In Search of Vision and Action? South African Foreign Policy and Africa in 2025

Dr Greg Mills
the author most recently of *'Why Africa is Poor – and what Africans can do about it'* (Penguin), heads the Johannesburg-based Brenthurst Foundation, dedicated to strengthening African economic performance.

The former US Secretary of Defence Donald Rumsfeld may have been off the mark about Iraq, but he made a very good observation about futurology. He said: 'as we know, there are known knowns. There are things we know we know. We also know there are known unknowns. … We know there are some things we do not know. But there are also unknown unknowns, the ones we don't know we don't know.'

As Yogi Berra observed, 'it's tough to make predictions, especially about the future'. But we think about alternative futures because this helps us to think out of our comfort zones and to plan. It also provides us with the right language in dealing with these futures.

So, what might the world look like in 2025? What key forces will shape the global order? What might Africa's strategic policy choices be in this environment? And how should South Africa's domestic and foreign policy align to these realities?

Understanding the World Around Us

Scenario planners talk of 'relative certainties' and 'key uncertainties' in trying to offer plausible futures. With some degree of relative certainty, then, one might expect to live in a world in 2025 where the following factors drive international relations.

The global economy is expected to double in size by 2025, with per capita income at least 50 percent higher. With this in mind, the first driver is that globalisation will remain a positive force for integration and increasing prosperity – but some of its effects, namely greater unevenness in wealth between and within nations, may result in more fragmentation and marginalisation. This partly reflects continued growth in key developing states, notably China and India. But also in other big emerging markets such as Vietnam, Mexico, Bangladesh, and Indonesia. How well countries develop in this environment will reflect skill levels, especially in maths, science and language, along with state capacity to run a modern economy.

A second, closely related driver is thus the nature of engagement with the global economy. Globalisation should no longer be seen as a 'Western' force, but rather one led by a variety of powers. The extent and impact of a relative decline in the US economy, especially in terms of its balance of trade, is important in this context, as well as its reaction to competition from others including China and India. More importantly, however, the world is an increasingly competitive place. Unless states possess comparative advantages, such as climates conducive for food production, oil or minerals, they will have to measure themselves and their investor attractiveness not only against countries in their region but much further afield.

A third factor is a likely high-cost energy environment which would have a variety of different impacts. It will cause increased interest in hydro-carbon deposits and will give oil exporting states a financial windfall, allowing them all sorts of internal and foreign policy options. Such states include a number in Africa (where the net benefit of high oil prices is moot since fewer than 20 per cent of African states export energy), and elsewhere, notably Russia and Venezuela. High oil prices will make a small number of states very rich but many more much poorer.

Energy demand is set to grow by 50 percent globally in the next two decades, compared to 34 percent from 1980-2000. Much of this is to be driven by increased Chinese consumption. But the effects of such trends also depend to an extent, on whether there is an 'energy revolution' that weans the world off fossil fuels.

More people will move to cities and thus more mega-cities will emerge. Here, services will be stressed to breaking point, with related challenges in crime prevention and employment creation, but equally these mega cities will also offer great opportunities by becoming national nodes linking with the global economy.

A fourth factor concerns changing patterns of migration, both internally and globally. More people will move to cities and thus more mega-cities will emerge. Here, services will be stressed to breaking point, with related challenges in crime prevention and employment creation, but equally these mega cities will also offer great opportunities by becoming national nodes linking with the global economy. Migration relates, as ever, to both opportunity and skills.

Climate change is a fifth factor, one which could exacerbate extant conditions of stress. Understanding its exact empirical impact demands, however, that we move past the fashionable alarmism presently dominating the issue. But while there are doubts about its exact environmental effect it is certain that it will have the political effect of forcing a greater role for the state in industrial regulation.

Sixth is country-specific variance in access to information technology. On the one hand, such technology will enable growth and empower populations. On the other, it makes weak governments vulnerable to transnational movements.

A final factor concerns the continued likelihood of transnational terrorism. The age of inter-state military conflicts may have passed (for now), but the prospect of prolonged conflict involving non-state actors challenging states' power and authority seems almost certain.

Implications for Africa

If the above factors amount to a world in which some get richer while others are increasingly marginalised, Africa will face both opportunity and stress. Globalisation offers the potential for growth and development, but also poses a threat to those it does not accommodate. This is particularly salient for the youth, who already comprise 50 percent of sub-Saharan Africa's 750 million people. Their response – and how they might channel their frustrations – will be important. Might religion feature in this backlash to globalization?

