

**A Critical Analysis of the Trade Agreement between South Africa and the
European Union and the Implications it has on SADC**

By
Shamiso Chideme
210505212

Submitted in partial fulfilment of the requirements for the Degree of Master of Political Science
in the School of Social Science, University of KwaZulu-Natal, Pietermaritzburg. South Africa

2016

DECLARATION

I, Shamiso Chideme, declare that:

- a) The research reported in this dissertation, except where stated otherwise is my original work
- b) This dissertation has not been submitted for any degree or examination at any other university
- c) This dissertation does not entail other people's work unless specifically attributed as such, in which case their words have been rephrased and referenced. However, where their exact words have been used, their writings have been placed in quotation marks and referenced as well.

Signed: _____

Date: _____

We,, confirm that the work reported in this dissertation was carried out by under our supervision

Signed: _____

Date: _____

Signed: _____

Date: _____

DEDICATION

I dedicate this book to my parents Angela and Elijah. Words cannot express how grateful I am for the support and sacrifices that you have done for me.

ACKNOWLEDGEMENTS

To my supervisor Dr. Khondlo Mtshali for believing in my work, pushing me to excel, and treating my work with so much care. To Mom and Dad, Angela and Elijah Chideme for being there since the beginning and inspiring me. Special thanks to Hosea Patrick Olayiwola for unrelenting support and encouragement. To my friends and family Nontokozo Kunene, Chipu Chuchu, Fadzai Hwara, Mqhele Mpanza, Ropafadzo Humanikwa and Mitchell Machakata for being my pillars of strength. To God almighty for giving me the strength and courage to reach my dream goal.

LIST OF ACRONYMS

TDCA - Trade and Cooperation Agreement

EU - European Union

SADC - Southern Africa Development Community

SA - South Africa

TDA - Trade and Development Agreement.

EDF - European Development Fund

ACP - African Caribbean and Pacific states

FTA - Free Trade Agreement

WTO - World Trade Organisation

EC - European Commission

GPS - General System of Preference

EPRD - European Program for Reconstruction and Development

JCC - Joint Cooperation Council

DTI - Department of Trade and Industry

TCC - Trade Cooperation Committee

SADCC - Southern African Development Coordination Conference

SNCs - SADC National Committees

ABSTRACT

European Union and South Africa trade agreement have continuously grown since the post-apartheid era. There seems to be enormous literature on these agreements as well as on how it has improved SA's international trade. However, little attention has paid on how these trade agreements affects SA's economy, its people as well as the integration of SADC. Using the realism and the world systems theory as theoretical frameworks, the study investigates the impact of SA-EU trade agreement as well as its implication for SADC. The study uses both qualitative and quantitative research methods. The choice of method is influenced by the research questions raised. The data sources used for the research involved organizational records from the Southern African Customs Union, the World Bank, Southern African Development Community, South African Department of Trade and Industry, European Union, and the Department of International Relations and Cooperation, among others. The qualitative data collected for the study was analysed using thematic content analysis where by the data were categorized into themes. While the quantitative data collected was analysed using statistical package for the social sciences (SPSS) to produce tabularized descriptive statistics, tendencies, distribution plots, and charts so as to enable the researcher analyses the trend of the research questions as identified.

While TDCA expands trade between the trading partners, data collected also paint a sobering picture for the South African economy as the EU is overwhelmingly dominating trade between the two parties. This dissertation argues that the TDCA reinforces and reproduces the core-periphery trade patterns between South Africa and the European union. SA-EU agreement accentuates core – periphery relation between South Africa and its SADC and SACU partners. This study also paints the glaring picture of interest and power play as motives for EU-South Africa relationship. This study argued that the British vote to exit the EU was motivated by power and self-interest. If actualized, the British exit from EU will have both negative and positive consequences for South Africa.

Table of Contents

DECLARATION	i
DEDICATION	ii
ACKNOWLEDGEMENTS	iii
LIST OF ACRONYMS	iv
ABSTRACT.....	v
TABLE OF CONTENT	vi
LIST OF TABLES	ix
LIST OF FIGURES	ix
CHAPTER ONE:.....	1
Introduction	1
1.1 Background of the Study.....	1
1.2 Statement of the Problem	2
1.3 Objectives of the Study	2
1.4 Research Questions	2
1.5 Research Methodology.....	3
1.5.1 Research Design.....	3
1.5.2 Data analysis	4
1.6 Chapter Outline	4
CHAPTER 2	6
Literature Review and Conceptual and Theoretical Frameworks.....	6
2.0 Introduction	6
2.1 Trade-Economic Development Nexus: An Appraisal.....	6
2.2 Absolute advantage	8
2.3 Comparative Advantage.....	9
2.4 The Heckscher-Ohlin Model.....	11
2.5 Trade Barriers in South Africa during Apartheid.....	11
2.6 Theories and Concepts of Regional Integration and International Trade	14

