

## South Africa's policy towards Zimbabwe: a nexus between foreign policy and commercial interests?

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The article examines the extent to which South Africa's policy towards Zimbabwe under the Mbeki administration was shaped by economic and commercial considerations. Given the extensive involvement and growing influence of the South African business sector in Zimbabwe, the potential link between the South African government's policy stance towards Zimbabwe and South Africa's commercial interests in Zimbabwe is intuitively appealing. This paper argues, however, that although South African firms have exploited the commercial opportunities that have emerged from the political and economic crises in Zimbabwe, it is not clear from the available evidence if commercial interests have been a primary consideration in South Africa's policy towards Zimbabwe. It concludes that the Mbeki government's policy of 'quiet diplomacy' towards Zimbabwe was not principally shaped by economic objectives, but was instead driven predominantly by political and ideological concerns, which related closely to perceptions about South Africa's role on the African continent.

**Keywords:** South Africa; Zimbabwe; 'quiet diplomacy'; foreign policy; commercial diplomacy

### Introduction

The involvement of governments in the commercial interests of businesses in foreign countries is by no means a new phenomenon. Extensive links between foreign policy and commercial interests are evident in many of the world's advanced industrialised nations as well as major emerging markets such as Brazil, China and India. The notion of commercial diplomacy, which encompasses strategic foreign policy and co-operation between business and government in foreign markets with the aim of achieving commercial objectives that advance national interests, is central to these linkages.<sup>1</sup> In the United States, commercial interests have historically played a dominant role in foreign policy.<sup>2</sup> In particular, there was a great emphasis on commercial objectives in US foreign policy under the George HW Bush and Clinton administrations.

Indeed in 1995, Jeffrey Garten, speaking in his capacity as US undersecretary for international trade, remarked that:<sup>3</sup>

This is not the first time that American foreign policy focused so heavily on its commercial goals. However, in the past ... we subordinated economic to traditional foreign policy and national security concerns. In fact, whereas in the past we have often tried to use economic instruments to achieve traditional foreign policy goals, today, and in the future, we increasingly will be using traditional foreign policy instruments to achieve our economic objectives.

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Similarly, some European Union member states have consistently followed foreign policies with trade and commercial ambitions in mind.<sup>4</sup> In the United Kingdom, for example, an intricate network of agencies dealing with commercial diplomacy have contributed to the government's standing as a frontrunner in the development of commercial diplomacy practices and strategies.<sup>5</sup> The UK government has consistently focused foreign policy attention on the country's commercial interests in the European market as well as in emerging markets, particularly China and India,<sup>6</sup> and has also specifically targeted the South African market.<sup>7</sup>

The prominent use of commercial diplomacy as a foreign policy tool is not the preserve of developed economies. The emerging powers in the global economic order, most notably China, India and Brazil, have made explicit use of industrial policy strategies to advance their domestic and international policy objectives.<sup>8</sup> For instance, in the 1990s the Chinese government adopted a proactive policy of selecting and developing a 'National Team' of firms capable of competing in foreign markets.<sup>9</sup> Similarly, the sharp rise of resources nationalism in countries such as Russia, Venezuela and Iran has seen these countries increasingly use strategies designed to raise the returns from their national endowments as instruments to advance external policy goals.<sup>10</sup> In many instances, the nationalist posture adopted by these countries has been motivated by a mixture of commercial and political objectives.

In South Africa, foreign policy in the post-1994 era has been shaped to a significant extent by the legacy of apartheid, the struggle for liberation and ultimately the peaceful democratic transition in the country. South Africa's history meant that the country's foreign policy makers faced the challenge of developing a foreign policy that would adequately reflect the ethical and democratic values upon which the anti-apartheid struggle was based. Under Nelson Mandela's presidency, the promotion and protection of human rights, democracy, justice and international law represented key components of South Africa's foreign policy strategy. This resulted in a policy approach that 'bounced between universal idealism, African solidarity and partnership with the West.'<sup>11</sup> This approach gave way to a more multilateralist approach to foreign policy under Thabo Mbeki's presidency — with the emphasis on dialogue and mediation to address global and regional concerns and as a means of conflict resolution.

