Engaging with the World: Corporate South Africa and the Rise of non-OECD multinationals in Global Economic Governance

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Abstract
The extant literature on business and politics tends to focus almost exclusively on Multinational Corporations (MNCs) from OECD countries. This is understandable when given that most trade flows and foreign direct investments occur between OECD countries. However, the changing face of global economic power with the rise of China, India and Brazil provides the impetus for scholars of global economic governance to rethink the narrow focus of the actors engaged in economic governance as restricted to those representing corporate entities and states within in the developed world alone. This paper will argue that research into global economic governance structures must begin to give account of the increasingly important role being played by MNCs from developing countries.

In building a case for doing this, the paper will focus on the shifting role of South African business in the global political economy during the post-apartheid period (1994 and beyond). During the apartheid era South African companies couldn’t expand internationally, but following the release of Nelson Mandela in 1990 with the lifting of sanctions this began to change. As trade barriers fell and South African companies faced increasing competition in their previously protected home markets they had to respond to the challenge by seeking investment and market opportunities elsewhere. The first and most obvious point of growth was the rest of Africa, where South African firms had greater confidence in dealing with other developing markets. Slowly this has resulted in a shift towards some 40% of South African companies located outside of Africa.

The paper will trace the evolution of the expansionary role played by South African business first domestically and then in the international political economy that has paralleled the reengagement process of South Africa with the world politically. The paper will track different sites of engagement for business in the global economic system and the interconnection of the political and economic reengagement that has led South Africa from global political Pariah to regional economic ‘Messiah’.

This paper will engage with various explanatory theoretical approaches to theorising the role of private actors in global economic governance, including neo-Gramscian theories (Newell & Levy), regime theory (Haas, Young, Mitchell) and the contribution of scholars to the growing literature on global governance (Rosenau, Biermann, Falkner).

Key-words: business and politics; multilateralism; trade; developing countries; South Africa; social constructivism; MNCs and TNCs.
Introduction

The extant literature on business and politics tends to focus almost exclusively on Multinational Corporations (MNCs) from OECD countries. This is understandable when given that most trade flows and foreign direct investments occur between OECD countries. However, the changing face of global economic power with the rise of China, India and Brazil provides the impetus for scholars of global economic governance to rethink the narrow focus of the actors engaged in economic governance as restricted to those representing corporate entities and states within in the developed world alone. This paper will argue that research into global economic governance structures such as the WTO and regional and bi-lateral trade agreements must begin to give account of the increasingly important role being played by MNCs from developing countries.

In building a case for doing this, the paper will focus on the shifting role of South African business in the global political economy during the post-apartheid period (1994 and beyond). During the apartheid era South African companies couldn’t expand internationally, but following the release of Nelson Mandela in 1990 with the lifting of sanctions this began to change. As trade barriers fell and South African companies faced increasing competition in their previously protected home markets they had to respond to the challenge by seeking investment and market opportunities elsewhere. The first and most obvious point of growth was the rest of Africa, where South African firms had greater confidence in dealing with other developing markets. Slowly this has resulted in a shift towards some 40% of South African companies located outside of Africa e.g. Dimension Data, a computer networking and security firm, which operates in 35 countries from Algeria to Vietnam.
The paper will trace the evolution of the expansionary role played by South African business first domestically and then in the international political economy that has paralleled the reengagement process of South Africa with the world politically. The paper will track different sites of engagement for business in the global economic system and the interconnection of the political and economic reengagement that has led South Africa from global political Pariah to regional economic ‘Messiah’.

The paper is structured in two parts. The first will engage with various theoretical approaches to the role of private actors in global economic governance, including neo-Gramscian theories (Newell & Levy), regime theory (Haas, Young, Mitchell) and the contribution of scholars to the growing literature on global governance using neo-pluralist approaches as well as social constructivism (Rosenau, Biermann, Falkner). The section will end with a multi-dimensional approach that provides the framework for the analysis of the empirical part of the paper.

The second part of the paper therefore, presents an analysis of South Africa’s MNCs and engagement in global governance/international political processes against the three-dimensional framework outlined in section 1.
Part One: Conceptualising Business in International Relations (IR)

Firms as non-state actors in the international system

Traditionally, the role of business as a private actor in the international system has been confined to exploring the types of representation and modes of engagement of firms as actors in the international system. As such, business actors are identified as acting as one of several pressure groups in a pluralist system (MacDonald and Woolcock 2007: 77). This is evident in the literature on civil society, corporatism and collective action (see Truman 1988, Olson 1965, Mahler 1992, Ball and Millard 1986). Business actors might be represented at a corporate or firm level, through business interest groups such as confederations, sector associations or coalitions or transnational market networks, such as the World Economic Forum or international business organisations like the International Chamber of Commerce or the World Business Council.

