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South African Corporations and post-Apartheid Expansion in Africa – creating a new regional space

The defeat of Apartheid in 1994 liberated not only South Africa’s internal political processes but also its economic relations with neighbouring countries in the Southern African Development Community (SADC). A key outcome was the surge of South African capital northward after years of dampened large scale investment because of legal sanction and more informal regulation. By the early 2000s, South African mining and industrial corporations, financial institutions and even some medium-sized enterprises have once again asserted their role as a dominant force in the SADC region. South Africa’s economic expansion is sometimes portrayed as a one-way process, where local environments and communities are passive recipients of South African-led interventions. But evidence increasingly suggests that penetration of the region is highly contested by host countries, and sometimes actively and effectively resisted at local level. In other words, elements of both ‘sub-imperialism’ and local subversion are at play.

The region’s foundational economic structures have been reshaped by South African-led regional economic ‘integration’ against the backdrop of globalisation, neoliberal reforms and the local policy rendering of the Washington Consensus, the New Partnership for Africa’s Development (NEPAD). Yet the precise direction and implications of this process remain unclear for South Africa, the investment-receiving countries and the economic coherence of the SADC bloc as a whole.

In this context, the prevailing depiction of South African domination over African countries who are host to South African corporate expansion by the powerhouses of Gauteng (the industrial and financial heartland of South Africa) does not always capture the diversity of Foreign Direct Investment (FDI) experiences nor the lessons for strategic challenges which flow from them. From protests over flawed privatisations in Tanzania, to the defensive posturing of ruling party ‘indigenisation’ policies in Zimbabwe, to consumer and local producer resistance to the imposition of South African commodities on regional markets, communities, workers, businesses and government officials in host countries are developing responses to discipline incoming capital and challenge South African corporates around issues of local benefit and accountability.

The success and extent of these efforts vary widely and reflect the diverse configuration of power and weakness in class politics in the region. In all cases, the contradictory impact of new capital flows is clear, as is the impetus within host countries to respond to the changing terrain. The growing presence of China as a trade and investment partner in Africa, and the rapidly diminishing credibility of neoliberal economic policies are changing the scope of the politics of the possible in Southern Africa. Understanding how internal class contestations in African countries that are
host to foreign investors is crucial for an analysis of how both South African companies and regional relations more generally are being reconfigured by local challenges and responses.

A potent mix of factors led to the explosive growth of northward investment after 1994. While the end of apartheid political and economic isolation brought down important barriers to capital flows, higher home production costs and stagnant profit margins in a saturated domestic market provided incentives for producers and traders to move across borders. The neoliberalised and deregulated consumer and labour markets found in SADC, though smaller in size and diversity than their South African counterpart, offered the promise of lower competition and higher returns – ranging from 30-60 percent said some reports, compared to typical South African rates of 14-20 percent. Marginal production costs founded on appalling wage and benefits packages were also a strong pull factor. In the regional agricultural sector, for example, sugar producing companies like Illovo and Tongaat Hulett identified low-cost production opportunities and moved rapidly to clinch privatisation deals.

Foreign currency and follow-on investment also emerged as important factors. Regional profits could be realised in foreign currency, and flexible repatriation conditions often meant these could be retained outside South Africa. For retailers and service providers, this presented the opportunity of transforming substantial South African Rand-denominated production costs into US dollar income, at healthy profit rates, while retaining flexibility over the investment parking of that income. According to some observers in the region, it also enabled South African business to flog uncompetitive, poor quality or otherwise surplus goods and services in regional markets at unrealistically high prices, to the detriment of regional consumers.

At the same time, the introduction of lease-hire schemes into poorer urban and peri-urban areas across the region wrenched open new and profitable markets for low-end consumer goods. Here, highly skewed regional consumer credit schemes, in tandem with high inventories of devalued goods in South Africa, were key. Lusaka, seen by many South African businesses as a typical regional city, became a testing ground of sorts: the first new big South African-modelled malls, retail chains, food and entertainment franchises were established there, and their performance was monitored closely and used to extrapolate operational models for elsewhere.

Regional governments also played a role in creating space for the South African invasion. Pressured by the World Bank, IMF, donors and, increasingly, by a neoliberalising South African state, SADC governments led restructuring in the form of privatisation, reformed investment regulations and finance markets. They opened new large terrains to private sector speculation that had previously been closed by parastatal-dominated monopolies. Opportunities emerged in areas such as mining, banking and insurance, telecommunications, agriculture and dairy, transport (railways, airlines and ports), and utilities.

The South African government also directly facilitated capital outflows to the region. In March 1997 it initiated the relaxation of exchange controls for investments into the region and further offshore, with preferential terms given for the former. Regional investment limits were increased in subsequent years as other financial restrictions and tax disincentives were diminished. By 2004, South African firms were
allowed to invest up to R2 billion *per project* in Africa (half that for outside Africa), dramatically up from a lowly R50 million in 1997.2

The ANC government was clearly responding to a shifting reality on the ground encountered by its own transnational corporations: a significant number of South African transnationals were becoming increasingly dependent on offshore assets and income for their overall viability. By 2002, mining house AngloGold Ashanti and telecommunications player MTN each derived more than half of their group worth from their African activities.3 Other companies showed similar levels of exposure to—and gain from—the region.