2.6.1 Regional Integration and Regional Cooperation	14
2.6.2 Gravity model and Regional Integration	17
2.6.3 Market Integration and the levels of integration	17
2.6.4 Neo- Functionalism and regional integration	18
2.6.5 World Systems theory	18
2.6.6 Theory of Realism	20
2.7 Conclusion.....	21
CHAPTER 3	22
The TDCA and the South African economy.....	22
3.1 Introduction	22
3.2 Trade Development and Co-operation Agreement (TDCA).....	22
3.3 South Africa and EU trade growth trends	24
3.4 The Content of Trade: Core-Periphery Patterns Reinforced.....	26
3.4.1 EU Import Penetration in the Agricultural Sector	30
3.4.2 Trade in Various Agricultural Products.....	31
3.4.3 Investment.....	32
3.4.4 The Mining Sector Performance	33
3.4.5 Trade in Individual Mining and Manufacturing Products	34
3.4.6 EU-SA: OTHER AREAS OF COOPERATION.....	36
3.4.6.2 Creating Employment	37
3.5 South Africa's International Trade Policy	38
3.6 Conclusion.....	40
CHAPTER 4	41
TDCA Implications on SADC	41
4.1. Introduction	41
4.2. South Africa's policy on regional integration.....	41
4.3. The Southern African Customs Union (SACU).....	42

4.4.	The Southern African Development Community (SADC).....	46
4.5.	The TDCA, SACU, SADC-EPA: The Issues	50
4.6.	The impact of TDCA on SADC	51
4.6.1.	Derailment of Regional Integration	51
4.6.2.	Perpetuating Peripheral Status: Locating Power Within the TDCA.....	52
4.7.	The EU-SA TDCA and its Impacts on SADC: An Analysis	53
4.8.	Conclusion.....	56
CHAPTER 5		58
IMPACT OF BRITAIN'S EXIT FROM THE EUROPEAN UNION (EU)		58
5.1.	Introduction	58
5.2.	Causes of Britain's exit	58
5.3.	Role of Britain in the EU.....	59
5.4.	History of trade between South Africa and Britain.....	60
5.5.	Implication of Britain's exit from the EU on South Africa.....	60
5.5.1.	Positive Outcomes	60
5.5.2.	Negative consequences	61
5.6.	Conclusion.....	66
CHAPTER 6		68
CONCLUSION.....		68
6.1.	Introduction	68
6.2.	Summary of the Study.....	68
6.3.	Impact of EU-SA trade on trade welfare.....	69
6.4.	Impact of EU-South African trade on SADC.....	70
6.5.	Conclusions/Implications of the study	71
6.6.	Recommendations for Policy and Practice.....	72
6.7.	Recommendations for further Research	73
REFERENCES		75

List of Tables

Table 1: SA trade with EU on various mining products.....	35
Table 2: SA trade with EU in manufactured products.....	35
Table 3: South Africa's dominance in intra-SACU trade (million Rands).....	44
Table 4: the aggregate global trade data for SADC in 2011, \$million &% shares.....	47
Table 5: South African export data as reported by the Global Trade Atlas, 2007 to 2012, \$ million.....	48

List of Figures

Figure 1: The growth of trade between EU and SA (2005-2014).....	24
Figure 2a: The value of SA-EU trade in services 2011-2013	25
Figure 2b: SA-EU trade in goods.....	26
Figure 3: SA's trade in manufactured goods with the EU.....	27
Figure 4: SA trade balance in manufactures with EU 2011-2014.....	28
Figure 5: SA balance of trade in primary products 2011-2014.....	28
Figure 6: The performance of agricultural and manufacturing sectors 2012-2014.....	29
Figure 7: EU imports in SA's agricultural sector.....	30
Figure 8: EU-SA trade in different agricultural products.....	31
Figure 9: EU investment flows to South Africa in 2013.....	32
Figure 10: The distribution of EU investment in South Africa.....	33
Figure 11: Mining sector import/export performance (billion euros).....	34
Figure 12: South Africa exchange rates over the years.....	39

CHAPTER ONE:

Introduction

1.1 Background of the Study

The 1994 transition into a democratic state allowed South Africa (SA) to negotiate trade agreements with other states. Subsequently, the South African government made an application for in the Lome Convention, which the European Union (EU) denied. However, the EU still found SA as an important and easier market to access. Thus, in 1996 the EU started engaging SA in trade discussions for the main purpose of creating a new trade and development collaboration. On paper, the main aim of these discussions was to increase and improve the trade conditions between the EU and South Africa (Assarson 2005: 7).

In 1997, South Africa presented a position paper outlining the framework for creation of an EU-SA trade and development agreement between both parties. There was a consensus to the fact that SA would have more access to the EU market at a quicker and more extensive pace than the EU would have on SA market. There was also an agreement that products from agriculture be included in negotiations after initially wanting to exclude over 40 percent of SA agricultural products from any free trade agreement (Lee 2010: 87). After years of negotiations, the Trade and Cooperation Agreement (TDCA) was officially signed in October 1999. However, it became operational on 1 January, 2000.

