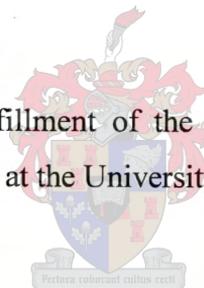


A Regional Economic Partnership Agreement between SADC and the European Union within the Cotonou Framework: Opportunities and Challenges for the Political Economy of Regional Integration in SADC.

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Assignment presented in partial fulfillment of the requirements for the degree of Master of Arts (International Studies) at the University of Stellenbosch.



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Declaration

I, the undersigned hereby declare that the work contained in this assignment is my own original work and that I have not previously in its entirety or in part submitted it at any university for a degree.

Abstract

One of the most notable features of the relations between the European Union and SADC is the current reconfiguration of their trading architecture as encapsulated in the Cotonou Agreement. Such a process of change can be shown to have inevitably been the result of policy shifts, which are salient characteristics of a global political economy, whose ontology is embedded theoretically in neo-liberalism. Nevertheless, any process of change in the structure of global trading relations has the logical outcome of systemically imposing either challenges or opportunities, and in some cases both, on the participants of that structure.

This study represents a scholarly attempt at creating a lucid and descriptive embodiment of the challenges and opportunities involved for SADC in the negotiation and implementation of a Regional Economic Partnership Agreement (REPA) with the European Union. These challenges and opportunities, obligatory within a REPA framework are theoretically pronounced in as far as they shape the political economy of regional integration in SADC. The process of negotiating such a multifaceted agreement with a sophisticated partner, calls for institutional and negotiating capacity. Undoubtedly, such capacity is beyond the membership of SADC. The point is also emphasized that the process of trade liberalization, ingrained in a REPA will create a complex and difficult interface with the current SADC initiatives underway to deepen regional integration. Tellingly, these would contradict the cautious developmental and bottom up approach taken by SADC in its drive for regional integration.

Conversely, this study concedes that a REPA with the EU holds a number of novel opportunities for SADC because such a process would provide scope for the fundamental restructuring of the SADC economies. The competitive pressures through decreased levels of protection within a REPA can create an upward convergence of low performing industries in the region. These, amongst others are important aspects if the political economy of SADC is to move into a virtuous cycle of deeper integration and ultimate insertion in the global economy.

Opsomming

Een van die mees opvallende kenmerke van verhoudinge tussen die Europese Unie (EU) en Suider-Afrikaanse Ontwikkelingsgemeenskap (SAOG) is die huidige rekonfigurasië van handelsbetrekkings, soos vervat in die Cotonou Ooreenkoms. Hierdie proses is die onafwendbare gevolg van beleidsveranderinge in die internasionale politieke ekonomie, met 'n ontologie wat teoreties in neo-liberalisme gewortel is. Sodanige veranderinge in die struktuur van internasionale handelsverhoudinge, bied uitdagings sowel as geleenthede, en soms beide, aan deelnemers van sodanige struktuur.

Hierdie studie is 'n akademiese poging om 'n helder en deskriptiewe blik te werp op die uitdagings en geleenthede vir die SAOG met betrekking tot die onderhandelings- en implimentering van die Regionale Ekonomiese Venoetskaps-ooreenkoms (REVO) met die EU. Hierdie uitdagings en geleenthede, wat verpligtend is binne die REVO struktuur, is teoreties belangrik in soverre as wat dit die politieke ekonomie van regionale integrasie in SADC beïnvloed. Die onderhandelingsproses van so 'n komplekse dokument met gesofistikeerde vennote vereis institusionele en onderhandelingskapasiteit. Hierdie kapasiteit is nie in SAOG te vinde nie. Die punt word ook benadruk dat die proses van handelsliberalisering, wat deel uitmaak van REVO, botsend kan wees met SAOG inisiatiewe om regionale integrasie te versterk. In essensie sal dit die huiwerige ontwikkelings en 'onder na bo' benadering, wat die SAOG tans volg, weerspreek.

Aan die ander kant, gee die studie toe dat 'n REVO met die EU 'n hele aantal voordele inhou, aangesien so 'n proses momentum kan voorsien vir verreikende herstrukturering van SAOG ekonomieë. Die kompeterende druk a.g.v. 'n afname in beskermingsvlakke onder die REVO, kan lei tot 'n opwaartse neiging onder tradisionele swakpresterende nywerhede in die streek. Hierdie is onder andere belangrike aspekte wat SADC in gedagte moet hou, ten einde deel te word van die deugsame kringloop van dieper integrasie, en uiteindelijke deelwording van die internasionale ekonomie.

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CHAPTER 1

1. AIM, METHOD AND SCOPE

1.1 Introduction

International trade has gone through a period of intense and far-reaching transformation over the past 50 years, due to the critical importance of trade in the global economy. This metamorphosis assumed epic proportions in the post-cold war years and has been largely facilitated by the great transformation which occurred in the global economy as a result of globalization, particularly that of technology, production and finance. Trade today account for about 24% of the world gross domestic product (GDP). Furthermore, the conclusion of the Uruguay Round and the ultimate establishment of the World Trade Organization in 1994 brought new dimensions and obligations in the architecture of liberalizing international trade.

For the developing world, SADC in particular, the multilateral character of trade agreements, particularly the post-Cold War trade agreements are pushing the trend towards deep integration and an end to the special treatment enjoyed by developing countries. These often-complex agreements do not only create deeper integration in the production of goods and services, but raises new issues of standards and other domestic policies (Birdsall and Lawrence, 1999: 128).

Admittedly, despite the growing multilateralization of trade and the associated benefits, a somewhat conflicting trend has emerged on this landscape. This related, yet contradictory paradigm, known as regionalism is haunting the international trading system and some quarters see this phenomenon as disinclined and insidiously undermine the goals of multilateral free trade as the global economy split up in different major regional trading blocs.¹ Stevens and McQueen (1999) argues that

¹ Almost all the WTO members belong to one or more of 62 regional trading blocs and the WTO has proposed changes to reduce the danger of 'stumbling blocs' and to enhance the multilateral and developmental character of Regionalisms (Stevens, C and McQueen, M, 1999). For a detailed

“neither economic nor political analysis can supply a definite answer, partly because of the great variety of ‘free’ trade agreements.”

However, Söderbaum (1998: 78) argues that regionalism can be an “offensive instrument” and facilitate the integration of economies in the world economy, but they can also be defensive strategies of retaking political initiative in order to avoid further marginalisation. Despite the emergence and re-engineering of regionalism as a framework for insulation from the ‘worst excesses of capitalism’ in view of the preferences that members enjoy over outsiders, extra-bloc trade is vital for the current regional arrangements.

Hence, Lawrence (1995: 411) argues, “while each of the major players may benefit from regional arrangements none can afford to ignore its extra-regional relations.” For the EU, the extra-bloc trade cooperation with the developing world has been done with the Africa Caribbean and Pacific group of countries within the space of preferential and non-reciprocal trading arrangements. The legality of such arrangements has been in recent years under sharp criticism as they are purported to erode the gains of multilateral free trade within the framework of the WTO.

1.2 Problem Statement

Within the context of the growing importance of extra-bloc trade and the sharp criticism of the Lomé Convention style preferences, the EU saw it fitting to reshape their relations with SADC by introducing the concept of Regional Economic Partnership Agreements (REPA). The REPA will be negotiated as from September 2002 with envisaged implementation starting in January 2008. This change of policy option on the part of the EU is based on the understanding that both partners have

discussion of regional arrangements as “stumbling blocs or building blocs”, see Robert Z Lawrence (1995).

obligations under the WTO disciplines and should gradually converge their trade relations around these obligations. In addition to these, the envisaged aim of a REPA is argued by the European Union as serving as a catalyst to regional integration and also the alleviation of poverty in the developing world.

The long-term aim is to establish a region-region free trade area, which covers dimensions of economic relations and trade cooperation. Such a shift in relations between the two partners is problematic and would not be without massive challenges for SADC, nor will it be without opportunities for SADC as a regional integration project. SADC would be expected to adjust to this new reality and uncertainty does exist as to whether SADC would cope with the processes, which underpin this new trading arrangement. Furthermore, it is of importance for SADC in view of the increased value of trade in the development debate and SADC's dependency on the EU market and how such a change can aid the development process as espoused by SADC.

Thus, this study concedes that there is a need to appreciate and explore the deeper dimensions of the new trade relations and elucidate on the challenges and opportunities that such an arrangement will incur on the political economy of SADC. This need is principally derived from the fact that the subject of a REPA is new in the academic and policy environment, and familiarity with this paradigm deserves robust attention in the development debate of SADC.

Furthermore an imperative is seen in creating lucid understanding of how a REPA would impact on SADC, and consequently to sensitize and inform the policy-making processes and academic discourse around this new trading arrangement. The point should be emphasized that a future map of the political economy of SADC cannot be suspended from its trade relations with the European Union and only through a process of debate about the challenges and opportunities of a REPA will SADC be able to shape its integration agenda meaningfully.

1.2.1 Questions for Investigation

The study will be approached by seeking to provide clarity around a number of questions:

- a) *Is the content of a REPA as evinced by the European Union consistent with the stated developmental agenda of SADC?*
- b) *What were the drivers of change on the part of the EU to push for greater trade liberalization within a REPA paradigm?*
- c) *Can a REPA be viewed as a means to accelerating regional integration in SADC by way of trade liberalization and if so what are the costs and benefits for the region?*
- d) *Apart from the expressed goals of SADC, what other gains or losses will there be for the SADC region in a REPA framework?*

1.3 Literature Review

A REPA as a tool of region-region cooperation is fairly undeveloped in academic theoretical discussions due to the fact it is a recent phenomenon and has gained currency over the past five to six years. There are no examples of REPAs between the European Union and the developing countries from which to draw extensive comparative literature. However, it can be mentioned that the debates around a REPA largely gained currency in 1996 when the EU indicated that the future trade relations with the ACP countries would be based on such a trade regime. REPAs as a consequence were thrown in the academic playground and discussions intensified after November 1998, when the European Commission released five impact studies of REPAs on the ACP countries.

Matthew McQueen (1999) provides succinct analysis of the main results of these studies in as far as they would possibly impact on the different regions. With regard to

SADC, based on the impact study by Imani Development International Ltd (1999), McQueen in agreement with the report by Imani sees many constraints with a REPA. McQueen (1999) argues that a SADC-wide REPA would “weaken regional integration as imports from the EU would enter SADC economies under different trade regimes.” Furthermore, a REPA would weaken incentives for investors to locate in SADC since the region could be served from the EU once a REPA is implemented. On the other end, the analysis by McQueen saw some positive dynamic benefits in a SADC-wide REPA.

From a poverty reduction perspective, Carina van Rooyen (2001) takes an analytical view of a REPA and questions how it would contribute to poverty reduction in SADC. The central assumption which is elucidated in that paper is that trade can be an instrument of poverty reduction and development, but only if specific types of trade relations are established. In doing so, she highlights contrary to what a REPA would do, that a REPA is not the ideal trading arrangement if SADC and the EU are to eradicate poverty in SADC. The point is that the principles of poverty eradication, even though they appear to be one of the stated aims behind a REPA are not well entrenched and cannot be achieved in a REPA framework. Such a framework is seen by van Rooyen as anachronistic to people centered development.

The overall argument of van Rooyen (2001) seems to be largely located in a critique of free trade and the neo-liberal framework of globalization. Undoubtedly, a REPA is also located in this framework. Such a project, van Rooyen (2001: 2) argues will not lead to poverty reduction, but would increase poverties and accentuate inequalities. In view of the firm rejection of a REPA as a trading arrangement between SADC and the EU, van Rooyen opts for what is commonly known as Alternative Trading Arrangements (ATAs).²

² These are trade arrangements which are reciprocal, but acknowledge and accentuate differentiation and are development centered. They try to sidestep the negatives of FTAs, but emphasize the advantages of FTAs. In addition to these, asymmetrical timeframes support for trade development and regional integration are seen as critical in ATAs. van Rooyen (2001:26-27).

Similarly, Keet (1999) expounds a developmental perspective of a REPA and look at the implications of a REPA for regional integration and development in Southern Africa. For Keet, the shape of REPA will be fatal for Southern Africa in view of the type of tactical and strategic challenges that a REPA would induce on the region. Furthermore, Keet (1999: 39) sees the REPA as a replacement of a 'neo-colonial' Lomé Convention with 'post-colonial neo-liberalism.' In that sense, the REPA is also located within a neo-liberal project and some of the aims of free trade are seen to be "fallacious claims" (Keet, 2000). On the other end, Keet (1999) does not only see negative aspects with the REPA, but some positive dynamic aspects which would enhance regional integration are provided in line with the arguments of McQueen as stated earlier.

Matambalya (1999) provides a critical examination of a REPA as a model for development cooperation. Matambalya (1999: 88) argues that there is "poor articulation of the real and potential obstacles in establishing a REPA" in view of the apparent failure to suggest a comprehensive approach which could arrest the developmental problems of the region. In addition to these, the REPA is shortsighted due to the fact that it does not encompass new trade policy issues such as tariff substitutes (for example anti-dumping, excessive standards) or the generalization of standards.

1.4 Rationale for Study

As is evident from a review of the literature, most of the studies around a REPA has been rather pessimistic about its chances for success and are rooted in a developmental perspective and a critique of neo-liberalism. The political dimension is inexplicably absent from the studies and they are exceedingly economic in their conceptualization of regionalism. These studies make no single mention of the conflicts in the region and how these impact on trade relations. Therefore, this study aim to present through evaluation a much more coherent picture around the specific challenges and opportunities for the political economy of SADC in its engagement

and ultimate implementation of a REPA as sponsored by the European Union. The intended aim of the study is to describe the processes and relationship between the EU and SADC as it evolved up to the present and the changes, which are occurring within this relationship and how this changes create new issues for the political economy of SADC.

By doing so, a sequence of events, which culminated in a REPA, will be clarified and the new issues, which are the result of unfolding processes in the relations between SADC and the EU, will be explored. The type of structural and institutional challenges as well as opportunities for SADC are of particular concern and provide a rationale for an evaluation perspective in this study.

1.5 Theoretical Framework

Robert Cox (1995: 31) made the assertion that theory in itself does not exist and theory is also not independent of a “concrete historical context.” This point of view is profoundly instructive in shaping the theoretical framework of this study. The evolution of the trading relations between the EU and SADC or the ACP group at large occurred and evolved within different historical contexts and structures. These contexts have different ontology’s and dissimilar structures, thus different theories which are at times “time bound” can be used as explanatory or descriptive models of the relations between SADC and the European Union (Cox, 1995: 35). Tellingly, the relations between SADC and the EU within the REPA framework can be structured around three analytical or descriptive perspectives: Realism, Marxism, and Liberalism.

The liberal argument in global political economy would advocate free trade and free markets based on the assumption that if there are no impediments to trade amongst states, everyone would be well off given the existing stock of goods and services. In that sense, using neo-classical economic arguments of the superiority of the market as

the allocator of scarce resources are evinced.³ Admittedly, liberalists would argue that a Regional Economic Partnership Agreement in which there is free trade could result in many opportunities for SADC. The aphorism would be that if there is universal free trade, “all countries would enjoy the highest utility and there would be no economic basis for international conflict and war” (Frieden and Laken, 1995: 10-11). This leads to the conclusion that maximum welfare and Pareto optimality will be achieved under free trade.

