South Africa is making concerted overtures to position itself well in the African continent in order to exploit available economic niches in the context of globalisation? To this end, its bilateral relations with countries like Kenya are not only significant, but are also of paramount strategic importance. South Africa-Kenya relations will undoubtedly be marked by imbalances and inequalities which may generate mutual distrust if not conflicts. For instance while South Africa is more inclined towards SADC, Kenya is bound to throw its weight behind the EAC.

Introduction

South Africa has identified Kenya, Nigeria, Zimbabwe and Cote d'Ivoire as sub-regional springboards for its economic thrust in Africa (SARDC, 1993: 21). The identification of these four countries as important players in the "new" economic policy of South Africa is based on the perceived strength of these economies relative to the rest of the continent. Significantly, these economies are the most diversified in sub-Sahara and do present "growth poles" in a region that has been ravaged by economic decline for almost two decades.1

It is particularly interesting that the identification of these four economies by South Africa as important players in the strategy for expansion into the rest of Africa came about fairly early in the newly "liberalised" era in South African politics. By 1992 only two years after the release of Nelson Mandela from almost three decades of incarceration Pik Botha, South Africa's minister of foreign affairs under the government of president F.W. de Klerk, had visited all four countries to promote a "new understanding" and to prove that South Africa was
no longer a threat to the security of other African countries and henceforth, economic linkages with the rest of the continent would be emphasised. Trade figures were there to prove Pik Botha’s point. Exports to African countries, excluding Botswana, Lesotho, Namibia and Swaziland which are members of the South Africa dominated South African Customs Union (SACU) rose to R6.1 billion in 1992, as compared to, R5 billion in 1991 (SARDC, 1993: 21). A paradox, however, exists in the trade relationship between South Africa and the rest of the continent. In 1992, South Africa’s arms industry supplied 16 African countries with arms which earned South Africa R100 million. It may be recalled that during the heyday of apartheid, South Africa's military dominance of the Southern African region and the regime's campaign of political, military and economic destabilisation had been one of the most contentious issues in the relations between South Africa and the rest of the continent.

This essay is an attempt to analyse South Africa's relationship with Kenya, one of the presumed 'growth poles' on the continent. One of the drawbacks of this exercise is the paucity of data on bilateral relations between the two countries, given the fact that it has only been a few years since there has been an overt acknowledgment on both sides of an existing trade linkage. There are a few obvious activities, however, that can be noted as signifying a growing relationship between the two countries: daily airline service involving the national air carriers and other international carriers, trade missions and diplomatic exchange. The analysis in this essay, therefore, takes a broader outlook to the relationship between South Africa and Kenya and contextualises the relationship in terms of both a dynamic and changing global economy, and South Africa's desire to become the regional (Sub-Saharan) economic powerhouse.

The Broader Context: South Africa in Sub-Sahara

South Africa has shown its great desire to become and maintain itself as sub-Saharan Africa's economic leader. The Johannesburg City Council for example has launched what it calls the "Africa Initiative Club" (AIC) whose main objective is to make Johannesburg the "gateway to Africa" by developing the concept of a sub-Saharan trading area with Johannesburg as the commercial capital of the region (Into Africa, January 1994: 6). Part of the AIC's activities
would be to participate in, or create new joint ventures which will seek to finance South African exports to other African countries.

The drive by the Johannesburg City Council to engage in these commercial activities comes on the heels of tremendous economic problems faced by South Africa in spite of the fact that South Africa's economy remains the most diversified and dynamic on the continent. Economic sanctions of the 1980s certainly took their toll on South Africa's economy. The General Agreement on Trade and Tariffs (GATT), for example, estimates that international trade and financial sanctions imposed on South Africa between 1985 and 1991 cost the country almost R40 billion-US$12.6 billion at the 1993 rate of exchange (SARDC, 1993: 18). Unemployment which runs at about 50 percent-mainly affecting the black population-continues to be a drag on the economy. Even after the tremendous events leading to the April 1994 elections, little foreign investment has come in. At the time of writing this paper, South Africa is coming out of the longest recession in its history-four long painful year and the worst since the world depression of the 1930s. The non-farm economy has continued to struggle with total production essentially stagnant. Mining is slightly up and for the first time in many years, manufacturing output is climbing.

