



# Geopolitics and South Africa's Role in the World

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- Several international political and economic factors shaped current world order.
- Firstly, a growing resistance to globalisation.
- Secondly, the emergence of a multipolar world trading system.
- Thirdly, global financial instability emanating from 2008/9 global financial crisis as well as economic and Covid-19 crises of 2020.
- Fourthly, the rise of resources and vaccine nationalism.
- Fifthly, the resurgence of the state as key economic and social actor.
- Lastly, the escalation of tensions and great power competition between the US, on the one hand, and China and Russia on the other.

- Previous US governments pursued policy of encouraging China's integration into liberal international order.
- For this reason Clinton Administration signed US-China Relations Act of 2000: granted China permanent normal trade relations with US.
- Key strategic objective was to turn China into "responsible stakeholder" and contain its global ambitions.
- Under Trump administration China morphed from being potential strategic partner to being strategic competitor.
- Trump and his officials accused China of "ripping off" the US.
- Trump also critical of China's Made in China 2025 programme – industrial upgrading strategy to shift China's economy into higher value-added manufacturing sectors.



- US National Security Strategy (2017) warned that US re-entering era of great power competition in which China and Russia “want to shape a world antithetical to US values and interests.”
- Biden administration made competing with China its principal foreign policy priority.
- Beneath façade of bitter disputes between US and China lies titanic struggle for global supremacy and control.
- China has global ambitions to replace US as world’s superpower – pursued policy of “peaceful rise.”
- Under Xi Jinping China more assertive about its global leadership aspirations.
- Did Xi miscalculate?

# US-China Disputes and Tensions

- Investments.
- Trade.
- Intellectual property 'theft.'
- Forced technology transfers.
- Subsidies.
- Exchange rate policy.
- Restrictions on US tech companies – Google, Facebook, Gmail, Twitter, Facebook, YouTube etc.
- Battle for technological supremacy – G5 networks.
- Made in China 2025 Programme.
- Taiwan.
- Human rights.
- Military competition.
- Competition for global influence.

- Collapse of Soviet Union led US policymakers to believe Russia could be persuaded to join the West.
- Vladimir Putin described Soviet collapse as “greatest geopolitical tragedy of the 20<sup>th</sup> century.”
- Most decisive blow to US-Russia relations was Russia’s cyber interference in 2016 US presidential election campaign.
- Putin administration believes Russia’s legitimate interests ignored by US.
- This includes Russia’s right to a sphere of influence in post-Soviet states: must not join NATO or the EU.
- In February 2022, Russia and China signed pact to challenge US-dominated political and military order.
- Ukraine dominates how West views Russia – regardless of how war ends West and Russia headed for period of grim and frosty relations.



# Russia-Ukraine War and Supply Chains

- Even before current turbulence, companies watched geopolitical issues when moving parts and products around world.
- PWC 25<sup>th</sup> Annual Global CEO Survey – 32% of executives cited geopolitical conflict as top threat to growth; 71% said it could inhibit ability to sell products or services.
- Global or regional disruptions can create operating environments result in higher costs, increased complexity and less efficiency in supply chains.



**Made in China.**

# Russia-Ukraine War and Supply Chains

- Russia-Ukraine conflict illustrates these geopolitical risks today.
- Russia and Ukraine net exporters agricultural goods such as wheat, corn and sunflower oil.
- Prolonged conflict could lead to shortages and prompt importers to seek alternative suppliers.
- US imports large amounts of metals, fertilisers and petroleum products from Russia.
- Ukraine major producer of neon gas – critical component for semiconductor industry.
- Strategic agility crucial to navigating geopolitical supply chain risks.
- To offset further disruptions and mitigate impact on global operations, companies must develop capabilities to monitor, measure and manage exposure to geopolitical events.

# Russia-Ukraine War and Supply Chains

- Regional conflicts can constrain energy supply and disrupt major transportation routes – raise costs across the board.
- Some companies starting to regionalise supply chains to reduce exposure to global networks and hedge against geopolitical tensions.
- As companies review supply chain profiles, they may also consider localising, reshoring and other de-risking methods. But such moves can expose firms to new costly challenges.
- Important to regularly watch geopolitical trends and events that have potential to affect key supply locations and industries.
- Also key to regularly identify and review risk exposure by mapping known supply chain nodes. This requires detailed research and diligence.
- It is vital to plan to adapt business strategies and operations to changing global or regional conditions with little notice and incomplete information.