On the other end, Marxists would view the relations between SADC and the EU as based on capitalists interests in which classes act in their own interests in order to maximize their economic well-being. The attempt to formulate a new framework of trade between the EU and SADC in that instance will best be about the integration of SADC into the world economy “through the revamping of existing regimes of accumulation under the auspices and for the benefit of private capital with the support of the state” (Tsie, 1996: 75). Therefore, the state is viewed in its present form as a logical extension of global capitalist interests.

Realism, particularly the structural realism of Stephen D. Krasner (1995: 21) present an analysis of the structure of international trade as determined by the interests and power of states acting to maximize their goals. According to Krasner (1995: 21), states seek a broad range of goals and four major state interests which are affected by the structure of international trade are discernible; political power, aggregate national income, economic growth and social stability.

The conclusion of such a theoretical explanation is that a hegemonic distribution of economic power can result in a more open trading structure, and openness is most likely to occur during periods when a hegemonic state is in its ascendancy (Krasner, 1995: 20, 23-24). Such analysis based on political power would be exceedingly attractive if one look at what appears to be competition in the Triad when it comes to

³ Neo-classical trade theory recognize that trade regulations can be used to correct domestic distortions and to promote infant industries, but these are exceptions or temporary departures from the policy conclusions of liberalism which support free trade (Krasner, 1995: 20).

signing free trade agreements with the countries in the periphery and semi-periphery. Japan, the European Union and the USA can be argued to be using free trade agreements or economic cooperation agreements as avenues in which political spheres of influence and power can be extended. Therefore, the logic of a REPA and its increasing demands for greater openness would be understood in terms of the interests of the EU, whilst SADC will be left with no option but to take matters as they are, due to its lack of symbolic, economic and military capabilities.

Conversely, global political economy as a field of study has evolved markedly over the past ten years and the division between the three theoretical perspectives could be useful as pedagogic devices, but locating the study within a specific theory has become obsolete (Frieden and Lake, 1995: v). This point of view find lucid expression in the current debates in international political economy which highlight the emergence of social forces in shaping international trade policy. Domestic level explanations and descriptions can in that sense be useful as the state is observed as not insulated from the multitude of social, political and economic pressures that emanate from society” (Frieden and Lake, 1995: 7).

Björn Hettne has also widened our understanding of regionalisation⁴ theoretically with the New Regionalism Approach/Theory,⁵ which analyses regionalism in a “global perspective through historical, multilevel and multidimensional perspectives.” In this paradigm regionalisation is also seen as a “complex process of change taking place at three levels: structure of the world system as a whole, the level of inter-regional relations, and the internal pattern of the single region (Marchand, Bøås and Shaw, 1999: 902-903). Such a perspective, which starts from the region, can be useful in understanding and theorizing the dynamics of regional integration in SADC and how these create a nexus with the global order.

⁴ It denotes an empirical process with an activist element in which a region articulates its interests with purpose.

⁵ ‘Regionness’ is at the epi-center of the NRA and is seen to encompass a broad open-ended framework with the “possibility of a regionalised world order” (Hettne, B and Søderbaum, F, 1998: 6).

Evidently, it would be wrong to view international trade relations as a zero sum game as the transactions in international trade are voluntary and states agree to them with the view of generating benefits for themselves and those they interact with (Birdsdall and Lawrence, 1999: 128). Regimes provide opportunities for governments and states are not necessarily rational actors, but they also act with the interests of others in mind.

One can opt for a specific theoretical perspective in the pursuit of theoretical precision, but this study sees eclecticism as the only route available which can effectively create a holistic perspective of a study of this nature (Gilpin, 1991: 3). The option for an eclectic approach is logical in view of the complexities surrounding the REPA and the fact that it has no historical precedent. Eclecticism would appear to erode the theoretical thrust of this paper, but the caveat is that it would draw theoretical strengths and provide an avenue with which one can look at a REPA in the SADC context from various theoretical angles.

A REPA and the opportunities and challenges that this would induce for SADC are at this moment evolving and fluid. The absence of implementation makes it difficult for one to develop a concise critical theoretical construct. However, the context in which the REPA is occurring and the history of the trade relations between SADC and the EU evolved can be discerned theoretically. Therefore the challenges that SADC faces in the process of negotiating and possibly implementing a REPA could be evinced systemically.

1.6 Methodology

This study is inductive and qualitative in nature. It is not a critique of theory and does not intend on discussing existing theories around free trade as excellent criticisms of free trade exists, but the paper seek to highlight and build evidence to provide an overview of the challenges and opportunities that SADC faces in the context of a

REPA. Specific theories will be used in as far as they best elucidate the matter at hand and should be viewed as inadvertent and located within the pursuit of eclecticism.

Thus, the study is therefore not principally a “why” study whose major preoccupation will be to provide theoretical explanations for why things are the way they are. In light of this, theoretical constructs should be viewed as interpretive and functional (structural). Furthermore, the study as has been stated earlier seek to evaluate the anticipated outcomes of a REPA with the EU on the political economy of regional integration in SADC. This is instructive, because a REPA is intended to achieve and promote regional integration with a poverty alleviation thrust in SADC and by highlighting the challenges and opportunities of a REPA, an evaluation of the literature currently available is viewed as best suited to answer the research questions.

Given the departure from such a perspective, the study is largely descriptive and exploratory in view of the similarities that exist between the two research dimensions and the fact that they blur in practice. The study opted for such a methodology due to the fact that the topic under discussion is in its infancy and researchers have written very little about it and better understanding is needed. The exploratory dimension will be useful in that sense.

In addition to the abovementioned, there are certain generic features of a REPA, especially the free trade area, which have been written about widely, and highly developed ideas do exist. Yet, they need to be described within the context of SADC and a descriptive approach would adequately detail a wide variety of processes and possible scenarios, which could emerge in the event of negotiating and implementing a REPA. This aspect is critical because it does not only clarify a sequence and the set of stages in the relations between SADC and the EU, but is likely to stimulate new explanations for the relations between the two regions.

On the other hand, the study does concede that there are certain limitations with such a methodology. A research of this nature rarely provides definite answers to the

research questions, but can point the way towards answers. Furthermore, the study also admits that interviews with policy-makers, business and other involved actors in SADC could provide some insights about the topic under discussion. However, it should be noted that much of the detail about a REPA remains thinly developed and some written sources of information provides accounts of policy-makers views on a REPA in the SADC context. The lack of deeper clarity about the content of a REPA is not well captured so far and is likely to develop during the negotiations and the efficacy of interviews is questionable in that aspect.

1.6.1 Conceptualization

A REPA in this study would be used as a regime around which the interests of various actors are coalescing. A REPA as a possible international regime can then be coherently defined from the perspective of Robert Keohane (1984: 57) as a set of “implicit or explicit principles, norms, rules and decision-making procedures around which actor’s expectations converge in a given area of international relations.” This type of regime in the context of a REPA is not yet fully developed and is evolving as mentioned earlier and new issues are being introduced sporadically in current ongoing discussions and some will emerge during negotiations. The concise details of a REPA cannot be known until one is negotiated, but there are some generic features.

Therefore, the major preoccupation of the study in as far as the REPA has been based on serendipity in some cases, but is anchored around a free trade area theoretically. The *raison d’être* for anchoring the REPA in this study predominantly around an FTA is because it is what is known to constitute one of the key elements at present. The conceptualization of a REPA in this fashion is also useful, in view of the fact that it best crystallizes the tensions, contradictions (challenges) and opportunities that such a regime of cooperation can create for SADC.

Regional integration and regionalism as concepts are used interchangeably in this study and from the perspective of Hettne and Söderbaum (1998: 7) to refer to a

"comprehensive, multifaceted and multidimensional process, implying a change of a particular region from relative heterogeneity to increased homogeneity with regard to a number of dimensions, the most important being culture, security, economic policies and political regimes." Furthermore, it is noted that such a process of convergence amongst these dimensions could be a natural process or politically driven and in most cases, a combination of the two.

1.6.2. Unit of Analysis

The unit of analysis in this study is the Southern African Development Community (SADC) as a regional integration arrangement or regionalism. Thus, the institutional processes and member states will be looked at in as far as they relate to the problem statement of the study. The reason for such an approach lies in the fact that it provides a better synopsis as to what type of challenges and opportunities will be created for SADC as a regional arrangement. This is also edifying because a REPA is not a bilateral agreement, but encapsulate a region-region agreement.

1.6.3 Sources of Data

This study is qualitative and relied on data of various sorts, and on analyses and accounts from a multiplicity of sources. However, it should be noted that given the fact that the REPA is a fairly new paradigm, sources which directly deal with the REPA in as far as SADC is concerned are limited to compiled publications from a few academic think tanks. In building the overall argument, the study relied on secondary data in scholarly journals, books and dissertations.

Furthermore, policy reports and presented papers by leading researchers and academics have been of valuable information. The study also relied on various discussions conducted with practitioners involved in trade policy issues at governmental level. The opinions of certain lawmakers, particularly the Namibian parliament have been used as sources of insightful information for this study.

1.8 Chapter Outline

Chapter 1 is essentially conceptual and introduces the topic under discussion and provides the methodology, which underpins the study. Theoretical clarity about the framework of the study is consequently provided.

Chapter 2 set the scene as a thread which links up the rest and provide an entry point under which SADC can be best understood and provides a concise history of SADC and its evolution as a regional arrangement in the larger global political economy. The point will be made that the arrangement has its origin in a certain historical context with a profound impact on the type of earlier policy preferences and those which are currently in existence or embryonic.

The argument will be advanced that the regional arrangement is inevitably changing its political economy to take due cognizance of the major re-orientations which have been taking place on a global level in as far as regionalism is concerned. These pressures did not elude SADC and provide certain tensions, which contradict with the stated policy preferences as evinced in the treaty. Particular care is given to the discussions around trade integration and development integration as policy preferences in SADC and the chances for success in a divergent global political economy milieu. The economic features of SADC will be presented.

Chapter 3 traces the history of SADC and European trade relations, as these would provide a refreshing perspective as to how the current trade relations have been structured. In doing so, the relations will be located in the earlier conventions signed between the European Community and the associated states in Franco-phone Africa and later the successive Lomé Conventions. A REPA with the EU will be elucidated within the current trade relations as thinly evinced in the Cotonou Agreement. The chapter also provides a view as to what the main features of a REPA are.

Chapter 4 is the core of the study and ultimately provides the discussion around the insurmountable challenges and opportunities that SADC faces in negotiating and implementing a REPA. The view is expounded with due reflection on SADC as a regional arrangement, that given its surfacing nature as discussed in Chapter 2, SADC is faced with critical challenges and these challenges will be argued as constraints to current processes under way in consolidating regional integration.

Some of the challenges are institutional in nature, whilst others have to do with processes as mentioned and are likely to shape up as a result of the implementation of a REPA. Positively, the chapter further argues that a REPA is not only a zero-sum game, but also present SADC as a regionalism with immense opportunities, which could enhance the process of regional integration and ultimately the integration of SADC in the global economy.

Chapter 5 is essentially the concluding section of the study and will condense the main findings and suggestions for points of further research.

CHAPTER 2

2. SADC: AN OVERVIEW OF REGIONAL INTEGRATION

Regional integration has become an important part of the global political economy landscape, particularly international trade relations and policy. Mearthy (s.a: 213) argues that two waves of the regional integration trend could be discerned globally; the first wave had its origin in the establishment of the Treaty of Rome of 1957, and in the developing world, the adoption of regional integration in Latin America as a means of effecting inward-looking growth through import-substituting industrialization was supported by the Economic Commission for Latin America (ECLA). The executive secretary of ECLA, Paul Prebisch took a structuralist outlook that the periphery countries should create their own trading system or bloc until modernization or a take off was reached (Isaak, 1995: 129). The second wave of regional integration started in the latter half of the 1980s after a relative decline in regional integration in the 1960s and 1970s due to the growth of the multilateral trading system under the GATT (General Agreement on Trade and Tariffs).

SADC as it is today could be argued to be located, albeit reluctantly in the second wave, which is commonly referred to as the 'new regionalism.'⁶ The new regionalism presents the regional integration effort in SADC with a profound dialectic. This dialectic is one of the immense tensions of allowing the global political economy to shape the regional integration effort. In this aspect trade integration and the attendant trade liberalization is illuminated as the *sine qua non* for growth and regional integration.⁷ The other tension, is one of taking an inward oriented view of regional integration and shape the process within the region by taking due cognizance of the salient features of the regional political economy, thus a developmental view of

⁶ The 'new regionalism' put emphasis on outward orientation rather than a focus on import substitution within the regional market and stress the importance of macro-economic policy convergence.

⁷ An IMF study by Subramanian *et al* (2000) propagates this view and sees a causal relationship between trade liberalization and faster economic growth, when accompanied by comprehensive macro-economic reforms.

integration. SADC has not been immune to this test and its evolution and intended aims can be argued as located in this binary, yet paradoxical position.

2.1 The Formation of SADCC

Regional integration in Southern Africa is fairly recent and has its origin in a version of cooperation called the Southern African Development Coordination Conference (SADCC) whose aim was to create cooperation out of the positive experiences of the countries of Southern Africa (SADC, 1999). These experiences became apparent because South African hegemony created relations of dependency with countries such as Lesotho, Mozambique, Malawi and Botswana, which relied on South Africa for a substantial part of their foreign exchange earnings on transfers from citizens working in South Africa (Davies, 1990: 4). During the time of the 1970s the South African Apartheid regime also asserted its regional political-economic hegemony through a policy of economic, political and military destabilization in Southern Africa and the need arose to create a bloc against South Africa (Carrim, 1994: 1)

South African currency for example circulated as legal tender in Botswana, Lesotho, Namibia (then under South African occupation) and Swaziland, which were all, integrated in the Southern African Customs Union (SACU).⁸ In return for a customs share revenue, South African commodities enjoyed unrestricted duty free access to SACU markets. Regional integration as a consequence was amongst others rooted in a critique of the disparities and the imbalances which were created by South African dominance and it was argued that development in the SADCC member states required a more balanced pattern of regional economic interaction (Davies: 1990: 4).

⁸ SACU is customs union, which was created in 1910 and currently consists of South Africa, Namibia, Botswana, Lesotho and Swaziland. It has a common external tariff (CET), free flow of goods internally and the sharing of customs revenue. Member states, excluding South Africa have been largely depended on it for government revenue.

In May 1979, the Foreign Ministers of the Frontline states met in Gaborone to discuss closer economic cooperation and they agreed to convene an international conference in Arusha in July 1979. The conference brought together the nine-majority ruled governments of Southern Africa such as Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe. According to Ng'ong'ola (2000: 266) "the formation of a development co-ordination organization was mooted at this meeting to provide an economic dimension to the political struggles of the people of Southern Africa." This was also viewed as a good basis for the 'Frontline States' to better withstand the political and economic domination of South Africa.⁹

During the Lusaka Summit on the 1st of April 1980 a commitment to pursue policies aimed at economic liberalization and integrated development of national economies was declared (SADC, 1999). The Declaration issued at this summit provided the first document, which constituted the organization called the Southern African Development Co-ordination Conference. The Declaration listed amongst other things the pursuit of the following objectives:

- 1) Reduction of economic dependence, particularly, but not only on South Africa
- 2) Forging of links to create a genuine and equitable regional integration
- 3) Mobilization of resources to promote the implementation of national, interstate and regional policies
- 4) Concerted action to secure international co-operation within the framework of the strategy for economic liberation (Ng'ong'ola, 2000: 266).

