# COMMERCIAL DIPLOMACY ON THE AFRICAN CONTINENT: COLLABORATION BETWEEN SOUTH AFRICAN STAKEHOLDERS

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by

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## ABSTRACT

The international geo-political and economic environment is currently experiencing unprecedented change. Challenges facing South Africa's private sector include increased competition and accessing market space on the continent. In order to improve South Africa's participation in the global economy and address the complex socio-economic challenges facing the country domestically, stakeholder relations on a macro-, micro-, and meso-level need to be coordinated more strategically. DIRCO and the DTI have acknowledged the role of diplomacy in supporting the country's economic objectives and have various policies supporting their respective roles. However, a national, coordinated strategy between the numerous stakeholders conducting commercial diplomacy does not exist. Gains achieved by the private sector trading and investing on the continent have thus far been achieved despite services rendered by officials in South African missions. The current lack of collaboration between the various South African stakeholders is explored, both in literature addressing the phenomenon of commercial diplomacy as well as through twenty-five stakeholder interviews. Examples of where collaborative approaches do successfully exist between government departments and business are also provided. This is done through considering the approaches of other governments as well as business forums utilised by some missions. A thematic analysis conducted on how the various stakeholders at a macro-, micro- and meso-level view their current status of collaboration revealed both complementary and contradictory perceptions. Whereas most research findings emphasised the need expressed by business for greater collaboration and professional service from South African missions, diplomats raised the training required in specialised economic skills and the reorganisation of government structures. Areas for possible further research include commercial diplomacy on the African continent and utilising business forums as a form of stakeholder collaboration.

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## LIST OF ACRONYMS AND ABBREVIATIONS

| | |
|---|---|
| ACFTA | African Continental Free Trade Agreement |
| AGOA | Africa Growth and Opportunity Act |
| AIIB | Asian Infrastructure Investment Bank |
| AMCHAM | American Chamber of Commerce |
| ANC | African National Congress |
| APEC | Asia-Pacific Economic Cooperation |
| APP | Annual Performance Plan |
| AU | African Union |
| BBC | Black Business Council |
| BRICS | Brazil, Russia, India, China and South Africa |
| BUSA | Business Unity South Africa |
| CD | Commercial Diplomacy |
| CSR | Corporate Social Responsibility |
| CTA | Confederation of Economic Associations Mozambique |
| DBSA | Development Bank of Southern Africa |
| DHA | The Department of Home Affairs |
| DIRCO | The Department of International Relations and Cooperation |
| DTI | The Department of Trade and Industry |
| EAC | East African Community |
| ECIC | Export Credit Insurance Corporation |
| EEC | European Economic Community |
| EPAs | Economic Partnership Agreements |
| EU | European Union |
| FDI | Foreign Direct Investment |
| FER | Foreign Economic Representative |
| FOSABU | Forum of South African Businesses in Uganda |
| GCI | Global Competitiveness Index |
| GCR | Global Competitive Report |
| GDP | Gross Domestic Product |
| IBF | India Business Forum |
| ICC | International Chamber of Commerce |
| IDC | Industrial Development Corporation |

| | |
|---|---|
| IMF | International Monetary Fund |
| INES | Integrated National Export Strategy |
| JPEC | Joint Permanent Economic Commission |
| JTC | Joint Trade Committee |
| NDB | New Development Bank |
| NDP | National Development Plan |
| NEDLAC | National Economic Development and Labour Council |
| NEPAD | New Partnership for Africa's Development |
| NGO | Non-governmental Organisation |
| NTMs | Non-Tariff Measures |
| OECD | Organisation for Economic Cooperation and Development |
| OPEC | Organisation of Oil Exporting Countries |
| OSIM | Outward Selling Investment Mission |
| RECs | Regional Economic Communities |
| SAB | South African Breweries |
| SADC | Southern African Development Community |
| SAHC | South African High Commission |
| SMME | Small, Medium and Micro Enterprises |
| SOEs | State-owned Enterprises |
| TFTA | Tripartite Free Trade Area |
| TIA | Trade and Invest Africa |
| TNCs | Trans-national Corporations |
| UIA | Uganda Investment Authority |
| UK | United Kingdom |
| UNBS | Ugandan National Bureau of Standards |
| UNESCO | United Nations Educational, Scientific and Cultural Organisation |
| URA | Uganda Revenue Authority |
| USA | United States of America |
| WB | World Bank |
| WBC | World Business Council |
| WEF | World Economic Forum |
| WESGRO | Official Tourism, Trade & Investment Promotion Agency for Cape Town and the Western Cape |
| WTO | World Trade Organisation |

# CHAPTER ONE
# INTRODUCTION

## 1.1 Background to the study

In the pursuit of its international economic objectives, South Africa operates within a globalized and rules-based trading system. However, this established economic system is being challenged by trade wars amongst the most industrialised countries; protectionist policies demonstrated by economic powers such as the United States; and nationalist sentiments expressed by African governments. The new geo-political environment unfolding is challenging long-held approaches by governments to economic policies as well as their methods of working.

Despite regional multilateral trade arrangements such as the Continental Free Trade Agreement and the Tripartite Free Trade Agreement presenting enormous possibilities to South Africa, the country faces fierce competition for market access and investment opportunities on the continent. Increased interest and investment in Africa by various countries has meant that South Africa has lost its competitive advantage in key sectors.

According to the 2017-2018 *Global Competitiveness Report* of the World Economic Forum (Schwab and Sala-i-Martín, 2017), South Africa is rated 61$^{st}$ out of 137 economies assessed. Although South Africa was considered as one of the most competitive countries in sub-Saharan Africa, and among the region's most innovative economies (39th), it had dropped 14 positions in the overall rankings (Schwab, K & Sala-i-Martín, 2017). The report further states that "political uncertainty in 2017 decreased the confidence of South African business leaders" (Schwab, K & Sala-i-Martín, 2017: 34), with the country's institutional environment also declining in its ranking to 76$^{th}$ globally.

Domestically, pressure has been placed on the government to advance inclusive economic growth so as to address the socio-economic needs of its citizens, especially poverty and unemployment. In order to address these economic challenges both internationally and domestically, academics, economists and policy makers have acknowledged that South Africa needs to diversify and grow its economy through improving its manufacturing sector and expanding its international exports and investment. This has been addressed in numerous policy documents of the government, including the *White Paper on Foreign Policy* (2011), the country's overarching *National Development Plan* (2012), and the *Industrial Policy Action Plan* (2017-18). The Department of International Relations and Cooperation (DIRCO) has prioritized commercial diplomacy in order to support South Africa's trade and investment objectives. Through its global presence in 126 missions, DIRCO's commercial diplomacy activities include public diplomacy at trade and tourism fairs; facilitating trade and investment linkages; gathering economic intelligence; and facilitating business travel.

Despite DIRCO being the national custodian of foreign policy, the environment and organisational structures within which diplomacy operates is changing. Besides states, numerous new stakeholders [1] are conducting economic relations internationally. The traditional notion of diplomacy is thus shifting from an exclusive "club" to a "network" (Cooper, Heine & Thakur, 2013). The environment within which commercial diplomacy operates has therefore become complex in that it has numerous variables that influence its success. These variables include the various stakeholders from both the public and private sector with whom the commercial diplomat interacts; the different economic and political environments influencing outcomes, both bilaterally and multilaterally; and the various interests of the different stakeholders.

Unfortunately, the relationship between the various South African stakeholders conducting commercial diplomacy has not been effectively coordinated to maximize their contribution towards South Africa's economic growth and development. Instead, relationships have been characterized by ad hoc engagements between various stakeholders. Within government, the lack of an integrated and overarching economic strategy between key departments conducting commercial diplomacy, as well as territorial claims to knowledge and expertise have not augured well for South Africa

[1] National and provincial departments; local government; parastatals; financial institutions; export and import councils; investment and promotion agencies; chambers and associations of business; Transnational Corporations; and Non-governmental organisations.

attaining its economic objectives. Furthermore, relations between government and business have been characterized by high levels of mistrust, with a tendency by the private sector to separate its profit-driven interests from the government's developmental goals.

Countries whose foreign ministries have developed strategic frameworks, clearly depicting a coherent, national agenda of what they hope to achieve through their commercial diplomacy efforts, are registering success on the continent. These countries, including Sweden, The Netherlands, China, Israel, Turkey, Rwanda and Morocco, are unambiguous in their support of their business sector, thereby acquiring trade and investment opportunities for their companies. Various stakeholders have called for a similar, long-term strategic approach towards South Africa's economic objectives in Africa. In order to improve South Africa's participation in the global economy and achieve the country's economic objectives, new and innovative policies, structures and methods of collaboration are required amongst all stakeholders.

## 1.2 Research question and objectives

South Africa's need to use economic and commercial diplomacy more effectively has been highlighted in policy documents mentioned earlier. Whilst key departments implementing commercial diplomacy (DIRCO and the DTI) have their individual policies and strategies, limited collaboration has taken place between them. Furthermore, existing policies need to be adapted to the current geo-political environment unfolding. Whilst previously not requiring assistance from the government in achieving economic growth on the continent, current challenges facing South African companies mean that they require increased support from government.

The need for increased interaction between all stakeholders, which leverages on the competencies of all stakeholders, will be explored in this study. The research question to be addressed during the study is, *"Whilst pursuing the country's economic objectives on the continent since 1994, why has collaboration between all South African stakeholders remained elusive?"*

The research conducted to answer this question has been supported by two objectives, i.e. *to examine the lack of cooperation between stakeholders exploring economic opportunities on the continent; and a need to explore whether stakeholders in government and business consider a more coordinated approach as beneficial to both their individual and collective interests and objectives.*

The units of analysis in the research are the various South African stakeholders pursuing their commercial activities on the African continent from 1994 to 2018. These stakeholders are from government and the private sector and they will be subjected to various levels of analysis, i.e. the research will address relations within and between government departments (macro-level); relations between government and businesspersons (micro-level); and relations between business entities themselves (meso-level).

## 1.3 Research and methodological approach

This research is a qualitative study that considers commercial diplomacy policies and activities conducted by South African stakeholders both in the public and private sector. Besides the personal experience of the researcher conducting the activities of a commercial diplomat, various methods were used to triangulate the data. The three methods included a literature review on the phenomenon of commercial diplomacy; a discussion based on a professional experience establishing a South African Business Forum in Uganda as an example of public-private collaboration; and semi-structured interviews with stakeholders who have all conducted economic activities in Africa.

For the purposes of this study, a literature review using primary and secondary sources in the public domain was conducted as one of the three methods of collecting data. These sources provided useful information relevant to the conceptualisation of commercial diplomacy, as presented by academics, scholars, practitioners and policy makers.

As a practitioner in commercial diplomacy, various opinion pieces critiquing South Africa's economic diplomacy policies and activities inspired the need for research on the phenomenon of commercial diplomacy. These included articles written by authors for South African media, e.g. Prof Olivier (Business Day, 2018), as well as those published by recognized think tanks, journals, academia and institutions, e.g. Vickers and Ajulu (2008, 2014); Muller (2000) for the 15-year review on Foreign Policy; Qobo (2010) for the South African Journal of International Affairs; and Makokera (2015) for the Institute for Security Studies. All of these pieces challenged the government's current strategy and approach to commercial diplomacy.

To understand the basis for these criticisms, policy documents and position papers referring to economic diplomacy from both the ruling party and government policy documents were consulted. This included specific chapters in the *White Paper on South Africa's Foreign Policy* (2011) and the *National Development Plan* (2012); numerous policy and working documents from the DTI, including the *Annual Performance Plan 2017/18* and the *Integrated National Export Strategy*.

To gain a broader understanding of how international academics and practitioners view commercial diplomacy compared to these South African authors, numerous discussion papers were consulted, e.g. Rose (2005), Naray (2008, 2011, 2015) and Visser (2017); and Baine and Woolcock's recognized work on economic diplomacy (2003, 2007). Furthermore, seminal journals such as The Hague Journal of Diplomacy and The International Trade Journal provided recent research papers that have been published specifically on commercial diplomacy.

Finally, strategic documents written by other foreign ministries outlining their government's strategy on commercial diplomacy were also consulted, e.g. Danish, Dutch, Australian and Canadian Foreign Ministry. This information is readily available on the government websites of foreign ministries.

Various sources on methodology were also consulted, in particular passages published in SAGE Research Methods. These sources were utilized to establish the methodology and design of the research; the selection of literature and interview samples; methods of conducting interviews; and the methods of collating, reducing and analysing the data.

During the literature review, various gaps that still exist in research were highlighted.

Former studies have concentrated predominantly on systemic issues, including the value and roles of commercial diplomats. In contrast, this research will concentrate on the macro-, micro-, and meso-level relations between the various stakeholders conducting commercial diplomacy, i.e. government-to-government, government-to-business and business-to-business relations. Whereas the systemic research conducted focuses on the normative commercial diplomat and the institution within which he/she operates, the approach in this research is to consider the broader relations between various South African stakeholders conducting commercial diplomacy and their interactions with those requiring their services. The review furthermore established that more research is required from an African perspective, as European authors have written most of the literature on commercial diplomacy.

With regard to the interviews, the sample size was initially estimated at 20 interviews with a specific strategy to focus on "depth of investigation rather than a breadth of coverage" (Emmel, 2014: 5). However, 25 interviews were ultimately conducted during the course of the research. Samples were deliberately selected from two strata, i.e. the public and private sector. In order to gain detailed, rich information from participants regarding stakeholder relations and their experiences with collaboration, certain criteria were employed for the purposive sampling. These criteria included officials in government that have conducted commercial diplomacy on the continent; businesses that have operated on the continent and have been in need of the services of commercial diplomats; officials that draft political and economic policies or strategies; and officials who are actively involved in promoting South Africa's economic interests. The interviewees were thus government officials from DIRCO and the DTI (14); CEOs of business (TNCs, SMMEs and business chambers: 8); Country Managers of state-owned enterprises (SOEs: 2); and a representative from Brand South Africa (1).

Interview schedules (attached as Annexures G and H) were developed for the two strata. This was to ensure that a guideline existed for all interviews. The interviews were semi-structured, with open-ended questions to ensure that interviewees spoke freely. All interviews were recorded, transcribed and then reviewed, with qualitative data provided by the interviewees responding to open-ended questions. Interviewees were informed that the objective of the interview was to elicit their personal opinions, perceptions and experiences regarding the relations they had with other stakeholders. Interviewees each provided diverse and important information that contrasting and complementary.

Inductive, interpretative and iterative methods were utilised to compare what has already been written on commercial diplomacy to that which is currently being practiced by South Africa’s diplomats. Each of these processes assisted in ensuring that the outcome of the study was well constructed; transparent in presenting the data; self-correcting any bias that existed and providing credibility to the outcome of the research.

The data collected during the study was interpreted through the following three phases, i.e. data reduction, data reorganisation and data representation (Roulston, Sage, 2013). For data reduction, similarities and dissimilarities between data from different strata were identified; similar, recurring themes within current literature on commercial diplomacy was identified; and data that was not relevant for the purposes of this study was subsequently eliminated. Upon conclusion of the interviews, complementary and contradictory perceptions raised by the various stakeholders regarding the reoccurring themes were collated. In conclusion, the four key findings of the study are presented based on the data obtained throughout the study.

Recognition is given to the possibility that this study has elements of bias and subjectivity embedded within it. This is due to the fact that it is informed by the researcher’s experiential knowledge attained whilst working in DIRCO since 1993, and more specifically as a diplomat in Mozambique (2006-2010) and Uganda (2013-2017). Maxwell (2008) relates personal experience to research as being able to provide valuable insights. However, he cautions that this is “not a license to impose your assumptions and values uncritically on the research”. Maxwell (2008) further quotes the definition of critical subjectivity as “a quality of awareness in which we do not suppress our primary experience, nor do we allow ourselves to be swept away and overwhelmed by it; rather we raise it to consciousness and use it as part of the inquiry process” (Maxwell, 2008:225). To ensure objectivity, personal work experience was supplemented by the data obtained from literature on commercial diplomacy as well as the interviews with stakeholders.

The philosophical paradigm which guided the research as well as the methodology has been one of pragmatic constructivism – a combination of both the pragmatic and constructivist worldviews. Whereas constructivist researchers construct their own understanding and knowledge of the world through experiencing things and reflecting on those experiences, pragmatic researchers attempt to find solutions to problems. This paradigm, utilised by Peter Knoepful (2006) in a public policy analysis and by Sharan Merriam (1998) in her qualitative research on education, emphasises the role of actors in the construction of organised reality and most commonly uses case studies and interviews as the form of qualitative data collection (Merriam, 1998). Knoepful proposes that policies should be approached as essentially intellectual constructions (Knoepful, 2006). As the researcher is a civil servant, recognition is given to the need for government to regularly question and critically analyse policies and strategies to establish whether they are still appropriate within the dynamically changing geo-political and socio-economic environment within which they are utilised. At present, little cohesion exists between the current policies and activities of national departments and the requirements of the business persons. This lack of alignment is as a result of minimal collaboration between stakeholders in developing new approaches to achieve their economic objectives.

## 1.4 Ethical considerations

Whilst conducting the research, data obtained from literature sources was referenced and authors cited. This was to ensure that former research undertaken on commercial diplomacy was acknowledged and not plagiarised. Care was also taken to ensure that only government documents available in the public domain were utilised, as determined by the national information security policy approved by Cabinet on 4 December 1996, namely the Minimum Information and Security Standards (MISS)

In terms of the interviews, all interviewees were provided with the University of Pretoria's informed consent forms detailing the introduction and background to the study; the objectives of the research; as well as the individual informed consent forms for signature. Interviewees were informed that their participation was on a voluntary basis and that, should they so wish, they could remain anonymous or withdraw from the interview at any time. Many of the interviewees indicated their wish to remain anonymous and were therefore interviewed in their private capacity. Where interviewees indicated that their remarks could be mentioned in the study, direct quotations from interview transcripts were utilised. No physical discomfort occurred during the interview; and there was no invasion of privacy or any threat to the dignity of the interviewees. Approval was granted from the Department of International Relations and Cooperation (DIRCO) to conduct the interviews with government employees on the basis that confidential information was not utilised.

## 1.5 Limitations of the research

This research provides a chapter on the collaboration witnessed between government and business in the Forum of South African Businesses in Uganda (FOSABU). Various South African missions have utilised forums to enhance these stakeholder relations in Africa; however, this has not been institutionalised as a working method within the South African government. A comprehensive case study could therefore be conducted on a business forum to establish whether it is an effective method of improving collaboration between stakeholders.

Numerous governments, including South Africa, have given consideration to restructuring their government departments in order to become more cost-effective and efficient. An in-depth research on the current organisational structures within the South African government could be examined, especially in terms of aligning policies, processes, reporting lines and activities. This could include a comparative study of how other governments conduct their commercial diplomacy activities and, in particular, collaborate with other stakeholders in view of the new concept of “network diplomacy” referred to earlier. This study could be utilised to establish how the South African government could improve relations at the macro- and micro-level.

Besides the lack of research mentioned above, the conceptual framework of the research has limited reference to theory. This is addressed within the literature review as many authors are of the opinion that whereas existing theories address diplomacy from a political or economic viewpoint, they do not sufficiently explain, predict or understand the phenomenon of commercial diplomacy. The need for extending the existing theoretical framework related to commercial diplomacy is therefore included as one of the research findings.

Finally, the research was conducted within a working environment, i.e. DIRCO, with information predominantly sourced from South African diplomats and documents. The study was furthermore conducted whilst the researcher was working on a full-time basis for DIRCO. According to Costly, Elliot and Gibbs (2010), research conducted within a particular working environment could provide limitations with regard to obtaining objective, reliable and comparable assessments (Costly, Elliot and Gibbs, 2010: 179).

## 1.6 Structure of the research

The research paper consists of six chapters. The introductory chapter has provided the research question and objectives that will be addressed. Furthermore, the research approach, methodology, limitations and ethical considerations have been outlined. The objective of Chapter Two is to contextualise commercial diplomacy by explaining the concept of the phenomenon as well as the current international geo-political and economic environment within which it resides. The various stakeholders conducting commercial diplomacy, as well as their respective interests, are considered. This is especially important in view of the tensions that have existed between South African stakeholders with respect to the country's unique historical context, competing interests, and territorial claims to knowledge or expertise.

