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The Impact of World System Theory on South Africa as a Semi-Periphery Country

(MASTER'S THESIS)

Author: BA HONS. Rudzani Bernard Mamphweli

Supervisor: Mgr. Radovan Dluhysmith

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Declaration of Authorship

I, **Rudzani Bernard Mamphweli** declare in lieu of oath that this thesis for Master's in International Development at Palacky University, hereby submitted by me, has not been previously submitted for a degree/Master's, at this or any other institution and that this is my own work in design and execution. All references materials contained therein have been duly acknowledged.

Date**: 12 April 2018** Signature**:**

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DISSERTATION ASSIGNMENT

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Rules for elaboration:

The aim of the study is to describe and analyse the dynamics of South Africa being a semi-periphery under world system theory.
In terms of the specific objectives the study will: -Analyse the current state of South African political economy with specific focus on employment, production and governance. -Describe the integration of South Africa into global economy. -Describe the role of South Africa in political economy of other peripheral countries in Africa.
Research Questions - How does the world system theory affect South African exports and imports of commodities? -What are the positive and negative effects of the world system theory on industrial activities in South Africa? -What is the role of South Africa in BRICS as a partner of emerging economies of global south? -What is the role of MNC's within the new democratic South Africa?
Background of the study. World system theory has been closely associated with Immanuel Wallerstein and understanding the intellectual context in which this body of knowledge is positioned, means also understanding Wallerstein. Per Wallerstein (1974), world system theory is a micro-sociological perspective that seeks to explain the dynamics of the capitalist world economy as a total system. For Wallerstein a world system is a social system, one that has boundaries, structures, member groups, rules of legitimisation, and coherence. Its life is made up of conflicting forces which hold it together by tension and tear it apart as each group seeks eternally to remould it to its advantage. It has the characteristics of an organism, in that it has a life span over which its characteristics change in some respect and remain stable in others. Life within it is largely self-contained, and dynamics of its development are largely internal.
Methodology The study will be conducted in the qualitative approach and will be mainly descriptive in nature. The research will provide a conceptual framework and alternates between general and more theoretical. Qualitative research is more suitable to this study, as in contrast to quantitative research, because it gives room for the researcher to engage in critical thinking when reading the existing literature when judging and weighing facts (Paton, 1987). Qualitative research method allows a thorough analysis of literature on the world system theory thereby allowing the researcher to have a good understanding of its underlying processes.

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Goldfrank, W.L. 2000. "Paradigm Regained? The rules of Wallerstein World-System method. Journal of World-System Research. Vol.6.N.2 pp.150-195.
Wallerstein, I. 1974. The Modern World System I: Capitalist Agriculture and the Origins of the European World-Economy in the sixteenth century. New York: Academic Press.
Wallerstein, I. 2000. The Essential Wallerstein. New York: New York Press.

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	Department of International Development Studies
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L.S.

prof. RNDr. Ivo Frébort, CSc., Ph.D.
Dean

doc. RNDr. Pavel Nováček, CSc.
Head of Department

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Abstract

This thesis is aimed to describing and analysing the impact of world economy on South Africa as a semi-periphery country by looking at the practical implications of the theory on South Africa in the global economy. After providing the overview of world system theory and international system, the study argues that South Africa possess the elements of semi-periphery countries in the world economy, given South Africa’s intermediate position between the core and periphery that reflect the dynamic of being dependent and being a hegemony in the developing world and one that seeks to maintain balance of force in international economy. This is followed by an analysis of South Africa’s international economic relations, South Africa’s prioritisation of Africa as a regional power and its inclusion in the BRICS partnership of emerging economies of the world.

Keywords: world system theory, world economy Wallerstein, semi-periphery, global commodity chains, South Africa, SADC, BRICS, Regional Integration.

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Chapter 1: Introduction and Background of the study.

World system theory has been closely associated with Immanuel Wallerstein and understanding the intellectual context in which this body of knowledge is positioned, means also understanding Wallerstein. World system is highly political approach to the problem of economic development in the third world. It was created by policy-oriented intellectuals in countries at medium level of development to account for their levels societies to demonstrate their inability to catch up to with core countries (Dadzie, 1980). In its contemporary American form, world system has been designed to explain the historical rise of the western core countries, as well as the continued poverty of the non-western peripheral societies.

Advanced or developed countries are the core of the system and less developed countries are periphery countries. Most of western countries hold the status of core countries within the world system peripheral countries include countries from Asia, Africa, and Latin America that are politically weak and economically poor but are rich in raw materials and mineral resources. Semi-periphery countries act as a buffer zone between the core and periphery in what Wallerstein has introduced as the semi-peripheral regions. Some of periphery countries also include the peripheral countries that has gain their relative position in the system of world economy. In some case semi-periphery become bridge between the core to periphery depending on relationship between the countries. The differential strength of the multiple states within the system is crucial to maintain the system as a whole, strong states reinforce what Wallerstein called unequal exchange, the systematic transfer of surplus from semi proletarian sectors in the periphery to high technology, industrialized core (Goldfrank, 2000).

The South African case study holds lessons for world system theory. The existing literature suggests that semi-periphery countries or regional powers adopt a number of different strategies, balancing (both hard and soft power), buffering, binding and niche diplomacy to contain and influence the impacts of world system (Habib, 2009). According to Wallerstein (1974), world system theory is a Micro-sociological perspective that seeks to explain the dynamics of the capitalist world economy as a total system. For Wallerstein, a world is a social system, one that has boundaries, structures, member groups, rules of legitimisation, and coherence. Its life is made up of conflicting forces which hold it together by tension and tear it apart as each group seeks externally to remould it to its advantage. It has the characteristics of an organism, in that it has a life span over which characteristics change in some respect and remain stable in others.

Wallerstein assumes the world-economy to be structured in core-peripheral activities linked by commodity chains that cut across state boundaries. This world-economy developed a core with well-developed towns, flourishing manufacturing, technologically progressive agriculture, relatively well-paid labour, high investment. However, the core needed peripheries to extract the surplus that fuelled the expansion. Periphery countries produced certain key primary goods for exports to the core countries, while their own countries remain underdeveloped, labour became more coerced in order to keep down the cost of production, technology stagnated, labour remained unskilled or even became less skilled and capital, rather than accumulating, was withdrawn toward the core (Wallerstein, 1974). This is the reality we see today in many developing countries. Wallerstein stresses the importance of the third category in the world system, the semi-periphery. Societies in this group stand between the core and the periphery in terms of economic power. Some may eventually fall into the periphery and others may eventually rise into the core, South Africa being the research case study is rising towards the core as one of the emerging economies of the world and the biggest economy of Africa in relative terms. Semi-peripheries deflect the revolutionary activity of peripheries, and they serve as good place for capitalist investment. South Africa plays the similar role in the contemporary Africa.

Wallerstein believes that without semi-peripheries, the capitalist world cannot function because in the capitalist world economy all countries are integrated by global commodity chains and productions. Core countries command a large share of the total surplus produced within a commodity chain in the world economy and peripheral activities are those that command a little or no surplus. As a result, the core possesses large share of the surplus produced in the world economy while peripheral countries get less. The unequal share of surplus is reflected in major differences between countries gross domestic product (GDP) where rich core countries have relatively high GDP compared to poor peripheral countries (Arrighi and Drangel, 1986). Since the Semi-peripheral states are defined as the group that stand between the core and peripheral they command average share of the total produced in the world economy. South Africa too is characterised by average command in of production in the world economy, the country has relatively high GDP in Africa and is more industrialised compared to other countries in the region.

Now regarding commodity chains of production, semi-peripheral economies have access to trade more with the core countries. This is not unique to South Africa where economic gains of the country are largely dependent on exporting commodities to core countries such as United States of America, Germany, Japan, China, and India (see table 1).

Table 1: South Africa's exports and imports, January 2018 overview

EXPORTS	**IMPORTS**
Top 5 countries South Africa exported to:	**Top 5 countries South Africa imported from**:
1.China (9,5%)	1. China (20,4%)
2. United States (7,0%)	2. Germany (9,5%)
3. Germany (5,9%)	3. South Arabia (6,8%)
4. India (5,3%)	4. United States (5,0%)
5. Japan (5,0%)	5. India (4,2%)

Source: SARS, 2018

South Africa is the 33rd largest export economy in the world. The country's primary exports include gold, diamonds, platinum, other metals and minerals, machinery and equipment's, and South Africa primary import commodities include machinery, chemicals, petroleum products, scientific instruments and food products.

Modern capitalism has accelerated trend of commodification (Wallerstein, 1984). By this means the assigning of market price to an ever-expanding percentage of the productions. The core states and their enterprises are the ones which dominate the more profitable chains and the strategic nodes of the world-economy through an aggressive and mercantilist policy. The core countries export high priced manufactured goods to semi-periphery and periphery countries and import cheap primary commodities. This is characterised by unequal exchange of monetary currencies in which the core countries have strong buying currency compared to less developed countries of the world. This extend to the buying of commodities in which commodity dependent countries suffer as a result of the strength of their currency against the buyer. The strength of the economies of developing countries is determined by the commodity prices, South Africa in particular. For example, in the last term of 2017 the country experiences a significant economic growth as a result of high commodity prices.

The creation of commodity chains expanded the notion of uneven exchange from individual transaction to nation states. Commodity change overwhelmingly originate in the developing world and end up in the developed world. Wallerstein, seeking to explain this empirical fact, argues that unequal exchange is a fiction of scarcity and abundance. World regions with more abundance of natural resource like Africa received a lesser return in the market than the same moving to the other direction. Therefore, commodity chains analysis, as the progeny of the world system, responds to the theoretical questions regarding the origins and the nature of persistence underdevelopment as well. Immanuel Wallerstein explains that "*the activities of the more profitable nodes have tended to be geographically concentrated in a few, relatively small world of world-economy, which we may call the collective core zone. The less profitable nodes tend to have their units of economic activity more geographically dispersed, most of these units being in a much larger area we may call it peripheral zone*." (Wallerstein 2004:106)

Furthermore, core countries are superpower states with the first rank in the international system and the ability to influence events and project power on a world scale, it is considered higher level of power. Core states influence the world economy with their great economic political and military strength over periphery and semi-periphery and are able to exert power over world diplomacy. They also have soft power and the capacity to deploy economic investments in less developed portions of the world (Nye, 2004). Hurrell (2006) mentions the following four criteria characterising greater power of core countries:

(i)The capacity to contribute to the international order.

(ii) International cohesion to allow effective state action.

(iii) Economic power, such as high levels of economic growth or large market; and

(iv) Military power, with the ability to compete with other dominant powers in a conventional war.

Kelly (2004) focuses on superior material resource such as economic indicator (GNP) as a precondition for semi-peripheral states. Semi-periphery country like South Africa they are characterised by big industrial development that made not to only depend on exporting primary commodities but also create a manufacturing base for exporting secondary products to other countries. Cox (1996) notes that semi-peripheral or middle power countries supports the process of international system because of their interests in a stable and orderly environment and not because they seek to impose an ideologically preconditions vision of ideal world system. By implication, therefore, semi-periphery country such as South Africa is one active player in international system and world economy, supporting the objectives of integrated world economy system, international peace and security as one of its defined national interests, which lead to a more stable world. Interests of the semi-periphery coincide more with the general interests than do the interests of the periphery and core countries (Reid, 1983).

Differently, the semi-peripheral states practice self-assuring economic policies, to keep themselves in the semi-periphery, and defensive policies, in order to conserve the conquered markets and avoid to marginalized towards the periphery. Global industrialization is the result of an integrated system of production and trade. The creation of commodity chains expanded the notion of uneven exchange from individual transaction to nation states. Commodity change overwhelmingly originate in the developing world and end up in the developed world. Wallerstein in seeking to explain this empirical fact, argues that unequal exchange is a fiction of scarcity and abundance. World regions with more abundance of natural resource like Africa received a lesser return in the market than the same moving to the other direction. Therefore, commodity chains analysis, as the progeny of the world system, responds to the theoretical questions regarding the origins and the nature of persistence underdevelopment as well. Immanuel Wallerstein explains that "*the activities of the more profitable nodes have tended to be geographically concentrated in a few, relatively small world of world-economy, which we may call the collective core zone. The less profitable nodes tend to have their units of economic activity more geographically dispersed, most of these units being in a much larger area we may call it peripheral zone"* (Wallerstein 2004:106)

Technology is a crucial factor in the positioning of a region in the core or the periphery, where core countries appears to have more technological power compared to periphery countries, however this transfer of technology have both negative and positive impact in developing countries. Decades of globalization and use of technology to reduce labour costs has already had the effect of reducing labour force in the industries while manufacturing output increased. South Africa face the same challenge as a developing country in which industries are applying advanced technologies that lead to reduce of labour costs but lead to a problem of employment in society. One of the enduring legacies of globalization has been increasing inequality within the workplace in particular and in society in general. Fragmentation of production at national and global level has seen the income shares of capital-increasingly specialised in global value chains tasks performed by highly-skilled labour (Terlouw, 2003).

1.2 Motivation of the study.

The study is important to the field of international development studies in many aspects. The researcher was motivated to undertake this particular study in order to describe the dynamics of South Africa in the world system. Wallerstein's world-system theory explains intersocietal political and economic relations of the countries that are important in explaining social change and history of development of a country. One of the contributions of world system theory was to break down the dichotomy between developed and developing countries by introducing the concept of semi-periphery. South Africa can be used as case study to analyse modern world system. By analysing the world-system, the study implies that the theory entails imbalances in the world economy and this leads to dependency which affect the development of other states. Robbinson (2004) suggest that, a core component of Wallerstein theory is the generation and appropriation of surpluses throughout this system surpluses tend to move from peripheral and semi-peripheral to the core regions so that natural functioning of the modern world system that is the world accumulation results in the enrichment and development of the core and the impoverishment of the periphery. The semi-periphery zone includes countries like South Africa or Brazil which resemble the core in terms of their urban centres but also have areas of rural poverty which resemble the peripheral countries. The core contracts the work out of these countries. The system has impact on South Africa as semi-periphery country and new emerging economy of the world that seek to ensure the balance of relationship between the core and peripheral countries.

1.3 Aims and objectives

The overall aim of the study is to describe the practical implications of South Africa as semi-periphery country under the world system theory. South Africa paly an intermediate role in the world system which is the bridge between the core countries of the world and the periphery countries in the developing world. By analysing world system, the study implies that the theory entails imbalances in world economy that lead to dependency which affect the development of other countries. South Africa resemble the characteristics of both core and semi-periphery in the world system, therefore the research further aims to describe the role of South Africa development of other African states, given South Africa's position of core as the regional power in Africa and as one of the emerging economies in the world.

1.3.1 Objectives of the study:

-Analyse the current state of South Africa political economy with specific focus on global commodity chains, production networks and governance.

-Describe South Africa's regional integration in SADC and in the global economy with focus on BRICS development initiative.

-Describe the role of South Africa in the development of other peripheral countries in Southern Africa focusing on economic and political relationship with Botswana, Zimbabwe, and Lesotho.

The aims and objectives were achieved by answering the following four questions:

-How does the world system theory explain South African exports and imports of commodities?

-What are the implications of the world economy on Industrial activities in South Africa?

-What is the role of South Africa in BRICS partnership as an emerging economy of global south?

-What is the role of MNC's in the development of South Africa?

