

Trust, Power, and Partnership:

A Study of the Evolution of Sweden's Bilateral Economic Partnership with Post-Apartheid South Africa¹

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Abstract

In This article examines the legacy of the Swedish anti-apartheid movement on their post-apartheid bilateral economic relationship with South Africa. Focusing on developments within the South African economy from a Swedish perspective, the article studies Sweden's ambitions and efforts to develop their economic cooperation. The study is built on mixed methods where the main bulk of data is collected through semi-structured interviews with Swedish experts on the bilateral relationship. Through an analytical framework built on embeddedness theory and soft power, the article examines the impact of the trust and influence that stems from Sweden's support of the South African liberation movement.

The article finds that the deep trust and influence established during apartheid had a major impact on the early cooperation between Sweden and post-apartheid South Africa, which focused on strengthening the institutional base to expand future cooperation side-by-side with a transitional humanitarian aid program. It is further found that the relationship has cooled down over time, which is attributed to the change in context

as apartheid was dismantled. Personal ties have faded as politicians have been replaced, and the discontinuation of the Swedish financial aid program in 2013 meant a substantial decrease in the funding of their institutional cooperation.

Trade became the focus of the economic partnership as the bilateral development cooperation gradually diminished in size. Sweden has worked actively for increased trade in both directions through programs targeted at creating personal relationships between firms and developing their institutional networks. The results suggest that the post-apartheid relationship was imprinted with an unspoken debt of gratitude from the South African side. It is found that the Swedish influence that ensued has decreased over time, and there are indications that a contributing factor is the improprieties found following a controversial military deal in 1999. The importance of the trust and influence stemming from the apartheid-era cooperation has diminished over time. Its main legacy is the broad institutional networks created to foster trust and increase the economic activity between the two countries.

Introduction

It was not an accident that Sweden was the first country outside the African continent to be visited by Nelson Mandela after his release from Robben Island in 1990 (Swedish Foreign Ministry, 2015). Rather, Mandela's visit was highly symbolic of the close relationship forged between the leaders of the South African liberation movement and both the Swedish government as well as its civil society. This was an outcome of decades of Swedish economic and political support of the South African liberation movement, across all levels of society.

While reports of the reality of apartheid² had reached Sweden in the previous decade, it was the Sharpeville Massacre in 1960 that really brought it into the Swedish consciousness and caused national mobilisation (Magnusson, 1974).³ On the governmental level, a substantial aid program held almost unanimous support in the Swedish parliament. Sweden was in fact the first Western country to support the anti-apartheid movement financially, at the same time as other influential states such as the United Kingdom and the United States branded them as terrorist organisations (Sellström, 2002b: 753). On the regional and local levels, grassroots organisations throughout Sweden organised under the Isolate South Africa Committee (ISAK). This aimed to raise domestic awareness of the South African situation and to pressure the Swedish government to do more to support the anti-apartheid movement.

They also raised funds for the liberation movement and carried out several consumer boycotts of South African goods, aiming to put economic pressure on the apartheid regime (Magnusson, 1974).

The development of the apartheid-era relationship has been covered thoroughly by previous research in a broad array of academic fields, including economics, economic history, international relations, and political science (Magnusson, 1974; Hermele and Palmberg, 1990; Bjereld, 1995; Bangura, 2004; Thörn, 2006; Silén, 2007). In addition to this, Tor Sellström released three publications in 2002 under the project 'Sweden and National Liberation in Southern Africa' which constitutes a comprehensive documentation of Sweden's agency in the fight against apartheid (Sellström, 2002a; 2002b; 2002c). Meanwhile, the post-apartheid literature has almost exclusively focused on the controversial 1999 weapons deal between the African National Congress (ANC) and Svenska Aeroplan Aktie Bolag (SAAB), also known as the JAS-deal.⁴

This article contributes to the field by assessing how Sweden has cultivated the special relationship that was built with the South African liberation movement, to establish the nature of its heritage on their post-apartheid economic relationship. The study ends in 2018, to exclude any impact caused by the Covid-19 pandemic.

The focus of the article lies on the South African economy from a Swedish perspective. It begins with a brief history of the South African economy, followed by a section on the analytical framework which centres the impact of trust and influence on the post-apartheid cooperation. The subsequent section introduces the methods and methodology. The results are introduced by a section on Sweden's initial ambitions in a liberated South Africa before looking closer at Swedish aid and development cooperation in South Africa, as well as Sweden's trade and investment cooperation with South Africa. The latter is in turn structured around sections covering Swedish export promotion; the development and stability of the post-apartheid South African economy; Swedish exports and investments in South Africa; the apartheid-era's heritage on the bilateral

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cooperation; and the lasting consequences of the JAS-deal.