Since 1998, there has been evidence of an evolving link between South African foreign policy and the country's economic objectives and commercial interests. This is underpinned by what Olivier and Geldenhuys have pointed to as a clear shift in South Africa's diplomacy towards 'a more pragmatic foreign policy in which economic concerns are taking precedence over moral considerations.'<sup>12</sup> In 1999, then Director-General of the Department of Foreign Affairs, Jackie Selebi, led a reconfiguration of South African foreign policy premised on the fundamental purpose of promoting 'security and wealth creation'.<sup>13</sup> The emphasis on wealth creation as a key objective of the country's reformulated foreign policy focused on a 'balanced and coordinated approach to globalisation, the enhancement of South Africa's global image and the vigorous pursuit of trade and investment.'<sup>14</sup>

In an era of accelerating globalisation, the South African government has also explicitly expressed its desire to link domestic social objectives to foreign policy. Furthermore, a major thrust of the country's diplomatic efforts has been to create opportunities for South African business in foreign countries, particularly on the African continent.<sup>15</sup> Over a period of a decade, South Africa has become one of the top 10 investors in Africa.<sup>16</sup> The historical dominance of American and European companies in the African business landscape has

increasingly faced strong competition from South African companies eager to grow their investments in Africa and take advantage of market opportunities on the continent.

This article investigates the extent to which commercial interests have played a role in shaping South Africa's foreign policy towards Zimbabwe. The paper draws its inspiration from and builds upon arguments made in a study titled *A Difficult Dialogue: Zimbabwe-South Africa Economic Relations Since 2000*.<sup>17</sup> The integrated nature of the South African and Zimbabwean economies has ensured that, despite Zimbabwe's myriad political and economic problems, trade and investment ties between the two countries remain strong. The deepening of the economic and political crises in Zimbabwe has created new opportunities for South African business to extend its influence in the country.<sup>18</sup> Under former President Mbeki's leadership, the South African government was roundly criticised for its policy of 'quiet diplomacy' towards Zimbabwe. In particular, cynics have suggested that this policy was 'driven by the economic interests of the South African state and its corporate sector'.<sup>19</sup> Within this context, the potential impact of South African business concerns on the government's policy towards Zimbabwe has become a pertinent issue that requires careful investigation.

The article argues that South Africa's policy towards Zimbabwe under Mbeki was not primarily or explicitly shaped by economic and commercial considerations, but was instead driven predominantly by political and ideological concerns, which related closely to perceptions about South Africa's role in Africa. This is in contrast to what some critics of South Africa's Zimbabwe policy have intimated. Nevertheless, in the context of the growing influence of the South African business sector in Zimbabwe, the article emphasises that there is clear evidence to suggest that South African businesses have benefited from the commercial opportunities that have emerged from the political and economic crises in Zimbabwe.

The remainder of the paper is structured as follows. Section two presents a brief history of economic relations between South Africa and Zimbabwe. This is followed in section three by an outline of the extent of the economic and political crises in Zimbabwe, which contextualises the discussion. The fourth part analyses the motivation behind the policy of 'quiet diplomacy' pursued by the Mbeki administration towards Zimbabwe. Section five investigates the degree to which South Africa's economic interests in Zimbabwe have influenced the government's policy towards that country.

#### **A brief history of economic relations between South Africa and Zimbabwe**

The historical trajectories of South Africa and Zimbabwe are analogous in the sense that both countries have endured a colonial history, minority rule and the struggle for liberation. Moreover, extensive business, trade and economic ties between the two countries have prevailed for many decades, and existed prior to Zimbabwe's independence.<sup>20</sup> To be sure, economic relations between South Africa and Zimbabwe are among the most enduring on the African continent.<sup>21</sup> South Africa has consistently held the position of Zimbabwe's largest trading partner.<sup>22</sup> Traditionally, Zimbabwe has been South Africa's most important trading partner on the continent, and remains in the top 15 globally in terms of the countries with which South Africa exchanges the greatest volume of trade.<sup>23</sup>

In 1964, shortly before the white-dominated, minority ruled regime's Unilateral Declaration of Independence in Zimbabwe (then known as Rhodesia) in 1965, and following a long period of colonial rule, South Africa and Rhodesia signed a preferential trade agreement. This bilateral trade accord provided for preferential rates of duty, rebates and quotas on specific goods traded between the two countries. The attainment of

independence by Zimbabwe in 1980 heralded a period of political hostility between the two countries. Most notably, Zimbabwe emerged as a trenchant opponent of the apartheid system, providing political opposition and diplomatic non-recognition of the apartheid government.<sup>24</sup>

However, trade between the two countries continued unabated, and, given the depth of Zimbabwe's economic dependence on South Africa, ties between the two countries, at least on an economic level, remained reasonably strong. South Africa's prominent position within the Southern African region meant that by weakening the alternative channels through Mozambique and Botswana it was able to ensure that Zimbabwe remained heavily dependent on its trade corridors to gain access to sea ports.<sup>25</sup> Consequently, at independence, South Africa was Zimbabwe's largest trading partner, accounting for 19% of Zimbabwe's total trade and 41% of its manufactured exports, most of which were sold under the aforementioned preferential trade agreement.<sup>26</sup>