Economies grow by making, doing and selling things. Globalisation highlights the need for African countries to pursue an appropriate development model. Those countries with better polices – good governance, universal education and open economies – are the likely winners from globalisation, but this will not necessarily ensure development. This will, in particular, require investment in soft and hard infrastructure, people and communications. Migration is likely to figure strongly as an interface, as Africa will have to work to grow, retain and attract relevant skills.

The rise of China, India and others is one fresh factor in this policy mix. Asia might offer an appropriate African development model. It could also break the Western aid model of external engagement with the continent, supplanting democracy and good governance in favour of managed growth. But adopting this model will demand more than just an ideological tweak; it requires a leap in capacity. And more than a new aid regime, countries will benefit, as China and others in Asia have done, when they make themselves attractive places to do business.

Radical climate change, if it occurs, might affect Africa badly, increasing water stress and impacting as many as one-quarter of its people. It might also make some already climatically marginal states completely dysfunctional and unsustainable without external assistance. Tighter regulations may also play out negatively for those Africans accessing global markets for their high value exports by air, given the carbon footprint that this involves.

What this means for South Africa and its foreign policy

Under President Thabo Mbeki South Africa's foreign policy was the centerpiece of the country's overall strategy. Not only was it emblematic of the end of apartheid and the rebirth of a new nation, but it was seen as the very means to achieve that nation. Paradoxically, given the government's hand-wringing and obstinacy over Zimbabwe, it would eventually be seen as representative of all that was wrong with Mbeki's regime: over-intellectualisation and dithering at best, and, in the face of Robert Mugabe's blatant and brutal excesses, a closing of liberation and racial ranks at worst.

Mbeki's weltanschauung was an externalist, structuralist vision, which implied that Africa could not change and progress without the world changing. And to a large extent this world view aligned with that of key international figures, most notably British prime minister Tony Blair and his successor, Gordon Brown, who believed that what Africa needed to develop was a doubling of international assistance – hence the increase of aid commitments at the 2005 Gleneagles G8 summit to $50 billion, of which half would go to Africa, alongside more debt relief.

In spite of its intellectual prominence, South Africa's continental development approach has remained piecemeal: part – NEPAD (New Partnership for Africa's Development), where most development financing has been led by the Development Bank of Southern Africa (DBSA), part Treasury promoting investment into Africa by SA-based companies through preferential foreign exchange liberalisation. Of course, the SA National Defence Force has also played its important role in peacekeeping missions in Darfur, Burundi and the Congo: the outcome, in part, of the application of a great deal of time and patience by Pretoria in brokering peace deals.

South Africa's foreign policy in the post-Mbeki era has become little more than a media event, a photo opportunity between diplomats, often dusting off the template for bilateral commissions, committees and fora. Mutlilateralism, once a mantra for a South African government in search of 'global governance', has become dominated by ideology and friendships masquerading as technicalities and processes over issues of principal substance:

At an organisational level, at least on paper, South Africa's Africa policy has been multidisciplinary, cutting across a wide variety of business sectors, and involving a multitude of government departments including the Presidency, Trade and Industry, Defence, Foreign Affairs (now the Department of International Relations and Co-operation – DIRCO), and the Treasury. Peace efforts were, during this time, led by Mbeki (and he still does so in Sudan), though the foreign affairs department has, on paper, been the lead department in formulating Africa policy.

In practice, however, South Africa's foreign policy in the post-Mbeki era has become little more than a media event, a photo opportunity between diplomats, often dusting off the template for bilateral commissions, committees and fora. Mutlilateralism, once a mantra for a South African government in search of 'global governance', has become dominated by ideology and friendships masquerading as technicalities and processes over issues of principal substance: why, for example, did South Africa vote for Burma (and China) and Iran on the United Nations Security Council? It is ironic that Tshwane has endeavoured to 'depoliticise' the United Nations in the process, the very organization the African National Congress sought to mobilise in the prosecution of the anti-apartheid struggle. And behind this all lies a more sinister dimension: that South African foreign policy is 'for sale' to the highest bidder, to those financially supportive of the ruling party and its connected business elite. "The 'black bag', not ideals or issues, dominates the direction of our foreign policy", is how a former South African diplomat put it.

Pointers on South Africa's Africa Policy

Even though the Accelerated and Shared Growth Initiative of South Africa (ASGISA), a keystone of the domestic South African development response under Mbeki has appeared to have died a quiet death since Jacob Zuma took office in May 2009, it still offers a useful guide as to what South Africa might focus on in Africa.

… government's answer was to address these areas through R400 billion's worth of infrastructure spending, improving skills levels, realising more value in its 'dead assets' (notably land, livestock and housing), and through focused sectoral strategies where there is the greatest advantage to be had not only in growth potential but also employment creation and enterprise development.