Background: The South African Economy

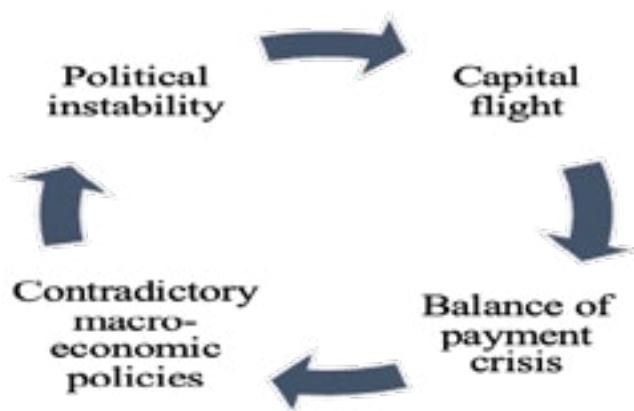
When gold was found in the Witwatersrand in the 1880s, it boosted the South African economy which had previously relied on an inefficient labour-heavy agricultural sector (Feinstein, 2005: 2–3). The mining industry became the colony's new engine of growth and attracted international investments through its domestic potential – the access to valuable raw materials, combined with its relatively refined economic sector and its substantial system for logistics and transports. In addition, it granted them access to regional markets on the African continent. The mining industry also attracted droves of migrant workers from neighbouring states with less stable economic situations. However, due to the diminishing quality of the available ore, the colonial government needed to find a replacement for gold – and they targeted the manufacturing sector (ibid: 131).

The South African manufacturing sector was – like their agricultural sector – expensive, inefficient, and lacking in capital and technology. It was a heritage from Dutch colonisation in 1652, when the colony was restricted to only produce for its domestic market to avoid competition with Dutch manufacturing (ibid: 113). These restrictions were removed as the United Kingdom captured the colony in 1795, but the new colonial government struggled to develop the manufacturing industry due to its many inherent weaknesses (ibid). These were a combination of the poverty wages paid to the black majority population, which decimated the local demand, while the exorbitant wages for the white population made their products uncompetitive on the global markets. This was worsened by the manufacturing sector's dependency on imports of primary goods (ibid: 131). The result was an unproductive and expensive manufacturing sector dependent on high tariff protection and the continued export of gold (ibid: 128, 135).

The structural problems of the South African economy got worse after the 1948 election. While the previous government faced pressure from the business sector to ease the racial restrictions due to its harm on the South African economy, the

National Party managed to rally enough support for the implementation of apartheid (ibid: 181). The increased violence and austerity that followed the 1948 election led to an escalation within the domestic resistance movements (Lowenberg, 1997: 70). This had a significant impact on foreign direct investment into the country, which was especially problematic due to South Africa's chronic balance of payment deficit. It forced the government to make further cuts to their public spending, which in turn increased the political instability (ibid). Figure 1 below visualises this vicious cycle, which put increasing strain on the regime.

Figure 1: The Vicious Cycle of the Apartheid Economy



(Source: The Author)

To make things worse, expanded racial restrictions on education and jobs worsened the shortage of skilled labour while increasing the poverty rate among the African population (Feinstein, 2005: 129). Leading up to liberation in 1994, South Africa had one of the highest Gini coefficients in the world, with members of the African population earning approximately 9% of the average white South African (Lundahl and Petersson, 2009: 1). The situation got worse in 1985, as international economic sanctions strategically targeted these pre-existing weaknesses, which put further strain on their economy (Lowenberg, 1997: 69). This led to an external debt crisis in the late 1980s where the South African government was forced to put a moratorium on their short-term international loans (Aravinitis, 2005: 64).

There is consensus in the literature that apartheid ultimately fell because of the unsustainable state of its economy, in particular its inefficiency and high maintenance costs (Lowenberg, 1997; Thompson,

2001; Feinstein, 2005). Racial restrictions were withdrawn, and political resistance organisations were legalised in the lead up to the 1994 election. The result was a liberated ANC-led South Africa tasked with increasing the quality of life for its marginalised black population, while restructuring their highly inefficient and expensive economy. If successful, they would be able to stabilise their economic sector and take advantage of its inherent strengths, such as its well-established banking and transportation sectors.

Analytical Framework

When looking at the impact of the apartheid-era heritage on the post-apartheid relationship between Sweden and South

Africa, this article focuses on two key factors: *trust* and *influence*. The analysis of the impact of *trust* is derived from Granovetter’s (1985) Embeddedness Theory, acknowledging the central role of trust in all economic behaviour. It considers how a close social relationship will deter misconduct due to the moral incentive of not betraying one’s close ally, in addition to the harm it could cause for future cooperation (ibid). Trust is also strengthened by the implementation of institutions aimed at reducing social uncertainties, managing expectations, and regulating misconduct (Granovetter, 1985; Polanyi, 2001; North, 2005). Embeddedness is in this article utilised by considering the trust that is embedded in the bilateral relationship, and its impact on the development of that relationship.

The analysis of Swedish *influence* relies on Rothman’s (2011) reconceptualization of Joseph Nye’s (1990) ‘Soft Power’. It is utilised to highlight the nuances of how economic, institutional, and rhetorical power can be applied in the context of bilateral relations. This article focuses on the Soft Power that stems from Sweden’s moral activism against the apartheid state, and its impact on South African policy implementation following the 1994 election. In addition, it includes an analysis of the utilisation of economic influence on the post-

apartheid relationship, and the impact it has had on their bilateral economic relationship.

Table 1 below visualises the factors and indicators that are applied to interpret the evolution of their economic relationship, and to analyse the apartheid-era’s heritage on their bilateral cooperation.

