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SOUTH AFRICA AND THE EUROPEAN COMMUNITY: TODAY AND TOMORROW.

Trade between South Africa and the Community has been good, even today despite the sanctions campaign, the EC still acounts for a very significant part of South Africa's trade.

When Great Britain, a leading trading partner with South Africa, joined the EEC, " South Africa faced the barrier of EEC's common external tariff and at the same time, as a developed country, had no chance of negotiating any kind of general commercial agreement with the Community. Australia and New Zealand, in a similar position, were deeply concerned at the loss of British markets and the problems posed by both the common external tariff and the protective effect of the EEC common agricultural policy."(EEC: Life-Blood of Apartheid. Agenor 79).

X South Africa, surprisingly had an increase with its trade with the Community which rose in the period 1973 to 1977 by over 300%. By 1977, EEC imports from South Africa were 45% and exports to South Africa were 48%. South Africa currently enjoys "most-favoured nation status when exporting to the European Commission (EC)." (Citizen 17/11/90)

X The break-through for South Africa was made with cooperation of some EEC officials in Brussels who actually supplied the information on how best to utilise the following agreements:

1. General Agreement on Tariff and Trade (GATT)

2. Raw Materials Supplies

3. Triagular and Entrepot Trade Deals

Importance of Strategic Raw Materials in dealings with the EEC.

Explanation (2) South Africa is a major supplier of basic raw materials on which the Community is dependent especially the aerospace industry, aircraft production and the nuclear energy supplies.
This has enabled the South African regime to secure most favourable agreements when most people were calling for its isolation.

This reality could have encouraged the ANC to think, it can be used to balance trade dealings between the Community and a future democratic government. The situation has not changed although there are definite signs that much needs to be done and nothing should be taken for granted.

X CSCE The signing on the 21 November 1990 in Paris of the Final Act of the Conference on Security and Cooperation (CSCE) by 34 countries brought into bold relief the need for action in the above mentioned sphere.

The main points of the Charter which the 34 signed are:

- a new era of democracy, peace and unity founded on human rights, democracy and law. Economic freedom, social justice and caring for the enviroment.

- never threaten or use force against any other state's territory.

- allow free movement and contact of citizens.

- condemn terrorism and encourage negotiations on arms control measures and chemical weapons.

- support countries moving towards establishing market economies.

- encourage stronger security and cooperation in the Mediterranean.

- hold a heads of government meeting in Helsinki in 1992 and regular foreign minister meetings.

- create new institutions including a secretariat in Prague, a centre for the prevention of Conflict in Vienna, an office for Free elections in Warsaw and a CSCE Parliamentary assembly of MP's from participating states.(Source: the European 23/25 Nov.90)

X The Charter is undoubtedly a comprehensive one with good prospects for lasting peace in Europe. It is however the economic aspects of the Charter that have serious implications for future trade between the European Community and South Africa.

USSR compete with EEC for markets

The countries of Eastern Europe, which had closed their doors to the West, are now open for explotation by the multi-nationals.The immediate impact of this would be to draw-away the funds for investment from Africa. The Soviet Union, with its vast mineral resources will be competing directly with South Africa for the markets within the Community. This scenario obviously eliminates the priority status that was given to South Africa by the West. The threat of the West loosing its source of strategic raw materials to a hostile camp has temporarily receded. This effectively means that the future South Africa will have to move on an aggresive marketing drive of its products and the foundation for that must be laid now.

X The fact that Eastern Europe has opted for "Casino Capitalism", coupled with the Common European Home approach, does not bode well for Africa. Despite the statements of assurances that the developing countries are not going to suffer from a diversion of funds to Eastern Europe, the reality is that the East is getting more attention in terms of funding. Multi-nationals have moved in buying property in the rush of privatisation, where governments are selling to anyone who can pay in foreign currency, and are participating in joint ventures. The European community on its part is setting up an insurance fund for investors in the East. Reports from Brussels indicate that the "European Community is to spend $ 121 million on seven development projects in Yugoslavia, Poland, Hungary, Czechoslovalia and Bulgaria. The European Commission said the grant would bring funds given this year by the EC to support reforms in eastern to nearly $ 700 million."(The European Nov.30 to 2 Dec.90.)

There is apprehension from those in power in South Africa today that disaster is looming, " with SA-EC trade comprising 50% of our global trade, the changes now taking place in Europe will place at risk 25% of SA's GDP. SA provides about 2% of the EC's annual imports of US$ 530 bn. EEC investments in South Africa amounted to R 34,7bn in 1988, which was 50% of total foreign investment in SA".(Financial Mail 19/10/90).

The Community has lucrative trade agreements with the Magreb countries and Israel, but Community officials are quick to point out that these countries are at their door steps and thus should benefit from their proximity other-wise the resulting instability would affect the Community as well.

THE LOME CONVENTIONS

On the 11 November this year, the Star carried a report about South Africa having established an office in Lome, capital of Togo. The report mentioned this development as an attempt to gain membership to the Lome Convetion. Obviously it is not the right way to achieve such membership. The only way is through a majority government as Namibia did recently. Even then the question as to whether South Africa should be admitted will be debated.