The aims and goals of these various entities differ according to the type of organisation. Sector associations such as steel or agricultural business groups will focus narrowly on representing the interests of a particular industry by engaging at relevant points to influence directly or indirectly the international policy making process (MacDonald and Woolcock 2007: 80). Sector coalitions may come together at a specific point in time for a particular strategic purpose, for example the services industries in the 1990s which have coalesced to promote specific issues on trade in services in the WTO or pharmaceutical companies (in the USA) which co-ordinated their efforts around securing more stringent

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1 Other pressure groups include transnational advocacy networks, NGOs, Labour groups, agricultural representatives and civil society more broadly (Borowiak 2004).
intellectual property rights in developing countries through the implementation of the TRIPs agreement in the WTO\(^2\) (Sell 2003).

Modes of engagement also vary according to the goals of the specific entity in question. The most common traditional method of influencing policy was through lobbying and campaign finance at a domestic level. New forms of negotiations and opportunities presented by the increasing integration of economies internationally have opened new possibilities for action and policy intervention at the international level for non-state private actors. These include as observers as well as delegates to international negotiations (MacDonald and Woolcock 2007:82). Transnational actors increasingly engage in public advocacy as well as direct advertising campaigns to construct a particular image, for example the wide-spread ‘Going green’ campaign in which Shell engaged to re-brand itself as a ‘green’ company. Other strategies include corporate social responsibility initiatives both for environmental as well as social objectives, aimed both at image building as well as rule-making initiatives. This extends as far as self-regulation through agreed industry-wide codes of conduct, such as the Global Compact and the Equator Principles (Wright and Rwabizambuga 2006: 89).

All of this indicates that the level of influence which business has as a non state actor in the international system extends beyond the direct and structural market power of capital, investments and jobs (Korten 1995). Private actors through their technical knowledge and expertise are able to exert an enormous degree of soft power too, which is accomplished through participation in negotiation processes directly as well as indirectly through the

\(^2\) For a full discussion of pharmaceutical industry involvement in the TRIPs see Sell 2003
provision of technical analysis and data for trade diplomats and negotiators at multilateral and bilateral talks (Cohen and Paul 1996). It is thus, obvious that business engages in more than just the hard currency of structural power and the importance of soft power to influence and direct the agenda as well as the outcomes of international economic negotiations and governance. It also points to the importance of ideas and norms as equally relevant in the analysis of the role of private authority in the international system.

In order to engage in useful analysis, what we require is some sort of analytical framework or conceptualisation of the firm in IR. The section above leads on to the necessary discussion of how we might understand which actors/agents engage in what strategies/activities for what purpose or goal and importantly what are their sources of power/influence? Useful analysis leads us to ask not simply what, but how and why?

Perhaps a sensible starting point is to turn to economics for a basic theoretical understanding of the firm as an economic actor first. This may lead us to a better means of theorising the firm as a political actor.

*The Theory of the Firm (and a theory of the firm as political actor)*

Classical economics provides a parsimonious and elegant description of the purpose of the firm which is widely recognised in business studies as the ‘theory of the firm’. Essentially the theory of the firm assumes that profit maximisation is the goal of firms (Putterman 1996, Richardson 1972). In a supply and demand curve, the theory of the firm
covers the supply side of the equation, with the theory of the consumer providing the demand side of the equation. In classical economics equilibrium is achieved when supply and demand are in balance. Both consumers and producers are deemed to be utility-maximising agents (Kantarelis 2007). Of course, the very parsimonious nature of such an elegant theory yields to critique that seeks to unpack the reasons underlying differences in decision-making between seemingly similar consumers or producers. If profit maximisation is the goal of firms how do we explain different strategies and performance of companies in the market? It is clear that in pursuing the goal of profit maximisation appointed managers or corporate owners will have different ideas and ways of going about this. In economics the problem is identified as the ‘principal-agent problem’ where decision-making must take place in a context of incomplete information or where the principal hires an agent to operate on his/her behalf. Managers will make decisions based on other motives of shorter or longer term (such as bonuses or keeping their job) (see Sappington 1991: 45 and Stiglitz 1987: 966).  

The firm cannot be viewed as monolithic, since individuals will have different aspirations or even interpretations of what is the best course of action to achieve the optimal outcome in any given situation (Simon 1972). This in turn could be determined by each individual’s values, norms, ideas and cultural background. Here, then, is where the contribution of a social constructivist approach could be most valuable in conceptualising

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3 The ‘principal-agent’ approach was developed as part of a broader project within the management and behavioural schools that sought to extend beyond neo-classical economics. Broadly speaking this was based on the notion that limited knowledge or information gives rise to uncertainty and so agents must operate within ‘bounded rationality’ and thus utility maximisation is replaced by an attempt to achieve realistic goals (see Cyert and March 1963 as well as others of the Carnegie School including Simon 1972).  
4 For his work on bounded rationality, Simon received the Nobel Prize in 1978.
the role of the firm in international economic governance. This element will be extended later in the paper. First the paper will turn to existing approaches within the environmental governance literature that has gone further than many others in attempting to conceptualise the firm in a meaningful way.

Still within the ambit of the theory of the firm, it would be remiss not to take cognisance of the contribution of Levy and Newell (2004:55), who critique the idea of the political role of the firm as simply a form of Corporate Political Strategy (CPS). Essentially CPS builds on the neo-classical economics theory of the firm (profit maximisation) maintaining that management and organisational theory offer us a perspective on corporate political strategy tied to the concept of profit maximisation. The corporate political strategy literature focuses on empirical studies seeking to characterise business strategies along a continuum from reactive to proactive (Mahon 1983; Weidenbaum 1981). Baron (1997) and Schuler (1996) have presented corporate political strategy as not simply a non-market activity but an integral part of the broader corporate strategic interest, sometimes employing political strategies as an alternative to failing competitive strategies.