The literature review in Chapter Three is conducted to present findings from researchers as to how other governments conduct commercial diplomacy and whether the critique levelled at the South African government regarding its policies and activities is valid. This chapter also reveals some of the gaps identified in literature requiring further research and supports the need for this study in the macro-, micro- and meso-levels of relationships within commercial diplomacy. Chapter Four considers the expansion of South African companies onto the African continent and the challenges they currently face. The Forum of South African Businesses in Uganda (FOSABU) is utilised as a practical example of how government and business have attempted to collaborate more effectively to achieve their respective economic interests.

Chapter Five provides the data collected during qualitative interviews. The information and practical experiences obtained from various stakeholders (diplomats, officials and businesspersons) is presented. This assists in providing clarity on the current inter-agency relations and how stakeholder perceptions of collaboration complement or contradict each other.  Chapter Six presents the four key findings of the study, with linkages made between data collected throughout the research. Recommendations are also made for possible further research and policy formulation.

# CHAPTER TWO
# A CONTEXTUALISATION OF COMMERCIAL DIPLOMACY

## 2.1 Introduction

The primary research question of the study considers the relationship between government and business in the promotion of their respective international economic interests. In response to this, various stakeholders conducting commercial diplomacy, as well as the differences in their respective interests, will be explored. In contrast to claims by diplomats that their core duties are to focus on politically related issues (Lee & Hudson, 2004), this chapter will explain the interrelationship between politics and economics.

The difference between the overarching concept of economic diplomacy and the more specific phenomenon of commercial diplomacy will be explained. Various concepts of commercial diplomacy will be considered, with the most relevant concept applicable to this study highlighted.

Finally, the global geo-political and socio-economic system within which commercial diplomacy currently operates will be sketched.

## 2.2 The interrelationship between politics and economics

Much has been written about the current diplomatic system (Satow, 1917; Kissinger, 1994; Berridge, 2001; Rana, 2001; Fletcher, 2016) and how human societies felt the need to communicate with each other. Prior to the Westphalian state system established in 1648, expanding trade routes increased contact between communities across continents. Traces of Egyptian diplomacy date to the 14$^{th}$ century BC and knowledge of early diplomacy can be derived from the Mediterranean, China and India. Therefore, even in its earliest and crudest form, diplomacy emphasised trade and economic survival long before communities started organising themselves into political entities. Skills were required to protect and promote economic interests through the negotiation of terms and agreements on international trade (Muldoon, et al, 2005: 138; Zirovcic, 2016:1). Similar to Cardinal Richeleu's definition of diplomacy in the 17th Century as being "continuous negotiation" (Berridge, 2001), so international trade policy is as a result of continuous negotiation between states aimed at the liberalisation of trade (Dür, 2015). Moravcsik (2008) explains that states are embedded in both a domestic and international social context, each of which motivates states to engage in economic interactions that transcend borders.

Murray (2006) in his book *Reordering Diplomatic Theory* denounces the parochial distinction between politics and commerce by traditional theorists and argues that both are central to modern diplomacy (Murray, 2006:193). Lee and Hudson (2004) also challenge the dominant view and conceptualisation of diplomacy within the canon of diplomatic studies as an autonomous political process. Their challenge is based on changes to modern-day diplomatic practice and the restructuring of the relationship between government and business (Lee and Hudson, 2004: 345). Sir Christopher Meyer, a former British Ambassador to the United States, stated in a 1986 speech: "it is increasingly difficult to distinguish between what is political in diplomacy and what is economic, and indeed, whether there is a dividing line between the two which has any validity at all" (The Future of Diplomacy, FCO, 2000). Qobo (2010) argues that following the Cold War era where the focus of foreign policy was on political and security concerns, governments of today focus on maximising commercial gains and economic advantages for domestic interests (Qobo, 2010: 17). According to Elgadiry (2017), issues of trade and economics have become the *raison d'etre* of modern diplomacy, thus questioning the traditional notion that diplomats should not be actively involved in international trade. An approach needs to be adopted that integrates economic with political relations, with diplomacy conceptualised as a continuous political-economic dialogue (Lee & Hudson, 2004: 360).

## 2.3 Conceptualising commercial diplomacy

### *2.3.1 Distinguishing between economic and commercial diplomacy*

*C*onfusion often arises between commercial diplomacy and the wider-known concept of economic diplomacy. Academics and diplomats often use the concepts interchangeably without distinguishing between the two. Porter (2004) provides an overarching approach to economic diplomacy, stating that both aim to exploit economic interests and opportunities created via diplomacy.

Economic diplomacy has been defined as "the activity of governments to improve the terms of trade for their firms" (Okano-Heijmans 2011:17). The negotiations determining international terms of trade take place within various multilateral fora, including the World Trade Organisation (WTO); transnational market networks such as the World Economic Forum (WEF); and regional platforms such as the European Union (EU), African Union (AU) or Southern African Development Community (SADC). Bayne and Woolcock (2003) define economic diplomacy as the way in which states firstly make decisions at the national level and then negotiate these national interests in the global environment with other international actors. Governments strive to reconcile politics and economics so that they do not conflict, but mutually reinforce their chosen policies (Bayne and Woolcock, 2003:11).

In contrast to economic diplomacy where diplomats negotiate international norms and standards to advance their national economic interests, commercial diplomacy focuses more specifically on the bilateral role played by diplomats to actively promote the commercial interests of specific companies wishing to trade or invest in their host country. Commercial diplomacy has more to do with "tangible outcomes that have measurable commercial value" (Qobo, 2010: 19).

Authors focusing on commercial diplomacy provide various concepts, many of which complement each other. In 2008, Naray defined commercial diplomacy as "an activity conducted by public actors with diplomatic status in view of business promotion between a home and a host country" (Naray, 2008:2). Saner and Yiu (2008) further incorporate elements such as supplying information about export and investment opportunities; organising and helping to act as hosts to trade missions from home; as well as being advisers to companies on economic decisions. In 2011, Naray created a framework for the various roles of the commercial diplomat using the acronym of "FAR", i.e. facilitation (F), advisory (A) and representation (R) (Naray, 2011:121).

Foreign investors face considerable risks, obstacles and barriers when trading and investing in developing countries. These barriers can be divided into four main categories, namely informational (lack of export knowledge); internal resource constraints (financial or human resources); procedural barriers (language, cultural differences, red tape) and exogenous barriers (fluctuations in the exchange rate, taxation, corruption) (Ramaswami and Yang, 1990). Prior to investing, companies can utilise the extensive network of embassies and consulates to obtain information regarding a particular market (Van Veenstra, Yakop, Van Bergeijk, 2010). Besides being a state's political representatives, commercial diplomats act as the 'eyes and ears' in the host country, serving as a source of information to companies. This ensures that the impact of adverse host state policy actions is minimised (Czarnecka-Gallas, 2012). Naray (2011) confirms this role of a commercial diplomat to gather specific economic intelligence that can only be obtained through personal contacts and direct observation – and not through market analysis or desktop research (Naray, 2011). This one-on-one business support for firms is considered a core element of commercial diplomacy (Zuidema, 2011: 5).

These conceptualisations of commercial diplomacy focus primarily on the activities of commercial diplomats in supplying information and support to companies. Lee (2004) and Okano-Heijmans (2011) develop the concept of commercial diplomacy further by addressing the different public and private stakeholders operating within commercial diplomacy, as well as their different interests. Lee presents commercial diplomacy as a network of public and private stakeholders utilising diplomatic channels to manage commercial relations (Lee, 2004: 51). Okano-Heijmans (2011) considers commercial diplomacy as "the cooperative efforts by government and business that aim to achieve commercial objectives that advance national interests, including trade and investment promotion" (Okano-Heijmans, 2011:17). These two definitions will form the basis of this research as they not only focus on the role and activities of the commercial diplomat, but also incorporate the notion of collaboration required between various stakeholders in achieving their individual objectives and interests. Whenever reference is made to the overarching concept of economic diplomacy in this study, it includes this understanding of commercial diplomacy.

### *2.3.2 Actors in commercial diplomacy*

Diplomacy has become understood as the conduct of relations between sovereign states through communication, negotiation and information sharing (Lee & Hudson, 2004: 353). However, as mentioned earlier, diplomacy predates the state-centric system of 1648 when communities recognised the need to engage with each other for economic survival. Similarly, in today's world, diplomacy extends beyond the understanding of inter-state relations due to the proliferation of non-state actors in the international arena. These actors have increasingly developed their own form of interaction with each other and with sovereign states, negating the established definition of diplomacy.

Within the public sector, numerous stakeholders besides the foreign ministry need to be considered. These include various government ministries; provincial authorities; export councils; and trade and investment promotion agencies. Whilst Cabinet[2] has stipulated that DIRCO has the mandate to coordinate international relations, all government departments have established their own international relations sections that work independently of DIRCO. Fletcher refers to the domestic rivalry that foreign ministries face "for authority and influence" (Fletcher, 2016: 16) and regards the Treasury as their greatest rival. Although applicable within the South African context, DIRCO also appears to have lost its influence to national departments such as Trade and Industry, Energy, Science and Technology, and to provincial authorities such as WESGRO and the Gauteng Economic Development Agency. These departments often do not consider it necessary to coordinate their international trade and investment activities with DIRCO.

Within the private sector, business actors conducting commercial diplomacy include large transnational or multinational corporations (TNCs/MNCs), small, medium and micro enterprises (SMMEs) and Non-governmental organisations (NGOs). Business actors might be represented at a corporate level; through business interest groups such as sector associations or chambers; marketing companies; or through international business organisations such as the International Chamber of Commerce (ICC) or the World Business Council (WBC) (Valsamakis, 2012:58). The aims and

[2] *Measures and Guidelines for the enhanced coordination of South Africa's International Engagements,* DIRCO, 2008

goals of these various entities differ, as do the modes of engagement employed to achieve the goals of the specific entity.

In pursuit of their private business interests, the primary concern of these non-state actors is to influence governments to ensure that the trade policy and environment is conducive towards achieving their interests. If business interests are harmed by policies, they place pressure on government to adjust their policies in order to facilitate the realisation of their goals (Moravcsik: 2008). Lobbying has been the most common form of influencing policy. The WEF is globally recognised as the premier forum for public-private high-level engagement and a policy influencer on economic issues. However, with the increasing integration of economies, new possibilities for action and policy intervention at the international level have emerged for non-state private actors (Saner and Yiu 2008: 89). These include engaging in public advocacy campaigns to construct a particular image, as well as Corporate Social Responsibility (CSR) initiatives to achieve both environmental and social objectives. The influence of business in international society therefore extends beyond the direct and structural market power of capital, investments and jobs (Valsamakis, 2012:59). As local and national economies integrate into the global market economy, the conventional view of the role of business in society to merely produce goods and services and then to sell them for a profit, no longer fits with the new global reality (Muldoon, JP et al, 2005: 137).

In view of the influence that these companies have both domestically and internationally, commercial diplomacy can be understood as the support provided by government in promoting its companies' competitive advantage within foreign markets. Obstfeld and Taylor (2004) argue that due to the globalisation of economies, business enterprises and financial markets, new forms of partnerships are being formed between business, government and civil society.

### *2.3.3 National interests vs. commercial interests*

When considering the various stakeholders conducting commercial diplomacy, it can be expected that tensions exist between the government's national economic interests and the commercial interests of companies. Naray defines government's objectives in business promotion as the need to create jobs, increase tax revenue and economic growth (Naray, 2008: 4). Companies also play an influential role in furthering trade liberalisation, job creation, growing a country's economy, alleviating poverty and influencing policy decisions (Carroll, 2008). However, companies ultimately seek profits by engaging in international operations, could place these interests at risk. Hovy defines the overall interest of the private sector as "ensuring an adequate financial return on investment" (Hovy, 2015: 3). Hovy states that "at times it may seem as though the public and private parties are speaking a different language" (Hovy, 2015: 3). This is because the private sector primarily seeks to generate dividends for its shareholders, whereas the public agent seeks to address the concerns of it citizens. Each party therefore has different 'shareholders' they need to satisfy.

Gale (2008) explains that the state should only be used to advance the common interests of citizens. Government power should therefore never serve the narrow interests of private individuals at the expense of the general public (Gale, 2008: 1). The Organisation for Economic Cooperation and Development (OECD) in its 2005 publication, *Managing Conflict of Interest in the Public Sector,* refers to the ever-increasing expectation of citizens and business that governments should deliver higher standards of integrity in the civil service, public institutions, public services, government-controlled corporations, and government itself (OECD, 2005: 7). The publication emphasises the importance of a government maintaining the trust of its citizens in the integrity of the public sector. The definition of a conflict of interest is considered as "when a public official has private-capacity interests which could improperly influence the performance of their official duties and responsibilities**.**" (OECD, 2005: 7). Once the general public is of the opinion that a conflict of interest exists between the country's national interests and those of civil servants, it is labelled as "corruption". An expectation therefore exists that, despite these recognised tensions that occur between public and private interests, government should focus exclusively on achieving the interests of its citizens. Fletcher (2016) makes the important point that, "to gain the trust needed to avoid extinction, diplomats will need humility as to the limits of their authority, and a readiness to be more accountable to and more representative of the populations for whom they work" (Fletcher, 2016: 18).

Mahoney *et al* (2009) state that following the global financial crisis of 2008, the discussion around public and private interest increased. The authors explain that private and public interests cannot be fully understood if they are conceived separately and that "public interests are well defined only when private interests can be aligned or aggregated cogently" (Mahoney, McGahan and Pitelis 2009: 1034). Although an issue of global debate, these tensions between public and private interests will now be considered specifically within the South African context.

Netshitenzhe, the former head of the policy and coordination advisory unit in the presidency, argued in 2002 that national and public interests are neither contradictory nor antagonistic. Instead, "in a consistently democratic dispensation, the state exists not for its own sake but to serve society". National interest and public interest should therefore be complementary and not counter posed against each other (Netshitenzhe, 2002: 2). The national interest has subsequently been defined within the *National Development Plan 2030* (NDP), launched in August 2012. The NDP sets out the government's strategy to address the triple challenges of unemployment, poverty and inequality.

The important need for enhanced engagement between government, business and labour is also addressed within the NDP. Constraining factors faced by South African companies operating on the continent are highlighted, including socio-economic conditions, lack of political commitment, and the lack of harmonisation between the various Regional Economic Communities (RECs). Chapter Seven of the NDP, titled "*Positioning South Africa in the World*", focuses primarily on economic diplomacy and the need for South Africa to establish strategic relationships based on political and economic priorities. Through their bilateral interactions, South African commercial diplomats are expected to promote and protect these national interests. Hence, the government has maintained that its foreign policy should both reflect and support domestic imperatives with the NDP stating, "South Africa's business community must be drawn more closely into our foreign policymaking". (NDP, 2012: 235). The *White Paper on South Africa's Foreign Policy* (2011) goes further in creating a direct link between economic diplomacy activities and the successful attainment of the country's domestic priorities.

For South Africa to meet these domestic priorities, its economy must be able to participate in the global market place. The Department of Trade and Industry's (DTI's) *Integrated National Export Strategy* (INES) aims to help improve the global competitiveness of South African exporters. According to Minister Davies of Trade and Industry, the objective of the strategy is to increase the country's capacity to export diversified and value-added products and services to various global markets. The DTI believes export-led economic activity will facilitate opportunities for collaboration between large and small businesses, unlock entrepreneurial opportunities for emerging businesses and create export-orientated employment (Oliveira, 2017). South Africa's economic and commercial diplomacy activities on the continent are therefore grounded within the country's national development strategies and policy framework. Support to South African companies on the continent could show dividends not only in development terms, but also in commercial gains.

This is, however, not the current perception among South Africa's private sector. One of the greatest criticisms levelled at government is that despite the NDP and government policies highlighting the importance of promoting national interests through economic diplomacy, these polices have not been effectively implemented. Van Nieuwkerk (2014) states that the greatest shortcoming of the NDP is that there is no coherence with regards to South Africa's regional interest, and that a discussion is needed around how South Africa understands its national interest.

Contrary to these policy documents, the government is perceived as elevating the national interest above those of private interests. According to Qobo (2010) and Makokera (2015) the perceptions of the corporate sector is that government is not supportive of their commercial deals, despite the stated intentions of government. The impression has been created that government seeks to undermine or limit the interests of business, instead of ensuring a conducive environment for public interest to thrive. A perception exists that a concerted effort has been made by government to displace the traditional corporates (Qobo, 2010: 23). This is attributed to the fact that corporate interests have historically been linked to predominantly white (multinational) business. As a result, large corporates have done little to increase gross domestic fixed investment, citing their unease in the current political and economic environment. This ‘disconnect’ is as a result of the lack of any structured interaction between the two stakeholders.

The rhetoric of the ruling party in recent years related to “radical economic transformation” has been perceived as repurposing state institutions to consolidate the private, narrow ambitions of the power elite instead of addressing national economic challenges (Swilling, 2017). Government decisions have appeared to be for the benefit of a particular company, faction or group and do not prioritise job creation and economic growth for the benefit of all. The government seems to be pursuing parochial interests, i.e. those interests that benefit a small, specific group of people at the expense of national interests.

The South African government therefore appears to have lost the trust of its citizens in the integrity of the public sector. Many questions have been raised regarding the conflict of interest demonstrated by public servants. The tension between government and business in the pursuit of their objectives will need to be reconciled to ensure that commercial objectives are achieved that advance national interests (Kopp, 2004). The lack of investment by the corporate sector in the domestic economy has inevitably highlighted the conflict between the interests of the public sector and the public responsibility of government. The private sector cannot be expected to support the national interests of government if it does not have the support of government in achieving its private interests. Without both stakeholders working in tandem and towards common goals, competing objectives that lead to tension at home and abroad will arise (Makokera, 2016).

## 2.4 The New World Order and the era of globalisation

Following World War II, the Cold War divided the world economy into two competing political-economic systems. In the West, the economy became embedded “in a linked system of domestic regulation and global governance” (Hale and Held: 2017: 1), whereas in the East, an economic system based on Soviet hegemony and its system of central planning emerged (Spero, 1981:2). Each system established its own international and regional organisations, with the Bretton Woods system (World Bank and International Monetary Fund), World Trade Organisation (WTO), the Organisation for Economic Cooperation and Development (OECD), European Economic Community (EEC), etc. emerging in the West.

Following the collapse of the Soviet Union and the disintegration of centrally planned economies in communist countries, many politicians and business leaders believed that the world would enter an age of economic prosperity and peace. The 'New World Order' was built upon a set of shared values, i.e. democracy and market economies (Muldoon, et al 2005: 109). The liberal international order, also known as the "rules-based order", has prevailed in international relations since the end of the Cold War.

In the mid-1980s, the 'era of globalisation' emerged as world economies grew increasingly interconnected and interdependent. Economic issues dominated the global agenda and led to an increased emphasis on a set of common rules and policies constraining and guiding the external behaviour of states (Allen *et al*, 2011). Globalisation was credited by developed countries as enhancing prosperity and quality of life thanks to the liberalisation of trade, production and investment. Developed countries indicated that globalisation had boosted domestic production, innovation and productivity as local markets sought to adapt to the inflow of goods and services. The former UN Secretary-General, Kofi Annan, suggested that open markets "offer the only realistic hope of pulling billions of people in developing countries out of abject poverty, while sustaining prosperity in the industrialised world" (Muldoon *et al*, 2005: 150).

In his international relations article *The End of History,* Francis Fukuyama (1989) declared the ultimate triumph of "Western liberal democracy as the final form of human government" (Fukuyama, 1989: 1). According to Fukuyama, the world would no longer be concerned with politics or strategy, but instead would be more occupied with economic activity. Examples of how Japan and China had been influenced by liberal democracy were provided as confirmation that societies were more concerned with their common linkages through trade and consumerism than with realpolitik.

