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State Visits as a Tool of Economic Diplomacy: Bandwagon or Business Sense?

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ABSTRACT

Economic diplomacy has become a priority for South Africa's foreign policy with the specific objectives of improving market access and trade with bilateral partners, increasing foreign direct investment, positioning South Africa as a preferred tourism destination and marketing South Africa abroad. At the heart of this approach is the relationship between the government and private sector. The broad concept of economic diplomacy encompasses the achievement of specific business objectives through commercial diplomacy initiatives. To accomplish this, however, there is a need for regular consultation and a shared vision of South Africa's foreign policy.

One of the most talked about, and arguably controversial, tools used by the South African Government to pursue commercial diplomacy is business delegations accompanying the president on his official state visits to other countries. Although not a new phenomenon, these have become more prominent since President Zuma assumed office in 2009, with approximately a dozen business delegations participating in bilateral state visits before the end of 2010. The delegations have been jointly organised by Business Unity South Africa and the Department of Trade and Industry. They have focused on a wide range of sectors and have included different levels of engagement and varying formats.

There has been significant interest shown from a diverse selection of businesses in participating in state visits as a result of the strong commitment from the presidency to include the private sector in events that were traditionally the domain of officials. The paper explores the benefits and challenges of using state visits as a tool for economic diplomacy from the perspective of both government and business. It identifies, at a general level, the practices used in a number of other countries that pursue similar objectives. Finally, the paper makes recommendations for a possible new model that could be explored by South Africa to maximise the potential of business participation in state visits.

ABOUT THE AUTHOR

Catherine Grant was a diplomat for New Zealand for over 10 years and was posted in New York, Geneva and Pretoria. She has participated in United Nations and World Trade Organization negotiations. She joined Business Unity South Africa (BUSA) in April 2007 as executive director of trade policy and represented BUSA at the National Economic Development and Labour Council. Her portfolio at BUSA has included trade negotiations, trade and investment promotion activities, international relations and trade policy matters. She was secretary of the Southern African Development Community (SADC) Employers' Group and SADC Business Forum from 2007–2010, and continues to support efforts towards strengthening private sector participation in regional and trade policy debates. Special thanks goes to Salvation Andrese for her input into the paper.

ABBREVIATIONS AND ACRONYMS

BUSA	Business Unity South Africa
DIRCO	Department of International Relations and Cooperation
ICT	information and communications technology
Nedlac	National Economic Development and Labour Council
SADC	Southern African Development Community
dti	Department of Trade and Industry
TISA	Trade and Investment South Africa

INTRODUCTION

Economic diplomacy has become a priority for South Africa's foreign policy and a number of initiatives have been put in place to achieve the objectives set out in the work programme of the Department of International Relations and Cooperation (DIRCO).¹ These objectives have included improving market access and trade with bilateral partners, increasing foreign direct investment, positioning South Africa as a preferred tourism destination and marketing South Africa more widely abroad. DIRCO has begun to engage more actively with the private sector on foreign policy matters. It has also started regular training courses on economic diplomacy for a range of stakeholders in national, provincial and local government. A focus of the recently published white paper on South Africa's foreign policy is the economic imperatives that are currently driving global relations and the need to ensure South Africa's approach to international relations supports its overall socio-economic objectives.²

The broad concept of economic diplomacy encompasses the achievement of specific business objectives through commercial diplomacy initiatives. The term economic diplomacy is therefore used in the paper as including commercial diplomacy. One of the most talked about, and arguably controversial, tools used by the South African Government to pursue commercial diplomacy is business delegations accompanying the president on his official state visits to other countries. Although not a new phenomenon, these have become more prominent since President Zuma assumed office in 2009. There has been significant interest from a diverse selection of businesses in participating in state visits as a result of the strong commitment from the presidency to include the private sector in events that were traditionally the domain of officials. The paper explores the benefits and challenges of using state visits as a tool for economic diplomacy from the perspective of both government and business. It identifies the practices used in a number of other countries that pursue similar objectives. Finally, the paper makes recommendations for a possible new model that could be explored by South Africa to maximise the potential of business participation in state visits.