Table 1: Operationalisation of the Theoretical Framework

Theoretical Framework	Factors	Indicators
Embeddedness	Trust	Personal relationships Institutional networks Economic cooperation
Economic- and Soft Power	Political influence	Personal relationships Policy implementation
	Economic influence	Financial aid

(Source: The Author)

Methodology

This article’s research design relies on a methodology built on mixed methods. It is based on eight semi-structured interviews with Swedish professionals with experience or knowledge of the bilateral economic cooperation between Sweden and South Africa before and after liberation. This is complemented by a conceptual content analysis of two types of Swedish policy documents regarding their economic cooperation, as well as descriptive statistics to quantify the economic flows between them.

Due to the unique nature of this historic relationship, the article focuses on the dependability and consistency of the data, rather than on reliability and validity. Triangulation is combined with a comprehensive context to enable the judgements of transferability to other cases. The semi-structured interviews make up the main bulk of data for the article. Interviewees are kept confidential to allow them to express themselves candidly. The eight sources include professionals representing several Swedish government institutions, including the foreign ministry, the Swedish International

Development Agency (Sida), the Swedish Embassy in Pretoria, export promotion agencies, as well as representatives from the civil society and private sector. The analysis of policy documents regards Country Strategies (hereafter CS) produced by Sida and Land Risk Analyses (hereafter LRA) composed by the Swedish Export Credit Agency (EKN). These reports provide a broad picture of the post-apartheid economic cooperation, mainly covering the early years following South Africa's liberation. Lastly, the article includes descriptive statistics intended to quantify and contextualise the bilateral economic flows between Sweden and South Africa, highlighting the broad strokes of their trade and non-trade cooperation. These are collected from Open Aid, the Organisation for Economic Cooperation and Development (OECD) and Statistics Sweden (SCB).

Results

Sweden's Initial Ambitions in a Liberated South Africa

The South African transition into a non-racial democracy constituted the greatest catalyst for change in Sweden and South Africa's economic relationship since the 1960s. The state of the South African economy at the time of liberation meant that it could benefit from a transitional period of

financial aid, to fund crucial reforms and investments in its labour force. Due to the optimistic outlook for South Africa's economy, the intention was that the relationship would gradually shift to a normal bilateral cooperation (CS, 1999: 10). Therefore, Sweden prioritised the creation of forums for dialogue and future partnership side-by-side with its aid-funded development cooperation. The long-term strategy for the Swedish-South African partnership would be built on common commercial interests, exchanges of experience, and transfers of technology between the two countries (CS, 1999: 12; CS, 2004: 1; CS, 2009: 1). The stated intentions of the Swedish government have been consistent, although the nature of the relationship has evolved over time.

Swedish Aid and Development Cooperation

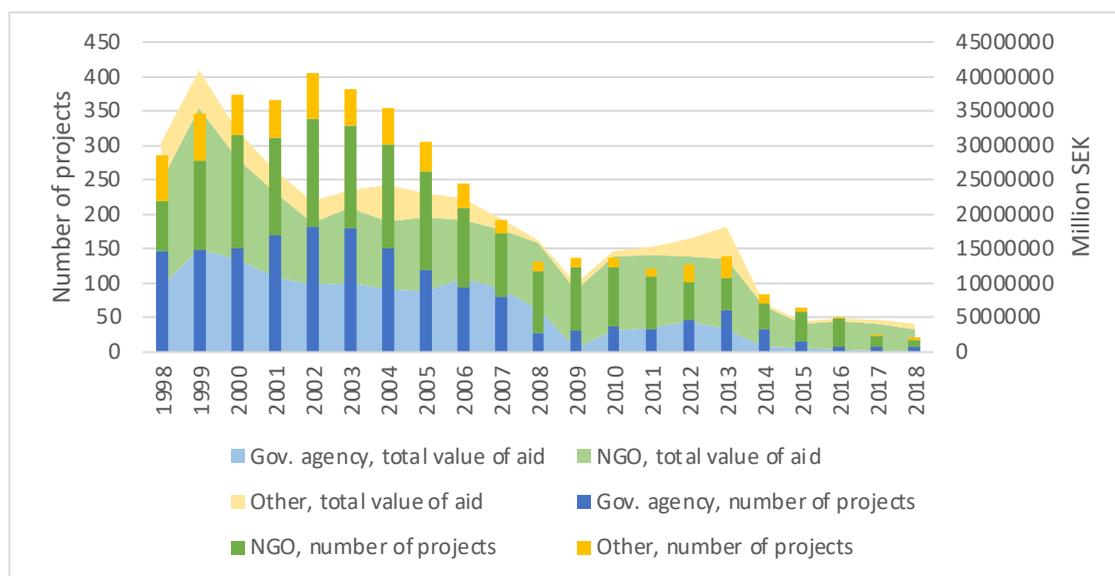
The CS (1999:10) establishes that Sweden's invitation to cooperate on sensitive reforms of the post-apartheid South African state was a result of the trust built through their previous partnership with the ANC. This relied in part on the pre-existing personal relationships between ANC leaders and the heads of many Swedish institutions, which provided a beneficial point of departure for the bilateral development cooperation (ibid). The importance of these relationships is corroborated by Interviewee 1 who discussed the Swedish ambition to take advantage of these close bonds, while adding that Sweden benefitted from its lack of colonial baggage in Africa. This further strengthened the trust and constituted a good base on which to build a relationship between equals. The transitional nature of Sweden's Official Development Assistance (ODA) program meant that it was set up as a springboard for the South African economy to get back on its feet, before being phased out by 2013. While this caused a substantial decrease in volume, Swedish ODA continued to reach South African organisations throughout 2018. Interviewee 2 explained it as the result of regional Non-Governmental Organisations' (NGOs) tendencies to establish their headquarters in South Africa because of the country's freedom of speech, free press, and access to information.