One approach in corporate political strategy literature has been to regard political activity by firms as collective action, with large companies bearing the costs of collective action where several co-operating firms or industries face a perceived common threat or there may be economies of scale to be gained by mutual co-operative action (Lehne 1993). Leone (1986) and Oster (1982) also point to activities by firms to use political strategy as
a tool to harm competitors or to restrict or limit entry of potential competitors to their markets using regulatory mechanisms. This has been typically employed in areas of non-tariff barriers within the multilateral trading system. The CPS literature has sought to examine what factors result in greater political activity from firms, citing increased political behaviour when the stakes are higher, firms have more leverage or where firms have a more highly developed level of political competency (or access) (Boddewyn and Brewer 1994). Essentially the literature has developed to argue that both financial and political aims can be simultaneously pursued and achieved in a win-win scenario. For example writing in the context of environmental management Fischer and Schot (1993) posit that pursuing greener production models can yield an environmental benefit whilst reducing production costs and so also achieving a financial objective at the same time.

However, reducing corporate political strategy to a ‘behavioural economics’ problem fails address issues of importance to political economy and international governance, such as power and the ‘embeddedness of regimes in broader structures’ (Levy and Newell 2004: 55). Instead, Levy and Newell offer a neo-Gramscian multilevel analysis that enables us to analyse the firm both as an agent as well as embedded within international governance structures (thus including the context of broader power relations)

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5 An example of this is the Sanitary and Phytosanitary measures (SPS) applied by the EU often regarded as a trade barrier by developing country firms seeking to gain access to European markets and included as an agreement within the WTO (See http://www.wto.org/english/tratop_e/sps_e/sps_e.htm).
Levy and Newell’s neo-Gramscian approach is grounded in an inter disciplinary framework that seeks to bring together management, organisational and International relations theories. “Gramsci’s conception of hegemony thus provides a basis for a more critical approach to corporate political strategy that emphasises the interaction of material and discursive practices, structures and stratagems in sustaining corporate dominance and legitimacy… Corporations practice strategy to improve their market and technological positioning, sustain social legitimacy, discipline labour and influence government policy” (Levy and Newell 2004: 58). Thus the firm’s political activity cannot be seen as distinct from the firm’s market activities, rather market (economic) and non-market (political) strategies are intermingled and co-constructed, even to the extent of ‘markets as politics’ (Fligstein 1996).

In their approach Newell and Levy (2004) ask why firms will support or oppose particular environmental regimes. In doing so they explore connections between corporate strategies in the market and political sphere, including the process by which corporate interests are formed. A neo-Gramscian framework is based on various actors bargaining over the structures and processes of international governance. “Regime structures and processes therefore reflect the power, resources, preferences and strategies of the various actors in these contests” (Levy and Newell 2004: 61). They argue that environmental regimes are constrained by existing macro structures of production relations and ideological formations, which are the result of historical conflicts. The
bargaining process is not a ‘pluralistic contest among equals’ since it is embedded in a broader relations-of-power context. However, strategic dimensions of power mean that civil society agents, though under-resourced compared with capital interests, can gain the advantage in bargained outcomes.

Regime theory, they argue, has limited application in analysing environmental regimes. As an international mechanism, regime theory is predicated as a means to resolve conflicts, facilitate co-operation, and alleviate collective action problems between interdependent actors (Young 1994: 3). The problem with regime theory is that it assumes regimes function in a benign pluralistic context; furthermore it is a state-centric approach that fails to take cognisance of the role of other non-state actors. In rejecting a regime theory framework, Levy and Newell (1994: 48-49) argue that international governance is a highly political process, conducted by multiple actors, including states, NGOs, broader civil society and firms. The process is one of contestation and compromise in which actors build alliances and frame public debates in order to achieve strategic objectives.

A neo-Gramscian approach attempts to bridge the divide between the corporate political strategy literature, which Levy and Newell argue neglects to account for the historical structural power inherent in the international system, and Gramscian hegemony, which tends to aggregate corporate interests in the abstract as capital, failing to address specific firms as having differing strategies or interests at different times (2004:55). Their position resonates with elements of a social constructivist approach, in as much as they
do not regard actors’ interests as objective immutable givens or even of a primarily
economic nature; instead their framework is grounded in the idea that interests are
‘constructed in institutional contexts and subject to political contestation’. In
acknowledging the constructed nature of interests they share a common element with
social constructivism (to be discussed in greater detail further on in this paper). However,
despite the references to agents and discursive resources within the political process, a
neo-Gramscian approach is still biased towards material/structural power elements which
limit the extent to which it is possible to differentiate between firms on the basis of values,
norms and ideas. It is still an approach which favours the structural contextual over
agency and thus of less value in conceptualising the firm within international relations.