The TDCA consisted of two parts; the actual free trade agreement between the EU and SA and the European Program for Reconstruction and Development (EPRD) which consists of the EU's financial support to SA in terms of social services, private sector development, good governance, democratisation and human rights and regional integration (Assarson 2005: 8). The agreement was constructed in such a manner that to implement fully, SA had a 12 years' duration period while the EU had ten (Gibb 2003).

South Africa has always been a dominant player within the Southern African region. Thus, the signing of TDCA was likely to impact the whole region as a whole. The Southern African Development Community (SADC), which was formerly called the Southern African Development Co-ordination Conference (SADCC), was a regional organisation established as a result of the advantageous experiences of closer cooperation among the people and

governments within the Southern Africa region (Lewis 2001: 58). Their main purpose was to promote economic liberalisation and integration within the region so as to develop economies.

1.2 Statement of the Problem

Most studies focus on the South Africa - EU trade agreement, and how it has improved SA's international trade. However, little effort has been made to point out how this trade agreement affects SA's economy and whether or not it has a positive or negative impact on SA economy and people. Also, there is insufficient research on the impact of TDCA on SADC. Thus, this research will also look at whether the EU-SA trade agreement promote or retard integration within SADC region. Therefore, the research problem that this study is grappling with is the critical analysis of the trade agreement between SA and EU and the implications this agreement on SADC.

1.3 Objectives of the Study

The overall aim is to critically analyse the SA and EU trade agreement between and look at the implications it has on SADC as a region.

The specific objectives of this study are to:

- To explore and understand economic partnership agreements and regional trade agreements.
- To explore the impact of SA and EU trade agreement on the structure of South Africa trade welfare and economy.
- To outline the implications this agreement has had on SADC and its role in promoting regional integration.
- To assess the impact Britain's exit from the EU will have on South Africa.

1.4 Research Questions

- What are economic partnership agreements and regional trade agreements?
- What is the impact of the SA and EU trade agreement on the structure of South Africa trade welfare and economy?
- How does the EU-South Africa trade agreement affect the promotion of regional integration within SADC?
- What impact will the exit of Britain from the EU have on South Africa?

1.5 Research Methodology

1.5.1 Research Design

Most research in the field of social sciences use the qualitative and quantitative research designs. The choice of method is influenced by the research questions raised (Creswell, 2011; 2013; Ritchie et al, 2013). This study used a mixed method of both qualitative and quantitative research design (Creswell, 2011; 2013). The qualitative research method is an explorative research which attempts to answer research problems from the perspective of the study population involved. The method is used to understand underlying opinions, motivations and rationales behind a particular social phenomenon (Green and Thorogood, 2013; Ritchie et al, 2013; Smith, 2015; Taylor, et al, 2015). The qualitative method includes participant observation, in depth interviews as well as focus group discussion (Welman et al 2005; Smith, 2015; Taylor, et al, 2015). The quantitative method on the other hand is a research design which uses mathematical based methods in the collection and analysis of numerical data. It emphasises objectivity in measurements as well as the statistical and numerical analysis of data collected. It therefore, provides an in depth analysis by providing statistical information that the researcher is able to explain from a qualitative point of view (Creswell, 2013; Ritchie et al, 2013; Bryman, 2015).

The Mixed method research design is therefore a method of research which enables the collection and analysis of numerical and descriptive data (Creswell, 2013; Ritchie et al, 2013). The mixed method used for this study allowed for the integration of the gains of qualitative and quantitative methods so as to ensure that these two research methods complement each other in addressing the research questions for this study. By using qualitative research, the researcher gained a deep understanding of the trade agreement between EU and SA and its implications for SADC region. The quantitative method used also allowed for a statistical analysis which help validate the data from the qualitative method used for the study.

The main aim of this research is to critically analyse the free trade agreement between EU and SA and its implication on SADC in promoting regional integration. The data sources used for the research also involved organisational records from the Southern African Customs Union, the World Bank, Southern African Development Community, South African Department of Trade and Industry, European Union, and Department of International Relations and Cooperation, among others. Secondary sources such as journals, monographs and newspapers were also used.

1.5.2 Data Analysis

The qualitative data collected for the study was analysed using thematic content analysis where by the data were categorised into themes. The analysis allowed for the making of inferences whereby specific characters were systematically and objectively identified within the text (Stone, Dunphy, Smith and Ogilvie 1966: 5). The quantitative data was analysed using the statistical package for the social sciences (SPSS). SPSS was used to produce tabularised descriptive statistics, tendencies, distribution plots, and charts so as to enable the researcher analyse the trend of the research questions as identified.

1.6 Chapter Outline

Chapter 1: This was the introductory chapter of the research. The chapter discussed the research background, problem, and research questions as well as the research objectives. The chapter went on to discuss the methodology for the research, the research limitation as well as the research chapter outline.

Chapter 2: This chapter involves an analysis of existing literature related to the variables of the research. The chapter also critically examined the theories which served as the theoretical framework for the study.