Figure 2 below visualises Swedish ODA directed to South Africa in terms of total value and number of new projects per year between 1998–2018. These are divided into three categories, indicating the type of implementing agency used for each project. The

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figure shows a declining trend in the number of projects beginning in 2002, where governmental projects were the main recipients of the cutbacks. Further, it visualises the continued funding for regional NGOs as the bilateral program ended.

Figure 2: Yearly Swedish ODA to South Africa According to Implementing Agency, 1998–2018



(Source: Open Aid, 2021)

Interviewee 1 explained that the initial support was mainly directed towards traditional humanitarian development projects, to build houses and provide support for South African institutions. Interviewee 3 saw this humanitarian cooperation as a natural continuation from the apartheid period, as large parts of the population still lived in utter poverty. They also discussed the Swedish ambition to ‘contribute to the rebuilding of the South African economy, to make it possible for them to take advantage of its many inherent strengths,’ which included drastic reforms in the manufacturing sector.

A close institutional cooperation between governmental agencies in both countries constituted a major part of the post-apartheid development program. Interviewee 1 mentioned several such examples, including the police, the military, statistical agencies, and tax authorities.

There was also an extensive program for municipal cooperation and dialogue which took place between around 20 municipalities (ibid). The CS (1999) highlights the early cooperation between the port cities Gothenburg and the Nelson Mandela Bay Municipality.⁵ For the twentieth anniversary of this partnership, a celebratory booklet was released which credits the partnership to the deeply

entrenched relationships that were established as a direct result of Sweden’s support of South Africa’s liberation movement (McCarthy and Botha, 2019: 2). It further emphasised the crucial importance of the Sida-funding that served as their initial financier.

Interviewee 2 highlighted that education and research programs have been highly prioritised throughout the bilateral cooperation, which has remained the focus of the ODA-funded regional cooperation taking place since 2013. The impact of this can be seen through the fact that South Africa has continued to be Sweden’s biggest educational exchange partner throughout the period studied (ibid).

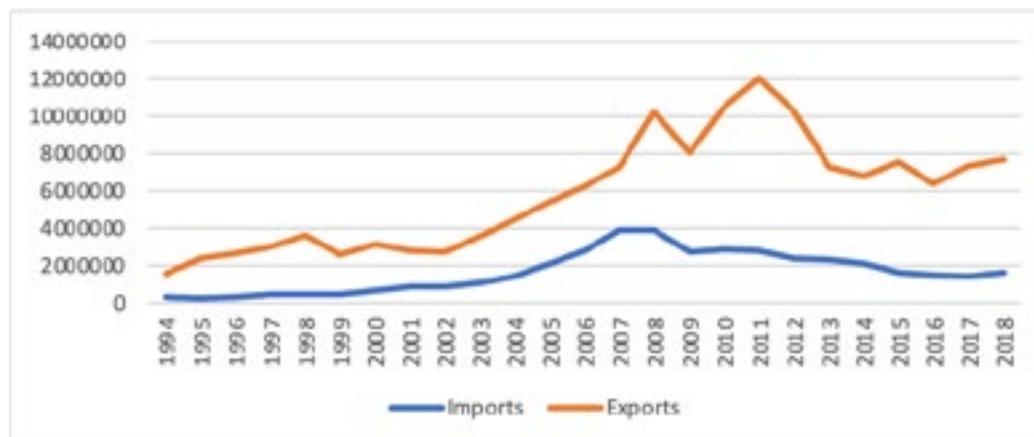
This subsection has shown the declining trajectory of the non-trade economic bilateral cooperation since the late 1990s. While it has coincided with a lesser need for close personal relationships, the broad cooperation that came out of the Swedish development assistance has created institutional

networks at the local, regional, and national levels of Swedish and South African societies, of which several remained active by the end of 2018.

Trade and Investment Cooperation

In the interview with Interviewee 2, they discussed the difficulty in calculating the value of the bilateral economic relationship, in part due to the complex structures of multinational corporations' value chains. Another factor is that Swedish trade with South Africa can benefit their economic sectors without impacting their trade statistics, for example through investment in human capital or the creation of jobs in their domestic markets. The interviewee added: 'it is safe to assume that a Swedish company active in South Africa has a positive impact on the bilateral economic relationship, regardless of whether it shows up in the trade statistics or not.' Due to these problems, Figure 3 below should not be seen as the complete picture of the trade relationship. It does, however, provide an indication of the economic terms of trade between the countries.