*Neo-Pluralism*

Much as the neo-Gramscian perspective criticised pluralism for assuming that the
international system constitutes a plural range of equally endowed actors, neo-pluralism
has its roots in the work of Charles Lindblom (1977), who advocated that business actors
have a ‘privileged position’ in liberal democracies (see also Heinz et al 1993). He
identified this oversight as a central weakness in the pluralist tradition. Since business is
central to market economies as a source of economic growth and a stimulus for
technological innovation (Jessop 1982; Milliband 1976), firms need to be ‘induced rather
than commanded’. As a result of this dominant position in the political realm
governments, according to the neo-pluralist tradition⁶, must defer and share authority
(Falkner 2008: 1).

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⁶ For an overview of business power in contemporary politics in the neo-pluralist tradition see McFarland 2004)
Falkner adopts a neo-pluralist approach in addressing the role of business actors in climate change politics, using neo-pluralism to act as a corrective to statist and structuralist perspectives (2008). He argues that statist approaches neglect the importance of non-state actors and that structuralist approaches based in material power assumptions (Andrews 1994; Strange 1988) neglect the role of political agency and thus fail to give account for variations in policy outcomes. The neo-pluralist approach is born out of 2 key arguments. Firstly, corporate actors are privileged by virtue of their market power in the form of capital and technological innovation and thus able to set parameters in the domestic and international political context. However, since business actors do not act in unison this gives rise to the second argument, which is that business conflict arises when business actors don’t always get what they want. Falkner calls for a better understanding of business power in terms of both their structural power as well as their political agency, which will enable analysis to account for both the privileged position held by business as well as the potential for conflict and a diversity of business interests within the political sphere (2008: 4-5).

This is achieved through a neo-pluralist lens that takes into account the power of what Falkner terms ‘countervailing forces’ (2008:4). Countervailing forces are to be identified both within business as well as externally through the increasing dominance of new transnational social actors operating through the mechanism of new communications which have empowered under-resourced NGOs (Tarrow 2005). These forces, neo-pluralists claim, limit corporate interest and undermine the dominance of business
legitimacy and authority (Nowell 1996). In order to understand the sources and limits of business power and influence we must ‘disaggregate the business sector and analyse its constituent parts’ at firm level (Falkner 2008: 6). Skidmore (1995; 1996) identifies this approach in IPE as the “business school model”.

The business conflict model arises from this grounding, firstly out of societal approaches which have focused on the domestic origin of pressure groups that have influenced foreign policy (see Frieden 1988 and Milner 1988 in this regard). This has been very much a bottom-up approach seeking to explain foreign policy outcomes. Falkner argues that it is possible to view things from the other perspective and examine the effect that ‘globalisation’ has had on business actors. Established power and influences are being challenged by new social and political actors (Cerny 2003; Vernon 1998). In the context of international environmental politics, he argues, business conflict has arisen because of the ‘differential effects that international regulatory measures have on individual companies or industries’ (2008: 7). Business organisation scholars have argued that business actors will seek to minimise differences and tensions in their effort to shape international political outcomes; it is particularly in the interests of large MNCs to reduce price competition and stabilise the market environment (Fligstein 1990; Spar 2001). Falkner identifies 3 forms of business conflict: i) between national and international firms; ii) between technical leaders and laggards; iii) between companies operating along the same supply chain (2008: 7-8). Using climate change politics as an example, Falkner demonstrates how business conflict and competition are changing the nature of corporate involvement in international political processes as well as creating opportunities for new
alliances and networks between forms as well as in public private partnerships and coalitions with NGOs and other civil society groupings (2008).

Whilst a neo-pluralist approach addresses the lacuna intrinsic to a neo-Gramscian perspective, which neglects the role of agency in favour of structural power, neo-pluralism does not account for the ideational or discursive power of non-state actors sufficiently. This reduces firm-level analysis to bargains and coalitions rather than allowing an analysis that explores beyond the countervailing forces that shape networks and alliances to unpack the way in which interests are formed and then played out in the international arena.

The obvious port of call in addressing this silence is to turn now to the possible contributions that a social constructivist approach may be able to offer.

*Social Constructivism*

Social constructivism is not a coherent theoretical approach. In fact it is better identified as a loosely configured variety of positions that share certain common goals, key concepts and perspectives. Accordingly there is no one dominant strand or application of social constructivist thinking. It may not even constitute a school of thought in its own right, being that social constructivist thinking tends to be spread across a broad continuum of positions that overlap and the extended periphery with other approaches from materialism on one end to idealism on the other (Hay 2002; Steans and Pettiford 2005; Baylis and Smith 2001). The key concepts of a social constructivist approach are
based in the notion that the world is how actors perceive it. The world is intersubjective, in that actors and the system interact with and are shaped by one another and are co-constitutive of the international system. Finally, a key concept of social constructivist thinking is grounded in the value of identity which includes concepts such as values, norms and ideas, which are all important elements in shaping actors’ perceptions of the world. Important themes in social constructivism include the idea that the international system is transformative, intersubjective and discursive. Critical assumptions of this approach focus on the importance of non-state actors rejecting realism and neo-realist state-centric perspectives. The transformative nature of the international system is indicative of the fact that the system is constantly in flux and changing. As a result, there are ongoing opportunities for co-operation, thus rejecting critical theory positions based on the assumption that power is ubiquitous and structural in nature. This is not to deny the importance of structural and material power, but to create the intellectual space for the inclusion of interests and ideas as motivators and reinforcing the notion that ideas, values and norms matter.

