

SADC

Regional Integration in Southern Africa and its effects on the political risk for foreign direct investment

A master thesis submitted to Leiden University
In fulfilment of the requirements for the degree of
M.Sc. Political Science
2014

International Organizations,
Global Governance and Transnational Actors
Supervisor: Chalmers, Dr. A.W.

Kaspar Bull Strømnes
Stud.nr.: s1422588
Date: 10.06.2014
Word count: 16542

Abstract

Regional integration is on the political agenda in all parts of the world. During the time of post-colonial development and liberation struggles, Southern Africa saw its share of attempts at closer economic and political ties between states within the region. Today, the dominant regional organization in Southern Africa is the Southern African Development Community. Many regional organizations in the developing world, including SADC, explicitly state that a large part of the regional integration project is towards a goal of attracting an increase in foreign direct investment. The ability to attract FDI is based on various factors; covering many of these is the combined level of perceived political risk. Economic and political instability, social unrest, ethnic and military conflict, corruption in government, the threat of expropriation and breaches of contract; political risk is a multi-faceted concept. The thesis identifies what types of political risks are prevalent in the Southern African region. The research focus addresses what SADC as a regional actor has contributed towards lowering the levels of political risk in specific countries and parts of the region. The thesis demonstrates that as theoretical assumptions and empirical evidence argue that regional integration is positive for the ability to attract FDI, Southern African countries face many obstacles on the way towards a fully integrated economic community. Meanwhile, the prospects for peace and security in the region are better at present than twenty years ago. The establishment and maintenance of legal, security and financial frameworks that would add to securing the interests of both the foreign investors and the host country and government are often lacking. Furthermore, the implementation of regional institutions have been hampered by various factors, including the member states' own interests and a general unwillingness towards ceding sovereignty to transnational institutions . The role of South Africa as a regional hegemon and key policy-maker within SADC is discussed in order to further examine the regional dynamics in Southern Africa.

Table of Contents

List of abbreviations	4
Introduction	5
Literature review – regional integration, political risk and FDI	7
Theoretical framework	10
Research design	13
Analysis	14
SADC – Background and prospects	14
The challenges of regionalism in Southern Africa	16
Regional economic cooperation	21
Regional peace and security cooperation	24
South Africa – a dominant or reluctant regional hegemon?	30
Looking to the East	36
Conclusion	37
Bibliography	41

List of abbreviations

ANC	African National Congress
APSA	African Peace and Security Architecture
AU	African Union
COMESA	Common Market of Eastern and Southern Africa
EAC	East African Community
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
MDC	Movement for Democratic Change
MIGA	Multilateral Investment Guarantee Agency
MNC	Multinational Corporation
NEPAD	New Partnership for Africa's Development
NGO	Non-Governmental Organization
RO	Regional Organization
SACU	Southern African Customs Union
SADC	Southern African Development Community
SADCC	Southern African Development Coordination Conference
SIPO	Strategic Indicative Plan for the Organ
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNITA	National Union for the Total Independence of Angola
WTO	World Trade Organization
ZANU-PF	Zimbabwe African National Union – Patriotic Front

"An investment in knowledge pays the best interest."

- Benjamin Franklin

Introduction

The topic of this research paper is regional integration efforts in Southern Africa and its effects on the political risk for foreign direct investment. The research will aim to explain whether the consequences of regional integration through the Southern African Development Community (SADC) have lowered the perceived level of political risk for foreign investment in the organization's member states. The aim of the research is to identify and explain whether transnational agreements, frameworks and cooperation have had an effect on certain indicators for the political risk facing previous, ongoing and potential investment in the region. The regional organization's effectiveness and development over the last twenty years will come under scrutiny in the effort to address the research question and test theoretical hypotheses. Regional organizations generally aim to serve the same purposes as global organizations. The goal of regionalization is often increased security, economic, developmental and technical cooperation between neighbouring states (Karns and Mingst 2010: 145). In what is still called the developing world, and in particular in sub-Saharan Africa, regionalism is viewed as a mechanism for promoting both economic development and political independence through reconfiguring unfair trading practices often stemming from neo-colonial influences (Gibb 2009: 702). The regional projects taking place in the developing world since the end of the Cold War were a reaction to always increasing globalization and the need of state and regions to better their competitiveness in the global marketplace (Taylor 2011: 1233). Regional integration is also encouraged by donors, multilateral agencies, NGOs and (foreign) national governments (Gibb 2009: 703). The efforts to develop and maintain frameworks for regional cooperation in the Southern African region have a long history, dating back to the establishing of the Southern African Customs Union (SACU)¹ in 1910. In the Southern African region today, SADC is the dominant

¹ Established in 1910 as a Customs Union Agreement between the Union of South Africa and the High Commission Territories of Basutoland, Bechuanaland and Swaziland. The agreement was updated in 1969 following independence from colonial rule for Botswana, Swaziland and Lesotho. Namibia joined in 1990, after independence from South Africa. SACU is the world's oldest existing customs union (WTO 2003).

regional organization, with 15 member states² working to develop transnational frameworks for cooperation within economic, political, security, legal and developmental issues. As usual within the developing world, the dominant economic power, South Africa, is also the most eager promoter of regional integration in Southern Africa (Taylor 2011: 1235). When South Africa during the early 1990's abolished apartheid and became a democratic country, the politics of regionalism in Southern Africa changed from being one of separation to one of integration (Gibb 2006: 1). Still the country with the largest economy, South Africa has the leading role within SADC and influences the political economy of its neighbouring states (Mlambo 2005, Amos 2010). Foreign direct investment³ is an important asset to developing countries, especially in sub-Saharan Africa. In addition to supplementing domestic investments and savings, FDI can contribute to technology transfers, an increase in management skills and knowledge, increased market access, a higher productivity through better competition in the domestic economy and help integrate the domestic economy with international economic activity (Cleeve 2008: 137). As one of the goals of regional organizations, especially within the developing world, is to attract increased foreign investment (Mhlanga et. al. 2010), to what extent does regional economic, political, legal and security cooperation between states contribute to a positive climate for foreign direct investment? As a starting point, the central research question is: To what extent have regional integration efforts in Southern Africa mitigated the political risk for foreign direct investment? The thesis will argue that regional integration efforts in Southern Africa over the last twenty years overall have had some positive effects on the political risk climate for FDI. In theory, the frameworks set up through transnational trade, legal, security and political agreements should be beneficial to the member states overall financial and political stability and both directly and indirectly help attract foreign investment. In practice, economic policies influenced by SADC and South Africa have benefited the inflow of FDI into some member states, especially those who are close to South Africa both in terms of geography and multilateral agreements such as trade and monetary unions. On several occasions, SADC has been active in attempts to control political and financial instability in its member states. But, there are clear limitations to the success of regional integration in Southern Africa, both on account of SADC's ineffectiveness, the economic and political turmoil stemming from the

² SADC member states are Angola, Botswana, DR Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe (SADC 2014).

³ Foreign Direct Investment (FDI) is defined as "cross-border investment by a resident entity in one economy with the objective of obtaining a lasting interest in an enterprise resident in another economy" (OECD 2013).

member states' own historical development, policies and decisions, and the general unwillingness to share sovereignty and sign up for further integration. Drawing on realist assumptions concerning regional hegemony and stability, it will be argued that the presence of a regional hegemon, in this case South Africa, will constrain bad behaviour from neighbouring states, and hence provide a better climate for attracting foreign direct investment. The limitations of this argument will also become apparent. The similarities and differences in the member states commitment to regional integration, their history, political development and geographical location, as well as their relationship with South Africa, will illustrate the effects of regional integration on a member state's level of political risk for FDI.

Literature review – regional integration, political risk and FDI

Literature that identifies direct or indirect links between regional integration and FDI exist, albeit in various forms and focal points. This literature deals with the regional organization and its member states' political decisions and macroeconomic determinants for a larger attraction of FDI. There also exist literature with a research focus on the effects of political risk on inflows of FDI. Concerning the research question, the aim of this literature review is to compare and synthesize findings from articles that concentrates mainly or partly with what effects regional integration and political risk have on the optimal conditions for attracting FDI. The literature identifies hypotheses, findings and arguments within this specific topic. Many of the optimal conditions listed implies lowered political risk for FDI. This connection will be elaborated in the theory section. As a starting point, one overarching theoretical assumption is that a stable political environment, both within and between states, provides a better climate for attracting foreign investment (Amos 2010, Lederman et. al. 2013). Te Velde and Bezemer (2006) researched whether being part of a regional organization is beneficial for a country's inflow of FDI. The study shows that while membership in a regional organization is beneficial, smaller states and states located in the region's periphery benefit less from being part of a regional grouping than large states and states closer to the core of the region. The authors call for future investigation into what determines whether a particular country attracts more FDI as the result of regional integration (ibid. 2006: 64). A further step in the direction of confirming a positive relationship between regional integration and the ability to attract FDI is taken by Dahl (2002). Specifically concentrating on the SADC region and inflows of FDI, the author

concludes that belonging to a regional grouping is seen as having high explanatory value for attracting FDI (Dahl 2002: 17).

The following paragraph will distinguish between positive and negative factors affecting a country's attractiveness for FDI. While some literature discusses other parts of the world or all "developing countries", a share of the articles have an emphasis on sub-Saharan Africa or Southern Africa. Busse and Hefeker (2007) find that in particular government stability, law and order, bureaucratic quality and democratic accountability are important determinants of foreign investment flows. This relates to other findings, where an efficient legal system and a good investment framework promote FDI. Countries with a functioning democratic system, worthy socioeconomic conditions and investment profile attract larger proportions of FDI (Cleeve 2012: 476). Regional economic cooperation, improving a country's institutions and policy environment, and the larger market that can be a result of regional integration, all are positive factors for attracting FDI (Mlambo 2005: 574-575, Asiedu 2006: 74). Protocols on free movements of people, goods and services, initiated by regional arrangements, will extend a country's markets beyond their national boundaries (Cleeve 2012: 476). In addition, membership in a regional organization can increase the bilateral intra-state trade in the region (Afesorgbor and van Bergeijk 2011). As a successful outcome of multilateral trade agreements, increased intra-regional trade between states often helps attract increased FDI to the region (Gibb 2007, Bezuidenhout and Naudé 2008: 2). Concerning what constrains FDI, administrative barriers and financial instability are among the factors that keep investors out of an area (Mlambo 2005: 562). Previous findings, mainly from the 1960's and 1970's, regarding which political risk factors are detrimental to FDI inflows are summarized by Singh and Jun (1995). These include the number of strikes and riots, socio-political instability, constitutional changes and aggressive behaviour within the political system against groups or officeholders. Singh and Jun also find political risk to be significantly detrimental for the inflow of FDI to developing countries (ibid. 1995: 1, 5-6). Political instability, internal and external conflicts, ethnic tensions and corruption are also constraints to the inflow of FDI (Dahl 2002, Asiedu 2006, Busse and Hefeker 2007). Poorly developed political institutions can be a tell-tale sign that breaches of contract, corruption in high levels and expropriation are more likely to be seen as potential threats to foreign investments (Jakobsen 2010: 485). Studies have shown that higher levels of political risk in a country negatively affects the inflow of FDI (Anyanwu 2012: 436-437). Considering these findings, there is a potentially

positive link between successful regional integration, implying institutional, political and financial stability, a larger market size, and an increase in FDI.