This is the context which informs South Africa's desire and strategy in dealing with the rest of the continent. But as South Africa maps out its Africa strategy, several key issues need to be identified as playing an important role in the equation-issues that must be resolved if the new expansionism is to succeed: the state's role as a long time and central player in economic organisation as part of the grand apartheid strategy for white welfarism; the inefficiencies created by state intervention at various levels; a black labour market that seeks to liberate itself from bureaucratic controls but with no guarantee that the "market" will deliver where the apartheid state failed due to its inherent inequalities based on race; the need to address serious inequities and maldistribution of resources within the South African political economy; and the structural constraints created by the historical development of South Africa's capital and its relationship and response to globalization. Thus, South Africa-Kenya relations cannot be understood unless the other dynamics are brought into the picture.
The other context of course is Kenya's political economy. Even though Kenya is still the most diversified of the East African economies, there has been a steady decline in performance in the last few years. According to Swamy (1994), Kenya started the 1980s with many more favorable economic features than other sub-Saharan countries. He attributes the structure and dynamism of the economy in the late 1970s to "the favorable policy environment' (1994: 193). But economic management deteriorated in the late 1970s resulting in the intensification or the emergence of a number of major distortions. Thus during the 1980s progress was measurable and significant in only a few areas. By the late 1980s and early 1990s, most of the gains of the mid 1970s had been lost.

Swamy (1994: 193-194) argues that the deterioration of the Kenyan economy can be traced to three basic factors. First, the stated policies of efficiency and budget balancing were undermined by implementation that was often lethargic and sometimes contrary to the stated policies. Second, the lack of transparency in the implementation of reforms often dampened or nullified the structural reforms that were undertaken. Here the problems associated with corruption and rent-seeking are of significance. Third, a lack of commitment to full "liberalisation" of the economy by the continuation of state controls of pricing structure especially in the agricultural sector, and the state's inability to escape political pressure. Michael Chege (1994) argues that the poor implementation of economic reforms under the regime of President Moi has largely been due to the perceived need to redress some of the ethnic inequities benefiting the Kikuyu under the Kenyatta regime. Moi's government has systematically favored the so-called Kalenjin ethnic group in its quest to counterbalance early Kikuyu domination.

To achieve Kalenjin dominance while maintaining the hegemony of the Kenya Africa National Union (KANU) has proven difficult for President Moi. Since December 1991 Kenya has regained the status of a multi-party polity but only after foreign donors threatened to or did terminate their economic assistance. Significantly, in November 1991, Kenya's leading donors (the Paris Club) froze US$100 million in program aid, pending improvements in its human rights record and economic management. The repeal of the single-party provision in the constitution in December 1991 was partly a result of this external pressure. The other side of the equation was the pressure mounted by domestic proponents of
multi-partyism, many of whom form the opposition in parliament today. In any case by 1990, Kenya's economy was on a downward path, with a constant per capita GDP growth rate officially estimated at -0.9 percent between 1980 and 1987. As Chege has concluded, Kenya's political climate was unlikely to allow external grants and loans to take agriculture's place. Despite heroic attempts to liberalize international trade and establish duty-free "export-processing zones", British, American and other Western capital was divesting from Kenya. And although the country had a high (20 percent) domestic investment rate, new capital was channeled increasingly into construction and non-tradables rather than manufacturing or agriculture. Tourism, the leading foreign exchange source, was extremely vulnerable to political unrest and adverse international publicity (1994: 265).

Both Swamy and Chege ignore the structural inequalities embedded in Kenya's political economy since the time of independence and the contribution of resource maldistribution to the current crisis (Kitching, 1980). The two authors instead put emphasis on the failure of the current regime to undertake political and economic reforms which would put Kenya in the good stead of International Financial Institutions (IFIs) with the assumption that once reforms are successfully implemented, Kenya's economy will dramatically improve. Of course this is a highly debatable assumption given the experience of other African countries (Callaghy and Ravenhill, 1993) and given trends in the global political economy away from primary to manufacturing exports (Brown and Tiffen, 1994). What may be important in the final analysis is not how well an African country reforms or adjusts under the tutelage of IFIs, but rather how a country can position itself to participate more vigorously in the new international division of labor (NIDL) under a restructured global economy (Mittelman, 1994).