1.4. Methodology

Research methodology allows the researcher to draw conclusions about the relationship between variables. There are two paradigms that determine the direction of a research project from its commencement to the last step of writing the research report. These paradigms are qualitative and quantitative research approaches. The study was conducted in qualitative approach and was mainly descriptive in nature. The research provided a conceptual framework and alternates between general and more theoretical. Qualitative method is more suited for this study as oppose to quantitative method, because it gives room for the researcher to engage in critical thinking when reading the existing literature and give the researcher opportunity to judge and weigh facts. Qualitative research method allows a thorough analysis of the literature on the topic of the study thereby allowing the researcher to have a good understanding of its underlying process.

1.5. Data collection

The researcher used secondary method of collecting data to address the aim and objectives of the study as well as answering the research questions. Secondary data is the data that have been already collected by and readable available sources. Such data are cheaper and also may be available when primary data cannot be obtained. The research relied on secondary data since he could not go to the field to collect primary data and the nature of the study allowed him to do so. Neuman (2011) explain data collection as referring to the process of actual obtaining the information that will help answer the research question. To collect data, the researchers make use of a number of different data strategies. The researcher used secondary data for this study that was conducted through in-literature review from academic books, journal articles, states and Institutional reports and government statistical reports related to the topic being studied, newspaper and, etc. Majority of the data was collected from Wallerstein's world-system theory and other development theory such as dependency theory who complement or have different views from Wallerstein.

1.6. Secondary Data Analysis

In conducting research, the area of investigation and the research questions determine the method that the research follows. The methods consist of how the researcher collects, analyses, and interprets the data in the study (Cresswell, 2009). The key to secondary data is to apply theoretical knowledge and conceptual skills to utilize the existing data to address the research questions. The researcher applied knowledge theoretical knowledge in utilizing the secondary sources from academic books, lecture materials, scholarly journals and official reports that helped in addressing the research question. As part of analysing the data, the researcher evaluated the collected data to meet the requirement of academic research and good scientific practice.

1.7. Validity and reliability

Validity of the research refers to the correctness and credibility of the description, explanations and conclusions of the matter at hand. The study aimed to achieve high reliability, meaning that another research studying the same or related topic employing the same research design and methods will be able to arrive to a conclusion similar to this study. Reliability was achieved mainly by answering the research question and by having reliable sources that can easily be accessed by other researchers.

1.8. Definition of concepts

1.8.1. Commodity chains- Over the past decades this concept has become important in the field of development studies for examining the organization of work within neoliberal globalization. One way to understand the relationship between the actors and activities involved in creating goods and services in the global economy is to describe them as links to commodity chains. Hopkins and Wallerstein define such a chain as "*network of labour and production whose end result is a finished commodity*." (1980:159). Wallerstein goes on to show that firms contrived a variety of schemes such as monopoly and vertical integration, which rendered supply and demand inadequate to explain prices. Thus, by conceiving the architecture of the economy as a struggle over rents, not only can commodity analysis treat questions of how economies interrelate, but it can similarly treat theoretical questions of firm behaviour and the power dynamics within inter-firm relationships.

1.8.2. World system-Wallerstein (1974) made the first definition of the world system as a multicultural territorial division of labour in which the production and exchange of basic goods and raw materials is necessary for everyday life of its inhabitants. The different strata of the world system-core, semi-periphery, and periphery-refer to distinct roles in the international division of labour which is in relation to the production in the world economy, which has created a dual interdependence region of core and periphery (Wallerstein 1979).

1.8.3. Capitalist world system- The system in which the aggregate of international economic relations of countries. The system includes both countries from advanced capitalist states as well those that are developing. Wallerstein argued that a world economy must necessarily be capitalist, and that capitalism can only exist within the framework of word economy. Hence, the modern-system is world economy (Wallerstein, 2004).

1.8.4 Core countries- refers to those countries which controls and take profit of the world system, and thus they form the core of world system. These countries possess the strength of military, economic and political power which helps them to exercise control over other countries (Wallerstein, 2004). For example, the present core countries include United States, United Kingdom, Germany, France, Japan, Italy and Canada.

1.8.5 Core-periphery- this is an interactive concept that refers to the degree of profitability in the production processes between core and periphery countries. When production exchange occurs, competitive products are in a weak position and monopolized products are in a strong position. As a result, there is a continual flow of surplus-value from producers of peripheral products to the producers of core-like products. This has been called unequal exchange (Wallerstein, 2004).

1.8.6. Semi-peripheral- refers to countries which has organizational characteristics of both the core countries as well as the periphery countries, Brazil, India, Mexico, China and South Africa are five remarkable semi-peripheral counties. They are located between the core and peripheral regions as well as between two more competing regions. They play a vital role to mediate the activities ranging from economic, political and social activities which has linkages with the core and peripheral countries. Semi-peripheral countries have a special kind of politics and play a particular role in the function of the world system (Wallerstein, 2004).

1.9. Study Limitations

The study was limited by secondary method of data collection. Primary method of collecting data would have helped the researcher to explore more about the study and in addressing the research question, hence the researcher recommended the use of both primary and secondary data collection procedures. It is vital for secondary researchers to have access to adequate documentation from the primary research, including protocols and procedures followed in the collection of data (Clarke and Cossette, 2000).

1.10. Outline of the thesis

Chapter 1 gave the Introduction and Background of the study. This chapter introduced the research study by giving the background of world system theory as well as linking a case study of South Africa to the theory, research aims and objectives, motivation of the study, methodology, definition of key terms as well as study limitations. Chapter 2, focused on literature review mainly on world system theory by looking at South Africa as a semi-periphery country. The literature reviewed by analysing world system theory by looking at authors that provide knowledge of the subject and other theory such as dependency theory that compliments world system theory. The literature provided a clear analysis of the objectives as well as giving answers to research questions. Chapter 3, presented the relationship between South Africa and peripheral countries in Africa such as Zimbabwe, Botswana, and Lesotho. The focus was on political and economic relations between South Africa and the mentioned countries, deepening regional integration of South African Development Community and South Africa's regional leadership. Chapter 4, discussed the BRICS partnership and role of South Africa as the only African member, South Africa's relations with China as BRICS partners and Implications of South Africa's BRICS membership. Chapter 5, gives a conclusion of the study based on discussions and findings. The chapter also gives recommendation for policies and future research on the subject.

Chapter 2: Literature Review

2.1 Introduction

This chapter consist of literature review of world system theory and other development theories that complement the theoretical perspectives of Wallerstein. Much focus is on the ideational semi periphery of South Africa by looking at its dynamics and practical implications in the world economy**.** Immanuel Wallerstein sustains that the semi-periphery "*is not a statistical cleavage artifice, nor a residual category*. *The semi-periphery is a structural element of the world economy*" (Wallerstein,2003:493). Thus, the concept of semi-periphery ends up being an analytical category of great importance to cover the theoretical dichotomous blank existent of the core-periphery model.

2.2 Theoretical characteristics of the concept of semi-periphery

The characteristics and roles of the semi-periphery countries in the world system are first exposed by Immanuel Wallerstein throughout its work, the modern system. In the inter-state international system, semi-periphery countries are understood to be significant number of states that seems to be permanent in the intermediate position between the maturity and the backwardness like the theorists of modernization could say, or between the core and periphery like the dependency theory could say (Arrighi and Drangel 1986). This intermediate situation has exclusively nothing to do with the international division of labour because it's related to a geo-economic and geopolitical function in the inter-state international system. Geo-economic function of the semi-periphery is rooted in its relations with the countries that constitute the core. This relationship is regarded as unequal and claim that its effects on the core are negligible. Immanuel Wallerstein, asserted that "*on a worldwide division of labour in which various zones of this economy (that which we have termed the core, the semi-periphery, and the periphery) were assigned specific economic roles, developed different class structures, used consequently different nodes of labour control, and profited unequally from the workings of the system*." (Wallerstein 2003:229).

The hypothesis of "unequal exchange" (Raffer, 1987) contends that the central apparatus to gather together the global surplus and channel it to the core is through price inequality whereby the periphery allows the products of peripheral labour to be much cheaper than those of the core. For exam an hour labour in the periphery and semi-periphery costs capital only a fraction of its costs in the core, so that commodity produced there is much cheaper than the commodity produced in the core. When core, periphery and semi-periphery come together to exchange products in the world market, the exchange results in a net transfer value from the periphery to the core. World system roles are related to inequalities among countries in resources and power. Differences in power among countries and regions form a basis of world system and are reflected in international division of labour as well as in the relations among countries. Galtung (1971) conceptualized the world system as a feudal interaction structure defined by four rules:

-Interaction between the centre and periphery is vertical

-Interaction between periphery and periphery is missing

-Multilateral interaction involving all three is missing

-Interaction with the outside world is monopolized by the centre, with two implications: periphery interaction with other centre nations is missing and centre as well as periphery interaction with periphery nations belonging to other centre nations is missing.

This feudal interaction structure enables the reproduction of inequality in the world system. The structure is characterized by the presence and absence of certain types of relations among nations that reflect the current stratification of the system and help reproduce it. The capitalist world-economy was created by establishing long-distance trade in goods and linking production processes in the world, all which allowed the significant benefit of capital in Europe and United States of America (Wallerstein, 1974). In the feudal interaction structure, peripheral nations are isolated, and single dependent on a semi-periphery nation that act as their bridge to the rest of the world, this reflect the relationship between South Africa and its peripheral neighbours of Zimbabwe, Lesotho and Botswana. This structure constitutes the case of dependence (Chase-Dun, 1978).

The world is arranged in a system of hierarchy to the occupational tasks. Core countries represents stable democratic government, high wages, import: raw materials, export: manufactures, high investment and welfare services. Semi-periphery countries such as South Africa represents democratic government, rule of law, export both raw material and mature manufactures to its dependent periphery and lastly periphery represents non-democratic government; export: raw materials, import: manufactures, below subsistence wages, no welfare services and they are dependent to the core and semi-periphery. The semi-periphery role contains the elements of both periphery and core roles. Wallerstein argues for semi-periphery's unique role and important function as a mediator in the world system and in the reproduction of the world system (Wallerstein, 1974).

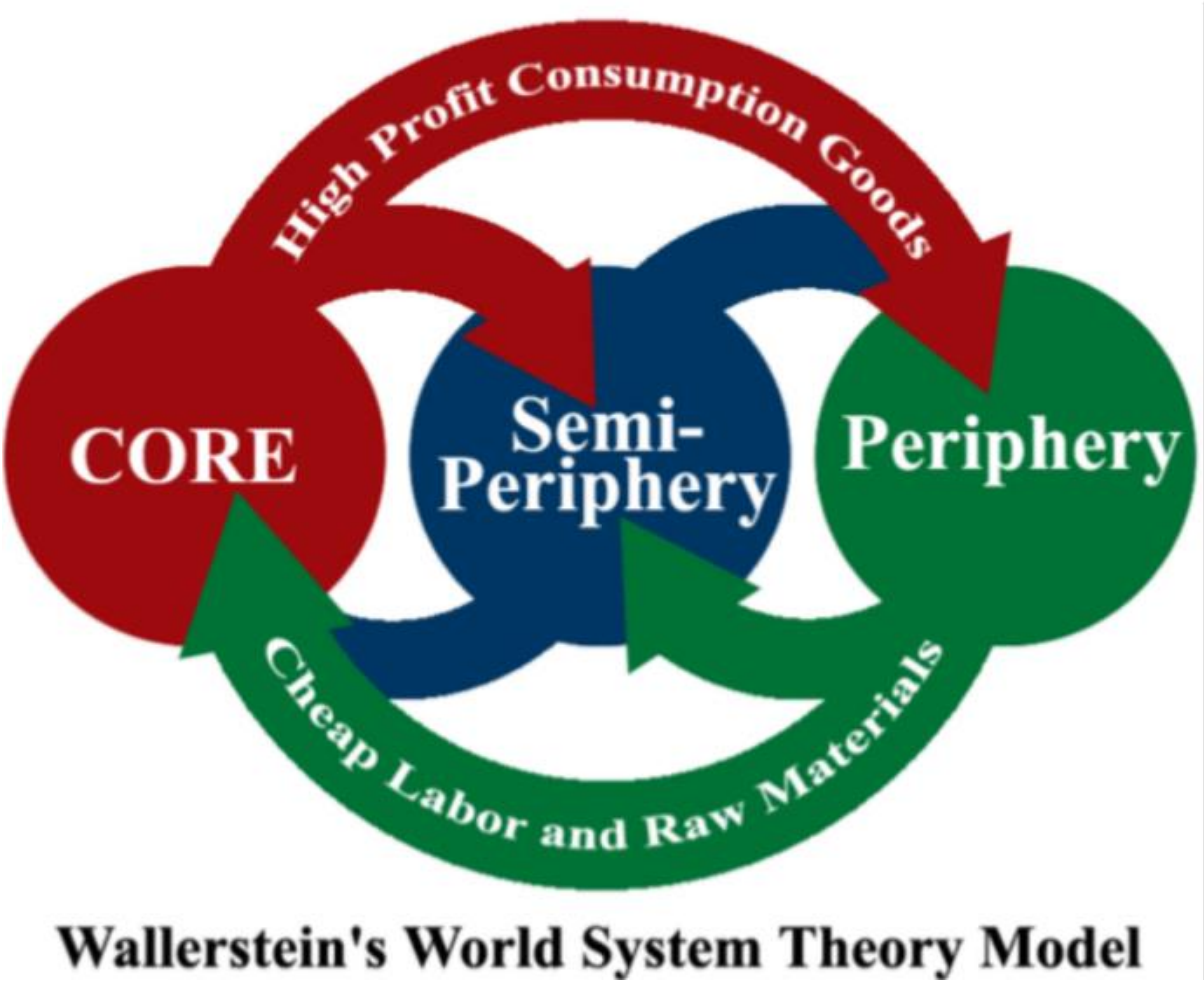


Figure 1: Wallerstein World System Theory Model

Source: http://tradeandbusinesslegacy-irbinus.blogspot.cz/

South Africa semi-periphery status is characterised by unequal exchange as the country's economy is dependent on exporting commodities to the core countries in which the gains to the local economy are low and also characterised by cheap labour working in manufacturing and mining industries that export commodities to international markets. The unequal exchange prevents both periphery and semi-periphery countries from being able to finance programs of welfare or infrastructural improvement even if they wish to (Raffer, 1987). In the semi-peripheral societies exist welfare levels comparable to the lag. Huge socioeconomic inequality is definitely one of the features, but also one of the main problems that hunt semi-peripheral countries. South Africa is one of the country with high inequality in the world as a result of unequal distribution of country's wealth. There is general consensus in South African that inequalities, particularly economic inequalities, are very high. The economy of the country has two sides, one is developed and the other with most basic infrastructure. South Africa has many characteristics of emerging economies of the world such as the separation of labor among formal and informal sectors, irregular distribution of country's wealth and income (Gumede, 2015). The inequality displayed in South Africa is not just inequality grosses between different social classes, but also the existence of massive gaps of development and welfare between different spatial zones: between urban and rural areas between commercial/financial centres and underdeveloped suburbs, between residential neighbourhoods and shanty towns, etc. And despite the fact that national state is the most important entity when studying global and international phenomena, Kees Terlouw states that "*the world-system is characterised by semi-peripheral development at different scales, periods and types of social spaces*" (Terlouw 2003:72). Semi-peripheral states are usually treated as whole and this the reason why, in order to understand the specificities and dynamics it's important to analytically break into subnational scales of the country.