Figure 3: Sweden's Annual Commodity Trade with South Africa, 1994–2018



(Source: SCB, 2022a; SCB, 2022b)

Further, Interviewee 2 discussed the sectors and firms of special interest for Swedish trade and investments in South Africa. Historically, the mining sector has been of major importance for Swedish mining firms such as Sandvik and Atlas Copco, but also producers of mining equipment, an area in which Sweden is well established. Another sector of historic importance is logistics and transportation where Volvo and Scania have a firm grasp of the South African

market.' A newer addition is consumer goods where H&M is the biggest Swedish firm active in South Africa. While most of these products have a high added value, South African exports to Sweden have historically been focused on agricultural goods. This is the main factor behind the imbalance in their terms of trade.

Export Promotion

At the time of South Africa's liberation, Sweden's ambitions for its future bilateral cooperation hinged on creating broad channels for mutually beneficial trade. Several interviewees highlighted the Binational Commission started in 1999, which Interviewee 3 described as a direct outcome of the close relationship that had been established between Former South African President Thabo Mbeki and Former Swedish Prime Minister Göran Persson. Interviewee 2 explained the aim and structure of the economic branch of the commission:

It includes a trade and economy committee with two main objectives: one is to discuss global trade politics [...] the other is to come up with ideas and proposals to improve the bilateral trade relationship between both countries.

Beside this mutual program, the Swedish government works actively to promote Swedish exports globally. One example of this is the Swedish Open Trade Gate, a program established in 2005 to increase Swedish imports from developing countries (Kommerskollegium, 2022). Interviewee 2 discussed its aim as 'to find a model to increase South African exports to Sweden. We have started in the agricultural sector since it is already established.

The aim is to diversify our imports to a wider variety of goods.'

Business Sweden, an organisation tasked with helping Swedish firms expand their trade and investments abroad, was established in South Africa following the 1994 election. Interviewee 4 explained that their consultants worked side-by-side with Sida employees, a cooperation which continued until the

the approved engagements pre-2008 consisted of larger short-term guarantees, enough to offset the yearly payments towards the JAS-debt. Meanwhile, the declining total engagement and rising number of outstanding guarantees post-2008 demonstrates a sharp increase in long-term engagements of smaller sizes.

Figure 4: EKN Engagements in South Africa, 1994–2018



ODA program was dismantled in 2013. One example of their activity in the newly liberated South Africa was a mentor-program where they established contacts between managers from South African businesses that expressed an interest in increasing their management skills and exchange knowledge, which were paired with suitable managers of Swedish firms.

Another form of Swedish export promotion is the export guarantees provided by the EKN.⁶ These were prohibited in South Africa between 1965 and 1993, as a reaction to Sweden's growing opposition towards apartheid (LRA, 1993). Figure 4 below displays the number of EKN guarantees active and granted per year in relation to the total value of all outstanding EKN guarantees each year and visualises the considerable size of the JAS-deal approved in 1998. It further shows that the EKN approved a smaller number of new guarantees yearly leading up to 2008, after which there was a sharp increase in the number of new and total guarantees in South Africa. At the same time, the total value of EKN's engagement began to decline. This indicates that

(Sources: LRA, 1996–2010, 2012–2015; Sturige, 2022)

The South African Economy from a Swedish Perspective

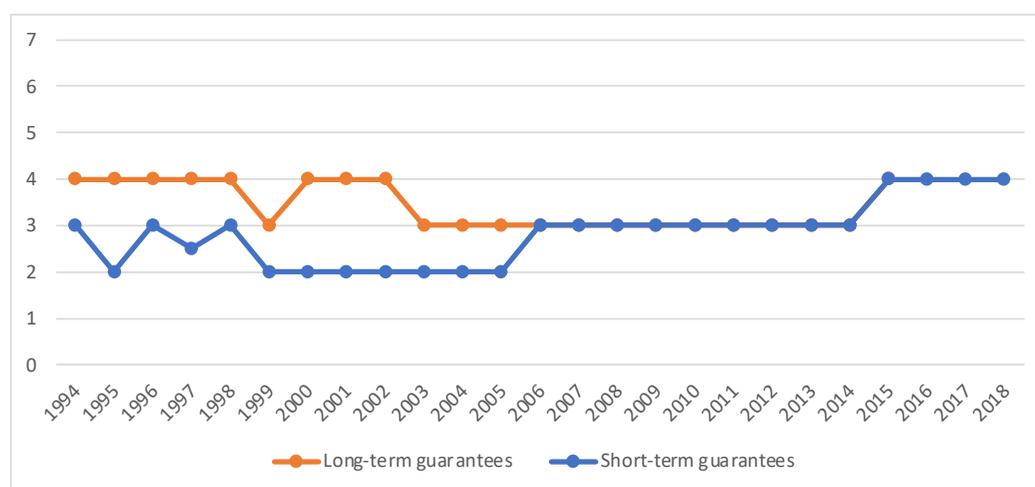
Although the collapse of the South African economy was the main cause for apartheid's eventual demise, there was a strong global interest in cooperating with them after its fall. This was in part a result of the promising outlook for the South African economy, in addition to their pivotal role on the African continent. Interviewee 5 explained that 'South Africa is an important hub for international companies that want access to Sub-Saharan Africa, especially for the countries in Southern Africa.' This is in line with previous literature, in which the South African market is viewed as a gateway to further expansion to the continent (Uddhammar and Stein, 2019: 177).