During the 1990s, trade between South Africa and Zimbabwe increased rapidly, but predominantly in favour of the former, with South African companies gaining a foothold in the Zimbabwean market. Over the course of the decade, the trade balance shifted from approximately 1:2 to close to 1:7 in favour of South Africa.<sup>27</sup> Certainly, Shawn Hattingh has gone as far as to say that the 'pattern of trade between South Africa and Zimbabwe replicates the type of trade between an industrialised country and a developing country.'<sup>28</sup> Although the 1990s were marked by a willingness on the part of both countries to engage in economic exchange, they also both sought to protect their respective domestic industries. For instance, following the expiration of the 1964 preferential trade agreement in 1992, South Africa raised its tariffs on competitive Zimbabwean clothing and textiles imports,<sup>29</sup> which had previously enjoyed preferential access to the South African market, by 50%.<sup>30</sup>

More recently, since 2003, Zimbabwe has repeatedly stalled on signing a bilateral investment promotion and protection agreement with South Africa, much to the consternation of the South African government and the companies operating in Zimbabwe. The terms of the agreement include measures to protect investment, various investment incentives, and a clause providing for compensation in the event that the company is nationalised.<sup>31</sup> According to a South African government official, a key reason why the Zimbabwean government has interminably delayed the signing of the proposed agreement is that it fears that certain provisions of this agreement might be used by some domestic constituencies, such as commercial white farmers, in Zimbabwe to undermine the economic indigenisation policies of the Zimbabwean state.<sup>32</sup> The fact that the agreement has remained unsigned means that, despite the extensive economic relations between the two countries, South African investment in Zimbabwe remains unprotected by that country's law.

### **The economic and political crises in Zimbabwe**

The ongoing economic mayhem in Zimbabwe has reached catastrophic levels. The economy has shrunk by close to 50% over the preceding decade,<sup>33</sup> largely due to sharp declines in the country's agricultural, mining, tourism and export sectors — all of which represent major contributors to Zimbabwe's gross domestic product (GDP). The decline of the country's agricultural sector — traditionally the mainstay of the Zimbabwean economy — has had a particularly devastating impact.<sup>34</sup> The resulting food shortages have meant that 5.1 million people, approximately 45% of the total population, were likely to require food aid by the end of 2008, while 8.5 million people would need food supplies by March 2009.<sup>35</sup> At the same time, the unemployment rate in Zimbabwe has been hovering at nearly 80%.<sup>36</sup> Other

key economic indicators make for similarly dire reading. In 2007, the country's ratio of domestic debt to GDP was estimated at 218.2%.<sup>37</sup> Foreign investment has declined precipitously, falling by 99% between 1998 and 2001, and has been further discouraged by President Mugabe's recently introduced nationalisation law giving locals the right to assume majority control of foreign companies, most notably in the key mining and banking sectors.

A very visible symptom of the economic collapse in Zimbabwe has been the astronomically high level of inflation, which has severely stunted economic growth and led to chronic shortages of foreign currency and essential goods. In July 2008, the last time an official assessment of Zimbabwe's inflation rate was undertaken,<sup>38</sup> Zimbabwe's inflation had reached an astounding 231 000 000%; some independent economists have estimated the real inflation rate at more than 500 000 000%.<sup>39</sup> As a result, the value of the Zimbabwean dollar has plunged to one billionth of its value since the beginning of 2008.<sup>40</sup> The Zimbabwean government's response to the inflation problem — to simply print more money — has only served to worsen the economic havoc.

The grave economic situation in Zimbabwe has paved the way for calamitous social and political crises. The country has been plagued by intolerable levels of poverty, suffering and homelessness, crippling electricity and water cuts, and chronic shortages of food, fuel and skilled labour — the latter largely due to the widespread migration of highly educated citizens as a result of the crises. The roots of the ongoing economic troubles in Zimbabwe have a distinctly political dimension. They can be traced to the huge, unbudgeted, compensation payments that President Robert Mugabe awarded to war veterans in 1997.<sup>41</sup> Mugabe's decision was prompted by political concerns, and ignored the Zimbabwean government's considerable fiscal constraints, 'thereby setting in motion a pattern of fiscal deficits that were to paralyse the Zimbabwean economy in subsequent years.'<sup>42</sup>