Meanwhile, a regional peace dividend also surfaced in the business sector. This was especially important for mining, where the cessation of conflict in Mozambique and Namibia enabled the launching of exploration using modern techniques. There was also new and substantial exploration in Tanzania, Zambia and Zimbabwe fuelled by liberalised investment regimes and rising commodity prices. Telecoms, transport and energy distribution reconstruction also benefited.

**An old player resurfaces**

Although South African capital has been active in neighbouring countries since the first scramble for Africa in the late 1800s, its offshore investment since the transition to majority rule reflects a number of critically new features. Even as the bulk of South African offshore FDI has drifted away from Africa towards developed countries—in 2005 the EU took 76 percent of South Africa’s outgoing FDI, Africa only 8.8 percent—4 the market share of South African FDI into Africa has risen, with the sector and country spread of new investments expanding rapidly. The significance of recent intra-regional FDI for host countries is underlined by the relative scarcity of new or follow-on FDI overall. While there is emerging evidence that Asian and, to a lesser extent European and US investors, are developing an interest in African non-petroleum resources, new FDI expressions of interest remain limited to a few sectors. It is likely that South African investments will continue to count among the largest in the region for the medium term.

By the late 1990s South Africa had emerged as the dominant source of the SADC’s FDI, overtaking established leaders Germany, the UK, US and Japan. According to the BusinessMap Foundation, an independent investment tracking think tank, 25 percent of all dollar-denominated FDI into SADC in the decade after 1994 came from South Africa, reaching nearly 40 percent in some years.5 Over this period South Africans became the top ranking foreign investors in seven neighbouring countries. At the same time, South African companies pressed further north, sometimes using SADC as a regional platform for expansion. In the late 1990s the number of companies operating offshore in Africa doubled. This invasion was spearheaded by larger companies: according to one survey, 34 of the top companies listed on the Johannesburg Stock Exchange made 232 investments in 27 African countries in the first decade after apartheid.6

South African private investors were joined by public companies and government-controlled development agencies, and soon consolidated a significant presence continent-wide in a range of key industrial, financial, agricultural and services sectors. By 2004, some estimated South Africa had become the second-largest source of FDI in
the whole of the continent, anchored by neighbourhood operations that continued to absorb 80 percent of the country’s offshore African investments.” Loan finance and portfolio (stock market) investment into the region also rose.

In SADC, South African companies moved steadily beyond traditional sectors like mining and minerals processing. While the latter still accounted for the largest overall investments, there was significant new FDI into banking, telecoms, retail, tourism and other areas.

The major South African banks each opened or substantially expanded operations in the region, partly in response to the extended cross border activities of larger South African corporates, and typically in competition with established international regional players Barclays and Standard Chartered. By the early 2000s most SADC countries were host to at least one South African retailing or merchant bank, and follow-on investments were in progress.

Telecoms FDI into the region was even more explosive, fuelled by rapid sector deregulation, woefully inadequate fixed line infrastructures, very high unmet demand and ease of installation. A massive regional investment programme led by junior South African player MTN was followed by local market competitor Vodacom. Strategic partnerships with international and regional players saw South African telecom companies spread their operating footprint as far as the huge and lucrative West African market and beyond into the Middle East. By 2006, telecoms surged temporarily into the lead position among South African FDI into the continent, reaching about R17 billion overall, on the back of continuing consumer demand and comparatively high rates of profit from non-South African sources.

Retail and tourism brands – from supermarkets and clothing stores; to electronic goods distributors, cinema complexes and fast food franchises; to hotel chains, safari companies and airlines – have increasingly served as icons of South African business expansion on the ground in SADC. While their widespread presence is not matched by their overall FDI dollar value, their market significance and impact have been profound. New retail and tourist ventures have often displaced (and sometimes absorbed) the activities of local market players, while providing vertically structured commodity chains for South African producers in the region. The upmarket Woolworths franchise represented one example of this combined effect: its local franchisees paid in foreign currency for licensing rights and standard branding fixtures, and were compelled to purchase the bulk of retail stock directly from Woolworth’s South African inventory catalogue. In this way risk was transferred into the region and South African supply chains were privileged.

Multi-country investments in several sectors afforded transnationals a competitive edge in single country markets, in terms not only of production and marketing economies of scale but also of brand recognition, transportability of clients and intra-firm management of assets. For example, the South African transnationals could boast a scope and reach of services beyond the reach of single-country players in the coordination of mobile phone network connectivity, cross-border banking access or inter-country transferable insurance schemes. Standard Bank’s local presence in 17 African countries, including 10 SADC neighbours, provided clear advantages that were replicated by many other firms.
Trade imbalances between South Africa and the region also helped consolidate this competitive advantage. This imbalance was 9:1 in South Africa’s favour by the early 2000s (and 5:1 with Africa overall). This skewed trade pattern was strengthened by the regional expansion of vertically-integrated South African retailing chains that competed directly with local retailers and producers. Shoprite, for example, reportedly contributed R2 billion to South African exports by the early 2000s through its sourcing of retail inputs from its home base.

In some instances, such as the Mozal aluminium plant outside Maputo, Mozambique, it is likely that increased FDI helped to deepen the existing trade imbalance by fuelling higher levels of capital and consumable imports needed to service the new investment.

Sub-imperialism or subverted power?

