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Taking Southern Africa into the 21st Century

by

Antoinette Handley
and
Brian Thabang Thoka

A Report on an International Conference
organised by
The South African Institute of International Affairs
and
The United World Colleges



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INSTITUTE OF
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Introduction

There can be little doubt amongst those who live in Southern Africa that the region's citizens confront a host of challenges in 1998, living as they do on the cusp of the new millennium. Analysts speak confusingly of the increase in globalisation, of the impulse towards regionalism and of strong nationalist forces — but there can be few who have not wondered from time to time how their region will measure up to these challenges.

We live in a post-Cold War era where Africa has lost its strategic significance as playground for the conflicts of the world's superpowers. Consequently, levels of aid are falling. We live in a world where the fierce debate over radically divergent models of development is rapidly being replaced by a much more rigid set of constraints on economic policy makers, a world where these pressures are reinforced by the shift away from aid towards trade. We live in an information age in which increasingly the success of an economy is not determined primarily by its mineral or agricultural or manufacturing wealth; increasingly, the pundits argue, it will be the value of a country's human resources and the skills base of its people that will prove decisive in the battle for international markets and investment. Certainly the competition amongst the so-called emerging markets is fierce; and the costs of both winning and losing are high, as has been evident from the recent performance of the East Asian economies.

Unfortunately, it is difficult to argue that the Southern African region is successfully confronting all of these challenges at present. This is evident at the most basic level when you start to look at the continent's development indicators. In Africa, the average life expectancy barely exceeds 50 years, and 15% of children will not live to see their fifth birthday. The average African household spends over half of its income on food and over half of the population is illiterate. These statistics serve as a sobering backdrop for any discussion of the exciting possibilities which attend the dawn of the new millennium.

However, one should not be paralysed by such figures. There have been important developments in Southern Africa over the last decade. While space does not permit a full review of the region's rich history, it is important briefly to highlight some of the most significant developments *vis-à-vis* SADC. For, while the region contains a fair spread of types of government and models of economic development there are, nonetheless, some identifiable trends and patterns.

The first broad trend can be described as a re-arrangement of domestic political regimes and conventions, most of which were established shortly after the first wave of independence; there has, in recent times, been a re-jigging of the post-independence scenarios. So, for example, we have seen the end of the post-independence conflict in Mozambique, the ousting of Banda in Malawi and of Nyerere's *Chama Cha Mapinduzi* (CCM — Revolutionary Party of Tanzania). Southern Africa has likewise seen the advent of democracy in Namibia and South Africa. In a number of states, potential re-alignments have posed the question of a successor to a long-standing or highly regarded leader — Mugabe in Zimbabwe, Masire in Botswana and Mandela in South Africa. Many, although not all of these developments have represented movement in a positive direction. While the process of democratisation in Southern Africa still has a long way to go, it could be argued that it is currently more difficult, for example, to justify the absence of free and fair multi-party elections in this region than in previous decades.

With the waning of Cold War tensions, the region as a whole has witnessed dropping levels of military spending and, in one or two states, demobilisation as soldiers and civilians alike express an intense war-weariness following, in some instances, decades of post-independence conflict. This has been the case so far in Mozambique. Angola may yet, of course, prove to be an unhappy exception.

Frequently linked to these overtly political developments has been an uneven record of economic growth and a greater cognisance of the need for economic reform. This is not a uniform or consistent phenomenon, both because of the differing capacity of various governments to institute the necessary reforms, as well as sharply varying perceptions of the need for (and legitimacy of) such reforms. One can certainly not talk of a widespread enthusiasm for the principle of trade liberalisation. Nonetheless, most governments have been confronted, at least, with the need for reform. As a result there are, in certain governments, early indications of democratically elected regimes, sensitive to social pressures, which are beginning to take the steps necessary to set their economies on the path of long-term economic growth.

It is likely to be an uphill battle however, as many countries of the region are burdened with extraordinarily high levels of debt, weak state structures, fractious politics and economies dependent on a single sector. The question is inevitably raised then, as to whether a regional organisation can assist these states to attain some of their objectives. For the states of this region, that increasingly means the South African Development Community (SADC).

Recent years have seen a number of important developments in SADC.

In June 1996, SADC formally launched its Organ on Politics, Defence and Security at a summit meeting in Gabarone, Botswana. However, at the political level, there are still substantive differences between member states concerning the jurisdiction and status of the Organ, which threaten to make its practical functioning a pipe dream.

There have been a number of other regional initiatives. In August 1996, the Heads of Government Summit in Maseru, Lesotho signed a number of important protocols: first, the Free Trade Protocol which proposes the creation of a free trade area in Southern Africa by the year 2004; second, the Energy Protocol, which includes the power pool memorandum of understanding, establishing a regional energy network and examining renewable energy resources; third, the Protocol on the Prevention of Illicit Drug Trafficking; and finally, the Transport and Telecommunications Protocol which looks at ways to ease transport co-operation and to harmonise procedures to facilitate the movement of goods.

The SADC Free Trade Protocol has a number of important implications for both the region and, in the immediate term, South Africa. In the latter instance, South Africa's negotiations with the European Union (EU) around a proposed Free Trade Agreement (FTA) will impact on the route for SADC-South African economic integration. Importantly, the SADC free trade protocol binds South Africa to SADC in its negotiations, whether these be with the EU or with the US over a potential free trade agreement.

All of these developments, therefore, have potentially dramatic implications for the viability of the Development Community. While all may be seen as positive steps towards the creation of a viable integrated region, many questions remain.

The conference on which this report is based was designed to prise open some of these questions, to provide an opportunity for Southern Africans and those concerned with the welfare of the region to confront the principal challenges facing the region. By highlighting a variety of issues, from the nature of the macro-economic environment faced by the region to developments in trade relations and politics, the South African Institute of International Affairs (SAIIA) and United World Colleges (UWC) hoped, amongst other things, to provide a framework through which policy- and decision-makers can successfully steer the region past the year 2000 — and into a century which offers the citizens of Southern Africa the promise of a better life.