An analysis of this topic would be lacking without proper historical accounts and academic insights into the regional dynamics in Southern Africa. The following section discusses South Africa's role in the region. A regional hegemon can affect economic factors and political stability. In addition, the hegemon can influence whether other states benefit from regional integration. The region covered by SADC is the most developed in Sub-Saharan Africa, and the largest contributor to the African economy (Bezuidenhout and Naudé 2008: 3). Similar to Nigeria in West Africa, and arguably Kenya in the Eastern region, South Africa is the dominant regional hegemon in the Southern African region. The country's large and comparatively developed economy can be identified as a "pull-factor" for investment in the region and the "gateway" to foreign direct investment to the developing world (Mlambo 2005: 561, Gibb 2007, Amos 2010). The change in policies undertaken in Southern Africa during the 1990's have led to a political economy where neighbouring countries "inevitably and significantly" are influenced by South Africa's economic growth, neo-liberalism, free trade and democratization. Establishing a free trade area within SADC has given the other member states a hope to receive investments from both South Africa and other foreign investors (Gibb 2007: 433-434). On the other hand, the behaviour of a regional hegemon can increase already existing economic disparities between member states within a regional integration project (Krapohl and Fink 2013). The presence of a regional growth-pole, such as South Africa in SADC, could lead to the most developed country gaining the most from open trade, with weaker states receiving less of the benefits from lower tariffs and industry relocation. This could lead to political tension, which effectively undermines a regional integration process (Draper 2012: 75). Therefore, when cooperation comes into conflict with a state's own interest, it is likely to cease (Gibb 2009: 714). Important to any analysis of regional dynamics are weak and unstable states. In the time concerned, events in the member states Angola, DR Congo, Madagascar and Zimbabwe have contributed to destabilizing the SADC region. These elements can be disruptive to the execution and implementation of common goals within a regional organization, and undermine its authority (Gibb 2007, Amos 2010). Related to this, some authors stress the importance for SADC to limit the negative effects of being in a "bad neighbourhood" (Dahl 2002, Bezuidenhout and Naudé 2008). The overlapping memberships

in various regional organizations and trade agreements is also an important challenge to further regional integration in Africa (Gibb 2007: 433, 2009, Genna and Lombaerde 2010).

Theoretical framework

What is political risk? A further explanation of the concept will give an insight into how foreign investors and political risk agencies view the political climate in countries and regions when analysing potential destinations for investment. The political risk agency Eurasia Group together with PriceWaterhouseCoopers define political risk as “any political change that alters the expected outcome and value of a given economic action by changing the probability of achieving business objectives” (Eurasia Group and PWC 2006: 6). A similar definition is “unanticipated government actions that have an impact on business operations” (Sethi and Luther 1986: 59). The factors for measuring political risk by Political Risk Services’ International Country Risk Guide are as follows: Economic expectations versus reality, economic planning failures, political leadership, external conflict, corruption in government, military in politics, organized religion in politics, law and order tradition, racial and national tensions, political terrorism, civil war, political party development and quality of the bureaucracy (Erb et. al. 1996: 32). Similarly, Bremmer and Keat (2009) list geopolitics, terrorism, internal political strife, expropriations and breaches of contract, subtle discrimination and favouritism among the main types of political risk. Contracts and agreements are not always “written in stone”, and the host governments are not always capable of controlling the motives and preferences of other actors within the host country, such as rebel groups, local communities, NGOs and opposition politicians (Jakobsen 2010: 488). Especially when analysing weak states, it is important to understand the role of the society which the state claims to govern, and what role actors such as armed movements, regional strongmen and nations also have in the international system (Franke 2009: 18). Jakobsen’s (2010) first three sources of political risk are socio-political instability and grievances, political institutions, and preferences and attitudes. The fourth, the “obsolescing bargain mechanism”, has to be explained in some detail. The obsolescing bargain mechanism is the result of shifts in the bargaining power of the host country and the foreign investor⁴. When the invested capital is sunk into the host country, the host automatically increases its leverage by having increased power over the investment. When the host has a will to

⁴ Jakobsen (2010) mostly refers to multinational corporations (MNCs) when discussing foreign investors.

intervene, for example in the form of expropriation or other breaches of contract, this is more likely to occur once the initial investment has been conducted. Hence, the relative political risk increases after the first investment, and the investors' capital is sunk in the host country (Jakobsen 2010: 483). Arguably, not all political risk factors can be mitigated by a regional organization. Concerning regional tension and instability, there are several reasons why the local regional organization should play a part in conflict mitigation. A regional organization is more familiar with its own region than larger international organizations. Better knowledge of cultural, social and historical factors can make the RO more effective, and the geographical proximity enables a response that is faster and less expensive (Van der Vleuten and Hoffman 2010, Ancas 2011, Nathan 2013).

The following section posits three hypotheses regarding the causal relationship between regional integration and the ability to attract an increase in FDI. Based on the empirical findings in the literature review and further theoretical frameworks presented below, the hypotheses are framed in the direction of a positive relationship between regional integration efforts and an increase in FDI, through various mechanisms developing over time. Belonging to a regional organization is seen to have explanatory value for the ability to attract FDI (Dahl 2002, Te Velde and Bezemer 2006). Economic cooperation through regional integration leads to a larger market size for foreign investors (Anyanwu 2012). For developing countries, regional integration is beneficial because regional market integration affects both the size of the market and the regional stability. Positive size and stability effects make a region more attractive for foreign investment (Krapohl et. al. 2014: 4). An efficient legal system and improvements in a country's institutions and investment framework are additional positive factors for attracting FDI (Mlambo 2005, Asiedu 2006, Jensen 2008). Increased intra-regional will often lead to an increase in FDI (Gibb 2007, Bezuidenhout and Naudé 2008). Drawing on these findings, the first hypothesis is as follows:

H1: Membership in a regional organization contributes to making a member state's economic policies and political environment more attractive for foreign investment.

Jensen (2008) researched whether the functioning establishment of democratic and transnational institutions contribute to lowering the political risk for foreign investment. The

argument suggests that transnational institutions, be they within legal, security or trade affairs, help constrain “bad behaviour” from member states. Blomström and Kokko (2003) describes multilateral policy coordination and harmonization of investment incentives between members of a regional organization as one way to attract more FDI. International treaties, pacts and concessions can be beneficial to safeguarding against some aspects of (political) risk for foreign investments (Sethi and Luther 1986: 63). Countries with functioning political institutions, such as the country’s own political and legal institutions, bilateral investment treaties and regional agreements, can expect more FDI. Functioning institutions is seen as one solution to the political risk associated with FDI (Kerner and Lawrence 2011).

The second hypothesis provides an overarching assumption about the effects of regionalization.

H2: Transnational institutions for legal, security, economic and developmental cooperation within a regional organization mitigates the political risk for foreign direct investment in the member states.

The structural realist idea of a regional hegemon will be used to analyse South Africa’s role within the SADC, and in what way this role has evolved since 1994. Hegemonic stability theory implies that “order is the function of a powerful state within the region, a state which can impose peace and command both respect and power” (Paul 2012: 8). Realist reasoning about hegemonic stability posits that transnational cooperation will occur only when a benevolent hegemon has an interest in providing a collective good to, or on behalf of, a group of states. A regional hegemon should act as a paymaster and provide leadership when a region works towards regional integration. The hegemon necessarily needs to compensate the smaller member states’ distributive losses due to regional integration (Krapohl et. al. 2014:3). Working within a realist framework, Merom (2003) posits that weaker actors (states) within a region can be “captives” of the dominant state. When a given region is seen as contributing to the relative power and security of an actor within the system, the region becomes more valued and the chances that the actor will want to increase its control over the other actors within the region are higher (ibid. 2003: 112). Realist theory adds that international organizations are tools created by large and dominant powers for spreading their values and ideas, in addition to further strengthening their grasp on power (Tavares 2011: 146). In cases where relatively weak states have an ethnic affinity with populations living across their boundaries, a regional

order can be generated through spill-over effects from processes within the regional states themselves (Paul 2012: 12). When addressing multilateral political-economic cooperation, the role of South Africa within SADC makes the realist notions of a regional hegemon helpful for research on the power relationships between one powerful and several weak states. It will be assumed that South Africa is a regional hegemon that influences and dominates the other member states economically and politically, as well as dominating policy-making within SADC (Gibb 2007, Amos 2010). Following these insights, the third hypothesis is as follows:

H3: The regional hegemon, South Africa, stabilizes the region by constraining bad behaviour from other states. This mitigates parts of the political risk for foreign direct investment in the region.

Research Design

The thesis will concentrate on the development in the Southern African region over the last twenty years. In 1994, South Africa joined SADC, and the politics of regional integration were significantly altered (Gibb 2007). Hence, SADC has been in its present incarnation since the early 90's, with more states in the region joining the organization in 1997 (Buthelezi 2006). In order to explain South Africa's influence on SADC, the scope of the research is limited to the years where the regional hegemon has been a member, while references are made to the political situation in Southern Africa during the time of apartheid and regional conflicts in the 1970's and 1980's. This because South Africa set out to behave in a very different way towards its neighbours after the fall of apartheid and because the establishing of SADCC was a result of South Africa's destabilizing policies during the 1970's and 1980's. The research will aim to explain whether there exists any connections between regional integration efforts, less relative political risk and inflow of foreign direct investment. The case selections when researching specific topics linked to regional integration can be wrong for many reasons. One reason pointed out by Genna and Lombaerde (2010) is the overlapping memberships in regional agreements by many countries. This is a challenge for analysing regional integration in Africa, where states can be members of up to 10 different regional integration arrangements. Here, the focus is on SADC and this particular organization's development and influence. This means that although many of the SADC states are also members of other organizations, the deliberate focus is on the dominant regional organization in Southern Africa, namely SADC. Membership indexes, historical development and an

overview of the relevant treaties and transnational agreements are gathered from both SADC's own sources and other articles. UNCTAD⁵ will provide FDI inflow numbers for the region. It is important to stress that the hypotheses all have the overarching assumption that regional integration efforts contribute to the mitigation of the various sources of political risk for FDI. As an example, functioning regional economic integration and trade agreements are in theory positive factors, while political turmoil and corruption are negative factors. Hence, the combined notion of political risk is to an extent mitigated if the theoretical assumptions and hypotheses match the empirical evidence. With the rejection of one or more hypotheses, regional integration efforts in Southern Africa could prove insignificant in mitigating the political risk for FDI. Country-specific policies and actions not influenced by SADC could have higher explanatory value.