Since 2000, as the economic upheaval has escalated, the Zimbabwean government's policies have assumed a progressively more authoritarian dimension. The six presidential and parliamentary elections in Zimbabwe since 2000 have been anything but free and fair. The constitutional referendum in February 2000 — in which Mugabe was handed 'his first defeat at the polls in twenty years' when a new constitution designed to extend Mugabe's powers was rejected — was followed by parliamentary elections in which Mugabe's ruling Zimbabwe African National Union – Patriotic Front (ZANU-PF) party faced a stiff challenge<sup>43</sup> from the opposition Movement for Democratic Change (MDC).<sup>44</sup> However, the elections were marred by widespread violence, which, in turn, characterised the build-up to the 2002 presidential elections, during which political violence escalated dramatically.<sup>45</sup>

The period between the 2002 and 2005 elections was marked by the enactment of a succession of repressive acts and legislation (such as the Public Order Security Act and Access to Information Protection of Privacy Act) by the Zimbabwean government intended to undermine civil liberties and effectively outlaw public participation in the democratic process. This culminated in a 'low [voter] turnout, widely viewed as indicative of a general loss of faith in the democratic process, and a disastrous showing by the opposition.'<sup>46</sup> Frustration at the continued repression of opposition supporters and state abuses of political power has led to a fragmentation of political opposition, further undermining the democratic process in Zimbabwe.

The controversy surrounding the presidential election in March 2008 has been no different. Despite MDC leader Morgan Tsvangirai claiming to have secured an outright majority, no official election results were released for more than a month. Finally, following a recount and verification of the results, and amidst widespread allegations of

mishandling and suggestions that the election process was deeply flawed, the Zimbabwe Electoral Commission announced that Tsvangirai had won 47.9% of the votes in comparison to Mugabe's 43.2% — thereby necessitating a second round presidential run-off. However, amidst widespread political violence, Tsvangirai withdrew from the run-off, leaving Mugabe as the only active participant in the second round elections, which he won by an overwhelming margin. Following widespread condemnation of the electoral process, the ZANU-PF and MDC factions concluded in September 2008, under the mediation of Mbeki, a power-sharing deal to create an 'all-inclusive government'.<sup>47</sup> However, negotiations subsequently reached an impasse, with Mugabe and Tsvangirai failing to reach any sort of agreement on the allocation of government ministries.

Following renewed talks between Tsvangirai and Mugabe in January 2009, a final power-sharing deal was agreed, which ultimately saw Tsvangirai sworn in as prime minister on 11 February 2009 in a unity government with President Mugabe. Under the terms of the deal, Mugabe has remained chairman of the National Security Council and the cabinet, while Tsvangirai holds the positions of chairman of a Council of Ministers and deputy chairman of the 31 member cabinet — comprised of 15 ministers from the ZANU-PF and 16 from the MDC (including three ministers from Arthur Mutambara's break-away MDC faction). Despite this move towards political conciliation, many commentators are sceptical about the longevity of the power-sharing arrangement, with some viewing it at best as a transitional arrangement that will eventually lead to a new constitution and another round of elections.<sup>48</sup>

### **The Mbeki administration's policy towards Zimbabwe**

Under Mbeki's leadership, South Africa's policy towards Zimbabwe assumed a distinctly personal complexion. The policy of 'quiet diplomacy' adopted under Mbeki's watch was predicated on the use of non-violent means to 'encourage' Mugabe's regime to facilitate democratic change in Zimbabwe.<sup>49</sup> This policy was based on the view — described as the 'Mbeki doctrine' — that although 'South Africa cannot force its view on others, it can assist in dealing with regional instability by offering leadership to bring opposing groups to the negotiating table.'<sup>50</sup> This stemmed from the belief that South Africa's successful post-apartheid experience of 'peace, power-sharing and reconciliation' could be exported to other settings.<sup>51</sup>

Martin Adelman distinguishes between three historical phases, each with divergent aims, within Mbeki's overarching framework of 'quiet diplomacy'.<sup>52</sup> In the first phase, running from 1997 to 2000, Mbeki's approach towards Zimbabwe focused on constructive engagement and support for the land reform process as a solution to the 'colonial problem'.<sup>53</sup> This was motivated largely by the belief that the solution to Zimbabwe's problems rested with a swift resolution to the land question, and was predicated on a peaceful land reform process.<sup>54</sup> However, the violence and breakdown of the rule of law that characterised Mugabe's illegal farm seizures placed considerable pressure on the South African government to adopt a tougher stance towards Mugabe.