Setting the Scene for the Next Century

As this century and millennium end, Africa's 40 year-old experiment with the Westphalian nation-state system is now being tested profoundly by a global process of economic and political liberalisation. This process has compelled many African leaders seriously to reconsider the role of the state in both domestic and external affairs. In an international arena of diminished regard for borders, of internationalism and free trade, collectively referred to as globalisation, the African state — previously characterised by authoritarian tendencies and centrally planned economic systems — now faces its greatest challenge. One important question raised by the simultaneous occurrence of these processes has been: Can the African state respond positively to the challenges of globalisation? These processes have, quite naturally, attracted considerable attention among International Relations scholars, policy-makers, and others.

Dr. Greg Mills, National Director of the SALLA, Margaret Dongo, Independent MP in Zimbabwe, and Robert Calderisi of the World Bank provided informed viewpoints on current global developments, how these developments may impact upon Africa's political and economic future, and the role that development institutions might play in Africa in the 21st century. All directed our attention to critical challenges awaiting, and possible solutions available to Africa, in the following areas: diplomacy and international relations; democracy and nation-building; and the increasing relevance of the relationship between African nations and the Bretton Woods institutions.

Mills' introductory paper provided the backdrop for a discussion on the current state of affairs in the global arena. He identified the following as significant defining developments which characterise the dynamics of globalisation:

- the recent Asian economic slump, which gave rise to concern about the role of the Bretton Woods institutions in global economic affairs;
- a rapidly emerging global preoccupation with the negative aspects of world-wide technological interdependence;
- the continued proliferation of weapons of mass destruction, which reflect the 'imperfect nature of multilateral political systems'; and
- closer to home, the recent events in the Democratic Republic of Congo (former Zaire) and Congo-Brazzaville, which remind us of the precarious nature of political stability in Southern Africa.

Mills identified ten global trends he believes are important determinants in global affairs in particular. These are as follows:

- economic globalisation, that is the rapid acceleration of economic activity across national borders, applying not only to goods, but also services, capital and labour;
- the spread of global communications, which has gone hand in hand with improving conditions of freedom of choice and expression, and an international concern for human rights;
- globalisation, which is sustained by and produces national and regional inter-dependencies (the emergence of regional trading blocs across the globe is an important example;
- the proliferation of regional units rather than nation-states;
- the increased role of multilateralism;
- the global massive population growth;
- the increase in the average age of the population in Northern states;
- the widening gap between 'advanced' and 'under-developed' economies;
- the diminished role of the state, particularly in Africa; and
- greater interstate stability under American leadership and Western technology.

By posing the following questions, Mills provided the means to assess the impact of globalisation on Africa:

- What are the key features of the world that Africa will be entering into on the cusp of the new millennium?
- What challenges do these trends pose for us?
- What will make African states succeed in the 21st century? and finally
- What will these trends mean for international relations?

In the face of a shifting global emphasis on economic and political liberalisation, the twin issues of liberal democracy and the free-market system have taken centre stage in international political economy. In Africa during the past decade more nations have sought to implement democratic institutions and practices than at any other time in the continent's history. Global developments have contributed significantly to this phenomenon. The African states' relaxation of an authoritarian stranglehold on the polity, and movement towards democratic elections, has also been accompanied by the adoption of liberal macroeconomic policies. These economic policies have been deemed necessary by the Bretton Woods Institutions for the advancement of meaningful economic transformation. Democratic practices and institutions are necessary for good governance and leadership according to Mills, Dongo and Calderisi. In addition, such practices and institutions are essential political pre-requisites for the creation of an environment conducive to the promotion of a free-market system. There would appear to be consensus on this issue, and all three speakers provided important examples as to why this should be the case, including also an enumeration of the impediments to democracy that occur in Africa.

Democracy in Africa: A Pre-requisite for Survival?

The World Bank and other donor agencies have consistently reminded African nations that any assistance they may render to those states is, to a large extent, conditional on the state making the move toward political liberalisation. By embracing liberal democratic ideals, African countries may also grasp, according to Mills, one of the '... key ingredients for advantage'. The World Bank may encourage African countries to move towards democracy, yet the Bretton Woods Institutions' definition is grounded in a Western liberal idea of democracy. Margaret Dongo reminded us of some of the different political systems evident in Southern Africa and the claims by the respective leaders that their countries are indeed democratic. While there may be agreement on the *substance* of democracy, there are conflicting views on the precise *form* of democracy. What constitutes a democracy? What are the major requirements for a democracy?

Dongo assisted us in answering these questions by identifying three major requirements for the establishment of a democratic order. First among these, she argued, is the need to draft a democratic constitution. By this Dongo means the adoption of a constitution which has been drafted from input from all sectors of the population. Second is the need to strengthen democratic institutions. This would involve creating a balance between the three branches of government; the executive, the judicial, and the national assembly. Such an arrangement would allow for the establishment of a system of checks and balances. Third, democracy must allow for mass participation in the making of policies which affect the daily lives of all citizens. In addition to Dongo's three conditions, Mills pointed out that those countries which have 'succeeded' in establishing democratic institutions have adhered to two additional requirements: good governance and leadership ideology.