Analysis

SADC – Background and prospects

Originally comprised of Angola, Botswana, Mozambique, Tanzania and Zambia, the first meeting of the Southern African Development Coordination Conference took place in 1979. SADCC was set up as an organization in which the “Frontier States” would work towards reducing their economic dependency on apartheid South Africa, and establish and harmonize common goals and development plans (Buthelezi 2006: 167, Karns and Mingst 2010: 209). After the Cold War ended, Africa experienced a degree of resolution of on-going conflicts and strengthening of regional institutions (Paul 2012:11). By 1992, the focus of the organization had shifted from reducing the aforementioned states' economic dependency on South Africa in terms of rail, air and port facilities, as well as imports of goods and raw materials, into an organization with the goal of establishing a fully integrated economic community. The regional institution that would soon become SADC turned its attention towards addressing the region's political, military and economic challenges. This new organization now included Lesotho, Malawi, Namibia and Swaziland, and the first SADC treaty protocol was signed in 1992 (Buthelezi 2006: 164-165, Franke 2009). Around 1994, many were optimistic about the region's future. In addition to apartheid ending in South Africa, the civil war in Mozambique came to an end and Malawi saw a transition to democracy (Mbuende 2014: 250). The fall of

⁵ United Nations Conference on Trade And Development.

apartheid in South Africa made conditions more favourable for regional political and economic cooperation, while also restoring South Africa's respectability both within the region and further internationally. At the same time, the Cold War was ending, which gave credibility to the triumph of the neo-liberal economic model over socialism. SADCC was transformed into SADC, and subsequently South Africa became a member in 1994 (Alden and Soko 2005: 369-374). After 2001, a revised SADC Treaty and a strengthening of the SADC Summit, the organization's supreme policy-making authority, was put into reality in order for SADC to establish effective and coherent policies within both economic and security issues. The Organ on Politics, Defense and Security Co-operation operates under the guidelines of the Summit. The member states' foreign affairs ministers are consulting under the Inter-State Politics and Diplomacy Committee (van Nieuwkerk 2014: 55). The SADC Tribunal was established in Windhoek and became operational in late 2005. This was a strong signal that SADC member states would be willing to accept limitations to their sovereignty through the supervision of an international judicial branch (de Wet 2013: 48).

The Windhoek Declaration of 1992 listed three main objectives:

1. Deeper economic cooperation and integration, on the basis of balance, equity and mutual benefit, providing for cross-border investment and trade, and freer movement of factors of production, goods and services across national borders.
2. Common economic, political and social values and systems, enhancing enterprise and competitiveness, democracy and good governance, respect for rule of law and the guarantee of human rights, popular participation and alleviation of poverty.
3. Strengthening regional solidarity, peace and security, in order for the people of the region to live and work together in peace and harmony. (Afesorgbor and Van Bergeijk 2011: 11).

A more specific goal relating to the inflow of resources into the region can also be found in the original SADC Treaty of Windhoek:

- Promotion of international understanding and co-operation and support, so as to mobilize the inflow of private and public resources into the region. (Buthelezi 2006: 174).

The SADC Treaty covers the obligations of the member states, the organization's legal and institutional framework, principles and objectives, cooperation with other international organizations, financial issues and dispute settlements. It also covers the potential for sanctions, withdrawal and dissolution (Saurombe 2012: 5). The goals of the Windhoek Declaration itself give significant hints about the importance of foreign direct investment to the region. Since FDI is being viewed as beneficial for the recipient country, regional blocs and individual countries have actively developed policies in the hopes that this will attract a larger share of the world's FDI. SADC has specifically addressed this in the Protocol of Trade from 1996 and more recently the Protocol on Finance and Investment from 2006. Objectives include industrialization, a deepening of the intra-regional trade liberalization and the promotion of foreign investment (Mahembe and Odhiambo 2013: 35). As referred to in the literature review, the values and goals listed among the main objectives should both in theory and practice be beneficial with regards to how the region and its member states are viewed by outside investors in terms of political risk. In order to be successful in attracting an increase in FDI, as well as the always highly valued aid from foreign governments and NGOs, the region had to work together in order to achieve political stability and functioning economic cooperation that would secure increased foreign investments. The following section will address whether SADC contributes towards securing peace and stability in the region, as well as which progress economic incentives stemming from SADC policies have been beneficial to the countries themselves and the foreign investors who want to establish their business in the region. As will be discussed, the empirical evidence will often show that prospects for further successful regional integration is being hampered by various factors; including state's own interests, the respect of national sovereignty and a consequent unwillingness to share this. In addition, unstable political and economic environments in many of the countries, to an extent linked to Africa-specific historical developments, are hindrances to deeper cooperation between Southern African states. The successes and shortcomings of SADC are discussed later in the analysis.

The challenges of regionalism in Southern Africa

Although definitely linked, especially concerning political risk, this section will attempt to separate between the economic and the security dimensions of regional integration. This in order to analyze to what extent cooperation between SADC member states has been beneficial

to how the region is perceived in terms of potential political risk for foreign investors. In Southern Africa today, none of the SADC states are seen to be without some degree of political risk. While Namibia, Angola, Botswana and Zambia are classified as having an overall “low” level of political risk, in Zimbabwe, Malawi, Mozambique and Madagascar the political risk is perceived as “high”. South Africa receives a “moderate” risk rating (PRS Group 2013). Firstly, a general explanation will be given in terms of member states’ interests and their lack of willingness to share sovereignty. Secondly, economic factors and policy-decisions will be addressed, as these often help create a more attractive climate for foreign investors, albeit taking into account how developing countries can “pose as investor friendly” (Jakobsen 2010). Thirdly, SADC’s record of accomplishment within peace and security will illustrate to what extent the organization has helped create stability and lowered the risk for inter- and intra-state violence, coups and rebellions. As has been shown, these are all sources of concern and insecurity for potential foreign investments.

Among the political factors linked to the development of regionalism are: power dynamics, identity (or shared perception of a definable region) and ideology, internal and external threats, domestic politics and leadership (Karns and Mingst 2010: 148). While shared identity has high explanatory value for many of the inter-state relationships in southern Africa, a larger emphasis must be put on domestic politics and the importance of national sovereignty when examining the history and outlook of regionalism in southern Africa. Sovereignty is defined as «the claim of supreme political authority within a territory» (Thomson 2004: 150). A reciprocal understanding and recognition of other states’ legitimacy and territorial sovereignty is beneficial to international relations, as it reduces the potential for conflict between states. Hence, the understanding of non-interference is also enshrined in international agreements, such as the charters of the United Nations. While African countries’ sovereignty is respected within the international community, the continent is still vulnerable to outside intervention, partly because of their economic and political fragility (ibid. 2004: 150). There is a link between countries that have fought a long and bloody war to end white minority rule, like Zimbabwe and South Africa, and an unwillingness to surrender sovereignty (Welz 2013). Regional institutions in Africa are relatively weak, because member states are reluctant to accept what the leaders see as an intrusion on the countries’ sovereignty. Furthermore, the member states have limited resources to use on integrative efforts (Karns and Mingst 2010: 147). The SADC treaties, protocols and the setting up of various sub-regional institutions

have been identified as ambitious on paper, while many of the institutions do not have a good track record when it comes to actual implementation of policies and frameworks (Saurobme 2012: 25). At any given time in post-colonial history, foreign policy decision-making in Africa has always been up to the plans, preferences and whims of leading personalities such as the presidents (van Nieuwkerk 2014: 52). One reason why regionalism has largely been unsuccessful in southern Africa is not the states themselves being weak. On the contrary, the regimes who are in control and governing many of the states are strong forces who for various reasons do not want regionalism to succeed. This is a key factor determining the level of success of regional integration in practice (Gibb 2009: 715). In effect, the values, worldview and priorities of the different SADC decision-makers are not unified. This limits the possibilities for harmonization of the “tools of statecraft”, which would create a better outset for further regional integration and coordination of issues ranging from democracy promotion to conflict resolution (van Nieuwkerk 2014: 65-66). In post-colonial Africa, patronage has been the system preferred by the governments for distribution of state resources. The inherited modern states and the liberal democratic institutions became moulded to fit the ruling elites personal interests, effectively “patrimonializing” the whole of the state system (Thomson 2004: 108). Patrimonialism is a political order where a small elite or one individual ruler have power concentrated around their personal authority. Positions in public office are distributed to the ruler’s close associates, who then have to maintain loyalty in order to keep their job (ibid. 2004: 116). In a state characterized by personal rule, presidentialism and patronage, the legitimacy of the ruling classes is not always a reflection of the interest of the public and civil sector. Rather, the regime’s domination are often expressed through the distribution of material resources being limited to the regime’s supporters, and threats and use of violence against any opposition movements. This description applies to many of the states in the Southern African region (Taylor 2011: 1242). One incentive for regionalism reflects the member states’ wish to be recognized as legitimate states. A “nominal” regionalism is a tool for African states to underline their legitimacy and sovereignty. As regionalism presupposes the formality of state sovereignty, it is used as a symbol confirms said legitimacy. In the case of Southern Africa, regional integration lends credibility and support to neo-patrimonial states. Promotion of democracy, shared sovereignty and different paths than clientalism is not wanted by the neo-patrimonial states. Hence, ascribing to regional integration platforms cannot always be seen as positive for the spreading of “good governance”, civil liberties and democratic practices (Gibb 2009: 714). As an example, SADC has been criticized for being silent at times when Zambia and Zimbabwe have infringed on civil liberties and human rights

(Tavares 2010: 64). Swaziland, similar to Zimbabwe, is proof that undemocratic states have less reason to take an interest in deeper regional cooperation, especially political integration. If a country like Swaziland was to take part in further political integration, it could reveal the undemocratic political system and shed light on the patronage system enjoyed by King Mswati and his cronies (Welz 2013: 62-63). While political leaders appear to speak for their country in international forums and trade negotiations, this is not always the case. Many African state managers continue to pose as “representatives of the people”. This in order to attract and win preferential trade agreements and of course foreign aid from the rest of the world (Thomson 2004: 213). An additional detrimental factor to successful regional integration in Southern Africa is economic disparity. The lack of economic complementarity between the SADC member states can explain the limited impact that regionalism has had on the promotion of trade and development in the Southern African region (Gibb 2009: 712). In Southern Africa, what has been described as an “insecurity complex” is an unfortunate match with a laissez-faire, or market, regional economic integration. Unequal rates of growth and asymmetric economic development contribute to regional insecurity because economic disparities can generate or exacerbate security threats within the region (Hentz 2009: 190, 213).

The states who are close to and share a border with South Africa, such as Namibia, Zimbabwe, Botswana, Mozambique, Lesotho and Swaziland, are still influenced by the regional hegemon both in economic and political terms, albeit in a different way than under apartheid South Africa. The BLNS⁶ states together with South Africa make up the SACU members, and the evolution of this old customs union has created closer economic ties between the five countries. To follow the regional logic of te Velde and Bezemer (2006), states such as Malawi, Zambia and Tanzania are situated more towards the regional periphery. As they are located further away from South Africa they are not influenced by the regional hegemon to the same extent. The Seychelles are a case in point of centre-periphery dynamics within SADC. The small island country left SADC in 2003 because of an unwillingness to contribute monetarily to regional efforts. The Seychelles re-joined in 2007, explained by a want to be more active in international relations.⁷ This took place without the rest of the region being affected in any special way. Tanzania has a more historically important and active role in the East African

⁶ Botswana, Lesotho, Namibia, Swaziland.