2.3 World System Role and Dependency.

According to the theoretical model, dependency is a direct consequence of world system role. Although treated as synonymous they are different concepts. Dependency refers to the foreign penetration and control that is a consequence of a country's world system role (Van Rossem, 1996). Dos Santos defined dependency as a situation whereby the economy of the economy of certain countries is conditioned by the development and expansion of another economy which the former is subjected (Dos Santos, 1970). The relationship between two or more economies, and between these and world trade assumes the form of dependence when some countries (core ones) develop fast and can be self-sustaining, while other countries (the dependent semi-periphery and periphery) remain behind. The world system model hypothesizes that peripheral nations are not only more dependent of foreign capital than are more central countries, but they are also more dependent on trade, have fewer trade partners, have fewer commodities for export, and score lower on the trade composition index because they export relatively more raw materials and import more manufactured products than core and semi-periphery countries do (Frank 1967). Examples are given in the next chapter looking at the South Africa's economic relations with peripheral neighbours.

In analysing the process of constituting a world economy that integrates the so-called "national economies" in a world market of commodities, capital, and even of labour power, we see that relations produced by this market are unequal and combined unequal because development of other parts of the system occurs at the expense of other parts of which some call it "development of underdeveloped". From a dependency perspective repatriation of profits represents a systematic expatriation of the surplus values that was created by African labour using African resources. Hence the development of Europe can be viewed as part of the same dialectical processes that underdeveloped Africa (Matuhnu, 2011). In other words, the domination of the core over semi-periphery and peripheral countries retarded the economic development of those countries. Trade relations are based on monopolist controls of the market, which leads to the transfer of surplus generated in the dependent countries to the dominant countries; financial relations are from the viewpoint of dominant powers in a form of loans and export of capital, which permit them to receive interests and profits; consequently, increasing their power and strengthening control of the core countries over the economies of semi-periphery and peripheral countries and leads to a loss of control over their productive resources.

For the dependent countries these relations represent an export of profits and interest which carries off part of the surplus generated domestically. In order to permit these disadvantageous relations, the dependent countries must generation large surpluses, not in such a way as to create higher levels of technology but rather superexploited manpower. The result is to limit the development of their local market and their technical and cultural capacity, as well as the moral and physical of their people. We call this combined development because it is the combination of these inequalities and the transfer of resources from most advanced and dependent sectors to the most advanced, and dominant ones which explains the inequality, deepens, and transforms it into a necessary and structural element of the world economy (Matuhnu, 2011).

Dependency relationship amongst countries in the world system is the one in which a metropolis or centre pressure upon a satellite or periphery. Over the years South Africa has become an external sector of the core countries of the North (Europe)- a source of commodities and raw materials, cheap labour and educated people through brain drain. The plunder of resources from Africa continue to aggravate poverty in the continent and poor people in rural areas suffer the most. Notably, semi-periphery and peripheral countries deprived by the core countries in terms of political and economic decision power and lacking sustained investments funds, trod the backward path, sinking deeper and deeper into poverty into non-development and poverty (Matunhu, 2011).

Dos Santos (1970) stated that forms of dependence are conditioned by the basic forms of global economy in which the economic relation is dominant in the capitalist centre and the manner in which the latter expand outward; and the forms of economic relations existing inside the peripheral countries which are merged into the condition of dependence with the framework within international economic expansion generated by capitalist expansion. Furthermore, Dos Santos distinguished dependence into colonial and financial-industrial dependence. Colonial dependence is characterized by trade export in nature, in which commercial and financial capital in alliance with the colonialist state dominated the economic relations of the European and the colonies, by means of trade monopoly complimented by monopoly of land, mines, and manpower in the colonized countries. Financial-industrial dependence which consolidated itself at the end of the nineteenth century characterized by the domination of the big capital in the hegemonic centers, and its expansion abroad through investment in the production of raw materials and agricultural products for consumption in the developed centers (Dos Santos, 1970).

Forms of dependence is geared to those products destined for export (gold, silver and tropical products in the colonial epoch; raw materials and agricultural products in the epoch of industrial-financial dependence. Production is determined by demand from the powerful centers. The internal productive structure is characterized by rigid specialization and monoculture in many developing regions. The main idea behind dependency perspectives is that development of the core countries was the result of active underdevelopment on non-core countries. In other words, the core countries are dependent for their development to the non-core countries. For example, human capital, has flowed and continues to move away from developing countries to developed ones. Africa was cornered into selling of human beings in the form of slavery and the extraction of human resources did not end with slavery. Since 1994, South African people in skilled professional and managerial occupations have emigrated to developed countries and the country lost 25% of its graduates to the USA alone and accounts for 9.7 % of all medical graduates practicing in Canada (Matuhnu, 2011).

2.4 Semi-peripheral Nature of South Africa.

South Africa is labelled a semi-peripheral nation state and a regional core par excellence. The country find itself experiencing profound core and peripheral at the same time because on one hand, it has been historically linked to the great European centers of political power such as United Kingdom, thanks to its huge endowment of natural resources, but concurrently, it lies geographical in the periphery of the world-economy. Therefore, South Africa is one of the most representative cases of periphery. At 1995, South Africa sought to redefine its position and role in the broader international community. The trends were clearly towards trade liberalisation. After the successful transition to democracy, South African became the focus of international interest with many requests from governments and regional bodies to participate in trade and cooperation agreements. Regionalisation became a prominent feature of international trade, as many other countries and regions (such as Mexico, the Eastern Europe regions, and Latin America entered into trade agreements. The newly ANC government adopted was one of export-led growth of non-primary products which involved dynamic competition with other semi-peripheral and periphery countries.

Lenon (2000) argues that in order to meet this challenge South Africa needed to take consideration of its areas of participation, namely, the regional blocs and to relations with the world's major trade blocs. The semi-peripheral positioning between the core and periphery is more political than economic, once it is in the intermediate it is important in the spatial structure of the world system and therefore the structural position of semi-periphery necessarily implies the presence of stronger global links than the peripheral ones and South Africa is one country in Africa with strong global links with both the global North and the global South.

Lenon study underlines the importance of international trade. International trade in the world economy, can be viewed as a great facilitator, expanding markets, enhancing competition and transfer of knowledge. Trade can create opportunities for growth and human development. Trade can further productivity and increase exposure to innovative technologies. Proof of this argument lies in the fact that, over the past years, the regions exhibiting fastest rate of growth have also shown the highest rate of export growth (Lenon, 2000). Benefits of trade in the world system are both externa and internal, institutional and social pre-conditions that it establishes a framework for its economic functioning. Most developing nations need to keep implementing structural reforms to build the necessary environment for promotion of national and international investments and local development initiatives. For many of these economies it's important to break their overdependence on exporting commodities, improving their frameworks and infrastructures and supporting their enterprises (both public and private) to better integrate into global value chains. In this regard South Africa attract both capital and technology from the core trading partners and the promotion of trade partnership boost the country's GEAR strategy through bourgeoning exports and substantial flow of local and foreign invest (Lenon, 2000).

In the view of the above, we look at the integration of South Africa into the global economy by focusing on the relationship between multinational companies and international trade, production systems used by MNC's and the analysis of the environment under which they operate.

2.5 South Africa Commodities: Structure and Performance.

Manufacturing sector in South Africa also play a role in boosting the country's commodity chains. The sector contributes about 15% of gross domestic product and is vital for creating employment in the economy. The sector is diversified and dominated by the chemicals, metals and machinery, and food and beverage sectors. South Africa exports of advanced manufacturing products in 2013 were valued at more than 190 billion rand ($16 billion) or 44 percent of the total manufactured exports. Analysists suggest that by 2030, exports of these products could grow to more than 700 billion rand ($61 billion) that is in line with the national development plan. This would double the size of South Africa overall manufacturing exports boost GDP by 540 billion rand ($47 billion) and create an estimated 1,5 million jobs in the broader economy (Mckensiy Global Institute, 2015).

South Africa is a globally integrated developing economy, compared to countries in Sub-Saharan Africa, hence its role in the development of other African countries. South African economy is more diversified, operates at a higher level of industrialization and plays a more pronounced role in the world economy. Arguably, this fact has influenced government policy to incorporate Africa into global capitalism under new favourable conditions through South

Africa. The democratically elected South African government accepted neoliberal macroeconomic policies that were outlined the Growth Employment and Redistribution policy popularly known as GEAR which favoured a market driven and competitive strategy. Some quarters of South African Society viewed GEAR as self-imposed structural adjustment as it promoted commodification of education, public-private sector partnerships, fiscal austerity, budgetary constraints, cost-containment and cuts in education that resulted in high rate of inequality in society.

Among the most important structures of the current world system is a power hierarchy between core, semi-periphery, and periphery, in which the core and semi-periphery countries dominate and exploit the weak and poor peripheral societies. According to Kick and Davis (2001), the intermediate situation of the semi-periphery in the world-economy would be then perpetuated by " (i) its economic domination of the periphery, which includes the exchange of finished goods for raw material products, and (ii) its dependence on the core through investment, hence the semi-peripheral economies are subject to much stress and competence, more than other area of world economy. Furthermore, South Africa has a solid business environment. It's the highest performing economy in sub-Saharan Africa for overall global competitiveness in the latest world economic forum global rankings. It also tops the global rankings for strength in auditing and reporting.

South Africa is one of the competitive semi-periphery country that has forged new regional and global ties since 1994. Oliver Reginald Tambo International Airport, near Johannesburg, is the busiest and one of the biggest hub in Africa. Johannesburg being the only city in sub-Saharan Africa that ranks in the top 100 destinations for international tourists, with 4,5 million arrivals in 2013. Overall South Africa ranks 49th out of 131 countries on global connectedness and has risen four places since 1995. Because stronger connections correlate with faster growth, it is important for country to continue to deepen its participation in the global flows of goods, services, finance, people, data and communication (Mckinsey Global Institute, 2015)

Furthermore, South Africa has a solid business environment. It's the highest performing economy in sub-Saharan Africa for overall global competitiveness in the latest world economic forum global rankings. It also tops the global rankings for strength in auditing and reporting standards and for regulation of securities exchange. South Africa ranks seventh in the world for the development of its financial markets and ninth in the world for the efficiency of its legal framework. This environment underpins the country's thriving service sector. Many competitive local companies have expanded across Africa and internationally; some are listed companies in Johannesburg, London and New York stock exchange markets. Some big South African companies, such as MTN, SABMiller, De Beers, Sasol, Standard Bank, and Shoprite, have established an international presence with some of them operating in other African countries (Mckinsey Global Institute, 2015)

Beyond the pure expansion of trade, an additional dimension of globalization over the past decades has been the emergence of global commodity chains. In an increasingly integrated world economy fuelled by technological progress, cheaper transportation and communication costs and policy reforms in support of trade, production processes have been more dispersed across the globe. This process has allowed countries to better exploit comparative advantages. By specializing on a specific segment of production chain, each participating country can generate a portion of goods and services value added, while producing the product from the scratch would never have been within reach in an increasingly competitive world. To measure the country's extent of international integration in global value chains, it is necessary to know the sources and destinations of the value added embodied in the product (Baldwin, 2004).

According to Kowalski, Lattimore and Bottini (2009), South Africa is relatively well endowed with agricultural land and high valued raw materials like Australia, Canada and Brazil. The skill composition of South African labour is similar to many middle-income countries. Accordingly, South Africa's trade is similar to Australia, Canada and especially Brazil. Its trade is dissimilar to other African countries. South African nominal merchandise export rose 188 % over the period 1995-2006. While merchandise imports rose 259%- faster than the growth in the world trade. South African exports are concentrated in pearls, precious stones and metals (gold, diamond, and platinum), not surprisingly they represent 21% of nominal USD value of South Africa exports and rose up to 17% in 2003. The manufacturing sectors produced more than 1% in 2006. The highly processed manufactured goods include beverages and spirits of which South Africa is a major export in wine. Major categories of South African imports and exports are presented in table 2.

Table 2: South Africa Composition of goods trade

Millions USD in bold and percentages

	1995	2002	2003	2004	2005	2006
Total goods	**54 971**	**49 276**	**66 179**	**87 867**	**102 024**	**122 355**
Total export	**28 226**	**23 064**	**31 636**	**40 264**	**46 991**	**53 170**
Food & live animals	6.4	8.3	7.6	6.6	6.5	5.5
Beverages and tobacco	1.3	2.1	2.1	2.0	1.8	1.5
Mineral fuel/lubricants	8.9	12.4	9.8	9.1	10.4	9.5
Animal/veg oil/fat/wax	0.2	0.1	0.1	0.1	0.1	0.1
Chemicals/products n.e.s	7.0	9.3	7.6	7.8	8.4	7.5
Manufactured goods	25.9	29.1	38.1	42.0	39.2	40.9
Machinery/transp equipmt	8.8	22.8	20.7	19.7	20.4	21.5
Miscellaneous manuf arts	3.4	5.2	4.8	4.1	3.4	2.9
Commodities nes	38.2	10.7	9.3	8.5	9.9	10.7
Total import	**26 745**	**26 212**	**34 543**	**47 603**	**55 033**	**69 185**
Food & live animals	4.6	3.5	3.4	3.4	3.2	3.1
Beverages and tobacco	0.6	0.6	0.7	0.7	0.6	0.6
Mineral fuel/lubricants	8.3	12.5	11.9	14.4	14.3	18.3
Animal/veg oil/fat/wax	1.2	0.8	0.8	0.8	0.6	0.6
Chemicals/products n.e.s	12.4	12.1	11.0	10.0	10.0	8.9
Manufactured goods	13.7	12.2	12.1	11.1	11.4	11.1
Machinery/transp equipmt	44.9	37.5	39.4	39.6	39.4	37.8
Miscellaneous manuf arts	8.0	8.5	8.2	8.3	9.0	8.9
Commodities nes	6.2	12.2	12.6	11.7	11.6	10.7

Source: UN comTrade.

The main destinations for South African exports of goods are the EU, Japan, US, China, Switzerland and Australia. Overall, it’s a tripolar pattern of Europe, Asia-pacific and Africa. The biggest changes from 1996 have been with respect EU (down to two percentages points), Japan (up to four percentages points), USA (up to four percentages), and Zimbabwe (down to three percentages points). The concentration of exports in the high-income countries reflects in part of industrial demand of commodities such as minerals and metals by producers of high tech components and final goods. South African shares in commodity markets are the highest compared to other African countries and are comparable to some emerging economies (Kowalski et al, 2009).

