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## Southern Africa: Under the Influence?

South Africa needs to balance welcoming foreign investment - especially from China - with acting to safeguard its status as a hegemon in Southern Africa.

By Sven Grimm for ISN

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China's (and increasingly India's) continued engagement with Southern Africa remains a hotly-debated topic. While Beijing brings to the region much-needed additional investment, trade and development, it also provides Southern Africa with new challenges. A host of African decision-makers now have to understand the key social, economic and political drivers underpinning the trade and foreign policies of the emerging Asian giants. And in the case of South Africa, increasingly close ties with China mean that Pretoria also needs to safeguard its status as a regional power.

### China's Engagement with Southern Africa

The emergence of a truly global economy has brought a number of benefits to Africa, not least of which is the opportunity to diversify trading partnerships beyond the developed economies of the North. As a reflection of this new dynamic, many Asian countries with an appetite for African products and natural resources are increasingly dominating the region's trade statistics. Consequently, the value of many African resources and commodities has dramatically increased due to massive global demand, particularly from China and India. Rising global demand for such commodities has boosted revenues across Africa, with states like Zambia experiencing moderate success in reducing extreme poverty. As a result of higher growth rates in Africa over the last decade, Western media is gradually changing its perception of the continent. At the start of the decade, The Economist labelled Africa 'The Hopeless Continent' - by 2011 it was speaking of 'Africa's Hopeful Economies'.

In keeping with last week's focus on [West Africa](#), China's engagement with Southern Africa also extends to Foreign Direct Investment (FDI) and aid projects. With state financing - often in the form of subsidized (soft) loans - Chinese enterprises have developed hard infrastructure projects, such as a north-south road in Mozambique, housing in Angola and the redevelopment of mines in Zambia. Accordingly, Chinese FDI and infrastructure projects have helped to connect previously isolated regions and facilitate business across Southern Africa. And instead of compromising South Africa's status as a regional power, Pretoria seemingly gains from China's increasing influence across the region.

### Beijing Boosts Pretoria's Influence

While South Africa is the dominant regional economy, Pretoria has by no means acted like a political

hegemon. Over the past two decades, South Africa's regional influence has taken into account the historical experience of the Apartheid era. However, Pretoria's appetite for self-restraint seems to be fading. In 2012, for example, South Africa's Home Affairs Minister Dlamini-Zuma ran for the Presidency of the African Union Commission (AU), the first time a South African sought a top post within this organization. However, the failure of her candidacy demonstrates that Pretoria's political influence remains compromised by concerns regarding South Africa's rise to prominence within the AU.

In light of such obstacles, closer ties with Beijing, Delhi and other emerging powers nevertheless provide South Africa with opportunities to project its influence across Southern Africa. Pretoria aims at building credibility through its membership of the G-20 and South Africa's addition to the BRIC group of emerging powers. South Africa's accession to the BRIC club was met with much fanfare by government officials and media outlets alike. Some commentators even claimed that Pretoria has become 'Africa's voice' within the BRICS grouping. Others point to the India-Brazil-South Africa Dialogue Forum (IBSA) as an example of Pretoria developing confidence-building measures with other democracies.

The BRICS not only provide support for South Africa's regional policies, they also boost sectors of the domestic economy and infrastructure. Infrastructural needs are obviously strong in Africa, a point often neglected by Western donors. South Africa has a very different starting position, with a good road system and a comparatively dense railway system. Yet, other aspects of its existing infrastructure need upgrading, not least so in ports, goods transports – and, far from the least – public transport, be it on roads or rail. Infrastructural development also has the additional benefit of creating relatively low-skilled jobs and providing income for South Africa's 'lost generation'. Despite South Africa's continued rise on the global stage whole communities of unskilled workers continue to live in shanty towns on the outskirts of every town and city and are deemed part of a demographic ticking time-bomb.

### **Beijing Hurts Pretoria's Influence**

Yet despite warmer ties between Beijing and Pretoria, China nevertheless also remains a challenger to South Africa's status as a regional economic and political power. Where Chinese investment provides social and economic benefits in one sector, it causes pain in others. Investments by emerging economies like China and India are not exclusively seeking raw materials, but also strongly venture into market-seeking behavior, not least in South Africa's telecommunications sector. While helping with technology delivery within this sector, China's telecommunications industry can nevertheless out-compete domestic African industries. This is particularly challenging when investments are subsidized and/or institutionally supported by Beijing.

Chinese companies also compete with South African counterparts across the region. While South African retailing enterprises are found across the sub-region, its manufacturing sector remains in the doldrums and offers few employment opportunities. And as Chinese products also compete with Africa's light industry, the long-term prospects for South Africa's manufacturing industries seems far from assured. Moreover, diversifying trading partners does not necessarily result in the diversification of domestic economies. As a result of China's and India's demand for natural resources, many African states – including South Africa – are currently 'cashing in' on commodity price booms. Accordingly, if demand is mostly for natural resources, new partners could, theoretically, put the dampeners on the upgrading of an emerging economy's position in global production chains.

Such dilemmas further reflect that China herself is facing the challenge of sustaining economic growth while confronting a host of environmental challenges. And while China has seemingly offered African states innovative combinations of investment, trade, and aid, the continent nevertheless remains of

growing importance to Beijing as a market and a readily available source of natural commodities. So despite South Africa's relatively recent accession to the BRICS club, Pretoria still needs to compete with China for economic and geopolitical influence across Southern Africa.

### **Future Tense?**

Indeed there are signs that some in South Africa are becoming increasingly concerned about relations with China. The extra competition that China provides for South Africa's struggling economy is increasingly frowned upon by the public, if not met by openly hostile reactions. More importantly, South Africa's main political actors are divided as to whether closer cooperation with China is necessarily a good thing. While President Jacob Zuma's African National Congress (ANC) is trying to promote more engagement with emerging countries, South Africa's trade union movement - COSATU - is far from convinced that China is a force for good for South Africa's economy and labor market.

Ultimately, such differences of opinion confirm that behind the geopolitical rhetoric of south-south cooperation and the BRICS club, emerging economies like China and South Africa are partners in one breath, but may become commercial competitors in an instant. There is undoubtedly a lot of talking up of Beijing's partnership with Pretoria. Indeed, the rhetoric is likely to be welcomed and used as point of reference in future negotiations. Yet both Beijing and Pretoria are effectively competing for influence across Southern Africa. And if South Africa is to compete on an equal footing with China, it needs to find pragmatic policy solutions for the various challenges that Southern African states pose. In doing so, Pretoria will increasingly need to fit Beijing into its strategic calculations.

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