Indeed, this may be the ultimate question facing both Kenya and South Africa as the two countries position themselves in terms of (a) developing bilateral relations, (b) improving their relative positions in the global economy, and (c) deepening their respective domestic economies. I would argue that (b) and (c) may be more important considerations in the short term (5-10 years) than (a), in spite of the seeming importance of an available market for each others products. South Africa, for example, long isolated in international trade, has begun an
aggressive program to increase trade with the Gulf States, China, South Korea and South America all areas of rapid economic growth and important players in the New International Division of Labour (NIDL). South Africa has joined China in a licensing agreement to produce the Volkswagen Jetta and has also entered into a similar agreement with the Korea Motor Company (SARDC, 1993: 21). If South Africa is able to create a niche for itself in global manufacturing, then there exists a possibility of rapid economic growth similar to that experienced by the newly industrialised countries (NICS) of South East Asia and Latin America (Gereffi and Wyman, 1990). On the other hand, Kenya, along with other sub-Saharan countries, stands little chance of achieving NIC or near-NIC status given both the predominance of neo-liberalism in the current global restructuring process, and the relative weakness of the state in these countries.

Economic trends in Africa may thus suggest that South Africa is poised to overwhelm the rest of the continent in terms of economic prowess. Yet there are signs that after all, South Africa faces challenges that may not be easy to overcome, given the structural rigidity of its economy and other regional dynamics. These challenges include the relative high cost of labour within South Africa compared to neighboring countries such as Zimbabwe. Lower labour costs could make other countries more attractive to Transnational Corporations (TNCS) as indeed has already happened in the case of Mauritius. Furthermore, South Africa has to balance its economic consolidation strategy in Southern Africa, where it is the predominant partner in SADC, and its economic expansion strategy in the rest of the continent, including Kenya. This latter point needs elaboration in light of Kenya's historical role in the East African region.

Kenya in East Africa: Community Revival or Further Disintegration?

Up to 1977, the East African Community (EAC) comprising Kenya, Uganda and Tanzania, served as a model for regional integration in Africa. Studies have shown that, on balance, the EAC produced positive results in terms of economic growth and the synchronisation, rationalisation and promotion of a regional market (Haziewood, 1975). The EAC had its origins in the colonial period when the British colonial authorities in East Africa established the East African High Commission (EAHC) to oversee the transport and communication network in the
three countries. Upon the attainment of independence by Tanzania Mainland in 1961, the EAHC was renamed the East African Common Services Organization (EACSO) but proceeded to perform the same functions as its predecessor (Nye, 1965).

Between 1962 and 1966, Uganda and Tanzania increasingly became unhappy with the way EACSO operated, especially in the location of the headquarters of the key sectors: railways, harbors, post and telecommunications, airline and EACSO headquarters itself were all located in Kenya. Both Uganda and Tanzania argued that there was a need to redistribute and relocate the headquarters of the various activities of EACSO. Thus in 1966, the East African Community was established - as a successor to EACSO. Tanzania became the headquarters for the Community itself in Arusha and the harbors corporation went to Dar es Salaam instead of Mombasa. Uganda became the headquarters of post and telecommunications, and of the East African Development Bank. Kenya retained headquarters for East African Airways and the railway corporation. The original maldistribution of the community's resources and the political differences between Kenya on the one hand and Uganda and Tanzania on the other, especially after the overthrow of President Obote in Uganda in 1971, created tensions that led to the breakdown of the community in 1977.

Nabudere (1981) has argued that the breakdown of the community was inevitable given its neo-colonial nature, and its original objective in 1948: to serve the economic interests of Britain, the colonial power had to ensure the expansion of British capital in East Africa. Thus from the perspective of British capital, economic integration in East Africa provided a much desired framework for stability and expansion of the market with Kenya as the peripheral headquarters of such an expansion. With the independence of Tanzania and Uganda, and the need to create autonomous and internally generated development, EASCO was absolutely the wrong institution for that purpose. The fine tuning of EASCO by East African governments amid the creation of a revamped EAC could not overcome its legacy as a colonial institution.

What is of interest now is the move to revive the community by the current governments of Presidents Daniel arap Moi in Kenya, Ali Hassan Mwinyi in
Kenya-South Africa Relations

Tanzania, and Yoweri Museveni in Uganda. All three presidents were not on the scene when the Community broke up in 1977, yet the legacy and the bitterness that resulted from the break up has continued to haunt regional relationships both at the political and economic levels. It is only since December 1993, for example, that passenger railway service has been restored between Nairobi and Kampala (Weekly Review, August and December 1993). In thinking about reviving the community, several issues must be addressed.