This prompted a shift in the government's policy towards crisis containment through amplified regional diplomacy.<sup>55</sup> In this second phase, characterised by bilateral and diplomatic efforts, the Zimbabwe issue was placed on the agenda of the Southern African Development Community (SADC), with South Africa joining a task force which included Angola, Botswana, Malawi, Namibia and Mozambique to address the problem. However, the political crisis escalated following the 2002 parliamentary elections when Mugabe was declared the official winner amid strong claims by the MDC that the election had not been

free and fair, thereby reinforcing the political deadlock and pushing Zimbabwe to the brink of civil war.<sup>56</sup>

Mbeki's approach remained focused on containment and diplomatic attempts to broker a government of national unity comprising the ZANU-PF and the opposition MDC. However, both parties remained unwilling to compromise, dealing a further blow to the credibility of Mbeki's policy. Thereafter, the third phase of Mbeki's constructive engagement, which followed the presidential elections in Zimbabwe in 2002, focused on mediation between the ZANU-PF and the MDC with a view to bringing them back to the negotiating table, and working towards the establishment of a transitional government.<sup>57</sup>

Critics of South Africa's Zimbabwe policy have argued that given Zimbabwe's economic dependence on South Africa, the South African government was, and still is, ideally placed to force democratic change in Zimbabwe through, for example, imposing economic sanctions. However, throughout his presidency, Mbeki maintained that applying economic sanctions against Zimbabwe would be counterproductive because of its potentially destabilising consequences, such as a disruption of trade links, increased poverty, and a massive influx of refugees into South Africa.<sup>58</sup> Moreover, in the context of the mediation process, Mbeki was concerned that any imposition of smart sanctions against Mugabe and his close political aides would undermine negotiations towards a transitional government. Notwithstanding the imposition of smart sanctions by the EU and US against Mugabe and his close aides, it is doubtful whether they had any effect in terms of altering the brinkmanship of the Zimbabwean government or in bringing about democratic change in the country. Hany Besada and Nicky Moyo<sup>59</sup> have argued that 'sanctions adopted by the United States and the European Union have had little or no impact on the ability of the regime to maintain its hold on power and or dissuading MNCs from investing in Zimbabwe.'

Despite Mbeki's impassioned defence, South Africa's reluctance to adopt a tougher stance against the abuse of political power, human rights violations, the breakdown of the rule of law, and economic collapse in Zimbabwe has invoked widespread criticism, both domestically and internationally. Some critics have gone as far as to suggest that South Africa's policy has bordered on collaboration with Mugabe's tyrannical regime.<sup>60</sup> Others have chastised Mbeki for espousing the grand vision of an 'African Renaissance', while at the same time failing to adequately address the political and economic malaise in Zimbabwe.<sup>61</sup>

The Mbeki government's policy approach towards Zimbabwe was motivated by a number of factors, which revolved around perceptions about South Africa's role on the African continent. Mbeki's reluctance to intervene more forcefully in Zimbabwe has been influenced by a desire to dispense with South Africa's 'Big Brother' image on the continent. Similarly, the South African government has repeatedly emphasised its disinclination to impinge on the sovereign rights of any other country, insisting that it does not have the right to intervene in Zimbabwe's domestic affairs.<sup>62</sup> This policy has been in line with the SADC principle of non-interference in the internal affairs of its member states, giving credence to the view that 'SADC, indeed most African leaders, have tended to give precedence to group solidarity, forged in the cauldron of liberation politics, at the expense of democratic practice.'<sup>63</sup>

Furthermore, Mbeki has held steadfast the belief that African leaders, rather than Western powers, should resolve the problems within Africa. This belief in 'African solutions by Africans' has strongly influenced Mbeki's efforts to frame his policy towards Zimbabwe within an African context, rather than allowing Western powers to determine Zimbabwe's future.<sup>64</sup> This has also been closely linked to Mbeki's desire to reinforce South

Africa's identity as an African state in the face of accusations by some African countries that South Africa was an un-African state that acted as 'an appendage of the West'.<sup>65</sup> Seen in this light, therefore, Mbeki's approach towards Zimbabwe has been partly an attempt to shore up South Africa's African credentials.<sup>66</sup>

Another influential factor has been Mbeki's preference for multilateral, rather than unilateral, approaches to conflict resolution, which has motivated his desire for 'an intra-African multilateral approach to Zimbabwe'.<sup>67</sup> This explains why South Africa has consistently refused to act unilaterally against Zimbabwe, preferring to tackle that country's problems within a multilateral framework.<sup>68</sup> South Africa has sought to establish its position as a natural leader within such a multilateral framework. Under Mbeki's watch, the South African government has focused on establishing its position as a leader within the SADC region and on the African continent, and as a champion of the movement towards an 'African renaissance'. South Africa's leadership credentials, however, have been questioned and challenged by some regional states, particularly Angola.<sup>69</sup>