SOUTH AFRICAN STATE VISITS

The relationship between the government and private sector in South Africa has not always been particularly close. The formation of the National Economic Development and Labour Council (Nedlac) in 1995 provided a formal platform for engagement on a wide range of economic issues among government, business and labour. Nedlac has achieved mixed success, which has often depended on the commitment of the relevant government department to engage on policy matters. Nedlac has not traditionally considered the area of foreign policy as part of its work programme and DIRCO seldom uses it as a means of consulting stakeholders. DIRCO has instead opted for more ad hoc, specific engagements with stakeholders on issues of diplomacy. For example, in October and November 2010 DIRCO engaged on the foreign policy white paper in a number of separate meetings with different groupings, including business and think tanks.

In the past, South African business has shown little inclination to be involved in debates on international relations issues. The concentration has traditionally been on

lobbying on domestic policy issues by sector or industry-based bodies. The chambers of commerce have tended to be more active in the international environment by participating in multilateral groupings (such as the International Chamber of Commerce) and regional groupings (such as the Association of SADC Chambers of Commerce and Industry). Business organisations in South Africa have also entered into a number of bilateral co-operation agreements with partner organisations in other countries. Many of these activities have been independent of government, with little connection to the overarching foreign policy objectives of South Africa.

This pattern of involvement changed with the establishment of Business Unity South Africa (BUSA) in 2003. Government quickly recognised BUSA as the main contact point for South African organised business on international matters. BUSA has assumed the role of leading the private sector in economic diplomacy initiatives since its formation. The leadership of BUSA were regular participants in South African delegations to other countries. This is reflected in the number of memorandum of understanding and co-operation agreements signed by BUSA with other partners from 2004 to 2006. Many of the agreements were signed in the presence of government leaders during state visits. However, it was only in 2009, under the administration of President Zuma, that BUSA was given the specific mandate of working with the Department of Trade and Industry (the dti) in convening business delegations to participate in state visits.

The current model for managing business involvement in state visits involves BUSA and the dti (through Trade and Investment South Africa or TISA) jointly inviting delegates. This is done through BUSA member organisations and a database of individual business people who have indicated an interest in state visits. Generally, there are no restrictions on who can join the business delegation and people are registered on a first come, first served basis. However, there have been specific events (such as the Binational Commission meetings in Algeria) where only certain companies have been invited to participate. The dti and BUSA conduct background research on the country being visited to help identify the most relevant sectors or industries to target for joining the delegation. This information also informs the development of a programme for the business delegation.

The activities and programme for the business delegation are often put together in consultation with a partner business organisation in the host country. The host government also tends to play a critical role, which is particularly important given the need to align the business delegation's activities with those of the official programme for the head of state and his team. The dti has a preferred format for the business programme that includes a leading role for the Minister of Trade and Industry in briefing delegates, sector workshops or parallel thematic sessions, and a report back to President Zuma. Business-to-business meetings and site visits have been attempted during some state visits but with limited success.

Logistical arrangements for the business delegations are also jointly managed by BUSA and the dti, often with significant support from the South African Embassy or High Commission in the host country. BUSA has enlisted the services of a travel agency that assists in negotiating packages for flights and accommodation for delegates. Business people who participate in state visits are required to cover their own expenses, as there is usually no funding available from the government for state visits (including under the Export Marketing and Investment Assistance Scheme). However, some exceptions have been made for select delegates, including a number of 'emerging' or 'youth' entrepreneurs.

The logistics and arrangements for the business delegations have become increasingly challenging as the number of business people who participate has increased. Table 1 provides a summary of the state visits undertaken by President Zuma, from when he assumed office in 2009 up to October 2010, and the involvement of business.

Table 1: Overview of state visits and business involvement, 2009–10

Country	Date	Number of business delegates	Key sectors
Angola	August 2009	124	Agriculture, financial services, infrastructure, mining, oil and gas, tourism and transport
Brazil	October 2009	52	Automotives, biofuels, energy, finance, financial services, healthcare, infrastructure development and mining
Zambia	December 2009	64	Agriculture, agro-processing, construction, energy, financial services, information and communications technology (ICT) and telecommunications, infrastructure, mining, retail, tourism and transport
United Kingdom	March 2010	213	Energy, engineering, health, higher education/skills, ICT, infrastructure and natural resources
Uganda	March 2010	33	Agro-processing, energy, finance, hospitality, ICT, infrastructure, mining, retail and tourism
Algeria	May 2010	29	Agriculture, construction, energy, fisheries, ICT, infrastructure, pharmaceuticals and tourism
India	June 2010	226	Agriculture, agro-processing, automotive, energy, financial services, ICT, infrastructure, mining and beneficiation, pharmaceuticals, tourism and creative industries
Russia	August 2010	84	Aerospace, agro-processing, automotive, capital equipment, energy, financial services, ICT, infrastructure and mining
Lesotho	August 2010	22	Agriculture, infrastructure, mining, textile and tourism
China	August 2010	371	Agro-processing, construction, financial services, health, hospitality, ICT, manufacturing, mining and property, petrochemicals and energy
Egypt	October 2010	110	Agro-processing, automotive components, energy and infrastructure, ICT, mining and mining technology, tourism and hospitality

