johannesburg-based Sasol oil refinery had to recall its employees working on Sasol's projects in Mozambique, for fear of them being attacked by Mozambican nationals. In Nigeria, South African businesses such as MTN, Shoprite, and Pick n Pay were shut down during the April 2015 xenophobic uprisings in South Africa, and its embassy in Lagos was given 48 hours to stop the violence before these businesses would be allowed to reopen.

Business and Government Partnerships: Effective Labour Policy

South Africa's businesses should be willing to learn from the region, and not conduct business in Southern Africa in monopolistic and oligopolistic ways. The South African government has tried to make amends by addressing its mercantilist regional business practices, and has put in place a group of representatives headed by the Department of Trade and Industry (DTI) to deal with regional business practices for more effective and better engagement with business ventures undertaken in Africa. As a possible way forward, Southern African states should consider building on total factor productivity and expanding endogenous growth factors in industrialisation and value addition, with a view to boosting jobs and skills that would benefit technology, as well as both the transference and exchange of skills, among Southern Africa's member states including South Africa. The new plan for Tshwane is to critically address economic transformation in dealing with economic disparities. The plan is to restructure the country's laws, which will be implemented using South Africa's "big banks to sell more stakes to black South African investors. A speedy redistribution of land will also mean black South Africans will also be encouraged to take ownership of major domestic sectors, including construction".²² Moreover, clear regulatory frameworks for corporate expansion are important - for example, those used by the European Union (EU).

But, the downside of Southern Africa's success and among several other governments on the continent, Africa is losing billions annually due to capital flight. Drawing from Thabo Mbeki's February 2012 report, in which governments are provided recommendations to radically reduce the illicit financial outflow from Africa, estimated at \$50 billion annually.²³ The fact that the Tshwane government is facing high levels of corruption and greed will have a knock-on effect for Southern Africa's smaller economies, such as those linked to the Southern African Customs Union (SACU) (and those pegged to South Africa's currency) with the depreciation of the Rand, as seen in the downgrades of South Africa's banks by Standard and Poor in 2017.²⁴ Such impacts result in the widening of barriers to, and a reduction in gains from, intra-regional trade. For their part, trade unions were stunned recently by the withdrawal



“The downside of Southern Africa's success and among several other governments on the continent, Africa is losing billions annually due to capital flight.”

SOUTH AFRICA'S SUPERMARKET CHAIN SHOPRITE OPENED ITS FIRST SHOPPING CENTRE IN TETE JUNCTION, MOZAMBIQUE IN DECEMBER 2015.

Image source - SA People News
<http://www.sapeople.com/2015/12/08/first-shoprite-store-opens-in-tete-province-of-mozambique/>

22 Martina Schwikowski, "South Africa: New wealth distribution measures just empty rhetoric?", *Mail and Guardian*, 17 May 2017, <mgafrika.com/article/2017-05-17-south-africa-new-wealth-distribution-measures-just-empty-rhetoric-1>.

23 Thabo Mbeki, "Foreword", in African Union (AU) and United Nations Economic Commission for Africa (UN ECA) Report of the High Level Panel on Illicit Financial Flows From Africa, *Illicit Financial Flows Report*, February 2012, p. 2, <www.uneca.org/sites/default/files/PublicationFiles/iff_main_report_26feb_en.pdf>.

24 Staff Reporter, "SA Banks Downgraded by Ratings Agency", *Huffington Post*, 7 April 2017, <http://www.huffingtonpost.co.za/2017/04/07/sa-banks-downgraded-by-ratings-agency_a_22029635/>.

of the General Motors SA (GMSA) from South Africa. Although supply chain constraints are common in export businesses, not all models can be replicated, it may be that governments should consider developing an “Afro-barometer” for corporate expansion and frameworks to draw on.