On a practical level, Mbeki's reluctance to react more forcefully to the Zimbabwe problem was motivated by a desire to prevent a civil war from erupting in Zimbabwe and the resultant surge of refugees across the South African border.<sup>70</sup> In Mbeki's view, this threat was strongly linked to ethnic tensions between the Shonas and Ndebeles in Zimbabwe. According to Mbeki, any exodus of refugees to South Africa would largely be comprised of Ndebeles who, in the view of many Shonas, run to their 'kith and kin' in South Africa for help 'whenever they come under pressure'.<sup>71</sup> In this context, Mbeki feared that any heavy-handed intervention in Zimbabwe would 'raise tensions again in Zimbabwe between the Shona and Ndebele', and could trigger a civil war in the country given what Mark Gevisser has described as 'age-old Shona sensitivities about the role in their past oppression of the giant to its south'.<sup>72</sup> In addition to these concerns, Mbeki harboured a certain degree of scepticism about the 'skittish leadership' of the opposition MDC in Zimbabwe, which was only reaffirmed by his loyalty towards Mugabe, whom he saw as a 'father' within the 'family of freedom fighters'.<sup>73</sup>

Moreover, domestic political considerations have played a central part in shaping Mbeki's policy of 'quiet diplomacy' towards Zimbabwe. Mbeki was very conscious of the potential disquiet that a forceful attack on President Mugabe's regime may engender among the supporters of the ruling African National Congress (ANC), many of whom sympathise with the attempts by the Zimbabwean government — through, for example, its land reform efforts — to rectify the social and economic imbalances of the past.<sup>74</sup> This sensitivity towards domestic black opinion, with undertones of racial solidarity, has underpinned the South African government's political justification of the strategy of constructive engagement towards Zimbabwe.<sup>75</sup>

#### **A nexus between foreign policy and commercial interests?**

The preceding section has emphasised the extent to which South Africa's policy towards Zimbabwe under Mbeki's leadership was shaped predominantly by political and ideological concerns. However, some commentators have intimated that the South African government's Zimbabwe policy has been heavily influenced by the country's economic interests in Zimbabwe.<sup>76</sup> This segment investigates this claim that commercial considerations were a central driver of South Africa's Zimbabwe policy during the Mbeki presidency.

There is a strong presence of South African businesses in Zimbabwe. Up to 60% of the companies listed on the Zimbabwe Stock Exchange (ZSE) are South African and many of

South Africa's biggest firms have investments, subsidiaries and interests in Zimbabwe, with extensive business linkages on every level.<sup>77</sup> As many as 27 of South Africa's 40 largest companies currently operate in Zimbabwe, with a particularly strong presence in the country's mining and financial services sectors: Old Mutual is the largest company on the ZSE with nearly one fifth of the exchange's market capitalisation index; more than 90% of Zimbabwe's platinum mines are owned or part-owned by South African companies; and 60% of Zimbabwe's formal sector gold mines are owned by the South African firm, Metallon Gold.<sup>78</sup> South African firms also account for a large share of employment in Zimbabwe, employing approximately 20 000 people.<sup>79</sup>

The extent of South Africa's economic involvement in Zimbabwe is underlined by the fact that South Africa's share of Zimbabwe's total imports has more than doubled in the last decade, reaching 40%.<sup>80</sup> In turn, Zimbabwe currently represents the third biggest market for South African exports on the African continent, having only recently been eclipsed as South Africa's biggest African trade partner by Zambia and Mozambique in 2007 (see Table 1). Indeed, despite the economic crisis in Zimbabwe, exports to Zimbabwe still account for a sizeable portion of South Africa's export base — totalling R8.5 billion in 2007.<sup>81</sup>

Nevertheless, the political and economic crises in Zimbabwe have only served to heighten Zimbabwe's economic dependence on South Africa, its biggest trading partner. This is illustrated by, among other things, the substantial debts that Zimbabwe's ailing parastatals have incurred in South Africa: 'At the end of 2002, an estimated R60 million was owed to Telkom, R80 million to Eskom, R75 million to the [South African] Reserve Bank, R55 million to Transnet, more than R75 million to the fuel sector and about R120 million to other companies.'<sup>82</sup> Moreover, given Zimbabwe's dire economic situation, and widespread shortages of essential goods, Zimbabweans are also heavily reliant on informal cross-border trade in goods from South Africa.<sup>83</sup>

Within this context, some critics of South Africa's policy posture towards Zimbabwe have argued that it has been principally motivated by a desire to secure and expand South Africa's long-term economic interests in Zimbabwe.<sup>84</sup> In terms of this perspective, efforts to secure South Africa's economic interests in Zimbabwe have been framed through the smokescreen of 'foreign policy'.<sup>85</sup> As Dale McKinley, arguably the fiercest critic of South Africa's Zimbabwe policy, asserted:<sup>86</sup>

South Africa's foreign policy towards Zimbabwe has been, and continues to be, driven by the combined, and in this case complementary, class interests of South Africa's emergent black and traditional (white) bourgeoisie (whether located in the public and/or private sectors). Put another way, South African policy can best be understood, and explained, by critical reference to the political economy of a renewed South African sub-imperialism.