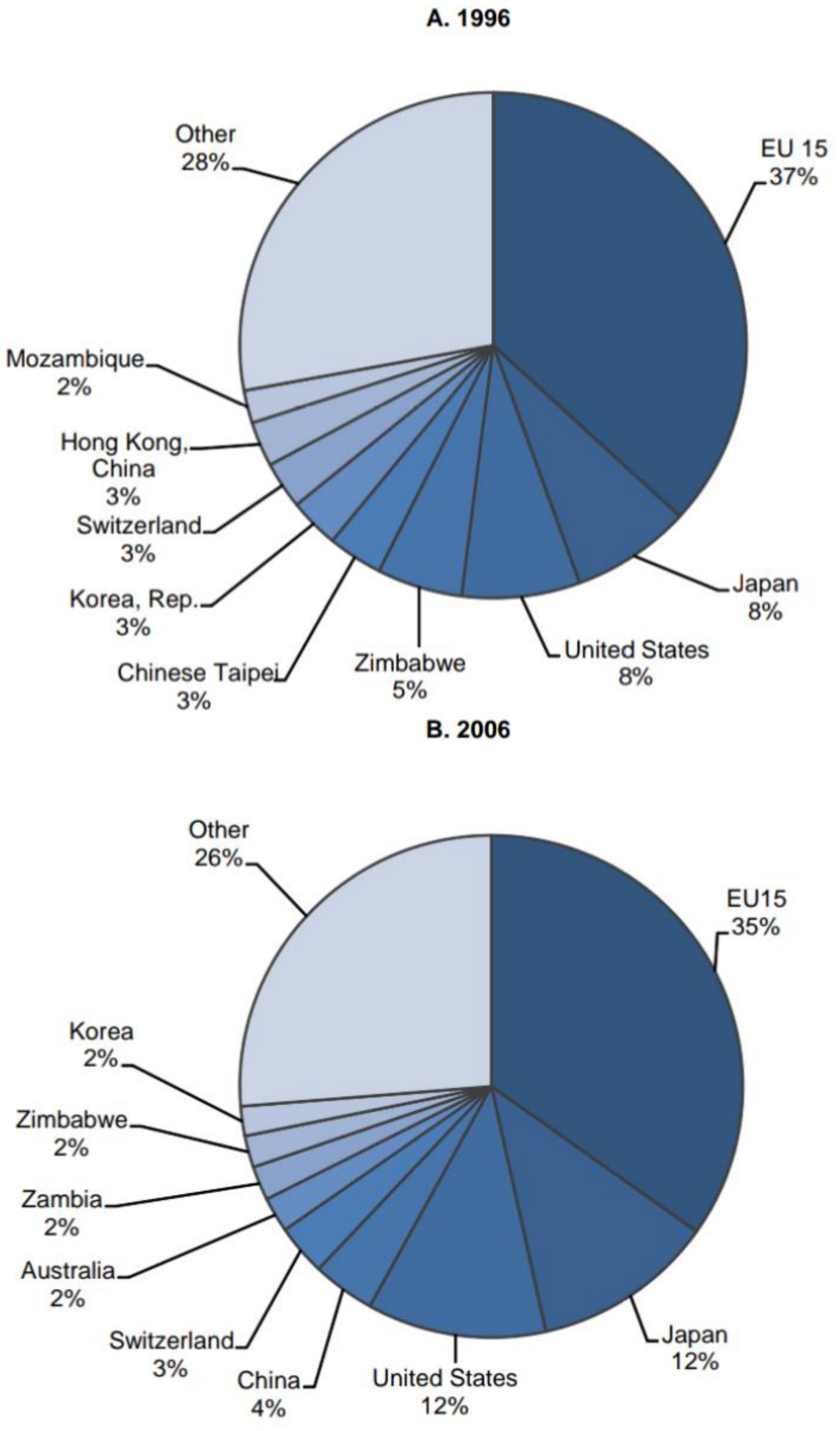


Figure 2: Top 10 destinations of goods exports of South Africa in 1996 and 2006.

Source: UN comTrade

South Africa also trade intensively with other semi-peripheral countries such as India, Brazil, Russia and China whom it forms the BRICS partnership with today, a group of emerging economies in the world system. However European Union remain a major trading partner of

South Africa though the index has declined slightly but has tended to hover around 1.0 in recent years.

Table 3: Merchandise trade intensities, selected partners

	2000	2001	2002	2003	2004	2005	2006
Brazil	1.00	1.23	1.00	0.85	0.89	0.94	0.97
Russia	0.19	0.14	0.20	0.23	0.21	0.12	0.14
India	2.49	2.52	2.24	1.47	1.77	2.30	1.31
Indonesia	0.98	0.84	0.90	0.70	0.56	0.67	0.56
China	0.44	0.53	0.47	0.56	0.49	0.52	0.68
EU25	1.02	0.78	1.01	0.91	0.93	0.95	0.93
Japan	1.16	1.08	1.40	2.20	2.48	2.35	2.78
United States	0.56	0.49	0.60	0.74	0.75	0.68	0.77
Guinea	3.00	1.96	3.74	11.70	9.72	6.28	6.28
Israel	4.42	4.50	4.97	3.95	3.70	3.96	3.32
Kenya	26.50	18.26	24.49	20.67	24.19	17.57	15.18
Madagascar	15.15	13.38	17.75	19.01	15.60	13.93	12.75
Mauritius	42.85	27.67	39.22	30.39	23.73	27.48	18.45
Mozambique	151.32	132.80	109.15	114.61	98.02	89.92	92.45
Seychelles	31.30	12.11	31.97	25.06	20.71	29.31	23.55
Tanzania	42.80	28.97	36.15	29.13	32.14	27.64	26.42
Zambia	163.94	151.95	128.27	135.62	125.05	123.16	125.57
Zimbabwe	127.83	125.14	146.95	132.32	119.50	127.33	117.84

Source: UN comTrade.

2.6 The relationship between MNC's and International Trade

In the view of the above, we look at the integration of South Africa into the global economy by focusing on the relationship between multinational companies and international trade, production systems used by multinational corporations (MNC's) and the analysis of the environment under which they operate. Until the 1970s, the global economy was primarily composed of national companies operating mainly within their borders. The system was characterised by shallow integration against deeper integration of today, in which global production systems distribute production across continents and the globe. According to Hudson (2002), growing globalisation of the economy can be linked to the transition within corporations of varied sizes. These changes in corporate form and strategy reflect an on-going search for more effective (In terms of corporate interests and profitability) ways of creating new forms of uneven development and exploiting the existing ones in pursuit of competitive advantage and profit (Hudson, 2002).

The impact of MNC's on trade and development is very uneven, and in many instances MNC's activities support dualistic economic structure and intensify income inequalities. They divert resources away from essential food production to manufacture sophisticated and sometimes inappropriate products (demanded by local elites and a small rich minority), stimulate inappropriate consumption patterns through aggressive advertising and their monopolistic power, and do this all with improper capital-intensive technologies of production. Consequently, local resources tend to be allocated socially undesirable projects. This result to high inequality between the rich and poor, and serious imbalance between rural and urban economic opportunities, a trend we see in South Africa today (Spero and Hart, 2003).

Some critics believe that believe that foreign direct investment actually leads to an outflow of capital, through manipulation of import and export prices, profits, debt service, royalties, fees., and such return flows are unjustifiable high. According to Papandreou (2001), a regional breakdown of FDI from United States of America reveals that the development decade of the 1960s witnessed a substantial transfer of income from poorer to richer through the system of multinational corporations. He argues that in the period 1960-67, the US subsidiaries took $8.8 billion out of Latin America in remitted profits while investing only $1.7 billion. Similarly, from Middle-East, Africa and Asia, they extracted $11.3 billion while investing $3.9 billion.

Papandreou (2001) further note that the funds extracted from the poorer regions of the world were in fact transferred to rich countries and growing markets in Europe. This evident of transfer of surplus is what Andre Gunder Frank called the underdevelopment in the third world. Capital accumulation, Papandreou concludes, does not happen all the time, but trade has always been and will continue to be one of the determinants of unequal growth of productive resources in different nations. Todaro (2003) notes that this happens with respect to the resources most important to growth and development such as physical capital, entrepreneurial abilities, scientific abilities, the ability to carry out technological research and development and upgrading of technical skills into the labour force.

Multinational corporations create linkages and produce economic integration across national and supra-national boundaries in three analytically different ways that lead different corporate strategy. The first one is horizontal specialization, where the same production is supplied by countries (Hudson, 2002). Hudson argues that the underlying principle for this type of specialization is to take advantage of the economic scale and separate consumers market. The second strategy is vertical specialization, where the different stages of the production processes and creation of value chains for particular commodity are undertaken in different locations. Such specialization is driven by differences in production costs (mostly labour and also by preferences.

The third type of specialization relate to corporate strategies for increasing the assets of a new production strategies to enhance the creation and appropriation of surplus value. The way in which these companies try to increase their surplus value is to acquire or access assets created overseas and redevelop them through their research and development capabilities so that they capture local knowledge and thus through regionalisation of their productions to enhance competitive advantage and core competences of the company (Hudson, 2002).

Mangaliso (1997) noted that the United States began investing capital in South Africa in the second half of the last century, in the initial form of entrepreneurship, the entrepreneurs comprise insurance salesperson, diamond diggers, merchants, and shipping agents. The wealth of natural resources in South Africa attracted US miners to the country. Several US corporations began to emerge in the South African market. Among there were the automotive giants General Motors and Ford. The international corporations were successful implemented and by 1918, South Africa had bourgeoned into a major automotive market and ranked fifth on the list of foreign buyers of US automobile. The tyre and rubber companies fire stone and good-year began business in South Africa in 1915 and 1916 respectively. In the 1930s consumer goods corporations such as Johnson and Johnson, Colgate Palmolive and Coca-Cola entered South Africa market as did the financial services company Dunn and Bradstreet (Mangaliso 1997; Beinoff, 1994). The presence of many MNC's in South Africa has helped the country to grow exponentially and that foster the country's trade partnership with the core countries such United States of America. However, critics believe that this has diminish the power of the state since the country's resources are not benefiting the large population. The South African economy is dependent on international and foreign direct investment.

The development aspect of United States-South Africa relationship was formalised at the high-level binational commission inaugurated in March 1995 by American vice-president AI Gore and the then South African president Thabo Mbeki. The schedule of commission was as follows: six-monthly meetings for sub-committees, which deal with issues of finance investment, markets, education, environment affairs and sustained development. Gore insisted that the United States wished to do all it can "to lift up this new non-racial democracy we admire so much" (Barber and Vickers, 2001). The efforts and the spirit of the Gore-Mbeki commission gave impetus to African Growth and Opportunity Act (AGOA) which encourages and rewards that African countries, which adopted market-oriented and democratic reforms.

The unilateral concession set the agenda for the removal of tariffs on South African exports. According to Cassim and Zarend (2004), there is evidence which points to various sectors having benefitted from AGOA. For example, the clothing and textile exports to US rose by 28 percent to $356 million in 2001. The bilateral relationship between US and SA seems to be maturing and strengthening into a partnership of equal weight. However, it's necessary to take into consideration the fact that US government has retained discretionary powers to effect changes to the tariff margins, due to dramatic growth in the export of certain South African products to the US.

2.7 South Africa's International Economic Relations

South African position within the framework of the international economy still matches to neo-colonial pattern. South Africa has pursued a similarly two-pronged approach to international economic relations. It has actively promoted its own interest in seeking preferential access to developed country markets, evident in participating in the US African Growth and Opportunity Act and its Free Trade Agreement with the European Union. South Africa has also expanded its own economic links with areas from which the apartheid regime was formally excluded, for example: Asia, Latin America and particularly Africa, where South Africa has become a leading trader and investor (Lipton, 2009). Furthermore, to specifically national economic interests, South Africa has lobbied for reform of the international trading and financial systems which it denounces as skewed in the interests of the developed West. South Africa is generally focused on exporting raw materials and semi-manufactured products, and the import of manufactured products. In comparison to other African countries, South African occupies an intermediary position within the ambit of international division of labour. Undoubtedly, South Africa to date is not a significant exporter of manufactured products, as against those countries that are classified as the center or emerging nations. These countries have based their developmental paths on export of labour intensive products, prior to the diversification of the exportable side. However, South Africa has developed a somewhat dichotomous character in terms of its relationship with developed core countries to whom it exports mainly intermediary goods and those with African partners to whom it exports manufactured goods (Cling, 2001).

2.8. Summary

This chapter provided the literature on world systems theory as well as the character of the concept of semi-periphery, world system role and dependency. The literature gives an understanding of world system processes of development with a view of understanding its impact on South Africa as a semi-periphery. One of the observations one can make with regard to the analysis of world system in this chapter is the awareness of the complexity of integrated world economy. The chapter also looked at the South African commodities, structure and performance, relationship between MNC’s and International trade. Given the above discussion, the general observation is one of qualified optimism. Economic globalisation and MNC’s investment do offer opportunities for development in semi-periphery countries through open markets and technology. However, it also presents risks, especially the danger of continued marginalization by the core and extend dependency rather than self-sustained development. The next chapter present the case studies of South African relationship with its peripheral neighbours by focusing on political and economic relations.

Chapter 3: Case Studies of South Africa's Economic and Political Relations with Botswana, Lesotho and Zimbabwe.

3.1 Introduction

This chapter consist of case studies of South African political and economic relations with peripheral neighbours such as Botswana, Lesotho, and Zimbabwe as well as the role of the country in fostering regional integration and trade within the SADC region as the biggest economy in Africa. As the experience of South Africa reveals making progress in these areas is essential to promote stronger regional economic integration, thus contributing to the development of other countries in the region.

3.2 Deepening Regional Integration of Southern African Development Community

The demise of apartheid in South Africa created conducive conditions for regional economic and political cooperation. This resulted into the transformation of SADCC established in 1980 with the primary objective of reducing the economic dependence of the region, primarily on South Africa. SADC was established in terms of the SADC treaty and the Windhoek Declaration of 1992, which affirm the organization intention to establish a framework for regional integration (Meyns, 1997). The current membership of the SADC includes fifteen states, namely Angola, Botswana, Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Tanzania, Swaziland, Zambia, and Zimbabwe. The Democratic Republic of Congo, South Africa and Tanzania make up approximately two thirds of the total population in the region (64,4%), while the six smallest members (namely, Seychelles, Swaziland, Mauritius, Botswana, Namibia and Lesotho) combine only 4% of the population.

Regional integration offers substantial opportunities for South Africa and its neighbours. This group of countries have potential to develop a single integrated regional market. Seven out 15 countries in Southern Africa are landlocked and number of small countries means many fragmented markets. That is why it made sense to establish free-trade area among the members of South African Development Community (SADC). But free trade agreements are not enough to trigger integration. According to OECD economic surveys on South Africa (OECD, 2017) Intra-regional trade in the Southern African Development Community (SADC) is only 10% of total trade compared to about 25% in the ASEAN or 40% in the European Union. Better implementation of existing SADC protocols and agreements would advance integration and create jobs. Reducing non-tariff barriers by improving customs procedures and simplifying rules of origin would reduce trade costs in the region.

South Africa is also a party to a number of bilateral agreements as either individual country or as a member of SADC. The 1999 Trade, Development and Cooperation Agreement (TDCA) between Africa and EU, historically the most trading partner of South Africa provides for trade liberalisation to the form of free trade area by 2012. World Trade Organization (WTO, 2003) stated that the liberalisation by the EU will be accomplished with three to six years. The TDCA gives South African firms a competitive edge in access to EU market as compared to its SACU or SADC partners but TDCA does not have discriminatory impact in terms of access to South Africa's market as according to SADC agreement, South Africa had to extend all the concessions granted to the EU to all SADC members that signifies its role to regional development.

The sincerity of South African government to seek integration on an equal footing with the neighbours is not in no doubt. South Africa in particular would stand to benefit more from deepening regional integration. SADC is already the largest market for South Africa as well as major investment destination with some South African firms investing in country such Lesotho, Botswana and Zimbabwe. South African firms are better equipped than others in the region and have better access to capital and attract highly skilled workers. According to Alden and Soko (2005), South Africa has emerged as the largest foreign investor in SADC in recent years. South African direct investment in thirteen SADC countries exceeded US$5,4 billion by 2000. In 2001, South African investment in the region amounted to R14,8 billion, followed by that of the United Kingdom at R3,98 billion. Significant South African investment deals in 2001 and 2002 included US$ by South African Airways (SAA) for its stake in Air Tanzania; US$6 billion by Eskom Enterprises in Inga project in the Democratic Republic of Congo (DRC); US$56 million by Sun International in its hotel in Zambia; US$142 million investment by Vodacom in Tanzania, and an additional US$139 million investment in DRC; US$53 million by Pretoria Portland Zimbabwe in merger activity in Zimbabwe; US$860 million by BHP Billiton, the IDC and Mitsubishi in the development of the Mozal Aluminium in Mozambique; and a further investment of US$1,1 billion by Sasol in the Pande and Temane gas fields in Mozambique.