Chapter 3: This chapter analyses the implication of TDCA deal on the South African economy. It further discusses how the TDCA has influenced South Africa's economic relations with its fellow SACU partners who were also directly affected by the TDCA deal.

Chapter 4: This chapter analyses the impact and implications of the TDCA on the progress of regional economic integration in the SADC region in terms of economic and trade development. It analyses the factors and forces informing South Africa's policy and approach to regional integration since 1994. This chapter also take stock of the role and extent of South Africa's influence and actions in the intra-regional trade in the SADC region in terms of its exports and imports.

Chapter 5: This chapter discuss Britain exit from the European Union and its likely impact on South Africa. It provided a brief background of why Britain moved out of the EU, the role that Britain had in the EU and the trade relations that exists between SA and the Britain. At the core of this chapter was an attempt to understand the possible implications of such a move to the South African economy.

Chapter 6: This chapter is the concluding chapter of the research. It presented the summary of the research and research findings, implication of the research, recommendation of the research as well as suggestion for further research.

CHAPTER 2

Literature Review and Conceptual and Theoretical Frameworks

2.0 Introduction

The relationship between trade and development is well-recognized and well-documented. Under that context, the trade patterns and balance between the developed and developing countries have attracted extensive academic scrutiny (Wallerstein, 1974; Carbaugh, 2002; Assarson, 2006). Although the literature on TDCA between the EU and South Africa has grown considerably, the impact it has within the SADC region and Africa in general has been largely been under-researched. However, documenting and analysing the impact of the TDCA on SADC and Africa can possibly contribute towards improving the terms of agreement. Moreover, such an approach may generate new insights on why such agreements may be problematic in their effects and implementation.

This chapter surveys existing scholarship on the relevance of the trade deal signed between European Union and South Africa in the context of trade and economic development nexus in general. This chapter will begin with a general discussion of the trade-economic development nexus; this will be followed by the discussion of trade theories. The discussion of trade theories will be followed by the discussion of trade barriers in apartheid South Africa. The chapter will then discuss the Trade Development and Co-operation Agreement and trade policy tools. Finally, this chapter will discuss the theories and concepts of regional integration as theoretical framework for the study's analysis.

2.1 Trade-Economic Development Nexus: An Appraisal

This section will survey and synthesize existing scholarship on the relationship (or lack thereof) between international trade and economic development. This will enable a much more informed and balanced analysis of the possible repercussions of the TDCA on South Africa and its immediate neighbours' economic performance. Needless to say, the foremost aim of the trade deal was to boost the involved parties' economic standing in the first place. Since no country produces everything it needs, trade has always been an essential economic and life-supporting activity for individuals, households, communities and countries alike. Standard economic theory has it that the volume of trade especially international as source of foreign exchange earnings or generation and economic development are closely correlated. This line

of argument was advanced by classical economists like Adam Smith and David Ricardo as well as Hecksher and Ohlin. Although their arguments were different and varied, they essentially agreed that trade liberalization, if carefully managed, was closely correlated with sustained levels of economic growth.

The relationship between trade or the free movement of goods and capital on economic performance is one of the central controversies in international political economy literature (Afonso, 2001; Spanu, 2003; Kudo and Mieno, 2007). This is not least because trade liberalization can only improve when it is complemented by proper macro-economic policies. The impact of trade on economic performance is affected by such factors as the level of development and the state of the international economy. The liberalization of international trade has led to an unprecedented growth of the global economy due among other things to an increase in the flow of capital, new and efficient technological innovations and enhanced skills exchange between countries. For example, Dee et al (2011: 3) found that the liberalization of trade through the elimination of tariff and non-tariff barriers had a positive impact on the growth of employment in countries like South Africa, Mexico and Korea of between 4% and 5%.

Tussie and Agio (n.d) examined the effects of trade liberalization on the economies of Sub-Saharan African countries of Malawi and Zambia. While they insisted not implying any causal relationship, they noted that an increase in trade failed to ameliorate worsening economic and social crises in these countries. Moreover, international trade is not equally beneficial for the various participants with developed countries seemingly benefiting more than developing countries. Radical Marxist scholars in the third world like Wallerstein (1974); Emmanuel (1972) argued that international trade had led to the terms of international trade directly leads to the underdevelopment of third world countries through the unbridled siphoning of low-value raw materials and natural resources. They point out that international trade is essentially exploitative with developed countries benefitting at the expense of poor countries in the global South.

Du Plessis and Smit (2005) in their study of the relationship between trade and economic growth in South Africa found that the former had positive effect on the latter. South Africa experience lowest economic growth levels (0.8%) during the politically induced trade embargo of 1985-94. Once the trade embargo was lifted following the demise of apartheid in 1994 there was a marked rise in growth rate in the following decade with an average of 3% (Du Plessis

and Smit, 2005: 4). Balassa (1978) found that third world countries that were more open to international trade had by far superior levels of economic growth as compared to those countries that adopted inward policies. The import substitution policies adopted by some Latin American countries eliminated competition from foreign industries and increased the cost of doing business which stifled economic growth. The TDCA while it looks very much like a win-win situation may still not be completely immune to the charges raised by the dependency theorists. South Africa being considerably less developed than Europe may very likely find itself being compelled to play along to the dictates of the EU even when it is against its own interest.