With the settling-in of new FDI in the late 1990s, new questions surfaced about its longer term impact on local economic sovereignty and business development. Many saw recent investments as predatory, displacing existing local enterprises and production through a mix of aggressive and unfair intra-firm trade, pressurized merger and acquisition bids, politically-leveraged access to large scale privatisations and cheap financing from South Africa, and skills poaching. The unemployment effects, service disruptions and costs, national revenue shortfalls and diminished local accountability of FDI operators became glaringly apparent, and the subject of increasing public scrutiny.

In South Africa and SADC there is wide-ranging debate among government, business, labour and local communities about the aims, benefits and long term implications of the changing patterns of regional investment. There is similar diversity in the kinds of practical local level responses to that FDI which has taken root. Both are changing the context and to some extent the terms, of South Africa’s evolving economic relationship with the region.

One view situates South African FDI within the broader dynamics of neoliberal globalisation, and sees the northward push by Pretoria and South African capital as part of the recolonisation of SADC and the continent by western dominated interests. Here, South Africa acts as an active proxy for international capital, multilateral financial institutions and governments, helping to soften legal and political resistance to foreign capital, and open up access to extractive resources, business and consumer markets. The ANC government’s championing of NEPAD, its own trade pact with the EU and growing role within multilateral institutions, alongside its skewed bilateral trade and investment deals with neighbouring states, for example, are cited as evidence of a new sub-imperialism, orchestrated from Pretoria for the benefit of South African and international capital.

In this view, new FDI is seen mostly as negative: parasitic, opportunistic, displacing of local capacity and employment, and resulting in profits going to South Africa or overseas, rather than to host country markets. And the ‘African Renaissance’ – heralded by the ANC government in the late 1990s and enthusiastically endorsed by northward-looking South African corporations – becomes an ideological excuse for white business’s return to its former colonial-era stomping grounds.
Others portray northward FDI in less negative, although not unambiguously positive, terms for both sides of the border. They cite the relative neglect of African consumer and services markets by non-African FDI, the perilous state of capital-starved regional infrastructure, and the benefits of investments that are more exposed to regional consumer, economic and political leverage due to their local regional roots. The shared conclusion is that growing interdependence, however uneven, among key southern African regional economies is likely, even if the political implications for regional integration are less certain.

But parallel to these debates, local businesses, labour, communities and policy makers are developing new ways of dealing with – and ‘disciplining’ – incoming capital. While the power of new FDI in the region is displayed in national accounts, diminished workforces and in the changing street-level profile of commercial districts, malls and products, the residual power of host country interests is also increasingly evident. The unilateral power of intra-regional FDI is being challenged, raising important questions about the potential for and future shape of SADC as an integrated economic region. Witness Zambia: it was among the first countries in the region to decisively (if disastrously) implement neoliberal reforms leading to large scale privatisations in which South African firms featured prominently. But it has also been an incubator for multiple forms of resistance aimed at changing the terms of local engagement with FDI, and challenging, more broadly, neoliberalism’s established models of local development.

**Zambia: Privatisation and popular responses**

Privatisation began in earnest in Zambia in the mid 1990s, with key components of the parastatals sector put on the block for sale. In all, more than 250 enterprises representing more than 85 percent of the Zambian economy were sold. These included not only the state-run mining sector, but also agricultural operations, transport and electricity grids, national retail chains, banks, hotels and game parks. South African investors would play a central role in the bidding, amid widespread allegations of corruption and bribery, insider trading and mounting pressure for a quickening of sales by the IMF, World Bank and other donors.

The profoundly negative impacts of privatisation soon followed: spiralling unemployment and reduced security of employment, asset stripping, declining production, and increasingly secretive policy making and implementation by government.

The disaggregation and subsequent sale of the massive state-owned Zambia Consolidated Copper Mines (ZCCM) was the centrepiece of government’s privatisation programme in the late 1990s. However, it was not long before protests from local communities surfaced around the terms of sale, including the shedding of social assets and responsibilities like pension benefits, housing, health care and schools by the new mine owners. While this kind of resistance was repressed, sometimes violently, by the state, a new culture of civic resistance and demands for accountability slowly took root.

Today, there is widespread popular debate in the civic movement, trade unions and political parties about the consequences of the 1990s neoliberal reforms and the mistakes associated with privatisation. There have also been practically-oriented
forms of resistance that have resulted in creeping concessions from foreign investors to Zambian businesses, workers and communities. The privatisation of the national grocery chain and its takeover by South Africa’s Shoprite is one such example; Zambia’s privatised dairy sector, in which the new South African owners came under pressure to demonstrate local responsibility and ‘embeddedness’, is another example, both of which will be examined in more detail in the articles of this series.

While Zambia’s recent experience of FDI has been characterized by the familiar negative features of diminished control and unfulfilled expectations, current popular and business responses, and increasingly, political party ones as well, reflect a concern with finding strategic ways forward. In particular, there is growing recognition of the vulnerability of foreign enterprises to local business, consumer and political pressure. There are strains of resurgent nationalist, anti-globalisation sentiments in all this, replete with political energy as well as alternatives that are perhaps too-narrowly focused. But it is also clear that there has been no easy sealing of any sub-imperial compact in the post-privatisation era.