ASGISA was formulated as an integrated programme. It focused on what government could do in reducing the 'binding constraints' on faster, deeper and wider economic growth. These were deemed to include: the volatility and value of the currency; the cost-efficiency of the national logistics system and infrastructure; a shortage of skills; barriers to entry and competition in some sectors of the economy where diversified monopolies have been transformed into concentrated industrial and commodity powerhouses; weaknesses in the regulatory environment and the impact especially on SMMEs; and, in the government's own words, 'deficiencies in state organisation, capacity and strategies'.

The government's answer was to address these areas through R400 billion's worth of infrastructure spending, improving skills levels, realising more value in its 'dead assets' (notably land, livestock and housing), and through focused sectoral strategies where there is the greatest advantage to be had not only in growth potential but also employment creation and enterprise development. Those identified included, notably, tourism, business outsourcing, agriculture and agro-processing, chemicals, food and textiles, metals beneficiation, timber, biofuels and the manufacture of so-called 'durable' consumer goods. Of course Tshwane's trade negotiating, R&D, and skills strategies were to mesh with this drive.

For ASGISA to work, however, it had to be much more than just a 'vision statement', but rather a detailed strategy of measurable, prioritised steps. Like any development programme, ASGISA's success would ultimately hinge on the capacity, less financial than human, available for its rollout.

In the same way, SA's Africa policy must be no less about vision than nuance. No one would disagree with the need for broad strategic principles encompassing the promotion of security and stability, good governance and the rule of law, and sound policy. But the African growth story is highly differentiated, and Pretoria's strategy has to have this reality as its undergirding principle. Indeed, the scope for a meaningful African role will depend on how well the government understands the degree of differentiation between countries.

The foundations of the African growth story vary from democracy to autocracy, from the commodity-centred successes of SA and Botswana to that of the Mauritian service economy. Outside of the oil states, which may be considered as special cases, the points of commonality of today's high performers, inasmuch as these are discernable, are the relationships between good governance, democratic government, economic freedoms, and the need to align a trade strategy to suit. Democracy, and its counterparts of transparency and accountability, is a – perhaps the – critical growth tool, contrary to the early East Asian development model[1]. It is the absence of such Africa-wide commonalities – common purpose, values and co-operation – which has made continental transformation sporadic and confined to isolated examples, even though the situation is much better than a decade ago.

Put differently, in the jargon of ASGISA, the binding constraints for Ghana are quite apart from those of Guinea, or for Botswana compared to Benin, or Lesotho and Liberia. Their comparative development advantages – and disadvantages – should be reflected in SA's Africa policy. This means developing country-specific tactics on, for example, trade policy, and a recognition of the reality for 'variable geometry and varying speed' in continental integration. ASGISA's focus on public-private partnerships in infrastructure should conceivably be replicated in Africa. An Africa policy based on more than just a 'vision statement' will require, too, canvassing South African business to understand their continental experience, expertise and needs.

A successful strategy will require making hard choices about where to place scarce resources, ranking African countries in terms of their importance and the dedication of time, effort and money. This logic means, essentially, South Africa not being all things to all Africans.

Conclusion: The need for a different world view

The Spence Commission on Growth and Development points out that fast, sustained growth – Africa's principal development challenge – is not a miracle; it is attainable for developing countries with the 'right mix of ingredients'. The Commission, which included among its 22 members Nigeria's Ngozi Okonjo-Iweala, South Africa's Trevor Manuel and Mahmoud Mohieldin of Egypt found, in its May 2008 report that: 'Countries need leaders who are committed to achieving growth and who can take advantage of opportunities from the global economy. They also need to know about the levels of incentives and public investments that are necessary for private investment to take off and ensure the long-term diversification of the economy and its integration in the global economy.'[2] Overall, economic growth requires creating the conditions in which entrepreneurship can take root. It is not:[3]

> … a mysterious force that strikes unpredictably or whose absence is inexplicable. On the contrary, economic growth is the fruit of two forces: the ability of people to recognise opportunities, on the one hand, and the creation by government of a legal, fiscal, and regulatory framework in which it is worthwhile for people to exploit those opportunities. And since there is no shortage of energetic and entrepreneurial people wherever human beings are to be found, one of the most important factors explaining differences in economic performance will be public policy. … The key is simply to put sensible policies in place, and then let the intelligence, industriousness, and ingenuity of the people to do the rest.