EKN's analysis of the South African economy displays some common themes for the years studied. The public finances and banking sectors are deemed strong and healthy, and the government policies and institutions are considered stable. There is one

exception to this, the year leading up to the election of Jacob Zuma as President of South Africa in 2009, during which there was some caution among international investors (LRA, 2008: 1). The impact of the turbulence from the power struggle within the ANC is seen in the literature as well, where it was found to cause larger companies operating in the region to turn to markets outside of South Africa (Uddhammar and Stein, 2019: 172).

Interviewee 4 concurs that the political climate got worse under Jacob Zuma, and that it had an adverse effect on Swedish firms' willingness to establish themselves in South Africa: 'Swedish media made South Africa sound like a circus [...] which made it harder to get through to Swedish companies that there was potential here.' However, the turmoil caused by Zuma did not have a direct effect on the risk premiums, displayed in Figure 5 below.

Figure 5: EKN's Country Risk Assessment of South Africa, 1994–2018



(Sources: LRA, 1994–2015; Sturinge, 2022; OECD, 2021).⁷
 [Figure shows EKN's risk assessment of the South African economy on a scale of 1–7, divided along the lines of short- and long-term contracts. 7 indicates the highest risk.]

The increase in South Africa's risk classification since 2015 has been based on structural problems within the political and economic spheres, mainly the high rate of unemployment, poverty and the health crisis caused by the AIDS pandemic. Interviewee 5 explains

it as 'a catch 22, where one problem causes the other – it is hard to escape the structural problems when a country has low growth caused by structural problems [...] it makes it hard for South Africa to get out of it.'

From the 2011 LRA report and onward, it is consistently mentioned that the Swedish experience in guaranteeing exports for South Africa has been of good nature. While there were some problems resulting from the global financial crisis in 2008, it only caused a minor inconvenience for the EKN and Swedish firms (LRA, 2011: 5).

The Impact of South African Economic Policies on Swedish Exports and Investments

The interviewees were asked about the impact that domestic economic policies in South Africa might have on Swedish investments and trade in the country. One problem that arose was how the South African economy might be perceived to be less stable or secure for Swedish companies that are not

yet established there. One example is the discussion surrounding land reform, which could allow the South African government to claim private land as government property, discussed by Interviewee 2:

Personally, I believe that this fear is exaggerated. [Taking over private companies' land] is not really the government's ambition. But the mere fact that this discussion is taking place and the questions that arise from it creates concerns,

which in turn can affect Swedish companies that might be interested in investing in South Africa.

Interviewee 4 identifies another common problem as ‘local laws and regulations that can make it hard for these firms to reach their full potential. They might need substantial support to understand and adapt to this legislation.’ This is found to be especially problematic in the mining and energy sectors. Interviewee 6 echoes the sentiment, stating that while there is an ‘enormous potential in South Africa for Swedish trade,’ there is a need to implement economic reforms to enable Swedish companies to reach their markets. A prominent case is the Black Economic Empowerment (BEE) policy aimed at encouraging the economic participation of the disenfranchised Black population to decrease the extreme racial inequality inherited from the apartheid-era.⁸ Interviewee 6 used the following example to explain how this policy can backfire:

One problem that has arisen due to the BEE policy is that it is increasingly difficult for international firms to gain visas. When a company starts up their business here, the long-term goal is that South Africans will take over, but in the beginning, there is often a need to bring in experienced personnel that know the firm and have experience in such expansions [...] this kind of problems can cause a firm to choose to direct their business toward other countries and markets.

Another issue brought up by Interviewee 2 regards the policy’s inefficiency at accomplishing its objective of decreased inequality: ‘What difference has it made to the South African problem of racial inequality to have Black South Africans as part-owners of Swedish firms? Nothing at all. What it has done is create a Black elite.’ This is in line with the literature on the South African economy (Thompson, 2001: 302; Habiyaemye, 2022: 26). Interviewee 7 makes a connection between the ownership clause and corruption within the ANC:

When companies need to have Black people in their management and as owners, what do firms do? They invite ANC-leaders to sit on their boards. They are given stocks, ownership, and money, which makes it a driving force for corruption. It is legalised corruption.

Interviewee 2 describes another part of the policy that can have a negative impact on Swedish companies’ interest to invest in the South African market:

The bigger proportion of the production process that is situated in South Africa, the more benefits they receive in the form of premiums [...] The more parts of the value chain that is located domestically, the better – because it generates local jobs [...] The downside is that it is expensive for Swedish companies to create customized production processes for the South African market, and in some instances, it leads to the companies backing out. It is just not worth the costs.

In the 2003 LRA report, it is noted that the BEE policy is becoming increasingly important, which might become a problem as suitable business partners are increasingly hard to locate. However, the same report states that this policy had not been shown to have any adverse effect on international investments to South Africa at the time (LRA, 2003: 1).