In 1980 Tanzania became a member of the Southern African Development Coordination Conference (SADCC). SADCC was established as part of a larger strategy to fight against apartheid in South Africa. SADCC’s membership was all countries south of Tanzania, except South Africa itself (Lee, 1989). In August 1994, South Africa joined the former SADCC members in the newly-constituted Southern African Development Community (SADC). The question for Tanzania now is whether it is willing to cast its lot with its former partners in EAC or continue to be part of a larger, and probably more dynamic regional organization, i.e. SADC. To be sure, Tanzania’s position in SADC is very tenuous given the fact that geographically it is in the periphery of SADC and economically it is one of the least developed states in the region. Its influence in SADC is thus bound to be limited. But rejoining a revamped EAC may not necessarily provide a solution to Tanzania’s troubled economy. It will be going back to the old structures that led to the breakdown of the community in the first place.

Kenya, on the other hand, may see its fortunes at least in the near term tied to a revamped EAC. Tanzania both as a member of EAC and SADC may provide an avenue for Kenya to be an active economic partner of SADC. This of course would produce mutual benefits for Kenya and South Africa with the latter being the predominant economic power in the region. As it stands now, however, the situation is too flux to allow for a clear determination of the nature of the relationship that is likely to develop between EAC and SADC.

Kenya, South Africa and Beyond

Bilateral relations between Kenya and South Africa demand an analysis which takes into account the relative, and relatively marginal, position of both countries
in the NIDL. Yet South Africa is now poised to enter a new era. In spite of deep structural impediments, the South African economy provides an opportunity for transnational capital to penetrate the rest of the continent. South Africa has a comparative advantage over South East Asia or Latin America in this regard because of its geographical location, and in terms of existing capital networks between South African capital and Kenya, and between South Africa and EAC. An example of this is the tourist industry networks in the chain of hotels (e.g. Protea and Sun) in East Africa which have their base in South Africa.

Yet the ultimate question in assessing the relationship between Kenya and South Africa is how effective will South African capital be in playing an intermediary role between global capital and production activities in Kenya and the rest of the region? Two seemingly contradictory trends cum scenarios emerge as one ponders this question. The first scenario is that of South African domestic capital seeking outlets and new opportunities for capital investment beyond SADC territory. In this regard, banking capital (e.g. Standard Chartered) is making its presence felt, not only in Kenya, but also in Tanzania. The latter of course had nationalised all foreign banking institutions in the wake of the Arusha Declaration and has only recently opened its capital markets for foreign banks. Thus, in purely regional calculations, South Africa's domestic capital is poised to move into relatively closed markets north of the Limpopo.

The second scenario which emerges is that of South Africa being the *facilitator*, the entry point for global capital into the Southern African region including Kenya. This scenario complicates matters quite a bit if we are to consider that South Africa's domestic capital would prefer to have the region exclusively to itself in order to face less competition and have breathing space to allow for more efficiency in its operations. The latter point is especially important because one of the issues coming to the fore now is that sanctions against South Africa during the apartheid era created tremendous hardships in the operation of South African industry. Even though South African capital is the most dynamic on the continent, it is still backward by global standards (Obeng in Adedeji, ed., 1996).

As the two seemingly contradictory scenarios play themselves out, we have to be mindful of other processes at work which inevitably will influence the outcome.
of future relations between Kenya and South Africa. I have in mind the demands that civil society in both countries is placing on the state. Since the recent multiparty elections in Kenya in 1992, various factions in civil society -- labour, students, NGOs -- have continued their militancy and have demanded more accountability on the part of the state. Furthermore, there is a growing demand for redistribution of resources in society which the Kenyan regime may not be in a position to effect due to the consolidation of inequitable policies in economic development (Ajulu, 1995: Barkan, 1994). The pressure on the regime suggests that even though Kenya was an attractive destination for foreign capital in the 1970s and 1980s, it may be less so in the 1990s. Foreign capital has always been wary of political instability and would prefer to operate in an environment which allows for maximisation of profit. As it stands now, Kenya is one of the most unstable political economies in the region (Barkan, 1994). As the Moi regime continues to resist pressure from civil society and is less responsive to demands for more accountability, foreign capital has shown its impatience by, among other things, balking at large capital projects cherished by the regime. One such project is the Eldoret International Airport (Herald, March 15, 1995; New African, July/August 1995: 24-26). While the Moi regime has insisted that the building of the airport will open up the Rift Valley Province to economic development, critics argue that another airport is not a priority and that, in any case, it is wrong. They point to the fact that Nairobi and Mombasa international airports need considerable modernisation and that they will remain the most important centres for air traffic. When big projects such as the Eldoret airport continue to be in limbo, the attractiveness of Kenya for foreign capital diminishes.