According to the financial institution Ernst and Young, Kenya has achieved economic success by supporting its regional hub – the East African Community (EAC) – in foreign direct investment (FDI). Also, as a hegemonic state in East Africa, Kenya was prepared to focus on the diversification of commodities, and hence has been touted as the region’s economic anchor. South Africa’s government and businesses should be willing to learn from the region, and not see Southern Africa and the rest of the continent as a dumping ground, or part of a get-rich-quick scheme. The automotive industry is an example of an opportunity for South Africa’s regional corporate dominance of its businesses and industries – which have a critical role in the direction of Southern Africa’s economic growth trajectory – to bolster efforts to forge effective partnerships with regional businesses that build such industries through joint ventures. South Africa’s shut-down of its motor vehicle investment plant in the Eastern Cape region – and General Motors’ exit from the country, and the withdrawal of their business investment from South Africa, will relate to an estimated 1800 jobs lost. This decision made by GMSA to withdraw the motor vehicle plant left Irvin Jim, general secretary of the National Union of Metalworkers of SA (NUMSA), surprised and unprepared for any possibility of a negotiated settlement prior to the announcement of the company’s exit. GMSA’s withdrawal could be seen as an opportunity for promoting vehicle manufacturing in the region, with South Africa as an anchor. South African Minister of Trade and Industry Rob Davies, while regretting GMSA’s decision, stated that the disinvestment did not come as a surprise, since the company was not able to reach South Africa’s 50 000-vehicle production required to gain full access to the government’s automotive production and development programme (APDP).²⁵ South Africa should consider revisiting its APDP, anchoring it towards the region, and consider creating automotive regional partnerships. Kenya is an example to follow, having overtaken South Africa in 2014 to become the biggest investor in Africa, with 36 investment projects compared to South Africa’s 33, moving Kenya from 13th to seventh position in terms of investment status. The discussions at the March and May 2017 public dialogues underlined the fact that economic development has not met the expectations of workers, since trade policies and agreements undertaken are yet to be aligned with regional labour practices. In support of these discussions, economic growth models suggest that for poorer countries to grow their economies, industrialisation and trade liberalisation policies should be implemented simultaneously to allow for advancing technology and development, among other endogenous growth factors (such as skills development) which have greater potential for bolstering economic growth.

In 2016, primary commodities exported totalled 69 percent from Malawi, 46 percent from Tanzania, and 39 percent from Zimbabwe. This resulted in unsustainable trade deficits and a weakened industrial base – exacerbated by cheap imports in key sectors such as textiles and agriculture, in which 70 percent of Southern Africa’s workforce is concentrated. The huge percentages for exports of primary commodities as incomplete products further weakened Southern Africa’s regional economy. It is therefore, imperative that trade unions play a more robust

South Africa’s shut-down of its motor vehicle investment plant in the Eastern Cape region – and General Motors’ exit from the country, and the withdrawal of their business investment from South Africa could be seen as an opportunity for promoting vehicle manufacturing in the region, with South Africa as an anchor.



THE HEADQUARTERS AND ASSEMBLY OPERATIONS OF GENERAL MOTORS SOUTH AFRICA, IN PORT ELIZABETH.

Image source - Nelson Mandela Bay Tourism <http://blog.nmbt.co.za/blog/entry/another-automotive-experience-in-the-bay>

25 David Furlonger, “GM pulls out of SA, sells plant to Isuzu: Chevrolet vehicles will not be sold in SA after 2017”, *Business Day*, 18 May 2017, <<https://www.businesslive.co.za/bd/companies/2017-05-18-general-motors-is-leaving-sa/>>. See also Melissa Burden, “Global retreat shrinks GM footprint”, *The Detroit News*, 18 May 2017, <<http://www.detroitnews.com/story/business/autos/general-motors/2017/05/18/gm-stop-sales-india-exit-africa-market/101822544/>>.

role in supporting infant industries against protectionist policies used within the region for intra-regional trade, and instead direct restricted trade policies and protectionist tariffs towards external trade and imports coming into the region. South-East Asia's use of restrictive policies in the electronics and shipbuilding sectors is an example of how such policies can improve a region's trade, and protect industries from trade diversion through the dictates of globalisation and liberalisation.

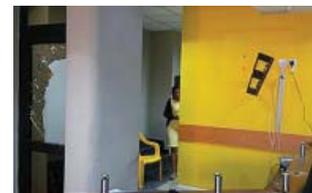
Moreover, knowledge gaps must be narrowed, and the region should enhance regional trade, minimise regional export competition, and promote commodity diversification. This would encourage variety in agriculture, food, and food ingredients; currently, there is a risk in Southern Africa that all the same goods in agriculture are mainly produced. Southern Africa must work more closely with the continental body and address the infrastructure gap, link regional railways, and align to the African Union's (AU) Programme for Infrastructure Development in Africa (PIDA).²⁶ A stronger case must also be made for South Africa to discourage parochial interests of its corporate sector and become the regional anchor. The country's ruling party alliance member, COSATU – as the largest trade union in South Africa – to join forces with SATUCC and consider working much more closely with other regional unions, in driving regional integration and uplifting the majority of SADC's 281 million citizens from poverty. It is thus imperative that unions have clear policy directions for industrialisation strategies: to effect economic growth from the bottom up, and to develop skills, technical capacity and health programmes, among other things that include both business and government.