In summation, the collected view is that there are several South African policies that have had a deterrent effect on Swedish firms’ willingness and ability to establish themselves in South Africa. However, these policies are not found to have impacted Swedish exports toward South Africa.

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The Apartheid-Era Heritage on Sweden and South Africa's Economic Relationship

When asked to discuss the impact of Sweden's historic relationship with the ANC on the development of the two countries' economic relationship, Interviewee 2 identifies institutional networks as the main heritage:

The bilateral relationships are well-established, numerous and broad. This can be found in the special relationships between municipalities and in exchange programs for schools. It is our, by far, biggest research cooperation program. It is also found in our economic cooperation and business sector relationships. There are deep and established cultural exchanges. I think the broadness of our relationship is the inheritance of our previous efforts.

There is a consensus that the countries have drifted apart over time. Interviewee 3 explained that 'the engagement for cooperation diminished from a Swedish perspective. And from a South African perspective – it was mutual.' They added that the election of a Swedish government led by the Moderate Party in 2006 could be a contributing factor to this change: 'Thabo Mbeki had a strong relationship with and trust in the Swedish Social Democrats. As they left the government, I do not think the engagement was as strong for him.' Interviewee 2 has a similar view but points out that there were other forces at hand:

It was mutual. Of course, our focus changed with different governments in Sweden [...] but I would say that it was more due to global developments that we drifted apart [...] we are one of many countries for South Africa and South Africa is one of many countries for us, but we are still important for each other.

Interviewee 2 further credits this transformation to the internal changes within South Africa that came with the fall of apartheid. Interviewee 3 agrees that it was a natural, and predictable, change: 'Sweden has shifted toward being one of many EU-countries [...] we understood that this would be the case since we were neither a big nor strategically important country for an ANC-government.'

In their interviews, both Interviewee 7 and Interviewee 8 brought up the early dialogue between Swedish firms and the ANC that began in the 1980s, building the base for future cooperation and trust. Interviewee 6 is sceptical about drawing a causal link between Sweden's apartheid-era efforts and Swedish firms' engagement in the post-apartheid period: 'My guess would be [...] that when Swedish businesses had the best offers, they would win the bid, if they did not, they would most likely not win it, regardless of their historical bond.' Interviewee 7 would, on the other hand, claim that the Swedish support of the liberation movement has had an important impact on the post-apartheid trade between the countries. In their interview, they discussed the existence of an unspoken debt of gratitude, stating that 'the ANC-elite was subject to strong pressure' to enable the re-establishment of Swedish businesses inside South Africa.

JAS 39 Gripen and Corruption

In 1999, the South African government bought military aircrafts from Swedish SAAB, in a deal that caused controversy due to the discovery of corruption and bribery in the procurement process (Resare, 2010: 210). A major part of the criticism relates to how Sweden utilised the personal and historical relationships established through the anti-apartheid movement to tip the scale for the benefit of SAAB's bid (Coetzee, 2021: 103). In fact, Resare (2010: 85–86) finds that they received the lowest ranking throughout the procurement process, and that despite several changes being made for the benefit of the Swedish bid, they ended up winning on a pure technicality.

Interviewee 7 expressed disappointment in how the Swedish government used its strong ties to the ANC in the JAS-deal: 'It was unjust of Göran Persson and the Social Democrats to kidnap the engagement and use it to sell weapons [...] the politicians made the entire bilateral relationship revolve around and support the weapons deal.' Reflecting on the government's participation in the JAS-deal, Interviewee 6 stated that 'in that kind of deal where the South African government is the buyer, the size of the deal is so substantial [...] and there are strict regulations on sales of military products, it is inevitable for the Swedish state to get involved in some capacity.'

The interviewees were asked to share their perception of the impact the JAS-deal had on the bilateral economic relationship between Sweden and South Africa. In these discussions, some general themes can be found. Interviewee 3 and Interviewee 8 both agree that the media coverage of the corruption accusations had an adverse impact on the relationship between the ANC and the Swedish government. In the words of Interviewee 3, 'the continuous publications that exposed corruption in relation to the JAS-Gripen deal [...] likely dampened the relationship somewhat.'

When asked how the controversy impacted the support of Swedish firms in South Africa, Interviewee 6 stated that they 'don't think it has made the Swedish state less interested in helping Swedish companies when they have the opportunity.' The interviewee added that the deal itself continues to have an impact on the economic relationship: 'If you look at Swedish exports to South Africa at around 7 billion SEK, about one third of it can be linked in some way to JAS.' This is in line with Interviewee 2's experience, that the main impact today is noticeable through the investments that resulted from the deal:

It does not impact the everyday economic relationship, but the legacy of the deal is still present in South Africa. The planes are still there, and some of the companies that were a part of the offset-deal are still there.

Interviewee 7 shared that their 'perception of the weapons deal is that it [...] included several changes of the procurement rules to benefit certain bids. One component in this is, without a doubt, the bribery. Another is, I believe, a 'thank you Sweden.'" This is in line with the literature on the topic (Resare, 2010: 55; Coetzee, 2015: 8). It is also corroborated by Interviewee 3, who stated that they are 'prone to think that it was seen as a way to pay back the support Sweden had shown them [...] there are reasons to believe that there were some political motives behind the South African decision to go for SAAB.' Further, Interviewee 7 brings up suspicions that the JAS-deal, in addition to the controversy surrounding bribery, might have steered the ANC down a bad road:

I have talked to members of Mandela's first term and members of ANC's National Executive

Committee, who have corroborated that they are convinced that the bribery [...] tilted a normal procurement process, which infected the party from the top down.