Democracy, the end goal of the process of democratisation, will undoubtedly provide greater social benefits for all in the long run. However, democratisation can yield both anticipated and unanticipated problems. Some analysts have attributed the source of some of these problems to the imposition of Western liberal democratic values and norms on Africa. Democracy cannot be imposed! Not all African countries have been successful in their attempts to democratise. A variety of indigenous historical and socio-political realities in these countries has conditioned the 'success' or 'failure' of the democracy experiment. The pace at which democratisation occurs in Africa has also been identified as a problem. According to Mills,

rapid democratisation has led in some cases to ‘..greater room for criminal and corrupt elements; and the potential appeal of tribal, ethnic or religious groups, particularly in those societies characterised by wide socio-economic inequalities.’ A case in point is Nigeria where, although democratisation can certainly not be described as ‘too rapid’, ‘... criminalisation would appear in some instances to have penetrated the very fabric of the state’.

All participants reminded us of the critical role of civil society in the democratisation process. Civic participation in governance can advance the development of high standards of results in the development of high standards of transparency, accountability and the observation of human rights.

South Africa's Future Role in Africa

Given South Africa's relative economic and political strengths, it has the potential to be instrumental in shaping Africa's future economic and political affairs. However, amongst several African countries strong suspicion exists of South Africa's political and economic motives in Africa. Recent statements by both President Mandela and Deputy-President Mbeki have clearly sought to allay such suspicion. While discussing South Africa's role within the Southern African Development Community (SADC), Mandela pointed out that regional interests in Southern Africa must take precedence over South Africa's national interest. South Africa obviously has a vested interest in the economic development of the region as a whole.

Within the continent South Africa has attempted to pursue a foreign policy which seeks to promote the democratic ideals of safeguarding human rights, protecting the environment, promoting children's rights, and other related issues. Mills provided a note of caution when he stated that such ideals have a tendency to be ‘... founded on high-flown principles...’ which have the danger of overlooking ‘... the day-to-day realities and needs of the continent.’ South Africa, according to Mills, must seek to promote the establishment of appropriate institutions of finance, trade, governance and education, which will eventually lead to the creation of an environment conducive to the pursuit of market ideals and good governance. South Africa, Mills said, should ‘... take care to offset Africa's negative trade deficit with the Republic through the encouragement of outward (continental) flows of investment and also, potentially, through asymmetrical trade integration schemes.’ The SADC, as a regional economic bloc, is obviously one such structure which has the potential capacity to provide much needed development in this area.

While South Africa remains the obvious candidate to be the 'locomotive' of growth for the Southern African region and possibly much of the continent, it faces pressing demands on its resources to address domestic concerns. This may delay its providing the necessary stimulus for economic growth in the rest of the continent. This is an important consideration for South Africa's foreign policy makers.

The Need for Pragmatic Domestic and Foreign Policies

The combination of adjusting both to the demands of globalisation and to increasing internal pressure for change has prompted many African states to seek pragmatic domestic and foreign policies. Historically the implementation of inappropriate policies, both domestic and foreign, has contributed to the endemic economic and political problems evident today across the continent. The World Bank, in the provision of economic assistance to Africa, has identified the state as the major obstacle to sustainable development. The solution? To encourage a diminished role for the state in the economic affairs of individual countries, in other words, to make the African state minimalist.

However this is not to argue for the death of the state or for its uselessness in the next century. On the contrary, in his opening address, and referring to Africa in particular, Mills argued the critical importance of governance and leadership ideology (as did Mfundo Nkhuhlu of the Department of Trade and Industry) in making the difference between those states which were able to extract themselves from very difficult economic situations and those countries which continued to languish.

Academics concerned with Africa have, for the past 20-odd years, reminded us that the problem in Africa has not been one arising out of poor policies but out of a weak state. It is this inability of the institutions of government to carry out their intended functions which has contributed to the economic and political decline of many African countries. Professor Ali Mazrui captured the essence of this condition when he stated: 'In Africa the state is always omnipresent but hardly omnipotent.' A weak state is frequently characterised by a patronage system, corruption and inefficiency, a point which Margaret Dongo made in her case about Zimbabwe, which is a clear example.

In this era of globalisation, there exists a need for a concerted effort to formulate policies which take into account the realities of a rapidly changing global political economy. At the level of foreign policy, this will require a transcendence of the traditional requirements of diplomacy as well as a reorientation in foreign policy objectives and priorities. At the centre of diplomatic activity in this new era are issues of trade and commerce. The world is certainly a much different place today than it was 20 or even 10 years ago. Therefore there is a need to move away from past foreign policy formulation practices. More specifically, according to Mills, '... in today's

global economy it is no longer appropriate to attempt to maintain a highly compartmentalised approach which in practice differentiates between aspects of policy (trade, political, military), government departments and business. Instead,

Foreign policy needs to become nothing short of a national programme to meet the challenges of the 21st century market-place in a united, competitive and committed endeavour. In this way, foreign policy has to be geared to allow the greatest possible manoeuvrability in the global economy, in an ever more competitive search for niche markets and products, ...

Mills listed the following as requirements for a more effective diplomatic agenda:

- the recruitment of more experienced diplomats with knowledge of business and from a variety of cultural and language backgrounds;
- the calibration of the scale of diplomatic representation according to the scale of perceived benefit;
- the establishment of bilateral commissions and special commercial centres with key states for the purpose of creating and widening networks and important personal interactions and disseminating information;
- the broadening of participation in trade missions, and the targeting of companies for involvement where they might have interests; and
- the assigning of a greater number of commercial officers to foreign missions, and improving their ratio with respect to political-military officers.

The Role of the World Bank

Mills raised the issue of the role of the World Bank in the global economy, in view of the recent economic slump in South East Asia. This is an important aspect, for there has also been concern expressed recently by leading economists and others about the role of the World Bank and IMF in an increasingly interdependent world. How do financial institutions such as the World Bank and IMF affect the global economy? More importantly, are the systems and styles of banking and government in the developing world able to cope with the challenges posed by globalisation? With particular reference to Africa, do African countries have the capacity and technology required to deal with the demands of a global economy that is being influenced, not only by the World Bank and IMF, but by adverse events such as those in South East Asia?