Ng'ong'ola (2000: 267) argues that the importance of developing trade within the region was acknowledged, but it was felt that trade liberalization and integration would be done within the existing frameworks such as the Southern African Customs Union. The framers of SADCC opted for functional integration after they drew from

⁹ Amin and Mandaza (1987: 8) argued that some cold war scenarios suggested that the creation of SADCC was a Scandinavian led Marshall Plan for the economies of the countries devastated by the liberation wars to compensate them for the losses incurred and keeping them out of the Soviet orbit of influence. This point of view is accentuated by Söderbaum (1998: 77) when he argues that SADCC as a regionalisation scheme was used mainly as an "instrument in a larger power struggle."

the negative experiences of African experiences with trade and market integration and it was felt that they should opt for an integration model which would induce more equitable development in all countries (Ng'ong'ola, 2000: 267). On the recommendation of Mozambique a framework would be put in place, which had to facilitate formal cooperation in regional development, with emphasis on the creation of a transport network in order to lessen dependence on South Africa (Leysens, 2001: 377).

The argument then was based on the view that trade driven integration does not work in poor countries where there are few goods to trade and poorly developed infrastructure. The conventional laissez faire trade driven approach was seen as not leading to effective integration as it would have created unacceptable polarization in the underdeveloped regions. This view gave credence to the preference of a functional approach to integration whereby member countries were given sectors to coordinate and implement projects in their particular sectors.¹⁰ Tanzania for example, has responsibility for the trade sector in the region. Such an approach Page (1998: 37) argues, “can only work while responsibilities are small, and therefore disputes unlikely.”

Furthermore this approach argues that cooperation in the formulation and execution of joint projects aimed at overcoming underdevelopment related deficiencies would enjoy first priority, as this would enhance a regional identity (Davies, 1990: 6). The projects, which were based in individual member countries, were largely dependent on foreign donor funding and certain guidelines and processes to be followed in the attainment of regional objectives were contained in the *Programme of Action* (1980) (Leysens, 2001: 378). SADCC was able to raise about half of the \$8 billion it sought

¹⁰ This was premised on the view that underdeveloped production structures and infrastructural deficiencies constituted major barriers to regional trade and integration (Davies, 1994: 6).

to undertake sectoral¹¹ projects in the region, notably in the field of the rehabilitation of transport and communications (Morna, 1994).

2.2 SADC is constituted

The late 1980s marked a shift in policy thinking within SADCC and there was realization that a firm foundation for regional integration in southern Africa has been achieved. This foundation could be argued to have been largely of a political nature, in view of the fact that SADCC¹² did not achieve much in the area of economic integration as South Africa still dominated much of the trade in the region. Against such a background, Davies (1992: 3) argues that the period post-February 1990 saw some increasing demands from South African government and business leaders for the creation of a Southern African Common Market or Economic Community.

It was felt that the existing international organization needed a treaty or some legally binding instruments, as was the case with the European Community, because the SADCC institutions were based on the 1981 *Memorandum of Understanding* between the member states. There was too much deference to the concept of national sovereignty, which was acutely ingrained, and there was too much over-reliance on international donor support for projects (Ng'ong'ola: 268).

A 1989 Summit of Heads of States and Government met in Harare and decided for the formalization of SADCC to give it the necessary legal apparatus taking into account the need to replace the Memorandum with a Charter, Treaty or Agreement. It was

¹¹ Many states have allocated inadequate resources to their sectoral commitments and this approach has affected the smooth functioning of SADC. SA has apparently been pushing for a rethinking of the approach.

¹² MCarthy (*s.a.*: 213) argued that SADCC couldn't be seen as a framework for integration *per se*, but rather a model for cooperation in view of the emphasis on joint activity cooperation across national frontiers in projects for mutual gain. This is in view of the fact that integration have a "narrower aim" and seek to expand regional trade through the lowering of barriers to trade in goods and services.

viewed that integration would be best achieved when a treaty organization was created. Such an organization it was argued would lead to greater integration of economic development as a regional endeavor as opposed to the prior approach of isolated projects (Lindeke, 1996).

SADCC as a regional organization was reconstituted into the Southern African Development Community (SADC) under a Declaration and Treaty signed by 10 Heads of States and Government in Windhoek, Namibia on the 17th August 1992. The organization expanded in later years with South Africa¹³ securing its membership in 1994 whilst Mauritius joined the organization in 1995. The Democratic Republic of Congo (DRC) and Mauritius both joined in 1997. The organization adopted a new overarching objective of regional coordination and cooperation for mutual benefit with the long-term objective of the organization evolving from a community into a Union, similar to the progression followed by the European Community. In order to achieve its objectives, the Treaty provide for the establishment of a series of protocols towards greater regional integration such as, the Trade, Energy and Tourism protocol.

The institutional framework has been recasted in treaty form in chapter five, whilst the essence of national sovereignty still remain the corner stone of SADC and this find expression in the Summit remaining the supreme policy and decision making institution of SADC. The Summit can also constitute a Tribunal, which is meant to adjudicate in disputes based on the interpretation of the treaty provisions. A Council, which consists of one Minister from each member states, has been given the responsibility of overseeing the functioning and development of SADC. Furthermore, in addition to the Secretariat with an Executive Secretary as the head of this executive institution, there is room for the establishment of Commissions, which shall guide and coordinate cooperation and integration policies.

¹³ The inclusion of South Africa has created immense interests in SADC, much of it focusing on regional security issues and the “dynamics of regional economic integration/co-operation, and regional development” (Leysens, 2001: 371). Such interest is testimony to the importance of South Africa as an economy in the region and its perceived ability to fast-track regional integration due to its assumed neo-liberal economic embrace.

There is provision for a Standing Committee of Officials, which consists of one permanent public official from member states and will offer technical advice to the Council. National Contact Points of member states are responsible for the co-ordination between SADC and member states in sectors of responsibility. SADC has in 1996 at the Gaborone Summit recommended the creation of a separate SADC Organ on Politics, Defense and Security.¹⁴

2.3 SADC and Development Integration

The treaty spells out the leading objectives of achieving development, economic growth, alleviate poverty, enhance the standard and quality of life of the peoples of Southern Africa and support the socially disadvantaged through regional integration. Trade co-operation and liberalization which were initially out of the SADCC agenda, have now been firmly expounded as part of the agenda, even though they are not seen as priority areas. In order to achieve these ends, the summit theme document of 1996, "Toward Economic Integration" made it clear that the organization would not adopt market determined integration as elucidated by the advanced capitalist countries for the reason that it has not really been a success in prior experiences in Africa, particularly those of the old East African Community (Lindeke, 1996).

The framers of SADC in dismissing the market determined integration or the new regionalism perspective felt that such an approach would improve the conditions and advantages of those economies which were already better off and the factors of production would gravitate towards them, giving them more investment, greater trade benefits and stronger economic growth. Given the history of South Africa and the prospects of domination, it became all the more appealing for the member states to opt for development integration as the preferred choice.

¹⁴ The organ has been under criticism due to the unilateral nature in which the former chair Robert Mugabe of Zimbabwe acted in the resolution or interventions to conflict, particularly the case of the DRC. The legal status of the organ has been a matter of concern and its independence is currently under review.

Ng'ong'ola (2000: 272) argues that in "in the language of integration theories, the reconstitution could be described as the conversion of a 'project co-ordination' model of regional integration into a 'development integration model'." This in essence is not a radical departure from the functional integration model. The development integration model stresses the need for both micro and macro coordination in multi-sectoral programmes which embraces production, infrastructure and trade (Davies, 1990: 7).

The practice of decentralized sector coordination, which leaves policy development, and implementation at the level of the coordinating country's interests and capacity has been accentuated.¹⁵ Such a path is based on the assumption that careful planning and coordination, and diversification of projects as well as responsibilities will eventually lead to the equalization of benefits for the region. The view was held that integration must take cognizance of the equitable spread of development and must take precedence over trade liberalization and integration of markets. Lindeke (1996) argues that the purpose of such an approach would achieve a greater degree of compatibility of national macro-economic and regional development due to the decentralization of opportunities.

In recent years, the changes in terms of policy within SADC in as far as development integration as a principle of integration have been induced by the changes in the global political economy. The changes have not occurred within SADC at the level of rhetoric, since the current executive secretary of SADC, Dr Prega Ramsamy and all his predecessors¹⁶ have put development integration on the pedestal. At the level of practicalities the global ontology and the attendant emphasis on trade as the *modus operandi* for poverty alleviation in the developing world through trade competitiveness is accentuated at great speed. Thus Tsie (1996: 83) argues "it would

¹⁵ Such an approach has limited the efficacy of SADC, due to overriding national considerations and lack of capacity in many instances. Tanzania for example, is coordinating the trade and industry sector, yet the country has got one of the most undeveloped industrial sectors in the region.

¹⁶ Simba Makoni, the former executive secretary (current Minister of Finance, Zimbabwe) followed the "development integration" route and so did his successor, Dr Kaire Mbuende of Namibia who firmly believed in people centered development in the process of integration.

be a serious omission to discuss prospects for economic growth and development in SSA (Sub-Saharan Africa) without analysing its structural position in the world economy.”

Admittedly, it could then be argued that the globalization of trade and investment, the conclusion of the Uruguay Round of trade negotiations and the expansion of a number of important regional trade arrangements such as Mercosur through trade integration (new regionalism) have served as significant caveats for a partial change in policy thinking within SADC. The EU, being a keen supporter of regional integration through new regionalism, can be argued to have played a key role in a policy shift. As a consequence, SADC has been moving towards a greater degree of trade integration, albeit at a very slow pace. The organization can be argued to be a mix of development and trade integration today and such an approach find expression in the greater emphasis that trade liberalization has been receiving in recent years in SADC at the level of policy thinking.

2.4 Features of the SADC Economies

The intra regional trade patterns in SADC are based on the economic designs of the member states and the overall regional context. SADC today constitutes 14 countries and in international trade terms, comprises one developed country (South Africa) six developing countries (Botswana, Namibia, Mauritius, Seychelles, Swaziland and Zimbabwe) and seven least developed countries (Angola, DRC, Lesotho, Malawi, Mozambique, Tanzania and Zambia). Given the type of economic configuration, South Africa dominates the region with 77% of the region's GDP. The South African economy is also more than 3 times bigger than all the SADC economies combined.

Trade data is generally difficult to obtain in SADC, partly because of the conflicts in some parts of the region such as the DRC and Angola. In some instances it is very unreliable and serve political uses. It should however be mentioned that 62% of the

imports of SADC and 70% of the exports are done by South Africa. As a consequence, intra-SADC trade is a dismal 10% of the members' total trade (Businessday, 2001). It is also evident that most of the trade in SADC occurs among the SACU member countries on account of the CET and the difficulty that SACU members have in negotiating trade agreements with third parties.

In 1996, for example, 77% of exports of the SACU countries to Africa were to SADC countries, and the imports of SACU from SADC countries constituted 60% of the total imports from African countries. The SADC statistics for 1995 with the exception of the DRC show that South Africa's trade with SADC accounted for 27% of total intra-SADC trade, followed by Botswana and Zimbabwe, with 19% and 15% respectively (see figure 1, p26). Trading in the region is heavy in agricultural products, mining, food products, textiles, clothing, beverages, wood products and industrial chemicals. The inadequate production base, market access, as well as insufficient market skill and underdeveloped financial infrastructure are key obstacles to trade in the SADC region. Low savings had hampered the level of investment in the region and make the region dependent on foreign capital inflows for domestic investment.

SADC is aiming to expand intra-regional trade through the creation of a free trade area (FTA) by 2008 through the Maseru Trade Protocol¹⁷ of 1996. The preference for a basic FTA is indicative of the cautious approach SADC has taken with regard to trade integration as the protocol does not in any way see the FTA as a part of the sequence in the formation of a CU (customs union).¹⁸ The SADC trade protocol must be part of a broader strategy of integration in the global economy to improve regional competitiveness (Flatters, 2001: 3).

¹⁷ Even though trade liberalization has been made part of the agenda in 1992, the fact that the protocol was signed in 1996 was based on taking account the results of the Uruguay Round and the changes in the multilateral trading system. The South African trade discussions also put on hold the finalization of the protocol at the time. (Ng'ongola, 2000: 273)

¹⁸ The formation of a SADC customs union will be in line with the Abuja Treaty of 1991, which envisaged the creation of customs union in each regional community and the eventual establishment of a Pan African Economic Community.

The ideal for the creation of the trade protocol is viewed simply as a means to respond to the imbalances in the region by boosting intra-regional trade and the global dimension appears inadvertent. It is viewed as crucial that trade should not gravitate towards the larger economies at the expense of the smaller ones, thereby perpetuating the skewed industrialization patterns. In light of these, Ng'ongola (2000: 273) argues that the objectives of the protocol confirms the stance taken in the Treaty that trade liberalization must not be excluded from industrial development and the attraction of foreign investment.

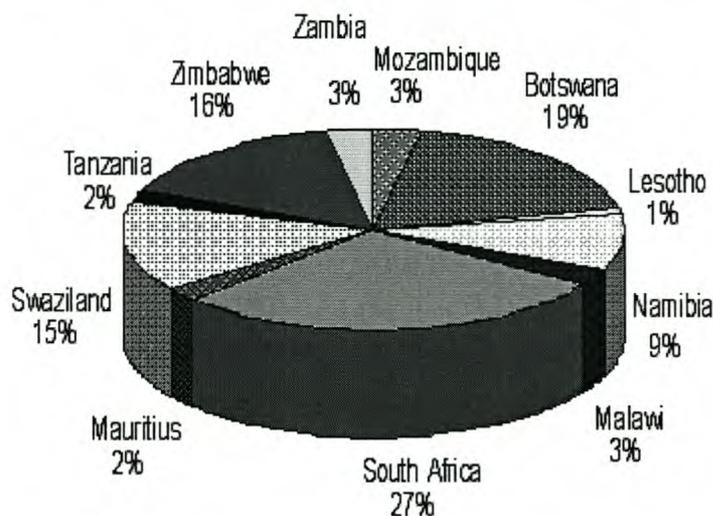


Figure 1. source: NEPRU, 1998.

The protocol aim to eliminate tariff and non-tariff barriers in intra-SADC trade within the time frame from the entry into force of the protocol.¹⁹ The negotiations for the protocol and the implementation of the tariff reductions will be asymmetrical. The participating countries and products have been classified in three categories. The Category I countries are the SACU members, who in terms of the agreement must apply South Africa's CET and permit South Africa to negotiate their external trade position; Category II countries are the non-SACU members who qualify as developing countries, whilst Category III refers to the LDCs (Ng'ongola, 2000: 275). In terms of the protocol, the asymmetry in implementation will result in the SACU countries commencing and completing the tariff reductions through the process of

¹⁹ The trade barriers, which have been identified in the protocol, are import and export duties, quantitative export and import restrictions. Customs clearance procedures, health, safety and industrial standards and road transportation requirements have been identified as NTBs.