In spite of the fact that social constructivism places much emphasis on the role of norms in international relations and the fact that there is increasing interest in private authority among IR scholars, little research is emerging on the role of norms in firm behaviour in the international system (Kollman 2008: 397). Traditionally political science has regarded business actors simply in terms of utility maximising entities. Even social constructivists have sometimes failed to differentiate among firms in their blinkered approach. This view has tended to define international advocacy nongovernmental
organisations as driven by principle and moral actions versus firms which are characterised as motivated by the pursuit of profit (Kollman 2008: 398; Sell 2004). Kollman (2008) contends that the constructivist approach has hitherto failed to give adequate account of the role of normative socialisation in understanding markets and market actors in the international system.

A number of authors point to the neglect of applying principles of norms and actor network socialisation to firms or business actors ((Kollman 2008; Sell 2004). The reason for this neglect, they claim, has to do with a tendency among social constructivists to differentiate between NGO’s and firms on the basis of their underlying motivation. Scholars such as Keck and Sikkink ((1998) and Risse-Kappen (1995) define transnational business actors in terms of their instrumental, material motivations. Sell and Prakash (2004) argue that differentiating transnational advocacy networks on the basis of their so-called underlying “good” values is too narrowly focused and unhelpful in explaining outcomes or the importance of strategies employed in achieving said outcomes. The tendency to differentiate between transnational networks - where firms are motivated by material interests and NGO’s or advocacy networks by values - presents an artificial split between ‘ideas’ and ‘interests’ (Goldstein and Keohane1993). It also entrenches the polarisation between rationalist/materialist versus constructivist/normative in IPE literature (Katzenstein, Keohane and Krasner 1999)7.

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The lacuna of social constructivist studies exploring transnational market actors or firms is all the more remarkable given that much of the work of social constructivists cites early literature that not only uses firms as objects of study by emphasises the social aspect of market interactions (see DiMaggio 1983; March 1984; Thomas 1987). Kollman (2008) argues that whilst works by diverse scholars including Sell and Prakash (2004), Virginia Haufler (1999; 2001), Benjamin Cashore (2002) and Hevina Dashwood (2005; 2007) have contributed to scholarship on the role of norms in private regulation they stop short of giving an account of the effect on firm norms of international socialisation processes and specifically changing their perception of articulated material interests.

Whilst this paper is not specifically about norm socialisation, the insights offered by the social constructivist approach offer valuable opportunities for conceptualising the firm in IR beyond the constraints of the rationalist frameworks of neo-realism and neo-liberalism. The neo-neo schools as well as rational choice models have done much to obscure other social processes in international relations, by reducing the motivating forces of actors in the international to an aggregation of individual action for interest maximisation. This focus on material instruments of power and material wealth divert the focus of research away from other avenues of enquiry such as the role of norms and ideas. Furthermore, rationalism has neglected the importance of the extent to which social structures influence and inform actor choices, interests, preferences and perceptions of these (Ruggie 1998a: 33). Human agents and societies do not spring forth with fully-fledged

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and fixed identities or preferences. Rather, these are formed and shift over time as a result of ongoing socialisation processes, resulting from the inter-subjective nature of the world. Social constructivism offers a richer analysis of actor behaviour by taking into account the socialisation elements of the context and environment in which actors are operating (Ruggie 1998b). Theories of constructivism enable us to ask questions about why firms act the way they do and how their behaviour both shapes and is shaped by the context in which they operate and the other actors (firms, NGOs, transnational advocacy networks and/or states) with which they interact.

It is precisely to this neglect that this paper will attempt to speak. Contributing to a burgeoning literature on transnational market networks this paper will seek to provide further empirical research into understanding the behaviour of TNCs (or multinational corporations) and thus also add to the work on economic constructivism.

A major critique of social constructivist approaches is the difficulty of operationalising research into aspects such as analysing the role of the ideational on international relations and systems. Indeed, constructivists themselves are not coherent about the best epistemological approach (Kollman 2008: 399). In part, the difficulty presented in researching a constructivist agenda flows from the very rigour imposed by constructivists themselves when evaluation evidence on firms and firm behaviour. There is no good reason to expect greater rigour in challenging the integrity of information obtained from firm representatives than any other actor being analysed. Yet this is precisely what some social constructivists maintain perhaps in keeping with the bias that suggests that other
transnational actors such as advocacy networks are driven by ‘purer’ motives. Never the less, the caution to validate factual claims made by market actors and to research public records as well as measure rhetoric, behaviour and policy over time are useful caveats in researching difficult areas such as norms, beliefs, values and identity whatever the nature of the actor (market, social or state) under analysis.