In their examination of Myanmar's economic development, Kudo and Mieno (2007: 4) note that the adoption of a considerably liberal trade policy by the government there, led to acceleration in economic growth and technological advancement. Helpman (2012: 3) sheds more light on the importance of trade on economic development from a historical perspective as he argues that although trade did not singularly bring about industrial revolution in Europe, it was an indispensable factor. However, scholars have shown that the relationship between economic growth and trade is not an entirely clear-cut affair. Schularick and Solomou (2009: 2) point out that some of the industrialized countries experienced high levels of economic growth under high-tariff protectionist regimes which constrained trade. What emerges from the foregoing brief survey of scholarship on the relationship between trade and economic development is that the impact of trade growth depends on the specific circumstances of each country. One particularly important point is that increasing the volume of trade is not a one-stop solution to economic stagnation but should be supported by economy-wide reforms as well.

2.2 Absolute Advantage

The theory of absolute advantage was propounded by Adam Smith in 1776. In this theory, he argued that for the international trade to be beneficial to all parties involved, then each country should produce at least one commodity to which it has absolute advantage of producing at the lowest possible cost so as to be exported to other trading partners (Carbaugh, 2002: 29). The theory further argues that the advantages of free trade at an unchecked space will be as a result of each country specializing in the export and production of commodities to which it can produce at comparatively lowest cost, while importing from its trading partners' other commodities that they more efficiently produced at the lower cost (Hill, 2007: 167).

Accordingly, Smith argue that specialization and the division of labour is a requirement for economic growth. Hence, he posits that the extent of the market limits the division of labour within the economy. In other words, specialization is relatively difficult in a small market as compare to a large market size. The theory therefore, argue that international trade will increase the market size for any given country hereby allowing for specialization within the economy. This global division of labour will thus be of advantage to all countries by increasing global output and productivity (Hill, 2007). The theory also argues that market determination in relation to the import and export of each country will be determined by the invisible hand of the economy and market determinism as against government policies (Hill 2007: 166).

Hill (2007) and Carabaugh (2002), among others, argue that the theory of absolute advantage is the foundational theory for the neoclassical trade models (Schumacher 2012: 64). Smith ideas were centred on historical reconstruction. He believed that in order to trade nations had to be wealthy and that nations should only trade if it's beneficial to them. If it wasn't beneficial for nations to engage in trade it meant that they were not meant to trade (Schumacher 2012).

When describing and illustrating the theory of absolute advantage, it is normally presented as two countries and two commodities (2x2 model). This connotes that each country can ultimately produce one commodity at lesser cost than the other and thus produce the commodity more comparatively cheap. This would mean each nation has an absolute advantage over the other. However, this would also mean there are no further gains from international trade besides the fact that it is only a once-off increase in overall production and thus consumption. This would entail that nothing more happens (Schumacher 2012). "Smiths concerns and ideas are dwarfed by the theory of comparative advantage, and is criticised as only being able to explain a small part of trade and ultimately a poor trade theorist" (Schumacher 2012: 65-67).

2.3 Comparative Advantage

The theory of comparative advantage as popularised by David Ricardo, argues that within the international system, countries should specialise in the production of commodities it can efficiently produce the most and purchase those it cannot from other countries which produce such good. The theory argues that to maintain comparative advantage, countries should produce those commodities it can efficiently produce the most and buy other commodities from other countries even if it can produce more efficiently than them (Hill, 2007: 177). The argument of this theory is largely counterintuitive. However, the theory argues that less

developed countries with no absolute advantage in any commodity in the global arena can benefit from the comparative advantage model just as developed countries can as well benefit from the model (Hill, 2007).

Using the comparative advantage model, countries with no absolute advantage could still benefit from trade arrangements even though its production capacity is less efficient than other countries within the global arena (Suranovic, 2007: 40). Unlike the Adams Smith's absolute advantage which emphasis the absolute cost principles, the theory of comparative advantage focus on the doctrine of relativity of cost difference (Carbaugh, 2002: 29).

Hill (2007), Suranovic (2007) and Carbaugh (2002), among others, tried to illustrate and explain the theory of comparative advantage as propounded by David Ricardo. The theorists believed that there were no externalities and that total private costs and total social costs were the same. However due to political processes within each nation, this might not particularly be the same. It also does not take into account environmental costs (Prasch 1996).

The theory of comparative advantage also stated there is free and costless mobility of capital and labour skills within a given country. This is never the case; complex skills and expensive facilities; may for instance, be relatively immobile. For example, when industries close down these skills cannot be redeployed (Prasch 1996: 41). Ricardo also assumed full employment of all available capital and labour. However, there are theoretical and measurement difficulties with this concept, if there are underutilized but potential productive resources are available to the economy (Prasch 1996: 43).