‘frontloading.’²⁰ The non-SACU developing countries will be ‘midloading,’²¹ whilst the LDCs are entitled to ‘backloading.’²²

The trade protocol does not prevent member states from belonging to any other trading bloc, provided such membership does not impede the SADC protocol objective of trade liberalization. Such a position means that with the exception of Botswana, Mozambique, South Africa and Tanzania, the other ten member states who belong to the Common Market for Eastern and Southern Africa can participate in the that bloc or any other arrangement.²³ This in itself does create problems for the regional integration effort and the deepening of trade through trade liberalization. This possibly further attests to the highly politicized nature of regional integration in Southern Africa and Africa at large.²⁴

The integration effort can be said to be at the crossroads in as far as the internal processes are concerned in view of the greater demands being placed on the region to embrace the liberal or neo-classical framework of ‘open regionalism’ or ‘new regionalism’ as it is. This is evidently so, because SADC, with the exception of South Africa is about to enter into a new and challenging phase of trade relations with the member countries major trading partner, the European Union, with its fervent believe in regional trade integration as the best road to development.²⁵

This chapter presented an overview of regional integration in SADC by looking at the history of regional integration in the region. SADC as it is today was born out of SADCC whose mandate was to lessen economic dependence on South Africa. It was

²⁰ ‘Frontloading’ refers to the elimination of tariffs in the early phase of the agreed tariff reduction period.

²¹ ‘Midloading’ refers to putting off the process of tariff reduction until the middle phase of the agreed period.

²² ‘Backloading’ will mean that the process of tariff reduction will start at the end of the agreed period.

²³ For a detailed discussion on trade policy in Southern and Eastern Africa and overlapping membership, see Subramanian *et al* (2000)

²⁴ Africa has got the highest number of regional integration blocs in the world.

²⁵ The exception to this is Angola, whose major trading partner is the USA.

also loosely organized around coordination of regional projects, notably infrastructure. It was argued that SADCC was also shaped by the old regionalism and served a political end in the Cold-War years. SADC was ultimately born after 1990 and developed a stronger focus for economic integration based on the developmental model. Such a perspective was argued to be at variance with the demands of the global economy whose preferred policy choice is trade integration as a means to poverty alleviation.

Finally, one could conclude that the regional trade policy of SADC is expected to go through a reorientation and will evidently be forced to alter its apparent inward focus in terms of its conceptualization of trade liberalization in regional integration. This is manifested in the renewed framework based on a long history of cooperation, which will be discussed in chapter 3 for the EU-ACP trade relations beyond the current trading arrangement. This renewed framework should be looked at from the perspective of the history of trade relations between the European Union and the ACP for greater clarity.

CHAPTER 3

3. SADC-EUROPEAN TRADE RELATIONS: YAOUNDÉ TO COTONOU

The trade relations of the region or what legally today constitute SADC or its predecessor (SADCC) with the modern day European Union are at the precipice. The future of these trade relations can best be understood within the context in which they originated as well as the changes at the global level, which necessitated the change in orientation on the part of the European Union. The trade relations of SADC and the European Union can be traced within three historical perspectives:

1. The context of European relations with Francophone Africa as encapsulated in the Treaty of Rome and the Yaoundé I and II conventions.
2. The Lomé I, II, III and IV Conventions.
3. The Cotonou Agreement, which was signed in June 2001.

The reason for this analogy lies in the fact that at the time of formalized trade relations between Europe and Africa, SADC as a legal entity did not exist. The basis for modern trade relations between these two regions had been laid not within the historical context of SADC or its predecessor SADCC, but within the colonial relationship of the European Economic Community (EEC), particularly France and sections of Franco-phone Africa.

The inextricable linkages of SADC's current trade relations with that historical framework would necessitate such a perspective. Such an understanding is also important because it delineates the parameters within which trade between the EU and SADC occurred and the envisioned strategic change of these trade relations. Such a view would also clarify and highlight certain contradictions²⁶ in the overall policy

²⁶ Is SADC in a position to structure its trade relations in such a way as to suit its developmental agenda or will the trade relations be based in a world systemic perspective? Is the history of the trade relations between the developing world, particularly the ACP and the EU indicative of the EU being a Robin Hood giving developmental focus to its trade relations with the ACP?

debate within SADC as to what the strategic role of trade has been and how it can fulfill the ideals of SADC's regional integration and the stated aims of development integration as illuminated in chapter two.

3.1 The Treaty of Rome and the Yaoundé Conventions

3.1.1 The Treaty of Rome

During the negotiations for the Treaty of Rome in 1957, the French due to their colonial model motivated by economic incentives were keen on the association of Francophone Africa with the new EEC. Oyewumi (1991) accentuate the point when he argues that the association between the 'Europe of the Six'²⁷ and the overseas territories was an attempt by France to accommodate its colonial responsibilities. The logic at the time was that two thirds of Francophone Africa's trade went through Paris and the colonies were critical in the provision of France with preferential status for its exports and this in turn provided stability for the Franc. Adversely, the states of Francophone Africa enjoyed guaranteed markets for their primary products at inflated prices (Vale, 1980: 2).

The consensus with regard to the external nexus would mean that France's European partners would agree to share with her the 'burden of the empire in return for access to trade with her colonies' (Oyewumi, 1991). Ultimately, the framers at Rome saw this external nexus as a means of gradual economic multilateralization of existing bilateral links with a free trade area as a pinnacle of this future multilateral framework was consolidated in Part IV of the Rome Treaty (Vale, 1980: 3).

What emerged in the later years is that the framers and signatories of the Rome Treaty did not anticipate the rapid period of decolonization, which broke out on the African

²⁷This refers to Belgium, France, Italy, Luxembourg, Germany and the Netherlands (see figure 2, p 49).

continent. Due to this process, certain flaws in Part IV of the arrangement showed that there was no congruence between the political and economic aspects. Despite this realization and predicament, the European Council of Ministers felt the need to continue the practice until the first expiry of this association in December 1962. What had changed prior to the expiry is that relations between the Associates and the Community were conducted not through the former metropolises but through the EC institutions in Brussels. (Vale, 1980: 3).

3.1.2 The Yaoundé Conventions

The first Yaoundé Convention was signed in July 1963 and displayed a paradigmatic shift through an increased degree of accommodation on the part of the Europeans. Given the dawn of independence on the continent, the Yaoundé negotiations were overtly political and this underpinned the economics of the agreement. It was evidently clear that the Africans, particularly the "Brazzaville bloc" would not agree to an agreement which offered them no part in the governing (Vale, 1980: 5).

Furthermore, questions on the nature of the relationship has been raised at the meeting of both the General Agreement on Trade and Tariffs (GATT) and the Economic Commission for Africa where this Euro-African nexus was charged as being a perpetuation of colonialism. Another critical political consideration was the division between those countries, which were party to the arrangement, and the Anglophone countries not party to the relationship. This view primarily gained credence against the background of the tenuous formation of the Organization for African Unity in 1963. (Vale, 1980: 5).

The membership of the Anglophone countries to the Yaoundé arrangement gained momentum when Britain applied abortively for membership to the Treaty of Rome in 1962 and it was hoped in some quarters that the British colonies and ex-colonies would be offered association under the same terms granted to the Franco-phone bloc. The Anglophone bloc was divided on the matter, and a group led by Nkwame

Nkrumah regarded the Euro-African relationship "as the most virulent form of neo-imperialism" (Vale, 1980: 5).

The objections, it should be noted, were not overtly political, but some had economic impetus to them. This point of view found lucid expression in the position, which was maintained by Prime Minister Kawawa of Tanganyika (modern day Tanzania). He argued that the association would prejudice trade agreements with other parts of the world like India and Japan. He also noted that the association would inhibit the economic development of the associates by creating a comparative advantage in the agricultural sector (Vale, 1980: 5).

The failure of Britain to enter the Community presented Anglophone-African trade with some problems. As a direct consequence of the provisions of the Yaoundé I agreement Anglophone-African trade suffered, and increased interest in securing free entry for Nigerian and East African commodities into the Economic Community gained currency. What was more difficult was the fact that these countries sought under the Arusha and Lagos negotiations to go outside the Yaoundé framework. These presented some constraints in as far as the existing relationship with the associates was concerned. The provisions of Yaoundé were of limited acceptability to some of the Third World countries (Boardman, Shaw and Soldatos, 1985: 6).

The second Yaoundé Convention was signed in July 1969 and consolidated the Euro-African link. Some of the political concerns remained, but what emerged to be critical was the changing landscape of international trade. It was argued that the agreement contravened the spirit and letter of GATT and UNCTAD. Within this changing framework and the imperative membership of Britain to the Rome Treaty, it became evident that Yaoundé was to terminate in January 1975. It also became evident that the Anglophone countries had to be incorporated within an all-encapsulating agreement with the Community. There was a belief that there has been some achievements with Yaoundé and critical aspects had to be safeguarded. (Vale 1980: 7)

The 18 Yaoundé associates with the accession of Mauritius met in April 1972 and opened their door for negotiations with the Anglophone bloc, much to the hesitance of the latter. Since then, there have been failed attempts to bring the two groups together at the UN Economic Commission for Africa in 1973. A milestone was reached with the Deniau memorandum, which set the basis for some bilateral contacts and stated that all African states could join and not only those with a colonial past.

3.2 The Lomé Conventions: A New Era

3.2.1 Lomé I

A turning point in Africa-EC dynamics was reached in May 1973 at the meeting of OAU Finance and Economic Ministers in Abidjan when a new international economic grouping was born, known as the African, Caribbean and Pacific (ACP). In addition to the independence of many African countries in the sixties, the enlargement of the EC, particularly the accession of Britain in 1973 served as a catalyst for the transformation of relations between the two blocs. Furthermore, the international economic climate, the oil price shock of 1973-74 and the commodity boom provided a basis for the developing countries to re-orient their position with the EC (Oyewumi, 1991).

A model was needed that could be defined as a significant departure from the past “neo-colonial” relationships which were the central tenets of the Yaoundé Conventions (Boardman, Shaw and Soldatos, 1985: 7). The 10th anniversary of the OAU saw the African Economic Charter with an eight-point programme, which was adopted to form the basis of all future discussions with the EC. The eight points included amongst other things:

- a) the principle of non-reciprocity²⁸;
 - b) free and assured access for all African products, semi-processed and processed to the community irrespective of the Common Agricultural Policy (CAP)²⁹;
 - c) the guarantee of stable equitable prices to EC markets for main exports products to allow them to increase their export earnings;
 - d) any form of agreement should not adversely affect intra-African cooperation.
- (Vale, 1980: 8).

The EC took more than a year to convert the Deniau memorandum into negotiating positions. Exchanges between the two groups took place between November 1973 and January 1975 to finalize Lomé. The deadlock was largely around the contentious issues of trade such as reciprocity and the sugar question. The Ministerial meeting in Kingston, Jamaica provided fresh impetus to the discussions and the EC ultimately conceded on the issue of reciprocity, free access of ACP products with no corresponding commitments, the rules of origin and concessions were given on the competitive agricultural products, notably Botswana's beef. The final text of the agreement was drawn up on the 1st February 1975, after 350 joint documents had been presented and 183 negotiating sessions had been held (Vale, 1980: 9).

Certain key principles governed the trade relations of what officially became Lomé I in later years. Of utmost importance to the ACP countries was the fact that they could have 99% of all types of goods (manufactured goods included) to enter the EC market free of tariffs. The reality however, was that 40% of ACP exports to the EC were farm products and these were subjected to certain restrictions, even though they were treated better than non-Lomé members with the same levels of development. Despite this free access of exports, there were certain products, which were not covered

²⁸ The second principle of GATT is based on reciprocity in trade relations.

²⁹ The CAP has been used by the EC since 1957 to subsidize agricultural farmers in the Community and this has significantly affected the competitiveness of ACP agricultural trade with the Community.

because they fell within the ambit of the CAP (Vale, 1980:). Stabex³⁰ however was one of the most innovative aspects of Lomé I.

The liberal trade concessions, which underpinned the convention, were limited, much to the apprehension of the ACP by the 'general safeguard clause' and the rules of origin, which heavily affected the exports of manufactured goods and fish from the ACP states. The general safeguard clause had a rigid definition, which meant that the Community could suspend any trade preference if it considered that their interests were threatened (Stevens, 1984: 20). However, the emergence and signature of the Lomé Convention was seen and hailed "as a bold new venture and a model for a new form of partnership between the developing countries and the developed world" (Oyewumi, 1991). Boardman *et al* (1985: 6) argues, "the arrangement contained a number of novel features, even if it did not quite merit emulation as a model for North-South linkages."

3.2.2 Lomé II

Lomé I did not have a long lifespan as it lasted up to 1980 and was replaced by Lomé II in June 1980 after prolonged negotiations. Vale (1980: 13) argues that the "negotiations witnessed the resuscitation of earlier ACP resentment towards the EC." What became evident also is that the meetings on Lomé II were based on accusations that the EC was being timid in its approach to the ever-contentious trade provisions of the agreement. The 'Europe of Nine' (see figure 2, p 49) and the Group of 77 ultimately experienced a breakdown in their communications and the negotiations stalled in June 1979. Apparently the Europe of nine was keen on establishing a harder line compared to the provisions of Lomé I. Furthermore, Boardman *et al* (1985: 5) argues that the member states of the EEC were "wrapped in a complex web of rules and assumptions, procedural habits and ways of thought, that impinge upon any outside party which comes into contact with Brussels."

²⁹ Stabex was a system of guaranteeing the stabilization of earnings from exports from the ACP to the Community of certain products on which their economies were dependent and which were affected by fluctuations in price or quantity (EC, 1997).

Lomé II was not substantially different from Lomé I and marked a stage of continuity (Boardman et al, 1985: 7). Some agricultural commodities, which were previously prohibited under the provisions of Lomé, I were included in the new convention. The convention adopted a more flexible approach to the thorny issue of the rules of origin, particularly with regard to the least developed countries. Furthermore, the irksome issue of non-reciprocal trade between the two groups was maintained within the new agreement, with the special provision that the ACP states were required not to discriminate between the EC member states under the Most favored nation principle (MFN)³¹ (Vale, 1980: 13).

The provisions of the Stabex mechanism were also expanded by extension of goods affected under the mechanism and a new mineral dimension (Sysmin)³² was added to the agreement. Four other areas were incorporated into the provisions of Lomé II and this included industrial co-operation, agricultural cooperation, fisheries and shipping. According to Vale (1980: 15) Lomé II confirmed the “strong, almost unassailable bargaining position of the EC” because most of their advantages in the convention were not affected.

3.3.3 Lomé III and IV

Stevens (1986: 11) argues that “between Lomé I and Lomé III talks, the negotiating lines turned 180 degrees.” The ACP apparently lost the assertive and united attitude that they had at Lomé I, and their coherence has substantially been weakened in the face of the introduction of new issues in the negotiations. Consequently, the ACP pushed for the rewrite of the Convention text without having agreed on a precise alternative (Stevens, 1986: 11). Despite these contradiction, the basic framework of the convention was maintained but the most significant additions to Lomé III was the

³¹ This is the first principle of GATT and it means that every time a member states improves benefits given to one trading partner, it has to give the same “best” treatment to all members, so they can remain equal.

³² Loans given to ACP countries, which were heavily dependent on a specific mineral in the event they suffered export losses, and the loans aimed to lessen mining dependence (European Commission, 2000).

question of human rights and policy dialogue which Stevens (1986) termed as the symbolic issues of the agreement.

From a trade perspective, the EC made two significant concessions, which were of minor importance (Stevens, 1986: 20). The rules of origin were simplified with the introduction of a general tolerance rule of five percent for non-originating components. The ACP countries also declared their willingness to negotiate non-discriminatory bilateral agreements, which would allow the Community states to fish in the exclusive economic zones (EEZ) of ACP countries on payment of compensation. Stevens (1986: 15) argues that the ACP defended their interest well on the question of 'symbolic issues', which essentially entailed the introduction of human rights and policy dialogue.