Source: Author

Please note that there were a number of other official trips that included business delegations, including visits undertaken by the deputy president. The above reflects state visits led by President Zuma.

BENEFITS

The inclusion of business representatives in the South African delegations for state visits has a number of benefits for both the government and private sector. The following is a reflection on some of the positive outcomes from the active use of this tool of economic diplomacy.

- Trade and investment form a large part of the bilateral relationships between South Africa and its partners in today's world. This is the rationale for prioritising economic diplomacy in foreign policy. It is said that governments do not trade and, therefore, to achieve credibility when engaging on such issues, it is important to demonstrate a strong linkage to the private sector. Involving business in state visits is one way to accomplish this.
- Government leaders and officials achieve a much deeper understanding of the economic relationship between South Africa and the host country through enhanced interaction with business. There is often a significant difference between the opportunities seen in a bilateral relationship on paper and in the reality of doing business. The government is able to improve its appreciation of the needs and challenges faced by the private sector when engaging in trade and investment transactions with another country.
- Travelling together on state visits provides government officials and business representatives with the opportunity to interact and network, through social events and formal and information platforms, in a way that is rarely possible in South Africa.
- There are additional networking opportunities for South African business people to engage each other. Delegates, including senior business leaders, are often more accessible and willing to meet with their colleagues during the course of a state visit.
- Owing to the nature of state visits, there is often considerable interest from the business community in the host country to participate in the programme. This provides South African private sector delegates the opportunity to meet a wider selection of possible trade and investment partners in a short space of time.
- The South African business delegation has benefited from a strong commitment from the host country government to engage with them during some state visits (eg India).
- There has been little monitoring of the quantifiable results from state visits for business. However, ostensibly some business deals have been presented and some finalised due to the impetus provided by high-level political engagement.

CHALLENGES

Understandably, bringing together government and business in such large numbers for a compressed period of time with ambitious expectations will have its challenges. The following are examples of major obstacles faced by South African business in their involvement of state visits.

- Since mid-2009 the presidency has stipulated that BUSA and the dti should jointly manage the business delegations. However, despite this it is still contested which organisation will lead the co-ordination and organisation of the delegations for each

state visit. The competition comes from other business organisations (such as Business Leadership South Africa and the chambers of commerce), between government and business, and also from within government (where there is a tense relationship between TISA and other dti departments, and between the dti and DIRCO).

- Neither the dti nor BUSA has a specific budget or team of people dedicated to organising the state visit delegations. The activities are undertaken using existing resources and by people who are already occupied with full-time work commitments.
- There is currently little strategic thought given to planning for the state visits. This includes identifying the key objectives for business participants, ensuring that the right delegates are targeted and designing an appropriate programme. BUSA and the dti tend to rely on a standardised approach, which does not necessarily take into account the special circumstances of each host country being visited.
- It has not always been possible for government and business to have a briefing before the state visit, which makes co-ordination of objectives and logistics more difficult and uncertain.
- The success of the business programme during a state visit can often hinge on the capacity and commitments of the partner organisations in the host country. This requires early identification of the partners and frequent communication. There were no scoping missions, including both government and business representatives, before any of the state visits listed in Table 1.
- On a related note, it is challenging to co-ordinate the business programme with the arrangements for the official delegation. This can lead to uncertainty and last-minute changes as well as difficulties in finalising logistical plans.
- There have been public criticisms of the representivity of the business delegations accompanying President Zuma and suggestions that they promote the commercial interests of his political allies. It is thus a challenge to ensure the credibility of the delegations.
- Challenges have arisen from the actions of some of the business delegates on the state visits where some people only participated in one or two of the activities and were therefore not available when expected. This raises questions regarding the motivation for business to participate in state visits; and whether it is to pursue business interests in the host country or to support President Zuma for domestic political reasons.