⁷ SADC Today (2006). “Seychelles will apply to rejoin SADC”. Retrieved 01.06.2014, available at <http://www.sardc.net/editorial/sadctoday/view.asp?vol=307&pubno=v8n6>

Community. It is apparent that South Africa focuses more on its closer neighbours in terms of economic and political cooperation, with the DR Congo being one notable exception, explained by economic interests in the large country's vast natural resources (Taylor 2011). Still, the unwillingness of SADC and the regional hegemon South Africa to interfere with Zimbabwean affairs displays an understanding of and respect for state sovereignty and a sense of shared history. This consequently creates an unwillingness to put into effect the tools a regional organization can utilize in order to work towards political stability and economic prosperity in the region. In addition, Zimbabwe's behaviour in dealing with the SADC Tribunal is clear evidence of a member state's unwillingness to cede sovereignty to a regional legal organ. From 2000 onwards, Zimbabwe emphasized a policy of patronage aimed at expropriating farms and land from the country's white farmers. This expropriation of privately owned farms in effect caused many farmers to lose their farmlands to ZANU-PF affiliates. The legality of these policies was brought up in the SADC Tribunal, especially in the case of *Campbell and Others v Zimbabwe*. The Zimbabwean authorities repeatedly protested any interference from the Tribunal. The suspension of the Tribunal following its ineffectiveness and non-acceptance among SADC member states is an illustrative indication of failed regional integration, particularly within the realm of legal agreements and regional dispute settlements (de Wet 2013: 51-53). The suspension of the SADC Tribunal in 2010 following Zimbabwe's non-compliance with its orders created an impression that SADC member states are not committed to regional integration under the backing of the organization (Saurombe 2012: 25). The legal cooperation established with the SADC Tribunal assumed a willingness of the member states to share sovereignty within the rule of law. The Tribunal could have been a regional institution safeguarding against expropriations and breaches of contract. The suspension effectively truncated the principle organ for regional dispute settlements in southern Africa. A legal framework for future dispute settlements within the SADC is gravely undermined (de Wet 2013: 59). Further challenges for the analysis of decision-making within the SADC region and the organization include these current trends: The economic downturn of the West and its ongoing concerns over global terrorism, a rising East and a renewed global interest in Africa's minerals and natural resources (van Nieuwkerk 2014: 64). In the current international climate, cooperation in the SADC region is subject to developments in the international context where the member states face additional challenges for keeping their sovereignty, especially within questions of economy, but also within concerns over peace and security.

Regional economic cooperation

In the 1980's and early 1990's, many of the countries in the SADC region were still finding their way out of the legacies of colonization. The economic policies had a strong focus on socialism and command economies, paired with import substitution and protectionism. This was a major cause of low FDI inflows in the period. During the 1990's, SADC states began to adopt more liberal economic policies. An increase in FDI to the SADC member states during the latter part of the 1990's is attributed to policies of liberalization and privatization being implemented in many countries at the time (Kubny et. al. 2011: 23). To expand on this important note: Investment-promotion agencies, de-regularization, privatization, market-friendly policies, political stability and participation in multilateral and bilateral trade and investment agreements are among the factors which led to an increase in FDI flows to the region in the late 1990's and early 2000's (Mahembe and Odihambo 2013: 43). Regarding the location of FDI in southern Africa in the period 1996-2008, natural resources and the potential for exploitation highly attracted FDI. Openness to trade, a larger market size, agglomeration and the rule of law affected the inflow of FDI in a positive direction (Anyanwu 2012: 450-451). Membership in SADC significantly increased the bilateral intra-state trade in the region during the years 1995-2006 (Afesorgbor and van Bergeijk 2011). The increase in intra-regional trade between SADC member states have led to an increase in FDI to the region (Bezuidenhout and Naudé 2008: 2). Regional economic cooperation increases the market size in African regions. Given the small size of some domestic African markets, this is an important implication for future policy-making. Governance, institutional quality and the rule of law are conditions that both attract FDI to Africa and create better conditions for domestic multinationals to grow and possibly invest abroad. NEPAD⁸, the African Development Bank and regional economic communities can take responsibility for steering the continent more towards this type of development (Anyanwu 2012: 451). The priorities of NEPAD are building institutional capacities for peace and security, economic and corporate governance, infrastructure and communication technologies, central bank and financial standards and agriculture and market access. Through NEPAD, African leaders have agreed to effectively "police" themselves and other leaders. One of the goals is to attract investment capital to the priority areas by promoting better governance (Thomson 2004, Karns and Mingst 2010: 389).

⁸ The New Partnership for African Development.

This includes cooperation with regional organs such as SADC. Many of the SADC member states have signed a number of investment protection treaties with partner states in the industrialized world. As most of the SADC states are also members of MIGA⁹, foreign direct investment in the region can be insured against political risks such as expropriation and breaches of contract (Mbuende 2014: 249). Meanwhile, an indication of SADC's ineffectiveness due to national interests is negotiations with trading blocks and partners from other parts of the world. SADC has attempted to establish itself as a trading block in negotiations with foreign partners, an important one being the EU. The SADC Economic Partnership agreements have included years of negotiations with the EU and other foreign partners. Also here, domestic politics and various interest groups have trumped regional goals and concerns, especially at the very end of a round of negotiations. There are three main obstacles to SADC's collective foreign policy making: the region's integration agenda has weak foundations, the national economies of the member states are different in nature and size, and the region has not yet shaken off old tensions and mistrust. This last point is related particularly to South Africa's regional hegemony and how this is perceived differently in the neighbouring states (van Nieuwkerk 2014: 63).

External tariffs have been reduced as part of SADC's free market approach and trade liberalization (Karns and Mingst 2010: 209-210). Especially in a discussion of economics, trade and tariffs within the region, a few words on the double or multiple memberships in regional organizations are in order. Both SADC and South Africa itself have stated that membership in COMESA is incompatible with membership in SADC. Member states have been told to secede from COMESA. One result of this is that COMESA does not significantly influence the intra-regional trade in Southern Africa (Warin et al. 2009 in Afesorgbor and van Bergeijk 2011: 11). Still, trade within the SADC region is low, at around 6 percent of total trade (Karns and Mingst 2010: 210). The FDI inflow into the SADC region increased from US\$372 million in 1980 to US\$17 billion in 2008, when the global financial crises also affected Southern Africa. The FDI inflows to SADC went down to US\$7 billion in 2010, while 2011 saw the numbers increase to US\$10 billion (UNCTAD 2013). Increased openness within the SADC region is viewed as beneficial towards attracting FDI (Lederman et. al. 2013: 3647). Various public policies and strategies for opening up the region for foreign investments have been undertaken by SADC member states over the course of the last twenty years. While

⁹ Multilateral Investment Guarantee Agency, World Bank Group.

regional trade agreements has provided the region with a larger, more open and competitive market, the agreements are not always region-wide. Bilateral and multilateral subsets have helped attract both domestic and foreign investments (Mbuende 2014: 245-246). Within the region, the best performers when it comes to creating an attractive environment for business and foreign investments are Mauritius, South Africa, Botswana, Namibia, Zambia and the Seychelles (Darley 2012). In addition, the SADC economies did see improvements in GDP growth rate during the late 1990's and early 2000's. Some of the reasons for this growth in GDP are dividends associated with a higher degree of regional peace, an increase in the oil output in Angola, and an improved management of macroeconomic policies in most of the sub-regional economies (Buthelezi 2006: 163-164). Mozambique was able to attract an increase in FDI during the 1990's because of successful structural changes and fiscal policies (Basu and Srinivasan 2002: 35). Mozambique is likely to continue its economic growth and political progress. The country could turn into a complementary trading partner and even a substantial competitor for South Africa in the region (Kraxberger and McClaughry 2013: 23). Southern Africa benefits from functioning regional integration and cooperation. SADC has implemented several functional projects among member states and other neighbouring countries, including transport and infrastructure, management of shared resources and hydroelectric power projects (Karns and Mingst 2010: 210, Mbuende 2014: 250-251). In terms of attracting FDI, expanding and upgrading infrastructure for the extraction and transport of natural resources is beneficial to all member states involved. Positive developments linked to the effects of regional integration are here identified. Cooperation in building infrastructure, sound fiscal policies with an aim to attract FDI, and a generally more peaceful and stable region are pointers towards a more attractive climate for foreign investment. Viewing the developments through the eyes of a potential foreign investor, the economic policies in many of the member states are more attractive today than they were twenty years ago, although neither country within the region is free of political risk. Once again, Zimbabwe provides an example of economic policies that are bound to deter foreign investors. In Zimbabwe, distinct policies of economic empowerment has become widespread and seen as a way to support patronage and clientalism in the distribution of scarce resources and goods. The economic uncertainties partly worsened by these policies are damaging to how the country is perceived for potential investments. With the example of foreign investments in the mining sector, weak state policy-making and badly functioning regulatory institutions has created a high risk political and economic environment which in effect deters investments (Magure 2012: 79-80). Currently, the region is still facing several constraints to

FDI inflows. These include uncertainty about policies, political instability, poor infrastructure and various degrees of difficulty in doing business (Mahembe and Odihambo 2013: 43). Regional economic cooperation is still an important suggested strategy for increasing the share of foreign direct investment into Southern Africa. A further expansion of regional trading arrangements, a common approach to changing negative perceptions of the region and working towards reducing corruption are areas of priority for African countries and regional organizations aiming for increased inflow of FDI (Darley 2012). The increased market size and trade liberalization within the SADC region has had a positive effect on parts of the political risk associated with FDI. Infrastructure and resource management across borders are positive factors for an increase in FDI. Here, SADC has contributed to a better climate for FDI, giving credibility to H1. Challenges remain in terms of weak and disruptive states, such as Zimbabwe and the DR Congo, and the lack of or delayed subscription to SADC policies by all member states.

Regional peace and security cooperation

“There must also be an appreciation that military matters and decisions are not matters that are discussed in public, other than to share broader policy.” - Jacob Zuma¹⁰

An extremely brief summary of the region’s history in the 1970’s and 1980’s is in order to provide some background for the evolution of the security agenda in southern Africa. During these years, great power politics and external actors greatly influenced the peace and security realm. This contributed to further destabilization in the region through a worsening and prolongation of conflicts related to liberation movements, often taking the form of proxy wars. Angola, Mozambique, Zimbabwe and South Africa were battlegrounds for armed struggles between the ruling powers and liberation movements, and proxy arenas for the Cold War conflict between the East and the West (Thomson 2004: 153). Although the fight against apartheid regimes and the remnants of colonialism resulted in a significant alteration of regional priorities and policies after 1994, security thinking in the region is still shaped and influenced by a historic narrative, linked to liberation struggles and the decolonization project (van Nieuwkerk 2014: 64). Over the last ten years, «African solutions to African problems»

¹⁰ Jacob Zuma, 2013 “Message of Condolences by the Commander in Chief of the South African National Defence Force and President of the Republic of South Africa, at the Memorial Service of the SANDF Member Who Died in the Central African Republic, Airforce Base, Tshwane,” <http://www.info.gov.za/speech>.