The fourth Lomé Convention (Lomé IV) was signed on 15 December 1989 and was to govern the relationship between the EC and the ACP states for the rest of the century. Oyewumi (1991) states "negotiations for Lomé IV were conducted in the most inauspicious circumstances ever to face the ACP states in their dealings with the community." This was reflected in the very little enthusiasm for the negotiations because the EC was more preoccupied with the GATT talks and preparations for a single market.³³

Furthermore, the collapse of the Soviet Union also saw the shifting focus of the EC to Eastern Europe (Oyewumi, 1991). Concern was also expressed with the regard to the creation of a single market, which would result in the possible increase of protectionism. Another source of apprehension according to Oyewumi (1991) was the Uruguay round of GATT talks, as this would create the basis for the EC to neglect the interest of ACP by giving trade concessions to third parties within the framework of GATT.

³³ It came into being in January 1993 and allows for factor mobility in the EU, seen as beneficial to ACP-EU trade.

The increasing globalization of economies and markets, the success of the Uruguay Round of trade liberalization eroded the margins of preference for the ACP in the EU market (Economist, 1996: 55). The emergence of regional trading blocs in other parts of the world and the opportunities that these had to offer to the EC also served as poles of attraction and possible reorientation in trade policy. The dispute between the EC and the United States over farm subsidies also deflected attention from Lomé IV negotiations towards an inward orientation on the part of the EC. Despite the fears of the ACP countries, the Lomé III and IV convention have been characterized by incremental changes (Oyewumi, 1991). The European Community's fatigue with the Lomé Conventions could also possibly be explained through the prism of the long lifespan of Lomé IV.³⁴

It should be noted here that the changing political economy of the ACP-EU relations have been underpinned by the Washington-Consensus and its emphasis on neo-liberal economic policies in the developing countries. This has meant that there was a need and there is a need for SADC and the developing world to open up their economies to global competitive pressures. These reforms are at best seen to hold the secret universally accepted panaceas to the problems of SADC and the developing world *en masse*. The plethora of views, which supported the thinking of reform based on the consensus in Davos, Geneva and Washington, is what clearly served as a final nail in the coffin of the Lomé Convention style non-reciprocal trade preferences.

3.3 The Cotonou Agreement

The efforts of the European Union to rewrite the Lomé Convention started in February 1995 when the former EU Development Commissioner stated at the EU-ACP Joint Assembly in Dakar "this is the last Convention as we have come to know them" (ECDPM, 1996: 1). This statement marked a turning point in the relations

³⁴ Lomé IV lasted for ten years with a mid-term review in 1995.

between the European Union and ACP group of countries and as earlier mentioned, the events which occurred on a global level, raised the *ante* for the radical reform of relations between these two partners. On the part of the EU it was argued that the common interests, which defined and framed the original Convention did not apply any longer and have thus shifted in importance.

It was also argued that 'new interests'³⁵ have shifted to the front and these could no longer be addressed through the existing Convention. This was particularly true for the EU, which even at the negotiations of Lomé IV showed a lack of interest due to the changes, which occurred in international relations. From a trading perspective the ACP states were seen as a clear failure and became less significant with time. The EU highlighted to the ACP that the trade preferences granted to the ACP group had declined in value, even though they retained some of their value and the value of such preferences would decline further as a result of the Uruguay round and other approaches to liberalization (McMahon, 1999: 600).

The export growth and diversification of manufacturing in the ACP did not occur and the problem was compounded due to the fact that the ACP countries share of the EU market declined from 6,7% in 1976 to 3% in 1998 with 60% of total exports only concentrated in 10 products.³⁶ The EU Green Paper of 1996 on relations with the ACP further points to low per capita income, continuing problems of poverty, high levels of adult literacy, limited improvements in life expectancy and infant mortality, high population growth, environmental degradation and inadequate food production (European Commission, 1997).

Whilst the first Convention was hailed as a "new model for relations between the developed and developing countries," the negotiations for a successor to Lomé IV

³⁵ The interests being referred to have been shaped by the agenda of trade liberalization in the WTO as evinced in the Uruguay round. The round imposed certain reciprocal trade commitments on member countries.

³⁶ Zimbabwe and Mauritius are the SADC countries which registered economic growth as a result of the trade protocols (European Commission, 2000)

were based on the understanding for a need of a more comprehensive response to reciprocal expectations and ambitions (McMahon, 1999: 599). This would mean a response to the failures, which were from the EU perspective eminent in the ACP states. The new agreement would therefore not be simply a reworking of the existing Convention as has been the case with the incremental changes which so much characterized Lomé I to IV. This view set in motion the European Commission Green Paper of 1996 as a basis for relations with the ACP.

3.3.1 The EU Negotiating Position

The Green Paper culminated in the publication of further communication from the Commission on “guidelines for the negotiation of agreements to replace Lomé IV which were the basis of an agreement reached within the Council on the negotiating directives for the new development partnership agreement” (MacMahon, 1999: 601). MacMahon (1999: 601) further argues that it has been recognized within the EU that the continuation of cooperation with the ACP countries would not be in doubt as this relationship was a significant aspect of the EU external persona. What can be deducted, is that the continuation of partnership was not the issue for the European Union as both the Council and the Commission asserted this, but the critical question was about the ‘nuts and bolts’ of the partnership.

In view of the fact that the relations with the ACP countries would continue, the Commission in October 1997 set five major policy guidelines that would underpin the partnership. This included giving partnership a strong political dimension, making poverty alleviation the cornerstone of the new partnership, opening up cooperation to economic partnership and effecting a complete overhaul of the practicalities of financial and technical cooperation (McMahon, 1999: 601-602). The emphasis that these two new issues entrenched was the fact that economic partnership would be based on the desirability of regional co-operation or integration within the ACP.

All in all, from the perspective of the Commission it emerged that the Lomé relationship had to remain a link which would be anchored around the three core areas of development cooperation, political dialogue and economic and trade cooperation. The EU Council confirmed these core areas on 29 June 1998 in the negotiating directives on the ACP-EU relations. It is beyond the scope of this paper to take an in depth analytic perspective or descriptive approach of the political elements and the development aspects of the EU negotiating directives. However, the issues of development cooperation and trade cooperation are inextricably linked in the Commission's Green Paper (1996) when the EU asserted that the stimulation of economic growth as a result of increased competitiveness and greater private sector investment is critical if the ACP countries are to address poverty.

On the contentious issue of economic and trade cooperation, the Commission Green Paper and subsequent discussions recognized that any future Convention would have to take stock of the demands of the changed climate of international trade. This in essence would mean that there had to be reciprocity as demanded in international trade law and the World Trade Organization after the Uruguay Round. In fact, this position is not new, as the EU demanded certain changes with the mid-term review of the Lomé IV convention. The Green Paper offered the ACP four potential trade arrangements; the status quo, integration into the Generalized System of Preferences (GSP)³⁷, uniform reciprocity and differentiated reciprocity.

According to McMahon (1999: 607), none of these are without problems and these in turn raises the question as to which of them will be taken by the ACP group as the basis for a future trading arrangement with the European Union. It could be argued that the demands for reciprocal trade between the two partners is a logical culmination of the EU external trade policy which was long cast in the Treaty of Rome whereby a free trade area was envisioned with the developing country trading partners.

³⁷ It is one of the noted successes of UNCTAD in the early 1970s under which developing countries succeeded in the elimination of tariffs on manufactured and semi-manufactured goods exported by them to the industrialized nations. It was non-reciprocal and was aimed at promoting industrialization in developing nations by stimulating their exports (Isaak, 1995: 133).

3.3.2 *The ACP Negotiating Position.*

The ACP group of countries made a concerted response to the Green Paper and subsequently came up with a negotiating position. An interesting development within the ACP during the formulation of an engaging strategy has been the meeting of the ACP Heads of State and of Government in Libreville in November 1997. This was a turning point and indicated the seriousness with which the ACP was to approach the negotiations, because the Heads of States and Government never met since the formal establishment of the ACP group by the 1975 Georgetown Agreement (McMahon, 1999: 612-613). McMahon (1999: 613) further elaborate that “the significance of this first formal summit, meeting at a critical time in the history of the ACP, was the clear message which it sent to the EU that the ACP were seeking to renew the cooperation initiated by the Lomé Conventions.”

The ACP, just like the EU did not question the continuation of the relationship, but the prescription as to how to revitalize the partnership was in some cases of marked difference. Be that as it may, the Summit Declaration recognized that the continuation of the partnership was one of the very effective and coherent frameworks for facilitating the achievements of the socio-economic development objectives of the ACP countries. It was further recognized that as moved by the EU, a more intensive political dialogue would be a platform for the enhancement of the partnership. However, it was made clear that this dialogue should not take the form of political dictation or be linked to any notion of conditionality (McMahon, 1999: 614).

On the question of development cooperation, the Libreville Declaration stressed that the position of the successive Lomé Conventions that the ACP states had a firm responsibility for laying out foundations for a human centered, sustainable and equitable and sustainable development based on sound economic policies, respect for the rule of law and social justice. This, it was argued would be done within the existing framework of consolidating, renewing and upgrading the elements of the Lomé relationship (McMahon, 1999: 615). It should be highlighted here that one of the key weaknesses of the ACP in the negotiations is that they did not initiate the

discussions, but their negotiating position has been tailored to be a mere response to their European counterparts.³⁸

3.3.3 SADC Responses to the Green Paper

At a WTO Ministerial Meeting in Singapore, partly in response to the Green Paper, SADC phrased its interests with the regard to the Lomé Convention. It was felt imperative that the various preferential agreements in existence between the EU and SADC as part of the Lomé Convention should be maintained in order to guarantee developing countries the security of market access and integration into the world trading system (Graumans, 1997: 17-18). Graumans further adds that this position was taken by SADC with due recognition of the critical role that the Lomé Convention played in catering for the trade and development needs of SADC.

SADC has since then been formulating and defining its position with regard to the future of the Lomé Convention, particularly the contentious trading arrangements. De Chazal du Mee presented SADC commissioned research on this issue on 27 May 1997. In their interim report titled 'Study on the successor to the Lomé Conventions' the argument is advanced that SADC should opt for the status quo option of the Convention. This option as expressed in the Green Paper basically asserts that the trading arrangements would remain the same. However, the report argued that the status quo could see certain amendments, which include:

1. Improvements in market access through the dismantling of barriers to ACP trade
2. Relaxation of the rules of origin for the ACP only and not for the other LLDCs or GSP beneficiaries
3. Asymmetrical agreements on trade related matters

³⁸ The trend of the developing world being responsive and not setting the agenda has manifested itself as a result of the global structural relations. Power sets the agenda.

4. An agreement on services
5. Introduction of an element of reciprocity which could be linked to the level of development (De Chazal du Mee, 1997: iv-v)

De Chazal du Mee (1997: vi) argued that it would be in the interests of SADC to lobby as the ACP within the WTO and the EU as this would enhance their bargaining position as opposed to the region opting to push for its interest as a regional grouping. The report also stressed the fact that there would be some drawbacks with the status quo option and this would include the need for a waiver from the WTO, and there would be no impetus for regional integration processes.

The study also argued that reciprocity should be seen as a negotiable item, whilst the notion of differentiation should be rejected by SADC (De Chazal du Mee, 1997: iii). Differentiation in this sense would refer to the geographical scope and development levels of the ACP and this would possibly mean splitting the group, grouping countries with similar levels of development or regional groupings together. Reciprocity refers to the end of the one-sided trade provisions and application of the Lomé Convention and introducing tariff liberalization schemes in the ACP for EU exports.

3.3.4 Signing of the Cotonou Agreement

There were substantially no major differences between the EU and the ACP in as far as the political and developmental aspects of a future agreement were concerned as has been mentioned to earlier. After almost 18 months of negotiations the process ended partially with the signing of the 20 years Cotonou Partnership Agreement on 23 June 2000 in Benin, Cotonou. The innovations on the expansion of cooperation to the political sphere were set in general terms. The inclusion of civil society and economic and social actors in the ACP-EU partnership was a new feature and the objective of inclusion was based on involving civil society in the definition of strategies and priorities for development (Goulangana, 2000: 4). These new areas have been linked

to the three foundational elements of dialogue, which are based on the consolidation of democratic processes, respect for human rights and the recognition of the rule of law (le Pere, 2001: 1)

The new partnership makes a clear association between the political dimension, trade and development and is based on five interactive pillars amongst others, the reinforcement of the political dimension of relations, involvement of civil society, the private sector and other non state actors poverty reduction which are confirmed as key within the context of the objectives and strategies agreed at international level. The financial instruments are being rationalized alongside a new system of rolling programming (Moreau, 2000: 7). Stabex and Sysmin have been relinquished under Cotonou and additional resources have to be sought to deal with the financial impact of drops in earnings.

3.4 Trade: Unfinished Business

3.4.1 The New Trading Arrangements

The Cotonou Agreement spells out in a lucid manner that to achieve the objective of economic development, economic partnership agreements will be negotiated from September 2002 and will enter into force as of the 1 January 2008. In the interim until 2008, the existing and current non-reciprocal trade preferences and the regimes of the various protocols will be maintained to the end of December 2007. A waiver from the WTO has already been requested in that regard and is still outstanding.³⁹

The fact that new arrangements will be negotiated is not in doubt and this position is further elaborated in Title II, Chapter 2, Article 36 of the Cotonou Agreement where

³⁹ The waiver has been blocked in the WTO by the Central American banana exporting countries and other member states, such as Brazil, Paraguay and Philippines, which expressed concerns about the Cotonou Agreement.

the “Parties agree to conclude new World Trade Organization compatible trading arrangements, removing progressively all barriers to trade between them and enhancing cooperation in all areas relevant to trade (ACP-EU Partnership Agreement, 2000: 26).” To this end, the Cotonou Agreement provides for the setting up in the long-term of a new trade arrangement, which would be characterized by the progressive abolition of obstacles to trade between the parties, in accordance with the rules of the World Trade Organization. According to the EU-interpretation, this is to ensure that these trade arrangements comply with art.24 of GATT.

The new trade arrangements will rely on the promotion and speeding up of the regional integration initiatives currently in progress in the ACP countries and aim to assist them with gradual insertion in the world economy. Given the unanimity in favor of a trade arrangement, which would support the regional integration efforts in the ACP, economic partnership agreements are to take the shape of regions to EU cooperation with reciprocity and differentiation as dominant variables. Graumans (1997: 1) argued that differentiation and reciprocity are the two variables, which were emphasized in the Green Paper, and this was the likely position to be pushed by the EU in the future economic and trade negotiations.

What consolidates differentiation and reciprocity is the fact that these aspects which were contained in the Green Paper are evidently present in the Cotonou Agreement and such differentiation and reciprocity is expressed within what is referred to as Economic Partnership Agreements (EPAs). What can be deduced from the Procedures of Chapter 2, Article 37 of the Cotonou Agreement is the view that certain elements of the EU-SA FTA, the Euro-Med agreements with Tunisia, Egypt, Palestine, Jordan and Morocco and the European Agreements with central and eastern Europe are likely to form the basis of such trade arrangements.

Thus Solignac-Lecomte (2000: 53) argued that the EU-SA agreement had a profound impact on Lomé and modified the basis on which SADC as a region may negotiate as a region or separately, a trade agreement with Europe. What would essentially be

absent is the element of Development Cooperation as this is already covered in the Cotonou Agreement in Part III, Title I.