The point being made, at least at the level of policy-making, is important. Rapid changes in the global economy dictate that Africa must make the appropriate changes in its approach to not only political realities but to those associated with global trade and finance as well.

Africa is the only continent which is likely to continue seeking assistance from the World Bank and IMF well into the next century. This observation, made by Calderisi, underscores the depth of Africa's current economic crisis. At another level, it also stresses the economic challenges that globalisation has created for Africa. The declining economic conditions of Africa have to be reversed. World Bank economic transformation policies aim to achieve this objective. Yet in recent years these economic reform programs have come under serious scrutiny and criticism. African leaders have, and rightfully so, expressed concern that the World Bank, as a consequence of its economic reform policies, may be interfering in the business of governance in many African countries. Suspicion surrounding the motives of the World Bank, particularly in view of the often stringent conditionalities attached to assistance programmes, has surfaced.

Calderisi addressed this issue, challenging some of the current negative notions of the World Bank and IMF as being the product of proponents of a single universal ideology which has no interest in the realities of the recipient countries. He challenged those notions on two grounds: first, that governments are seldom able to make impartial or objective decisions on their own domestic problems, and it may be that the World Bank is better equipped to do this for them; second, that the World Bank has the expertise and the finance necessary to help bring about economic recovery.

Furthermore, the Bank is an impartial institution which has the capacity to provide objective advice to those countries seeking assistance. As a public institution, characterised by collective ownership and accountable to shareholders, it would not be in the Bank's interests to promote a particular ideology or impose a set of values which would appear contrary to those of the countries in Africa they are seeking to assist.

The key challenges for Southern Africa, in the opinion of Calderisi, comprise the following:

- human development;
- improving conditions for investment;
- regional integration; and
- managing the natural environment.

It is hoped that over time greater trust will be placed in the World Bank and its role in assisting African countries. If this is to be the case, then it is incumbent upon the leaders of African nations to adjust their views of their relationship with the World Bank. One way of doing this is to seek closer co-operation with the Bank and other development institutions.

The Positive Role of Globalisation?

The Industrial Revolution and the Enlightenment profoundly altered and shaped the course of human history. Indeed, as we approach the end of this century, globalisation has emerged as this millennium's most potent agent of structural transformation. These periods of profound and far-reaching change involve a combination of positive and adverse aspects.

Those who have expressed concern over the adverse effects that globalisation may have on Africa's political and economic future rightly point to the very real danger of the increase in the divide between the wealthy North and poverty-stricken South. Yet at the same time there also exists, within certain circles of academics and policy-makers, a sense of optimism over the direction in which globalisation is leading humankind.

Some of the positive aspects are, for instance, the dissemination of information to areas which did not have access to it on world events or even concerning their own domestic situation earlier. Previously, authoritarian regimes utilised the censorship of information as an important tool. South Africa during the *apartheid* era represents a classic example. Access to information plays a critical role in the promotion of the idea of democracy and has, in some instances, influenced authoritarian regimes in the direction of democracy.

The increase in trade between nations has now reached proportions once considered unattainable. The production of knowledge and exchange of information across borders has opened up the world to a much greater segment of the world's population. The world today is making great strides towards what American war-time planners envisioned as the ideal political and economic situation; that is, said Mills, towards a multilateral liberalism. Increasing interdependence in the spheres of politics, markets and business, and what appears to be an emerging common culture and language, all reflect the power and growing momentum of globalisation. Globalisation could prove to be Africa's panacea. By taking advantage of its transformational capacity through the formulation of creative domestic and foreign policies, Africa may yet find a way out of its historically precarious position in the international arena.

Towards a New Framework for Regional Security

Ms Thuthukile Mazibuko opened her presentation of the paper she read on behalf of Deputy Minister of Foreign Affairs, Aziz Pahad, by remarking that observers of South African foreign policy could be forgiven for regarding that policy as schizophrenic. However, she argued, this was more indicative of the contradictory nature of the times in which we were living — a time of 'global paradoxes' — than of South African policy-making.

These paradoxes include a stress on political independence alongside the formation of economic alliances, the international consensus on human rights co-existing with incidents of genocide, and globalisation exerting stress on local markets. Another is that the Cold War has ended, but that there are rising levels of personal insecurity for ordinary people in much of the developing world.

When one considers the security challenges facing Southern Africa into the next century, it is important to consider this broader context, and such apparently extraneous factors as rising population figures and new technologies. These are challenges that are not unique to our region. The UN projects that world population will increase by more than 50% before the year 2050 (much of this growth taking place in the developing world), while the income gap between the developed and developing worlds continues to grow.

In the face of this increase in population, energy demands are expected to double by 2010 and, by that same year, developing countries will need to have significantly boosted their imports of cereals in order to feed their populations.

Such statistics present a gloomy global picture — perhaps unnecessarily so. Technological advances have resulted in improvements in industrial efficiency which were unthinkable previously. For states, the downside of this is that such advances may tend to limit the ability of governments and financial institutions to regulate their economic environment. Moreover, the benefits of such developments 'do not flow evenly to all countries', but rather favour those already some way advanced in the field of technology.

Because they may exacerbate inequalities, advances in technology can contribute to the emergence of violent conflict. One obvious way in which this happens is through the development of the destructive capabilities of modern weaponry, including chemical and biological weapons.

Pahad argued that the solution to all of these problems lies in an integrated and holistic approach to economic development in the region. For this reason, South Africa has repeatedly committed itself to the principle of regional economic integration. Preconditions for the success of such integration, however, include a willingness on the part of the states concerned to cede some of their powers to the region and accept a high degree of economic and political complementarity. Despite the apparent lack of the necessary structural preconditions in Southern Africa, the Deputy Minister's contention was that the compelling national interests of Southern African states, coupled with the imperatives of globalisation and the security threats facing the region, will push the countries of the region towards integration. An integrated regional economy will lay the basis for political consensus. In turn, Pahad concluded, this 'will allow the countries of the region to drop their borders to allow a truly Southern African community to develop'.