Historical Background.

A formalised development policy of cooperation between ex-colonial countries, the present ACP States, and the European Community began with the Yaoundé Agreements 1.(1963-1969) and 2.(1969-1975). This was followed by the ACP-EEC Lomé Conventions of, Lomé 1 in (1975-1980), Lomé 2 (1980-1985) and Lomé 3 (1985-1990).

The Yaoundé Convention, was based on three principles: financial and technical assistance, a free trade area between the EEC and the associated States, and the establishment of joint institutions.

When the United Kingdom, with her special relations with the Commonwealth countries, joined the European Community in 1973, the Lome 1 came into being. This meant that 46 developing countries were negotiating a global cooperation agreement with a group of industrialised countries. Today the number of ACP countries who are parties to the Convention has increased tremendously with Namibia constituting the 69th member.

The Lomé 1 (1975-1980), identified the following priority areas:

- promotion of trade between the ACP States and the Community;
- industrialisation of the ACP States as an essential aspect of development;
- development of agriculture in the ACP States;
- special aid to the least-favoured ACP States.

The following measures and instruments were proposed:

- financial and technical cooperation through the European Development Fund (EDF).
- European Investment Bank (EIB) for trade cooperation through trade promotion.
- the system of the stabilization of export earning (STABEX).

System of generalised preferences include:

- Rum and Banana protocols
- Beaf and Veal
- Fruit and Vegetables
- Sugar policy
- International Agreements on Raw Materials.

The common feature of all the previous Conventions has been that they have all been very loft in ideas on how to improve the lot of the developing countries. But the reality is that the developing countries have experienced no economic growth, many ACP counties are actually fighting for their economic survival.

Of specific interest to South Africa would be:

1. System for the Stabilisation of Export Earnings (STABEX).
2. System for Mineral Products (SYSMIN). Closely linked with this point is the production of energy.

STABEX is supposed to act as a sort of insurance against lean years. Initially 29 products under 12 main headings: groundnuts, cocoa, coffee, cotton, coconuts, palm-nuts, and kernels, hides and skins, wood products, bananas, tea, raw sisal and iron ore. By 1977 the list was extended to include: vanilla, cloves, pyrethrum, gum arabic, ylang-ylang, wool and mohair.

One can observe that very few of the products mentioned above are produced in South Africa.

SYSMIN covers the following minerals:
copper, cobalt, phosphates, manganese, bauxite, alumina, tin, iron, ore and roasted iron pyrites. This list can be added to if it is found that other economically important products are affected by serious disturbances.

Limitations of both STABEX and SYSMIN

The products covered by STABEX are either unprocessed or have undergone first-stage processing. The ACP States have frequently requested that the list of processing operations eligible for STABEX be extended without success.
This system, it can be said, runs counter to one of the main priorities of ACP development, namely on the sport processing of local production which would advance the prospects of industrialisation.

STABEX applies to export earnings from those products if they account for more than 7,5% of the total export earnings of the country consindered, the so called dependence threshold.

The dependence threshold for SYSMIN is 15%. The risk to be covered is that of an ACP country having problems in maintaining its production plant and its export capacity due to circumstances beyond its control. ther must be an accident resulting from local causes for example catastrophes or fall of prices. However the damage must entail a fall of at least 10% in production or export capacity. If these conditions are fulfilled the producer has a right to compensation. This is not provided in the form of a budgetary transfer but by financing of projects or programmes proposed by the ACP State aimed at remedying the harmful effects of the disurbances recorded in the mining sector on the economy of the country.

The funds allocated to SYSMIN are little and it takes a long time to secure them often when they do arrive the calamity has passed.

The Lomé Conventions also deal with the very important issue of regional trade and inter-ACP trade. The significance of this cannot be over-emphasised.
The world has been effectively divided into trading blocks and the completion of the European Internal Market will onlyformalise this fact.

In our region we have the Southern African Development Coordination Conference (SADACC). With South Africa joining the SADACC grouping we have potentially a very dynamic region controlling vast mineral resources in the world. The agricultural pontential is tremendous. More than ever the full recovery of the region lies with extensive regional cooperation leading to full economic intergration.
SADACC receives funds for development from the Community. SADACC countries receive assistance individually from the fund earmarked for victims of apartheid outside South Africa.

Members of the European Community have welcomed the idea of a Southern African Economic Community which was raised by Deputy President Nelson Mandela when he visited the European Parliament in June this year when he said " We will need your assistance to develop our economy and to participate in the building of a Southern African Economic Community of free and equal nations which can become an engine of growth, development and prosperity in Africa.

It is going to be important in future that we scrutinize the trade relations with countries within our immediate vicinity and how to improve them for the benefit of all. South Africa trades in varying degrees with Australia, New Zealand in Latin America with Argentina, Brazil, Chile, Paraguay, Peru and Venezuela. Some of these countries produce the same agricultural products like South Africa.

SOUTH AFRICA: WHAT ARE THE OPTIONS?