Post-Apartheid Southern Africa as a new regional space

It seems appropriate to reflect on the nature of the post-Apartheid Southern African region, and we pause to make a theoretical digression at this point. We start with a brief summary of our discussion so far. Drawing on an article published by Miller (2004) in an earlier issue of the *African Sociological Review*, the contention here is that post-Apartheid Southern Africa is a new regional space opening up within Africa. South Africa’s democratisation has opened up a new era for the Southern African region. As the region’s economic powerhouse, South Africa has asserted its regional political leadership, immediately assuming a major role in the SADC and the African Union (AU), key institutions for regional economic and political collaboration. At the same time, South Africa’s huge conglomerates have initiated a new round of investment that extends beyond their traditional sectors and trading partners into areas north of Sub-Saharan Africa, including some of the largest direct foreign investment into the region. The international prestige attached to South Africa’s transition has conferred a new respectability on the region’s policies and projects. What follows analyses this territorial expansion of South African capital into Southern Africa in the post-Apartheid period. We attempt in the discussion to foreground the role of this capital in integrating the Southern African region.

Critiquing the narrow conceptual framework of regional integration, this paper attempts to foreground the role of multinational corporations as agents of regional integration. Regionalism entails social contestations over how capital accumulation proceeds in Southern Africa, both in terms of capital’s material practices and its styles of representation. Regional integration framework located within the International Relations perspective focuses on the role of states in making geographic regions cohere or fragment. Spatialised notions of geographic regions privilege a variety of social actors in regional formation. This approach draws on concepts developed in human geography that see physical space as socially contested, where regions are implicated in a ‘politics of scale’, with different social classes making claims on the post-Apartheid region. Capital accumulation in post-Apartheid Southern Africa is not a disembodied process of foreign direct investment represented in technical terms.
These flows of capital have consequences for how class politics works in this new regional space. The prevailing emphasis on regional integration is part of a global resurgence of regionalism in the 1980s. Coinciding with a neoliberal emphasis within globalisation, regionalism was tied to the goals of attracting foreign direct investment.

Meanings attached to regionalism bear the mark of global power. The supranational region today is imagined as a global gateway – an entry-point – to the ‘information highway’. The inward protectionism of earlier regionalisms was superseded by the ‘port of entry’ vision (Omae, 1995). What we imagine to be politically possible for regions reflects such dominant discourses about globalisation in which the goal of regional integration is the creation of regional havens for capital. Such supranational regions are envisaged as prisms for capturing capital. If a nation aligns itself with other countries, it has a better chance of being an economic winner, rather than a loser, stepping up the global hierarchy of nation-states (Oman, C., 1994). Through regionalism it is hoped that global competitive advantages will be enhanced (Storper, 1997: 4). The geographic region thus became a further strategy for global inclusion; an additional lever in the quest for global competitiveness.

While regions have had different hegemonic and counter-hegemonic meanings over time and space, Eurocentric concerns of regional integration in the European Union have cast a long shadow over perceptions of a new regional order today. Looking over their shoulders at the consolidation of regional power-blocs in the global order, less developed countries have been scrambling to form or revive regional institutions such as SADC and MERCOSUR, or to seek accommodation within dominant regional arrangements such as the European Community. Regionalism has become a catchword for nation-states who act as chief executives of capital. These states intervened with large amounts of money to subsidise all new private capital projects; opened up new sites of investment through privatisation; cut loose protectionist exchange controls over national currencies and industrial sectors. The disenchantment with the political capacity of the nation-state and the global turn towards regionalism as a geographic lever in global competition is echoed in the advice of the Frelimo ex-Minister of Information turned Investment Advisor that ‘the true future of the world is not Globalisation. The future of the world is regionalisation. With Frelimo we put all our faith in the nation-state. We have reached the end of the nation-state’. (Interview, Investment Advisor and ex-Frelimo Minister of Information, Maputo, August 1999).

Critiquing the statist emphasis of regional integration, this emphasis on ‘society-centred regionalism’ advances an alternative conceptual framework for regionalist analyses. The argument is that geographic spaces embody dynamic social relations that are contested by a variety of social agents. This approach insists that geographic spaces are social in nature and are formed through political contestations of competing social classes. While nation-states are key actors in these social contestations, regional formation and regional integration are by no means reducible to the actions of nation-states. Space is a contested terrain in the manufacture of consent. In a novel application of the French geographer Lefebvre, Niemann (2001) seeks to free Southern African regionalist analyses of the Eurocentric precepts of regional integration theory. Conceptualising regions as socio-spatial entities that transcend the static, statist
assumptions of traditional International Relations (IR), he argues that supra-national
regions are spaces that embody more than physical distances to be overcome.

It is my purpose in this article to challenge this discourse and, instead call for a radically
open dialogue about regionalization and the meaning of regions with a specific focus on

The consequence of state-centred analysis for regions is three-fold, argues Niemann
(ibid.). It marginalises other non-state actors and gives the state a monopoly on
relations between countries. It places emphasis on the state’s role in shaping conflict or
making contracts and it focuses on how states are integrated by means of free trade
areas, customs unions and policy coordination. This analysis of the state excludes the
spatial dimension of power relations.

Applying his revision of International Relations theory, Niemann (2001: 67-72)
provides a historical account of the production of spaces in Southern Africa since the
1800s and shows how a perception of the region as a coherent entity emerges through
particular spatial practices. Out of a physical landmass at the southern tip of the African
continent, a notion of a coherent geographic entity, a social space, emerges over time
that is intimately tied into the contests for economic control. Race formed one crucial
demarcation in representational spaces of the region, with a corresponding set of
segregated spaces of representation.

Spaces were identified by the skin colour of those who were permitted to live through
them. It was possible to read off the body of an individual whether or not that individual
was in the proper space and the pass laws in South Africa, the housing of labour in
hostels and compounds adjacent to mines and, later, manufacturing facilities all
reflected this racialization of space in southern Africa (Niemann, 2001: 74).

