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Optimising South African economic diplomacy

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Barriers to optimising South African economic diplomacy are twofold: 1) more South Africans engaging in small and medium enterprises need to form part of the dialogue, thus strengthening government–business relations is central to achieving economic diplomacy objectives and key to a results-driven policy; and 2) government authorities need to provide more clarity on the policy environment that includes the Border Management Authority (BMA) Act 2 of 2020 and the African Continental Free Trade Area (AfCFTA). This policy brief is one of the outcome documents from the IGD flagship series on South Africa in the World 2020, which charts and reflects on South African foreign policy annually and broadens the scope for multi-stakeholder engagement on key aspects of foreign policy decision-making, implementation and policy coherence, among other things.

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provide members of the
policy community with
concise but trenchant
analyses of topical issues.
Comments and
suggestions are invited*

Introduction

A successful economic diplomacy¹ and foreign policy agenda is linked to integration with the private sector and the business community. The broader policy framework that guides South African economic diplomacy includes the National Development Plan (NDP), the New Growth Path, the Department of Trade Industry and Competition (the dtic) (formally Department of Trade and Investment), the Trade Policy and Strategy Framework, and the National Industrial Policy Framework. These documents locate the role of economic and commercial diplomacy in the broader economic development strategy that emphasises inclusivity and poverty reduction, employment and further industrialisation. This kind of emphasis, which includes the need to continuously upgrade and diversify South Africa's economy, calls for an enhanced state–business environment and robust engagement with the private sector. South Africa has had considerable success in setting up complex organisations and legislative frameworks that encompass tax, labour, investment and trade, as well as complementing value chains in the public and private sector. A considerable challenge is access to and participation across these platforms, as the South African business scape is not homogenous, with participants still preferring to engage with organised platforms and structures.

Against this backdrop, South Africa's commitment to drive its economic diplomacy agenda still has a good baseline for achieving its NDP goals, commercially. With regard to its foreign policy priorities, Africa ranks highly, and there is an urgent need to work out how South Africa will operationalise the African Continental Free Trade Area (AfCFTA) vis-à-vis a number of barriers.

Barriers to South African economic diplomacy in 2020

Although frameworks and institutions promoting South Africa's economic diplomacy have been established, two major barriers to improving access are located in the linkages to commercial diplomacy: 1) not all South Africans in small and medium enterprises have access to information and resources that allow them to pursue commercial diplomacy opportunities external to South Africa, and 2) South Africa's policy environment is becoming increasingly complex and influences investor confidence in the medium to long term.

¹ Economic and commercial diplomacy as foreign policy tools to achieve national objectives are linked; economic diplomacy emphasises international economic questions that are coupled with the achievement of national objectives through policy, whereas commercial diplomacy segues to the public and private realms that engage on more technical requirements such as export promotion and foreign direct investment (FDI), as well as liaising with organisations and chambers that promote this (see Berridge, GR. 2015. *Diplomacy*. Palgrave: London, pp 210-224).

Voicing the needs of the private sector

As mentioned, the private sector is not a homogenous grouping, and not all have a voice or access to the platforms. The official social dialogue platform is the National Economic Development and Labour Council (Nedlac), which is a multisectoral platform seeking to build consensus on industry matters. However, many of the negotiation outcomes tend to be more protectionist, leaning towards traditional businesses that engage in manufacturing or agriculture because of the emphasis on labour and employment rights. In this context, there needs to be an active orientation to the future of work and the role of the worker, in relation to ever moving global trends. Moreover, services do not tend to have much of a voice in these discussions even though they lead South African investment in Africa. Business Unity South Africa (BUSA) is represented at NEDLAC, but has the responsibility of promoting South African interests in the Southern African Development Community (SADC) Private Sector Forum, the BRICS Business Council, Business Africa, business representation on the G20, and the International Organisation of Employers (IOE). While BUSA builds on international commercial relationships, there is a concern that the narratives driving ideology may not encourage the role of private sector as envisioned.²

Siloed approach, an unnecessary gatekeeper

Departments and organisations do not have a streamlined approach to communicating requirements and events to a wide South African audience interested in pursuing trade and investment abroad. This has contributed to a mismatch of information and in many cases, business owners are dissuaded from growing their business outside South Africa. The private sector has had greater success in coordinating their activities with the dtic and National Treasury, and historically, DIRCO's role has been to coordinate policy at Track 1 level (government-to-government) and engagement with the private sector was done on an ad hoc basis. And with the growth of the multitrack diplomacy system (which includes business and academia at Track 2 level, and civil society at Track 3 level) there is a direct relationship linking business and the private sector to diplomacy. However, a comprehensive approach that links a diverse private sector to a comprehensive global strategy and synergises its engagements with South Africa's foreign policy efforts is still missing. This causes a level of friction between South African businesses and DIRCO in navigating trade and investment environments abroad.

² NEDLAC includes government, labour, business and community organisations which seek to cooperate, through problem-solving and negotiation, on economic, labour and development issues and related challenges facing the country. Policy work is oriented towards public finance and monetary policy, labour market policy, trade and industrial policy and development policy.