has been the maxim of the African Union. In relation to peace and security, the maxim is embodied in the APSA¹¹, showing a wish for African sub-regional institutions and local governments to get increased control over conflict management in Africa (Nathan 2013: 1, 5). The foreign relations within SADC are related to two main themes; resolution of conflict and issues linked to trade and economy. During SADC's existence, the region has not seen just peace and economic prosperity. New violent inter- and intra-state conflicts appeared, while older conflicts deepened. In the Democratic Republic of the Congo, a major war broke out in the late 1990's. Political tension and mismanagement was followed by violent conflict in Lesotho, Zimbabwe and Madagascar. SADC was involved in various forms of conflict resolution in the aforementioned countries. If strengthening the economic integration and trade relations were not a great enough challenge for the organization already, these conflicts drew resources and attention further away from economic progress, at the same time causing instability not only within the countries, but for neighbouring states and effectively large parts of the Southern African region (van Nieuwkerk 2014: 61). Political instability hampered the regional integration efforts in Southern Africa. The situations in Lesotho, the DR Congo, Angola, Madagascar and Zimbabwe marred the early 1990's optimism about the region's future (Mbuende 2014: 250-251). Conflict resolution and working towards regional peace and stability is expressed within SADC's treaties. It is also logical that the regional institution should take the lead in mediating a conflict that is taking place in its own "backyard". SADC has security mechanisms that were established before the reformation of the African Union in 2002, and by this could have a higher degree of experience and expertise in its own region (Ancas 2011: 133, 138). The focus on local solutions follows the international tendency of regional bodies taking the lead in peace and security efforts within their own region. After the Cold War, the UN has championed this, on the basis that regional bodies are more familiar with the regional conflict dynamics and in most cases have an interest in keeping the peace in the organizations' own geographical area (Nathan 2013: 1). On the other hand, SADC has been accused of non-intervention after prolonged or failed responses when a member state has violated democratic principles. This is largely because the development of a democratic identity is linked to successful economic integration (Van der Vleuten and Hoofman 2010: 739). Another obstacle to effective peace-making in Africa has been the "competitive peace-making" or "crowdedness", often arising from a pressurised and unregulated environment. When mediators have to act in parallel with or against another state, multilateral and non-state

¹¹ African Peace and Security Architecture.

actors, the peace-making process becomes obtruded and often ineffective. This has been the case for SADC especially in Zimbabwe, the DR Congo and Madagascar (Ancas 2011: 140). In theory, the common agreements and political-economic framework of SADC should cause the organization to intervene or explicitly attempt to correct a state that does not follow the organization's policies and obligations, or otherwise disrupts the economic and political stability in the region. As will be shown, the types of intervention identified here might not always be stemming from the interests or policies of SADC as a united regional actor, or any emphasis on the "common good", but rather of one or more member states using the SADC "banner" in their own interest (Ancas 2011, Tavares 2011). Further, the reasons for lack of successful regional integration and increased cooperation will be explained, drawing on both positive and negative critiques of SADC and the region's development over the last twenty years. The case studies do not establish a direct link between involvement from the regional organization and lowered political risk. Rather, they are illustrative of the challenges facing cooperation and common goals within Southern Africa, and of the countries interaction with SADC and occasionally South Africa.

The civil war in Angola took place between 1974 and 2002, with the government of Angola engaging the National Union for the Total Independence of Angola (UNITA). The UN imposed various sanctions in an attempt to end the fighting. Among the UN's efforts were travel and aviation bans, arms embargos and oil sanctions, together with diplomatic sanctions such as closing UNITA offices around the world. SADC aided the UN's sanctions against UNITA by blocking exports of diamonds from Angola and monitoring air traffic, steps that helped block arms and fuel to UNITA (Karns and Mingst 2010: 320). UNITA was supported by structures in the DR Congo, Zambia and Namibia, while the air traffic control centre used by SADC to monitor illegal flights were situated in South Africa (Power 2001: 496). In 2002, UNITA's leader died, and together with the effects of the various sanctions, this led the conflict to an end (Karns and Mingst 2010: 321). While SADC contributed to limiting flights to UNITA-controlled territories, the organization at the time was accused of being incoherent and ineffective in its responses to the ongoing civil war in Angola. During the latter part of the civil war, there was still little regional consensus to be found among SADC member states about how to coordinate efforts to end the conflict (Power 2001: 490).

Lesotho also faced an intervention under the SADC banner in 1998. After elections that year, allegations that the results were rigged led to violent protests and riots. South Africa, Botswana and Zimbabwe established the Langa Commission, which concluded that the

elections were not free and fair. The Lesotho Defence Force launched a mutiny against the government of Lesotho. The coup had a destabilizing effect on the small country (van Nieuwkerk 2014: 54). Premier Mosisili requested an intervention and South Africa and Botswana sent troops to Lesotho (Gebrewold 2014: 13). Both South Africa and Botswana wanted to avoid spill-over effects such as refugees and the possible spread of turmoil from Lesotho into neighbouring states (Tavares 2011: 159). The troops from Botswana and South Africa were deployed to Lesotho under SADC auspices and leadership. The intervention has been described as “brief, but bloody”. Relative political stability was restored after subsequent constitutional reforms (CIA 2014b).

The DR Congo has been a country ravaged by civil wars and involvement on troops from other African countries since independence in 1960 (Karns and Mingst 2010). Despite being an unstable country, the DR Congo was admitted into SADC in 1997. One explanation for this is South Africa’s interests in the country’s business potential, specifically within mining and to a lesser extent, the country’s potential for hydropower (Taylor 2011: 1238). A massive inflow of refugees fleeing fighting in Rwanda and Burundi around 1994 led to ethnic strife and civil war in the DR Congo. In 1997, with the backing of Rwanda and Uganda, long-time president Mobutu’s regime was toppled in a rebellion led by Laurent Kabila. In August 1998, Kabila’s new regime was challenged by a new insurrection, once again backed by Uganda and Rwanda (CIA 2014c). Angola, Namibia and Zimbabwe undertook a joint military intervention in order to protect Kabila’s regime. This intervention was strongly disputed in SADC leader summits, with the SADC chairperson Nelson Mandela calling for dialogue and negotiation, while on the other side Robert Mugabe claimed that SADC was unanimously supporting Kabila and defended the military intervention based on collective self-defence. SADC called for an immediate cease-fire and recognized the legitimacy of Kabila’s regime, but the intervention went on. The intervention was recognized by SADC retroactively (Tavares 2011). SADC was not highly concerned with maintaining leadership in implementing and consolidating the peace initiatives that were brokered mainly by South Africa. This responsibility was largely given to the UN. In the DR Congo, the UN attempted to harness the advantages of closer cooperation with regional actors such as the AU and SADC. Both organizations largely withdrew from managing the conflict. This is explained by an unwillingness to commit to long-term involvement and providing resources to the process. The early intervention undertaken by SADC is seen as having tainted the organization’s credibility and reputation, especially as a reliable partner for the UN in the management of future regional issues (Ancas 2011: 146).

During the last twenty years, Zimbabwe has been one of the countries in the region with lacking policy consistency and transparency (Mlambo 2005: 563). Hence, Zimbabwe disrupts the economic and political stability within the region (Gibb 2007, Bezuidenhout and Naudé 2008, Amos 2010). During the time of elections in 2005 and 2008, politically motivated violence reached its peak. Operations were undertaken to intimidate supporters of the new party Movement for Democratic Change, and there were reports of injuries and killings during both election periods (Welz 2013: 30). At this time, SADC was at the centre of controversies over how to deal with the political, economic and health crises in Zimbabwe (Karns and Mingst 2010: 210). Contrary to demands from external actors for SADC to intervene in Zimbabwe, the SADC Heads of State were in agreement that Zimbabwe's sovereignty was of a higher importance than the calls to step up the external intervention (Ancas 2011: 145). A paradox within SADC's actions is here clearly illustrated; the organization's own guidelines against unconstitutional changes of government was of less importance than the "old" adherence to national sovereignty and the lingering effects of a shared historical solidarity.

On Madagascar, the conflict forming the background for a coup in 2009 had roots back to the presidential election in 2001. The two presidential candidates Ratsiraka and Ravalomanana each had support from nearly half the country. Ravalomanana won the election in 2001, and continued his tenure after the election in 2006. Protests against restrictions on the opposition's activities and press made Ravalomanana step down and give the power to the military. The military handed the presidency to Andry Rajoelina, in what effectively was a coup d'état. SADC stepped in as a mediator (CIA 2014a). South Africa wanted a joint SADC to take leadership in mediation efforts, while other parties, including France, urged Jacob Zuma to take the lead. The international attempt at mediation gave grounds for a more nationally oriented solution to the conflict, but this solution failed in establishing a plan that was acceptable for all parties involved. SADC once again attempted to organize a successful and fair election in Madagascar (Ancas 2011: 144). During the crisis in Madagascar, the senior SADC decision makers at one point called for military intervention. Madagascar's SADC membership was suspended from 2009 to January 2014 (van Nieuwkerk 2014: 65). With support from the UN, presidential and parliamentary elections were held in 2013 (CIA 2014a).

SADC's involvement as a conflict mediator in the DR Congo, Lesotho, Madagascar and Zimbabwe are neither stories of clear successes. The actions taken by SADC are described as procrastinations and unfulfilled commitments. Although SADC has the capacity and frameworks to effectively attempt to intervene in regional conflicts, the lack of political will at high levels affects policy decisions and leads to a "nascent security community" (Taylor 2014: 137). The attempts at regional peace-making involving SADC have had limited success, due to a strong dedication of African leaders to uphold their respect for national sovereignty. Sub-regional peace-making has focused on stopping ongoing and potential violence, with a lesser attention to the underlying problems concerning governance and creation of plans to ensure stability in the long term. Cases in point are the regional peace-making efforts in Madagascar, Zimbabwe and DR Congo (Ancas 2011: 147-148). Within the organization itself, only 30-40 percent of the around 200 SADC employees have peace and security issues as their specific area of work (Tavares 2010: 64). Former ambassadors and state defence chiefs have lamented both the lack of a clear direction in SADC peace and security policies, and also proper accounts of the military dimensions that guided regional interventions, examples being Lesotho and the DR Congo in 1998 (van Nieuwkerk 2014: 60). The actions taken by SADC have not been agreed upon by all member states. For example, the crises in Zimbabwe divided SADC members. Angola, South Africa, the DR Congo and Namibia were supportive of Mugabe, while only Zambia and Botswana were critical voices. The handling of Zimbabwe and Mugabe is also illustrative of South Africa's weak position as a regional leader. While South Africa arrested thousands of Zimbabweans fleeing from Mugabe's authoritative regime, little was done in order to stop the crisis (Gebrewold 2014: 14). SADC is still the key regional institution in the Southern African region, while the AU also has a level of influence over the continent's regional organizations. Through the continent-wide cooperation with APSA, the AU is working with its sub-regional partners, including SADC, to find common norms and approaches to peace and security issues (Tjønneland 2014: 3). Van Nieuwkerk (2014) concludes that SADC is a "stable, but not always efficient" organization. The framework for regional cooperation has not always been effective in practical situations. One example of this is the delayed implementation of a revised Strategic Indicative Plan for the Organ (SIPO II), formally presented and launched by SADC in 2012. The extent of domestic acceptance for SIPO II will indicate which status SADC's strategic culture has in the fifteen member states (ibid. 2014: 64). The lack of agreement within over when, how and why a regional intervention is to take place gives reduced support for both H1 and H2. SADC has not acted as a strong, joint regional force working for peace and stability in the region, but rather as a

scene for displaying the different preference and attitudes between the member states. Actual military interventions have often been the wish of only two or three member states. Hence, SADC's behaviour as a regional actor is not strong enough to be given a primary explanatory function for the relative increase in peace and stability in the region.

South Africa – a dominant or reluctant regional hegemon?