Earlier in this section reference was made to the acknowledgement of material/structural power as being of continuing relevance to social enquiry. As a loosely associated approach cognisance was also taken of the fact that social constructivism attempts to open a middle-way between more polarised approaches in the study of international relations. There is work that has been done on business power in global governance that offers a framework which presents a possible way forward for including in a three-dimensional approach 3 elements or facets of business power in the international system: structural, instrumental and discursive. It is to this framework that the paper now turns.

*A three-dimensional approach*

Fuchs and Lederer (2007) set out a framework for assessing the role of business power in global governance on the basis that there are several critical facets of power that need to be understood in order to attain a systematic and theoretically grounded framework. Their strategy is to combine different levels of analysis in a three-dimensional assessment considering both actor-specific and structural dimensions, alongside material and ideational sources of power.
They commence their discussion with an overview of power as a core concept in political science, which they maintain tends to emphasise the role of the state too narrowly, leaving a conceptualisation of business power unformed. Rather, they argue, it is the literature in political philosophy, comparative politics and sociology that open the door to a more rigorous conceptualisation of business. Accordingly, we can identify three major perspectives on power. The first is instrumental power which derives from methodological individualism, emphasising the traditional power accorded to business actors in the form of directly observable relationships of power most often expressed through lobbying activity. Secondly, structural power refers to power in a socio-economic sense reflecting material and structural power for agenda and rule-setting. Finally ideational power refers to the discursive element focusing on communication and the importance of ideas in promoting particular interests or positions (Fuchs and Lederer 2007: 3-4).

Instrumentalist power is actor-centred, relational and tends to emphasise the importance of direct influence (where A has the power to get B to do what A wishes) (Dahl, 1957; Machiavelli). It draws on the insights of traditional IR theory in the form of classical realism from Hobbes (1588-1679) to Morgenthau (1948). The objective of the state is security and power is the means by which security is achieved. Waltz’s contribution to neo-realism introduced the concept of relative power (Waltz 1979). As regards business actors, instrumentalist power refers to the direct role of lobbying (at both national and supra-national level) and campaign financing, focusing on the privileged position enjoyed

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9 For various studies in the literature on this element of power see Milbrath 1963; Hall 1990; Berry 1997; Lindblom 1977.
by business actors by virtue of their knowledge around complex issues and amidst government concerns for economic growth as well as their resources which provide a source of material power (Higgott et al 2000; Ledgerwood and Broadhurst 2000).

Structuralist approaches analyse the material structures behind behavioural options. This focuses on corporate bargaining power in the form of being a tax revenue source and provider of employment (Cox 1987; Frank 1978; Wallerstein 1979). These scholars explore factors that pre-determine options, often referred to as the ‘second face of power’ in Bacharach and Baratz’s seminal work (1962). The ‘Two faces of Power’ article refers to the power of actors to prevent or block issues from being negotiated as well as their ability to limit the scope of issues that are. This extends to indirect decision-making in the form of agenda-setting power as well as direct in the form of rule making power through processes such as self regulation and public-private partnerships (Cutler 1999; Clapp 2001). The major difficulty of this approach is that it is difficult to measure or observe (or perhaps even know about) that which has been left-off the agenda – it is analysis of the silences (Fuchs 2005).

Discursive power is a function of norms, ideas and societal institutions (Fuchs 2007: 139) Actors use their discursive power to shape norms and ideas and thus promote their interests in the political arena. The approach is grounded in the discourse theories of Garmsci and Foucauld, Habermas and critical theorists. Habermas and Gramsci emphasised the power of and in discourse itself where a systems theory approach identifies discourse as a ‘structural’ phenomenon (i.e. a normative social system).
Habermasian approaches refer to the struggle for understanding. Critical and Gramscian perspectives underscore the role of agency in discourse. This is clearly reflected in Lukes’ “third face of power”, which refers to the power of agents to influence others’ perception of their needs/interests; the power to shape their wants (Lukes 1974). Thus discursive power doesn’t only pursue interests it creates them. This conception of ‘soft’ power is tied to notions of legitimacy and authority; in order to be believed actors require legitimacy either through elected officials or through output legitimacy (the ability to obtain desired results) (Fuchs and Lederer 2007: 11). Cutler et al (1999) maintain that non-state actors are increasingly competing with state actors as sources of authority, which they achieve through a process of ‘naming, framing and campaigning’ (Levy and Egan 2000; Newell 2002). As an example of this companies promote their image as good corporate citizens using advertising to shape public perceptions and promote ideas such as a commitment to free market economics.

By combining the three facets discussed above a three-dimensional approach offers a complementary strategy for analysing business power that incorporates the material as well as ideational elements whilst acknowledging structural power relations without neglecting the importance of agency. This approach does not seek to confirm or deny the rise of business power concurrent with a decline in state power; rather the interdependence of state and business actors is emphasised leading to the idea of a business orientated transformation of statehood (Bieling 2007). Business can engage with a variety of forms of power in different situations and for different objectives. Business actors, whilst privileged in the international system are also constrained by countervailing
forces and the strategic positioning of other non-state actors; discursive power may be extensive but it is also fragile and the legitimacy upon which is predicated is highly contested (Fuchs and Lederer 2007: 11). This framework exhorts an analysis that considers the agenda and rule-setting power of business as well as the interdependence between business structural and discursive power from lobbying through various communications activities.