Free Trade and Economic Development

The economic challenges facing the region inevitably raise the issue of free trade and the ability of such a system of trade to facilitate the entire region's economic development. In outlining South Africa's policy perspective on trade with the continent of Africa, the Department of Trade and Industry's Mfundo Nkhuhlu insisted that South Africa's position with regard to the continent — that is, one which prioritises trade with the continent, urges the reform of the continent's economies and more generally embraces the concept of the 'African Renaissance' — is not primarily informed by feelings of guilt. Rather, as an African nation, South Africa has an inherent desire (and indeed it is in her best interests) to see the continent recover.

It should be considered that South Africa is undertaking a fundamental transformation of her own economy, away from formerly protectionist models of Import Substitution Industrialisation. Today South Africa exhibits an open economy which depends heavily on foreign trade. The country is therefore significantly affected by developments in the international arena.

The principal economic challenge facing the country at present comprises the need to attain significantly higher levels of growth in order to boost employment. As schemes such as the General Exports Incentives Scheme (GEIS) are no longer available as a policy instrument to the country, South Africa will need to focus on strengthening the supply side of the economy, building its human resources, improving industrial relations and appropriating new technologies. The emphasis of this strategy makes the African market a vital one for South Africa, as the country strives to move away from exports which are dominated by the commodity sector (a high proportion of our exports to Africa are value-added).

This suggests a number of objectives for the African Renaissance, including:

- working to prioritise Africa as the principal developmental challenge facing the world economy and its institutions;
- promoting higher levels of economic growth on the continent alongside broader, sustainable economic development; and
- integrating the continent more effectively into the global economy.

These objectives, in terms of policy, would translate into campaigning for debt relief for the continent and supporting the Highly Indebted Poor

Countries (HIPC) initiative — not surprising given that 33 of the HIPCs are to be found in Sub-Saharan Africa.

On their own, however, debt write-offs are insufficient. What is also required is the implementation at the domestic and regional levels of a particular set of economic reforms, namely the adoption of externally oriented growth strategies, the liberalisation of domestic prices and external trade, exchange rate adjustments and improvements in the management of public accounts. Such economic policies should be accompanied, in the political terrain, by responsible political leadership that is committed to democracy, good governance and the rule of law.

Recent years have seen a huge increase in South African trade with the SADC region. This has been most obvious in terms of South African exports while, disappointingly, imports from the region remain at a low level. In this regard, however, it is important to consider the totality of the Balance of Payments accounts and, specifically, the state of the capital account. At the time of the conference, 325 South African firms had invested R418 million in SADC states since the relaxation of exchange controls. This represents a quarter of all South African direct investment outside of the country.

The SADC Trade Protocol is intended to provide a multilateral approach towards trading relationships in the region. It provides for the asymmetrical development of an FTA over eight years (five years for South Africa), with so-called 'sensitive products' subject to special provisions such as longer periods for the progressive reduction of tariffs. Co-operation in customs control obviously becomes crucial when considering any form of regional trade liberalisation.

Nkhuflu characterised South Africa's economic challenges as 'needing to learn to walk with two legs'. The two legs in question comprise having to deal with both the developing and the developed world. The phrase could also be taken as a reference to the need to develop a symbiotic relationship between trade and investment. In this regard, the FTA Protocol would function to improve SADC's competitiveness in exports while Strategic Development Initiatives (SDIs) would promote private investment in tradables.

The Shape of Future Trade with the EU

When one is considering the potential of a Southern African Free Trade Agreement (FTA) (that is, an agreement among the states of Southern Africa), one cannot avoid a consideration of the impact of the signing of an FTA between South Africa and the European Union (EU). Dr. Elias Links, South Africa's ambassador to the EU, began his remarks by commenting on how the fate of the peoples of Southern Africa and Western Europe have been closely intertwined for centuries — and continue to be so through their membership of the Lomé Convention.

Links argued that 1998 represented a crucial period for determining the future shape of relations between the two regions, principally because of the importance of the ongoing negotiations between South Africa and the European Union (EU) concerning:

- the future of the Lomé Convention;
- a proposed Trade and Co-operation Agreement; and
- what the above mentioned developments would signify for relations between SADC and the EU.

The first Lomé Convention was signed in 1975 with the express intention of promoting and expediting 'the economic, cultural and social development of the African, Caribbean and Pacific (ACP) states and to consolidate and diversify their relations with the European Community in a spirit of solidarity and mutual interest'. Perhaps the most important provisions of the accord are those dealing with trade and development aid; with the key exception of agricultural products, the accord grants duty free access to the EU for products from the ACP states, without a requirement that the ACP states offer equivalent reciprocal access. The Lomé Convention was important in that it created a legal framework for co-operative relations between the two groups of states, thus contributing a greater measure of stability in the relationship. Furthermore, the common institutions that it created, facilitated a political dialogue between the parties.

However, as time passed, in the words of Links, the 'failings of the Lomé Convention became increasingly apparent'. Chief among these were the dismal economic growth levels in many of the ACP economies and a growing gap between the developed and developing world. These harsh realities led to strident calls for the reform of the Lomé Convention. Accordingly, the renegotiation of the Lomé dispensation is due to begin in the second half of 1998, and the EU's negotiating mandate in this regard is,

in Links' opinion, likely to resemble a blend of the proposals made in the EU's Green Paper.