The bounded national entities that dominate the regional space are contradicted by the
spatial flows of commodities, people and labour that create mutual dependency
amongst the different societies within Southern Africa. There is a porosity in the
borders of the region’s countries that overflows the boundaries of nation-states and
creates a societal level of interaction. In this sense, the region is also a ‘counterspace’ to
inter-state relations.

We can therefore imagine regions not only as spatial constructs which facilitate the
exploitation of the subcontinent; we can also imagine them as counter-spaces, as sites of
resistance to such processes. One such imagination is to think of regions as spaces of
rights (our italics) rather than spaces of flows or spaces of places. A region so
conceptualized constitutes an integrated space not because of trade flows or institutional
apparatuses but because its inhabitants share a commitment to struggle for the same
enforceable protections against abuses be they committed by states or corporations. To
conceive of regions as spaces of rights represents a direct challenge to the hegemonic
consensus of liberalism. Such efforts transcend the traditional spatial organization by
insisting that rights of persons be recognized outside and independent of the national
state. They reject the position of the state as the sole arbiter of the rights of ‘its’ citizens
and therefore create new spaces of reference (Niemann, ibid: 75).

Contesting rights has a regional dimension that is shaped by the way space is produced
and represented in the region. This entails a social process that is much wider than the
purview of state foreign policy or regional practices. Niemann’s discussion thus prises
open narrow interpretations of regionalism to ‘make space’ for social actors beyond
their position as national citizens. While Niemann’s revision represents a critical widening of the debate on regionalism, understanding the region as a ‘space of rights’ both opens up and closes down different possibilities for understanding regionalism. On the one hand, it opens up regions as social spaces that may be contested. The role of civil society as a competing regional agent and a central force for alternative regionalisms is illuminated in his discussion. Hidden dimensions of regional working class formation and the racialised contours of Southern Africa that evolve out of its systems of wage labour are elaborated historically. On the other hand, he locates this discussion back within liberal theory and the framework of ‘rights’. This political emphasis keeps the social dimensions of regional identities and perceptions opaque. The relational processes that shape regional integration still require elucidation.

Seeing regions as ‘spaces of rights’, however, ignores the spatial and scalar problems that regionalisation poses for regional identities against particularistic identities. Xenophobia, for example, may be analysed as a desperate clinging to place and locality in the face of destabilising regional and global forces. Such particularistic or place-bound identities contrast with and oppose the regional and pan-African universal claims of the African Renaissance project. Attachments to place and localities or sub-regional identities can become stronger as spatial barriers crumble and local areas are subjected to global forces in a more direct way. While global forces seem out of reach and more difficult to control, communities attach more vociferously to local places (Harvey, 1996). Extending the discussion of ‘rights’ to the spatial claims of different social classes allows for a more expansive discussion of regionalism in Southern Africa.

To expand Niemann’s (op. cit.) discussion, we represent the region as a ‘space of claims’. In the same way that globalisation is a ‘societal construct’ (Keet, 1999), regionalism and the formation of regions is a social process, entailing institutional power, a shared geographic identity, regional labour markets and always relentlessly driven by capitalist accumulation and framed by the power and command of money. Power relations are also spatialised. Who is to be integrated, how and on what basis is not simply a question of contractual regional arrangements but a question of the spatial ‘geometries of power’ (Massey, 1992). Space is produced through the constant ‘reworking of the geographies of capital circulation and accumulation’ (Swyngedouw, 2000). These changes in the spatial configurations are accompanied by changes in the scales of governance. A group of nation-states, sometimes geographically contiguous but not always, combines to form a particular geometry of power. Multilateral agreements are not simply an arithmetic agglomeration of inter-state arrangements. If South Africa is the dominant power in the region, then any regional integration arrangement will reflect this uneven geometry of regional power.

Powers of inclusion, exclusion and disciplinary power will cohere in any formal regional arrangement, irrespective of how egalitarian the terms of such an agreement might be. As social power relations reconfigure, these changes produce new meanings about a specific geographic scale, marginalising some while thrusting others onto centre stage.

Most importantly, however, these scale redefinitions alter and express changes in the geometry of social power by strengthening the power and control of some while disempowering others (Swyngedouw, in Cox, 1997: 142).
Workers in Southern Africa, for example, are devalued socially as a regional ‘cost’ rather than a regional ‘benefit’, while those engaged in regional trade and investment are eminently respectable regional agents (Mhone, 1997). Forums for discussing future regional arrangements will thus reflect the social dominance of the regional ‘insiders’. What is significant here is not that social inclusion and exclusion processes happen, but that these processes take spatial forms.

A new meaning is given to a particular social scale – the nation, the region, the global system – in line with shifts in power relations. Regions, then, are more than physical demarcations. They entail a social claim to a geographic space between the scale of the nation-state and the global system. Against the Euclidian notion of ‘space-as-container’ or space as fixed, regions are dynamic entities, not just static groups of contiguous states. Social space according to Lefebvre’s conceptual ‘triad’ is constituted by ‘the perceived, the conceived, and the lived’ (Lefebvre, 1991: 39). The foreign investment of South African companies in post-Apartheid Southern Africa can be understood as a claim on the region. Capital’s ability to command power over space and social relations is a central dimension in the way that the region is integrated, how regional power is accumulated and which regional forces are marginalised. We now turn to the regional role of South African multinationals.