Similarly, Susan Strange (1996) in her book, *The Retreat of the State*, argued that with the integration of the world economy, power had shifted away from the state towards the world markets and large corporations. In line with liberal political thought, economic liberalism considered the political gains that were to be made when governments did not interfere with the free market. According to Strange, states were less inclined to enter into conflict with those states with which they had beneficial economic ties. The tendency by states since the 1980s was towards less interference in the markets, less severe regulations on the economy, and greater emphasis on ensuring a conducive environment and stability in macro-economic policy.

However, whereas developed countries with industrialised economies in the European Union, Asia and the United States were the greatest beneficiaries of globalisation, the benefits of the liberal international order are not being shared equally. Many of the world's developing nations in Africa and Latin America have not experienced the same benefits from globalisation. Instead, the economic liberalisation and rapid integration of financial markets, as advocated by the Bretton Woods institutions during the 1980s and 1990s, have disadvantaged most developing countries. These countries do not have the assets nor the capabilities to enter global markets (Muldoon *et al*, 2005: 113, 149).

The financial crisis of 2008 and subsequent austerity measures put in place by governments; the international concern with the erratic fuel prices determined largely by the Organisation of Petroleum Exporting Countries (OPEC) countries; as well as the tariffs and protectionist policies currently being implemented by the world's largest economy, the USA, have all served as examples that the state cannot abdicate its role in the market. In contrast to modern economic thought advocating the strength and independence of markets, expectations have lowered as markets have instead proven to be weak, erratic and not always able to correct themselves.

Neoliberal economic policies have therefore come under increasing criticism over the past number of years. The difficulties experienced by developing countries 'caught' in this global economic system have led to a populist backlash against globalisation. Oxfam's 2019 report *Public Good or Private Wealth* highlights the need for economies and policies to be transformed to address the dangerous divide between rich and poor. Professor Ruggie, who served as United Nations Assistant Secretary-General for Strategic Planning under Kofi Annan, has highlighted two major problems with globalisation. Firstly, developing countries are unable to buffer themselves against the rapidly expanding and unfettered market forces; and secondly, even in the most powerful countries, people are concerned about job losses to developing countries where fewer regulations and lower wages exist in the labour market (Muldoon *et al*, 2005:151).

Economic policies of today are subsequently characterised by a greater willingness to let the state become an active participant in the economy to ensure that the most basic liberal goals are made a reality. These goals include employing the state as an instrument in the redistribution of wealth to ensure a more equitable society (Thorsen and Lie, 2007: 5). Although states ought to abstain from interfering in the economy, the state should, in the protection of its domestic interests, facilitate a conducive environment for its companies to operate optimally. Policies should facilitate cross border social, cultural and economic interactions. The state should, therefore, not step aside for business, but should rather work with business and labour to develop growth-orientated strategies (Hirsh: 3). Given their common challenges, policy needs to be the outcome of a coordinated effort between various stakeholders. These joint efforts by the state and business to achieve commercial objectives, and simultaneously to advance national interests, are not socialist in nature, but instead support the concept of economic nationalism (Okano-Heijmans, 2011: 11).

## 2.5 The geopolitical environment in which commercial diplomacy resides

In 2018, the WEF's *Global Competitiveness Report* (Schwab and Sala-i-Martín, 2017) provides the following description of the current geopolitical environment:

> *"Governments, businesses, and individuals are experiencing high levels of uncertainty as technology and geopolitical forces reshape the economic and political order that has underpinned international relations and economic policy for the past 25 years. At the same time, the perception that current economic approaches do not serve people and societies well enough is gaining ground, prompting calls for new models of human-centric economic progress." (Introduction: WEF, Global Competitiveness Report, 2017/18).*

This contextualises the socio-economic and political context which governments and business face today, with "economic policies of the past 25 years" brought into question. Government leaders are re-evaluating their policies in the aftermath of continued unequal distribution of economic benefits, rising income inequality and increasing unemployment. The global financial crisis of 2008; the weakening of the EU (Brexit); the rise of populist right-wing national movements (Austria, France, Italy, Brazil); isolationism and protectionism emerging in the economic policies of some states, have all served to generate intense criticism of globalisation and the economic liberal values and institutions that maintain this system.

During 2018, the international economic trading system continued to experience turbulence, volatility and crises, with trade wars between the world's largest economies escalating. Contrary to its historic allies who continue to champion rules-based trade, the United States has labelled multilateral trade fora as biased and disproportionately unfair, benefitting other member states at the expense of the United States. Despite being a founding member of the WTO, the United States has also threatened to withdraw from this body governing international trade.

Analysts have questioned whether this rising trend of unilateralism demonstrated by the United States is threatening the current multilateralist system. Pangestu (2018) states that the most concerning aspect to consider is that after 75 years of being its greatest advocate, the United States is now the biggest threat to the future of the rules-based trading system. The challenges to the liberal international order have demonstrated rising tensions between multilateralism versus unilateralism; globalism versus nationalism; and neo-liberal economic policies versus protectionist policies.

This indicates that the existing trade formations that have provided predictability and fairness in the way the world engages in trade, are changing. The decision by President Trump to be more nationalistic and protectionist has had a global impact by galvanising other large trading blocs to protect and promote the multilateral approach. Within multilateral fora, blocs such as the African Union are now looking towards China and Russia to start taking the lead. Similarly, the EU has concluded that it can no longer depend on the US as being a partner in multilateral formations as has traditionally been the case, with Germany and France championing the case for multilateralism.

It has been predicted that the US–China trade conflict and the uncertainty surrounding it will have an impact on global trade and investment flows. This is particularly relevant for emerging economies whose trade and foreign direct investment is dependent on these two economic hegemons (Pangestu, 2018). To alleviate the dependency on western financing for development in emerging markets, alternatives have been sought to the Bretton Woods institutions (IMF, WB, WTO). The new Asian Infrastructure Investment Bank (AIIB) and Silk Road Fund have been established for the Chinese “One Belt, One Road” initiative; and the New Development Bank (NDB) has been established for development projects within the BRICS. The Continental Free Trade Agreement (CFTA), signed between African nations on 21 March 2018, similarly strives towards boosting intra-African cooperation and integration between the various regional economic communities.

Despite the questions raised regarding the suitability of the current global economic system, government and business continue to operate within this highly regulated system. South Africa, as a member of the WTO, is bound to the norms and standards that stipulate how international trade is conducted. Even the Free Trade Agreements and Preferential Trade Areas that South Africa has negotiated with the SADC region (SADC Trade Protocol), the EU (European Partnership Agreement), the United States (Africa Growth and Opportunity Act) and other regions all have norms, standards and regulations that do not contradict those stipulated by the WTO. Once ratifying these international trade agreements, South Africa has had to adjust domestic policies to ensure that they are aligned to these WTO arrangements.

Within this highly regulated environment, governments are out of necessity required to play an active role in ensuring that their economies are able to respond to shocks in the global system, and that their companies have a competitive advantage over those from other countries. As suggested by Fletcher (2016), the work of diplomats is not too complicated “when the rules are clear, when nations are all playing on the same chessboard” (Fletcher, 2016: 12). However, as witnessed in recent times, the environment within which commercial diplomacy operates has become more complex, with countries not all playing according to the same rules.

## 2.7 Conclusion

This chapter has contextualised commercial diplomacy for purposes of this research and outlined the complex global economic environment within which commercial diplomacy resides. This has been achieved taking into consideration the interrelationships between various public and private stakeholders; their conflicting interests; domestic and international demands; as well as the political and economic variables facing stakeholders.

International trade faces an extraordinarily uncertain policy environment. This is due to some of the negative effects of globalisation and dissatisfaction with the policies and institutions linked to the neoliberal agenda. The rise of economic nationalism and protectionism by powers such as the United States will lead to enormous challenges for developing states. The state's role in intervening in markets and supporting its economy has been reconsidered, especially given the fact that companies from developing countries are still subject to the economic environment dictated to them by industrialised countries.

The following chapter will provide a literature overview of how authors view South Africa's commercial diplomacy policy and activities on the continent. Consideration will also be given to the commercial diplomacy efforts utilised by other governments for the benefit of their companies within the current geo-political and economic environment.

# CHAPTER THREE
# LITERATURE REVIEW

## 3.1 Introduction

This chapter will provide a literature review of the scholarly sources consulted during the research. Various authors state that little research has been conducted on commercial diplomacy compared to the broader topic of economic diplomacy (Naray, 2008, 2015; Ten Haaf, 2010; Ruel & Visser, 2014; Gertz, 2016; Visser, 2017). However, the body of work available on commercial diplomacy has increased over the past 10-15 years. This increasing research, conducted predominantly by academics, scholars and practitioners, has been attributed to the growing interaction between business and government internationally (Ruel, Lee & Visser, 2013; Ruel & Visser, 2014).

Five key themes have been identified from the sources consulted. They include the importance of commercial diplomacy; the various organisational structures utilised to advance commercial diplomacy; the roles of the commercial diplomat; the success and challenges of commercial diplomacy; and the additional research required on the subject matter.

## 3.2 Empirical literature consulted

Most governments recognise the importance of commercial diplomacy in their foreign policy objectives (Naray, 2008). Commercial diplomats are required to enhance the brand of a country and support their companies within an environment of globalisation and enhanced competition. Naray (2008) argues that the cost of posting commercial diplomats should be measured by increased international economic integration, growth and employment for the home country (Naray, 2008:12). Besides support to SMMEs entering a market, commercial diplomats also assist established companies when they face challenges (Naray 2017:345). Van Bergeijk and Moons (2011) and Cyarnecka-Gallas (2012) confirm the challenges and informal trade barriers facing companies when investing in a foreign environment and how the commercial diplomat can assist.

Authors illustrate how diplomacy has changed significantly over time. Current studies of diplomacy therefore need to be adapted to be more relevant to the changing role of the diplomat. Lee and Hudson (2004) state that diplomat-business alliances and linkages are adding to the debate regarding structure and agency in diplomatic studies (Lee and Hudson, 2004: 359). Consideration is given to the importance of integrating business with foreign ministries and reconsidering the organisational structures of government departments (Rana 2001; Naray, 2008; 2011). Rana (2001) highlights the advantages of the full integration of commercial services between the Ministries of Trade and Foreign Affairs. Ruel and Visser (2014) also explore the best organisational arrangements to be considered by governments, especially in view of the numerous stakeholders that network within the public and private sectors.

Much of the research conducted on commercial diplomacy concentrates on the role and activities of the commercial diplomat. Naray (2008), Van Bergeijk and Moons (2011) and Zuidema (2011) attempt to measure the effectiveness of commercial diplomats. Zuidema (2011) interviews Dutch diplomats and collects data related to variables such as experience; education; the role of the diplomat; exposure by the diplomat to business; resources available at mission; length of years in service; and the effect of the foreign post on service quality. The findings indicate that a commercial diplomat's post experience, and not exposure to business, has an impact on the quality of his/her work. In contrast, Naray (2008) is of the opinion that it is critical to recruit diplomats that have business knowledge and experience in order to be effective. Van Bergeijk, De Groot and Yakop (2011) show that missions from developing countries contribute significantly towards efforts by their companies to enhance their South-South and North-South trade. Within the African context, Van Bergeijk and Yakop (2011) and Ruel and Visser (2014) agree that politics and economics cannot be separated. This is especially relevant in countries where the government plays a more "intrusive" role in the economy of the country. They conclude that companies require greater assistance from their embassies in developing countries to ensure the success of their business.

Whereas most authors conduct qualitative research, Rose (2005), Van Bergeijk, De Groot and Yakop (2011) and Afesorgbor (2015) conducted quantitative studies. The objective of their research was to measure the impact of commercial diplomats in increasing trade and investment levels, especially considering that governments are required to justify the costs of maintaining embassies (Naray, 2011:123). In contrast to perceptions that the cost of an embassy outweighs the economic benefit, evidence gathered by Rose (2005) indicates that exports rise between 6-10% when there is an embassy in the host country. The research by Rose (2005) is confirmed by Nitsch (2007), who illustrates how bilateral state visits, accompanied by trade missions, have a significant influence on trade and investment between countries. In contrast, Ruel and Visser (2014: 247) state that these studies have only described the value creation of commercial diplomacy conceptually. Visser (2017) states that the current body of literature does not fully capture the impact on trade as a result of the activities and resources employed by commercial diplomats.

Afesorgbor (2016) takes an innovative approach by comparing bilateral trade relations to regional, multilateral trade relations (the Tripartite Free Trade Agreement and the Continental Free Trade Agreement). Afesorgbor questions whether the new regional economic integration activities complement or hinder bilateral trade relations. In contrast to regional integration that constrains policy space for member states (Van Bergeijk, De Groot and Yakop, 2011), direct state-to-state diplomacy is able to effectively eliminate non-trade barriers (Afesorgbor, 2016: 8). The results indicate that in terms of bilateral exports between African states, bilateral diplomatic exchange is relatively more successful compared to regional integration (Afesorgbor, 2016: 19).

Interestingly, most of the research on commercial diplomacy is not theoretically grounded. Ruel, Lee and Visser (2013) refer to an undefined "theory of commercial diplomacy" (2013: 48) and the role of "institutional theory" in economic diplomacy. Bayne and Woolcock (2003, 2007) argue that "there is no single theory of economic diplomacy that can provide answers on how states, under given circumstances, will conduct policy" (Bayne and Woolcock, 2007: 5). According to these authors, theories within the discipline of international relations are of no assistance with economic diplomacy as they endeavour to predict outcomes, which is not always possible within economic diplomacy. This is because states are not the only actors in trade negotiations, and national policy preferences could be affected by market developments. Valsamakis (2012) agrees that within the body of traditional theories, "no single approach can adequately describe the complex reality of economic diplomacy" (Valsamakis, 2012: 50). Valsamakis argues that each approach has its own weaknesses as no theory "recognises the various roles of agency (state and non-state), institutions, interests and ideas, at both the domestic and international level" (Valsamakis, 2012: 50).

In practice, many foreign ministries have expressed their understanding of commercial diplomacy within their strategic policy documents. Some of these explored include Canada, Japan, The Netherlands, France, Denmark, the United Kingdom and Australia. Given the prominence they give to commercial diplomacy, the Australian government restructured their foreign ministry and combined it with the ministry of trade. The agenda of their commercial diplomats is to advance the interests of their businesses abroad due to the highly competitive and constantly changing political and economic environment (Department of Foreign Affairs and Trade, 2017).

The annual strategy document of the Danish foreign ministry[3] highlights the difference that diplomacy can make for Danish businesses operating in a globalised economy. A commitment is made to strengthen political-commercial advisory services in order to reduce barriers for Danish businesses (2018:1). The government's efforts in promoting the interests of Danish enterprises are in recognition of "protectionist tendencies and economic nationalism that are on the rise" (2018: 9).

In 2007, Mercier[4] conducted case studies to explain the practices, mandates, structures and processes adopted by the foreign ministries of Canada, the UK and the USA in the pursuit of their commercial diplomacy strategies. He found that Canada's diplomatic representation abroad had a positive impact on the country's exports. A study conducted by Ciuriak (2014) confirmed that where exporters had access to the services of commercial diplomats, exports were on average 17,9% higher compared to those who did not receive assistance (Ciuriak, 2014: 2).

[3] *Government Strategy for Economic Diplomacy, 2018*
[4] *Commercial Diplomacy in Advanced Industrial States: Canada, the UK and the USA, 2007*

Besides the successes recorded by foreign ministries, some experience challenges. Much of the research conducted has been from the perspective of long-established and well-resourced government departments and institutions. In contrast, some countries do not have the same financial and human resources when conducting commercial diplomacy.

A Review Board on Malta’s commercial diplomacy activities (Ministry of Foreign Affairs, 2013) acknowledged that Malta requires a more aggressive approach in encouraging SMMEs to expand beyond the country’s borders. Recommendations included the need by the foreign ministry to increase coordination and networking with other stakeholders as well as the need to train diplomats in commercial diplomacy.

The assumption that state-to-business relations operate well in an international environment was also explored in Namibia. Tlhabanello (2014) states that whilst commercial diplomacy is a tool for governments of developing countries to promote their economic interests, the effectiveness of diplomatic missions is hampered by endemic and structural challenges. An important finding of the research is the low level of awareness by business of the role of commercial diplomats. The coordination of Namibia’s commercial diplomacy activities between the various stakeholders therefore proved to be lacking.

Workneh (2012) states that with the exception of South Africa, very little research has been done on commercial diplomacy in Africa. Within the rules of economic globalisation and industrialisation, African countries are finding it very difficult to compete for their share of global trade (Workneh, 2012: 182). Developing countries in Africa would therefore benefit substantially with an increased economic diplomacy capacity. However, many challenges exist for these countries, including capacity, appropriate institutions, efficient bureaucracy, business policy and local environments (Workneh, 2012: 185).

Within the South African context, numerous academics have addressed South Africa’s foreign policy approach and international economic relations. Vickers and Ajulu (2008) and Qobo (2010) refer to the rapid and extensive economic expansion by South African companies into the continent. Landsberg (2009) and Qobo (2010) discuss the developmental impact that South African companies have had through the transfer of skills and technology to local workers in countries where they have invested. Qobo's major critique of the government's approach to the continent is "the lack of appreciation of the role that commerce and active markets can play in bringing about development" (Qobo, 2010:22).

Linked to perceptions of South Africa's economic hegemony on the continent, government faces the challenge that its private sector needs to pursue its business in a manner that is consistent with the Government's political agenda (Sidiropoulos, 2008; Landsberg, 2009). Qobo (2010) questions how South Africa could develop a stronger leadership role on the continent whilst simultaneously contributing towards Africa's development. Qobo's greatest concern is that despite Africa being central to South Africa's foreign policy, the country lacks a clearly articulated economic strategy for the continent that is grounded in the domestic development framework (Qobo, 2010: 16). Bohler-Muller (2012) agrees that the South African government is trying to serve too many international agendas and is over-extended in its international engagements. Both Qobo (2010) and Bohler-Muller (2012) highlight that government needs to constantly re-evaluate and interrogate its foreign policy responses in the context of an ever-changing global terrain.

Authors who speak specifically to the study's main question argue that a properly coordinated and integrated approach towards South Africa's commercial diplomacy needs to be developed. Handley and Mills (1998) state that in a globalised world it is no longer appropriate to maintain a highly compartmentalised approach between government and business. James and Mills (2016) argue that when considering the cost of missions, questions cannot be raised regarding "which business is worth supporting and whether party or country or political ally comes first" (James & Mills, 2016: 10). Olivier (2018) questions the cost of South African missions if the country's foreign policy is not "pragmatic, independent and competitive" but instead "based on a diplomacy of ideological struggle politics" (Business Day, 2018).

As considered by other foreign ministries, Muller (2000) raises the possibility of DIRCO and the DTI merging. This would bring about rationalisation and greater productivity, with properly resourced and skilled South African diplomats in economic diplomacy

(Muller, 2000: 18). Muller (2000) argues that DIRCO requires closer cooperation with technical departments to ensure an integrated approach when engaging internationally. DIRCO is the custodian of international relations but needs to consult with all other stakeholders. Van Nieuwkerk's (2014) argument emphasises complementarity in that sectorial departments provide technical expertise, whereas DIRCO adds value through its understanding of international relations and partnerships. Vickers' (2014) highlights the need for improved coordination to combat the risk of line function officials pursuing disparate objectives and strategies in Africa. Vickers (2014) is of the opinion that the closer the alignment of interests and strategies between the state and business, the better they could advance their respective objectives. This would collectively contribute to South Africa's development agenda (Vickers, 2014: 74).

The above arguments generally consider the lack of coordinated strategies, policies and activities as one of the greatest challenges facing the government. However, whereas these authors focus on macro-level relations (interdepartmental cooperation), Makokera (2015) considers the need for research on micro-level relations (government-to-business cooperation). Makokera (2015) writes of the lack of key systems and mechanisms through which "economic diplomacy could be jointly developed and implemented by government and business" (Makokera, 2015: 8). She says that a forum is needed to facilitate information sharing; evaluate government policies; and reduce policy uncertainty. Despite the huge strides made by South African TNCs on the continent, South African companies face strong competition from Chinese, Indian, Brazilian and Japanese companies who all recognise the commercial significance of Africa. She further explores the role of South African SOEs (Eskom and Transnet) and the Industrial Development Corporation (IDC) in counteracting public corporations and development finance institutions from China and Brazil. Consideration needs to be given to the contributions by various stakeholders in improving South Africa's economic diplomacy efforts.