The analysis of value chain in the region shows how South Africa could benefit from deeper regional integration as well as highlighting the locomotive role played by South Africa. The expansion of South African supermarket across the region and the value chain chains they bring with them is one example how integration can help the region. Barber and Vickers (2001) however, do have uncertainties about the assumptions on which the integration approach is based. They argue that South Africa cannot escape the consequences of its own relative strength because of its powerful position in Africa as result of its economic status as emerging market that is integrated in global economy through its membership of G20 countries and BRICS. South Africa is the source of both economic and political power in the Southern African region.

By contrast, the rest of Southern Africa is poor and vulnerable, the regions consist some of the world poorest countries who have suffered many setbacks including wars, famine and failed governments such as Zimbabwe. Thus, in this impoverished and often stressed setting, South Africa emerges as a dominant power that other peripheral countries depend upon. This fact is outlined by Aden and Soko (2005), where it is observed that South Africa's economy accounts to 80% of the region's GDP. In 1995, South Africa exported goods to the value of R26,2 billion to the eleven other SADC members, and imported goods, to the value of a low R4,7 billion from them which constitutes a ratio of 5.1 to 1. The SADC regional integration process has evolved against the backdrop of gross economic inequalities and imbalances among member states. In the of SACU whose members overlaps with (SADC), South Africa predominance is underlined by the fact that it produces approximately 80% of Southern Africa's GDP (Aden and Soko, 2005). SACU consists of Botswana, Lesotho, Namibia, South Africa and Swaziland. Historically was administered by South Africa through the 1910, and 1969 agreement. Negotiations to reform the 1969 agreement started in 1994 and new agreement was signed in 2002 by SACU heads of state. The economic structure of the union links the member states by single tariff and no customs duties between them and there is a common external tariff that applies to non-members of SACU. Containing all the contradicts of history and economic dominance, SACU provides the most conspicuous example of how South Africa has acted as a hegemonic power in the past, and how it is reshaping its conduct towards that of a benign hegemon in the region. Rangasamy (2001) argued that the very competitiveness of the South African producers over the SADC counterparts, together with the geographical advantage that the country holds, that explains relatively high percentage of South African manufacturing exports to the region. The growing Southern African export market is beneficial to South Africa and its neighbour due to increased production, exports, exports revenue and etc. Although

South African manufacturers are sometime considered uncompetitive by international standards, they are relatively highly competitive in the context of the Southern African situation.

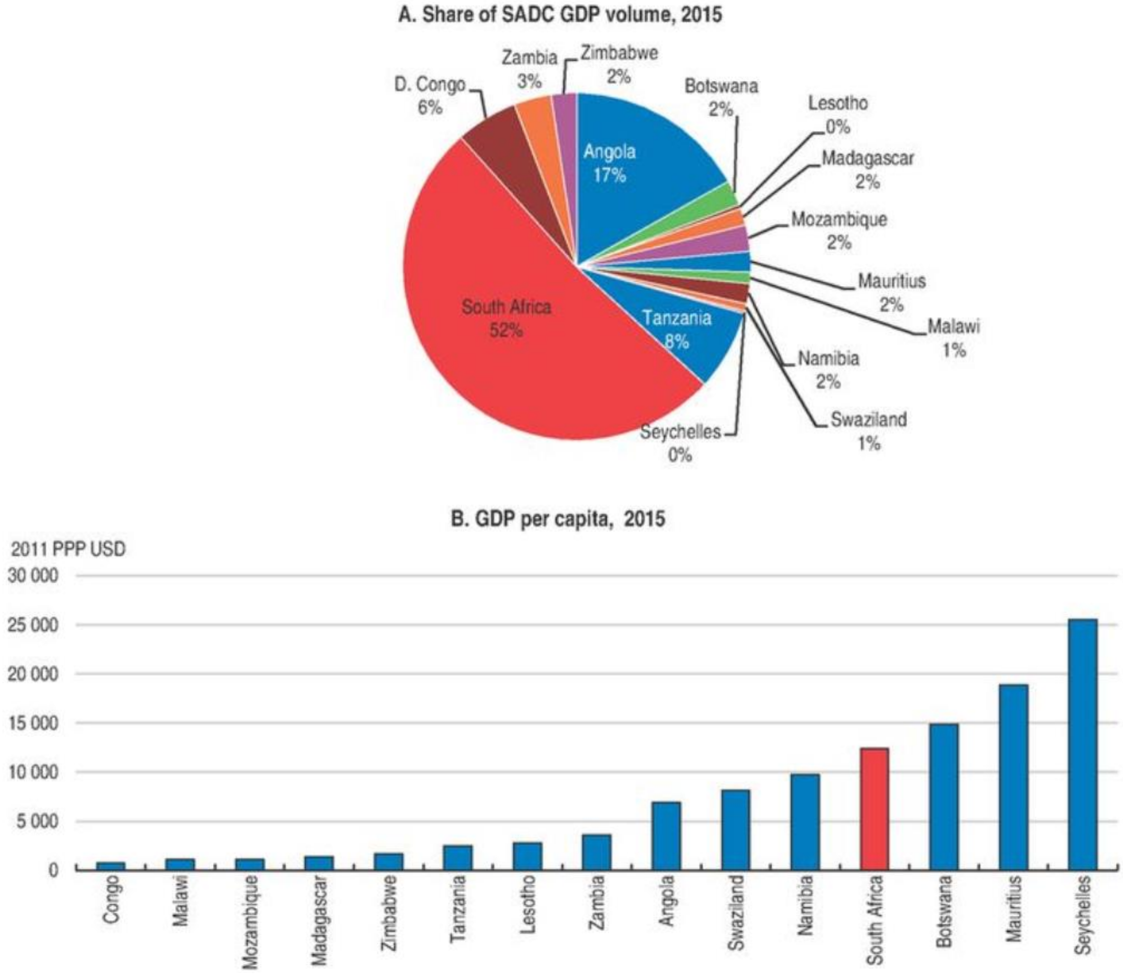
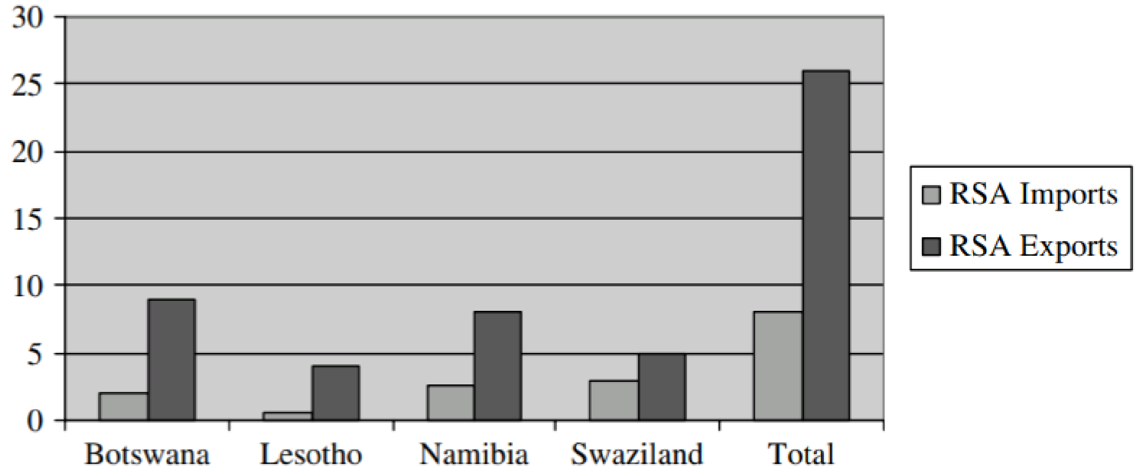


Figure 3: Size of SADC countries in terms of GDP.

Source: World Bank, World Development Indicators database.

Figure 3, shows significant differences in terms of GDP levels and revenue per capita between SADC countries with South Africa leading by a large share. According to African Development Bank (2011) South Africa is a hub for growth and regional integration in Southern Africa. The country is a key player in New Partnership for Africa's Development (NEPAD) and SADC. An estimated 70% of Intra-regional investment flows in the region is conducted by South African firms. South Africa play a big role in the development of the neighbouring countries accounting for between 9% and 20% of GDP in Lesotho, Mozambique, Botswana, Zimbabwe and Swaziland. Several South African financial institutions are also growing their reach across the region. The Country's penetration to the regional market has been strengthened by South Africa's ability to score many international investors who also expand their investments to the region. Moreover, in the recent years, South Africa's investment and trade venture into Africa has been prompted by country's championing NEPAD, an undertaking by African leaders to eliminate poor governance, corruption and conflicts in their countries in return for increased private investment and reduction of trade barriers by developed countries (Aden and Soko, 2005).

Figure 4: Trade Between South Africa and the BLNS states, (Rbn)



Source: DTI 2004

Figure 4, shows that the relationship between South Africa and its SACU counterparts have continued to be skewed in favour of the former. For example, in 1998/99 South Africa's total trade surplus with the BLNS states-Botswana, Lesotho, Namibia, and Swaziland. exceeded R20 billion. During 1999 and 2000 South Africa exported goods and services valued at more than R34 billion to BLNS states, and BLNS states imports from South Africa accounted for 75%-90% of their overall import (DTI, 2004).

One of the defining features of post-apartheid South Africa's political economy has been the country's fast-growing role across the continent. Over the past ten years, South Africa has become a major foreign investor in Africa, challenging the supremacy of the historically leading corporations from the United State and Europe. There are several factors to explain the emergence of South Africa as Africa's trade partner and direct investment suppliers in the region. Post 1994 South Africa reinstated its trade rights in the global trade system after decades of international ostracism induced by the apartheid system, triggering a surge of its investment capital into the African market. Taking advantage of its relative competitive advantages, abundant investible capital, marketing and technological know-how, advanced public infrastructure and human resources, South African companies used the resultant global push for economic liberalisation and deregulation to exploit business opportunities in Africa (Aden and Soko, 2005).

3.3 South African type of regional power and leadership.

South Africa still occupies a prominent position within the regional political economy. It is the most developed state on the continent of Africa and its gross national products (GNP) is twice as large as that of the rest of the SADC. South African president Mr Cyril Ramaphosa is the current chairperson of Southern African development community. The South African democratic government was informed by explicit commitment on human rights and also a desire to make a better Africa-Southern Africa in particular. The primary focus of South African foreign policies is to promote regional development and participate constructively in multilateral institutions (Alden and Garth, 2006). South African regional power status takes on the mantle of leader in both regional and global terms a true resemblance of semi-periphery state in the world system. Nelson Mandela wrote in a foreign article, which is still regarded as the foreign policy manifesto of South Africa's first democratic government that South African policy choices should reflect the concerns and interests of the continent Africa (Mandela 1993). South Africa avoid articulating the claim to regional leadership directly. But between the lines Africa and extra regional players understand the country's quest for leadership, because it is implicit to its role in many regional and global multilateral cooperation processes. As we have seen South Africa articulate its claim to regional leadership in economic and trade policies through SACU, SADC (both sub-regional) and NEPAD (continental), and in regional security and defence issues as well through (sub-regional) and the African Union (continental).

At the global level South Africa claim to lead the developing world in economic and trade affairs is articulated more openly and become most obvious, reflecting its rhetoric and behaviour, in multilateral institutions like, IMF, WTO, UN conference on Trade and Development. South Africa's participation in multilateral institutions is even more convenient and uses global governance institutions and summits to build new coalitions for common interests. Other important motives for South Africa's participation in global multilateral organizations are the following: influencing emerging internal norms and counterbalancing the preferences of the major powers. The overall objective of South Africa's regional leadership is to halt the lack of representation of the developing world, which is predominantly African and including itself.

South Africa has played a key role in promoting the African agenda in international community. It has insisted that the development of Africa be placed as the centrepiece on the mantle listing priorities of the G8, the United Nations, the IMF, World Bank, the World Trade Organization. South Africa also used its chair role of the UN Security Council to prioritise African conflicts and their solutions. South Africa has also led by example with regards to investment in the continent Its corporate footprint has expanded exponentially in the post-apartheid era. By the turn of millennial, it was active in 20 countries, in sectors ranging from among others, mining, manufacturing, energy, aviation, telecommunications, and research and development. In the period of 1994-2000, the country's investment in SADC totalled $5,4 billion, outstripping the total British and American investment. The scale of South Africa's involvement in Africa's economic development is best captured in the activities of South Africa's state owned Industrial Development Corporations (IDC), which by early 2003 had 60 projects being implemented or under consideration in 21 countries on the African continent, including as far north as Egypt, as strategically as important Nigeria and in small neighbouring states like Lesotho (Habib, 2009).

South Africa's regional leadership can also be seen through its global competitiveness. According (Schwab, 2011), South Africa moves up by four places to attain 50th position this year, remaining the highest ranked in Sub-Saharan Africa and the second placed among the BRICS economies. The country benefits from the large size of its economy, particularly by regional standards (it is ranked 25th in the market size pillar). It also does well on the measures of the quality of institutions and factor allocations such as intellectual property protection (ranked 30th), property rights (30th), the accountability of its private institutions (3rd) and its goods market efficiency (32nd). Particularly impressive is the country's financial markets development (4th). These combined attributes make South Africa the most competitive economy in the region. South Africa high preference for projecting power by means of multilateral at the regional reflects a strategy of co-operative hegemony. As the largest and most efficient economy in the region South Africa expects considerable advantages scale from regional market.

3.4 South Africa's Economic and Political Relations with Zimbabwe.

Bilateral relations between South Africa and Zimbabwe improved substantially as apartheid legally ended. In December 1993, the foreign ministers of both countries met for the first time to discuss ways to improve bilateral ties. Relations between the two countries began to stabilize in 1990, after Mandela was released from prison and South Africa moved towards constitutional reform. Even before international sanctions were lifted, a number of unpublicised meetings took place to discuss matters of trade and transport. President Nelson Mandela visited Harare in early 1995. The two countries debated trade issues throughout the year, primarily centered around efforts to dismantled apartheid-era tariffs. In November 1995, a ceremony attended by two presidents Mandela and Mugabe marked the opening of a new bridge linking the two countries together at the border of South Africa and Zimbabwe, across Limpopo river (Byrnes, 1996).

South Africa's relations with Zimbabwe has faced challenges over the years, but the two countries always seek to maintain good relations. Over the years, South Africa, has faced criticism from all quarters for either being too intrusive or no being intrusive enough in its SADC-mandated mediation role in the crisis of Zimbabwe. It has first steep criticism from the West, notably the United Kingdom, Commonwealth and European Union whose stance in Zimbabwe was centered myopically on the removal of former president Robert Mugabe and his followers. South Africa's SADC-mandated mediation role in Zimbabwe has being the subject of discussion in academia and in popular discourse, as the term "quiet diplomacy" has become synonymous with discussions about South African policy. The policy of quiet diplomacy was based on the so-called Mbeki's doctrine: the belief that while South Africa cannot force its own views on others, it can assist in dealing with regional instabilities by offering its leadership to bring opposing groups to the negotiating table. In Mbeki's view, the model of peace, power-sharing and reconciliation that worked in South Africa could be applied elsewhere effectively (Aden and Soko, 2005). South Africa's involvement in Zimbabwe has concurrently sought to provide a buffer between Zimbabwe and the West, while maintaining the integrity of SADC to mediate conflict-all the while cognisant of the spill-over effects that an escalation of the crisis would have on Zimbabwe's neighbours. These considerations have made it imperative for the country to temper the ideological underpinnings of its foreign policy with real political concerns for safety and security of South Africa and the immediate region.