South African capital has established a strong claim to the regional space of Southern Africa, both in the present and in the past. The historical geography of capital accumulation in Southern Africa has placed South African capital, through its multinational corporations, at the centre of regional accumulation processes. South African-based or South African multinational corporations have played a central role in constituting Southern Africa as a regional entity. Much of the capital flows through or from South Africa allowed part of the regional surplus to fuel South Africa’s economic development. Regional development has in many instances implied South African development in the region’s past. The regional omnipresence of South Africa as well as the integrating role of its multinational corporations is an important feature of post-Apartheid Southern Africa. South African (or South African-based) capital historically, through the agency of the multinational firm, has integrated the countries of Southern Africa in an uneven way. South Africa’s ability to command capital and labour flows in the region through these powerful multinational corporations accelerated South Africa’s economic growth, creating tremendous regional unevenness.

While invoking notions of justice, the geographic moment of spatial claims goes beyond a liberal sense of rights. Unlike the abstract universalism of rights discourses, such claims assert a definite geographic moment that give definition to the strategic political choices that competing classes elect to make at any given moment.

**Empirical Case Studies**

This special issue of the *African Sociological Review* derives from a research project that aimed to conduct a deeper theoretical and empirical analysis of South African investment in Africa in the post-Apartheid period. The articles in this special issue were the product of fieldwork conducted by a multi-disciplinary, international research team. Based at Rhodes University and the Human Sciences Research Council (HSRC), the research project examined the expansion of South African corporates in the post-
Apartheid period, comparing a range of countries and sectors. The project challenged the notion of host countries as passive recipients of South African economic intervention. The project was supported with funding from CODESRIA, Rhodes University, HSRC and the Rosa Luxemburg Foundation.

We sought to understand how internal class contestations shape the way that South African companies conduct their activities in foreign African locales. The project was based on the following hypothesis: Dynamic internal contestations shape the terms of the engagement between South African investment and the African host countries/economies. Each case study thus aimed to gather more information on the host terrain and key social classes, as well as how they positioned themselves in relation to the new South African investment. The significance of these effects was discussed in relation to the regional perceptions produced by these engagements, and the relationship between perceptions and practice for post-Apartheid regionalism in Southern Africa. A brief outline of the chapters in this special issue is provided below.

Like other countries in the Southern African Development Community, Tanzania implemented a programme of economic reforms in the last decade that was aimed at attracting foreign investors. Subsequent developments in response to the country’s liberalisation demonstrate trends that are discernible throughout the Southern African region. A deluge of South African investors took advantage of the privatisation and liberalisation of the Tanzanian economy, leading to a ‘protracted and painful national debate’ about the role of foreign investors in Tanzania, particularly the new South African presence. Beginning with an overview of the historical geography of relations between South Africa and Tanzania, Schroeder argues that South Africa has been one important factor in the shaping of Tanzanian national identity, firstly as an opposition to the Apartheid regime in South Africa, and then through the state’s attempt to rehabilitate South Africa’s image under the post-apartheid regime. With the deluge of South African investment, the recent perception amongst Tanzanians, contends Schroeder, is that ‘South Africans have taken over everything of value in the Tanzanian economy’.

While the state tries to downplay South African dominance, the negative impact of retrenchments after South African take-overs, the loss of livelihood to small scale gemstone miners, the diminishing of Tanzanian cultural symbols in favour of the assertion of South African branding and a range of controversial actions by South African firms have deepened negative perceptions of South Africa in Tanzania. While some in the Tanzanian business community welcome the South African investors as superior and competitive enterprises, the ‘perceived loss of national assets’ counters this sentiment with the contention that South Africans have benefited from the earlier developmental efforts of the Tanzanian state. This perception is especially pronounced amongst older Tanzanians who lived under the Nyerere government. Economic profits from South African investment in Tanzania do not accrue to Tanzania, and the country’s infrastructure remains in a state of disrepair. These negative perceptions are deepened by the perceived racialistic practices of South Africans and their corporations.

Miller, Nel and Hampwaye argue that the conventional thinking on South Africa in Africa, which implies an overwhelming dominance or hegemonic role of South Africa, is flawed. This, according to the authors, is because the region’s ‘geographies speak of
a region integrated since colonial times; of people who, for a long time, traversed the region with labour and goods even when Independence initiatives marked the regional territories in the SADCC. New traders follow old traders. South Africa and Africa have inter-dependent historical geographies that shaped the region then and now’. While South Africa is indeed a hegemonic power in the region and Africa more broadly, this perspective presents the region as a ‘tabula rasa’, with no sense of the internal class contestations that shape and reshape the South African presence in host countries.

What is particularly significant in their study of the retail sector in Zambia is that the generally-held view that South African firms are juggernauts that roll over local business is only partially true. They concede that while the expansion of South African retail corporations has been dominant in the region since well over a decade, local investments mimicking South African firms also show their muscle. They provide evidence of this in the retail sector in which such a big South African retailer, Shoprite, is emulated by smaller Zambian retailers who have also opened up shopping malls in Lusaka. Not only are local retailers putting up a challenge to South African retailers, the expansion of Shoprite has also been confronted with resistance from workers, farmers and even their own South African shareholders.