Table 1. Top 5 African markets for South African exports, 2004–2007.

Country	Export (R '000)			
	2007	2006	2005	2004
Zambia	10,084,381	7,984,927	5,441,963	4,734,809
Mozambique	9,015,890	6,240,445	6,402,557	5,077,739
Zimbabwe	8,501,124	7,410,602	7,486,859	6,182,317
Angola	5,501,653	4,739,163	3,535,751	3,116,467
Nigeria	4,833,688	4,001,100	3,391,685	2,960,113

Source: Department of Trade and Industry, Republic of South Africa.

Given such an extensive level of involvement of South African business in Zimbabwe, the potential link between South Africa's commercial interests and the government's foreign policy is intuitively appealing. Even so, despite the economic benefits that South Africa has derived from Zimbabwe's collapse, it is not clear from the available evidence that economic and commercial interests have been a primary consideration in South Africa's policy towards Zimbabwe. An assessment of a potential connection between South Africa's policy of 'quiet diplomacy' and the country's commercial interests in Zimbabwe suggests that it is inappropriate to reduce this policy to 'South African renewed sub-imperialism'.<sup>87</sup>

The view that economic interests are at the heart of the South African government's policy towards Zimbabwe is predicated on a number of false assumptions. First, it ignores the underdeveloped nature of South Africa's commercial diplomacy — the strategic co-operation between the government and the business sector in overseas markets with the intention to realise commercial goals that promote the national interest. Unlike countries such as Canada, the US and some EU member states, where commercial diplomacy has become an integral component of the foreign policy mix, the strategic representation of commercial interests in South African foreign policy remains comparatively underdeveloped.<sup>88</sup>

An integral component of an effective commercial diplomacy apparatus is the presence of a well-trained group of commercial diplomats capable of successfully pursuing a range of international commercial objectives. The complexities of the new global economy require business executives and government officials that are able to manage complex international economic relationships effectively and to navigate an intricate labyrinth of political and legal channels across borders. In the process, they negotiate agreements traversing a variety of commercial, social, environmental and domestic issues.<sup>89</sup> To be sure, the practice of commercial diplomacy requires a network of commercial diplomats possessing a mix of specialised knowledge and skills that include an ability to negotiate and develop integrated negotiating strategies, extensive knowledge of foreign languages and cultures, an ability to navigate around the complex administrative, legal and political procedures of other countries, widespread knowledge of dispute settlement procedures, and an ability to work with a diverse range of governments and individuals in order to further specific commercial and investment objectives.<sup>90</sup> At this stage, South Africa simply does not possess a fully developed commercial diplomacy apparatus that can adequately deal with these complexities.

Second, this viewpoint wrongly assumes the existence of a symbiotic relationship and commonality of interests between the South African state and the corporate sector. On the contrary, government–industry relations in the post-apartheid era have largely been characterised by what Mbeki described as a 'disjuncture between the political and the business leadership in our country'.<sup>91</sup> This disjuncture has been exemplified by, for example, the bitter clashes between the Mbeki administration and South African multinational companies such as Anglo-American, Sasol and Barloworld. Relations between the South African government and Anglo-American became strained over comments made in 2004 by the company's chief executive officer, Tony Trahar, that South Africa still had 'political risk'. The relationship between the South African government and Sasol soured following a submission by Sasol to the US's Securities and Exchange Commission identifying black economic empowerment as a 'business risk' and over the government's concern about the 'slow pace of transformation' at Sasol. Similarly, relations between the South African government and Barloworld deteriorated amid criticism over the company's failure to transform the demographic profile of its senior management echelon.<sup>92</sup> Although the business community — represented by Business Unity South Africa (BUSA), the voice of

organised business — has tended to throw its weight behind the South African government's policy of 'quiet diplomacy' towards Zimbabwe, it has espoused a tougher stance against the political and human rights abuses, economic decline and general breakdown of the rule of law in Zimbabwe.<sup>93</sup>

Third, such a view underplays the differences of opinion within the South African state apparatus, and between the ruling ANC and its tripartite alliance partners — the Congress of South African Trade Unions (COSATU) and the South African Communist Party (SACP) — regarding the correct policy approach towards Zimbabwe. For example, the Governor of the Reserve Bank, Tito Mboweni, has previously differed sharply with Mbeki over Zimbabwe and has drawn attention to the harmful effects of the country's economic meltdown on the regional economy.<sup>94</sup> Similarly, COSATU and the SACP have openly criticised the Mugabe regime.<sup>95</sup> This divergence from official government policy has exposed divisions within the government and the ruling tripartite coalition on the Zimbabwe issue.