Regional politics is not the only area in which the two countries have squared. Considerable animosity exists around South African engagement in Zimbabwe. The collapse of industries in Zimbabwe in recent times has meant that the country relies heavily on South African consumables and finished products. This became a major source of concern to Zimbabwean business people who increasingly find themselves unable to compete in an environment in which cash strapped banks are not able to extend loans. This is further intensified by claims that South Africa pursues a ruthless mercantilist agenda in Zimbabwe. Apart from a retail sector, where South Africans dominate, South African companies have significant investment in mining, manufacturing and agro-processing. Between 2003 and 2012 South African foreign direct investment (FDI) in Zimbabwe amounted to $619 million in contrast with Zimbabwean FDI amounted to $54 million (Lalbahadur, 2014).

South African is leading economic and trade partner of Zimbabwe and other SADC states and play a significant role in the economic development of regional partners. Lenon (2000) observes that the SADC states were able to take advantage of the provision in a trade protocol agreement signed in 1996, which effectively prohibited countries outside Southern Africa from claiming the same preferential access to the South African market as was accorded to South Africa's SADC partners. The SADC comprised a new group that is registered with the world trade organization and succeeded in breaking the WTO non-discrimination rules through the institution of the SADC protocol mentioned above. However, it is arguable whether SADC countries are able to use this window of opportunity to boost their capacity to export and invest in South Africa the same way South Africa expand its FDI to other countries in the region. The question arises as to whether the SADC countries possess the necessary infrastructure, investment incentives and stable economic and political environment for this to occur, Zimbabwe is a contrary example as the country was characterised by economic and political instability under Mugabe's regime. But there is a new dawn under the current president that seek to assure investors' confidence from the region and outside the region, again South Africa played and continue to play a role in facilitating the transition process in the country. Given South Africa's economic and political power in the region, the country plays a leading role ensuring that investment in the region does actually materialise (Rangasamy, 2001).

There is also a negative side of the multilateral agreements of SADC. Because of high degree of dependency on South Africa by its neighbours, SADC faces problems shared by all international organizations, with South Africa leading the region as the biggest economy in SADC it raised lot of scepticism from other regional partners. With South African corporations establishing themselves through the purchased of privatised assets and outright displacement of local businesses in neighbouring countries at an increasing, coupled with South Africa's active promotion of neo-liberal policies for rehabilitating the continent, there are some who see the onset as a new era of exploitation in ascendance in Africa (Aden and Soko, 2005). The tension between identity and co-operatives, necessities, differences and political rivalries and the disjunction between verbal commitment and practical implementation, bureaucratic and resource limitations are revealed when ambitions plain without the capacity to fulfil them. For example, there are differences over trade policy, South Africa want to open up to market forces while others while others want to follow the protectionist policies; there is rivalry between South Africa and Zimbabwe in the economic, trade and security domain. There are also continuing tensions caused by South Africa's relative strength in relations to its neighbours (Barber and Vickers, 2001). Despite the tensions that sometimes occurs between two countries, they always establish a framework of relationships and bilateral agreements in both economic and political issues.

In August 1996 Zimbabwe and South Africa reached trade agreement in which the South African government agreed to cut import tariffs by up to 60 percent. Trade and business ties between South Africa and Zimbabwe have existed for many decades. The importance of this linkages to both countries is underlined by the fact that bilateral trade remained strong despite political instability and poor economic performance in Zimbabwe. South Africa's powerful position in the region enabled it to ensure that Zimbabwe remained reliant on its trade corridors by destabilising the alternative routes through Mozambique and Botswana (Games, 2006). Zimbabwe remains South Africa's most important trading partner in Africa and one of the fifteen countries globally with which South Africa exchange the highest volume of trade (see table 3).

Table 4: Zimbabwe's top ten export destinations in 2005

	Country	**Export Earnings (US$ Million**
1.	South Africa	145,556,392
2.	Zambia	53,991,167
3.	Botswana	33,572,346
4.	Malawi	26,504,763
5.	Mozambique	21,635,406
6.	United States of America	16,198,230
7.	Namibia	15,567,026
8.	Italy	13,034,637
9.	United Kingdom	12,312,058
10.	Netherlands	12,136,685

Source: Zim Trade, 2006.

South Africa remain a top Zimbabwean trading partner in the world, recent figures shows that Zimbabwe's exports to South Africa amounted US$ 2,250 million, and Zimbabwe's imports from South Africa worth US$2,152 million respectively (Zimbabwe's trade, 2016).

The South African corporate sector has exploited Zimbabwe's collapsing economy to bolster its bottom lines. A number of companies, notably Implats, Metallon, PPC, Old Mutual, Stanbic, Absa, and SABMiller have either invested or expanded their investments in Zimbabwe. South Africa has also gained from the influx of Zimbabwean skills, particularly in management and professional and technical areas: doctors, engineers, bankers, nurses, academics, information technology specialists and teachers. The considerable extent of South Africa's economic expansion into Zimbabwe is underlined by the fact that South Africa's share of Zimbabwe's imports now exceeds 50%. Moreover in 2005 and 2006 Zimbabwe's import bill from South Africa was $1,176 billion and $1, 094 billion respectively, while Zimbabwe exports to South Africa in the same was $492 million and $684 million.

3.5 South Africa's Economic and Political Relations with Lesotho.

The kingdom of Lesotho, is a small country in the Southern Africa that is regarded as a periphery of South Africa and is completely surrounded by the Republic of South Africa. The literal translation of the name Lesotho is "the land of Basotho", the people who speak Sesotho. In contrast to many African countries, the political and constitutional history of Lesotho has been largely peaceful. As a former colony of British empire, the country is a member of the commonwealth of nations. It's also the member of many international and regional organizations, including the United Nations, the African Union (AU), the SADC, the South African Custom Union. Lesotho's membership of the Southern African Development Community (SADC), CMA, and SACU and associated trade agreements provides opportunity to address constraints imposed by a small domestic market and for diversifying the country's export markets (Byrnes, 1996). Lesotho has yet to gain significantly from regional cooperation. Even though Lesotho is a signatory to the SADC free trade and SACU, other than South Africa (which is the main source of its import), there is little or no trade between Lesotho and the rest of SADC or SACU countries, see table 5.

Table 5: Lesotho's Top Trading Partners

	Exports			Imports		
	Partner	R million	% of Total	Partner	R million	% of Total
1	USA	3 593	40.8	South Africa	13 620	84.0
2	Belgium	2 459	27.9	China	875	5.4
3	South Africa	2 305	26.2	India	277	1.7
4	China	131	1.5	Japan	107	0.7
5	Swaziland	94	1.1	Pakistan	101	0.6
6	Botswana	74	0.8	Germany	84	0.5
7	Canada	71	0.8	Saudi Arabia	45	0.3
8	India	34	0.4	Zambia	44	0.3
9	Slovak Republic	33	0.4	Malta	29	0.2
10	Mexico	28	0.3	Sweden	19	0.1

Source: SACU, 2013

Table 4, shows that United States of America replaced South Africa as the leading destination for exports in 2013, but in relations to imports, South Africa remains the source of Lesotho's imports in 2013 accounting for 80.0 % of total imports. Lesotho's intra-SACU exports declined by 9.4% to R2.47 billion in 2013 compared to R2.47 billion in 2012. Despite the decline South Africa remained the main export destination for Lesotho's commodities in the common custom area with export earnings of amounting to R2.30 billion, (see table 5). The decline of Lesotho's Intra-SACU indicates that Lesotho is diversifying its export way from SACU to non-SACU countries, the projection shown in table 4 by the emergent of United States of America as the leading destination for Lesotho's export, a typical example of core-periphery relationship in the world system.

Table 6: Lesotho Intra-SACU Trade (R million).

	2012		2013		% Change 2013	
Country	Export	Imports	Exports	Imports	Exports	Imports
Botswana	14	4	74	14	446.0	265.1
Namibia	1	1	7	7	433.1	125.5
South Africa	2 676	11 674	2 301	13 620	-14.0	16.7
Swaziland	41	2	94	53	130.5	2900.7
Total	2 732	11 683	2 476	13 694	-9.4	17.2

Lesotho's geographical position is viewed to be the reason behind country's poor trade performance (see figure 5).

Figure 5: Lesotho's geographical location.

Source: world atlas.com

The economy of this landlocked and mountainous country is inseparably linked with that of its much bigger and more developed South Africa. A larger number of Basotho work in South Africa, around 100 000 in the mid-1990 falling to 40, 500 in 2010 and most the government income comes from the Southern Africa Custom Union import tariffs. Economic swings in South Africa are the biggest influence on Lesotho's economy (Hassan and Ojo, 2002). Lesotho is a poor country with an estimated 80% of the population of nearly two million living in rural areas. Its economy is based on limited agricultural and pastoral production and light manufacturing (clothing, textiles, and leather), supplemented by large, though declining limited, remittances from Lesotho's mineworkers in South Africa, and recently, by receipt of royalties for supplying water to South Africa. The country is encircled by and economically dependent on South Africa. Ninety percent of Lesotho's imports come from South Africa and 65 % of its export goes to South Africa. The gold mines in South Africa have been a major source of employment for Lesotho's labour force and thus a source of remittances to the economy (Hassan and Ojo, 2002).

Regional and Bilateral Integrations are particularly important to Lesotho given the country's small economy and population and its dependency on South Africa. Lesotho's Central location within South Africa gives the country unconstrained access to the range of South Africa expertise, advanced technology, developed infrastructures, relatively sophisticated intermediate inputs, and good markets, capital and financial markets, investment resources. Thus, there are numerous opportunities for integrating Lesotho into the main economic centre of South Africa. Lesotho also receives revenues from water export and hydropower through Lesotho's highlands project which one few successfully implemented water management projects in the world (African Development Bank Group, 2013). South Africa has been criticised of its dominance in Lesotho's economic development. Some argued that the dependency relationship between the two country's is the reason why Lesotho is failing to realise its full potential. The media reports alleged in 2012 that South Africa was treating Lesotho worse than under apartheid government asserting that the mutually beneficial relationship was replaced by hegemonic patterns (Weisfelder, 2014). Despite lot of criticisms South Africa and Lesotho maintain healthy status of bilateral political and economic relations and they seek to achieve mutual economic integration, political, social, cultural and humanitarian cooperation, science and technology, peace and security, facilitations of movement of persons, goods and services.

3.6. South Africa Economic and Political Relations with Botswana.

Relations between South Africa and Botswana were normalised in the early 1990's after a period of strained ties in the 1980s. The contentious period between two countries had been Botswana's willingness to provide safe haven for African National Congress (ANC) military wing, MK, and to a lesser extent, the other opposition groups such as the Black Consciousness Movement of Azania (BCMA) the external of Black Consciousness Movement. Although Botswana officially prohibited ANC use of its territory as a base for several attacks against South Africa, the ANC violated the policy during the 1980s, provoking severe-small scale raids by South African Defence Forces (SADF) against ANC base in Botswana (Byrnes, 1996). At the same time Botswana joined in the international condemnation of Apartheid, its geographic and economic vulnerability deterred it from imposing economic sanctions against South Africa, with whom it maintained extensive but unpublicized trade relations. Relations improved in the early 1990s, as Apartheid was gradually dismantled. African National Congress camps in Botswana were closed in 1991 and 1992, as several hundred political exiles returned to South Africa under a program administered by the United Nations High Commission of Refugees (UNHCR) (Byrnes, 1996).

Given the nature of political context in Botswana and South Africa I am inclined to argue that the national fortunes of two countries are not mismanaged, since the dawn of their democracies and their strategy of state-led development has worked well partly because politics have been relatively free of corruption and patronage, common in many African countries, in particular Zimbabwe in SADC region. Botswana and South are often cited as the foremost example of stable multi-party democracies in Africa, which maintains freedom of speech, press and association and most importantly property rights and rule-based governance. Brautigan (1996) asserted that a participatory and transparent political system combined with the good and disciplined political leadership moderate or limit corruption and enhance public accountability. Most of the hallmarks of a capable states appears to be in place in Botswana and South Africa, two African with relatively strong institutions of governance, hence their involvement in peace keeping and maintaining political stability in other countries.

Botswana has traditionally been a strong economic partner of South Africa. The foundation for this relationship dates back to the establishment of South African Custom Union (SACU) in 1910. The economies of South Africa and Botswana have benefited tremendously from the bilateral relations that the two countries' have cemented over the years. Even before the dawn of democracy, South African business played an important role in the economy of Botswana. A case in point is De beers, which drove the development of Botswana's diamond industry from its infancy in 1967 to a world leader in a sector that Botswana has become today (Bynes, 1996). Both countries are playing important leadership role in the region with Botswana's former president Dr Seretse Khama Ian Khama as the chairperson South African Custom Union and South African president Mr Cyril Ramaphosa as the Chairperson South African Development Community two important institutions in the region as former British Colonies, both South Africa and Botswana share many institutional, political, economic and cultural traditions and are regarded highly in terms of good governance and democratic processes in African continent and the world. As a result, South Africans generally find the operating environment both familiar and reassuring.

South Africa remains one of Botswana's major trading partners, with more than 70 percent of Botswana's commodities imported from South Africa (SACU, 2013). There is also the presence of South African companies in Botswana who are involved in various sectors such as housing, food, beverages, construction, retail, hotels, leisure, banking, medical services and many others. Many South African companies consider Botswana government's strong local employment policy as a positive and understandable factor and they also view Botswana business environment as stable, fairly free of corruption and investor-friendly. However, there are some difficulties that South African companies when doing business in Botswana such as acquiring foreign employees where necessary skills are not available in Botswana (Grobbelaar and Tsotetsi, 2005). Furthermore, there is a great deal of sensitivity about South African dominance in Botswana. South African investors have had considerable impact in Botswana's economy, contributed to the diversification of economy, employment creation, raised competitive levels, instil business culture and build local capacity but there are concern about the hegemonic influence of SA business in Botswana (enforced huge trade imbalance, negligible domestic linkages between two economies. South African retailers have taken advantages to building several shopping malls (anchor tenants) a model of development based on high consumption according to modernization theories, however the sector is overtraded. Despite encouragement to procure locally, most companies procure from South Africa, as result South Africa benefits more from these imbalances. Botswana suppliers complain retail sector uses country as a market for SA products, undermining local manufacturing capacity, buying authorities located in South Africa, no trade-off between two countries. Some government officials and academics expressed open disappointment in quality of South African investments because they do not integrate Botswana into regional production hub (Grobbler and Tsotetsi, 2005).

Defining feature of South Africa's relationship with Botswana is South Africa Custom Union. SA is Botswana's largest import partner, whereas majority of Botswana's exports directed at Europe (perpetuates North-South trade linkages despite SACU). Both countries enjoy healthy trade surplus with the rest of the world unlike Lesotho and Zimbabwe. South Africa has been the main source of Botswana's imports, accounting for 64.7% of total imports in 2013, followed by the United Kingdom that accounting for (7.1%), Namibia (7.1%,), Belgium (5.0%), and Canada (3.3%) see table 6.

Table 7: Botswana's Top Trading Partner.

	Exports			Imports		
	Partner	R million	% of Total	Partner	R million	% of Total
1	United Kingdom	35 028	50.0	South Africa	43 868	64.7
2	Belgium	8 848	12.6	United Kingdom	5 130	7.6
3	South Africa	7 309	10.4	Namibia	4 814	7.1
4	Israel	4 043	5.8	Belgium	3 382	5.0
5	Norway	2 925	4.2	Canada	2 215	3.3
6	India	2 226	3.2	USA	1 540	2.3
7	Namibia	1 763	2.5	China	972	1.4
8	Switzerland	1 275	1.8	Israel	912	1.3
9	Zimbabwe	1 096	1.6	DRC	739	1.1
10	USA	957	1.4	India	583	0.9

Source: SACU, 2013

Botswana Intra-SACU exports increased by 29% to R9.1 billion in 2013 compared to 2012 whereas imports Intra-SACU imports increased by 7.2% to R48.8 billion in 2013 from R45.5 billion in 2012. South Africa remained the main export destination of Botswana's commodities within the Union with exports earnings amounting to R7.3 billion and accounted for 80.4% of Botswana's total intra-SACU exports and 89. 9 of total intra-SACU imports, see table 7.