In fleshing this point out, the authors explore the complex relationship between race and multinational expansion in the region. The key point is that urban trading patterns in Southern Africa spread in a racially uneven way, dividing black African consumers and businessmen in mining towns and townships or ‘locations’ from white European traders and consumers in central business districts. The common element in the development of the retail sector is the colonial pattern of indigenous exclusion. During the colonial period, they note, credit extended more easily from the metropole to the European entrepreneur. With a racial municipal legislation, white-run businesses dominated the formal retail market in many African cities. The dominance manifested itself in the central business district (CBD), which expanded as settler cities grew. African businessmen were prohibited from the CBD by municipal legislation. The expansion of retailing in Africa, they argue, thus followed the racialised contours of colonial economic development. The authors illustrate this argument by looking at retailing in Zambia.

Shopping malls, they show, are a phenomenon of the liberalisation of the economy in Zambia. Based primarily in the capital of Lusaka, these malls are clones of South African malls. With few or no restrictions on foreign companies, the incentives for foreign investors were significant, which South African retailers have used to their full advantage. When Shoprite tried to sell its assets to a private equity fund, both workers and shareholders successfully resisted this restructuring. Similarly, the attempt at an economic supply arrangement between Shoprite and local producers in Chipata was not something the company actively sought out but evidence of its vulnerability to local resistance. What the authors conclude from their study is that ‘South Africa in Africa’ is more about ‘South Africa and Africa’. The current framework of analysis needs to be revised in favour of a more historically accurate, relational understanding of the region. Regional analyses need to be informed by an understanding of how various social classes at the national level reshape regional relations and contest South African hegemony.
Kenny and Mather locate their study within the sub-imperialism ‘debate’. The main organising question of their study was stated simply: ‘How are we to understand Foreign Direct Investment (FDI) by South African Companies in Zambia’s dairy chain?’ The answer that this question begs, they point out, is that South African capital is engaged in a deepening process of ‘sub-imperialism’ in the region. They took issue with this approach, arguing that an examination of the Zambian dairy sector in which South African companies have large investment, reveals otherwise. They noted that the dairy sector in Zambia is now healthier than it was between 1970s and mid-1990s when neo-colonialism impacted negatively on the economies of most African countries. In the dairy sector, government-owned dairy processing units were sold off as a consequence of privatisation. The two bidders were South African companies: Clover and Bonnita, which was later bought by Parmalat, an Italian, South African-based multinational firm. What would seem implicit in their argument is that Parmalat, other private processors and non-governmental organisations provided the condition for the sector’s revival because of their support for small-scale farmers. Indeed, the brief history of the industry they provide shows that ‘turn-around’ in the industry started with privatisation.

However, foreign investors were not able to take a strong hold of the sector because of the power of the Zambian Dairy Association which was successful in its actions to limit dairy imports (suggesting some degree of protectionism in the industry). Related to this is the fact of the nature of the industry with its two sectors: the fresh milk products (milk and yoghurt) and the processed products (butter and cheese). Larger processors are involved in both, whereas smaller ones are focused on fresh products – understandably produced with inexpensive technology. For the processors, the global shortage and high price of powdered milk means they have to source locally to produce. The prevailing presence of local producers in the Zambian dairy industry challenges the notion of the sub-imperial South African juggernaut in the region, a point further buttressed by the authors who show that South African capital and imports are not the only external factors shaping the industry because they are not the only foreign suppliers. Kenyan and Irish firms play a significant role in the industry too.

Saunders’s study of the Zimbabwean mining industry reveals the political character of South African investment in the industry. He points to the South African government’s ‘quiet diplomacy’ towards Robert Mugabe as part of an economically enabling political strategy. Saunders sees South Africa’s approach to Zimbabwe as ‘an important component of a co-ordinated strategy aimed at enabling political hegemony and economic occupation’. However, in general, foreign investment in Zimbabwe is complex and affected by ‘short-term crises and attendant market opportunities, and long term dynamics of state institutional decay, policy weakness and political vulnerability’. Saunders points out that, despite being an industry imbued with proven valuable resources of valuable commodities, capacity in infrastructure and comparatively good mining skills, significant growth in mining production has not occurred. In Saunders’s view, the Zimbabwean government is to be held accountable because it nurtured chaos. ‘Its apparent toleration if not involvement in massive corruption and its inability to provide predictable political and regulatory leadership,
only raised new questions around the role of the State and ruling party in the exploitation of national resources for public benefit.’

Saunders presents the chaos nurtured by the government in his history of the mining sector starting from the golden 1990s when there was considerable foreign investment in the sector because of the well-maintained infrastructure, skilled workforce and professionally-managed state regulatory institutions. The economic policy shift informed by the IMF-imposed structural adjustment created a climate for new mining investors and helped transfer a growing proportion of national income from working and rural communities to the strengthened business elite. South African mining firms were unperturbed by the economic and political crises in Zimbabwe. In fact, as Saunders states, they led the way in restructuring ownership in the large and medium scale mining sector.

As trade increases, so does the mobility of goods, people and information. Consequently, the intertwined processes of globalisation, the emergence of global production networks and new corporate strategies articulate a specific demand for appropriate infrastructure. The response to this has been to concentrate sufficient infrastructure in locations that are directly part of the flow. Consequently, large scale infrastructure policy at the transnational and metropolitan levels is often committed to provide and expand capacity in major nodes within the wider Global Production Networks (GPN) such as seaports and border towns with trading-hubs. Yet, such measures are increasingly limited because they involve considerable expense and occur in a contested political environment. It is within this context that Roodt’s study of the state-led investment in the Spatial Development Initiative (SDI) of the Maputo Development Corridor Maputo corridor becomes significant. He suggests that the initiative acted as a conduit in facilitating cross-border flows and created a dynamic set of social processes within Nelspruit in South Africa and Maputo in Mozambique and the respective provinces in which both cities are.