OTHER MODELS

There is little literature available on the use of business involvement in state visits. The following observations are based on the author's own experience. It is increasingly common for governments (except perhaps other African states) to include business representatives in their diplomatic activities. This is done in a number of different ways.

- One or two senior business leaders are included in the official delegation of the head of state and attend most of the official meetings (eg the Russian Federation).
- A small, targeted business delegation travels with the head of state (often in the same transport) and follows a programme that includes some business-specific events (eg Brazil).

- A large business delegation travels to the host country at the same time as the head of state, but pursues its own programme with one or two overlapping activities (eg France).
- A large business delegation sets up its own programme to visit a country and invites the head of state or other government leaders to participate in some aspects of the event (eg Italy). This may not take place within the margins of an official state visit.
- Clear objectives are set with business before the state visit so that it is possible to make concrete announcements of deals with the relevant participating companies (eg the US).

There are also other forms of interaction between government and business in the international arena that are not dealt with in the paper. These include business participation in intergovernmental or multilateral meetings, such as the UN, G20, World Trade Organization, Forum on China–Africa Cooperation and India–Brazil–South Africa Summits. Also, at a regional level there have been some limited instances of private sector involvement – although this has not been a regular occurrence within SADC (unlike the Common Market for Eastern and Southern Africa).

RECOMMENDATIONS

The benefits of using state visits as a way to promote greater trade and investment flows for South Africa are clear. Encouraging private sector involvement in traditional diplomatic activities is an approach widely adopted by many other countries and which merits continued use in South Africa. There is, however, considerable room to improve the use of this tool. It is suggested that government and business should take the time to assess and refine the participation of the private sector in state visits. The following are some specific recommendations that could inform the development of a new model for business delegations participating in state visits by the South African president.

- 1 Identification and agreement between government and business on the objectives for involving the private sector in state visits.
- 2 Flexibility in the model to allow adaption for each specific state visit. For example, in some circumstances it may not be appropriate to take a large, broad-based business delegation. More may be achieved through the tightly focused engagement of private sector representatives in the official programme.
- 3 Clear delineation of roles and responsibilities between government and BUSA. It is suggested that the overall responsibility for the business delegation should reside with BUSA. The dti should focus on liaising with all the relevant government agencies to ensure co-ordination on that side. DIRCO has a critical role to play in terms of making resources on the ground available to support the incoming business delegation (especially where there is no dti trade representative). BUSA leadership of the delegation would help to diffuse criticism of political interference in the business activities accompanying state visits.
- 4 Allocation of resources (financial and human) that are dedicated to supporting the business delegations going on state visits.

- 5 Establishing supporting systems that include a comprehensive database of business participants and their company profiles, a process for accessing sponsorship and support from the private sector for activities related to the state visits and research capacity to assist with preparation and follow-up to the events.
- 6 More transparent access to government funding for business representatives who have potential to either trade or attract investment from the host country.
- 7 Early notice provided of the expected dates for state visits to enable planning, especially for senior business representatives.
- 8 A pre-visit briefing session involving government and business before each event.
- 9 A reconnaissance visit to the host country with both government and business representatives at least one month before the state visit. The key objective would be to establish a close working relationship with partner organisations.
- 10 For those state visits where a large business delegation is invited, design a stand-alone programme of events (including business-to-business networking opportunities, sector or industry workshops, site visits and social occasions) that relies on interacting with the president and the official delegation at one or two points only. This will significantly help to moderate the expectations of business and will place more control in the hands of BUSA.
- 11 Put in place a comprehensive monitoring system that assesses the impact of business participation in state visits and identifies priorities for follow-up, both by government and the private sector.
- 12 There is scope for further research to inform South Africa's use of state visits as a tool for economic diplomacy, including the practices of other countries and the objectives and motivations of business in participating in such events.

ENDNOTES

- 1 South Africa, Department of International Relations and Cooperation, *Vote 3 – Annual Report 2009–10*. Pretoria: Government Printer, 2010, pp. 82–84.
- 2 South Africa, Department of International Relations and Cooperation, discussion document, *South Africa's Foreign Policy: Meeting the Challenges of the Future*. Pretoria: Government Printer, 2010.

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