Czarnecka-Gallas (2012) confirms that studies on commercial diplomacy have been "limited to macro-economic factors", with insufficient attention given to micro-economic issues such as "state-enterprise relations and enterprise-enterprise relations"(Czarnecka-Gallas, 2012:1). In the micro-economic environment, commercial diplomacy focuses on the state-to-private enterprise relationship and not the broader, traditionally perceived state-to-state relationship. Czarnecka-Gallas (2012) explains that in the pursuit of its international interests, the state cannot force companies to operate in any way preferable to the state. Instead, companies can only be encouraged to work in tandem with the interests of the state.

Ruel and Visser (2014:1) agree that more research is required on the micro- and meso-level. They explain that commercial diplomacy does not concentrate on the "rules of the game" between states, but is concerned with the international business-to-government relationship (Ruel and Visser, 2014:241). An understanding between commercial diplomacy and corporate political activity is absent. This highlights the need to align expectations between business and government and the institutional arrangements required to support the relationship between the two.

## 3.3 Conclusion

The review of the literature has shown that substantial research does exist on commercial diplomacy. From the literature and government websites available, it is clear that many governments recognise the importance of commercial diplomacy and utilising their missions to achieve national economic interests. The success of commercial diplomacy policies and strategies is linked to how effectively the various government departments, agencies and institutions coordinate their initiatives. Whilst attention has been given to traditional state-to-state relations in economic diplomacy, the national government-to-government, business-to-government and business-to-business relationships have not been sufficiently addressed in research on commercial diplomacy.

The following chapters will consider whether the key issues raised within literature are applicable within the South African context. In this regard, the example of a business forum will be utilised to further explore the inter-agency relations between the various stakeholders conducting commercial diplomacy on the continent. Furthermore, the criticisms raised by South African authors of the government's commercial diplomacy activities will be tested in interviews with various stakeholders.

# CHAPTER FOUR
# THE STORY OF THE SA-UGANDA BUSINESS FORUM

## 4.1 Introduction

As discussed, most conceptualisations of commercial diplomacy focus on the role and activities of the commercial diplomat. South African commercial diplomats conduct these activities including facilitating trade linkages; facilitating business travel for business persons; providing investment support or economic intelligence; and conducting public diplomacy at trade and tourism fairs (NDP; DIRCO Annual Performance Plans).

However, as indicated earlier, these concepts of commercial diplomacy are not sufficient. Within the globalised economic environment and increased competition between states, consideration needs to be given to the notion of collaboration between government and business in jointly achieving their objectives. In this regard, this chapter will consider an example of a forum that was utilised in Uganda by the South African High Commission and companies to foster greater collaboration.

Whilst emphasis is placed on the Ugandan forum due to the fact that the researcher was posted to Uganda from 2013 to 2017, South African missions in Botswana, Namibia, Zambia, Mozambique, Kenya, Guinea Bissau and The Ivory Coast have also established similar forums. The challenges experienced by companies in Uganda and presented in this chapter are thus indicative of what companies have experienced in other African countries. Missions in these countries utilised forums or chambers to collaborate with South African stakeholders and address similar challenges experienced in their host countries.

The chapter will commence with an overview of South Africa's footprint in Africa as well as its reputation as an investor on the continent.  The environment within which companies operate, as well as the challenges they experience will be considered. The overall successes and challenges of the South African business forum in Uganda will also be discussed.

## 4.2 South Africa's footprint in Africa

Prior to 1994, South African companies were prevented from trading and investing on the African continent. This was due to the sanctions and boycotts that were imposed on them by African states during the 1980s and early 1990s. These measures by African governments supported efforts undertaken by the international anti-apartheid movement and South African liberation movements to exert economic and financial pressure on the then failing and undemocratic South African government. Following the advent of democracy in 1994, South African companies expanded into Africa with capital investment, goods and human resources.

This ability to invest outside of South Africa's borders was largely due to the political goodwill shown by African countries as well as relaxation of foreign exchange controls by the South African government (Hudson, 2007). Through policies such as the *South African Trade Policy and Strategy Framework* (2010), the government supported intra-African trade and the expansion by companies internationally. Furthermore, the IDC, initially established in 1940 by the South African government to develop the country's domestic industrial capacity, was utilised after 1994 to fund large infrastructure development projects on the continent. By 2012, the IDC had investments in 41 projects across 17 countries that added to a cumulative African investment portfolio of R6.2 billion (De Kock, 2015).

The country's corporate brands, both from the private sector and state-owned enterprises invested across the continent. Well-known brand chains and TNCs that ventured into Africa included Standard Bank, MTN, Shoprite Checkers, Multichoice, the former South African Breweries (Anheuser-Busch InBev), Sanlam, Tourvest, as well as major retailers such as Pep Stores, Truworths, Metro Cash and Carry, Nando's, Steers, Woolworths and Game (Massmart Holdings Limited). Besides South African companies venturing into the continent, foreign companies such as Barclays (ABSA), Coca Cola (SABCO), Toyota and Motorcare utilised their South African operations to expand and invest in Africa. Besides these large companies, South African SMMEs from a variety of sectors such as construction, finance, insurance, ICT, legal services and the hospitality industry benefited from this new opportunity for market access on the continent.

Ten years after attaining democracy, Brand South Africa's report, *SA sets up shop in Africa*, labelled the country as one of the "biggest and boldest investors in Africa" (Brand SA, 2004:1). The report indicated that South African companies were prepared to take on the risks often associated with doing business in developing countries. This included looking beyond the SADC region and considering business in West Africa, particularly Nigeria and Ghana, as well as in East African countries such as Kenya and Uganda.  Challenges still existed for South African companies to do business in Francophone countries due to the language and cultural barriers.

Twenty years after democracy, the 2013 Ernst and Young *Africa Attractiveness Survey* indicated that the top three countries of origin for foreign direct investment on the continent by number of projects was the UK at 104; the USA at 78; and South Africa, with a total of 63 (EY, 2013). In the 2013 budget speech, the then Minister of Finance, Pravin Gordhan, indicated that during the 2008-2013 period the South African Reserve Bank approved nearly 1000 large investments by South African corporations into 36 African countries.

Ramkolowan (2013), in a DNA Economics report, *South Africa's importance and reputation as an investor in Africa*, highlighted the extent to which South African companies invested in diverse sectors on the continent. A scoping analysis of 100 South African TNCs undertaken by DNA Economics confirmed that the migration of South African firms into Africa was rapid, extensive and generally profitable. A survey of customer perceptions by DNA Economics in five African countries (Egypt, Lesotho, Kenya, Nigeria and Zambia) reported that a key factor differentiating South African investment into Africa was the extent to which South African companies expanded their operations and investments in African countries Ramkolowan (2013: 3-5). These investments contributed positively to knowledge and technology transfer, as well as the development of local supply chains.  This was in contrast to investments from other countries that concentrated purely on extracting resources or accessing cheap labour. In addition to these positive consumer perceptions, individuals in these African countries demonstrated a strong preference for working for South African companies.

Despite the success and positive impression of South African investment in Africa, Ramkolowan (2013) warned of the increasing number of developing countries from Asia (China, Japan, India) and Africa (Nigeria, Kenya) demonstrating an interest in the continent, thereby threatening South Africa's prime position in some countries and sectors. Ramkolowan argued that in order to counteract this increased competition, the South African government and companies would need to improve their coordination of promoting their investments in Africa. At a policy level, government would need to prioritise regional trade in order to reduce potential barriers faced by companies when investing in other African countries.

Research reports undertaken by Brand South Africa in 2014 and 2015 emphasised the importance of managing international perceptions of South Africa. The reports argued that in order to guarantee the country's continued success on the continent, it was important to understand how traditional and emerging trading partners perceived South Africa. Although findings were generally positive, the research uncovered important findings regarding challenges. These were particularly related to the entry strategy used by some corporates in their efforts to enter markets (De Kock, 2015). Although consumers viewed South African companies in a positive light, blatant anti-South African sentiment had increased over the years. South African business people were considered as arrogant, insensitive, imposing and unwilling to listen (De Kock, 2015).

Some African governments persistently complained that retailers were dumping expired South African goods in their markets and were not procuring locally, thus fuelling negative perceptions of South African companies in the media (Libombo, 1999; Imaka, 2017). Contrary to the NDP which outlines South Africa's objective to not only increase its own trade in African markets but to also support the increase of intra-African trade, African countries complained of the trade imbalance skewed in South Africa's favour. Phytosanitary standards[5] as well as the consistency of supply are some of the reasons cited by the South African government to African states experiencing difficulties in accessing South African markets (World Bulletin, 2015).

[5] Measures put in place by exporting states relating to the control of disease in agricultural products.

## 4.3 South Africa's political and economic relations with Uganda

Following the establishment of formal diplomatic relations in 1994, South Africa identified Uganda as a strategic partner within the East African region. This was in view of its geo-political position; its strategic importance within various regional formations (East African Community, Common Market for Eastern and Southern Africa); and its importance for trade and investment for South Africa (DIRCO, *South Africa's relations with Uganda*, 2011).

Numerous agreements were subsequently signed to deepen bilateral trade relations. These included the *Convention on the Avoidance of Double Taxation* (1997); the *Agreement for the Reciprocal Promotion and Protection of Investments* (2000); the *Agreement on Trade Cooperation* (2002); as well as the *Agreement regarding the Establishment of a Joint Permanent Economic Commission* (2005). These agreements were considered as enabling instruments to translate political relations into an economic and trade partnership that would promote increased intra-African trade between the two countries. Although specific reference is made to relations between South Africa and Uganda, similar agreements were signed between South Africa and other African countries.

Uganda subsequently opened its markets to South African companies with numerous TNCs and SMMEs investing in the country. Besides the private sector, SOEs such as SAA and Eskom started operating in the country. Based on a database held by the South African High Commission, approximately 70 South African companies were operating in Uganda by 2015. These companies were in sectors such as ICT, financial and legal services, retail, hospitality, security, construction, marketing, communications, agro-processing, health and the environment. However, increased interest was shown by other countries in Uganda following the discovery of oil reserves in the Albertine region. South Africa could no longer rely on its historical relationship with Uganda, but instead needed to secure new opportunities for South African companies. Furthermore, by 2015 trade between the two countries was decreasing. The South African High Commission therefore felt that it needed to address the challenges deterring increased trade.

**Table Showing South Africa's Trade Balance with Uganda**

| Year | Export | Import | Trade Balance |
|---|---|---|---|
| 2012 | R3,537,743,076 | R230,878,610 | R3 306 864 466 |
| 2013 | R2,881,086,502 | R93,060,587 | R2 788 025 915 |
| 2014 | R1,810,792,936 | R98,043,135 | R1 712 749 801 |
| 2015 | R1,744,399,822 | R98,012,569 | R1 646 387 253 |

Source: Department of Trade and Industry

The investments made by South African companies had made a substantial contribution to the Ugandan economy. Each company had its own Corporate Social Responsibility (CSR) projects. Companies such as AFGRI, Nile Breweries (SAB) and Shoprite Checkers had impressive local sourcing initiatives where small-scale Ugandan farmers were incentivised to transform their subsistence farming into commercial ventures (Mbogo, 2013). This was done through the provision of a guaranteed market for their crops to supply to these companies. Whilst individual companies enjoyed some positive brand marketing due to these CSR projects, limited recognition was attributed to the South African country brand. Besides trade statistics, little was known of the overall contribution that South African companies had made towards the Ugandan economy and the transfer of skills.

This was in contrast to countries such as China, India, UK, Sweden, Norway and the USA trading and investing in Uganda. In line with their commercial diplomacy efforts, embassies of these countries had initiated forums for their business communities in Uganda. These formal (USA AMCHAM, India Business Forum) and informal initiatives (UK) by missions were utilised to promote and market the activities of their business community in Uganda. These bodies were also used to address operational challenges and to promote the sharing of information amongst their members. These countries regularly showcased their investment and development aid projects in the Ugandan media, reflecting the project not necessarily as that of a particular company, but more as a contribution by their country to Uganda.

## 4.4 Challenges experienced by South African companies

Whilst South African companies had received positive Ugandan media coverage that contributed towards their individual company brand, the negative media coverage in various media houses and publications could at times be more damming and relentless.

News headlines capturing both positive and negative perceptions of Eskom Uganda, Shoprite Uganda and Stanbic Uganda will be used as examples. Positive media coverage often related to individual CSR projects, such as: "*Uganda Revenue Authority ordered to refund Shoprite SH2b*" (New Vision, 2009); "*Eskom to invest $30m in the next 10 years*" (Kalyango, 2013); "*Eskom aided training centre for Gulu war affected people, graduates students*" (BigEye, 2016); "*Eskom Uganda Trains Engineers for Karuma and Isimba Dams*" (BigEye, 2017); "*South Africa's Shoprite replaces Nakumatt at Ugandan mall*" (Business Daily, 2017); "*Museveni commissions Eskom-supported Maternity Ward*" (Ochwo, 2018); "*Stanbic to spend Shs200m on skilling business owners*" (Ugandaeconomy.com, 2018); and "*Stanbic Uganda Recognised Among Top Five Tax Payers*" (Busiweek, 2018).

In complete contrast, negative articles referred to South African companies exiting Uganda, not paying sufficient taxes or their poor provision of services and goods: "*Parliament has voted overwhelmingly to terminate Eskom power contract*" (Mulondo, 2014); "*The Shoprite exit was evident, but just delayed*" (Monitor, 2015), "*Eskom Uganda Limited performing poorly*" (EsiAfrica, 2017); "*Kampala Capital City Authority closes Shoprite meat section*" (Nationmedia, 2017); and "*Uganda National Bureau of Standards warns against South African products as deadly infection breaks out*" (Opio, 2018).

South African companies confirmed the negative impact of these media reports to the South African High Commission. Initially media reports would exaggerate and inaccurately report on an issue, often reporting exactly the opposite when new facts came to light or when court cases resolved these issues. The negative reporting and perceptions of these companies created by the media often proved to be instigated by

East African competitors. Of greater importance to the High Commission was that a negative image of South Africa as a country was inevitably conveyed in the reporting. A need therefore existed for the High Commission and companies to be more strategic in jointly promoting a Brand SA image in Uganda.

Besides the challenges of negative media coverage, South African companies were experiencing numerous other challenges. Many of these were related to Non-Tariff Measures (NTMs) that have been defined by the WTO. These NTMs are divided into seven categories and are an accurate description of the challenges South African companies were experiencing in Uganda (Charalambides, 2013:9).

**WTO classification for inventory of NTMs**

| Parts | Description |
|---|---|
| Part I | Government participation in trade and restrictive practices tolerated by governments (e.g. subsidies, state trading, countervailing duties) |
| Part II | Customs and administrative entry procedures (e.g. antidumping duties, customs classification, rules of origin or RoO, import licensing) |
| Part III | Technical barriers to trade or TBT (e.g. technical regulation and standards) |
| Part IV | Sanitary and phytosanitary measures (e.g. SPS measures, certification, conformity assessment) |
| Part V | Specific limitations (quantitative restrictions, exchange controls, export taxes) |
| Part VI | Charges on imports (prior import deposits, surcharges) |
| Part VII | Other (e.g. intellectual property issues, safeguard measures, distribution constraints) |

Source: WTO, Inventory of Non-Tariff Measures, Negotiating Group on Market Access, TN/MA/S/5/REV.1. Geneva: WTO, 2003.

As stated by Ramaswami and Yang (1990), companies expect their embassies to assist them in overcoming these barriers when operating in a foreign market. In the wake of negative press media and other challenges experienced, companies would individually approach the High Commission with a request for assistance. When interacting with High Commission, South African companies highlighted similar challenges and NTMs[6]

[6] Difficulties with immigration authorities in both Uganda and South Africa; unpredictability of the policy and legislative environment in Uganda and East African region; difficulties in relation to revenue collection and taxation; challenges with the normalization of standards; difficulties with partners

Whilst working in the High Commission as a diplomat, SMMEs and TNCs interested in investing in Uganda would also request appointments with the researcher. Their enquiries included, *inter alia*, the feasibility of investing or trading with Uganda; the political and socio-economic environment of the country; appointments required with key government officials; and request for information not available in the public domain. Although companies were able to conduct desktop research on possibilities of trading and investing with Ugandan partners, some were aware of risks when investing in East Africa. Some companies had encountered negative experiences by responding to advertisements and tenders on the Internet that were in fact fraudulent.

Given the fact that companies were all operating independently from each other, little leverage existed when approaching government institutions to deal with their challenges. A Joint Trade Committee (JTC) had been established under the Joint Permanent Economic Commission (JPEC) to specifically address challenges existing in trade relations between the two countries. However, these annual discussions were at senior officials' level, with no inclusion of the private sector. The need for closer collaboration between the High Commission and South African companies was thus required.

The challenges and opportunities for South African companies led to a discussion between the High Commission and South African companies in Uganda on 27 August 2015. Many companies were eager to see the formation of a South African body and on 3 December 2015 the Forum of South African Businesses in Uganda (FOSABU) was officially launched. In his opening remarks (attached as Annexure B), Prime Minister Rugunda of Uganda referred to the important role that the business sector played in growing the economies of both countries. He proposed that forums such as FOSABU could be utilised to implement best business practices and serve as a platform for dialogue and trade facilitation between Uganda and South Africa. The forum would furthermore provide a platform for a more open and constructive dialogue between government and business (Rugunda, 2015).

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defrauding their operations in Uganda and other forms of corruption; and the questions occasionally posed by government officials on the validity of their operations in Uganda.

The Mission received a positive response from the Ugandan government, business community and key interlocutors following the launch of FOSABU, with media reports referring to the launch as follows: "*South Africans to launch Forum to boost trade with Uganda"* (Kabuzire, 2015) and "*South African businesses in Uganda launch partnership forum"* (Ampurire, 2015).

## 4.5 Objectives and outcomes of the Forum

The Constitution of FOSABU defined the various objectives[7] of the forum (FOSABU Constitution, 2015). An important objective was the need for companies to regularly meet in order to network and share information. Many companies hoped that this networking would lead to an expansion of their business and provide useful contacts and best practices. A monthly programme of networking opportunities was drafted on an annual basis for members to be aware of which events would be of interest to their companies (attached as Annexures E and F). These events provided an opportunity for South African companies to market themselves and to inform other companies of their products or services in Uganda. In addition, the Forum provided an opportunity for new companies entering Uganda to meet South African companies already in the market. These companies could utilise the Forum to gain valuable information that government officials might not necessarily provide.

Besides individual companies approaching the High Commission, trade delegations initiated by the public and private sectors visited Uganda to investigate trade and investment opportunities. These included Outward Selling and Investment Missions (OSIM) organised by the DTI and visits by business chambers such as Africa Project Access and Africa House. The South African High Commission provided briefings to these delegations and arranged their programmes (attached as Annexure C), including access to relevant Ugandan authorities and business managers.

[7] 1. Promoting South African business' interests in Uganda and the economic development of the country; 2. Supporting increased trade between Uganda and South Africa; 3. Establishing a single voice to lobby the South African and Ugandan governments on business issues of commonality; 4. Assist members and others engaged in business between Uganda and South Africa; 5. Promote the image and the understanding of South African business in Uganda; and 6. Assist visitors to Uganda whose interests were relevant to those of the Forum.

These trade delegations were invited to meet with FOSABU. The network opportunities provided companies first-hand information from South African companies already operating in Uganda. The forum furthermore provided an opportunity for companies to speak with South African banks, legal firms, auditors and marketing companies that could advise on specific technical issues related to taxes, labour, the repatriation of funds, or immigration.