“We are prepared, too, to shoulder our share of the responsibility for the whole southern African region, not in the spirit of paternalism or dominance but mutual cooperation and respect.” (Mandela 1993: 97)

“It is not an exaggeration to say that were it not for South Africa's interference on the wrong side, our nation might not have ended in this mess.” Tanonoka Joseph Whande, 2014¹²

The role of South Africa in the region is crucial to understanding the political and economic development in Southern Africa over the last twenty years. South Africa under apartheid engaged in destabilization policies that contributed to conflict on the continent (Thomson 2004: 152). The situation after the fall of apartheid was different; South Africa held its first democratic election in 1994 and was included into SADC. The regional hegemon changed shape from one of a regional pariah state exercising economic and military policies aimed at destabilization into a regional power taking the lead in future integration efforts, mainly through SADC. Given its geographical location at the southernmost tip of Africa, one could argue that South Africa is relatively more insulated from conflict and instability on the continent than for example the DR Congo. Still, since South Africa has the most advanced and semi-industrialized economy in Africa, it is logical that the ANC governments have attempted to create a coherent agenda in the Southern African region (Kraxberger and McClaughry 2013: 22). After 1994, South Africa undertook changes in fiscal policies and liberalized its domestic markets. Privatization, liberalization and joining the WTO, TRIPS and TRIMS¹³ agreements had a significant effect on South Africa's FDI inflow from non-African

¹² SW Radio Africa, 05.05.14: “Zimbabwe: When Baboons Are Called Upon to Protect the Maize Fields”. Available at <http://allafrica.com/stories/201405070234.html?viewall=1>

¹³ Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), Agreement on Trade Related Investment Measures (TRIMS), (WTO 2014).

countries. The effect of increased trust in the biggest player in the region had advantageous effects on the FDI attractiveness of the whole Southern African region (Kubny et. al. 2011: 20). An important development during these last decades is the increase in FDI from South Africa into its neighbouring countries. Since 1994, when South Africa returned to democracy, the flow of FDI from South Africa has increased throughout the whole of the African continent (Cleeve 2008: 140). South Africa's tight economic relations with the rest of the SADC region can be illustrated by numbers; 90 per cent of the country's trade with the rest of Africa being concentrated within the SADC region. South African investments in Africa are heavily dominated by capital flowing to the rest of the SADC region (Tjønneland 2014: 2). At the same time as South Africa has expanded its business interests in the whole region the country has attempted to emphasize its diplomatic functions. These are the main expressions of South African hegemony in Southern Africa (Alden and Soko 2005: 368). The admission of the Democratic Republic of the Congo into SADC was explained as another political implication of South Africa's continuing wish to expand its business interests throughout the region, with regional economic integration assisting South Africa in spreading their capital and goods to the rest of Southern Africa (Taylor 2011: 1237-1238). Similarly to other foreign companies operating in Africa in terms of pursuing their own commercial agendas, the role and behaviour of South African companies in other African countries could contribute to reputational risks for South African government policies (Tjønneland 2014: 5). Some positive results can be linked to the hegemon expanding its business to neighbouring countries. The increase in South African trade and investment in Mozambique is one factor contributing to a double-digit growth in the country's GDP, and also improved Human Development Indices in the province surrounding the capitol, Maputo (Alden and Soko 2005: 376). Meanwhile, Lesotho is seeing both benefits and challenges arising from its close economic ties with South Africa. The monetary union creates stable interest rates and a credible monetary policy on the one hand, but also makes the small country subject to currency volatility vis-à-vis the rest of the global economy. Because South Africa is more developed and has larger and more attractive business prospects, Lesotho's own FDI initiatives are facing tough competition from its dominant neighbour (Mahembe and Odihambo 2013: 39).

South Africa's extensive engagement in peace-making on the continent can be explained by several factors. The country's large economic and military resources makes it capable of taking on the role of a leader in many situations. Furthermore, South Africa wishes to promote good governance and stability in its own region, linked to a goal of sustained development,

increased investments and economic growth. Also, South Africa's history of destabilizing policies under the apartheid regime gives it a sense of moral obligation to contribute to stability and economic prosperity not only in its own country, but also in the immediate region and the continent as a whole (Nathan 2013: 3). Through SADC, South Africa has tried to influence the other states in the region into restructuring themselves in order to "consolidate, defend and maintain democracy, peace, security and stability". South Africa wishes to discipline the region by making the member states reinvent themselves as "competition states" in an effort to attract capital, both from abroad and from South Africa. This should in effect have made the states in the region better competitors for winning investment, possibly also attracting investments which may otherwise have gone to rival territories (Taylor 2011: 1239). The motivation behind South Africa's 1998 military involvement in Lesotho was not seen only as a humanitarian peace-keeping mission, which was the official statement. South Africa also justified the intervention's legality by arguing that it took place under SADC auspices and the organization not permitting coups d'état and similar unconstitutional changes in Southern Africa (Tavares 2011: 158). The motivation for stabilizing Lesotho was also about strategic resources, especially water, and expanding the regional hegemon's sphere of influence (Gebrewold 2014: 13). Meanwhile, South Africa today also face its own constraints to its international competitiveness and ability to attract foreign investment. Poor security (= high crime rates), high business costs and a lack of efficiency in the labour market together with a general shortage of skills and the often troubling health conditions of the country's workforce are areas South Africa should address in order to be more attractive for investment (Mahembe and Odihambo 2013: 40). An underdeveloped, poorly located and insufficient infrastructure, a lower quality of education, widespread corruption and a lack of diversification in a highly resource-dependent economy are also economic challenges in South Africa (Government of South Africa 2011). A brief overview of a recent analysis of the political risk in South Africa gives an indication why the country remains in the "medium-risk" category. The social and political-economic variables such as a high level of unemployment, low levels of education and unschooled labour can have its effect on investor confidence. Violent protests have also increased in numbers in the period 2005-2013. While the threat of war, revolution, hostile neighbours and military involvement is low in South Africa, factors such as corruption, inefficiency in government, inflexible labour policies and policy uncertainty linked to the mining industry and agriculture are indicators to be considered by foreign investors (Neethling 2014: 52). While mining is still the engine of the South African economy, an increase in labour unrest within this industry is

troubling for continuing foreign investment. South Africa, in cooperation with Chinese companies, remain the largest actor when it comes to tapping resources from other Southern African countries, notably Zambia and the DR Congo (Laudicina et. al. 2013: 22).

Within the SADC region, South Africa prioritizes security in order to ensure prosperity and further development. This is one reason why South Africa has wanted to be involved in efforts to mitigate the crises in Zimbabwe (Welz 2013: 134). South Africa has often taken the lead in the development of security frameworks both for Africa in general and the SADC region in particular. Through APSA and the SADC Organ on Politics, Defence and Security Cooperation, South Africa has been instrumental in the policy documents and instruments laying the foundations for a strengthening of peace and security cooperation, both within SADC and the continent as a whole (Tjønneland 2014: 2). Although South Africa shows an interest in working with the UN, AU and SADC, the country does not wish to surrender its sovereignty and self-determination. Under the current president, Jacob Zuma, South Africa's foreign policy has taken a pragmatic turn, focusing on deeper involvement with the BRIC¹⁴ countries and the G8. This in effect means a reduced interest in economic cooperation with neighbouring and fellow African states (Welz 2013: 135). While South Africa is a large investor in the rest of the region, the country's political influence and normative leadership over the neighbouring countries is highly constrained (Taylor 2011: 1237). Being conscious of its history of apartheid, which, arguably is not yet far away in time, South Africa has been reluctant on imposing pressure on other African governments. In the build-up to potential interventions, South Africa has sought to find an "African consensus". This is evident within Southern Africa, for example in the case of South African diplomacy related to the crises in Zimbabwe (Tjønneland 2014: 5). Also in Swaziland, there have been reports of violations of human rights and suppression of protests voicing people's want for democracy. Zuma and South Africa remained silent on this issue (Gebrewold 2014: 17). As in other SADC member states, further regional integration is hampered by South Africa's recurring reluctance to share sovereignty. The unwillingness to yield sovereignty is linked to South Africa's history. The legacy of the liberation struggle which led to the establishment of a democratic order in the early 1990's is still alive in South African politics, where up until the present day all democratically elected presidents have come from the ANC. Several developments have cast

¹⁴ Brazil, Russia, India and China.

doubt over whether South Africa actually wants deeper and more far-reaching integration through the AU or even SADC (Kraxberger and McClaughry 2013: 22). Although the country's leadership emphasized cooperation between African states since the time of liberation, South Africa does not view the AU as a federation or union of states, but rather as an intergovernmental organization (Welz 2013: 135-136). Pragmatic policies have taken precedence over a greater support of democratization and human rights. South Africa's authority within the region is not projected through exemplarity, and thus compromises the hegemon's role as a regional leader (Gebrewold 2014: 18). In relation to the sense of African unity and respect for other governments, South Africa's "quiet diplomacy" and mediation efforts in dealing with the various crises in Zimbabwe around 2007-2008 have been viewed as being in favour of the government (Nathan 2013, Tjønneland 2014: 5). In terms of economic influence, South Africa often concentrates on states with which they share a border and a longer history of trade agreements. For South Africa, the economic cooperation and benefits achievable through SACU are of a higher importance than dealings with SADC (van Nieuwkerk 2014: 63).

If South Africa's role as a regional hegemon further entrenches economic disparities in the region, the dominance of one powerful state over its neighbours could have the unfortunate effect of contributing to inter- and intra-state conflicts. South Africa can be seen, in comparison with neighbouring countries, as a democratic state with the definite leading economy. South Africa's investments in neighbouring countries have a positive influence on certain economic, social and political indicators, such as in Mozambique (Alden and Soko 2005). The third hypothesis posited that South Africa was definitely the regional hegemon in terms of economic and political power, and thus constrained bad behaviour from other states in the region. South Africa still attempts to have an economic and political grip on the rest of the region, by investing in the other countries and aiming to take the leadership in diplomatic efforts, as well as influencing the other states in terms of spreading "good governance", democracy and neo-liberal values. While some countries benefit from cooperation with South Africa and SADC, others continue to disrupt regional cooperation. Zimbabwe is viewed as the most disruptive element in the region, destabilizing both national and regional economic and political stability, especially during the last ten years (Bezuidenhout and Naudé 2008, Amos 2010). Zimbabwe is highly dependent on South Africa and contributes very little to the regional market except for a few agricultural articles. Further integration within SADC,

especially in the common market, could have boosted Zimbabwe's economy. During the currency crisis of 2006-2009, Zimbabwe did little to reach out for help from SADC, COMESA or the AU (Welz 2013: 32-33). In comparison with South Africa, Botswana has been more vocal and open in its criticism of Mugabe's regime. South Africa's regional leadership is contested by its regional and international behaviour, by not demonstrating an exemplarity in taking a firm stance on issues such as Zimbabwe. More action from the regional hegemon could have pushed regional neighbours to in the direction of accepting South Africa's regional leadership (Gebrewold 2014: 18). The relationship with Zimbabwe and Mugabe is a strong indication that South Africa's interests are stretched between an expressed aspiration for regional stability and the policies of non-interference and respect for the national sovereignty of its neighbours. In terms of regional economic cooperation, South Africa prioritizes SACU/BLNS as a functioning customs union and an area for expanding its business and sphere of influence. The realist assumptions on regional hegemony does not fully explain South Africa's role in the region. South Africa does use SADC to spread its values and ideas, but does not act as a paymaster. Especially the case of Zimbabwe seems to disprove H3. South Africa has not been effective in constraining bad behaviour from neighbouring states. Respecting another country's sovereignty, however "badly governed" it may be, has hampered mediation efforts under the leadership of South Africa and SADC. As Taylor (2011) and Welz (2013) point out, this is linked to a shared history of struggle against white-minority regimes and the legacies of de-colonization, effectively overriding harder diplomatic lines that could have been beneficial to the general stability of the region. In effect, some call South Africa a "hesitant hegemon" (Tjønneland 2014:5).