Ricardo believed that the trade between countries is always balanced. This assumption does not exist. John Cullbertson argued that, "the decentralized nature of a free trade regime, operating in conjunction with modern credit arrangements between modern decentralized economies, provides no prior reason to believe that a country's trade will be in balance at any given moment in time, or even over periods of time," (Culbertson 1984: 117-121). In the theory of comparative advantage Ricardo articulated that capital flows do not cross international borders. However, this is not true for contemporary times characterized by a lot of international capital flows.

2.4 The Heckscher-Ohlin Model

The Heckscher-Ohlin (H-O) model has its theoretical foundation on Ricardo's theory of comparative advantage. The model involves the combination of the relative cost of production in conjunction with the factors of production (i.e. land, labour and capital) in the determination of a country's comparative advantage. The H-O model central argument is that a country will export commodities to which it has a higher factor endowment while it imports those it has a low endowment factor (Hill, 2007: 181). The H-O model assumed that two countries were involved and that each country has two factors which were labour and capital. It assumed that there was perfect competition in both commodity and factor markets and that all production functions were homogeneous. Each country however, differed in factor supply and each commodity in factor intensity. The model assumes that there was full employment of resources in the two countries and that demands are in all ways identical in countries. It also assumes that trade in both countries was free and there were no trade restrictions as well as no transport costs (Hill 2007).

Hill (2007), among others, tried to explain and illustrate the H-O theory. However, there are some aspects lacking in this theory. The H-O theory is based on some unrealistic assumptions. Firstly, it assumes two countries, two commodities and no transport cost, this is not the case in a globalized world. It also assumes that there is no qualitative difference in factors of production, identical production functions and a constant return to scale. It does not include consumer demand. According to Haberler, the H-O theory is based on partial equilibrium as it fails in providing a comprehensive, general and complete equilibrium analysis. (Akrani 2011).

2.5 Trade Barriers in South Africa During Apartheid

In 1910 South Africa became an independent country known as Union of South Africa. In 1948, the apartheid policy became official when the National Party gained the majority seats in parliament. Under apartheid SA was divided into four racial groups, Whites, Asians, Coloureds and Blacks (Lavery 2007). The racial segregation was created such that whites were at the top and they received the best jobs, education and housing, Asians and Coloureds had fewer rights than white people but more than black people, they also lived in segregated neighbourhoods and attended segregated schools. Black people were at the bottom of the social ladder and they lived in poor segregated areas, attending poor segregated schools and receiving the poorest health care and job opportunities (Lavery 2007).

Realizing the dependence of apartheid South Africa on foreign capital, in 1959, anti-apartheid organizations called for sanctions against South Africa. This was due to the fact that capital for the first growth industries, diamond and gold mining came from Britain and after World War 2 the US was playing a key role as manufacturing assumed increasing importance (Davis 1993: 1). According to Davis (1993) the 1960's and 1970s was boom years for the SA economy and foreign investment contributed immensely to SA's gross domestic investment. However, the only people who benefited were South African whites.

Levy (1999) outlined that many countries imposed trade and financial sanctions and a lot of foreign investments were withdrawn from South Africa. This began to cripple South African economy resulting in current account deficits. As repression intensified Levy (1999) further explains that in the early 1960's the United Nations (UN) implemented the arms embargo. This then forced SA to pay mark ups of up to 100 percent for purchasing arms in the black market leaving SA with outdated equipment, particularly aircraft (Davis 1993: 5). The UN also passed the 1962 resolution calling for a ban on exports or imports from SA, Britain and Japan were absorbing half of SA exports; West Germany, Belgium, France and Italy accounted for an additional 25 percent. The Organisation of Petroleum Exporting Countries (OPEC) nations from 1973 started to adopt the oil embargo on SA. In the 1960s a lively campaign was developed against the SA gold coin, "Krugerrand, the Polaroid Cooperation workers waged a successful campaign, risked their jobs to stop their employer from continuing to supply the SA government with film for its notorious identification card system," (Davis 1993: 2).

During the apartheid, trade barriers were imposed on South Africa despite the wide range of strategic interest's countries had on SA. Almost every international organization and state imposed sanctions on SA, including the United Nations, the Commonwealth, the European Community, the Nordic states, Britain, France, Germany, Japan and the US adopted cultural, economic, and military sanctions against SA by the mid 1980's, (Klotz 1995). This was beginning to cripple SA economy because they relied heavily on heavy machinery and hi-tech goods like computers, chemicals and oil. Gold played a key trading role, accounting for 40-50 percent of foreign exchange earnings, so due to the sanctions the fall in the price of gold in 1980 severely affected SA (Davis 1993: 2).

Regardless of these sanctions, SA still remained resistant and the political situation still was not rectified and racial discrimination was still very much present. By the beginning of the 1980s "divestiture campaign was beginning to win more than propaganda victories," (Davis

1993: 3) It was such that by 1982 legislatures in Massachusetts, Michigan, Connecticut; and the cities of Philadelphia, Wilmington, and Grand Rapids approved measures to withdraw 300 million US dollars from SA (Davis 1993: 3).