Part Two: South African business and global governance

The second part of this paper will explore the rising internationalisation of South African business and a concomitant role in international governance institutions that demonstrate engagement by non-OECD10 firms in global economic governance. The recent inclusion of developing countries in a G20 summit (including South Africa) on the financial markets and the world economy responding to the global economic crisis on November 15, 2008 in Washington DC indicates a growing recognition of the importance of larger developing countries in global economic governance. Countries like China, India, Brazil and South Africa are more frequently being included in summits once the exclusive preserve of G8 economies. The changing face of global economic power with the rise of China, India and Brazil provides the impetus for scholars of global economic governance to rethink the narrow focus of the actors engaged in economic governance as restricted to those representing corporate entities and states within in the developed world alone. Research into global economic governance structures such as the WTO and regional and bi-lateral trade agreements as well as a range of other governance processes must begin to

10 Or as some scholars have coined the phrase non-triad MNCs (NTMNCs) (Nolke and Taylor 2008)
give account of the increasingly important role being played by MNCs from developing countries.

**South Africa and the global economy**

South Africa is a regionally dominant economy, not just in Southern Africa but also in sub-Saharan Africa\(^{11}\). South Africa produces 35 percent of the sub-region’s GDP in 2007 (IMF 2007). However, as a share of world income in 2001 South Africa only contributed 0.5%, compared with China at 12.3% , India at 5.4 % and Brazil at 2.7% (Nayyar 2008: 2). This comparison is useful because South Africa is regarded as one of the so-called CIBS\(^{12}\) axis of developing countries that are cited as being potentially significant players in the global economy going forward. As part of this grouping, there is potential for South Africa to continue to ‘punch above its weight’ in the global economy.

The combination of South Africa’s natural mineral resources (in an economic climate which until recently was driving demand for commodities as well as higher world prices for these and with China’s rise then seemingly unlikely to abate for some time) a number of large MNCs\(^{13}\) have expanded largely into Africa but also beyond the continent\(^{14}\) and listing on overseas stock exchanges. The table below reflects the internationalisation of South African business across a broad spectrum of industries from dominant mining interests, through financial services, energy utilities, beverages and retail operations.

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\(^{11}\) Sub-Saharan Africa refers to the geographic region of Africa which lies South of the Sahara. It includes 47 countries comprising East, West, Central and Southern Africa. The region is economically dominated by South Africa and Nigeria with rising influence from Angola. The latter two countries are oil-producing countries, South Africa is an oil importing country.

\(^{12}\) CIBS comprises China, India, Brazil and South Africa.

\(^{13}\) Other key MNCs emanating from South Africa include Dimension Data, Mintek, MTN, Nandos and Standard Bank.

\(^{14}\) Forty percent of South African companies’ foreign affiliates operate outside Africa.
<table>
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<tr>
<th>Company</th>
<th>INDUSTRY</th>
<th>BRANDS</th>
<th>LOCATIONS</th>
<th>LISTINGS</th>
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<td>Mining</td>
<td>DeBeers Diamonds</td>
<td>60 Countries in Europe, Africa, Asia, Australia, South America, North America</td>
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<td>AngloGold Ashanti</td>
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<td>Nedbank Corporate</td>
<td>South Africa and United Kingdom</td>
<td>Johannesburg Stock Exchange</td>
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<td>One of world’s largest Brewers</td>
<td>Miller Genuine Draft</td>
<td>60 Countries in Europe, Africa, North America, South America and Asia</td>
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<td>Pilsner Urquell</td>
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Table 1. Selected South African MNCs
(Source: Lynch 2006)

The 2007 World Bank ranking of world economies by GDP, ranked South Africa 27th out of 180 countries. That said South Africa’s share of the world economy is a minuscule 0.5% (World Bank 2007). Which begs the question, why is South Africa able to ‘punch above its weight’ so frequently in international processes? Some of the answer to that question may be found in South Africa’s giant status within African economies, some
28% of GNP produced in the whole of Africa is produced by South Africa, a dominant economic power-house in the sub-region of sub-Saharan Africa as well as the continent as a whole. Another reason may lie in the extensive role that has been played by South African business, first in shaping the domestic economic policy that emerged in post-apartheid South Africa and the unexpected turn towards liberal market economics, and secondly in a burgeoning capacity in various international governance processes.

**Domestic economic policy influences**

Various explanations have been proposed regarding why South Africa should embark on a liberalisation path. Indeed, it is remarkable that it should, given that the new government of South Africa following the 1994 elections was comprised of a coalition of the ANC, the South African Communist Party (SACP) and the Congress of South African Trade Unions (COSATU). One version holds that South Africa is a ‘victim’ of neoliberal hegemony by which South Africa is part of a global neo-liberal convergence process (Gramscian theories) See Bond (2004). The idea of ‘middlepowermanship’ posits that South Africa has adopted a ‘middle-power’ role in the international system and as such plays a strategy of ‘accommodation and challenge’, seeking to transform the imbalances of the international system from within (Coxian) (see the work of Taylor (2001), Nel, Taylor and Van der Westhuizen (2001) and Lee (2006).