While the Kenyan regime seems confused on how to handle civil society, the Mandela regime in South Africa, given its origins in the protest movement, fully acknowledges the importance of civil society. Thus, instead of alienating important segments such as labour, the Mandela regime has sought a "corporatist" solution much to the criticism of radical elements in the labor movement who see "corporatism" as a surrender to big capital (Nzimande and Sikhosana, 1995: 47-65). But as Jeremy Baskin (1993) has argued, even though there is a trend towards bargained corporatism in South Africa, this strategy is less likely to succeed in the long run because of the relative weakness of labour, thus making industry the prime mover as opposed to a genuinely bargained
compromise which would give labour a say in policymaking. Thus what seems to emerge even in South Africa is the diminished significance of civil society -- at least the segment that does not own capital -- in shaping industrial and economic policy. One can only surmise that the Mandela regime will continue to be squeezed between the desire to deliver on the revolutionary promise of economic redistribution and the "hard" realities of ownership of the means of production by relatively few members of society (Saul, 1992).

In essence then, the political economies of both Kenya and South Africa exhibit uncertainties and deep structural problems which are bound to create obstacles in economic bilateral relations. Furthermore, recent data on trade show that South Africa's exports to Kenya are fairly minimal. In 1992, South Africa exported goods worth R23.8 million (approximately US$7 million). This is a minuscule amount compared, for example, with exports to the UK (R380,000,000) or Ireland (R204,000,000) during the same period (SA Ministry of Finance, 1993). Kenya's exports to South Africa on the other hand are negligible.

Conclusion

The picture of economic bilateral relations between Kenya and South Africa presented in this essay seems to be a pessimistic one. In several ways that is true, but I must hasten to add that the picture is a realistic one. As the euphoria of a newly democratically-elected government in South Africa fades into the background, the realities of the structural problems are emerging with a vengeance. South Africa, first and foremost, quickly has become a leading player in Southern Africa in the context of an enlarged SADC. SADC has placed binding obligations on member countries, with the aim of promoting economic integration towards a fully developed common market. This reality of course creates immediate problems for Kenya which is not tied formally into the SADC network. Thus, looking further down the road, the identification of Kenya as part of ever-expanding South African economic interests may only be useful as a long-term strategy as opposed to an immediate or even medium term proposition.

Kenya, on the other hand, may see its immediate economic fortunes with a
renewed and invigorated East African Community, although this is proving to be a much slower development than previously anticipated (East African Standard, 21 April 1995). Even though more trade with South Africa is an officially stated goal, what Kenya seems to be exporting more to South Africa is its skilled human resources -- doctors, lawyers, engineers, teachers, etc. This in turn creates a crisis of development within Kenya itself. But in the final analysis Kenya actually still suffers from the classic symptoms of underdevelopment and dependency on countries of the North. Although the vocabulary of a New International Division of Labour may be fashionable to describe trends in many parts of the world, it is still a far cry from being a reality in Africa, let alone in South Africa-Kenya bilateral relations.

Notes

1 The conventional measure of economic trouble on the African continent has been the ubiquity of Structural Adjustment Programs (SAPS) across sub-Sahara and the continued/increased marginalisation of the continent in the global political economy (Swatuk and Shaw, 1994).

2 This becomes very apparent when one compares Africa's dismal position in the late-20th Century global political economy with the relatively favorable political and economic conditions which obtained for many Asian states in the 1960s and 1970s and ultimately led to the phenomenon of the NICs (Cheru in Adedeji, ed, 1996; Stein, 1994; Swatuk & Shaw, 1994).
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