Roodt points out that the SDI between the Mozambican and South African governments emerged from an agreement in 1995 to re-establish the transport axis between Maputo and Johannesburg as part of ‘an attempt to revitalise southern Mozambique’. The SDI concept, he adds, grew to encompass a range of targeted interventions by ‘central governments, initially within South Africa, but soon extending into the whole of southern and east Africa, with the stated intention of unlocking economic potential and facilitating private investment and job creation in localised area or region’. The Maputo Development Corridor, which is his main concern provided, he argues, the political and economic framework for the flow of foreign direct investment for South Africa into Mozambique and also new opportunities for business investment by large South African companies, especially construction, retail, services and finance. The conventional thinking that, like all such initiatives, the corridor serves as a catalyst for development, is one difficult to sustain, Roodt argues. He points to all the difficulties that militate against the corridor and concludes that it failed to generate local economic development.

As Miller, et al., and Martin (below) show, South Africa is a powerful regional economy. It attracts foreign investment far more than any other country in the region. It is thus not unexpected that is serves as a launch pad for multinationals that want to invest in the region. It is this relationship that concerns Sanchez who presents a case
study of Ericsson, a Swedish multinational telecommunications firm that has a substantial operation in South Africa. Sanchez sees the political and economic developments in South Africa after 1994, and the liberalisation of the mobile phone market across Africa since 2003, as significant for Ericsson’s expansion from South Africa into other parts of the continent. Both Saunders and Sanchez highlight the introduction of legislation to bring black shareholders on board. Ericsson restructured its operations in South Africa to respond to these challenges. Under ‘the new setup the regional company – not bound by the same BBBEE (broad-based black economic empowerment) restrictions – will not invest resources and time complying with South African requirements that do not provide a direct benefit to other African business’.

While aligning their operations to comply with BBBEE requirements in South Africa, a parallel strategy is being developed for other African operations where legislation is absent or weak. South Africa is thus used as a conduit in the operation of multinationals in the continent, but local South African conditions also impact on the nature of these firms’ African operations.

What is evident in all the case studies is how South African firms are increasingly making their presence felt in Africa, an expansion that reinforces South Africa’s role as one of the fulcra around which political and economic life in Africa revolve. This point is taken up by Martin who argues that how these relationships coalesce and what their future trajectory may be, remain open questions. A salient factor is the ‘radical shift in the world economic and political order’. His concern is the ‘(1) rise of East-South relationships over North-South ones, and more specifically the demise of Europe’s and North America’s domination over Africa and (2) due to growing resistance, the end of the neo-liberal Thermidor and the emerging search for a stable, post-liberal world’. South Africa’s position in the continent within the North-South relationship, which has been seen as sub-imperial, Martin argues, was consciously constructed through state action in the interwar years.

This is a reiteration of his argument of well over a decade ago. As he posits in the present issue: ‘Creating centre-hinterland ties across southern Africa was very much a South African state-led endeavour against open, underdeveloped ties to the regional colonizer Britain on one hand, and the countervailing creation of underdeveloping relationships with colonial territories on the other’. Though South Africa is still committed to the North, a gradual re-orientation to the East is taking place. The degree of this reorientation is not as great as the reorientation of many African states to the East. For Martin, there are three long-term possibilities: a ‘Washington-Pretoria’ consensus; the ‘New Bandung Consensus’ and a ‘Peoples’ Consensus’, ‘with the policies of state and regional organisations being driven by increasingly unruly, popular discontent’.

Old models, new environments and emerging questions

In recent years, the unmistakable decline in the credibility of neoliberal development models in the Global South has been exacerbated by the growing presence of China and India as alternative trade and investment partners in Africa. This represents something of a double-edged sword: while southern alternatives for foreign development capital are now more readily accessible, it is not clear that they will be more transparent, accountable and socially responsible than recent waves of FDI; nor
is it certain that their impact on local trade and investment patterns will be any less disruptive and destabilizing.

Indeed, some suggest that the growth of Chinese trade and investment involvement in the region’s resource and industrial sectors could profoundly undermine the fragile coherence established under the current domination of South Africa, without putting in place a regionally-grounded alternative. Beyond the extractive sectors and basic processing, the fear is that there will be little regional FDI under a future trade-dominated economic regime.

All the more reason, then, to pay close attention to the experiences and positions emerging from production places, labour markets and communities of the region, as they seek to redefine the rights and limits of foreign investment on new terms.

Notes
4. UNCTAD, ibid., p. 4.
13. See a series of studies carried out under the auspices of the South African Institute for International Affairs, including Games, 2004, ‘The Experience of South African Firms
Doing Business in Africa: A Preliminary Survey and Analysis, South African Institute of International Affairs, Johannesburg; and annual reviews by South Africa’s Human Sciences Research Council, published in the State of the Nation series.


15. Mattli, 1999, surveys the various phases of integration fever in Europe. Regional integration today is more evidently regional and global reintegration.


17. See Bond, Miller and Ruiters, 2001, for how the space of regional working class formation is shaped by the region’s political economy.

References