Another explanation is that South African policy elites were hijacked by business influence early on in the policy making stages of the ANC’s accession to power. This is supported by the fact that at the time of its unbanning the ANC had no clearly defined
economic policies (Ward 1998: 38). This created an opportunity for South African
business elites and capital to launch a ‘charm offensive’ dedicated to correcting the
ANC’s perceived economic flaws, through think tanks, studies and direct representation.
One account recalls the role of the Finance Minister Derek Keys in influencing ANC
economic head Trevor Manuel and via him Nelson Mandela (Waldmeir 1997: 213). The
pro-business media also ran a series of devastating articles highlighting the pitfalls of a
mixed economy (Taylor 2001: 61). This resulted in a situation where ‘business came to
play a part in national affairs that is surely without parallel in the world’ (FM April 29th,
1994). As Taylor reports from an interview with Terreblanche “the leadership core of the
ANC were wined and dined from morning to night by the captain’s of industry” (Taylor
2001: 61) This explanation is not to refute the relevance of a middle-power approach or a
Gramscian take that emphasizes the hegemony of liberalisation as an ideology. In fact the
role of business interests in shaping and changing policy can be seen as part of either or
both of these processes.

At a domestic level it is clear that business exercised a large degree of structural power as
the economic back-bone of a country engaged in massive political and economic
transition. However, the critical role of business’ discursive power in shaping and
framing the newly elected ANC government’s early economic policy is also a vital
component of the story.
Cynthia Carroll (Chief Executive of Anglo American) at a speech to an audience at Chatham House. London on 18 June 2008 stated that international companies are now important global economic and political actors, with a significant role to play in furthering trade liberalisation, alleviating poverty and influencing climate change policy. “As a leading mining company across the globe, Anglo American seeks to play a leading role in global affairs” (Carroll 2008). It is apparent from statements like these that South African companies have every intention of engaging with global political and governance processes and effecting policy outcomes. She also reiterated the dependence of companies on good governments, to provide stable socio-political environments for companies to operate in, which supports the earlier contention made that there is interdependence between business and the state. Carroll further indicated that there was an increasingly significant role being played by the strong regulatory oversight and scrutiny of civil society, which was beneficial for business by promoting greater transparency and accountability indicating that theoretical frameworks that account for the role of business NGO coalitions and co-operation are relevant.

Some of the international initiatives that South African MNCs are engaging with include Business for Social Responsibility (BSR), the International Council on Mining and Metals (ICMM), the Global reporting Initiative (GRI) the Extractive Industries Transparency Initiative (EITI), the UN Global Compact, Voluntary Principles on Security and Human Rights (VPSHR), the World Business Council for Sustainable Development.
(WBCSD) and as members of the International Chamber of Commerce (ICC) and the World Economic Forum (WEF).

What this broad range of involvement indicates is that South African businesses are engaging in wide-spread political processes at both domestic and international level. This can be explained very effectively by the three-dimensional framework which encompasses the structural, instrumental and discursive power of business.

Many of the above-listed initiatives would form part of the ‘naming, framing and campaigning’ aspect of ‘soft power’ deriving from the discursive facet of business power. Engaging in initiatives such as BSR, which aim to provide a ‘toolbox’ for industry best-practice in socio-economic of community development initiatives, is an opportunity to show-case both to other firms as well as civil society and the world at large the company as a good corporate citizen. By promoting transparency through the BSR, GRI and EITI, firms are also able to wrong-foot competitors not able or wiling to engage with such processes. This has resonance with elements of the neo-pluralist business conflict model as well as structuralist power of agenda-setting and issue selection. By promoting elements that they are able to comply with, companies put pressure on competitors to adhere to the same voluntary codes of conduct thus reducing the competitive costs of adopting self regulation and standards whist enjoying early-mover advantages. Furthermore, promoting voluntary standards and self-regulation through initiatives such as VPSHR and UN Global Compact South African firms are engaging in direct rule-making via private governance initiatives.
South African firms engage with international processes as MNCs and business entities in their own rights but also through industry representative bodies such as the Chamber of Mines, or the Business associations such as Business Unity South Africa (BUSA). In addition, they are also participating in international business associations and coalitions such as the ICC and WEF.

Conclusion

This paper commenced with a conceptualisation of the firm in international political processes. The first part of this paper concluded that a multi-dimensional approach was required in order to capture the full complexity of how and why business exercises power and influence in international political processes. A three-dimensional framework acknowledges that business actors, whilst privileged in the international system are also constrained by countervailing forces and the strategic positioning of other non-state actors. It enables an inclusion of discursive power in the analysis but agrees that this fragile and the legitimacy upon which is predicated is highly contested (Fuchs and Lederer 2007: 11). This framework exhorts an analysis that considers the agenda and rule-setting power of business as well as the interdependence between business structural and discursive power from lobbying through various communications activities.
In applying this framework to South African business in global economic governance it became apparent that every facet of a multi-dimensional approach was relevant. The framework functions at both an explanatory level as well as offering a conceptual tool to analyse why South African business is increasingly likely to be engaging in international political processes in the future.
Bibliography