Looking to the East

“In most recent times, as the West started being hostile to us, we deliberately declared a Look East policy” - Robert Mugabe¹⁵

A discussion of foreign investments into Africa in 2014 arguably needs to include a passage on China and give attention to other “rising powers” such as India and Brazil. The somewhat older literature on foreign investment into developing countries is based on Western countries’ behaviour and preferences, and it is possible that the perceptions of political risk as a whole vary in different parts of the world. In the 1950’s, China began to influence and strengthen ties with Africa in its own way. As an example, the building of the Tazara line running from Dar es Salaam to interior Zambia, was a project funded and undertaken by the Chinese government during the 1960’s and 1970’s (Thomson 2004: 154). China has been outspoken about the principle of “non-interference” when dealing with Africa, and the country invokes a “South-South solidarity” based on a shared history of unjust treatment and colonization by the West. China has massively increased its foreign direct investment in nearly all African countries over the last fifteen years. Efforts to contribute to the peace and security agenda in Africa includes UN peacekeeping troops and the Chinese-led training of soldiers from African countries (Tjønneland 2014: 3). With Chinese assistance, Zambia has divided itself up into special economic zones, in an effort to incentivize foreign investments and strengthen domestic firms and businesses (Alves 2012 in Mahembe and Odihambo 2013: 42). Although the rising powers’ increasing presence in Africa are heavily based on economic interests, they also wish to secure their investments and contribute to a more stable environment. This makes them gradually more influential in Africa’s peace and security agenda, albeit in different ways. Rising powers moving into Africa share South Africa’s concern over reputational risks linked to the interplay between foreign investments and government policies (Tjønneland 2014: 5). Regarding political risk, China might be less concerned with the institutional quality of the host country. More Chinese FDI flows to countries with large natural resources, while there is also a correlation between poor institutional environment and a higher inflow of FDI from China into the host country. If China regularly feeds into institutional and governmental dysfunctions in resource-rich African countries, this could be problematic from a

¹⁵ People Daily 26.10.06: “Interview: President Mugabe hails Zimbabwe-China ties”. Available at http://english.peopledaily.com.cn/200610/27/eng20061027_315746.html.

developmental point of view (Kolstad and Wiig 2011: 31, 45). The non-African rising powers are increasingly engaging with Africa's sub-regional organizations. As the foreign powers' presence in the African economies grows larger, so does concerns over (in)security and (in)stability. The political risks are of importance for foreign investors; both in terms of protecting investments, but also in a consideration of their image in Africa. One illustration of this is China's increasing presence in the DR Congo, where economic interests preceded a military presence, albeit through the auspices of UN peacekeeping efforts (Tjønneland 2014: 6).

Conclusion

During its twenty years as the dominant regional organization in Southern Africa, the hypotheses H1 and H2, which implied SADC contributing to the lowering of perceived political risk for foreign direct investments in the region, are only partly true. While mediation efforts, diplomacy and military interventions in the long run can contribute to political and economic stability, the goals and implementation of deeper regional cooperation and integration have often been hampered by the member state's own interests and unwillingness to share sovereignty. Another proof of this unwillingness to engage in further and deeper regional integration is the lack of a regional dimension in the national plans of SADC's member states. There is a lack of prioritization when it comes to strategies, policies and cooperation linked to regional questions (Tavares 2010: 64). Taylor goes so far as to state that Southern Africa is effectively lacking hegemony, on the basis that patrimonialism has contributed to the devolution of power and fortification of the state's own elites. With the lack of regional hegemony, despotism and unpredictability arises and continues, developments which creates trouble both for the stability of the regional project and for how capitalist development and subsequent investments can influence the region's development (Taylor 2011: 1242). This confirms the negative relationship between political instability and the ability to attract foreign investments. Delayed implementation of protocols, different views on regional security and a lack of willingness to cooperate in mediation efforts has had negative consequences for the organization's effectiveness. Arguably, SADC must have learned from trials and errors in Lesotho, the DR Congo, Zimbabwe and Madagascar (van Nieuwkerk 2014: 65). The SADC Tribunal could have been an illustrative example of SADC establishing a

common legal precedence throughout the region. However, the shortcomings and subsequent suspension of the Tribunal shows the difficulty in the implementation of a legal organ for regional dispute settlement (de Wet 2013). If the logic of SADC is to be “no development without stability”, the organization could benefit from a high degree of institutional refinement (van Nieuwkerk 2014: 54). During the period concerned, managing elections in the SADC region has been given increased attention by the organization and its member states. This prioritization is because of a realization that with election times comes a sharpening of political tensions (ibid. 2014: 61). For the benefit of the region’s stability SADC aims to work towards limiting the escalation of potential inter-state conflict, frequently intensified during the time of an election. With elections held in South Africa, Malawi, Mozambique, Botswana and Namibia during 2014, there is call for both SADC and AU to monitor the processes, as there are worries about the potential for conflict surrounding the elections (Mail and Guardian 2014). The argument at the outset was that regional integration efforts are advantageous towards regional economic and political stability, which in turn will attract an increase in FDI. It was also argued that FDI is beneficial to the host countries. Concerning SADC, the last twenty years have seen several attempts at establishing regional legal, financial and political institutions and keeping the region peaceful and stable. The motivation for interventions and mediation efforts in the region varies, and SADC members rarely agree on further action and development. Furthermore, new treaties and agreements often fall victim to prolonged processes of implementation and a low degree of practical consequences. National interests have high explanatory value for how the member states perform in terms of attracting FDI. In Southern Africa, strong national interests and a prioritization of sovereignty are also disadvantageous to further regional cooperation. Meanwhile, regionalism in southern Africa cannot be discarded only as a tool for state leaders to legitimize their sovereignty and leadership. Although SADC is accused of being a slow and inefficient institution, the positive effects of regional integration can be seen in member states, which themselves have relative political stability and sound fiscal policies, among them macroeconomic policies directly aimed at attracting an increase in FDI. An overall stable country such as Botswana benefits from its membership in SADC and SACU, while an unstable country like Zimbabwe not only creates greater challenges for its own ability to attract FDI, but also disrupts the regional peace and the future of SADC. Therefore, there is clearly not enough evidence to support neither H1 nor H2. SADC has not been a coherent regional actor, and the transnational legal and political-economic frameworks are rarely followed up in practice. As the role of South Africa as a regional hegemon is disputed, the conclusion will be that the regional hegemon in

practice has not been effective in constraining “bad” and disruptive behaviour from neighbouring states, Zimbabwe being a strong example. Therefore, H3 has little support in the findings when looking at the whole region.

For scholars such as Jensen (2008) and Jakobsen (2010), political risk it provides approaches for systematizing analyses of countries and sectors, and indicators of risks facing potential investments abroad. To update the quote from Benjamin Franklin; an investment in political knowledge will pay a better interest when investing abroad (Bremmer and Keat 2009). This thesis has shown how the structure, development, use of tools for intervention and policies of regional institutions directly and indirectly affect the political risk climate for foreign direct investment. As much of the older literature regarding political risk and investments into developing countries are based on the behaviour of Western countries, sometimes limiting the case studies to only the US and the UK, a case can be made that an emerging power such as China does not view political risk in the same way as “the West”. Still, companies from the “rising powers”, such as China, India and Brazil, are concerned with their reputation and behaviour in the host country. South African companies share these types of concerns, but with an added dimension of being companies from one large country investing in another, usually smaller, African country (Tjønneland 2014). The thesis aimed to identify and explain causal links between the effects of regional integration can have on political risk. With an added emphasis on the role of South Africa, this helped explain what kind of relationship evolves between a regional hegemon and its smaller neighbouring states within the politics of regionalization, and whether the presence of a regional power is beneficial to its neighbouring states. A combination of historical factors, current development and descriptive FDI numbers could be combined with statistics from agencies specializing in political risk analysis or useful datasets such as Quality of Government (2013), to show variations between countries within a regional organization. Instead of examining an organization that comprises fifteen member states, an approach concentrating on one particular country’s political risk in light of its membership in a regional organization could also be interesting future research, in line with Te Velde and Bezemer (2006). It is worth noting that “regional actors” have been included in overviews of actors who can affect political risk (Jakobsen 2010). This shows that although a regional organization like SADC gets its fair share of criticism for being ineffective, potential investors and scholars within economics or political science have to take regional actors and interests into account when investigating political risk. Analysing regional dynamics and the

influence of a regional organization will provide further insights into the reasons why political risk can be mitigated within a country or a region.

Bibliography

Afesorgbor, S., & Van Bergeijk, P. (2011). Multi-membership and the effectiveness of regional trade agreements in western and southern Africa: A comparative study of ECOWAS and SADC. Institute of Social Sciences Working Paper, (520).

Alden, C., & Soko, M. (2005). South Africa's economic relations with Africa: hegemony and its discontents. *Journal of Modern African Studies*, 43(3), 367-391.

Amos, S. (2010). Role of South Africa in SADC Regional Integration: The Making or Braking of the Organization, *The. J. Int'l Com. L. & Tech.*, 5(3), 124-131.

Ancas, S. (2011). The effectiveness of regional peacemaking in Southern Africa – Problematising the United Nations - African Union - Southern African Development Community relationship. *African Journal on Conflict Resolution*, 11(1), 129-152.

Anyanwu, J. C. (2012). Why Does Foreign Direct Investment Go Where It Goes?: New Evidence From African Countries. *Annals of Economics & Finance*, 13(2), 425-462.

Asiedu, E. (2006). Foreign direct investment in Africa: The role of natural resources, market size, government policy, institutions and political instability. *The World Economy*, 29(1), 63-77.

Basu, A., & Srinivasan, K. (2002). Foreign Direct Investment in Africa - Some Case Studies (No. 02/61). International Monetary Fund.

Bezuidenhout, H., & Naudé, W. (2008). Foreign direct investment and trade in the Southern African development community (No. 2008.88). Research paper/UNU-WIDER.

Blomström, M., & Kokko, A. (2003). The Economics of Foreign Direct Investment Incentives. *Foreign Direct Investment in the Real and Financial Sector of Industrial Countries*.

Bremmer, I., & Keat, P. (2009). *The fat tail: the power of political knowledge for strategic investing*. Oxford University Press.

Busse, M., & Hefeker, C. (2007). Political risk, institutions and foreign direct investment. *European journal of political economy*, 23(2), 397-415.