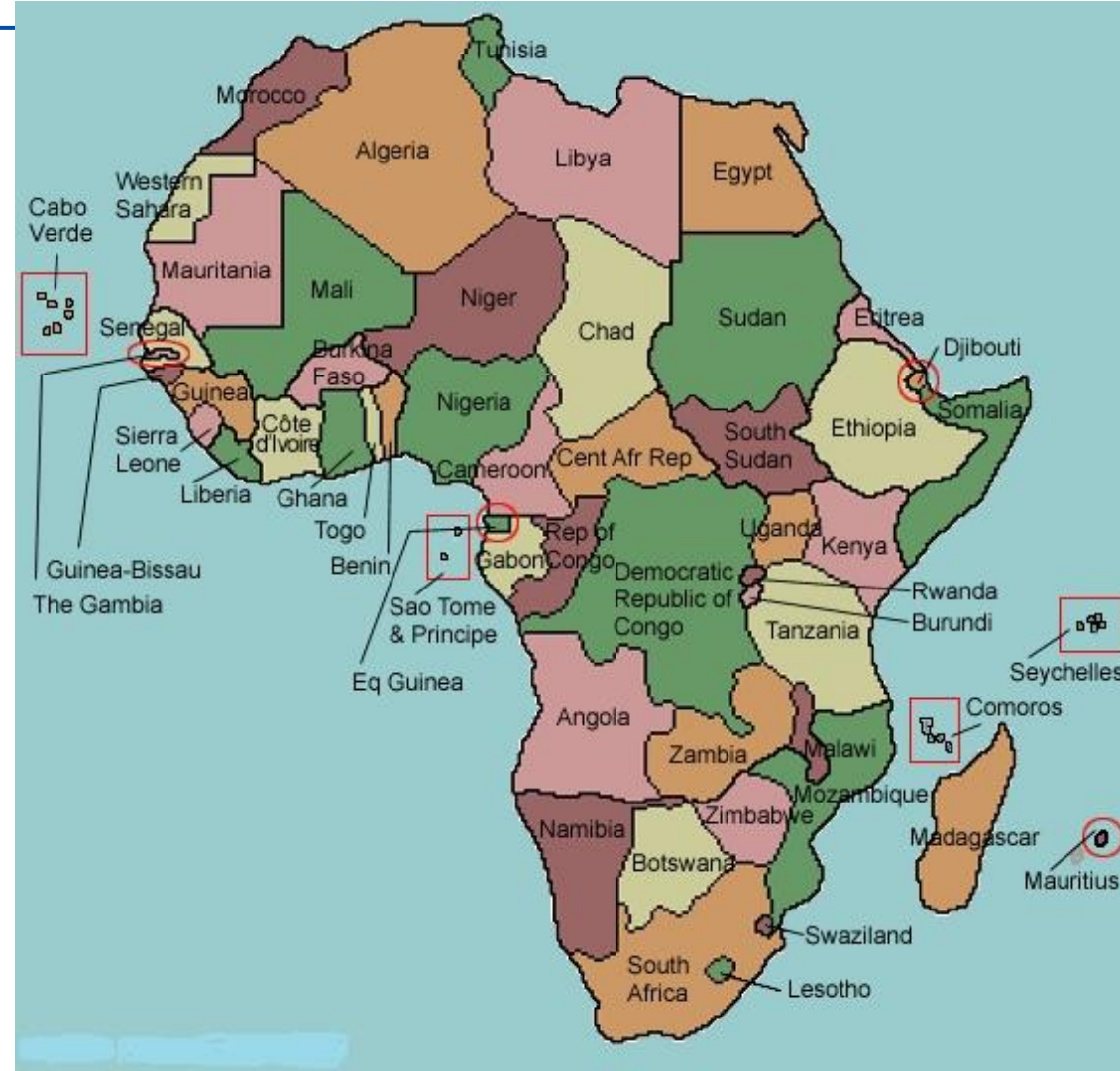
# Russia-Ukraine War and Global Trade

- Geopolitical and geo-economic changes destabilising world trading system.
- With ongoing US-China tensions and economic response to Russia's invasion of Ukraine, trade has taken 'geopolitical' turn.
- Trade policy increasingly linked to geopolitical risks, but it is also used to pursue broader foreign policy interests – climate change, human rights, national security interests etc.
- In light of shifting geopolitical landscape, major trading nations adapting their approach to trade.
- China's assertiveness and its rivalry with US at core of global trade friction.
- European Union pursuing policy of 'open strategic autonomy' – taking steps to counter use of economic coercion by third countries.
- Rising non-Western economic powers openly questioned and challenged liberal international order.