Table 8: Botswana Intra-SACU Trade (R million)

	2012		2013		% Change 2013	
Country	Export	Imports	Exports	Imports	Exports	Imports
Lesotho	11	99	14	74	28.7	-26.0
Namibia	924	3 764	2 181	4 814	136.2	27.9
South Africa	6 426	41 510	7 309	43 868	13.7	5.4
Swaziland	12	44	9	35	-25.3	-19.8
Total	7 373	45 509	9 513	48 790	23.4	7.2

Source: SACU, 2013

Botswana's membership of SACU holds clear advantages for South African investors and has strongly supported the growth of the South African retail sector in Botswana. However, Botswana's government has mixed feelings about the benefits of SACU to its economy especially in its form, prior to the adoption of the re-negotiated customs agreement in 2002 (SACU, 2013). SACU has been accused of undermining Botswana's manufacturing base and drawing foreign direct investment away from the country. The close economic inter-linkages between the two countries also imply that South African economic policy decisions often have unintended consequences for Botswana.

Like other SACU and SADC counterparts, Botswana's economy is somewhat dependent on South Africa as the regional power. Apart from mining, Botswana's other sectors such as manufacturing, tourism, and offshore financing are all contingent on the health of South African economy and its trading relations with regional neighbours, in particular Zimbabwe. Botswana is dependent on South Africa for agricultural products since its agriculture has declined over the years since the discovery of diamonds and other minerals. The country's agricultural sector contributes a paltry percent of GDP and providing up to 50 percent of the country's food needs (SACU, 2013). This is a far cry of what used to be at independence when it was the mainstay of the economy before the discovery of diamonds. Botswana's economy is largely dependent on diamond, however the new leader in the country Mr Mokgweetsi Masisi looks to wean Botswana off dependence on diamonds while creating more jobs after collapsing commodity prices tipped it into recession in 2015. Maize was the South Africa's top agricultural export to Botswana in 2014 followed by sugar and wheat. Rice accounted for fairly high share, highlighting Botswana as one of the main consumers of South Africa rice with a close share to 30% and above during the period 2010 and 2012. South Africa's top three imports from Botswana were odoriferous mixtures, diamonds, and chemical industrial products (SACU, 2013).

3.6 Summary

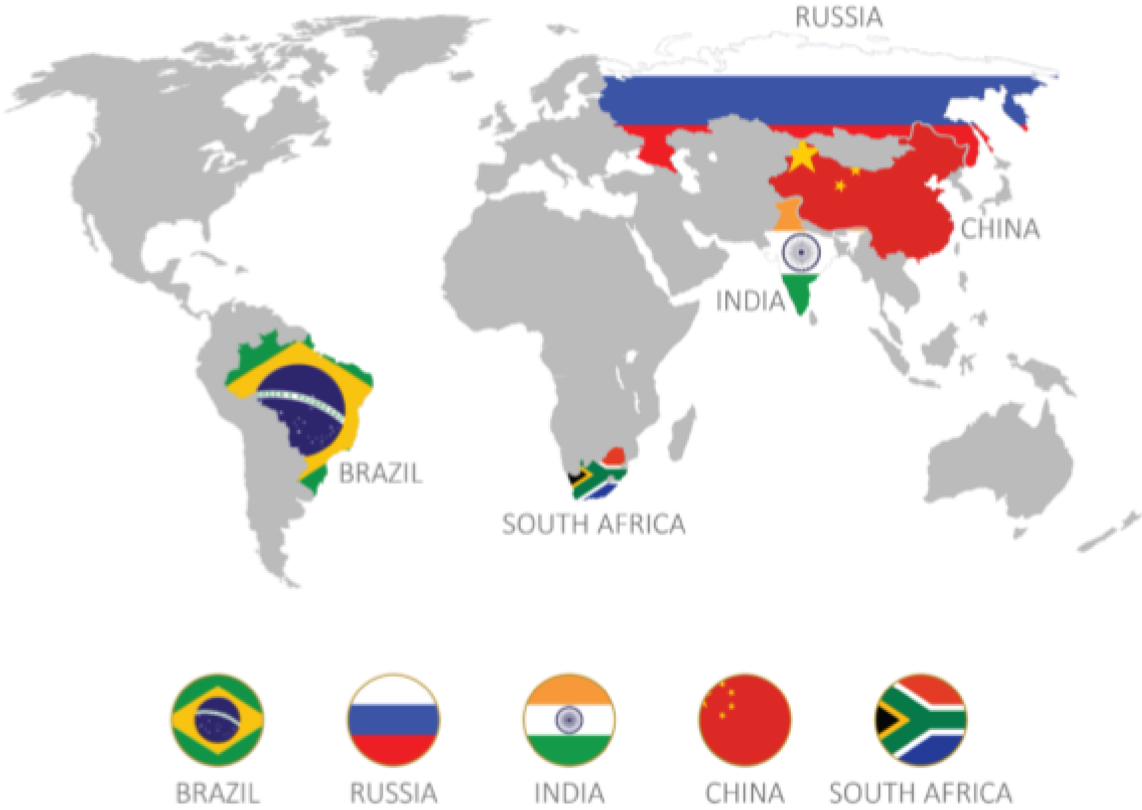
This chapter provided case studies of South Africa's economic and political relations with its neighbouring countries (namely, Botswana, Lesotho and Zimbabwe). South Africa's engagement in Africa has provoked a strong debate within the country's diplomatic cooperation and academy about its existing and future role. As indicated above, South Africa is described as a pivotal state, as distinct from regional power and suggest that its method of operation on the continent has been and should continue to be one of partnership. The chapter presented the role of South Africa in deepening regional integration of SADC countries as well as its leadership role as the regional power and the biggest economy in the continent. Based on the above discussion it is evident that South Africa paly a big role in advancing development to other regional partners of SADC through trading commodities within the region as well expanding business to the neighbouring countries. The following chapter focus on South Africa and BRICS partnership.

Chapter 4: South Africa and BRICS Partnership.

4.1 Introduction

This chapter focus on the South Africa's BRICS partnership the grouping of the world's leading emerging economies, who are regarded as the semi-peripheries of the world with the exception China. These are Brazil, Russia, India, China, and South Africa and the role of South Africa as the only African invited member. South Africa was invited to join BRIC in December 2010, after which the group adopted the acronym BRICS. The bloc offers a unique opportunity for BRICS countries to extend and advance their cooperation in ways that meaningfully promote their economic development agenda as well as other developing countries (see BRICS map in figure 6).

Figure 6: BRICS Countries Map.



Source: brics.org.za, 2018

4.2 South Africa in BRICS

South Africa's membership of BRICS, on top of existing membership of G20 group of major economies, is the most important foreign policy achievement of former president Jacob Zuma's administration. At the IBSA summit in Brazil 2010, Brazilian former president Luiz Inacio Lula da Silva invited former president Jacob Zuma to attend the second BRIC summit as an observer, which was held back to back. South Africa's invitation to join BRICS recognises the country's contribution to shaping the socio-economic regeneration of Africa, as well as country's active involvement in peace, security and reconstruction efforts of the continent. South Africa was initially a member of IBSA as part of emerging middle powers, a group consist of India, Brazil and South Africa, however the alliance was criticised for not having a clear strategy. Flemes (2007) contrasted that the forum has had significant impact in pursuing what he terms milieu goals which reflected global responsibility and shape the environment in which the states operates. This translated into their pledge to co-ordinate their activities and jointly promote in international forums the agenda of global piece, human rights, collective security and sustainable development and economic development. The IBSA's collective commitment drastically manifested itself in the World Trade Organizations negotiations when its participants formed the kernel of the G20 lobby to enhance the developing world's leverage and negotiating capacities. Emerging around the WTO negotiations, the G20 involves an alliance of developing countries intent on ensuring that an unpalatable agreement is not forced through by Europe and the United Nations.

BRICS with the embodiment of South Africa has established itself as an international forum that holds presidential summits and ministerial meetings periodically. Within this space, its members are advancing in many ways towards the construction of more equal world, apart from the authority of the G7 in December 2010, they have managed to complete the demanded reforms concerning the quotas and government structure of the International Monetary Funds, such that the ten largest member of the fund would consist of the United States, Japan, the BRIC countries of which today South African central bank governor is serving as the chairperson of IMF financial committee, and the four largest European countries (France, Germany, Italy and the United Kingdom (IMF, 2011).

By inviting South Africa to become a member of BRIC, China succeeded in dismantling the potential role of IBSA that had strengthened rival India's claim to a permanent seat in the security council of the United Nations. IBSA has subsequently fallen by the wayside as three partners each focus on pressing issues and the momentum of BRICS dominated development in the global narrative. BRICS is utilised as a driver for South Africa's foreign policy priorities including, inter alia, the pursuit of the African agenda and the South-South cooperation, and in this respect continues to place the African continent and the global South on the agenda of BRICS and to harmonise policies adopted in regional and international for a with those pursued in BRICS for example, Africa's agenda 2063 and the 2030 agenda for sustainable development (BRICS.org, 2018). BRICS invitation cemented South Africa's position within the big league where the country's rub shoulders with the purported alternation club of global leadership. Like South Africa BRICS partner countries are considered semi-peripheral states. For example, Russia has been historically considered a semi-peripheral state. According to Wallerstein (2003) when Russia absorbed in the future by the world economy, it entered as a semi-peripheral state (like Spain in the 1600s-1700s) and not as a peripheral one. India after 9/11 gained as much importance as South Asia. For India the new international context added to domestic changes like military growth and the transformation related to the political culture permitted it to give shape to a series of triangular strategic relations involving a myriad of both traditional and non-traditional powers (Kapur, 2006). However not so long India was part of the periphery of the world system like South Africa, they were both once submitted to British process of peripherization.

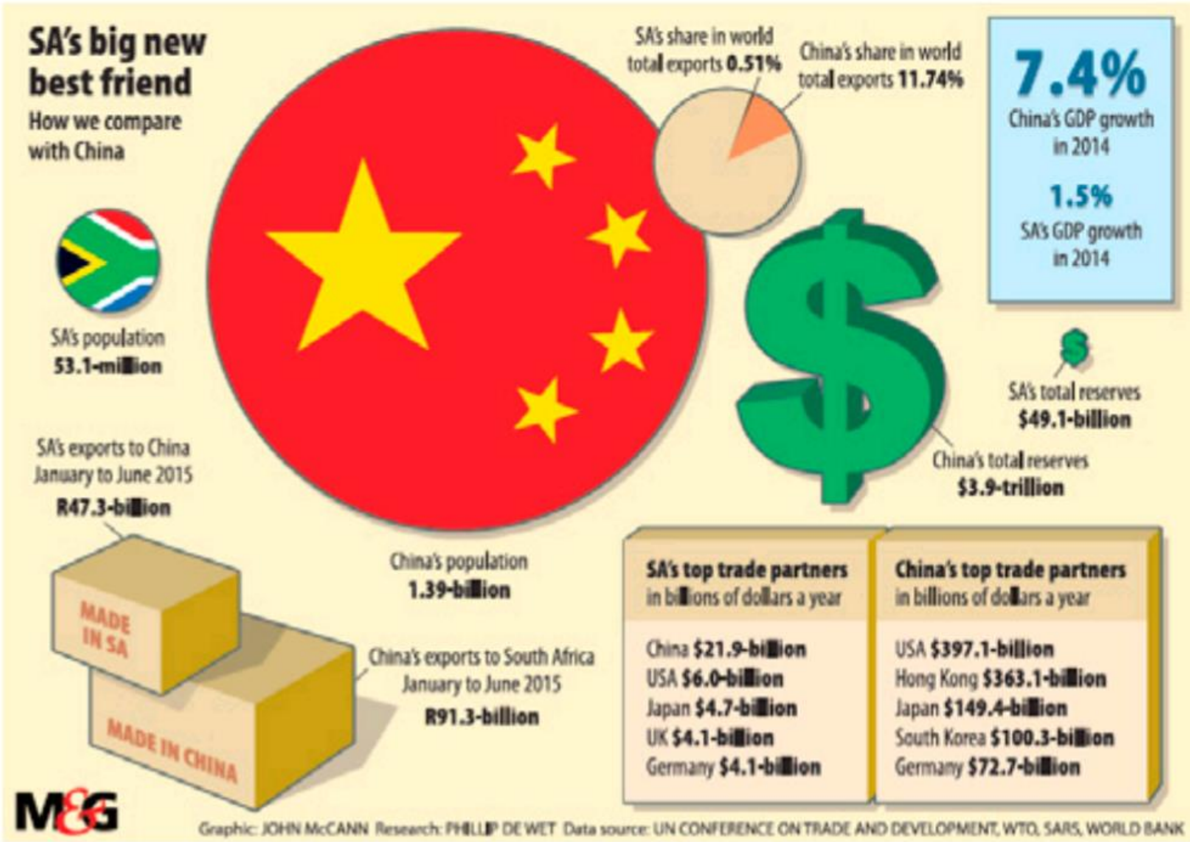
South African position is important to be analysed in the world system theory hierarchy as the country variously styled itself as a bridge between the North, the global South and Africa an intermediary between the first and developing world. of core countries into the continent. It is also viewed as the spokesperson for Africa, given its membership of BRICS alliance with Brazil, Russia, China and India and the G20. According to Schoeman, Kefale and Alden (2017) South Africa has increasingly sought to strengthen its international ties by moving closer to emerging global south powers, to move from over-dependence on western support for its continental vision and to tap potential resources coming from fast growing economies, such as china. South Africa's push for establishment of BRICS development bank is predicted on the expectation that it would provide access to resources for continental development which would reinforce its leadership position, as well as its vison for the continent. The nature of BRICS remains semi-peripheral perhaps with exception of China which has recently achieved extraordinary remarkable levels of structural positioning. Despite its limits the BRICS forum opens a dynamic window in many senses, it can be that of at the border of other associations, groups, or agreements are consolidated, or that BRICS itself expands and encompasses other regional powers that might compete at a global level, or else a jointly form a counterweight to the present blocs and global powers, like the European Union and even the United States.

BRICS nations have emerged as the most watched and promising group. From being an idea for investment, BRICS have grown to assume importance and significance in terms of strong domestic growth, contribution to global economy, expanding financial markets, enhanced scope and engagement with other developing countries. The BRICS economy rose from 11 of global GDP in 1990 to 25 percent in 2011 and is poised to reach 40 percent by 2050. Growth and diversity coexists in the community as whole. While all countries in BRICS community enjoyed higher growth for large part of the last decade, each country is known for distinctiveness (Goldman Sachs, 2011). Russia is a commodity-driven economy, China is a powerhouse of exports, India is a domestic demand-driven economy, Brazil has much developed economic structure and South Africa represents the fast-growing region of Africa. Growth is the common glue that makes BRICS countries a powerful and prominent force in the global economy. All the five countries in the BRICS community play a pivotal role in G20 shaping the global economic policy and financial stability (Goldman Sachs, 2011).