Historically, the EU and the Southern African Development Co-ordination Conference (SADCC) have enjoyed close co-operation. In particular, between 1980 and 1994 the EC offered more than R23 billion in aid to members of the SADCC. In 1994, an EU-SADC Ministerial Conference held in Berlin issued a Declaration intended to provide the blueprint for future relations. This Declaration confirmed the previous tenets of co-operation, but focused on institutional capacity building as its primary objective. According to Links, 'the idea was to move away from the traditional donor-recipient relationship to a more mature association, based on partnership'. However, there was some criticism that SADC continued to view the initiative from the old donor-recipient perspective.

The relationship between the EU and SADC, while it has evolved significantly since then, can still be improved in a number of areas. Perhaps the first of these is the task of attracting higher levels of investment into the SADC region. It is important that the economic relationship between the two regions develops beyond the limitations of the colonial trade patterns, dominated by the extraction of primary products from Southern Africa. In this regard, there is a contradiction between the EU's provision of development aid to the region, and 'skewed' trade practices such as the dumping of highly subsidised beef in South Africa.

It is clear that one of the most important elements of the SADC-EU relationship continues to be South Africa's bilateral relations with the EU. Like Nkhuhlu, Links described the South African economy as an open one, dependent on trade. Given the current importance of the EU in South Africa's external trade (at present a quarter of South African exports are bound for the EU and 40% of imports come from the Union), there can be little doubt about the importance of any potential trade deal between the two entities.

The European Union initiated the process with an invitation to develop a 'comprehensive long-term relationship'. The South African Deputy President Thabo Mbeki responded with a request to open negotiations on the establishment of the 'closest possible relationship' for South Africa with the Lomé Convention, believing that this would best harmonise the EU's relations with South Africa and Southern Africa — and be consistent with existing relations.

The EU proposal which opened the formal negotiations, however, presented a two-part approach, offering qualified membership of Lomé on the one

hand and a comprehensive bilateral trade agreement on the other. The EU argued that the relative strength of the South African economy *vis-à-vis* other ACP countries did not make it possible to extend all the Convention's provisions (in particular the non-reciprocal trade preferences) to South Africa. Accordingly, South Africa acceded to partial membership of Lomé in Luxembourg in April 1997. In terms of this accession South Africa is able to participate fully in Lomé institutions, to benefit from the cumulation of origin clauses, which give access to goods produced in more than one country, and to tender for EU contracts in ACP countries.

Southern Africa and the EU

South Africa has pursued the negotiations for an FTA with the EU. Links argued, however, that the potential benefits of such an agreement will have to be weighed up alongside any adjustment costs for Southern African industries. The South African negotiators are concerned that the EU is inclined to treat South Africa as a developed economy, overlooking the unique developmental needs of both the country and the region of which it is a part.

South Africa's concern is that an agreement with the EU should not contribute to the de-industrialisation of her neighbours and partners in SADC. Rather, it should be designed to assist the positive restructuring of those industries, alongside badly needed new investment into the region. Ideally, such an agreement should, in addition, 'address issues relating to structural adjustment in the region and provide financial assistance to the development of infrastructure and productive capacity in Southern Africa'.

In January 1997, South Africa presented its response to the EU's opening offer, arguing instead for a Trade and Development Agreement. This was followed up by a detailed trade liberalisation offer to the EU in November 1997. The EU responded in turn with the terms of its own detailed offer in January 1998. Both sides at the time appeared confident that a final Agreement could be concluded by mid 1998.

Central to the relationship between Southern Africa and the EU, however, is the question of what will succeed the current Lomé Convention — what is known in diplomatic circles as the 'post-Lomé debate'.

In February 1998, the European Commission revealed its proposals for the EU's negotiating mandate on the future of the ACP-EU relations. The EU has continued to emphasise the need to move away from the old donor-recipient relationship towards one which emphasises the common interests of both parties.

The EU's proposal, a 'Partnership Agreement for Development', comprises five principal policy guidelines:

- The political scope of the agreement should be extended to include such aspects as respect for democratic principles;
- Co-operation should focus on combating poverty, ensuring sustainable development and promoting the integration of ACP economies into the world economy;
- There should be greater differentiation in co-operation with the various ACP states, taking into account their diverse needs and regional peculiarities; and
- Radical changes to the partnership are proposed, once the initial negotiations are completed. The current trade preferences would be maintained during a transitional period during which time the EU would negotiate individual agreements with various regional groupings.

Faced with this growing emphasis on *regions*, some of the ACP states have responded with a call for the entire ACP group to build its own unity and identity in order to avoid being sidelined during crucial debates concerning the international economy. There is a concern that too much emphasis on rapid economic and trade liberalisation could prove damaging to fragile ACP economies, and that the focus on regionalism could overlook varying levels of development within respective regions. Southern Africa is one such region.

In September 1997, the SADC Summit at Blantyre adopted a document outlining the organisation's (and the region's) position on an ACP strategy for the renegotiation of Lomé. In short, the document advocates more extensive co-operation with, and assistance from, the Union. Not surprisingly, the position of SADC states has been that present benefits should not be undermined but should rather be extended. However, the document, like the EU position, also supports regionalisation and the concept of positive differentiation.

As regards trade, SADC has suggested improvements to the current Convention. Trade preferences are not considered sufficient on their own. Rather, the region argues that provision should be made for measures to facilitate infrastructure development and production and export capacities. As regards trade preferences, however, these should be designed in order to be both World Trade Organisation (WTO) compatible and to eschew non-tariff barriers. In terms of development assistance, in accordance with the

principle of partnership, disbursement decisions and procedures should be as transparent as possible.

Whatever the outcome, it appears that the relationship between Southern Africa and the EU will continue to be conducted by means of the ACP framework. The region has a dual role to play in this framework, as participant but also as more active reformer: in the words of Links, this responsibility is to ensure that 'whilst ACP unity, trade preferences and development aid should be safeguarded in the post-Lomé dispensation, that the ACP [should] accept the need for and implement some painful reforms which will be necessary for its economies to become truly competitive and for real economic growth to be kick-started'.