South African relations with the Community were handled by the Commission for External Relations (DG 1) now under Commissioner Frans Andriesen until 1985 when the EEC Special Programme against victims of apartheid began. The Development Directorate (DG 8) under Commissioner Manuel Marin, was brought in to coordinate what is referred to as the positive measures against apartheid with restrictive measures being sanctions.

Trade with South Africa is still handled by the Commission for External Relations on a low profile basis. We have not made any advances in this area it remains strictly the concern of the south African government. Needless to say this could not be possible due to various reasons, but with the beginning of the negotiations the world realises that the solution of the South African problem is within reach. This opens up other avenues which were previously inaccessible to the ANC like trade discussions. The prospect of the ANC forming the next government is seen as a real one and should be utilised. The question of an interim government now has mixed support but skillfully linked to the proposed gradual lifting of sanctions by the Community, can gain more support from the European Community. That De Klerk should oversea the whole process is not defensible and with proper lobbying and campaigning De Klerk should back off.

Our best hope would seem to lie with advances that we can achieve in trade negotiations. The argument from consevatives is that the ANC is calling for investment and sanctions simultaneously. The thinking would seem to be our need for funds should be the pressure point to make us compromise on the sanctions issue. There are indications that the issue of repatriation of exiles has a limited scope of funding and to think that we will generate more funds around it would only serve to delay the hour of reckoning.
There are suggestions that we should direct potential investors to such efforts as the Viva Project because of the obvious benefits this has, unfortunately those institutions we would be looking to for funding have significant if not strong conservative lobby. In the fore-front of those people who want to invest in South Africa are *conservatives. They have established the Association for Cooperation and Development in Southern Africa (ACODA) which recently opened offices in Windhoek and Johannesburg.

Moves are underway to establish an office of the Commission in South Africa to administer EEC funds for the victims of apartheid. Such a move has serious political implications for us, the proof of this is the fact that no agreement has been reached within the Community on what form the office should take. It can either be an office of the Development Directorate or a Delegation which is equivalent to an embassy.This question was raised in the June 1990 meeting of the Council of Ministers and it was Commissioner Frans Andriesen who responded that the Commission would look into the question not Commissioner Manuel Marin for development (DG 8). Such a step would give more than an encouragement for de Klerk, with DG 1 gaining prominence in relations with South Africa, trade will be the foremost consideration and support to the victims of apartheid will of secondary nature.To some people this may signal that South Africa won't be considered for the Lomé Convention and thus won't benefit from the special agreements given to developing countries.

We have tried to show that joining the Lomé Convetion will not in itself guarantee favourable trading conditions for South Africa the only beneficial arrangement South Africa can get from the Lomé Convention is the one concerning regional cooperation whether that merits joining the Convention needs to be seen. A high-breed arrangement between Lomé, OECD and Magreb countries should be possible.(See attached EEC -Egyptian agreement.)

It should be born in mind that some people might lobby for a future SA joining Lomé for their own interests. There is belief that such a move, apart from increasing the budget of the Development Directorate, it would lend weight to the case of developing countries in dealing with the Community. It would also guarantee funding for multitudes of non governmental organisations (NGO's) who would then want to operate on the South African scene.

There are several pressing problems to be dealt with by the ACP States including South Africa.

They include issues like:

European Internal Market

Many ACP States will be confronted with discrimination of their products due to health protection constraints and protection of the enviroment. In this regard South Africa has taken the necessary precautionary measures by linking the South African Bureau of Standards to the German Standards and with the principle of mutual recognition, under which a product approved in one EEC country may circulate freely in the other eleven.

Agriculture

The Community's and the other industrialised countries' agricultural policies pose serious problems for ACP farmers. The large subsidies on agricultural production and exports by these countries, even sometimes below African farmers'production costs hamper agricultural development in ACP. It should be noted that many ACP States are heavily depended on the agricultural sales for their foreign currency earnings. Dumping practises associated with overproduction in Europe lower the prices further.

General Agreement on Tariff and Trade (GATT)

The talks on GATT by addressing the issue of agricultural subsidies would seem to hold some hope for betterment of the situation with ACP farmers benefitting from the agreement. There strong feelings among the Left parties that the GATT negotiations will open way for unlimited explotation of developing countries by multinationals. There are reports of increased pressure on South Africa to open its market to foreign manufacturers or it will have to face up to more protectionism from the EEC.

The whole question of GATT is open for discussions but with the developing countries experiencing flight of capital it remains to be seen whether the multinationals will be ready to invest in the developing countries. We should mention here that Commissioner Marin for development responding to a question as to whether the ACP States are not going to be forgotten as attention shifts to Eastern Europe, he answered no but stressed that it remained with the ACP States to see to it that they continue to attract investments.(Luxembourg ACP-EEC Joint Assembly 25/09/90)

Reference:

Katharina Focke :- From Lomé 1 towards Lomé 2, Report and resolutions on 26/09/80 ACP-EEC Consultative Assembly.

Mr H. Perschau :- Report by the General Rappoteur on behalf of the ACP-EEC Joint Assembly on priorities to be observed in implementing Lomé 4 in order to improve the economic and social situation in the ACP States.

EEC: Life-Blood of Apartheid. Agenor 79