Given the variety of NTMs experienced by South African companies in Uganda, the High Commission met with key role players[8] in the Ugandan government requesting their ministries to address the forum. Similarly, South African government ministers visiting Uganda for bilateral meetings with their Ugandan counterparts also addressed the Forum. During her visit in March 2016, Minister Peters informed companies of a newly signed Memorandum of Understanding on Transport between Uganda and South Africa and raised the importance of investing in transport infrastructure programmes to enhance trade relations (attached as Annexure D). These engagements between government and the business sector provided clarity and information to companies regarding government policies and priorities.

The greatest advantage of the forum was the coordination of information between government and the private sector. Briefings provided by government officials highlighted agreements and joint projects envisaged between the two governments. The sharing of policy priorities meant that the South African companies could align their activities to the priorities of the Ugandan government.

The Forum also created a platform for key Ugandan officials to engage with the South African business community as a whole. Companies appreciated receiving specialised briefings on various procedures, regulations and expectations of the Ugandan government. This enabled companies to be more reliably informed to ensure that their operations in Uganda were aligned to local legislation. Government ministries and

[8] The Ministry of Trade, Industry and Cooperatives; the Ministry of Investment; the Ministry of Internal Affairs (dealing with immigration issues); the Ministry in charge of East African Affairs (dealing with trade issues within the EAC); the Ministry of Energy; the Ugandan Investment Authority (UIA); the Uganda Revenue Authority (URA); the Ugandan National Bureau of Standards (UNBS)

institutions subsequently appointed officials dedicated to assisting South African companies.

Another success of the forum was that it provided a platform for South African expatriates to regularly interact with each other as this engagement had been lacking previously. In January 2018 during the 2nd Ministerial South Africa-Uganda Joint Trade Committee Meeting, the Ugandan Minister of Trade, Industry and Cooperatives, Ms Kyambadde, commended the important role FOSABU was playing in promoting private sector interaction. Ms Kyambadde called for an equivalent formation to be established in South Africa to monitor the goals set by the JTC (Business Report, 2018). This facilitating role played by the South African diplomats enabled the transfer of information between government and business and between companies themselves.

Another success was the combined effort by companies to support community projects. Whereas companies had previously allocated resources to various individual projects, greater collaboration occurred in supporting smaller projects to ensure that these had an even greater impact. This was evident when South African companies chose to jointly support projects on Nelson Mandela Day (18 July) or to jointly raise funds for an identified charitable cause on the FOSABU Golf Day. Companies benefitted from the added political support provided by the High Commission, as the media were keen to report on the activities of political role players. The added media coverage of these combined projects promoted the image of South Africa. Whilst South Africa does not provide development aid to Uganda, these projects demonstrated South Africa's contribution in uplifting local communities in Uganda. Attention was drawn to the fact that, whilst only a year old, the South African Business Forum had jointly raised funds for the Kampala School for the Physically Handicapped (*FOSABU fundraises for school*, Wandera, 2017).

Besides successes, FOSABU also faced challenges as a young organisation. Smaller companies could not afford the membership fees, thus requiring consideration of alternative membership fee options to ensure their inclusion. The need also existed for the forum to be 'owned' by the South African business community in Uganda and not managed by the High Commission. However, to ensure that the agenda of the forum was not dominated by the TNCs, the High Commission was required to act as a neutral Chair. This ensured that issues raised by all companies received equal attention.

## 4.6 Conclusion

South African companies expanding into Africa from 1994 appeared to do so successfully without the support of the South African government given the political goodwill shown to them by African states. By 2015, however, South African companies were experiencing an increased number of challenges on the continent, with the initial positive reception of South African companies replaced by negative perceptions. Besides these challenges, increased competition from other countries promoting their image in Uganda meant that South African stakeholders needed to adopt a new strategy in promoting their economic interests.

The majority of South African companies in Uganda were eager to establish a forum, thus acknowledging the need for greater collaboration between government and business, and between companies themselves. All stakeholders benefitted, with business appreciating the political support they received and government satisfied with the positive country brand promoted. Communication between stakeholders improved, with government including the private sector in policy and legislative developments.

The next chapter will provide an overview of interviews conducted with companies, commercial diplomats, government officials and business chambers. The interviews were an additional source of data to establish why it has taken so long for stakeholders to collaborate on the continent and whether initiatives such as business forums are considered beneficial to the various stakeholders in enhancing their economic activities.

# CHAPTER FIVE
# PRESENTATION OF DATA SOURCED FROM INTERVIEWS

## 5.1 Introduction

The main question of this research has been to establish why, in the pursuit of South Africa's public and private economic interests on the continent, stakeholders do not collaborate. Although some academics have addressed this lack collaboration, the macro-, micro- and meso-levels of relations in commercial diplomacy have not been sufficiently investigated. Whereas some platforms do exist for stakeholders to engage with each other, these structures have been established on an individual or ad hoc basis and have not been incorporated into the organisational structures of government.

Interviews with the stakeholders will assist in establishing complementary or contradictory perceptions regarding collaboration, or the lack thereof. These perceptions of the macro-, micro- and meso-level of relations alluded to in the interviews will provide explanations as to why there has been a perceived lack of collaboration and whether stakeholders consider a more coordinated approach beneficial. The interviews will also ascertain whether South Africa's current commercial diplomacy activities are supportive of the objectives of business.

## 5.2 Data collected from stakeholders

### *5.2.1 Trans-national Corporations*

In answer to the question regarding the extent of their operations in Africa (Interview schedules attached as Annexures G & H), interviewees from TNCs indicated that they had worked in numerous African countries. Many had participated in the initial process of establishing their operations on the continent and had managed country offices. Interviewees were proud to highlight the positive impact their companies had had in the countries where they had invested. All referred to the fact that their companies expatriated significant funds from their African investments to South Africa, thereby contributing to the South African economy. Interviewees considered their companies as meaningful employers, with resources spent on developing the labour market, as well as contributing significantly to the fiscus of their host countries. This supported policies of the South African government to promote intra-African trade and investment.

The question "*Can the interests of business ever be aligned to the interests of government?*" elicited interesting answers. Interviewees did not agree with negative assessments in literature and the media that TNCs were only interested in profit margins and not in the national objectives of either the South African government or the host government. In contrast, those multinationals that had witnessed growth and profit on the continent was attributed to their long-term strategies inextricably linked to the national objectives of government. These interviewees referred to the "*symbiotic relationship*" required between government and business, as well as the fact that they were "*all part of the same eco-system*". Their long-term success was considered equally important as their quarterly profits. All investment into developing the economy of South Africa and the host country would inevitably have an impact on the long-term success of the company.

Interviewees mentioned that politics and economics are often inextricably linked on the African continent. All stakeholders operate within the same geo-political and socio-economic environment and, despite their agendas appearing divergent, need each other to achieve their separate interests. This meant that, at times, TNCs contradicted South African policies when conducting business in countries with which the government does not enjoy warm political relations. These include some Franco-phone and Arabic countries in northern and western Africa. Similarly, political positions taken by the South African government in bilateral relations or in multilateral fora could have an impact at a business level. Interviewees therefore considered it important for the private sector and government to work closer to ensure mutual success, sustainability and resilience on the continent.

In terms of their relationship with government, TNCs indicated that this needed to improve, especially considering the challenges that they were facing. South African TNCs were positively received during their initial investment drive onto the continent given the void that they were filling in many markets. Courtesy calls were paid to South

African missions; however, many indicated that they had been able to talk directly to the host government ministries and investment authorities. The South African government had therefore only played a marginal role and was only considered as one of the many stakeholder engagements required.

In response to the question, "*What support would your business appreciate receiving from the South African government?*" TNCs indicated that changes had taken place necessitating regular interaction with government officials. Challenges were increasingly experienced on the continent, with difficulties experienced with the regulatory frameworks of governments, especially those from treasuries and revenue authorities. The increased interest by other countries in Africa, as well as the decision by African governments to diversify their foreign relations, posed new challenges.

South African companies were experiencing increased competition from new companies entering the market from China, Europe, Brazil, Turkey, India and the United States. Embassies of these countries played active roles in promoting their companies in host countries to secure contracts, tenders and infrastructure projects. A growing sense of nationalism was also experienced on the continent, with African governments questioning whether they had "*sold the country*" to foreign investors or former colonial powers. The percentage of ownership by foreign companies as well as over-indebtedness to China (due to the continuous awarding of contracts) was being questioned. African governments were dissatisfied with the limited transfer of skills to capacitate future generations, as well as the lack of sourcing local content when developing industries. This sentiment of nationalism, as well as the need to diversify their foreign relations was not only directed at South African companies. However, it required companies to adapt the manner in which they operated on the continent.

Interestingly, TNCs felt that South African companies should not "*tread carefully*" nor be over concerned with the "*big brother*" reputation attributed to South Africa. In their interactions, many African government officials had indicated that they had hoped South Africa would be more active on the continent. This was in view of the expertise and capacity that exists in South Africa. Contrary to reports that South African investment dominated on the continent, South African companies could have performed far better, with the potential for further investment still available. South

African companies needed to be more aggressive in considering investment possibilities and trade markets, as these could be lost to other countries.

In response to the question, "*What were some of the greatest challenges that the company experienced when moving into new markets in Africa?"* interviewees provided valuable information on the complexities of conducting business in different cultures. Issues such as governance, consultation and accounting procedures are different to the manner in which business is conducted in South Africa. A sense of superiority and the tendency to duplicate South Africa's business culture in African countries has not been welcomed. A criticism expressed by interviewees is that South African CEOs or senior staff do not travel regularly, or live for extended periods on the continent. Consequently, many remain ignorant of business practices and capabilities in African countries. South African companies thus need to align their business practices to those of the host country, whilst still adhering to their own standards.

With regard to the geo-political environment, TNCs had not foreseen that they would be constantly subjected to scrutiny by host governments in those countries where they had become significant players in the economy. South African companies had not adapted their business to the changing circumstances nor engaged sufficiently with host governments to change policies. As witnessed in media reports, the South African multinational MTN has probably received the most pressure from African governments, with challenges experienced in key markets such as Nigeria, Ghana, Benin and Cameroon (Gedye, L. 2017, Businesstech, 2018). The manner in which MTN has conducted business in 24 African countries has been questioned. However, interviewees from other South African TNCs indicated that their companies had experienced similar challenges to MTN, particularly regarding their tax contributions and the renewal of operating permits in numerous countries.

Many interviewees referred to the tax burden continuously placed on South African TNCs, despite the fact that they are already amongst the highest contributors to the revenue of their host governments (Uganda Business News: 2016, 2017). This was attributed to the weak tax administration capacities and low tax-to-GDP ratios of African countries. Interviewees provided examples of the pressure placed by the Ugandan government on TNCs operating in the country. Uganda's tax revenue in 2015 was measured at 12.5% of the GDP[9], one of the lowest in the region (OECD, 2017). This leads to the Ugandan government extracting increased tax revenue from TNCs operating in the country, including South African TNCs such as Stanbic, MTN and Nile Breweries (SAB). Interviewees concurred that this position taken by African governments could have negative implications for future investment.

Another question posed was, "*Does the South African government need to consider adopting different policies or strategies to be more supportive of its companies expanding on the continent?"* In response, many interviewees referred to their frustrations with South Africa's visa regime towards businesspersons. Conferences or meetings are often called at short notice and personnel are often required to travel to South Africa for extended periods of training. This is in line with the approach of South African TNCs to train local staff and not to transfer South African expatriates to their foreign operations. In terms of micro-relations between government and business, the South African government has an important role to play in enabling the movement of businesspersons. Macro-relations between departments such as DHA, DTI and DIRCO need to improve to facilitate business travel in Africa.

Interviewees were questioned as to whether business engaged with missions in foreign countries. Some considered the South African mission as "*the company's insurance policy*" and concerted efforts were made to regularly engage with the mission for economic and political intelligence. Management made the embassy the "*first port of call*" when visiting the host country from South Africa. A few countries such as Botswana, Zimbabwe, Ivory Coast, Uganda and Kenya were mentioned as examples where the South African mission was known for playing an active role in supporting business. However, most companies operated independently on the continent, each approaching the South African mission as and when they deemed it necessary.

When questioned as to whether an institutionalised forum or chamber between South African companies and the missions could be beneficial, little was known about the existence of such forums. Nevertheless, a forum or association was considered

[9] Revenue Statistics in Africa, OECD, 2017

important as it provided a platform for "*like-minded South African companies*" to network on operational challenges and alert each other of information not yet known in the public domain. South African companies could discuss "*the undercurrents of what is happening in a country*" and "*how Brand SA is being managed in country*". In addition, TNCs considered business forums as an opportunity to further their business dealings amongst each other.

The Forum of South African Businesses in Uganda was often referred to as a positive experience that TNCs had had on the continent. The Forum provided an opportunity to highlight the positive role played by South African companies in the country. Interviewees referred to "*the short memory of politicians*" and that they needed to be reminded of the positive contribution made by South Africa to the economy, instead of always questioning the benefit of foreign companies. The role played by the Forum in approaching senior government officials on behalf of South African companies was described as "*half-the-battle won*". The Forum was furthermore described as "*having a collective voice*" and thereby "*making business easier*". Another benefit of the Forum was that it removed a particular brand out of a discussion and instead focused on state-to-state interaction. TNCs could not understand why some companies could not appreciate the benefit of the forum as a collective voice would always be stronger than those of individual companies.

TNCs did, however, raise the issue that as much as a forum had been beneficial, it was equally important for a forum to exist in South Africa. Currently, an opportunity for effective engagement between government and companies, or between companies themselves, was not available. Government was encouraged to consider creating a national forum domestically to share information regarding South African activities on the continent. A more structured approach towards promoting a positive image of South Africa on the continent could also be discussed.

### *5.2.2 SMMEs and Business Chambers*

The SMMEs and business chambers interviewed have all focused on specific opportunities for their companies in Africa. SMMEs and business chambers raised similar challenges to those experienced by TNCs. However, more detail was provided on the challenges experienced by SMMEs and the assistance that commercial diplomats can provide.

Similar to the TNCS, SMMEs and business chambers indicated that when initially entering the continent after 1994, government structures providing support for trade and investment were non-existent. Numerous barriers existed for small businesses entering new markets, with many experiencing difficulties. These challenges included registering their companies and properties; opening bank accounts; registering with tax authorities; and obtaining immigration permits. Few countries had a "*one-stop shop*" that companies could approach to obtain the necessary information. In recent years, however, African governments have established Investment Authorities where these administrative procedures can be conducted in one venue to ease the flow of trade and investment. Some South African companies are not aware of these investment agencies and SMMEs highlighted this as an opportunity for government to provide information on how companies could improve their entrance strategy into markets. SMMEs indicated that South African missions should foster close relationships with these investment authorities to facilitate appointments and address challenges experienced by companies.

Another particular challenge raised by SMMEs was the relationship business has with the South African Reserve Bank (SARB). Many companies are unaware of the impact of forex losses when operating in another market. In order to mitigate these forex challenges, the profit margins of companies need to be far greater on the continent. SMMEs and entrepreneurs were also unaware of various SARB regulations and, at times, found that they were in contravention of regulations when establishing offices in African countries. Instead, they concentrated on complying with regulations required by the host country. This led to additional expenses to correct their initial mistakes and to enable them to invest on the continent. The cost of ensuring compliance in terms of South African legislation is therefore an important consideration and could be a barrier to investing outside the SADC region. Whilst understanding the need to have anti money-laundering regulations, SMMEs believed that government needs to consider how to simplify financial procedures for business. As stated by one interviewee, "*Government should facilitate the environment by making it easy for us to move goods, people and money*".

Furthermore, in order to establish how much revenue companies are contributing to the economy, SARB requires that they report on funds expatriated to South Africa. Should South African companies provide any support[10] from their headquarters to their subsidiaries in Africa, SARB demands that the parent company should be paid for these support services. When repatriating these fees to the parent company, the profitability of a company is reduced. This lowers the taxation burden of the company in the host country, with the host government earning less tax. In retaliation, host governments charge additional VAT on money being expatriated to South Africa as well as the ordinary tax levied on the company. The issue of management fees versus the promotion of investment needs to be considered more strategically by government.

Continuing with this micro-level relationship between government and business, SMMEs indicated that they are not aware of the various bilateral agreements between governments. Government needs to play a more supportive role in availing this information to SMMEs and ensuring that companies are not embroiled unnecessarily in disputes with host government authorities on issues that have already been addressed in bilateral agreements. The lack of information regarding these agreements could result in companies not benefitting from them, especially when host governments do not implement them.

SMMEs raised challenges with regard to revenue authorities in host countries when answering the question "*Were there competent investment or treasury officials in the countries where your company operates?"* Some companies had received tax penalties from local tax authorities which, when challenged in court, were found to be illegal. As new investors in various host countries, these companies felt that the penalties they had received were extremely unfair and targeted. Interviewees believed that the tax penalties levied at their companies were not necessarily because they were South African, but due to their profitability.

[10] Human resource services, legal services, travel services

All companies acknowledged the need to employ local staff in host countries. Nevertheless, management or specialised staff still needs to spend time at their operations. Companies often experienced difficulties in obtaining the necessary work permits for these expatriates, with some countries being particularly difficult for South Africans to obtain work permits. The more burdensome the process and the more expensive the cost for companies to acquire immigration permits, the more companies reconsidered investing in these countries. As stated by TNCS, SMMEs felt strongly that government should play a facilitating role in easing the movement of businesspersons across the continent.

Another challenge raised by SMMEs is the exportation of South African food and beverages, agricultural products and animal feed onto the continent. Customs or standards authorities of African countries would unexpectedly introduce new regulations, citing that the South African products were "*unfit for human consumption*" or not meeting the standards of the host government. This would be in complete contrast to previous arrangements when South African products had entered the markets with ease. It was important for South African missions to provide the necessary assistance by engaging local authorities to overcome these NTMs. This meant that the missions would need to work closely with the South African departments of Health or Agriculture in order to obtain documentary evidence that could be utilised by the commercial diplomats as proof that exported goods complied with all the obligatory international standards. Interviewees emphasised that the production and export of these South African goods could be directly translated to the creation of jobs in South Africa, thereby emphasising the need for government to assist with these export challenges.

In response to the question whether SMMEs liaised with South African missions on the continent, contradictory information was received from various interviewees. Business chambers who conduct group visits with their members to identified countries indicated that it is their policy to always start their programme in a foreign country at the South African mission. Given the relationships that missions have with host governments, it was important not to conduct any business or appointments within a country prior to first meeting with the mission. In this regard, many South African missions were supportive of these business visits. Examples were provided where Heads of Mission and commercial diplomats had arranged appointments with key stakeholders, both public and private, which could not have been accomplished without the assistance of the mission. The role of facilitating access to important officials and companies, as well as providing economic intelligence to business delegations was what business chambers considered the most important role of the commercial diplomat. One of the interviewees referred to this as a "*2nd tier of connectivity*" available to diplomats. Access to local commercial intelligence was considered significantly valuable, as many companies had already conducted their own research on opportunities in the host countries.

Many SMMEs had experienced negative business dealings on the continent and often had to deal with "agents" acting on behalf of a local company. Commercial diplomats should therefore assist companies in identifying reliable partners and credible business opportunities for South African companies. All SMMEs agreed that the presence of the South African diplomats in a business meeting made an enormous difference, especially with regard to the level of seniority and attention afforded by officials to the meeting. This confirmed the earlier point that key political role players often determine the ability for a company to finalise a business deal.

Companies furthermore expressed their disappointment that government officials have at times not been prepared to leverage political relations for the benefit of South African companies. This was important considering that in some African countries politicians determine which companies are awarded contracts or tenders. This political relationship should therefore be leveraged to persuade African governments to consider South African companies. Examples were provided of other embassies that would lobby host governments to secure contracts for their companies. These commercial diplomats were bipartisan and supported companies irrespective of personal relationships or political affiliations. Instead, these diplomats understood that they were accountable to their taxpayers. In order to enhance relations between government and business, South African commercial diplomats should be trained to offer professional services to their companies based on the interests of the country and not based on personal viewpoints or interests.