So in 1985 President Botha declared a state of emergency to the situation in SA so there after Chase Manhattan Bank declared that they would not renew SA's short term loans, putting SA into a liquidity crisis. Other lenders began to adopt this and follow suit, proceeding with multilateral sanctions (Levy 1999: 5). In the coming year the Rand continued to depreciate and in August the government temporarily close the stock exchange and foreign exchange markets and suspended interest payments on its debts, (Levy 1999:6). According to Levy (1999) in September the same year, the European Community imposed trade and financial sanctions on SA and the Commonwealth did the same soon after. The US went on to impose a limited export ban to further worsen the situation in SA; this was under Reagan's administration. In 1986 in September the European Community banned imports of iron, steel, gold coins from and new investments in SA as they had seen that the apartheid regime was still resistant to changing their system of racial discrimination. Japan joined in by imposing similar sanctions to SA. SA was then banned from participating in international rugby and cricket competitions.

Key companies pulled out of doing business with SA companies like Mobil. "Despite public pressure, US loans to SA continued to grow in the early 1980s reaching 4.7 billion dollars by the end of 1984. But the nature of foreign capital inflows significantly changed in the 1980s from direct investment, which seemed risky, to short term loans. SA foreign debt grew to 23 billion US dollars in 1985, this was definitely a year of political and economic crisis for SA," (Davis 1993: 4). SA banking system faced a state of panic in mid-1985 when Chase Manhattan of New York refused to renew SA loans, and because of this other banks followed suit crippling SA economy further. By the end of 1991, 28 states, 25 countries and 91 cities had taken economic action against corporations with investments in SA, this cost SA 20 billion US dollars (Davis 1993). According to Davis (1993: 5), SA businesses began to collapse as well as internal investments. Sanctions caused serious losses to exports such as iron, steel, uranium, clothing, fruit and coal.

The end of apartheid in 1994 and the beginning of democratic rule represented a new beginning for SA and the Southern African Region. SA was trying to instil new policies to try and alleviate poverty and address inequality. The government embarked on policies and programmes geared toward ensuring economic development and sustainable growth, hence the development of the

Reconstruction and Development Programme (RDP) and the Growth Employment and Redistribution Programme (GEAR) (Padayachee and Desai 2015). According to Padayachee and Desai (2015), “the fundamental challenge facing SA is the need to find sustainable means to overcome the apartheid legacy of racial division, poverty, and inequality; to reverse decades of distortionary political, social and economic policies that disfavoured, rather than promoted development.”

From a macroeconomic perspective SA has undergone two phases; in the first phase from 1994 to 2002 SA had to adjust to the high probabilities of sudden reversals of capital inflows and they were having extreme difficulties attracting foreign direct investment. In the second phase (from 2002 to present), according to the macroeconomic policy there was a desire to maintain stability and increase growth rates in order to have stronger terms of trade (Loewald 2008: 2). SA from a microeconomic point of view faced challenges in terms of raising sustainable economic growth, challenges in terms of competitiveness, market structure and competition, productivity, tariff and pricing issues (Loewald 2008: 2)

Loewald (2008: 6) states that the first decade of the post-apartheid until 2004 the real GDP growth equalled the potential output, what this means is that potential output increase by four percent per year. This was a concern to policy makers because it implied that there was a strain on the economic capacity of SA that was causing pressures on the economy. These were derived from the microeconomic challenges of market structure and competition, productivity, tariffs and pricing issues, which were all essential to increase potential output and raise sustainable levels of growth in SA. SA was still very much isolated and weak and there was an essential need to be integrated into the international economy so as to improve SA from a microeconomic and macroeconomic point of view.

2.6 Theories and Concepts of Regional Integration and International Trade

2.6.1 Regional Integration and Regional Cooperation

As early as the first decade of the 20th century regional integration was on the agenda in Africa as evidenced by the establishment of the South African Customs Union (SACU) in 1910 and the East African Community in 1919 (Geda and Kebret, 2007: 358). However, the pace of regional integration in Africa was hindered by the colonial set-up. The issue reappeared on the agenda in the Lagos Plan of Action in 1980 adopted by the Organization for African Unity (OAU) as colonialism began to recede. The Abuja Treaty of 1991 emphasized the need for the establishment of regional bodies that would constitute vital building blocks for a continent-

wide economic community to go a long way in mitigating the economic difficulties bedevilling most African countries (Hartzenberg, 2011: 3).