3.4.2 *The Main Features of a REPA*

Regional Economic Partnership Agreements (REPAs) seemed to be favored by the European Union for practical reasons and the fact that these would in the view of the EU best consolidate the current regional integration initiatives⁴⁰ in the ACP countries. This view is accentuated by Ortiz de Zuniga (2000: 18) when he argues that "the objectives of the new trade provisions are ambitious, but realistic: to promote the smooth and gradual insertion of the ACP economies into the world economy, enhance supply and trading capacity of the ACP, create a new trade dynamic, foster private investment, regional integration and growth and reduce poverty." He further argues that these goals will be best attained with the eventual establishment of a REPA between the two partners (de Zuniga, 2000: 18).

According to Solignac-Lecomte (1998:2), Regional Economic Partnership Agreements (REPAs) will be based on four principles, namely free trade agreements (FTAs); the formation of regions as an instrument for the development of developing countries; LDCs, even those in regions, deserving special treatment; and that ACP states should not be worse off in terms of market access after signing a REPA. McQueen (1999) argues that REPAs represent more than free trade agreements, as they would include provisions for cooperation in other fields.

SADC countries under such an agreement would retain their current preferential access to the EU markets, but they would have to progressively open their markets to imports from Europe on a preferential basis. In addition to these, the REPA will cover primarily merchandise trade and would exclude trade in services. Furthermore, it

⁴⁰ The EU is apparently obsessed with regional integration to such an extent that it has been funding efforts with overlapping membership in Southern Africa, such as SADC and COMESA (Bertelsmann-Scott, Mills and Gibb, 2000: 23)

would not need to cover all trade, but only ‘substantially all trade’⁴¹ and liberalization would be asymmetrical with SADC being able to use the 10-year time horizon mentioned in the Uruguay Round texts (Stevens, 1999: 103).

Finally, one could conclude that this chapter showed that trade relations between the EU and the ACP responded to various changes in the global political economy. This was highlighted through the successive agreements, which were signed between the two groups. Furthermore, the relations between the EU and its developing partners were not always conducted in a good spirit of partnership at times, but what remained was a commitment to a relationship. The changes and commitment to a relationship defined their interests, particularly the EU and the ACP largely had to respond to the changing agenda of the EU based on its external and internal interests. This agenda of change has led to the point where SADC would be expected to negotiate and implement a REPA within that relationship. In light of such a paradigm shift, it is expected that certain challenges and opportunities, which warrant an evaluation and discussion in the next chapter, can arise for the political economy of regional integration in SADC as a result of these envisaged changes.

⁴¹ Under the WTO disciplines, it means that more than 96% of the traded products should be covered under a FTA.

A chronology of formal trade relations between SADC states and the EU

Figure 2

Agreement / Year	European members	SADC members
Yaoundé I, 1963	EEC 6 (a)	The DRC
Yaoundé II, 1969	EC 6 + 3 (b)	Previous + Mauritius and Tanzania
Lomé I, 1975	EC 9	Previous + Botswana, Malawi, Lesotho, Seychelles, Swaziland and Zambia
Lomé II, 1980	EC 9 + 1 (c)	Previous + Zimbabwe
Lomé III, 1985	EC 10 + 2 (d)	Previous + Angola and Mozambique
Lomé IV, 1990	EC 12 + 3 (e)	Previous + Namibia
Lomé IV-bis, 1995	EU 15	Previous + SA
Cotonou, 2000	EU 15	All 14 members

(a) These were Belgium, Germany, France, Italy, Luxembourg and the Netherlands.

(b) Denmark, Ireland and the United Kingdom joined the EC.

(c) Greece became a member of the European Community (EC) in 1981.

(d) Spain and Portugal became members of the EC in 1986.

(e) Finland, Austria and Sweden became members of the EU in 1995.

(van Rooyen, 2001: 15)

CHAPTER 4

4. REPA: CHALLENGES AND OPPORTUNITIES FOR SADC

CHALLENGES

The Cotonou Framework for trade and economic relations between the EU and the ACP has some lofty and novel ideals with a clearly defined timetable for the negotiations due to start in September 2002. The point should be problematized that 2008 as the date for the subsequent coming into force of the trade arrangements, appeared to the framers of Cotonou, particularly the European Union like a long period away in which the various regions would have been able to have a panoply of certain political, economic and institutional adjustments in place and getting their efforts ready for implementation, whilst it's certainly not the case.

The case of SADC, which is by far one of the most advanced regional efforts in the developing world, is a poignant reminder of the complexities and challenges involved in negotiating and ultimately implementing the Regional Economic Partnership Agreements. In spite of its advanced nature, SADC is confronted by certain internal systemic challenges in negotiating and implementing a REPA. These challenges could be seen as to a certain extent already configured within the current processes under way in the regional integration effort and some will be induced by the proposed form of a REPA.

It would be instructive to argue about the challenges within different perspectives in order to create a much more coherent picture for SADC. These challenges exist from a SADC wide perspective, non LDC SADC concerns, SADC-LDC and the BLNS countries as an integral part of SACU.⁴² These challenges present SADC with a laundry list of competing interests.

⁴² This analogy is merely a practical way of deciphering theoretically the challenges for the various groups of countries in SADC and does not suggest a departure from SADC as the unit of analysis.

4.1 SADC's Complex Agenda

4.1.1 SADC Wide Concerns

a) Economic and Negotiating Aspects

SADC can be seen as work in progress and this is by and large manifested through the aims and complex features and processes currently under way to widen and deepen the process of regional integration. In view of the current processes, a REPA with the European Union present SADC at a macro-level with certain strategic challenges. These challenges could be viewed as problems due to the fact that they can impact negatively on the evolution of SADC as an integration project. Of particular importance are the ongoing outstanding matters with regard to the Maseru Protocol on Trade, which has been ratified by member countries and entered into force as of 1 September 2000 and has been implemented by Zambia, Mauritius and South Africa.

It could be argued that the proposed time frame for negotiations between the EU and SADC on a REPA and the implementation of the inter-regional trade relations would be unrealistic. SADC's insurmountable challenges are compounded by the fact that the intra regional free trade area is optimistically envisaged to be fully implemented by the year 2008, according to the minimum eight-year period originally agreed on in the Maseru Trade Protocol. Keet (1999: 24) argues that it is possible that the protocol would only be fully implemented by 2010 or 2012, if cognizance is given to the ten or twelve year phasing periods allowed in WTO terms, if SADC opts for that route.

There has been conscious agreement in the process of SADC regional integration that the process has to be asymmetrical between South Africa and the other states due to the vast obvious economic disparities and trade flows within the region. As a consequence, Keet (1999: 28) argues that trade terms have to be variable between the other relatively more developed SADC economies and LDCs "in recognition of their different levels of development and respective vulnerabilities and these variable terms have to be integrated into a carefully phased and gradually incremental process." Keet

(1999: 28) further states that "if implementation of these multi-directional intra SADC process ... take place simultaneously with another differing regional trade liberalization process with the EU, the co-ordination and sequencing of the many differing tariff and trade terms would be difficult to manage."

There are evidently wide differences within SADC in the levels of economic development and particularly the share of manufacturing in GDP, which weighs heavily towards South Africa and the potential for beneficial trade integration, is ultimately limited. Given these large structural differences within the region, it would be very difficult to reach any consensus on the key elements of an FTA with the EU concerning product coverage, the timing and the phasing of liberalization (McQueen, 1998: 678).

Essentially, what this would mean for the EU-SADC proposed REPA is that it should not be negotiated and cannot be implemented until 2010 or 2012 or the worst-case scenario would be further ahead (Keet, 1999: 24). Keet (1999: 24) further posit that it would only be around that stage when the new SADC trade terms would have been fully implemented and that their respective national and combined intra-regional effects would have been crystallized. In the absence of the awareness and accurate assessment of the "impact of extensive external trade liberalization in this very changing and evolving situation within SADC," the extend to which the economies of SADC can cope with reciprocal free trade areas with the EU is outside the parameters of confident prediction (Keet, 1999: 24).

The purpose of integration in SADC as evinced in the protocol is to provide the lesser and least developed economies within the group with a defined period of preferential treatment to the South African market and to each other over third parties. The inference, which can be made here, is that if SADC enters into a reciprocal REPA with the EU, the implication would be an erosion and possible nullification of the SADC trade protocol and the process of trade integration. This would also inevitably conflict with the intended aims of development integration as elucidated in the SADC agenda.

In that sense, the lessons from the Euro-Med agreement are instructive, because these countries entered into an FTA with the EU without having liberalized trade amongst themselves and such a piecemeal approach can weaken the bargaining capacities of countries, particularly when it comes to negotiating measures to absorb the immediate negative impact of the agreement (Madakafumba, 1999: 46).

A REPA can be seen as premature and present a serious challenge for SADC in view of the fact that the two regions are at different stages in their respective processes of economic, institutional and political integration. The EU is undoubtedly the most advanced regional integration effort globally, having reached the zenith of economic integration and attempting to build a common foreign and defense policy. SADC on the other hand is exceedingly embryonic, and does not have the institutional capacities or the necessary policy convergence to deal with the EU as a unit.

In terms of trade there is a very asymmetrical and negative dependency between the regions. With the exception of SA, 37% of total SADC-imports come from the EU and 44% of the regional exports go to the EU (Imani Development, 1999: 52). SADC exports, even though there is not much diversification to the EU are a big portion of the total SADC exports, whilst the EU exports to SADC are a very small share of their total exports (van Rooyen, 2001: 15). The asymmetries in economy are notable and these would also possibly reflect themselves in the formulation of the REPA as the history of FTAs has shown in recent years. The bigger economic partners due to their structural power⁴³ emerge with more on their plate and the case of the SA-EU TDCA is a lucid reminder, even though the negative effects have not yet crystallized fully.

At this juncture, the member states of SADC also have divergent conceptualizations of the strategic role of trade and tariff policies as economic instruments in the process of development and industry diversification (Keet, 1999: 24). For many SADC countries, import and tariffs are viewed as sources of much needed government

⁴³ The EU has got superior knowledge, financial and security capabilities and this can be used to shape the structures of the relationship with SADC. Structural power in this context is used from the perspective of Susan Strange (1988).

revenue. This is crystallized when one consider the very diverse tariff structures which are high in the case of Zimbabwe, Mauritius, Seychelles and SACU (Madakufumba, 1999: 40).

Of significance is the fact that the member states of SADC do not have a common external tariff (CET). This would mean that the region could not negotiate as a group with an external group (van Rooyen, 2001: 14). The common external tariff only exists between the SACU member countries and there are no plans to extend the customs union to the rest of SADC. The SADC trade protocol gives no mention of a planned customs union in the foreseeable future.

The beginning and timing of the negotiations and not to mention the phasing-in of a REPA with the EU would further complicate the trade integration process in SADC, in another profound way. The period stipulated by the EU would present and impose a multiple and burdensome agenda on the SADC states. The member states will have difficulties in coping with these congested agenda as they do not have the technical and human resource capacities to engage the EU effectively amongst others. This would be of much concern to SADC in view of the fact that much of the technical work on a REPA would have to be carried out at sectoral level. For example the member states of SACU were involved in an arduous process of renegotiating the revenue sharing formula of SACU. In the case of Namibia for example, almost the whole department of international trade was deployed to that effect.

The negotiations in light of the congested agenda would prove extremely difficult for SADC. This is particularly true when viewed against the background of the great difficulties that South Africa encountered in its negotiations with the EU on a TDCA, which were coupled with SACU re-negotiations. The experience of South Africa in negotiating a TDCA with the EU would be instructive because it took nearly four years of negotiations to reach a compromise (Lowe, 2000: 39). Viewed against the time it has taken for SADC to negotiate its own Trade Protocol, the time it has taken to renegotiate the SACU agreement, there are clear indications that the SADC-EU

REPA negotiations cannot finish within the specified time frame (Imani Development, 1999).

In the meantime the member states had to prepare for a common SADC position for the November 2001 WTO ministerial meeting in Doha, Qatar. The looming possibility of the 'Millennium Round' of multi-sectoral negotiations in the WTO in the not too distant future present a further challenge for SADC's strategic negotiating capabilities.⁴⁴ The SADC secretariat is too small and with no specialists in trade negotiations and it lacks any "strategic responsibilities" (McQueen, 1999). The ACP secretary general, Mr. Jean-Robert Goulangana drew attention in May, 2001 at the meeting of the ACP heads of regional integration organizations about the "impeding delays in the preparations by the ACP for negotiations of ACP-EU new trading arrangements...."(ACP, 2001).

The complexities of the issues involved and the differing interpretations thereof and the fact that the member states have to research and analyze and discuss these before reaching consensus amongst a large number of countries at different levels of development with different policy objectives create immense challenges for SADC. This point of view was accentuated by the former executive secretary of SADC, Dr Kaire Mbuende (2000: 25) when he argues, "real dilemmas are faced in trying to protect national interest within a coherent regional framework." The framework of dilemmas creates a lot of room for policy conflict and SADC would have to try and find common cognitive ground under very difficult and tenuous circumstances.

The macro picture of international trade and the concomitant developments, which are likely to ensue in as far as the liberalization of trade in agriculture and investment is concerned, present SADC with another serious dilemma. There is currently a period of policy flux and the ongoing debates in international economic relations are

⁴⁴ The Namibian Minister of Trade and Industry, Hidipo Hamutenya indicated at the 4th WTO ministerial meeting in Doha that developing countries have great difficulties in implementing Uruguay Round Agreements due to limited human and technical capabilities and the "imposition of new obligations on developing countries would be counterproductive."

somewhat inconclusive and these should be recognized by SADC and not allow to be pushed by the EU and precipitate decisions on SADC which might be inconsistent with possible innovative future developments (Keet, 1999: 25).

The negotiations will also coincide with the EU talks about the possible reforms of CAP, and SADC faces the challenge of being unable to formulate a position in the interest of the member states in view of uncertainty around the outcomes of the negotiations around CAP. The outcome will undoubtedly have a profound impact on the structure of agricultural trade flows between the two regional blocs.

The member states of SADC have not yet indicated their preferences in as far as the approach around the REPA is concerned. It could thus be argued that the decision by the member states as to whether to rely or join new or existing frameworks within a REPA would depend on “the relative importance of the small amount of preferences available under an FTA for exports of clothing, agricultural and fishery goods to the EU outweigh the costs of opening their domestic markets to EU imports...” (McQueen, 1998: 677). In the absence of any quantifiable benefits, most countries remain in uncertainty as to what is their preferred choice, hence the persistent demands for the maintenance of the status quo option, which SADC pushed in the ACP.

The range of areas to be covered by the REPA has not yet been agreed on, but the EU Commission has clearly indicated that the REPA should not only be limited to market access, but should encompass areas such as trade in services, sanitary and phytosanitary measures, promotion and protection of investments and intellectual property rights (ACP, 2001). The inclusion of such areas could increase the adjustment costs⁴⁵ of a REPA for SADC. The resources of which both human and financial are beyond the capacity of SADC states. Such an approach on the part of the EU, which creates

⁴⁵ The World Bank has estimated that a developing country must spend \$150 million to implement requirements under three WTO agreements such as those on custom valuation, sanitary and phytosanitary measures and trade related intellectual property rights (Rodrik, 2001: 55-62). This sum would equal almost half the annual budget of a developing country like Namibia.

room for the sporadic introduction of new issues, might prove very difficult for SADC to handle.

b) *Political Impediments*

Another aspect, which could possibly be a challenge to the region, is the political, historical and cultural differences, which exists in SADC. The issue of the conflict in the DRC, which remains unresolved, could complicate trade discussions with the EU, as was the case with the intra-SADC trade protocol. The never ending conflict in Angola is also a matter of concern to SADC in as far as any meaningful discussion with the EU on a REPA is concerned due to the fact that such conflicts undermine the efficacy of SADC as a vehicle for regional integration. This eventually creates a vicious cycle whereby, the region cannot benefit substantially from a trade area, due to the investor perceptions and the lack of implementation of mutually beneficial agreements.