During the interviews, companies were informed of studies undertaken by Rose (2005) and other researchers to measure the monetary value of embassies abroad. South African authors had also questioned government expenditure on foreign missions, stating that missions should exist in countries where South Africa could potentially see the greatest return in terms of trade, tourism and investment. Surprisingly, and in contrast to criticism raised by academics and Treasury officials in this regard, companies indicated that the presence of a South African mission in a country could never be measured in financial terms. Often companies are involved in finalising tenders and projects in African countries over a number of years, particularly large infrastructure projects. The political support, access and status provided by missions in finalising these projects was considered irreplaceable. A purely financial approach adopted in these studies was therefore not applicable. Furthermore, the country's long-term reputation and strategic objectives on the continent also needs to be taken into consideration.

Contrary to positive experiences related, some interviewees recalled the mixed or negative responses they had received from South African missions on the continent. Interviewees indicated that some missions considered the visits by business chambers and associations to be "*competition to the OSIMs conducted by the DTI*". Some companies indicated that it had been rare to receive a positive response from missions, with many Ambassadors and officials indicating that they were "*too busy"* to meet with them. Companies stated that when emailing or phoning missions requesting appointments or assistance, these engagements often resulted in little or no feedback from the officials. This lack of support from South African diplomats re-emphasises a perception that government does not wish to assist the corporate sector in its economic efforts on the continent.

Some companies indicated that, following a negative response from the South African embassy based in an African country, they would proceed to make the necessary appointments with that particular country's embassy in South Africa. The impression gained by companies was that some South African diplomats did not consider arranging business appointments as part of their job profile, nor could they see the need for their participation in the meeting. Companies criticised diplomats that considered assisting companies as "*doing them a favour*", even going as far as enquiring, "*What's in it me*?" Companies felt that it was the duty of diplomats to assist all South African companies. Many SMMEs questioned why a positive response was received from some missions, with individual ambassadors or diplomats being more supportive towards investors than others. They argued that as with "*a franchise*", companies should expect to receive "*the same service and produc*t" from whichever mission they approached on the continent.

The interviewees' expressed strong viewpoints when addressing questions related to relations between government departments (macro-level), between government and business (micro-level) and amongst themselves in the corporate sector (meso-level). Companies indicated that the frustrations they experience internationally are a direct reflection of the frustrations they experience domestically.

When answering the question "*Do you think that government and business can be smarter when trading and investing on the continent?*" interviewees raised the lack of a coordinated approach by government departments on the African continent. Contrary to when the government had overarching continental strategies and policies under former President Mbeki, government now appeared to be in disarray, with each national and provincial government department developing "*their own Africa Strategy"*. Considering the numerous actors conducting commercial diplomacy and their lack of coordination with DIRCO, interviewees confirmed that provincial development agencies each had their own trade and industry sections conducting international business. Importantly, there appears to be no clear indication of how these individual provincial strategies fit into a larger, national strategy. In contrast to other African countries such as Morocco, Egypt and Rwanda that appeared to have specific, long-term political and economic strategies for the continent, this did not appear to be the case for South Africa. A strategic focus on what South Africa hopes to achieve on the continent was therefore required. Opinions expressed were: "*we're too late", "we're losing market share"* and *"we need to start being smart in how we play a bigger role on the continent*".

In interviews with business associations, many raised the complexity and enormity of the continent, implying that South Africa "*could no longer consider the whole continent as one opportunity*". Projects in certain sectors are beyond South African expertise and capacity and should not be considered. The government did not appear to be positioning itself strategically around the export of value-added goods into African markets, with no coordinated approach as to which products should be marketed and sold to which specific markets. South African companies had therefore "*wasted a lot of time*" pursuing projects or tenders that they were not awarded.

In this regard, associations referred to the approach adopted by China and Brazil where the government, business sector and financial institutions all collaborated in securing large projects and tenders on the continent. In order to compete with these countries, interviewees indicated that they were now including the Export Credit Insurance Corporation (ECIC) and the IDC or DBSA when undertaking investment missions onto the continent.  This provided an opportunity for these insurance and financial institutions to cooperate with companies when considering investment opportunities.  A holistic package, offering finance, credit guarantees and logistics, is necessary for South African companies to be taken seriously on the continent.

Furthermore, instead of always responding to tenders on the continent, South African companies should be project developers in sectors where the country has a strategic advantage, otherwise known as unsolicited proposals.  A coordinated approach in terms of identifying, ring fencing, financing and developing projects is an innovative approach for South Africa in the future. However, some SMMEs did not appear to agree with the approach of coordinating efforts domestically prior to advancing onto the continent.  Instead, they felt that business should be allowed to follow whichever opportunities they had individually identified, without attempts made to prescribe where companies should, or should not, spend their time and energy.

In response to the micro-level question, "*Why has there not been closer collaboration between the public and private sector in the past?*" companies raised the low level of trust that has existed between stakeholders for many years.  Many concurred that this should be placed within the context of South Africa's history and negative race relations. Some referred to the culture of business collusion in the country. This was a result of the apartheid era when the government would encourage cooperation, instead of competition, amongst companies. Within the current context, the relationship between large white-owned business and government remains poor.

Government treats these large business cartels in numerous sectors with suspicion and business does little from their side to dispel suspicions and improve on these relations.

However, many other issues were raised that have lowered trust levels between government and business over the past ten years. Amongst these are "*the constant battles between government and the mining companies*". Examples were provided of the policy uncertainty surrounding the mining charters; mining managers considered to be colluding with ministers regarding licensing; labour exploitation; and the access to mining rights which would only be benefitting a few. Challenges in the mining sector have led to huge mistrust at a domestic level, despite South Africa's comparative advantage, technologies and expertise in the sector. This domestic mistrust has, in turn, caused South Africa to lose many opportunities on the continent to countries such as Australia, Brazil, Canada and the United States.

In view of the lack of trust between business and government domestically, it should not be considered surprising when companies are not always keen to approach the South African missions when operating on the continent. In contrast to TNCs labelling the missions as their "*insurance policy*", some SMMEs preferred to avoid the South African missions without informing them of their activities in host countries. This is as a result of the perception that exists that these opportunities could be "*sabotaged*" by government. The issue of government officials confidentially managing business information and not sharing it with other stakeholders appeared to be an important concern for businesspersons.

In response to the question *"Could the policies adopted by the South African government be more supportive of companies?"* SMMEs concurred with TNCs that their success was directly linked to the policies of government. All decisions and actions taken by government have a direct impact on the private sector by either creating or destroying business opportunities. Although the pursuit of development by governments appears to be diametrically opposed to the pursuit of profits by the private sector, SMMEs agreed that a direct linkage exists between the two. The greater the profits realised by companies, the greater the opportunity for a country's economy to grow given the additional jobs created and taxes paid. Similarly, the more a government supported development within a country, the more conducive the environment for companies' profit margins to increase. Interviewees agreed with an observation made by this study earlier that capitalism and market economies, although creating wealth, have not been successful at distributing wealth equally.

With regard to business-to-business relations (micro-level), interviewees referred to the disorganisation amongst business itself. Besides the limited engagement between government and business, no semblance of business unity existed in South Africa. One interviewee indicated that, "*Ten years ago there was a semblance of business unity in South Africa. For the last ten years we witnessed an agenda against business, causing huge damage."* An example was provided of Mozambique, where the Confederation of Economic Associations of Mozambique (CTA) meets regularly with government and annually with the President. Interviewees indicated that a similar, structured relationship between government and business, as well as between business, was required. An interviewee stated that, "*If government does something that affects my company, I don't have an avenue with whom I can raise it in order for it to be addressed by government*." Various associations and chambers exist in South Africa including the Afrikaanse Handelsinstituut (Afrikaans Trade Institute), the South African Chamber of Commerce and Industry, the Black Business Council, the Black Women's Association, Business Unity South Africa and the Small Business Institute. However, it does not appear as though they have enjoyed a functional, working relationship with government for a sustainable period.

When questioned regarding a more institutionalised approach between the stakeholders, companies clearly expressed their need to have platforms to network. However, interviewees were keen to emphasise that these forums or networking opportunities "*should not be a complaints shop*". Instead, these forums should include companies that were operating on a practical, logistics level and needed to access, share and harness information. South African missions should use these forums to address challenges experienced by companies on a state-to-state level.

### *5.2.3 DIRCO officials*

Interviews with DIRCO officials included those who were coordinating the departmental strategy on economic diplomacy; those managing economic diplomacy training programmes; officials responsible for measuring the impact of economic diplomacy on the continent; as well as diplomats who had conducted commercial diplomacy activities in Africa.

Interviewees confirmed the decision taken by DIRCO in 2009 to prioritise economic diplomacy as well as the need to develop a core capacity of diplomats trained in economic diplomacy. By 2011, a strategic framework had been developed with key stakeholders such as the DTI, Tourism, Brand SA, provincial governments and academia. DIRCO training commenced in 2011 with stakeholders such as the NEPAD Business Foundation, TNCs and investment promotion agencies informing diplomats of the support they would require on the continent.

During this initial period, the macro-level relationship between DIRCO and the DTI appeared to be well coordinated, with a joint training programme undertaken in 2013. However, despite having a Memorandum of Understanding outlining collaboration between the two, interdepartmental relationships appeared to have weakened, with the departments acting independently of each other. DIRCO officials were not certain whether the economic intelligence gathered in missions and forwarded to the DTI ever reached relevant companies. DIRCO officials were also disappointed that officials from the DTI and other departments would often travel to African countries without informing the mission of their presence in the host country, nor advise of the meetings they were holding with the host government.

Many officials attributed this change to the personalities of senior officials within departments as well as the strategic direction provided by the Head of State. The political guidance provided by former President Mbeki was reiterated. Examples were cited of collaborative structures during this period such as NEDLAC and the Presidential International Advisory Council. This was followed by a period of mistrust between business and government, reflected in the composition of business delegations accompanying the president on state visits. Many of these companies appeared to enjoy political patronage. DIRCO officials reported that Heads of Mission, mostly political appointees and not career diplomats, had very narrow interpretations of which companies should be assisted. In the main, those that were affiliated to the ruling party were assisted, with little or no assistance provided to white-owned or other unknown companies. Heads of Mission could not appreciate that a company such as Barclays, considered British, required support. A far broader, strategic understanding of supporting country brands was required, as all of Barclay's investment on the continent was directly linked to the South African bank ABSA.

Since 2011 economic diplomacy training had become institutionalised in DIRCO, with specialised courses on market analysis, customs, WTO regulations, economic indicators, branding and tourism provided. Many officials did not have DTI colleagues in their missions and were required to handle all commercial diplomacy duties. However, despite some diplomats receiving specialised training in economic diplomacy, they had been incorrectly placed in missions. Human resource development and human resource management was therefore disparate in the department. As a result DIRCO was losing its influence, with other departments superseding DIRCO's role in international economic relations. In addition, some officials were of the opinion that it was not their responsibility to do market research and analysis, or that they should have the technical trade and investment expertise of DTI officials. According to them the role of diplomats should be "*building and facilitating relationships, not doing the deal!"*

During the restructuring of DIRCO in 2015 it was decided that besides the training institute focusing on economic diplomacy, a unit within the Director-General's office would focus on economic diplomacy strategy and coordination. DIRCO officials regretted that although purported to be a priority, in reality senior management appeared lethargic in implementing economic diplomacy. Despite the restructuring, limited human and financial resources had been allocated to the economic diplomacy unit. Furthermore, a review of the 2011 strategy had not been officially adopted and published. Foreign policy continued to focus on political ideology instead of adopting a more pragmatic approach to global realities. Currently, a broader conversation to review government's strategies and policies was not taking place. A need existed to reconsider national interests and how to leverage political relations in support of these interests. In the absence of a revitalised, joint strategy, relevant structures and training of officials within departments would continue to operate within a vacuum.

All officials agreed that the manner in which DIRCO currently monitors and evaluates its commercial diplomacy activities is based on an outdated system. Commercial diplomacy is currently measured purely for compliance and auditing purposes instead of effectively measuring the impact through a project-based approach. The economic projects of missions, as well as what is actually being achieved, are not reflected in the operational plans of the missions. Many of these projects require long-term commitments that cannot be guaranteed in a time-bound, measurable performance plan. The current management performance system is therefore limited and not sufficiently mature to accurately reflect the work undertaken by commercial diplomats in addressing the government's economic objectives.

Officials confirmed that government needed to fundamentally change its manner of operating to support the country's business sector. DIRCO appeared to be caught in bureaucracy, whereas other foreign ministries are reinventing their systems. Diplomats are exposed to business and their IT capacity enhanced to support their work. Some foreign ministries had privatised their international trade and investment portfolios and established independent agencies to market their country's capabilities. As in the case of Sweden, an independent agency would be unburdened by bureaucracy; could be managed by a board jointly chaired by DIRCO and the DTI; resourced with professional experts; and incentivised by profit to support South African companies. The amalgamation of the foreign ministry and trade department, as in the case of Australia, Belgium and Canada, was also raised as a possibility for South Africa to become more effective in the international arena.

In answering the question as to whether South African business associations/forums should be established between the various stakeholders, examples were provided of these structures in various African countries. The role of commercial diplomats in facilitating government-to-business and business-to-business relations was once again emphasised. Officials also referred to the success of other business chambers operating in their host countries. The example of the American Chamber of Business (AMCHAM) was provided and officials spoke of how active it was in placing political pressure on foreign governments with regard to policy, tax, labour and property issues. Similar to Uganda, it was often the larger, established South African companies that realised the benefit of the forums before the SMMEs. Diplomats advised that the original objective of some companies to establish the forum was considered disingenuous as they had hoped to utilise the forum in order to obtain their immigration permits. With time, however, these individual interests were overtaken by the overarching objectives of all the members. Unfortunately some of these forums were linked to personalities and once certain officials returned to South Africa, the regularity of the meetings declined. All interviewees agreed that even if initiated by the South African mission, the forums needed to be driven by the companies to ensure continuity.

Similarly, these forums created the platform for the South African business community to interact with the host government officials. The officials confirmed that companies appreciated being associated with the South African mission in the host country, given the political weight, profiling and influence this gave to their CSR projects. SADC countries are particularly sensitive regarding the dominant role that South Africa plays in their economies. As the majority of products are sourced from South Africa, the perception exists that they are "*the supermarket of South Africa*", with companies only interested in their profits. These countries were therefore keen to witness what South African companies were doing to invest in their economies. Instead of each company pursuing their individual projects having a limited effect, a joint effort was required by companies to change the negative perception of South African companies.

As mentioned by SMMEs, diplomats confirmed that business was often nervous to share information with missions regarding possible projects or tenders. The fear existed that the mission might abuse the information by sharing it with competitors. Business is therefore hesitant to work with government and it is only when they experience difficulties, that they approach a mission for assistance. Some South African companies were victims of business scams and whilst not initially informing the missions of their activities, expected assistance when losing large sums of money. Government therefore needs to prove that it can be trusted with confidential information. Likewise, companies cannot expect the mission to assist them when they have not been transparent with political stakeholders upon entering a market.

Diplomats confirmed the concerns expressed by companies that stakeholders were disengaged in South Africa. Officials proposed that a platform should be created for these discussions to take place in South Africa and not only on the continent. An example was provided of "*an international economic forum"* or "*an international trade and investment forum*" where companies could engage with government. This platform could create a national understanding on what the country should be doing collectively on the continent. Companies would then be receiving the same message from their headquarters to that which was articulated by missions in their host countries. This would align expectations from both parties and not lead to disappointment when missions could not act on behalf of companies in certain instances.

### *5.2.4 DTI officials and Export Councils*

DTI officials interviewed were actively involved in developing policy for the continent; had worked in African countries as Foreign Economic Representatives (FERs); and had conducted African multilateral trade negotiations. Officials explained the DTI policies[11] currently in place to provide export development and support.

DTI officials concurred that the private sector had initially entered the continent without the support of government and that Africa had been very lucrative for South African companies. However, the private sector "*had started experiencing a pushback from African governments*". An official attributed this to fact that the majority of the companies were white-owned and were "*perceived to be perpetuating apartheid practices*". South African companies thus turned to government to assist with challenges related to penalties, frozen accounts, confiscated assets and corruption.

Furthermore, South African companies were no longer enjoying dominance on the continent, with their influence being encroached upon by countries such as Brazil, India and China. Despite the political goodwill expressed towards the country, this was not being translated into the expected levels of economic return. This was despite the fact that unlike China that traded in raw commodities with the continent, South

[11] The Integrated National Export Strategy; The National Exporter Development Programme

Africa’s trade was far more diversified. Additionally, the transfer of skills and employment of local labour have always characterised South African investment on the continent. This is in contrast to Chinese companies who import all their products from China, including their labour force.

Changes in the geo-political environment were also affecting African countries. Developed countries were reducing aid and FDI on the continent and commodity prices, the main source of income for many African countries, were decreasing. This meant that African countries needed to diversify their economies. Furthermore, as mentioned by TNCs, a wave of African nationalism started influencing the manner in which governments awarded tenders. African governments were concerned with the Chinese practice of under-budgeting, often leading to more being paid for projects than originally indicated in tender bids. Ministers expressed their regret at not awarding projects to South African companies. Despite being more expensive initially, South African companies might have been more cost-effective in the long term. Goodwill amongst African nations to source and trade goods amongst each other was also evident in the finalisation of the TFTA in 2017 as well as the CFTA in 2018. These factors meant that despite the negative perceptions of the country, South Africa’s investment role was once again being considered in a more positive light.

DTI officials confirmed the concern raised by business chambers that South Africa lost many tenders due to the country’s entry-strategy into markets. Companies generally investigated African projects and then returned to South Africa to seek funding. In contrast, companies from China, Brazil and India were able to immediately offer government and financial assurances when expressing an interest in a project. This compelled the DTI to reconsider its strategy and to take a more collaborative approach. A unit within the department, “Trade and Invest Africa” (TIA), was launched on 1 April 2016 “*to coordinate and implement South Africa’s economic strategy for Africa*”. TIA officials engaged with other government departments, export councils, SOEs, provincial export promotion agencies, financial institutions and organised business in order to understand their strategies for the continent. A new approach, similar to that of business chambers, was subsequently adopted when conducting investment missions on the continent. Examples of this new approach were investment missions to Kenya, Ethiopia, Djibouti, Zambia and the Ivory Coast, with export councils and financiers (IDC, DBSA, ECIC) included in the delegation in order to identify projects where they could leverage South Africa's strengths.

These opportunities have been presented to the private sector in order to establish whether there are any joint projects that stakeholders could consider. However, DTI officials emphasised that business could not be forced to work with government in a structured manner. This meant that business would not necessarily feel compelled to inform missions of their business dealings. Despite developing guidelines[12] for South African companies venturing into the continent, these could not be enforced.

DTI officials agreed that despite having trade agreements in place, many South African companies experienced NTMs by host governments. Some African countries were not implementing agreements as this meant a loss of duties and customs revenue from South African companies. This disregard for trade protocols, especially within the SADC region, meant that companies operating from South Africa have had little recourse for the challenges they experience. Officials indicated that the private sector is disappointed in government for not enforcing bilateral trade agreements. Political relations have not been utilised to raise these issues more compellingly with counterparts in Africa. Furthermore, host governments often introduced new legislation once companies had invested in their countries, thus leading to companies reconsidering their investments. These complications are frustrating South African companies and leading them to work more closely with government.

Given that the manufacturing sector is the key driver to create jobs, officials emphasised that all stakeholders needed to appreciate that this is the core business of the DTI. All divisions within the DTI have prioritised the promotion of manufacturing, with policy and operational plans all linked to the National Industrial Policy Framework (IPAP). This is in contrast to many companies that are only interested in tenders within the services sector, which is not aligned to DTI priorities. Incentives and support were provided to new, smaller manufacturing companies in order to support these SMMEs in job creation. Consideration should be given as to what missions could do to support

[12] *Guidelines for good business practice by South African companies operating in the rest of Africa*, DTI, 2015

South Africa’s manufacturing sector. In this regard, export councils were working well with business and SMMEs, despite their limited resources. However, although acknowledging the important role of SMMEs in growing the country’s economy, some officials indicated that the DTI should not only be focusing on this sector at the expense of larger companies. The current export strategy has acquired some export possibilities for smaller companies, but to date has had limited impact.