² "South African business leaders at odds with ANC about controversial plan to revive economy", Bloomberg, 2 June 2020, <https://businesstech.co.za/news/business/404145/south-africas-business-leaders-at-odds-with-anc-about-controversial-plan-to-revive-economy/>

Incongruence: The Border Management Authority (BMA) Act 2 of 2020 and the African Continental Free Trade Agreement

Currently, the BMA Act has reached a phase in which the implementation protocol is being negotiated, while the AfCFTA is also still under negotiation at government level. A road map has also been developed to guide the implementation of the BMA over the next 15 years. However, the next steps will be to focus on the following: finalising key legislative instruments and separate implementation protocols with the South African Police Service (SAPS), the South African Revenue Service (SARS) and the Department of Defence (DoD); the official proclamation; the BMA Border Guard mobilisation, training and deployment strategy implementation; and preparation for the recruitment of the Commissioner and Deputy Commissioners by 2021/2022. By the 2024 general election, it is expected that the BMA would be rolled out to 18 ports of entry and five segments of the land border enforcement area.³

From a foreign policy point of view, the BMA Act enables and reflects the tensions between territorial security concerns and economic issues through illicit movements. It is anticipated that the priority border entry points will be placed under the management of the Home Affairs authority tasked with implementing the act. This raises a number of questions as to the suitability of this department in undertaking such a task; the department has been critically appraised for its shortcomings in managing corruption and service delivery, there are budgetary constraints in setting up the required institution, and it is unclear what the roles of DIRCO will be, and how the AfCFTA will be implemented at border posts. Although the AfCFTA has other components, the debates in this regard are directed at migrants and South African domestic fears of irregular migration. Accordingly, the BMA Act will set a precedent for how border management issues will be dealt with. As a result of the outbreak of Covid-19, AfCFTA operationalisation was delayed to 1 January 2021⁴ and BMA Act implementation protocols are set to be finalised by 21 January 2021. This is a critical moment for a future BMA Border Guard to observe and learn from SAPS, SARS and DoD, which will retain their functions.⁵ While the BMA Act may take years to fully come into effect, there is a concern that it will contribute to a duplication of bureaucratic functions and therefore not translate to the ease of doing business, which is what the AfCFTA aims to achieve.

³ Parliamentary Monitoring Group. 2020. Question NW1868 to the Minister of Home Affairs. <https://pmg.org.za/committee-question/14729/>

⁴ Parliamentary Monitoring Group. 2020. Trade negotiations and existing trade agreements and trade relations, with the Deputy Minister. <https://pmg.org.za/committee-meeting/31169/>

⁵ Maunganidze OA and Mbiyozo A. 2020. South Africa's Border Management Authority dream could be a nightmare. <https://issafrica.org/iss-today/south-africas-border-management-authority-dream-could-be-a-nightmare>

Ambiguity: The Land Reform Act

Communicating certainty around this issue will remain a difficult task. While attempts to rectify this have been instituted, overall, only a small percentage of the task has been completed. Historically, land reform is vital to restoring human dignity and social justice, which is what the Expropriation Bill of 2020⁶ aims to address. The NDP bases land reform on the following principles that seek to ensure: 1) a rapid transfer for agricultural purposes without affecting market confidence and the agri-business sector within the fiscal and economic realities; 2) a sustainable and empowering environment; 3) that land markets will not succumb to corruption and speculation; and 4) the management of meaningful and multiracial engagement. This is a key item on the agendas of political parties and as constitutional amendments are often emphasised and discourse veers towards radical shifts, investors are increasingly concerned about what this means, particularly in the case of expropriation without compensation and how institutions would be reformed. The major concerns are that land reform will not occur within the sensitivity and sensibility of legal procedures; however, the current land reform focus is directed at the agricultural sector to address employment and food security.

Recommendations

The policy complexity surrounding the BMA, AfCFTA and Land Reform Act need to be effectively navigated so that investor confidence is not impacted negatively. This is further hedged in an unequal domestic environment where the South African private sector is unable to speak with one voice, and government departments have different strategic roles. Active solutions to the challenges arising require government actors to anticipate the needs of industries to make economic and commercial diplomacy more successful by means of the following:

Improving communications and managing expectations

How to access the commercial market needs to be brought closer to the people looking to engage in such ventures. User friendly country guides should be compiled and translated. These guides should cover the following practical information: What is the status of the bi-lateral agreement, what kind of legal agreements are in place, organograms of participating institutions, what kind of permits are required, duties and waiting periods, who/which organisations and instructions may be contacted for more information. This would require closer cooperation and inter-ministerial training between DIRCO, the dtic, Department of Small Business Development (DSBD), Government Communication and Information Systems (GCIS), and the DHA. This would allow more South Africans to access

⁶ Expropriation Bill of 2020
https://www.gov.za/sites/default/files/gcis_document/202010/expropriation-bill-b23-2020.pdf

information and ensure that the goals set by the NDP would be met through a domesticated foreign policy strategy linked by economic diplomacy at national, provincial and local levels.

Training

As the BMA is mandated to provide training to officials, DIRCO and the dtic should engage the DHA through the training of officials and updating information on the status of bilateral relationships. The training provided by DIRCO and the dtic on economic diplomacy may be used as the initial step for the DHA to nuance the specialised training and understanding of the technical dynamics of economic, commercial and foreign policy aspects.

Institutional preparedness

Departments need to be prepared to provide technical information to domestic and international businesses and embassies seeking clarity at all levels; from senior to middle management as well as junior staff. Similarly, InvestSA and BrandSA should have up to date information and strategies to address communication. It is vital to communicate changes to the Southern African Customs Union (SACU) and Southern African Development Community (SADC) members, especially at the Beitbridge border post which is crucial to South Africa's Africa South–North relations.



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The IGD is an independent foreign policy think tank dedicated to the analysis of and dialogue on the evolving international political and economic environment, and the role of Africa and South Africa. It advances a balanced, relevant and policy-oriented analysis, debate and documentation of South Africa's role in international relations and diplomacy.

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