Such 'painful reforms' could result for South Africa from the conclusion of an FTA with the EU. It was considered by many that the United Kingdom's presidency of the Council of the EU in the first half of 1998 presented a window of opportunity in which the negotiations could be treated as a foreign policy priority for the Union.

Substantial areas must still be agreed upon before the negotiations can be concluded. For South Africa, the successful conclusion of an agreement will involve a discussion of more than just trade issues but will look also at trade-related issues such as codes for government procurement, competition rules and intellectual property rights. In addition, specific protocols should be designed for sensitive industries such as automobiles and textiles.

Despite these difficulties, the benefits of securing an agreement will be immense. As the EU positions itself anew in an increasingly globalised and liberalised international economy, its negotiations with South Africa will impact in a fundamental way on the path of its future relationship with the entire Southern African region.

Dr Links concluded his address by asserting the following:

- that the Southern African region is committed to ACP unity and to playing a role in whatever dispensation replaces Lomé;
- that, taking into account the specificities and diversities of the economies involved, nonetheless the future ACP-EU trade regime will rest on free trade principles to a far greater degree than is evident in Lomé; and
- that South Africa's negotiations with the EU will 'serve as a "bridge" for taking the greater Southern Africa region into the new free trade dispensation'.

Summary and Conclusions

As Mills, Dongo, and Calderisi pointed out in their respective papers, it will require a sustained and committed effort by African leaders and policy-makers to ensure Africa's survival in the next millennium. Growing external demands combined with ever-present domestic concerns are a potent combination, and only strong leadership guided by democratic values and necessary information will help to integrate Africa into the changing global environment.

The general consensus amongst the participants is that there is an urgent need for African leaders and policy-makers to institute important changes at various levels to facilitate the move towards democracy, some of the obvious problems notwithstanding. For Mills, in the future, Africa '..will have to operate within largely externally-defined terms of consensus.' Calderisi echoed this, but in somewhat different terms, when he discussed Africa's future relationship with the World Bank. He argued that it is important for the nature of the current relationship between the World Bank and African countries to change. Africa will remain the only continent reliant on 'multilateral development finance well into the 21st century ... But Africa must come to see us not as schoolmasters, but as servants of the continent — and as an instrument which governments and communities will want to use *for their own purposes*' Until such time Africa's destiny will, to a large degree, continue to be shaped by external events and actors.

The challenges facing Africa in the next millennium are colossal. The remarkable resilience that Africa and African people have demonstrated during this past century will emerge as a necessary requisite to survive the oncoming challenges. The talk of an African Renaissance has contributed to this. Yet all participants in the conference shared a general sense of optimism with regard to Africa's future. The sense is that Africa's past was so traumatic that the path ahead is bound to be brighter. Mills displayed a cautious optimism when he referred to Garten, who provides two possible scenarios for Africa: one, where market capitalism — restrained by law and ordered within a sound state administration — and democracy flourish together; or a less positive second, where political and economic chaos lead to a return to authoritarianism and government-controlled economies, including possibly a rise in trade protectionism. Margaret Dongo provided a particularly important perspective on the current challenges that lie ahead for Southern Africa in general and Zimbabwe in particular. This stems from her personal involvement in Zimbabwe's liberation struggles as a freedom fighter and from her almost unique participation in the present political system as an Independent MP. According to Dongo, her first struggle for

freedom was during the liberation war against Ian Smith's regime, and her second struggle for liberation is for the implementation of a true democracy in Zimbabwe.

Economically, the issue of relations with donors was one to which the conference probably did not give adequate attention (although Nkhuhlu raised it briefly). However, when one considers free trade agreements such as South Africa's current negotiations with the EU, it is governments who negotiate these deals — and hence it is governments that can and will impact on the lives of millions of Southern Africans.

A decade ago, the military threats that confronted the region comprised guerrilla insurgencies, bush wars and, to some extent, conventional military conflict. Now the situation looks very different. A delegate was struck by how central to this conference trade and economic issues appeared to be.

Mazibuko presented the delegates with a very broad picture of the kinds of security threats that face the region as it moves towards the next century. These range from the near invisible but deadly biological weapons to our old enemies, poverty and underdevelopment. A number of the threats that face us such as the area's water scarcity, the phenomenon of the movement of peoples and the proliferation of small arms and cross-border crime can be tackled only on a regional basis. But it is also striking how many of the items that threaten the lives of Southern Africans are directly related to the region's economic status: from mass migration to lack of food security to preventable diseases.

This brings one directly to the critical need to bolster economic development in the region, and the sometimes controversial contributions of the world's multilateral development institutions in this regard. Calderisi provided a measured and thoughtful review of the Bank's relationship with Africa. He argued that there were three key areas where the Bank could continue to provide invaluable assistance to African states:

- in the provision of finance where other institutions cannot or will not act as a lender of last resort;
- in the provision of expertise; and specifically,
- as a source of objective advice to governments who face overwhelming (and frequently conflicting) sources of pressure.

When some of the trends mentioned by Mills and the speakers that followed him are evaluated, it is evident that there are significant advantages enjoyed by developing countries:

- They have young, growing populations as opposed to the increasingly expensive demography of aging populations evident in the developed world. This raises the challenge of how best the region can equip its young people so that they are not a burden (in the form of the unemployed) but an asset contributing to strong economic growth.
- They have the opportunity to 'leapfrog' various developmental stages and benefit immediately from technological advances elsewhere. For example in the field of telecommunications, they do not have to be concerned with refurbishing outdated technology, but can proceed directly to fibre optic cable.