- Buthelezi, S. (2006). *Regional Integration in Africa: Prospects and Challenges for the 21st Century* (Vol. 1). Ikhwezi Afrika Pub.
- CIA (2014). World Factbook: Congo, Democratic Republic of the. Retrieved 05.05.2014, available at <https://www.cia.gov/library/publications/the-world-factbook/geos/cg.html>
- CIA (2014). World Factbook: Madagascar. Retrieved 01.05.2014, available at <https://www.cia.gov/library/publications/the-world-factbook/geos/ma.html>
- CIA (2014). World Factbook: Lesotho. Retrieved 02.05.2014, available at <https://www.cia.gov/library/publications/the-world-factbook/geos/lt.html>
- Cleeve, E. (2008). How effective are fiscal incentives to attract FDI to Sub-Saharan Africa?. *The Journal of Developing Areas*, 42(1), 135-153.
- Cleeve, E. (2012). Political and institutional impediments to foreign direct investment inflows to sub-Saharan Africa. *Thunderbird International Business Review*, 54(4), 469-477.
- Dahl, J. (2002). Incentives for Foreign Direct Investment: the Case of SADC in the 1990s (Vol. 81). Namibian Economic Policy Research Unit.
- Darley, W. K. (2012). Increasing Sub-Saharan Africa's share of foreign direct investment: Public policy challenges, strategies, and implications, *Journal of African Business*, 13(1), 62-69.
- De Wet, E. (2013). The rise and fall of the Tribunal of the Southern African Development Community: implications for dispute settlement in southern Africa. *ICSID review*, 28(1), 45-63.
- Draper, P. (2012). Breaking Free from Europe: Why Africa Needs Another Model of Regional Integration, *The International Spectator: Italian Journal of International Affairs*, 47(1), 67-82.
- Erb, C. B., Harvey, C. R., & Viskanta, T. E. (1996). Political risk, economic risk, and financial risk. *Financial Analysts Journal*, 29-46.
- Eurasia Group and PriceWaterhouseCoopers (2006) "Integrating Political Risk into Enterprise Risk Management". Retrieved 11.03.2014, available at <http://www.pwc.com/gx/en/political-risk-consulting-services/pdf/prarermfinal.pdf>

- Franke, B. (2009). *Security cooperation in Africa: a reappraisal*. FirstForumPress.
- Gebrewold, B. (2014). Legitimate Regional Powers? A Failed Test for Ethiopia, Nigeria, and South Africa, *African Security*, 7(1), 1-23.
- Genna, G. M., & Lombaerde, P. D. (2010). The small N methodological challenges of analyzing regional integration. *European Integration*, 32(6), 583-595.
- Gibb, R. (2006). Rationalisation or redundancy: making eastern and Southern Africa's regional trade units relevant. Brenthurst Discussion Papers 3/2006.
- Gibb, R. (2007). Regional Integration in Post-Apartheid Southern Africa. *Tijdschrift voor economische en sociale geografie*, 98(4), 421-435.
- Gibb, R. (2009). Regional integration and Africa's development trajectory: meta-theories, expectations and reality. *Third World Quarterly*, 30(4), 701-721.
- Government of South Africa (2011). National development plan: Vision for 2030, National Planning Commission, Pretoria, South Africa. Retrieved 05.05.2014, available at <http://www.gov.za/documents/detail.php?cid=318076#top>.
- Jakobsen, J. (2010). Old problems remain, new ones crop up: Political risk in the 21st century. *Business Horizons*, 53(5), 481-490.
- Jensen, N. (2008). Political risk, democratic institutions, and foreign direct investment. *The Journal of Politics*, 70(4), 1040-1052.
- Karns, M. P., & Mingst, K. A. (2010). *International organizations: the politics and processes of global governance* (p. 4). London: Lynne Rienner Publishers.
- Kerner, A., & Lawrence, J. (2011). What's the Risk? Bilateral Investment Treaties, Political Risk and Fixed Capital Accumulation. *International Organization*, 65, 401-32.
- Kolstad, I. & Wiig, A. (2011). Better the Devil You Know? Chinese Foreign Direct Investment in Africa, *Journal of African Business*, 12(1), 31-50.
- Krapohl, S., & Fink, S. (2013). Different Paths of Regional Integration: Trade Networks and Regional Institution-Building in Europe, Southeast Asia and Southern Africa. *JCMS: Journal of Common Market Studies*, 51(3), 472-488.

- Krapohl, S., Meissner, K. L., & Muntschick, J. (2014). Regional Powers as Leaders or Rambos? The Ambivalent Behaviour of Brazil and South Africa in Regional Economic Integration. *JCMS: Journal of Common Market Studies*, 1-17.
- Kraxberger, B. M. & McClaughry, P.A. (2013). South Africa in Africa: a geo-political perspective, *Canadian Journal of African Studies/La Revue canadienne des etudes africaines*, 47(1), 9-25.
- Kubny, J., Mölders, F., & Nunnenkamp, P. (2011). Regional integration and FDI in emerging markets. *Regional Integration, Economic Development and Global Governance*, 172-200.
- Laudicina, P., Peterson, E. & Gott, J. (2013). Back to Business: Optimism Amid Uncertainty. The 2013 A.T. Kearney Foreign Direct Investment Confidence Index. Retrieved 01.05.2014, available at <http://www.atkearney.com/research-studies/foreign-direct-investment-confidence-index>.
- Lederman, D., Mengistae, T., & Xu, L. C. (2013). Microeconomic consequences and macroeconomic causes of foreign direct investment in Southern African economies. *Applied Economics*, 45(25), 3637-3649.
- Magure, B. (2012). Foreign investment, black economic empowerment and militarised patronage politics in Zimbabwe. *Journal of Contemporary African Studies*, 30(1), 67-82.
- Mahembe, E., & Odhiambo, N. M. (2013). The dynamics of foreign direct investment in SADC countries: experiences from five middle-income economies. *Problems and Perspectives in Management*, 11(4), 35-45.
- Mail and Guardian (2014). Louw-Vaudran, L. "SADC elections a high-risk affair". Retrieved 28.04.2014, available at <http://mg.co.za/article/2014-01-30-sadc-elections-a-high-risk-affair>.
- Mandela, N. (1993). South Africa's future foreign policy. *Foreign Affairs*, 86-97.
- Mbuende, K. M. (2014). Namibia and the Southern African Development Community. Retrieved 05.05.2014, available at http://www.kas.de/upload/Publikationen/2014/namibias_foreign_relations/Namibias_Foreign_Relations_mbuende.pdf.
- Merom, G. (2003). Realist hypotheses on regional peace. *The Journal of Strategic Studies*, 26(1), 109-135.

Mhlanga, N., Blalock, G., & Christy, R. (2010). Understanding foreign direct investment in the Southern African development community: an analysis based on project-level data. *Agricultural Economics*, 41(3-4), 337-347.

Mlambo, K. (2005). Reviving foreign direct investments in Southern Africa: constraints and policies. *African Development Review*, 17(3), 552-579.

Nathan, L. (2013). African solutions to African problems: South Africa's foreign policy. SAFPI Policy Brief No 51.

Neethling, T. (2014). Revisiting South Africa's Contemporary Political Risk Profile. *SOuTHERN AFRICAN*, 35.

OECD (2013). OECD Factbook 2013: Economic, Environmental and Social Statistics. Retrieved 28.04.2014, available at <http://www.oecd-ilibrary.org/sites/factbook-2013-en/04/02/01/index.html?itemId=/content/chapter/factbook-2013-34-en>.

Paul, T.V. (2012). *International Relations Theory and Regional Transformation*. Cambridge University Press, Cambridge.

Power, M. (2001). Editorial: Patrimonialism & Petro-Diamond Capitalism: Peace, Geopolitics & the Economics of War in Angola. *Review of African Political Economy*, 489-502.

PRS Group (2013): Global Map of Political Risk. Retrieved 01.05.2014, available at <https://www.countrydata.com/products>.

SADC (2014). "Facts and Figures". Retrieved 26.04.2014, available at <http://www.sadc.int/about-sadc/overview/sadc-facts-figures>.

Saurombe, A. (2012). The role of SADC institutions in implementing SADC treaty provisions dealing with regional integration. *PER: Potchefstroomse Elektroniese Regsblad*, 15(2), 01-34.

Sethi, S. P., & Luther, K. A. N. (1986). Political Risk Analysis and Direct Foreign Investment: Some Problems of Definition and Measurement. *California Management Review*, 28(2), 57-68.

Singh, H., & Jun, K. (1995). Some new evidence on determinants of foreign direct investment in developing countries. *World Bank Policy Research Working Paper*, (1531).

Tavares, R. (2010). *Regional Security: The capacity of international organizations*. Routledge.

- Tavares, R. (2011). The Participation of SADC and ECOWAS in Military Operations: The Weight of National Interests in Decision-Making. *African Studies Review*, 54(2), 145-176.
- Taylor, I. (2011). South African 'Imperialism' in a Region Lacking Regionalism: a critique, *Third World Quarterly*, 32(7), 1233-1253.
- Taylor, I. (2014). Book review: Nathan Laurie: Community of Insecurity: SADC's Struggle for Peace and Security in Southern Africa, *The Round Table: The Commonwealth Journal of International Affairs*, 103(1), 135-137.
- Te Velde, D. W., & Bezemer, D. (2006). Regional integration and foreign direct investment in developing countries. *Transnational Corporations*, 15(2), 41-70.
- Teorell, J., Charron, N., Dahlberg, S., Holmberg, S., Rothstein, B., Sundin, P. & Svensson, R. (2013). The Quality of Government Basic Dataset made from The Quality of Government Dataset, version 15 May 2013. University of Gothenburg: The Quality of Government Institute. Retrieved 12.03.2013, available at <http://www.qog.pol.gu.se>.
- Thomson, A. (2004). *An Introduction to African Politics*. Routledge.
- Tjønneland, E. N. (2014). Rising powers in Africa: what does this mean for the African peace and security agenda?. Retrieved 01.05.2014, available at [http://peacebuilding.no/Themes/Emerging-powers/Publications/Rising-powers-in-Africa-what-does-this-mean-for-the-African-peace-and-security-agenda/\(language\)/eng-US](http://peacebuilding.no/Themes/Emerging-powers/Publications/Rising-powers-in-Africa-what-does-this-mean-for-the-African-peace-and-security-agenda/(language)/eng-US)
- UNCTAD (2013). World Investment Report - Global value chains: Investment and trade for development, United Nations, New York and Geneva.
- UNCTAD (2014). "Inward and outward foreign direct investment stock, annual, 1980-2012". Retrieved 07.03.2014, available at <http://unctadstat.unctad.org/TableView/tableView.aspx>
- Van Der Vleuten, A., & Hoffmann, A. R. (2010). Explaining the enforcement of democracy by regional organizations: comparing EU, Mercosur and SADC. *JCMS: Journal of Common Market Studies*, 48(3), 737-758.
- Van Nieuwkerk, A. (2014). The Strategic Culture of Foreign and Security Policymaking: Examining the Southern African Development Community. *African Security*, 7(1), 45-69.

Welz, M. (2013). *Integrating Africa: Decolonization's Legacies, Sovereignty and the African Union*. Routledge.

WTO (2003). Trade Policy Review: Southern African Customs Union. Retrieved 06.05.2014, available http://www.wto.org/English/tratop_e/tpr_e/tp213_e.htm.

WTO (2014). Trade and Investment. Retrieved 26.05.2014, available at http://www.wto.org/english/tratop_e/invest_e/invest_e.htm.