4.3. South Africa's Relations with China as BRICS Partners.

The formal invitation extended to South Africa by China late in 2010 to join BRIC formation of emerging economies (Brazil, Russia, India, and China) can be seen as a confirmation of the growing ties between China and South Africa. When South Africa's membership of BRICS is discussed, the focus therefore often falls on the country's relationship with China. South Africa's relationship with China has gone from strength to strength, thus gave other African countries opportunity to use the rising of China as a counterweight to both the United states and Europe, tying wring political, economic and diplomatic concessions from all parties. Chinese engagement on the continent suggest that the country aims to disrupt the colonial and neo-colonial relationship established by the European countries and the United States (Habib, 2009). China is one of the top trading partner of South Africa by value, only china and India offered economic growth opportunities a country that remained a larger exporter of commodities, and dependent upon global cycles at a time of western recession in 2008. China's commitment to non-interference in the domestic affairs of other nations has attracted trading and investment opportunity in many African states (Fredericks, 2017).

Figure 7: The Sino-South African Economic Relationship



Source: John McCann, Mail & Guardian.

Since China and South Africa established formal diplomatic relations in 1998, relations between the two countries have passed through three stages: from partnership, to strategic partnership, to comprehensive strategic partnership. In terms of most recent status of the relations, both China and South Africa are committed to strengthen cooperation in the areas of trade and investment, energy, culture, education, academic and research, health and tourism, as well as the global cooperation on shared interests (Monyae and Banda, 2018). Above and beyond bilateral agreements, this partnership is also working at the continental and multilateral levels. Furthermore, both countries are members of the G20. Given that their relationship has both regional and global implications, China and South Africa have good reasons to maintain good diplomatic relations for their own benefits while promoting development in Africa.

Trade between the two countries has grown immensely. China is now South Africa's largest trading partner. Even outside the BRICS arrangement, the two-way trade between South Africa and China has grown from R121 billion in 2008 to R270 billion in 2013. Encouragingly, South African firms such as SAB Miller, Naspers and Investec have made investments in China, signifying that South Africa is an active investor and participant in global economy. During the first half of 2009, imports from the European Union (EU) and Organization for Economic Cooperation and Development (OECD) member countries dropped by 32, 8 percent on average. China grabbing the opportunity offered by the decline in trade with traditional core partners to become South Africa and Africa's largest trading partner (Monyae and Banda, 2018).

Table 9: South African Agricultural Trade with China, 2006

RSA exports to China	US$ million	Duty	Imports from China	US$ million	Duty
Wool	31.37	1.0	Sausage casings	25.19	0.0
Sugar	9.27	50.0	Kidney beans	22.49	10.0
Fish Meal	5.04	2.0	Fruit Juices	7.69	0.0
Sheep Skins	4.24	7.0	Peptones	4.65	0.0
Sausages	4.01	18.0	Proc tomatoes	4.64	15.0
Tobacco	2.75	10.0	Herbs	3.90	2.5
Total agricultural exports from RSA to China	$69.36m	13.96%	Total agricultural imports into RSA from China	$127.21m	6.79%

Source: World Trade Atlas, 2006

Trade is one of the most important indicators of how co-operation between BRICS countries is evolving. Indicators show that countries in the group are giving increased focus to intra-group trade. The fast-growing middle class in BRICS countries has encouraged the expansion of trade among BRICS countries, facilitating a radical change in global trade where significant trade volumes are bypassing the Western markets known as the traditional core of the world system. Trade among developing countries is increasing at a fast pace. Among the BRICS in particular it has grown significantly, with China as the driver of this trade. Nevertheless, beyond the bilateral relationship with China, trade and investment linkages among BRICS are wear and disjointed. The Intra-group trade has been mostly in the form of Russia, Brazil, and South Africa supplying commodities to India, while China is a major exporter of manufacturers to all other BRICS (Concalves, 2011). The BRICS country have different economic growth strategies that determine their economic policies without external influence. China is driven by its export of manufactures and central role in the global commodity chains, but its domestic consumption of manufactured products is very limited, which creates account for surplus for China. South Africa is richly endowed with natural resources but is also keen to expand its manufacturing base and export more value-added products to other African countries as outlined in chapter three. On trade level, South Africa is focused on regional integration initiatives, based on the premise that an underdeveloped African continent is not conducive to South Africa's own growth. These initiatives are very important for the promotion of South Africa's value-added goods (Drapper, 2012).

Monyae and Banda (2018) argues that South Africa-China partnership is far from a zero-sum relationship, as both countries have benefitted from it. China has set up more than 80 companies in South Africa since 1998 with a cumulate foreign direct investment that grow to nearly US$6 billion, far less compared to the United States alone that has established more than 600 companies in South Africa, Germany another 600, and France more than 300 in various sectors of the economy. Western companies and their products are more familiar to South African consumers, which gives them a competitive advantage. However, South Africa continue to benefit more from the presence of Chinese companies such as Huawei and Hisense who are also employing South African nationals.

4.4 Implications of South Africa's BRICS Membership.

BRICS partnership brings potential economic benefits for South Africa in the BRICS group, or conversely the benefits of introduction of an African member to the original four members. Some view South African participation in a major international forum as inherently positive an opportunity to influence policy making alignment among developing countries to make the international economic systems more inclusive. The invitation of South Africa to BRICS countries a major step of integrating the country into global economy. Membership in the group is projected to allow the country to promote economic development through enhanced trade and investment and expand sectors in which the country holds a comparative advantage and provide overseas investment opportunities for South African enterprise (Besada, Tok, and Winters, 2013).

In terms of African development, many consider the BRICS agreement to be beneficial for the expansion of Sub-Saharan African markets and infrastructural development and trilateral cooperation on the continent. For the BRIC members has been on a greater representation among the developing nations and increased access to African markets. China is optimistic that the inclusion of South Africa in the group would promote development among members and further cooperation among emerging markets economies. South African new status within the BRICS group could provide new trade and investment opportunities, not only for South Africa, but also for other African nations. Brazil, Russia, India and China have increased capacity to bring expertise and technologies to Africa that can aid infrastructural development. The original BRIC nations account for more than 50% of overall emerging-market IT spending and therefore could provide opportunities for technology transfers (Besada et al, 2013).

Despite the above mentioned potential benefits of South Africa's BRICS partnership, the BRICS alignment itself has also been viewed with scepticism. It has been said that most enduring aspect of BRICS alignment is the catchy acronym itself (Bremmer, 2012). This criticism is based on the disparities in the economic size and growth between the partners, the vast differences in their political and economic systems, and the friction with this group are seen as likely to increase rather go away. While South Africa's relationship with China can be understood as part of both South Africa's global repositioning in the post-apartheid era and the country's emergence as regional power, it should be seen as part of the longer history of South Africa-China relations as well as a sign of shifting geopolitical interests in the current moment (Bremmer, 2012. Again, the criticism of the group as the construction based on the desire to forge links and masks differences between member states, the emergence of this group as a strategic partnership is likely to have far reaching implications for Africa in general, and South Africa in particular. Africa's rich countries are in a position to provide an apple percentage of China's requirements for trade relations. There's little doubt that natural resources are the core of China's economic interests in Africa, nine of China's ten most important trading partners are resources rich countries. Remarkably the list includes emerging oil producers, Chad, one of the few African countries to recognise Taiwan (Tull, 2006), see table 9.

Table 10: China’s most important trading partners in 2004 (Imports)

China’s Imports from Africa	US$ Million.	Percentage (%)
Angola	3422.63	27.4
South Africa	2567.96	20.6
Sudan	1678.60	13.4
Republic of Congo	1224.74	9.8
Equatorial Guinea	787.96	6.3
Gabon	415.39	3.3
Nigeria	372.91	3.0
Algeria	216.11	1.7
Morocco	208.69	1.7
Chad	148.73	1.2
Total	11043.72	88.4

Source: International Monetary Fund, Director of Trade Statistics (2006).

On the positive side its membership of BRICS holds the potential for South Africa to contribute to the formation of the planned BRICS development bank and leverage investments for development. On the negative side, the interaction of BRICS countries with South Africa and other countries on the continent, may free Africa from older, post-colonial relationships with Europe and the United States., but if appropriate development policies are not developed, the continent’s dependency may just be diversified rather than improved (Taylor, 2013)

Many experts and analysts argue that the integration into BRICS causes concerns for South African foreign policy, given that it may be difficult for the country to justify its foreign policy positions among the other much wealthier countries in the forum and difficult for all member to reach consensus, considering their differing national, regional and strategic interests. Bremmer (2012) stated four reasons why the BRICS partnership will never work function as single coherent group because China’s dominance is more pronounced in the group. With GDP of $7.3 trillion, the Chinese economy is the second largest in the world and larger than all BRICS countries put together. There are number of projections indicating that it is only a matter of time China become the biggest economy in the world. South Africa’s economy is roughly equivalent to that of China’s sixth largest province. Second, when it comes to their own political systems, the BRICS are Apples and Oranges, and pears and pineapples. Brazil, India and South Africa are democracies and China and Russia are autocracies. Third, their economic systems are wildly different as well. In Russia and China, the state is the dominant force in the economy. Brazil, India and South Africa lean closer to free market capitalism than the state dominated variety. Finally, there is difference in their most immediate needs. Russia, Brazil and South Africa are major exporters of primary resources. China, on the other hand, is the second largest importer of crude oil, and India is fourth. Beyond the competing interests of buyers and sellers of commodities, there are frictions with BRICS partnership. Despite scepticism South African government believe in BRICS partnership and asserts that its foreign policy priorities are focused solely on Africa and economic priorities lie in forging greater trade with China and India.

Zondi (2014) argue that BRICS countries should consider establishing a platform for discussions focusing solely on development consensus within the organization and its position on International development discussions. The formation of BRICS countries and the growth have a potential to decolonize development that will change the modern world system in which dynamic core countries are constantly evolving new ways of extracting profit from poor countries and regions. BRICS is known for its mission to create a more equal world by the group's intentions to offer support to other developing countries without conditions or interfering in their domestic politics as oppose to other multilateral organizations.

There are rapidly growing trade and investment flows between BRICS countries as well economic activities across range of sectors. The Xiamen summit in 2017 saw the conclusion of four new agreements in the areas of economic and trade cooperation which aimed at deepening economic cooperation between member states and fostering integrated trade and investment markets. South Africa BRICS relations will further be strengthened this year when the country host the 10th BRICS summit, July 25-27, which present an important opportunity for South Africa to leverage support from Brazil, Russia, China and other partners for African agenda and development priorities (Ebrahim, 2018). BRICS countries also aim at achieving peace and security, development and cooperation for a more equitable and fair world. BRICS provides opportunity for sharing policy advice and exchange of best practices in term of domestic and regional challenges as well as advancing the restructuring of global political setting so that it is more balanced, resting on the pillar. Furthermore, BRICS countries want to share the best practices in advancing their economies in the era of 4th Industrial revolution, beneficiation and nation building. There has been an incremental increase in economic cooperation, as well as in promotion of trade and investment agreement, which will result in poverty reduction, addressing inequality and creation of more jobs in their respective countries, notably in South Africa where these challenges are highlighted (BRICS, 2018).

4.5 SUMMARY

This chapter provided South Africa's BRICS partnership, role of South Africa in the formation of this group of emerging economies of the world, South Africa's relationship with China as BRICS and major trading partners. The chapter gave a background dating to when South Africa was invited the BRICS group, the importance of the country's membership of BRICS as well as the implications posed by some scholars in relation to South Africa's invitation to the group. The nature of BRICS remains peripheral, perhaps with the exception of China which has achieved remarkable levels of structural positioning, however the group aimed to expands and other regional powers to compete at global level. There seems to be lot of positive feedback coming from scholars and policy makers following the formation of BRICS and one can only be optimistic that the group will help to bring positive developmental changes in the developing world. The following chapter focus on the study findings, recommendations and overall conclusion of the study.

Chapter 5: Overview of the Study, Findings, Recommendations and Conclusions.

5.1 Introduction

This chapter consist of the discussion of the study findings in line with the aim and objectives of the research, case studies, and connections made in the previous chapters in answering the research questions. The aim of the study was to describe the dynamics of South Africa as a semi-periphery country under the world system theory and to analyse the practical implication of the world system on South Africa as well as the development of other African countries, given South Africa's position as a regional power in Africa and as one of the emerging economies in the world. The findings are based on secondary data collected through reading of literature, academic journals, policy documents reports

5.2 Findings

The following is the summary of the study and is presented in line with the objectives.

- The study has come to conclude that semi-periphery countries are largely integrated in the world system and one can draw the same conclusion with South Africa. The study therefore concedes that South Africa as semi-periphery country stands a chance of achieving its set of development agenda. Apart from the capital inflow from foreign direct investors to South Africa, the country has been building its own international production systems in the region of SADC as highlighted in chapter three and succeeded in securing considerable ownership advantages in the global economy over the past decade.
- The arguments in chapter three and four further reflect the dynamics and implication of world system theory on South Africa as middle power. The study draws the importance of South Africa's role in deepening regional integration in South African Developing Community (SADC). One of the key finding is the commitment of South Africa in promoting African development by expanding its manufacturing and exports of value-added goods to other African countries. South Africa's development drive is closely linked is based on the theme of regional integration, based on the realisation that South Africa's development and growth is also depend on that of the region. South Africa plays a pivotal role in advancing economic development of regional partners as a

regional core, a status that has led to South Africa's invitation to BRICS community. The study presented the role, benefits and implications of South Africa's invitation to BRICS, something that has come as result of South Africa's position in the SADC region and the continent Africa. South Africa is an outlier in terms of economic data, buts its invitation to BRICS comes from its activism on global issues and its influence in African continent.

5.3 Recommendations

South Africa must facilitate economic growth and development at home by actively pursuing the development of the regional value chains that will help the country to depend less on exporting commodities to the core countries in the world but rather improve its own manufacturing capacity as the study findings suggested, South Africa aimed to build its own international production system at regional level as mentioned above. Semi-peripheral in the past have been expanding their manufacturing activities. The expansion manufacturing activities give semi-periphery opportunity to develop further towards level of core nations of which South Africa is capable of achieving given the trading opportunities in the region.

The country seemed to be moving towards the direction of championing the African development agenda as one of the regional powers as the President of South Africa proposed the formation of the single currency in the continent that will be able to compete with the dollar and make Africa more competitive in the global economy at the Kigali summit where 44 country's signed the declaration of the African Continental Free Trade at the extraordinary AU that will see more countries open to trade within the continent (DailyMaverick, 2018).

Africa is and should remain the focus of South Africa's foreign policy as the country's development and security depends on a stable and growing region. South Africa should maintain good relations with all important trading partners (not only BRICS partners) since there is growing scepticism that BRICS might influence the future of South Africa's foreign policy as argued by Bremmer (2012). South Africa is still strongly tied with the traditional core in the world system, therefore it is important for the country to maintain and balance the relationship.

5.3.1 Recommendations for Future Studies.

Future researchers could narrow their study to one aspect amongst regional integration with the view of world system, BRICS partnership and its future in the global economy, and perhaps do a comparative study on balance of commodity chains between South Africa and one core or periphery country. Future researchers could use both primary and secondary data, quantitative or mixed-methods in order to obtain different results on the subject.

5.4 Conclusion.

The study has concluded that semi-periphery countries play an important role in the world system and to some extent they benefit largely in the integrated world economic system given their immediate position in the system and if qualified, one can draw the same conclusion with regard to South Africa. The study aimed to describing the dynamics of world system theory on South Africa as a semi-periphery country by looking at the practical implication of the theory on South Africa in the world system. The study discussed the specific objectives of the study looking at South Africa's political economy with the specific focus on global commodity chains, furthermore the study looked at the role of South Africa in deepening regional integration in SADC and South Africa's BRICS partnership. Research questions were answered, and findings presented with recommendation for policy and future research.

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