DTI officials agreed with their DIRCO counterparts that officials had become very territorial about their knowledge and work. Instead of sharing information and having joint economic strategies, colleagues worked in silos. Officials placed in missions should be knowledgeable of policies and business plans of all departments. Interviewees expressed frustration regarding the lack of understanding shown by DHA colleagues on how to treat African investors and businesspersons. A new approach was required as “*one size doesn’t fit all*” when considering visas for this category. In terms of macro-level relations, a more structured arrangement at a technical level needs to exist between DIRCO, the DTI and DHA.

DTI officials confirmed the lack of coordination between various stakeholders conducting commercial diplomacy and the duplication of efforts by officials. When considering the historic discord in government-business relations, it was even more important for government to express a united position in policy and strategy. Currently limited consultations are taking place with an overall lack of harmonisation between departmental policies and operational plans. FERs expressed their frustration at the number of national and provincial delegations visiting the same country separately, yet investigating similar opportunities in the same sector. Host governments were requested to organise programmes for these numerous delegations, leading to “*South African fatigue*” by the host governments. South Africa would need to be more coordinated in its approach to ensure that this does not have a negative effect on the country’s long-term reputation.

Officials could not overemphasise the importance of political principals such as Heads of Mission conducting commercial diplomacy. This is especially important when meetings were held with ministers and senior officials of a host country. DTI officials are not specialists in politics or protocol and therefore require assistance from political role players to guide them in high-level meetings. DTI trade negotiators also need to be informed of the geo-political dynamics within African countries to ensure that they are effective in protecting South Africa's priorities.

Whilst not acknowledged at headquarters, DTI officials placed in African missions understood and appreciated the role that political relations play when addressing complex trade issues. An example provided was the repercussion often experienced by commercial diplomats placed in African states regarding the trade imbalance that is inevitably in South Africa's favour. A negative perception existed on the continent that South Africa is protectionist and not allowing African agricultural products into its market. As discussed earlier, South Africa has modelled its standards on those set by the WTO and EU and applies these standards to African countries wishing to export to South Africa. African countries have retaliated against these high standards and continuously requested South Africa to lower its standards. Heads of Mission and commercial diplomats were therefore required to assist with managing the country's reputation.

In response to the question regarding mistrust between stakeholders, officials stated that, "*government cannot expect business to trust it abroad when it cannot trust government at home*". Often companies preferred to obtain information from each other as government officials are not at the coalface of doing business. Furthermore, for many years the impression has been created that "*government doesn't care about business*". Officials indicated that even within the DTI, an ideological division exists about either being pro-business or pro-labour, with some officials experiencing political pressure "*not to be perceived as pro-business".* An impression had also been created in the business sector that only those companies affiliated with certain political parties would receive government support. South African marketing officers in missions globally had expressed their unhappiness with the underlying political message that certain companies should be supported above others. This perception had contributed towards the mistrust between government and business. In view of the "*uncertain*" and "*unpredictable*" political and economic environment in South Africa, numerous references were made to the lack of private sector investment in the country. Although limited options were available, government would need to concentrate efforts on strengthening business and consumer confidence.

Similarly, DTI officials expressed the need for organised business to appreciate government's efforts in creating a conducive policy environment for international trade. Government represents the interests and positions of business when participating in international trade negotiations. An example provided was the access gained by the country's automotive industry into important markets such as the EU and the United States. The negotiations by officials in free trade agreements such as AGOA have all been in support of business interests. In contrast, organised business often appears arrogant and presents a negative perception of government as "*not doing enough*" for business. Officials stated that business would never be satisfied with government, despite benefitting from the opportunities negotiated by officials on their behalf. A closer working relationship therefore needs to be nurtured.

Interviewees from export councils explained that Alec Erwin, the former minister of trade and industry, established these entities in the late 1990s as an attempt by government to profile South African companies internationally. Previously, export councils only supported smaller suppliers and companies as TNCs were able to establish operations on the continent independently. This ensured that the concerns and challenges experienced by smaller companies were addressed. TNCs have subsequently become members of these sector-based councils, however, priority is still placed on supporting SMMEs with global opportunities. Pressure has been placed on the councils to support new black-owned companies, particularly those managed by women. Through the councils, SMMEs are able to work together with the TNCs and, at times, align their objectives with those of a large company. This is particularly beneficial in terms of support and exposure provided by the larger company to the SMME. However, as indicated by certain DTI officials and business chambers, government could not afford to take an "*either-or approach*" by focusing exclusively on SMMEs and ignoring "*the goose that laid the golden egg*", i.e. large TNCs.

In answer to the question *"Can you describe the various roles and responsibilities of commercial diplomats in South African missions?"* officials from export councils indicated that they were *"confused regarding the different roles played by DIRCO and DTI officials*". This was in contrast to countries such as France, Germany and Sweden where the relationship between business and government appeared to be excellent.

Commercial diplomats from these countries penetrate markets and obtain information on behalf of their companies, thus making them competitors of South Africa. Although export councils were of the opinion that TIA could duplicate these services, "*South Africa would need to act speedily in order to regain markets lost over time*". Furthermore, following investment missions to African countries, TIA needs to establish a structured manner in providing feedback to companies. As indicated by other interviewees, DTI reports are currently insufficient, with little substantive information to enable export councils and companies to effectively utilise economic intelligence to their benefit.

Officials confirmed that South Africa **"***has not utilised its political relationships to the benefit of its companies*". In view of the negative experiences that African governments have had with Chinese project developers, this is an ideal opportunity to change perceptions of African governments to once again consider South African companies for their projects. This is particularly the case for large infrastructure projects where more support is required from government.

In terms of bilateral trade agreements signed with foreign governments, interviewees were adamant that "*business needs to provide inputs into MoUs and Agreements*" prior to them being signed. Agreements in key sectors such as transport, energy, public enterprises and science and technology need to benefit business. Without business inputs and interests included in these agreements, they would remain ineffective in their implementation. Business would be more committed to the objectives of government should their interests be reflected in agreements.

Officials indicated that the government and SOEs would need to identify new opportunities in Africa to support economic growth. Although having some negative experiences on the continent previously, SOEs will need to be more aggressive to ensure that they are still considered for large-scale infrastructure projects. Officials confirmed once again that business projects presented by political principals carry more weight, providing greater assurance to African governments when awarding tenders. Unlike other regions where business often operates independently of government, large infrastructure development projects in Africa require state-to-state engagements in the initial stages. TNCs, SOEs and other companies are therefore dependent on their governments to create these opportunities for them.

Officials confirmed that South African companies are "*still too sophisticated*" in the manner in which they operate on the continent. A change of mind-set will be required in order to secure opportunities on the continent. Although South Africa has the capacity, it lacks innovative financial packages for African conditions. South African companies continue to utilise traditional, western business models of financing, thereby making their projects more expensive. South African stakeholders need to adapt to new methods of doing business on the continent.

In response to the question whether officials at South African missions were supportive, export councils indicated that some officials have been of assistance whereas others have stated that it is not their job description to assist. The diplomats of African embassies in South Africa have been more supportive to companies than the South African diplomats based in those respective host countries. Officials felt that there has to be a clear understanding of the mission's role in support of business. Export councils reiterated the "*franchise*" concept raised by SMMEs. Missions should provide a certain standard of service that is non-partisan and regardless of which company approaches it. Roles and responsibilities required from DIRCO and DTI officials should be clarified, as each have their own expertise.

### *5.2.5 Brand SA*

An official from Brand SA provided information regarding the role of the agency to promote the country's brand. Currently the agency has three fundamental roles, i.e. reputation management; marketing the country; and international communication. Brand SA showcases innovative technologies that have been developed by the country to promote South Africa's reputation. In terms of marketing the country, it conducts research on South Africa's investment on the continent in order to manage any negative perceptions. In terms of communication, Brand SA collaborates with known international media houses and PR companies to promote the country as an investment destination. Brand SA explained that the private sector often had a wrong perception of Brand SA's mandate. Whereas the private sector expects Brand SA to market individual companies, the agency instead concentrates on the capabilities and branding of the entire country to potential international investors.

In terms of macro-relations, Brand SA indicated that good cooperation exists between the agency and departments such as the Presidency, the DTI and the Treasury in promoting the reputation of the country. Other stakeholders include the private sector and civil society, each raising certain issues that the government needs to be aware of. Brand SA argued that the agency has managed to achieve some level of cohesion and coordination to create common messages. This was especially noticeable in international forums such as the World Economic Forum where all South African stakeholders needed to promote policy certainty to investors. Coordination is therefore taking place given the need to portray a positive image abroad. However, this is only at a senior official level and not at all levels across government.

Furthermore, as stated by other government officials, these relationships are not structural but are instead based on personalities working well together. A need exists to have institutions, instead of individuals, that strategize collectively. The state cannot depend on personalities but needs to create dependable, sustainable structures. This would mean that even if personalities weren't compatible, the job profile and expectations of the position compels officials to deliver the required service. Officials need to realise that South Africa is competing against countries whose commercial diplomats are effective in increasing their companies' market share. South African government institutions need to mature in order to compete on an international level. Commercial diplomats should understand that the country brand carries more weight than supporting individual companies.

The official referred to the concept of interdependency when considering the macro-, micro- and meso-level relationships between the various stakeholders. It was argued that just as the government depends on the private sector to create jobs and contribute towards the fiscus in order to achieve its national objectives, so too the private sector depends on government to create enabling policies for business to thrive. Stakeholders are bound by these key concerns and are completely interdependent on each other. This interdependency needs to be harnessed in various forums in order to manage the interests of all stakeholders.

Brand SA further argued that business requires greater confidence in government promoting the best interests of the entire country. This meant that the government, which acts as the main enabler in creating a conducive environment for business, "*cannot be a referee and a player*" in business. In this regard, government officials at missions have a great deal of economic and political information at their disposal. Government should ensure that officials remain non-partisan players and neutral facilitators. Business will remain reticent to collaborate with government if it is not certain of which specific role government is playing. The discussion regarding conflict of interest earlier in the study highlights the need for the public sector to demonstrate maturity, with officials not becoming personally involved in business dealings.

### *5.2.6 State-owned Enterprises*

Information provided by SOEs operating on the continent was particularly interesting, especially relating to the need expressed for greater support from government. Officials concurred with data collected from other stakeholders and prioritised the need for DIRCO and the DTI to place political pressure on SOE's headquarters when identifying key opportunities for South Africa. Domestic challenges currently being experienced by these entities have often limited their approach to new opportunities presented internationally.

SOEs also raised the concern that departments should not approach these opportunities in silos. Often the opportunities identified by SOEs were frustrated by policies implemented by government departments. As mentioned in earlier interviews, immigration policies were listed as one of the major concerns for SOEs. This was relevant for travel by businesspersons, as well as for tourists and students travelling to South Africa. An alignment of different government policies is particularly important for the continued success of an SOE such as the national air carrier, SAA, which is dependent on a coordinated implementation of the visa regime.

In addition, government should capacitate embassies with diplomats possessing a greater commercial acumen. SOEs referred to the striking difference in how South African embassies were staffed in comparison to embassies from developed countries. Embassies from other countries had diplomats that were capacitated to deal with business issues. A proposal was made that new, innovative approaches should be sought to incentivise and compensate diplomats for support provided to South African companies. This would possibly attract relevant officials to provide the necessary expertise and assistance to SOEs and companies. The aggressive approach by commercial diplomats on the continent, as mentioned by SMMEs, was again highlighted. Diplomats from various countries demonstrated a commitment to supporting their companies that was not always witnessed in South African missions.

Interviewees furthermore argued that collaboration between various stakeholders assumes that a common vision exists between government, the private sector, finance sector and the host country. Currently a platform to create an alignment of the different visions of these stakeholders does not exist. Whereas government develops long-term strategies for 15 to 20 years (NDP), the private sector creates strategies for a 5-year term. A SOE considering new opportunities on the continent therefore questioned how these different stakeholders could adopt a common vision to achieve goals when they work on different timeframes. Furthermore, most companies do not have long-term development goals, but instead have short-term profit goals. As indicated by TNCs, the only point of convergence is when companies have long-term strategies for their investments on the continent and are thereby able to align their operations with a government's long-term strategy. Companies that are only interested in quick profits are not able to align their objectives with the development goals of governments. French companies operating on the continent were provided as an example of how the private sectors' long-term strategy, branding and profit goals could merge with a government's political and economic strategy, thereby benefiting both parties. Such high-level, long-term political decisions taken by government in support of its private sector enables cooperation.

SOEs indicated that they are often linked to large, long-term infrastructure projects related to the development of energy and transport on the continent. In these sectors, politics and business cannot be separated, with African governments requiring assurance that the South African government is committed to these projects by SOEs. Given these sensitivities, South African missions needed to play an important role in providing the necessary political support to SOEs, as well as advising SOE management on the differences in business culture in the host country. Interviewees from SOEs indicated that at times they had little support or understanding from their headquarters in South Africa and have therefore depended upon support provided by the missions.

Similar to business, SOEs indicated that missions could provide valuable information to SOEs. Far too much time was spent bidding on projects and tenders that had already been awarded to companies. Missions could ascertain whether opportunities were authentic and which political stakeholders were the most important to consider.

## 5.3 Conclusion

Data obtained from the different stakeholders revealed that although expressed differently, interviewees agreed with each other along a number of issues. Not only did agreement exist within each stakeholder group but often across stakeholder groups, with officials and businesspersons raising the same concerns.

It was established that macro-level relations between government departments had weakened since 2011 during a period when greater collaboration was required in the global economic environment. As a result of these domestic complexities, South Africa often lost economic opportunities in the international arena. Although strategic collaboration did appear to take place between some departments, an institutionalised approach across all government departments did not exist. Instead, success largely depended on the personalities of certain government officials. Confusion regarding job profiles of officials conducting commercial diplomacy was exposed, resulting in the need to formalise the roles of various officials from different departments. The current macro-level relations are unsustainable and an inter-governmental platform would need to be created in order to harness the expertise, policies and strategies of various government departments.

In terms of micro-level relations, responses revealed a negative relationship existing at present. The mistrust between government and business was often attributed to South Africa’s unique historical business environment. Given the lack of trust at a domestic level, collaboration could not be expected between stakeholders when operating outside of the country. Forums for collaboration were necessary not only at an international level, but also between stakeholders domestically. This would hopefully address the current negative perceptions and high expectations between the various stakeholders. All interviewees emphasised the role of the commercial diplomat in aligning the interests of the various stakeholders.

Meso-level relations between business entities themselves provided some interesting responses by interviewees. One might assume that given their differences in resources and marketing capabilities, different challenges would be raised by the TNCs, SMMEs, Business Chambers and SOEs. However, data revealed that all experienced many of the same challenges, requiring that they work more closely with government. As with the macro-level relations, the lack of a coordinated approach within business itself presents its own challenges. Useful insights were provided regarding business networking forums, with the majority of interviewees overwhelmingly supporting the concept and the benefits this brought to relations between stakeholders.

Having presented the findings of the interviews, the final chapter will discuss and analyse the data presented across all chapters. Connections will be made between the results of this research conducted and that of existing research on commercial diplomacy.

# CHAPTER SIX
# RESEARCH FINDINGS AND CONCLUSION

## 6.1. Introduction

This research was conducted as a result of observing a pragmatic problem when practicing commercial diplomacy on the continent, i.e. the lack of communication and collaboration between various South African stakeholders in the pursuit of their economic objectives. Furthermore, in political studies emphasis has always been placed on the purpose of economic diplomacy to attract inward investment by foreign companies; or the important role of multilateral negotiations in influencing the global economic trading environment. This is in contrast to the concept of commercial diplomacy, where the emphasis is placed on the diplomat's support to outward activities of domestic companies – an area of diplomacy that has received less attention in theory and research.

The triangulation method utilised to extrapolate divergent responses to the research question (literature review, business forums and interviews) resulted in numerous findings. However, four key findings will be presented on the macro-, micro- and meso-level relationships researched. These findings speak to the lack of a single, coherent strategy within government towards Africa; the lack of an institutionalised approach towards commercial diplomacy; the tensions between stakeholder interests; and the need for domestic and international forums for better communication and trust between stakeholders.

Consideration will also be given to the complementary and contradictory themes emerging from the interviews. These themes are briefly analysed prior to the discussion on the findings in view of the fact that they are crosscutting.

When presenting the findings, linkages will be made to data presented throughout the study. This will be done to ascertain whether consistency exists between that which has already been documented on commercial diplomacy and the data emerging in this research. Finally, conclusions will be presented and recommendations will be made for possible further research and study.

## 6.2 Themes revealed in interviews

In analysing the interview data, various themes emerged from stakeholders. All stakeholders raised these themes, however, both complementary and contradictory perceptions existed with respect to the different themes.

<table>
<tr><td rowspan="19">CONTRADICTORY PERCEPTIONS</td><td>THEMES</td></tr>
<tr><td>MACRO-LEVEL (government-to-government)</td></tr>
<tr><td>1. Cooperation exists between government departments related to economic strategies</td></tr>
<tr><td>2. Role of BRAND SA in promoting the country’s image</td></tr>
<tr><td>3. Specialised, technical commercial diplomats required on the continent</td></tr>
<tr><td>4. Role of DIRCO and DTI officials in missions</td></tr>
<tr><td>5. Creating a new department/institution to conduct economic/commercial diplomacy</td></tr>
<tr><td>MICRO-LEVEL (government-to-business)</td></tr>
<tr><td>6. Companies eager to approach government with business information</td></tr>
<tr><td>7. Assistance/support provided by South African missions to companies</td></tr>
<tr><td>8. Communication from government to business on services and support available</td></tr>
<tr><td>9. Interests of government and private sector are complementary</td></tr>
<tr><td>10. Theoretical explanations of commercial diplomacy</td></tr>
<tr><td>11. South Africa’s historical relations between government and business</td></tr>
<tr><td>12. Country level of development and impact on commercial diplomacy activities</td></tr>
<tr><td>MESO-LEVEL (business-to-business)</td></tr>
<tr><td>13. The need to domestically coordinate economic activities on the continent</td></tr>
<tr><td>14. Reputation of South African companies on the continent</td></tr>
<tr><td>15. South African business forums active on the continent</td></tr>
</table>

Contradictory perceptions amongst interviewees were particularly disconcerting regarding South African commercial diplomacy. Whilst some indicated that they had received excellent support from South African missions, many were disappointed in the lack of service and interest shown towards South African companies. The actual job description of commercial diplomats, as well as expectations from business towards government exposed confusing opinions. Contradictions also existed with regard to how much business was prepared to trust government with information and whether institutionalised platforms would enhance collaboration between the two stakeholders. Whereas some companies were aware of forums initiated on the continent, other stakeholders were totally unaware of this opportunity for networking. Despite some of these perceptions contradicting the key findings of this research, it will be shown that other data collected during the study will support the findings.

| | |
|---|---|
| COMPLEMENTARY PERCEPTIONS | **THEMES** |
| | **MACRO-LEVEL (government-to-government)** |
| | 1. The need to develop an overarching, aggressive, innovative strategy for the continent |
| | 2. South African foreign and economic policies outdated and not pragmatic |
| | 3. South Africa's trade and investment approach different to those of other countries |
| | 4. South African government not enforcing bilateral trade agreements |
| | 5. Institutionalised approach required in commercial diplomacy activities |
| | 6. Human resource management of DIRCO and DTI officials ineffective |
| | **MICRO-LEVEL (government-to-business)** |
| | 7. Government and business interests dependent on each other |
| | 8. Government should be supportive of all South African companies irrespective of size and political affiliation |
| | 9. Companies require long term strategies to align their interests with those of government |
| | 10. All South African stakeholders to be involved in the development of agreements |
| | 11. Business success linked to policy certainty/predictability as well as an enabling environment created by government |
| | 12. High levels of mistrust between South African government and business |
| | 13. South African companies approaching government due to greater challenges experienced on the continent (Tax, legislation, customs, immigration) |
| | 14. South African government not utilising political leverage to the benefit of business |
| | 15. Political and economic decisions inextricably linked on the continent |
| | 16. The cost of missions should not only be measured in financial/economic terms but also in reputational advantage |
| | **MESO-LEVEL (business-to-business)** |
| | 17. Companies remain ignorant of business cultures and competencies in Africa |
| | 18. The need for economic forums to coordinate activities and network internationally |
| | 19. The need for stakeholders to adapt to evolving economic environment/perceptions |

Of interest to note was the number of themes that the various stakeholders agreed on, despite their lack of communication. All stakeholders concurred that the lack of an overarching, national strategy towards commercial diplomacy by all actors was hindering South Africa's opportunities on the continent. Furthermore, existing policies related to international relations and trade and investment should be revised in view of the changing global environment within which stakeholders are operating. All parties agreed that an institutionalised approach to commercial diplomacy that was neither personality-driven nor partisan was required in order for it to be effective. The need for a platform where stakeholders could jointly strategize on the country's interests, advantages, best practices and policies was emphasised. Such a national, domestic forum would be able to support any similar international efforts and further assist in mitigating the mistrust currently existing between government and business. Complementary perceptions also existed regarding the challenges experienced by South African companies, as well as the services they required from missions. These perceptions confirmed the risks, obstacles and barriers previously mentioned in literature (Ramaswami and Yang, 1990; and Naray, 2017) as well the NTMs listed by the WTO.