Yet South Africa's world view has, until now, largely been a hindrance to achieving such growth. A neo-mercantilist worldview has shaped the direction of the post-apartheid South African government. While there are those who have seen dramatic advantages in greater global trade and capital flows (gaining the slice of a much bigger pie than would be afforded by introversion), there are those, too, who have preferred to see the world as a zero-sum game: if you benefit from access to my markets, I lose. While the latter tendency may have been buoyed by the 2008 global financial crisis, overall it is a losing hand. The history of trade shows that protectionism, while encouraging self-sufficiency, not only fails to develop sustainable industries, but burdens citizens with high costs and often lower-quality goods. It also encourages rent-seeking and corruption. Perhaps most importantly, protectionism fosters a sense of international autarchy – a sense of 'them' and 'us' – which has considerable costs beyond trade flows and growth figures[4].

As a result, while there has, overall, been positive economic change in South Africa since 1994, the economy is beset with problems of slow export growth and little export diversification away from minerals, even though there had been solid growth in the domestic-oriented services sector. Poverty and joblessness remain persistent and entrenched problems. While a small sector of the population is formally employed, this is still, twenty years after the release of Nelson Mandela from prison, concentrated around the mining sector, the remainder (almost 15 million people) being dependent on redistributive welfare grants from government for their survival. While tax collection has improved significantly, the tax base remains unsustainably narrow: fewer than 1.5 million individuals pay two-thirds of all personal tax collected. Numerous studies[5] have pointed to the need to improve the quality and cost of infrastructure, skills and productivity; the lack of competitiveness of the private sector and the exchange rate; and the poor quality of government services. On paper this requires, in the short-term, further trade liberalisation, greater competitiveness in the exchange rate, a more flexible labour market and, over the longer-term, improved skills and infrastructure. Politicians, however, have preferred to focus on skills, technology, education, and infrastructure in addressing these constraints, adding greater value to commodities. Where the technocrats and politicians have met was on the need for a 'developmental state' – for 'bigger government' in devising and implementing industrial policy, even though paradoxically that capacity is weak and difficult to create. In so doing, both (implicitly or explicitly) have questioned the premise that the private sector was at the centre of economic growth, or that even growth itself was a necessary (if insufficient) condition for development. Planning (as a process) has in this context been used to justify and reinforce the centrality of the state over the private sector. Yet for growth to take-off *à la* Asia, the state has to recognise the limits of its role and accept the centrality of the private sector.

Progress demands that South Africa's policy-makers move past their ideological prejudices. A group of South African government economists, which the Brenthurst Foundation hosted on a study-tour to Vietnam and Singapore in February 2009, could not help but smirk when repeatedly pointing out that it was the United States, led by the Republican Party, which had had to 'nationalise' its banks following the 2008 crisis. They missed the huge cost the American economic travails have had for us all. While the South Africans were trying to score a cheap ideological point, the Vietnamese were left concerned about the fate of their major trade partner, the US. The South Africans also took the wrong lessons out of both the value of central planning and the widespread privatisation of Vietnam's state-owned enterprises, which had reduced in number from 14,000 in 1986 to 4,000 in 2009, and is still diminishing. 'Look,' exclaimed one South African in agreement, 'they have 4,000 SOEs' as if to say we need more. All the time, our Vietnamese host tried, in vain, to make the point that this was not a good thing and that their SOEs accounted for a declining segment of economic activity in Vietnam of less than 4 per cent.

Thus perhaps the most worrying of all scenarios for South Africa is the one where there are no dramatic changes, no radical opportunities, but instead steady progress towards a foreseeable outcome, one that has not been that kind to Africa over the past half a century.

As Donald Rumsfeld might have put it, how well South Africa – and Africa as a whole – does in this environment is partly determined by what we do, what others might do, and what we get others to do.

NOTES

1 See Papaioannou, Elias & Gregorios Siourounis. 2008. Democratisation and growth. The Economic Journal, 118, pp. 1520 – 1551

2 At www.growthcommission.org.

3 Fred McMohan, Road to Growth – How Lagging Economies Become Prosperous. Nova Scotia: Atlantic Institute for Market Studies, 2000, p. 10.

4 See Harrison, Ann. 1996. Openness and growth: A time-series, cross country analysis for developing countries. Journal of Development Economics, 48, pp. 419-447 and Winters, L Alan. 2004. Trade liberalisation and economic performance: An overview. The Economic Journal, 114 (493), pp. F4-F21.

5 Such as the Harvard group of economists invited by President Mbeki's South African government to analyse the country's economic constraints. See, for example, Dani Rodrik, 'Understanding South Africa's Economic Puzzles', Economics of Transition 16,4, September 2008, pp.769-797; and Ricardo Hausmann and Bailey Klinger, 'South Africa's Export Predicament, ' Economics of Transition 16,4, September 2008, pp. 609-637.