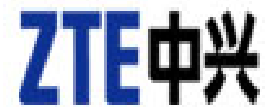
# Russia-Ukraine War and Global Financial System

- Russia-Ukraine conflict highlighted that countries can be totally cut off from global financial system.
- Painstakingly built dollar reserves could become worthless overnight.
- This likely to accelerate move away from dollar towards alternative assets and payment systems.
- Imbalances in dollar based financial system compounded by weaponisation of dollar on global economy.
- Speed and severity of sanctions imposed on Russian Central Bank and closure of SWIFT to the country emphasised importance of access to dollar.
- Currently, China has Cross-Border Interbank Payment System (CIPS) and Russia the System for Transfer of Financial Messages (SPFS).
- Both CIPS and SPFS pale in comparison to SWIFT which has more users across world.
- In future some economies may become more open to transact in alternative payments systems, in addition to SWIFT, to reduce risk of using single payments network.

- China, US, Russia and European Union locked in battle for influence in Africa.
- Resource/commodity factor driver of China's policy towards Africa.
- China requires vast reservoir of resources to sustain rapid growth trajectory and necessary cornerstone for social stability.
- Energy backbone of China's interests in Africa: China currently imports nearly 30% of its energy needs from Africa.
- Also increased appetite for other various commodities beyond energy including copper, platinum, nickel, iron ore, aluminium etc.
- In 2009, China overtook the US as Africa's single largest trade partner.



# Geopolitics and Africa





- China-US rivalry in Africa bears echoes of Cold War era.
- During Cold War African countries positioned like pawns on grand chessboard.
- In current geopolitical tensions Africa must avoid past mistakes.
- African countries must be highly strategic and tactical in how they respond to China-US competition.
- Three arenas for African opportunity in current geopolitical stalemate.
- Firstly, technological frontiers.
- Secondly, global supply chains.
- Thirdly, intra-Africa trade.

- Commercial ties important driver of Russia's foray into Africa.
- Moscow's focus mainly confined to tapping into markets in Africa's minerals and energy sectors.
- Russian companies also broken into science and engineering markets.
- BRICS Development Bank represents crucial strategic lever for Russia in Africa.
- Russia's resurgence provides Africa with opportunity to diversify strategic engagements with external powers.
- But it also presents threats and challenges – e.g. arms trade.

- Russia-Ukraine conflict will have long-term adverse effects on African countries if it continues longer.
- War is disrupting financial markets, fragmenting supply chains and increasing food and commodity prices.
- As in crisis of 1970s, African continent will be casualty.
- Old problems of sovereign debt risks will be amplified for African countries without fiscal capacity to support development programmes.
- There is also risk that European countries will divert most of their aid to Ukraine at the expense of African countries.
- War will also weaken multilateral institutions that have anchored global stability.

- Significant agricultural trade between countries on the continent and Russia and Ukraine.
- African countries import wheat, maize, sunflower oil, barley, soybeans and fertiliser from Russia and Ukraine.
- Wheat makes up 90% Africa's agricultural imports from Russia, and 48% of agricultural imports from Ukraine.
- Ongoing Russia-Ukraine conflict means pressure on international commodity prices will persist.
- From African agriculture perspective, impact of the war will be felt through the global agriculture commodity prices channel.
- It will also be felt in sharp rise in global oil prices. Oil prices will remain above \$100/barrel for as long as the conflict rages (International Atomic Agency).

- South Africa joined BRICS (Brazil, Russia, China, India and South Africa) grouping in 2010.
- BRICS states wield significant diplomatic and economic clout in global order.
- BRICS countries seek to challenge and transform Western-dominated world system.
- BRICS bank positioned itself to play significant role in infrastructure financing and improving international monetary system.
- Influence of South Africa's BRICS membership on country's "neutral stance" on Russia-Ukraine conflict cannot be overlooked.
- But is South Africa's "neutral stance" in country's national interest?

- Five problems with present South African foreign policy.
- Firstly, country has lost moral authority and international respect it enjoyed when it became a democracy.
- Secondly, foreign policy failed to articulate clear policy approach aligned to South Africa's normative values, its developmental role, and its commercial interests.
- Thirdly, damage done to South Africa's image during apartheid era continued to have disproportionate influence on country's foreign policy agenda.
- Fourthly, ANC government's foreign policy provided little evidence of fundamental shift in South Africa's foreign policy thinking.
- Lastly, ANC government's foreign policy thinking and pronouncements dominated by radical views and populist rhetoric rather than real substance.

# Conclusion

- Russia-Ukraine war exerted enormous geopolitical strain on global political economy.
- Against backdrop of war loom other pressing global problems.
- These include high levels of poverty, unemployment and inequality; climate change; demographic shifts; rapid technological changes; and spread of communicable diseases.
- World needs far-sighted leadership that can transcend narrow self-interest and consider collective well-being of global society.
- Global leaders must work harder to find diplomatic solutions to current war.
- Established and emerging powers, including South Africa, must show greater commitment to working together in shouldering burden of global leadership.

**Thank You!**