Policy Recommendations

The following ten key Policy Recommendations emerged from the two public dialogues:

1. There is a need for the Southern African region to build the capacities of local companies in the region, and for more joint ventures among SADC's 15 member states. A regional integration framework must be created to assess how companies should interact with each other and a regional barometer implemented.
2. While South African firms are generally well-known in the Southern Africa region, there is a need to allow regional firms to enter and operate in South Africa, as well as allowing more opportunity to access its markets. Similarly, there is a need to address the business behaviour of South Africa's firms operating in the region.
3. The emphasis that trade places on “what” is traded, should be more focused on “how” trade is conducted – in a consistent manner, both within the region and with the rest of the world.
4. The South African government should not lose sight of its domestic human rights challenges, particularly in relation to violence, crime, and xenophobia; and Tshwane should give these problems as much priority as it does its outward-looking foreign policy.

“The South African government should not lose sight of its domestic human rights challenges, particularly in relation to violence, crime, and xenophobia; and Tshwane should give these problems as much priority as it does its outward-looking foreign policy.”



THE MTN OFFICE IN ABUJA, NIGERIA, AFTER BEING VANDALISED BY PROTESTERS, IN APPARENT RETALIATION FOR ANTI-NIGERIAN VIOLENCE IN SOUTH AFRICA.

Image source - Dumelang News
<http://www.dumelangnews.co.za/articles/protestors-attack-mtn-office-abuja>

26 Nagar, 2016, p. 186. The African Union's (AU) heads of state and government launched the Programme for Infrastructure Development in Africa (PIDA) in Kampala in July 2010, followed by the New Economic Programme for Africa's Development (NEPAD) Priority Action Plan (PAP), adopted by Africa's states in January 2012.

5. South Africa, through SADC, should put in place a five-year implementation plan for greater support of regional industrialisation projects that build strong partnerships, to promote socio-economic development and reduce the negative impact of its businesses operating in the region by committing to regional solidarity.
6. Southern Africa's trade unions must become more visible, and pool their resources to create conditions and structures for the regional workforce of SADC's 15 member states to increase intra-regional trade that can benefit the sub-region.
7. Southern Africa's trade unions must create possibilities for a regional industrialisation policy with governments and businesses, with a view to effecting economic growth in one or two crucial areas such as agriculture and mining, implementing strategies from the bottom up, and developing skills (particularly capacitating youth with technical skills) and health programmes, among other things.
8. Regional platforms must be created for SATUCC to be able to protect infant regional industries and workers, in engagement with finalising rules of origin for trade commodities that promote trade; trade unions must therefore be actively part of key continental and external bilateral trade negotiating agreements – such as the COMESA-EAC-SADC Tripartite Free Trade Agreement (TFTA) signed by nine of SADC's 15 member states (Angola, the Democratic Republic of the Congo, Malawi, Namibia, Seychelles, Tanzania, Swaziland, Zambia, and Zimbabwe) in June 2015 in Egypt; and the SADC economic partnership agreement (EPA) signed with Europe by South Africa, the Botswana, Lesotho, Namibia, and Swaziland (BLNS)] member states (also members of SACU) and Mozambique in October 2016, which will affect the rules of origin in SADC.
9. Southern African governments must honour their regional commitment to “good governance principles” and rule out corruption (an intention enshrined in the revised SADC Treaty), as well as stamping out illicit trade.
10. Southern African trade unions and the region's business networks must drive the region's economy, promoting processes that will encourage regional investment with the governments of Southern Africa; and they should be more visible at SADC Summit Meetings.



“Southern African governments must honour their regional commitment to “good governance principles” and rule out corruption (an intention enshrined in the revised SADC Treaty), as well as stamping out illicit trade.”

THE SADC SECRETARIAT HEADQUARTERS IN GABORONE, BOTSWANA.

Image source - flickr
<https://www.flickr.com/photos/52584579@N05/5153136825>