They also are burdened by significant disadvantages, however, such as:

- There is growing inequality both within their own borders and in the world at large; and
- They are unable to take full advantage of the concessionary measures offered to them by existing trade and economic agreements.

Some answers to the region's dilemmas began to emerge at the conference, such as the importance of regarding negotiations as a two-way process, rather than accepting a non-negotiable one-sided gift. In this way, South Africa and her neighbours can ensure that the measures that they are offered will provide concrete assistance to the region.

There was a pertinent reminder from one of the delegates that analysts need to be a little more imaginative about conceptualising the next century: planning needs to consider issues that are off the current radar screen of possibilities. One such example is to consider the implications of the discovery of a new source of energy, which could lead to the emergence of a new generation of the current 'oil barons'. One could also consider the impact of the rise of Asia and China, not only on the global political economy, but on that of Southern Africa specifically.

Despite the exciting new possibilities, however, in the final analysis one is still left with sobering questions about the extent to which marvels such as the information age and space travel will improve the life of a rural villager in Ovamboland, or a homeless child on the streets of Maputo, or an informal trader in Kinshasa. Southern Africans need, in short, to ensure that their region benefits from new developments.

Conference Programme

Southern Africa into the Next Millennium

Hosted by
The South African Institute of International Affairs (SAIIA)
and *United World Colleges (UWC)*

Thursday, 19 March 1998 — Jan Smuts House

- 07h45 : Registration
- 08h20 : *Welcome and Introduction*
Antoinette Handley, SAIIA
- 08h30 : *The 21st Century: A Century of Global Challenges and Responses*
Dr Greg Mills, SAIIA
- 09h15 : *Establishing Democracy in Southern Africa*
Margaret Dongo, Independent MP, Zimbabwe
- 10h00 : *Questions and Discussion*
- 10h30 : Tea/Coffee
- 10h50 : *Security Issues and Concerns in Southern Africa*
Aziz Pahad, Deputy Minister of Foreign Affairs, South Africa
- 11h35 : *A Role for Development Institutions in Africa in the 21st Century*
Robert Calderisi, The World Bank
- 12h20 : *Questions and Discussion*
- 13h00 : Lunch
- 13h45 : *Free Trade in Southern Africa: Problems and Prospects*
Mfundo Nkhuhlu, Department of Trade and Industry, South Africa
- 14h30 : *The European Union and Southern Africa: Between Lomé and a Free Trade Agreement*
Dr Elias Links, South African Ambassador to the European Union
- 15h15 : *Questions and Discussion*
- 16h00 : Tea/Coffee
- 16h15 : *Summary and Conclusion*
 - Antoinette Handley, SAIIA
 - Mark Hoffman, Chairman, United World Colleges
- 16h35 : **CLOSE**

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Notes on the Contributors

Robert Calderisi is the Manager, External Affairs, African Section of the World Bank.

Margaret Dongo is the first and only Independent MP in Zimbabwe's 150 seat parliament and one of the three opposition members.

Mark Hoffman is the current Chairman of *United World Colleges* (UWC).

Elias Links has been Ambassador of South Africa to the European Union since July 1996.

Thuthukile Edy Mazibuko is Deputy Director-General responsible for Asia and the Middle East, Department of Foreign Affairs.

Greg Mills is the National Director of SAIIA.

Mfundo Nkhuhlu is the Chief Director: Africa Trade Relations at the Department of Trade and Industry.

Aziz Pahad is the Deputy Minister of Foreign Affairs.

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Founded in Cape Town in 1934, in 1960 the Institute's National Office was established at Jan Smuts House on the campus of the University of the Witwatersrand. SAIIA's six branches countrywide are run by locally-elected committees. The current National Chairman is Dr. Conrad Strauss and the National Director is Dr. Greg Mills. The SAIIA has recently relaunched its range of publications. *The South African Yearbook of International Affairs* has established a reputation as the principal reference work of its kind. In addition to the reorganised *South African Journal of International Affairs*, SAIIA also publishes the fortnightly *Intelligence Update*, which contains first-class confidential briefings not readily available elsewhere. Specialist subjects are addressed comprehensively in books written by our research staff.

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- South Africa into the New Millennium*, edited by G Mills (1998)
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- From Isolation to Integration?*, edited by A Handley & G Mills (1996)
- Portuguese Diplomacy in Southern Africa*, M Venancio & S Chan (1996)

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13. *The South African Defence Industry and New Thinking on Security* by A Zacarias (1998)
12. *The Foreign Relations of South Africa's Provinces* by D Geldenhuys (1998)
11. *Taking Southern Africa into the 21st Century* by A Handley & B Thoka (1998)
10. *Non Aligned Against What? South Africa and the Future of NAM* by A Handley (1998)
9. *Towards Cost-effective De-mining* by L Boulden (1998)
8. *The United States and South Africa in the 1990s* by J Broderick (1998)
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5. *Revisiting South-South Co-operation: An Agenda for the 1990s* by T Bertelsmann & C Mutschler (1997)
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About the Authors

Antoinette Handley was appointed as the Latin American Research Fellow at SAIIA. She then served as the Director of Studies. Prior to her stay at SAIIA, as the Rhodes Scholar, she attended Oxford University where she obtained her M.Phil in International Relations. Ms. Handley has been awarded a Fulbright Scholarship in order to pursue her doctoral studies at Princeton University in the United States, starting at the end of 1998.

Brian Thabang Thoka was appointed Standard Bank Africa Researcher in December 1997. Before this appointment he taught at American University. His research interests are: *Africa and International Relations, Peace and Conflict Resolution Studies, and Foreign Policy and Identity*. Mr. Thoka is currently working towards the completion of his doctoral dissertation in International Relations with the American University School of International Services in Washington DC. The title of his dissertation is *Foreign Policy, Identity, and Power: African American Struggles to Impact US Foreign Policy Towards South Africa*.



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