Summary

This article has evaluated the apartheid-era's heritage on the economic relationship between Sweden and post-apartheid South Africa through an analytical framework built on Embeddedness Theory and Soft Power. The former focuses on the trust built through personal relationships, institutional networks, and economic cooperation, while the latter concerns the political and economic influence gained through personal relationships, policy implementation, and financial aid.

It finds that the invitation for Sweden to cooperate on sensitive reforms in the early years of the post-apartheid era is an indication of the deep trust that had been established from decades of support and partnership, and the political influence Sweden gained through their moral activism. In addition to the personal relationships developed between the ANC and Swedish representatives, it provided a strong institutional base for a close bilateral economic relationship.

The political relationship between Sweden and South Africa has, in many aspects, cooled down since the 1994 election. This is found to be a natural course of events, where the close personal ties that were established in the previous period have gradually disappeared. The main reason for this is that the context changed: with the end of apartheid, there was no need to continue the earlier cooperation as their common enemy was defeated. Another factor is that politicians have been replaced as the time has passed. One such example is how the close personal relationship between President Mbeki and Prime Minister Persson led to the establishment of several new channels for dialogue and cooperation. Their friendship added an extra dimension of trust and influence to the bilateral relationship, which disappeared as they were replaced by their successors.

A similar trajectory has been found in the economic relationship. The termination of the financial

aid program in 2013 meant that the institutional collaboration it had funded became weaker, and so did the economic influence that the ODA had provided Sweden. As the bilateral development cooperation gradually decreased in size, trade became the focus of the economic partnership. Sweden and South Africa have over time established several means to promote mutually beneficial programs to strengthen this relationship. These platforms create and intensify the trust between firms through the establishment of personal relationships and institutional economic cooperation. While the South African market is of high interest for Swedish firms, the structural problems facing their economy serves as the main obstacle for increased investments.

While the Swedish anti-apartheid movement was carried out in solidarity, in cooperation and between partners, the literature and interviews indicate that the relationship was imprinted with an unspoken debt of gratitude from the South African side. It can be argued that the discoveries of improprieties which followed the JAS-deal decreased the power imbalance between the two countries, which in turn had an impact on their continued economic cooperation. The Swedish government under Persson used up the influence and trust that was engrained through their close relationship with the ANC and Mbeki, for a deal that without a doubt had – and still has – a great impact on their economic relationship. The goodwill that was earned during the apartheid era is seemingly of less importance today, but its legacy of broad economic cooperation is still active and can be found in the binational committee, the deep educational partnership, and the many networks that are still present at national, regional, and local levels.

Notes

1. This article is based on the author's Master's Thesis carried out at Stockholm University in the spring of 2021.
2. Apartheid was a policy of total racial segregation, enacted by the National Party elected in 1948 to further increase the brutal oppression of the non-white population. Citizens' rights were based on the colour of their skin, with black Africans being worst off, forced into crowded reserves, and being

stripped of their civil rights. It was met with a fierce domestic resistance campaign (Thompson, 2001: 190).

3. Magnusson (1974) does not have numbered pages.
4. The military deal was based around aircrafts of the model JAS 39 Gripen. The Swedish government was highly involved in the procurement process on behalf of SAAB, which became problematic when the deal was followed by substantiated reports of bribery and malfeasance (Coetzee, 2015: 12).
5. The Nelson Mandela Bay Municipality was at the time of liberation known as the City of Port Elizabeth.
6. The EKN works to absorb the risk of Swedish exports. It enables foreign buyers to be provided with financing from commercial banks, where the EKN provides a guarantee to cover 95% of the risk in case the buyer fails to make their payments. It is funded by a premium that is based on the EKN risk assessment of the country and partner firm, which is paid by the Swedish exporter. EKN works closely with The Swedish Export Credit Corporation (SEK) which provides funding for commercial banks that might need cover for the funding of large deals with long payment plans (EKN and SEK, 2021).
7. In 1998, the OECD implemented a joint risk assessment and common risk premiums for long-term export guarantees, to enable companies from all member countries to compete on the same terms (LRA, 1999: 1). This reduced the opportunity for member states to use low risk assessments strategically to subsidise their own exports, which ensured healthy competition among the member states. It had previously been up to the EKN's assessment.
8. The BEE (also known as the Broad-Based Black Economic Empowerment policy, BBBEE) was enacted to decrease the nation's racial inequality by elevating ownership and management among the black population, encouraging them to take on roles that were previously restricted to whites.

It introduced structural rules that demanded a certain proportion of black stakeholders in companies that applied for government contracts and promoted firms that created local jobs for its disenfranchised population (Thompson, 2001: 302). The actual outcome was to elevate a small black elite, which increased the inequality *within* the black population. Hence, the existing barriers to a better quality of life for the country's poor remained (Habiyaemye, 2022: 26).

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