These contradictory and complementary perceptions will be referred to throughout the presentation of the four key findings of the research. The findings concur with positions presented earlier regarding the current gap that exists in research on macro, micro- and meso-relationships between stakeholders.

## 6.3 Key findings and recommendations

### *6.3.1 Harmonisation of the "Africa Strategy"*

The literature review by authors on South Africa's economic diplomacy revealed disappointment in the lack of a clearly articulated, updated strategy on commercial diplomacy. This study confirms that although training was implemented and economic diplomacy was considered a priority, institutional cooperation and synergies do not exist between the various stakeholders dealing with economic and foreign policy. Instead, government strategies remain disintegrated with the various stakeholders each conducting their own "Africa Strategy". Whilst commercial diplomacy is located in a dynamic and unpredictable geo-political environment, officials concurred with arguments presented by Bohler-Muller (2012) and James and Mills (2016) that South African polices have remained ideological and outdated. Should the country not adapt its policies and strategies to the changing environment, it will be left behind. Furthermore, whilst policy has always been articulated in terms of one approach to the continent, the "African Agenda", consideration should perhaps be given to various

African approaches or agendas as different regions of Africa have diverse relations and strategic interests to South Africa.

Despite the criticisms levelled against the global "rules-based system" and the neo-liberal economic policies adopted by governments, this remains the only environment within which stakeholders operate. The majority of states internationally continue to advocate international collaboration instead of protectionism. Governments have recently called for the reform of the WTO but continue to utilise these norms and standards to regulate international trade and investment activities. However, the outcomes of this research show that not all African countries adhere to international standards and do not implement bilateral trade agreements signed with South Africa. The government will therefore need to take a political decision as to whether it will enforce these bilateral agreements in future for the benefit of its companies. Contrary to the known phrase of Lord Palmerston that states have "*no permanent friends or enemies, only interests*", South Africa appears to be negating this in practice by not having "permanent interests", but instead focusing on "permanent friends". This is as a result of placing historical, bilateral relations above the economic interests of the country.

The study concurs with Qobo's (2010) position that the question of South Africa adopting stronger ambitions on the African continent has been debated for far too long. The literature corresponds with interviews conducted with SOEs and business chambers that a need exists to develop an overarching, aggressive and innovative strategy for the continent. As raised by Bohler-Muller (2012) and Van Nieuwkerk (2014), interviewees from Export Councils and DIRCO confirmed that government and business continue to over-extend themselves in their international engagements without enjoying a collective understanding of which countries in Africa would be of strategic interest to South Africa.

Furthermore, as indicated in research undertaken by Ramkolowan (2013) and De Kock (2014, 2015) and experienced by commercial diplomats in Africa, South Africa's position on the continent has been challenged. Interviewees confirmed that despite having a "*pioneering mind-set*" when initially expanding operations in Africa, South African companies are now facing greater competition from countries striving to achieve their African objectives. The data reveals that whereas the South African government previously appeared to be more innovative in its approach towards Africa, it has subsequently become lethargic in implementing new strategies. Christine Lagarde, the Managing Director of the IMF, confirmed this in a visit to South Africa in December 2018, stating that countries from emerging markets are facing a challenging external environment and that South Africa is currently at a crossroad (IMF, 2018). Other key issues raised by Lagarde included the need for government to build policy buffers in support of business; the need to foster competition in the South African economy; and the need to advance broad-based reforms.

Data collected from Export Councils, SOEs and business indicates that a coordinated and innovative approach is now required on important policy issues, including negotiating and signing bilateral agreements with African countries. The findings from interviews suggests that agreements in important sectors such as transport, energy, immigration and agriculture should include business inputs in order for them to be relevant and beneficial to the country. This is in contrast to the current position taken by government where it only considers technical inputs from business for multilateral trade negotiations. As indicated by Fletcher (2016), “diplomacy insufficiently reflects the realities of a world in which the balance of power between citizens, business and government is shifting from hierarchies to networks.” (Fletcher, 2016: 19). Government therefore needs to adapt its approach in developing policies and negotiating agreements to include all stakeholders.

The need to harmonise the different strategies and policies developed in national, provincial and local government departments is an important finding of this research. Furthermore, the need to synchronise objectives of trade and investment delegations across all levels of government is important. Besides fruitless expenditure, DTI and DIRCO officials confirmed that the constant duplication of trade and investment missions is causing damage to the country’s reputation.

Although academics such as Qobo (2010) and Vickers (2014) have criticised the South African government for its uncoordinated approach on trade and investment matters, these academics assume that DIRCO has maintained its mandate of coordinating international relations. Instead, this study reveals that all government departments are working independently of DIRCO in international relations. These departments do not always consult DIRCO, despite cabinet issuing guidelines on the coordination of South African policy positions in international relations. This confirms Fletcher's (2016) argument that foreign ministries face competing rivals. DIRCO appears to have abdicated its influence and relevance to numerous national and provincial actors. This is in contrast to a globally recognised practice that international relations are coordinated through the foreign ministry.

*6.3.2 Institutionalised commercial diplomacy*

From the outset, the study attempted to dispel the suggestion that a distinction exists between politics and commerce and argues that diplomats can no longer focus exclusively on political work. The notion of a mission utilising its "*2nd tier of connectivity*" to gather economic intelligence is confirmed throughout all sources for this research. In the literature review, various authors including Naray (2011) and Zuidema (2011) refer to the value-added and tailor-made intelligence that commercial diplomats can provide which is not available through desktop research. Various foreign ministries also confirm this by prioritising commercial diplomacy and stipulating how their diplomats provide the necessary support to their companies.

Despite South Africa being recognised as one of the few African countries making a concerted effort to prioritise economic diplomacy, insufficient progress has been made in building appropriate and mature institutions. A Directorate: Economic Diplomacy exists within the Director-General's office of DIRCO, however, this is under-resourced with only one official at a mid-level rank expected to coordinate all international economic diplomacy activities. This is unsustainable and does not reflect the priority afforded to economic diplomacy as outlined in policy documents.

Research conducted by Workneh (2012) and Tlhabaneloo (2014) proposed that developing countries lack resources and mature institutions within their foreign ministries. Whilst some interviewees considered this an important factor, they believed that the attitude of commercial diplomats towards business did not necessarily depend on resources or the maturity of the institutions they represent. Instead, interviewees insisted that a professional and bipartisan approach was required from commercial diplomats. As summarised by an interviewee, "*Developed countries get it right not because they are developed, but because of the relationship between government and business*." Commercial diplomats should understand that they are accountable to their taxpayers and that political or personal interests play no part in the professionalism of their conduct. The study therefore supports literature by the OECD (2005) and Gale (2008) on the need to ensure that there is no conflict of interest in the public sector when addressing the national interests of a country.

Another interesting finding of the research was that despite conducting similar activities in their respective host countries, diplomats were unaware of this. The use of a business forum, as demonstrated in Uganda and other African countries, is therefore not institutionalised as a possible working method within DIRCO. Each diplomat is left to initiate the manner in which they provide support to South African companies; contingent on the support they receive from the Head of Mission. Importantly, recurring concerns were raised regarding the dependency on the individual personalities of Heads of Mission and line-function diplomats for the success of these commercial diplomacy activities. Instead, these activities should be institutionalised as part of job profiles within government.

Data revealed interesting outcomes when addressing the current weakness of South African departments working in a compartmentalised manner. Authors such as Rana (2001), Lee and Hudson (2004) and Ruel and Visser (2014) all refer to governments reconsidering structure, agency and organisational arrangements to make their foreign ministries more cost effective and efficient. Within the South African context, many interviewees were of the opinion that a separate, private agency, or institution, should be responsible for international trade and investment. Similar agencies, such as SA Tourism, had effectively worked with their relevant government department whilst remaining independent, professional and unburdened by bureaucracy. This option, as opposed to the position taken by some countries to merge their trade and foreign ministries, was favoured.

Interviewees from SOEs, export councils and business chambers all confirm the need for South African missions to be similar to that of "*a franchise*", with stakeholders receiving "*the same service and produc*t" from all missions on the continent. Data revealed that not all diplomats at missions are properly equipped to be of professional assistance to business. Comparisons were made with diplomats from other countries that are better trained and more business-orientated. Contradictory perceptions continue to exist regarding the distinct roles of DIRCO and DTI officials in missions. Some DIRCO officials still insist that it was not the responsibility of a diplomat to conduct specialised trade and investment work. Instead, DIRCO diplomats should be expected to play a political role in facilitating the necessary contacts between business and government.

Despite these contradictory perceptions existing regarding the duties of diplomats, an expectation exists amongst stakeholders that officials representing the country in missions should provide the necessary services required. Furthermore, in view of the limited number of DTI officials posted abroad, it is essential for more diplomats to receive specialised, economic training. Unfortunately the government is not ensuring that specialised commercial diplomats are placed in relevant positions abroad. These findings therefore dispel some of the contradictory perceptions of officials that they are not required to conduct commercial diplomacy.

### *6.3.3 Aligning stakeholder interests*

In an attempt to address the first objective of why a lack of cooperation has existed between South African stakeholders, an important issue raised during the study was the perceived tensions existing between public and private interests. The notion that the private sector should support public programmes and social challenges such as eradicating poverty is often viewed with sceptism (Gerdeman, 2014). Instead, the private sector does not feel that it should have to grapple with challenges facing the public sector. As stated by the academic Makokera (2015) this is as a result of "regular meetings being replaced with ad hoc interactions and engagements that do little to deepen commonly held development objectives between the state and private sector." (Makokera, 2015: 1, 4, 6)

Companies trade and invest internationally and, as stated by Hovy (2015) focus primarily on profitability and increase in market share. Companies do not necessarily feel a connection to their communities, but instead closely monitor government decisions in view of the impact that policy has on their interests. As indicated in previous research (Strange, 1994; Hirsch, 2004; Muldoon, 2005), economic success is inextricably linked to policy certainty and predictability, with governments required to provide an enabling business environment for the private sector. The success of a company determines its contribution to tax revenue, thereby increasing a government's ability to address its developmental objectives.

This research provided interesting perceptions raised by TNCs and SOEs in respect of the government's national policy programmes in relation to their business priorities. Whereas most companies focus on short-term profits, governments adopt long-term strategies and action plans. Data confirmed that the interests of government and business are inextricably linked, with each dependent on the other for their success. However, it is only when companies adopt long-term strategies that are aligned to developmental timeframes of government, that their interests could be linked. This is usually only possible with TNCs and SOEs who are involved in larger, long-term investments and projects. Companies that are interested in short-term profits find no need to align their objectives with those of government.

The South African government's ambiguity towards its private sector over the past number of years appears to be another reason why the private sector is not interested in government's agenda. As mentioned in the literature review, Qobo (2010) criticises government for its lack of appreciation towards the private sector. Many companies agree with Qobo's assessment that they have ventured into the continent without government acknowledgement or support for the role they have played in the development of the African economy. This is in contrast to other European (Denmark, Sweden, The Netherlands) and African (Rwanda, Morocco, Egypt) governments that demonstrate unambiguous support towards their private sector. Interviewees confirmed the concerns raised in literature by Qobo (2010), Makokera (2015) and Swilling (2017) related to the need to address the perception that certain sectors of society and business are favoured by government. The outcomes of the research indicate that the greatest challenge to the economic success of the country does not appear to be the clash of interests between the public and private sector. Instead, the greatest clash is the conflict of interests within the public sector, with some officials pursuing parochial interests influenced by party affiliation and not the national interests of the country.

The role of South African Heads of Mission in exerting the necessary political influence when the interests of a South African company are threatened is furthermore considered critical. The level of attention given by host governments to South African companies increases significantly when senior political representatives form part of business meetings. One of the successes of the business forum in Uganda was the involvement of the High Commission in addressing concerns of companies directly with senior Ugandan officials. These outcomes confirm research on African economic diplomacy that involvement at a presidential level, especially state visits and bilateral discussions are essential to ensure that South African SOEs and companies succeed in securing tenders or large infrastructure projects. Perceptions that have existed within government that only certain companies should receive support is considered ideologically outdated and economically disadvantageous. Should government not afford companies the level of attention required, the country will lose projects to the benefit of other countries.

The outcomes regarding the tensions between private and public interests suggest that the balance between collaboration and competition is one of the greatest challenges facing the country. DTI officials indicated that companies will never be fully satisfied with government. Instead, they will continuously lobby government to ensure that policies suit their highly driven profit incentives. This concurs with the position of Valsamakis (2012) that the private sector expects government to facilitate a conducive environment in order to achieve their interests. This is contrary to previous neoliberal policies insisting that the state should not interfere in markets.

However, data revealed that whereas much is expected from government to create a stable, predictable environment, business should demonstrate reciprocity in terms of investment back into the economy. The low level of investment by the private sector in supporting the government's efforts to rebuild the economy is cited as an example. The large business cartels in numerous sectors are also an example of South African business only focusing on its interests. The issue of South African companies not devolving information to government when initially entering a country and then subsequently requiring government assistance when their interests are threatened, further demonstrated disingenuity by the private sector. This research therefore reveals that all stakeholders require a change in attitude.

### *6.3.4 Platforms for collaboration*

With regard to the second objective of the study as to whether stakeholders would consider closer collaboration beneficial, the findings of this study reveal that across macro-, micro- and meso-levels, all stakeholders are frustrated with their disjointed communication and the lack of platforms to network and share information.

The study revealed that business forums have been established in the past, both domestically and internationally. Domestically, many of these forums were established during President Mbeki’s term. However, interviewees confirmed Makokera’s (2015) position that these forums have not been considered particularly successful during the past ten years. Internationally, various missions have identified the need to establish forums for the benefit of South African companies. An important finding emerging during interviews was that forums should exist in South Africa prior to efforts being made to coordinate stakeholders at an international level.

An ambiguity that arose out of the research was that the large TNCs recognized the need for government-business forums more so than SMMEs. This is in contrast to the expectation that SMMEs require assistance more than established, well-resourced TNCs with international reputations. The findings therefore confirm arguments in literature (Cyarnecka-Gallas, 2012; Van Nieuwkerk, 2014) that forums need to be established to provide opportunities for collaboration. Some South African companies could not be persuaded to join the business forum in Uganda. This indicates that negative perceptions continue to exist of the value that government can add to the private sector. It also confirms that business might not necessarily wish to align their interests to those of government.

Outcomes during interviews with business indicate that within the South African context coordination will be difficult. Previous research conducted by De Kock (2015) indicates that many companies conduct their economic activities independently of government. However, in view of the present challenges and competition facing South African companies highlighted throughout the study, stakeholders recognize the need to work more strategically together. An important finding of business forums is that, once interacting and networking with each other, greater understanding existed between stakeholders.

Findings confirmed that certain missions (USA; UK; India) are effectively using business forums to better position their companies for projects. Outcomes furthermore confirmed that the business forum in Uganda assisted companies in collectively dealing with challenges and promoting a positive country image. Missions should therefore be utilized to present a united South African voice when addressing economic issues.

## 6.3 Conclusions and possible future research

In answering the research question, one can conclude that South Africa's particular historical context has accentuated a lack of trust between stakeholders and continues to play a detrimental role in coordinating economic objectives and development goals for the country. The increased importance of political affiliations and patronage is similarly having a detrimental effect in ensuring that the country achieves its national economic objectives.

Although it is acknowledged that economic activities are largely driven by the private sector and government cannot dictate which opportunities companies should explore, government remains a key facilitator of providing information to the private sector regarding viable opportunities. Much emphasis has been placed on missions attracting foreign direct investment into the country; however, equal emphasis needs to be placed on providing the necessary support for outward trade, export and investment promotion. In this regard, although support in developing the export potential of SMMEs is considered vital, it cannot be to the detriment of TNCs that have the capabilities to manage larger projects on the continent. The need to build trust from both sides is critical for the future economic success of the country, with both government and business needing to change their approach.

The research confirmed that macro-, micro- and meso-level relations are weak and that more attention is required in promoting these relations at all levels. In order to overcome the intractable challenge of the various agents of the state, strategic policy decisions need to be taken and implemented across all levels of government. A decision needs to be taken as to which ministry carries the overarching responsibility for commercial diplomacy, with a clear division of roles between technical experts. Human and financial resources need to be effectively utilized and consideration given to reorganizing government structures. Otherwise the country will continue to flounder, with each department implementing its own strategies but achieving little.

In terms of government-to-business relations, all stakeholders confirmed their frustration with government disorganization. Business is eager to seek new opportunities, however government remains slow in adapting. The lack of a professional service from government is concerning with poor and outdated communication systems existing between government and business. Business cannot be expected to take government seriously in the absence of a coordinated approach and strategy towards Africa. Furthermore, if government cannot be trusted domestically, business cannot be expected to trust government in the international arena. In order to avoid extinction, South African diplomats need to be specialized, with standard services provided across the continent to all South African companies approaching missions.

In terms of business-to-business relationships, coordination between companies remains poor. This is as a result of the politicization of organised business forums. The lack of competition in South Africa's economy is concerning and the dis-ingenuity shown by some larger companies requires as much reform as that demanded of government. Whereas government is required to remain relevant and supportive of business, similarly business needs to adapt in order to contribute towards the government's overarching objectives for economic growth.

When considering the willingness of stakeholders to participate in interviews, this study confirms the position presented in literature that further research is required with respect to commercial diplomacy. Besides individual articles published by African authors, very few dissertations could be found written from an African perspective.

Valsamakis (2012) published on the role of South African business in economic policy in the post-apartheid era and Tlhabanello (2014) wrote a dissertation assessing Namibia's economic and commercial diplomacy. More research is therefore required from an African perspective, as African companies require greater assistance from their embassies when venturing beyond their borders given the reputational dominance of companies from the West. Furthermore, most African foreign ministries were only created when the majority of Africa states received their independence in the 1950s and 1960s. This means that the institutional, human and financial resources of these foreign ministries are not as established as those of other regions such as Europe and Asia. African commercial diplomats therefore face greater challenges than their counterparts from other regions, many of whom receive advanced training and support from their governments.

Further research could also be conducted utilising business forums as case studies to establish whether these are effective platforms for stakeholder collaboration. Although various countries have initiated similar chambers or forums for their companies operating in foreign countries, no previous research appears to have been conducted on these forums.

The findings of this research confirm positions taken by Baine and Woolcock (2007) and Valsamakis, (2012) that no one particular theory adequately addresses the phenomenon of commercial diplomacy. A need therefore exists for further research in developing theories that adequately address the phenomenon of commercial diplomacy, given the complexity of the numerous stakeholders, their interdependency and the environment within which commercial diplomacy operates.

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