The situation in Zimbabwe is a matter of concern and the current economic policies of President Robert Mugabe have been evidently antagonistic to regional integration. The possibility of sanctions against Zimbabwe after the failure of the EU delegation to convince the government to change tact on land reform in November 2001 could further complicate the already complex agenda of SADC in the integration project and also erode the capacity of the region to engage in a REPA meaningfully. This could certainly affect the regional trade scenario in view of the importance of the Zimbabwean economy in intra-regional trade. The point being enunciated here is that in the absence of any political stability in the SADC region, the domestic economic adjustments to tariff cuts are less likely to occur.

4.1.2 *SADC LDCs*

Within the framework of a REPA as alluded to, is the notion of differentiation and the EU is planning to offer the LDCs in the region continued Lomé Convention type

preferential treatment to the EU market. However, there is admission in the EU that these LDCs have to eventually reciprocate in trade at a later stage. Keet (1999: 27) argues that the 'eventual reciprocity' would be at the expense of the pace of integration in the region as whole, because even with differentiation it would be exceedingly difficult for the LDCs to control the movement of 'free' imports from Europe into any part of the SADC region. This is particularly true in view of the fact that the LDCs do not have effective customs controls at their intra-regional borders with appropriate rules of origin in place. To enable these countries to have effective capabilities for customs controls would demand immense financial and human resources.

If the LDCs opt to keep the Lomé style preferences, they would be forced to negotiate bilaterally or within a multilateral LDC group and they could be either way placed in a weakened bargaining position if separated from the rest of SADC. This could in turn affect their status as SADC members and their bargaining base might be reduced as a consequence. Keet (1999: 26) states that "their possibilities for negotiating multi-directional 'trade offs' between trade and other sectors, with the rest of SADC would be reduced and their potential for gains from interlocking trade and development programmes with the other more developed economies in the region could be severely affected."

The other likely scenario is that the abovementioned could weaken SADC as a unit and reinforce the continued dependence of the LDCs on Lomé type provisions rather than encouraging these economies to converge economically with the rest of SADC. If SADC is to construct and enhance its identity as a cohesive economic bloc, the question of the LDCs poses a major challenge in the light of the REPA with the EU.

4.1.3 SADC 'non LDC'

There is also the distinct possibility that the EU would offer the 'non-LDC' the option of non-reciprocal national enhanced GSP⁴⁶ access into the EU markets or reciprocal regional free trade with Europe. In considering these options, the issue that should be kept in mind is the further exacerbation of the existing policy differences and economic divergences in SADC. Keet (1999: 26) assert that given such a choice, the countries that would have favored a multilateral regional approach are likely to opt for bilateral agreements with the EU. Once again the question of SADC unity if it is to be dismembered in such negotiations cast a dark shadow over the cohesion of the regional grouping.

Keet (1999: 27) further assert that the need for the differentiation of status and rights for countries at different levels of development within the non-LDC developing country category could "cut across or pre-empt negotiated agreements and multilateral programmes within SADC to deal with such differences through more organic processes, rather than formalistic categories and mechanistic approaches." SADC non-LDCs has further to deal with the proposition that the countries with higher per capita income graduate into certain trade categories and these is done without due recognition of the complexities of their internal socio-economic configurations.

The region would have to battle with this panorama of a number of overlapping agreements and these can certainly not be reconciled in a coherent regional trade policy as elucidated in the Maseru Trade Protocol. If the scenario of non-LDCs is taken into account there would be a multiplicity of regional trade agreements with the EU, within the region and this would certainly create a very laborious process of integration within SADC. The caveat here is the extend to which the non-LDCs free trade agreement or the GSP option would perpetuate the variable geometry within the regional integration project.

⁴⁶ The EU apparently sees this option as a last resort and is not keen on it as an alternative for the REPA (Solignac-Lecomte, 2000: 59).

4.1.4 BLNS Concerns

The BLNS countries are part of a customs union with South Africa with a common external tariff and it can be said that there is virtually free trade among the five countries. The common external tariff around the SACU⁴⁷ has been kept high to promote the industrial development of the member countries by spurring domestic production of goods within the union (Goodison, 1998: 40). The SACU revenue pool has been a major source of government revenue in the BLNS and the share thereof has risen considerably over the past years if one considers the period 1990 to 1996 (see figure 3).

Figure 3. SACU revenue as a percentage of central government

Year	Botswana	Lesotho	Namibia	Swaziland
1990/91	13.2	43.5	22.3	44.7
1991/92	19.0	43.8	36.3*	43.7
1992/93	21.9	56.5	25.3	
1993/94	15.9	53.3	25.4	
1994/95	16.2	53.2	26.4	36.9
1995/96	16.3	50.6**	30.1	46.3

1.1 * including delayed payment for 1990/91

** estimate Source: Adapted from Paul Goodison (1998: 59)

The proposed REPA create certain challenges for the BLNS member countries in view of the fact that they already are *de facto* members of the EU-SA free trade agreement, due to their membership of a customs union with South Africa. This in essence means that the EU-SA free trade agreement, which was signed in September

⁴⁷ The SACU revenue sharing formula has been changed in November 2001 after South Africa expressed its dissatisfaction with the earlier formula.

1999 and implemented since January 2000, is applicable to the BLNS in a practical sense. Thus it could adequately be referred to as the “EU-SACU FTA” (van Rooyen, 2001: 16).

The different market access accorded to South Africa and the BLNS countries by the EU poses problems for any coherence in terms of negotiating a Regional Economic Partnership Agreement for the BLNS countries. If the BLNS countries opt to use a level of tariff preferences that is inconsistent with South Africa within a customs union, it would effectively discriminate against consumers and producers within the BLNS countries (Madakafumba, 1999: 43). Solignac-Lecomte (2000: 61) argues that in order to prevent EU exports to South Africa from entering the BLNS countries would require strict enforcement of the rules of origin and this seems unlikely and if strictly enforced, this could hinder intra-SACU trade and affect regional trade integration.

The proposal to simply ‘multilateralize’⁴⁸ the BLNS countries into the EU-SA free trade agreement has been mooted (Imani Development, 1999, Matambalya, 1998). This would be a plausible move for the BLNS countries in a theoretical and practical sense, but it could undermine their credibility in view of the already expressed concerns about the manner in which Pretoria went about negotiating the TDCA. Apparently there were no adequate consultations in this regard. The broader aspects thereof would be the potential impact this would have on the already existing concerns within these countries about the impact of the EU-SA TDCA on their economies.

Mbuende (2000: 24-25) argues that the challenge lies in how the BLNS negotiate individually or as a bloc for better trading conditions with the EU under the existing framework (EU-SA FTA) or under some parallel agreement as these would provide the BLNS with the avenue to raise concerns they have over the impact of the TDCA. What this position attest to is the fact that there are many outstanding issues within

⁴⁸ This would mean that they have to accede to the EU-SA FTA.

SACU and particularly the BLNS countries. As of this moment, there seems to be no panoply of action as to how these countries would approach a REPA with the EU and this aspect present SADC at large with an immense challenge as to how to cater for the interests of the BLNS countries without undermining regional integration and the interests of member states.

4.1.5 Negative Static Effects

SADC as a region should take due cognizance of the possible negative static effects a REPA would have on the region. It should be mentioned here that the “new agenda of global integration rests on shaky empirical ground and seriously distorts policy-maker’s priorities” (Rodrik, 2001: 55-62). Stevens (1999: 105) assert that competition and fiscal effects can be discerned when a FTA with the EU is agreed upon within the broader framework of a REPA. The competition effects are that an FTA might lead to trade diversion or the decreasing of welfare. This essentially means that, prior to the creation of the FTA as it is, the EU and the rest of the world are competing in the SADC market on equal terms and after the FTA the imports from the EU might replace more efficient products from the rest of the world which possibly were efficiently produced (van Rooyen, 2001: 18, McQueen, 1998: 678-679).

Given the radical differences in the sizes of the two economies and the unequal levels of development more trade diversion is likely to occur to the disadvantage of SADC. The effects can further result in investment losses due to the replacement of domestic investments by EU-originated investments. Matambalya (1999: 88) accentuate this view and argue that this will be more in the growth of export sectors, which are lower than the reduction of investments in import substituting sectors. The study of Imani Development (1999) found amongst others that trade diversion would be high in SADC, especially for Mauritius (a loss of 1,7% of GDP was predicted) and the Sychelles at 2%. Keet (1999: 30) consolidate the view that:

"Even without free trade in Southern Africa, the advantages of subsidized EU agricultural producers/exporters over their southern African counterparts, and their damaging effects upon them, have already been demonstrated on the ground."

The point should be aptly emphasized that the EU exporters are likely to get the benefits of trade liberalization while SADC has to carry the costs. This is particularly so for the agricultural sector where subsidized EU products under the CAP would replace the local products and undermine the possible gains from free trade within the REPA.

In addition to these, the REPA is likely to create some shifts in government revenue in the structures of the SADC economies. According to Matambalya (1999: 87) the resulting losses in government revenue will range from 29,7% in the case of the Seychelles to 0,4% in the case of Swaziland and losses of customs revenue will vary from 70% (Seychelles) and 0,8% (Namibia).⁴⁹

SADC should be wary of the fact that it may run the risk of increasing its dependency on the EU economies due to the *de facto* discrimination against imports from the rest of the world and this is likely to compound the 'hub and spoke effect'⁵⁰ in the EU external trading agenda with its developing partners. These type of arrangement based on the 'hub and spoke' creates lower collective increases in incomes than that created or generated by the overall FTA and the gains from this lower level of collective incomes will be concentrated in the EU and the agreement can damage potential 'spoke to spoke' trade in the developing world (McQueen, 1998: 687-688).

Reciprocal trade liberalization can only be introduced to the benefit of both partners if there is equality in terms of trade, otherwise most of the benefits can accrue to the developed member of the free trade area. Drucker, (1994: 104) expound the view that "for developed economies, the distinction between the domestic and international economy has ceased to be a reality... an ambiguous lesson of the past 40 years is that

⁴⁹ The figures provided here are possible estimates based on econometric modeling and the implementation of an FTA can create a different outcome, based on real trade flows. McQueen and Stevens (2001: 3) argues, "the heterogeneity of effects and their dependence on the precise details of the different agreements make measuring the economic impact of a REPA very difficult.

⁵⁰ This essentially refers to the notion that such an arrangement creates a common denominator, the EU in this case, which on the "analogy of airline routing systems, becomes the 'hub', with 'spokes' radiating out through bilateral agreements to other countries and groups of countries" (McQueen, 1998: 687).

increased participation in the world economy has become the key to domestic economic growth and prosperity.” This in itself is evidence that trade liberalization under the current terms of trade will largely benefit the EU and not SADC.

It should be borne in mind that the institutional reforms needed for the insertion of SADC into the global economy can be inevitably desirable and they can produce broader economic benefits for SADC. However, Rodrik (2001: 59)⁵¹ argues and provide caution that “these priorities do not necessarily coincide with the priorities of a comprehensive development agenda.” The political economy of SADC’s developmental integration agenda will be evidently constrained in some profound ways by a REPA with the EU.

It should be noted that a trade policy, which expound liberalization, is not a necessary ingredient for development because experience has shown that competitive exchange rates and favorable world demand are critical determinants of possible gains from liberalization (Lewis, 2001: 6). If one considers the export base of the SADC economies, the exports are in agriculture and mining and these commodities have been fetching lower prices in recent years due to decreased global demand.

⁵¹ Roderik (2001: 59) further argues that a sound overall development strategy that produces high economic growth is far more effective in achieving integration with the world economy than a purely integrationist strategy that relies on openness to “work its magic.”

4.2 OPPORTUNITIES: Looking Beyond Protectionism

Trade preferences are increasingly becoming marginal in the economic growth and development debate of the not too distant future. The structural shape of the global economy as a result of the 'hesitant neo-classical orientations' to trade is putting preferences at the margins. Therefore, it should be borne in mind that by the time a REPA is implemented, few tariffs will remain worldwide as it is predicted that by the year 2015 there would have been three rounds of WTO negotiations, which could erode tariffs for most products, even those in the highly protected agricultural sector (Bertelsmann-Scott, Mills and Gibb, 2000: 26).

In the case of SADC, one need not look far if the Lomé style preferences are put in perspective. They simply did not result in the economic growth and development of the SADC economies. Most of the countries in SADC have always had negative balance of payments with the EU and this had to do partly with the structure of the SADC economies.

Even though tariff preferences can increase their balance of payments in the short term, albeit marginally, SADC should look beyond protection and address more fundamental issues in their economies (Madafakumba, 1999: 43). A Regional Economic Partnership Agreement with the European Union provides certain opportunities for the SADC economies to restructure their economies and enable their insertion in the global economy.

4.2.1 Dynamic Gains

Bertelsman-Scott, Mills and Gibb (2000: 21) accentuate the view that "it has become an article of faith that free trade equals economic growth." A free trade agreement with the EU is likely to encourage specialization and these in turn would increase total production in the SADC economies due to the benefits of competition. As a

consequence, competition is likely to result in the upward convergence of the low performance areas as a result of them merging with high performance areas.

According to Matambalya (1999: 90) the catalogue of gains, which are realistic in the context of SADC, would include upward convergence in many aspects such as: quality, productivity, incomes, general standards and the market opportunities which can accrue from the formation of integration with a larger economy. The access to lower cost imports of intermediate goods could free capital and allow for the production of goods that were not seen as economically viable. Furthermore the decreased levels of protection and increased competition may produce efficiency gains through creative destruction, while access to the EU market may enable economies of scale for SADC producers.

Furthermore, the liberal access to the wider SADC region would create economies of scale for the EU and this could induce manufacturers to establish branch plants in SADC for finished goods or they can subcontract components input from SADC producers (McQueen, 1999). It is also envisaged that a flight of labor-intensive industry from South Africa to other SADC member states can occur and this can provide an investment boom.⁵² This is particularly critical for SADC in creating an economically balanced region.

SADC can make use of the 'regional cumulation'⁵³ of local content under the rules of origin. This particular policy instrument could assist national and regional production development and diversification, both in the agricultural processing and in the more advanced manufacturing sectors. This would not only improve the volume of goods, the quality and price competitiveness of exports of such products in the EU market, but the instrument allows for the utilization of components and other inputs from a

⁵² Spain and Portugal experienced an investment boom when they joined the EU (McQueen, 1999). These two economies are semi-peripheral when compared to Germany or France.

⁵³ The only possible problem with 'regional cumulation' is that the EU has determined that co-operation between SA and BLNS countries under the terms of LC will only be permitted by the EU on an ad hoc basis and is worded vaguely. However, the negotiations for the REPA present an opportunity for SADC-non SACU members to lobby full SADC-wide cumulation.

number of countries within national, cross-border and multilateral regional production processes. (Keet, 1999: 32).