Fourth, this view assumes that the expansion of South African businesses into Zimbabwe has occurred at the behest of the South African state. This ignores the fact that exploitation by the South African corporate sector of the emergent conditions in Zimbabwe has been mainly a consequence of South African companies using their relative competitive advantages — underpinned by superior access to human and physical capital and technology and advanced public infrastructure — to capitalise on economic opportunities that the country has to offer. This has been in keeping with South Africa's economic foray into the wider African continent to take advantage of commercial opportunities spawned by globalisation, regional integration, as well as political and economic reforms implemented by individual governments.<sup>96</sup>

Additionally, despite Zimbabwe's parlous economic situation, the similarities in social and business cultures in South Africa and Zimbabwe, the close proximity of the Zimbabwean market to South African firms, and the central location of Zimbabwe in the Southern African region still make Zimbabwe an attractive foreign market for South African firms.<sup>97</sup> Consequently, many South African companies have continued to operate — some at a huge financial loss — in Zimbabwe in anticipation of exploiting potential business prospects that may arise from an eventual political and economic recovery in the country.<sup>98</sup>

These factors call into question the assertion that commercial interests have been a central propeller of South Africa's policy towards Zimbabwe. Nonetheless, it is clear that South Africa has not hesitated to capitalise on economic opportunities arising from Zimbabwe's economic and political collapse. In particular, South African businesses have exploited the conditions in Zimbabwe and the resultant business opportunities that have emerged from the political and economic turmoil in order to bolster their profits. For instance, some mining and industrial groups have invested in assets in Zimbabwe at 'bargain basement' prices; while South African banks have supplied Zimbabwe with loans to purchase imports of products — such as fuel, electricity and food, of which there are dire shortages as a result of the collapse of the Zimbabwean economy — from South African companies and the state.

This has not only provided a captive export market for South African companies, but the Zimbabwean government has been forced to offer government assets as collateral to the banks providing the loans, and it is required to repay these loans at high interest rates, thereby providing a lucrative source of revenue for the South African banks.<sup>99</sup> On a macroeconomic level, South Africa has also secured some gains from Zimbabwe's decline. The country has gained market share in the tourism and services sectors, while also

benefiting from the immigration of scarce black skills from Zimbabwe in key sectors such as health, education, banking and engineering.<sup>100</sup>

### **Conclusion**

This article has analysed the degree to which South Africa's policy towards Zimbabwe during the Mbeki presidency was shaped by economic and commercial considerations. Contrary to the assertions of critics of South Africa's policy towards Zimbabwe, the research found no clear evidence that commercial interests have been a principal consideration in Pretoria's policy towards Harare under the Mbeki administration. On the contrary, the article concluded that the Mbeki government's policy of 'quiet diplomacy' towards Zimbabwe was not primarily shaped by economic objectives, but political and ideological concerns that included: a desire to dispense with South Africa's 'Big Brother' image on the continent; a steadfast belief that African leaders, rather than Western powers, should resolve Africa's problems; a desire to reinforce South Africa's identity as an African state; a preference for an intra-African multilateral approach to Zimbabwe; a desire to prevent a civil war from erupting in Zimbabwe; and South Africa's domestic political sensitivities. Even so, South African companies have exploited the commercial opportunities that have arisen from the political and economic turmoil in Zimbabwe.

Looking ahead, the stabilisation of the political environment in Zimbabwe is likely to be accompanied by increased South African investment in the country. Already, the Zimbabwean government has been actively exhorting South African firms to contribute towards the rehabilitation of Zimbabwe's economy by investing in sectors such as agriculture, mining, manufacturing, tourism, transport and information technology.<sup>101</sup> Responding to Harare's overtures, a 22 member South African business delegation visited Zimbabwe in early April 2009 to assess the investment climate, with BUSA's chief executive officer, Jerry Vilakazi, declaring after the visit that 'we are convinced this is the right time to invest in Zimbabwe'.<sup>102</sup>

As the largest regional economy, as well as principal sponsor of Zimbabwe's power-sharing agreement, South Africa is well-positioned to spearhead the SADC's efforts to garner financial support to kick-start the country's economic recovery.<sup>103</sup> In the foreseeable future, therefore, South Africa's foreign policy posture towards Zimbabwe is likely to focus on aiding the country's economic reconstruction efforts by, among other things, providing financial<sup>104</sup> and humanitarian aid as well as mobilising global economic assistance for Zimbabwe. However, this level of commitment from Pretoria will be contingent on the ability of ZANU-PF and the MDC to make the fragile unity government work.

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