The cumulation provision enable groups of countries to produce together more effectively and this represent an opportunity for SADC to encourage the combination of industrial strengths of South Africa with the comparative advantages of the other SADC countries. This could assist in the economic development of the region by promoting and encouraging intra-SADC trade as well as SADC-EU trade.

Furthermore, the differentiation within regions can create a situation whereby the less economically advanced countries in SADC will be forced to become more vigilant in their border restrictions in maintaining the integrity of their border restrictions against imports from the EU being routed via more industrialized countries granting reciprocal preferences to the EU, or they will succumb to pressure and graduate to reciprocity in their trading arrangements with the EU. The effect of such a scenario is that it will liberalize all of their trade and the conformity to reciprocity will create symmetry with the other SADC members and this would consequently increase regional trade and integration. (McQueen, 1998: 688)

A REPA is also likely to present opportunities to consumers of imported products in the SADC who will have to pay less for goods previously imported from the EU at tariff inclusive prices.⁵⁴ They would be able to purchase a larger volume of imports at a lower price. The higher growth of income due to lower prices could increase savings, domestic and foreign investment in the regional economy, producing possible growth in incomes. These gains in the form of consumers benefiting and the upward convergence effects in terms of production as stated earlier will together produce the welfare gains of trade creation in the SADC economies.

⁵⁴ Estimates from a Commonwealth Secretariat study in the 1980s estimated that BLNS citizens were on average paying 37% more for goods and services than they would pay on the world market. The picture is somewhat different today due to the Uruguay Round commitments, but the estimates merely serve as a reference to illuminate the effects of high tariff on consumers in SADC. (Goodison, 1998: 43-44).

The study by Imani Development (1999: 59) on the economic impact of REPAs on SADC argued that the non-LDCs, particularly Botswana, Zimbabwe are likely to be most affected without a REPA as they would be forced to revert to the GSP option and they would lose out on the beef protocol. The study also indicated through “revealed comparative advantage” that certain sectors would be expected to gain from a REPA and these include amongst others; “trees, plants and cut flowers; cotton and sugars; tobacco, edible vegetable, resins and vegetable extract; man made staple fibre; tanning extracts; coffee and tea; meat and fish products; precious stones; optical equipment mineral fuels; clothing; oil seeds; fibres and yarns” (Imani Development, 1999: 56).

4.2.2 *'Lock in Effects'*

A REPA is a legal binding agreement on both parties and any country re-imposing barriers to trade would be forced to take the drastic of leaving the FTA. Admittedly, it could then be argued that the REPA could be said to lock in trade liberalization policies.⁵⁵ This is particularly because a REPA as a regime may also facilitate further efforts to coordinate policies in the region. The lock in effect make such policies irreversible and lend credibility to these policies in the eyes of domestic and international investors and can provide the oil for regional integration in the SADC region. The changes in investor perceptions would possibly result in the transfer of technology and lead to employment creation.

Finally, in view of the fact that FTAs are of indefinite duration, they could be regarded as a means of much more secure access to the EU market compared to the trade preferences which are of limited duration in view of the current wave of trade liberalization (McQueen, 1998: 684). It can occur that many European manufacturers can locate in the region due to the lock in of policies. In that sense, the REPA would

⁵⁵ The ‘lock in effect’ would be a possible surrender of policy options for SADC governments in future, but such a concern should be viewed within the perspective of globalization and the eclipse of the state when it comes to the economic policy milieu. Individual states are becoming constrained as a result of the developments in the multilateral fora and the attendant demands for cooperation.

create more policy certainty, credibility and permanence, which in turn would be vital for creating a conducive framework for investment in SADC. The REPA will be an important complement to an outward-oriented policy, which is based on attracting foreign investment.

This chapter presented the challenges and opportunities of a REPA on the political economy of regional integration in SADC. As a consequence, the chapter affirmed that SADC would be faced with an array of challenges. From a negotiating perspective, it remains suspect as to whether SADC will be able to deal with the advanced institutions in Brussels. It would also be very difficult for SADC to reconcile the various members' interests into a comprehensive regional framework. Competition and fiscal effects have been presented as well. The political situation in the region marred by conflicts in parts such as the DRC, Angola and most recently the fluid situation in Zimbabwe are points of concern and would make it very difficult for a SADC-wide REPA to be implemented. On the other hand, the chapter noted some opportunities, which exist for SADC in a REPA endeavor. Of importance is the possibility of increased investments in the SADC economies due lock in of policies.

CHAPTER 5

5 CONCLUSIONS

5.1 Concluding Summary

This study has been a humble attempt at providing an overview of the opportunities and challenges that the political economy of regional integration in SADC would face in negotiating and ultimately implementing a REPA with the European Union within the Cotonou Framework.

In the pursuit of such objectives, the study in chapter 1, departed from a point of view where the political economy of regional integration in SADC had to be clarified. Such a perspective was instructive, because it provided clarity on SADC about the history, the evolving nature of regional integration in SADC, the stated policy preferences of SADC and an institutional overview. It became apparent to a certain extent, that the political economy of SADC would face immense challenges and possible opportunities in its engagement with the EU on a REPA.

SADC as a regional integration initiative has been contextualized in the second wave of regional integration, which is the new regionalism. However, the paper argued that SADC's regional integration is not a star pupil of new regionalism, but the regionalism preferred by SADC is one of a complex amalgam of developmental regionalism and new regionalism. Such an approach has been clarified in the paper by looking at the role that trade, particularly through the 1996 Maseru Trade Protocol has been receiving in recent years.

Furthermore, the push towards greater trade integration in SADC has also been a result of greater systemic accentuation of free trade as the preferred policy option in development. SADC as a consequence, is forced to give priority to greater trade liberalization, if it is to become a competitive region and become integrated in the

global economy. In addition to these, the study also argued that the European Union being the most important trading partner to all the SADC states, with the exception of Angola has been a key factor in the push to trade liberalization.

The study in chapter 3 presented an evolution of the trade relations between SADC and the European Union. The study argued that the trade relations between SADC and the EU cannot be seen in a SADC-EU historical milieu, but should be located in the framework of the Yaoundé and Lomé Conventions. Such an analogy has been enlightening due to the fact that SADC as a legal personality is a fairly recent phenomenon, but the shape of its current and future trade relations owe their being to those conventions.

The point has also been made that the content of these trade relations reached a zenith with the birth of the ACP group in 1973. The trade relations between the EU and the ACP in the context of the successive conventions have been non-reciprocal and served to a certain extent political uses. The politics of trade between the two groups, the study noted, could evidently not be suspended from the international political order and the uses they served in the maintenance of that order at specific historical junctures.

Furthermore, the delineation of the trade relations between the EU and SADC from a historical angle provided room for the thorough deciphering of what has been the perceived role of trade on the part of the EU. In addition to that, the overall systematic changes in that relationship has been discerned. In that sense, the policy shift on the part of the EU trade relations with SADC, might have been a surprise to some, but the study argued that this was part of a well-conceived strategic shift in view of the fact that the Treaty of Rome saw a free trade area as a logical long-term goal of the EEC external trade policy.

Some constraints have also been provided in the relations between the EU and the ACP group. For example, the study conceded that the relations between the two

groups have been tenuous and inauspicious in some cases, given the stakes and the complexities of trade negotiations. Particular reference has been made to the inability of the ACP group to take a pro-active stance in the articulation of their interest. In most cases, the European Union provided the agenda and the ACP had to respond to the set agenda. This aspect somehow affected the type of concessions the ACP could negotiate with the EU.

In chapter 3, the study also gave a description of the type of processes, which culminated in the demands by the EU to recast the trade relations with the ACP. A number of reasons have been provided. The EU has been a fervent supporter of regional integration efforts in the developing world and it was felt that the trade relations should be structured to support these initiatives. The success of the Uruguay Round of trade liberalization eroded the margins of preference in the ACP markedly and non-reciprocal trade relations have done very little to improve the economies of the ACP, with very few exceptions. In sum, the study argued that the Washington Consensus and its hegemonic neo-liberal pressures created growing impetus for the EU to propose a new trade arrangement.

The third section of chapter 3 gave the responses of the ACP to a renewed cooperation framework in general as proposed by the EU Commission in the Green Paper on relations between the ACP and the EU of 1996. It should be mentioned that the study conceded that both parties did not question the importance of the partnership and the Cotonou Agreement was signed in 2000. Of much interest also, is the formal introduction of SADC's negotiating position in its engagement with the European Union.

SADC, the study concluded, showed a certain level of apprehension with some aspects of the Green Paper, particularly the contentious aspects of trade cooperation. Therefore, the position of SADC with regard to the Green Paper is presented as one of the 'status quo option,' where the relations had to remain as they were with slight demands and changes, which would be beneficial to SADC. Such a position evidently would not be at variance with the developmental agenda of the regional integration in

the region. Be that as it may, the paper afforded a lucid picture of what ultimately prevailed in as far as the trade aspects of the Cotonou Agreement.

The Cotonou Agreement, especially the trade related aspects were a turning point for the ACP in general and specifically SADC. This has been a turning point in view of the potential break-up of the group, not only because of the demands for a WTO trade compatible arrangement, but also due to the shape of the negotiations. Regional Economic Partnership Agreements would be negotiated and given the preference of the EU for regional integration, differentiation and reciprocity, SADC would possibly have to negotiate as a region. Such a perspective based primarily on an FTA, the paper has argued would ultimately create a plethora of challenges and a quantity of opportunities for the political economy of regional integration in SADC.

The “nuts and bolts” of this study as stated in chapter 4 were to underline and provide scope around the challenges and opportunities of the trade-related aspects of the Cotonou Agreement for SADC. The point was elucidated that SADC is undoubtedly one of the most advanced regional integration efforts in the developing world. Conversely, it has been stated that despite the advanced character, the engagement of SADC with the EU on a REPA creates a mountain of challenges. These challenges have been argued from different angles to provide a more concrete and coherent picture.

From a SADC macro point of view, economic and negotiating aspects, which could impact negatively on the regional integration process in SADC, have been sketched. Most importantly, the study argued that the timing of a REPA would be antagonistic towards the Maseru Trade Protocol. The Maseru Trade Protocol can only be fully implemented in 2008 and possibly even later than that if the current pace is considered. Furthermore, the Maseru Trade Protocol is asymmetrical between the members based on their level of economic development. Given that scenario, the claim has been advanced that the envisaged time frame for REPA negotiations and the implementation of this trade liberalization scheme, a tariff complex and logistically difficult process could crystallize.

In addition to these, the study found that due to the economic asymmetries in the region it would be very difficult for SADC member states to reach consensus on the key elements of a REPA such as product coverage, the timing and the phasing of liberalization. This aspect inevitably is compounded by the fact that the member states in SADC have divergent conceptualizations of the strategic role of trade policy. Some states in the region view tariffs as much needed instruments of government revenue. In that regard a caveat was highlighted, states would try to protect their national interest at the expense of a coherent regional negotiating framework.

The point is also underscored that SADC lacks the technical capabilities to negotiate a REPA with the EU. This is viewed as not only due to the human resource and expertise deficit in the region, but the mere fact that negotiations on a REPA would have to be concluded by 2005. Such a timeframe, the study argued would be unrealistic when measured against the time it took the EU to conclude a TDCA with South Africa. The study also alluded to some of the delays, which have been experienced by the regional organizations in the ACP *en masse* to prepare adequately for the negotiations thus far.

The study also highlighted some problems of a very political nature, which could impact on the shape of a REPA and ultimately the political economy of regional integration in SADC. The fluidity of the situation in Zimbabwe, the looming possibility of sanctions on that country, the conflict in Angola and the DRC are all focal points of concern in as far as negotiating and implementing a REPA is concerned. All these aspects, the paper argued would create a miasma about the shape of a REPA between the EU and SADC.

The study clustered certain challenges to the various group of countries in the region. The SADC LDCs for example, will have to deal with a certain set of specific challenges. Of particular importance, the study argued that the possibility of differentiation can result in the SADC LDCs keeping the Lomé Convention style preferences and this could prove very difficult for customs controls, as they have to guard against imports from Europe, which might enter their markets from the other

SADC members. Equally, the SADC non-LDCs could be offered an enhanced GSP. The BLNS countries are also faced with the critical challenge of being multilateralized within the EU-SA FTA in view of their *de facto* membership of that agreement as a result of SACU.

Such options, the study asserted, could weaken the cohesion of SADC and ultimately perpetuate the existing economic differences in the region. Furthermore, these aspects could affect the pace of regional integration and nullify the gains, which have been made so far by creating a convoluted array of trade agreements. The capacity of SADC to bargain as a region in future trade negotiations with other regions could be substantially weakened.

In a general sense, the study warned that SADC should be cautious in its approach on a REPA in view of the fact that an FTA could lead to trade diversion in the region. The possible revenue losses for the region have also been accentuated by way of crystallizing the competition and fiscal effects of a REPA. The issue of subsidized agricultural goods from the EU remains thorny and could minimize the possible gains from an FTA. The view has been expressed that SADC should take note of the fact that greater participation in the global economy for developing economies is not necessarily a key to regional economic growth and prosperity. The study therefore assert that some of the challenges of a REPA would not be reconciled with the espoused developmental agenda of SADC since they prioritize trade liberalization at the expense of a comprehensive development framework as preferred by SADC.

On the contrary, the study provided a balance in the argument by enunciating that a REPA provides a window of opportunity for the political economy of regional integration in SADC. The point is made that the hegemonic project of neo-liberalism has eroded trade preferences from the agenda of international trade. The envisaged multilateral trade rounds would inevitably cast a dark shadow over the existence of such preferences. In light of such developments, a REPA can be used positively as a platform of fundamental restructuring of the SADC economies and thus enable their gradual insertion in the global economy.

The study noted that the competitive aspects of an FTA would create a podium of upward convergence of inefficient industries when they are forced to compete with efficient ones. The quality of products and other related aspects, which come with greater efficiency, can be logical outcomes when SADC integrate with a larger economy such as the EU. From a consumer perspective, the study highlighted lower prices as some of the gains, which can result from higher import penetration due to trade liberalization.

Furthermore, greater access to the EU market for SADC producers can create ample space for economies of scale. The paper also noted that investment shifts are likely to occur from the EU to the SADC region in view of the liberal access to the SADC market. These shifts, the study expounded, could also be consequences of the 'lock in effect' and the attendant policy certainty a REPA creates. The deeper linkages of an economy like SADC with the EU could change investor perceptions and the region would appear attractive. These aspects, the study conceded, can speed up the process of regional integration in SADC through economic restructuring.

5.2 Final Remarks

The objective of this study was to weave together different challenges and opportunities around a REPA into a coherent framework by seeking to provide answers to questions. A framework in which SADC could possibly view the REPA as logical consequence of the global political economy, and simply try within that milieu to engage and mitigate the worst excesses on its agenda. Even though such an objective has been achieved, the study concedes that there are many avenues for further research. Certain questions still remain around the reconciliation of SADC's developmental agenda with a global economy whose ontology is driven by a different theoretical strand, that of neo-liberalism.

Finally, the study, as is evident has been regio-centric and thus very much state-centric. The role of business and civil society and their conceptualization of a REPA in terms of possible impact, calls for further analysis. The readiness of these actors to engage and articulate their position, are still to crystallize in both policy circles and academic debates around a REPA. In addition to these, the possible impact of a REPA on the various sectors in the region is an area deserving further research.

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