Integration refers to “a much more formal arrangement that involves some political and economic sacrifices as well as commitments, concessions, processes and political will to redefine participation in the international community,” (Adetula 2004: 4-5). According to Adetula (2004) when parts or units form an integration, it creates interdependency amongst each other, instead of focusing on their self-interests, countries are obliged to take into consideration the interests of the collective. Thus, the process of integration would entail shifting loyalties, expectations and political activities towards a new and larger centre whose institutions and processes would demand justification over those nation states. The extent to which transfer of loyalties and jurisdiction can be enjoyed would then depend on the goals and levels on integration schemes as well as socio-economic and political transformations which the implementation of integrative policies generates within and between the integrating units (Adetula 2004: 3-4). Melo and Tsikata (2014) pointed out that in Africa regional integration emerged as a central and crucial issue because of the inability of the continent’s small, isolated and unsustainable economies to trade effectively and profitably on their own. Regional Economic Communities (RECs) like SADC and the Economic Community of West African States (ECOWAS) constitute a vital part of a comprehensive development strategy which seeks to provide opportunities for the smaller countries to sell their exports to a much larger market on fair terms (Melo and Tsikata, 2014;2).

There are different levels of integration from perspectives of different disciplines; political integration, social integration and economic integration. The linear model of regional integration which was adopted by SADC involves improving and cementing integration through different levels starting with a Free Trade Area (FTA), followed by Customs Union, and Common Market (Hartzenberg, 2011: 2). After the establishment of a common market then comes an Economic Union which involves the integration of fiscal and economic policies of the member countries. The last stage is the Political Union in which the countries’ economic and foreign policies are managed centrally by the regional or supra-national body.

However, this research is primarily concerned with economic integration. Economic integration can be seen as “the gradual fusion and harmonization of major structural areas within the economy such as investment and tax system, the financial sector, tariff reduction, reforms in the labour market, legal and regulatory systems among others which enables

countries within the union pool resources together in order to take advantage of the global and regional institutions and human resources” (Sako, 2006).

Regional cooperation on the other hand, is mainly a strategy that focuses on self-reliance and development within that region (Adetula 2004: 2). The “motives for regional cooperation therefore include broad economic, social and political interest, and the need for greater international bargaining power,” (Adetula 2004: 2). However, there is a need to make a clear distinction between regional integration and cooperation as there is confusion between the two. Though both concepts are closely related, there is a clear cut line that differentiates them. Regional integration involves the gradual, but continuous merger of different aspects of the economy of the states involved until a final union is achieved. Regional cooperation is therefore, the mechanism and strategy used in ensuring that the process is mutual between the parties involved (Hartzenberg, 2011; Melo and Tsikata, 2014). Regional cooperation is hence, the means for facilitating regional integration. After countries have entered into an agreement to integrate their markets, the next step is to ensure cooperation in order for their integration to be effective. Hence, each country must cooperate, in accordance with the terms and agreements (Adetula 2004; Hartzenberg, 2011; Melo and Tsikata, 2014).

Regional Trade Agreements (RTAs) are the products of relationships formed by states within a region in a bid to facilitate and improve trade and development. The RTAs generally covers certain communities and is achieved by a gradual elimination, and or reduction in tariffs as well as the removal of quotas. However, Meyn (2005) argue that regional economic integration as well as intra-regional trade and investment are generally slow and low respectively. With particular focus on SADC, Meyn (2005: 187) argues that the region is lagging in integration due to a number of challenges such as dependence on import revenues, little or no partners for intra-regional trade, as well as overlap in membership of regional bodies.

Hartzenberg (2011: 3) notes that the slow progress of integration may be due to the acute lack of infrastructure which makes trade between African countries more expensive. Melo and Tsikata (2014: 7) point out those violent conflicts common in West, East and North Africa are important challenges hindering regional integration efforts. Security issues are also important in the SADC region as well with high risks of conflict in countries such as Madagascar, Mozambique, Lesotho and Angola threatening to delay the economic regionalization efforts. In order for an effective regionalization within SADC, the organisation and region would have to adopt market integration approach as mechanism for integration. These will be determined

by the free flow of the factors capital and human resources, liberalisation of intra-regional trade, as well as the practice of comparative advantage among others (Gibb 2009: 708).

Sako (2006) expresses the need for regional integration through cooperation. He mainly emphasizes the need for an effective implementable regional integration process that should be used to effectively deal with development challenges that are internal. He outlines the challenges of why Africa is not reaching this level and outlines the advantages of cooperation and integration to developmental programs. The next section will discuss the models of integration that have been adopted by the different regional bodies as a blueprint to expedite the integration process.

2.6.2 Gravity Model and Regional Integration

One of the analytical tools that are used to understand the increasing regionalization of trade is the gravity model. According to Khumalo et al (2013:12), the gravity model is parallel in analysis to Newton's equation of gravity. The model uses the distance between trade partners as well as their income in explaining their bilateral trade flows. The model also explains trade patterns using historical, cultural and language ties as against explanations based on comparative or absolute advantage. Frankel et al (1995: 69) defines the gravity model as a systematic framework which allows for the measurement of the normalcy of bilateral trade in the global arena. The aim is to measure or gauge the impact of simple economic factors on regional trade and the factors peculiar only to the specific region. According to Antonucci and Manzo (2005: 158) the gravity model basically tries to explain the increasing importance of RTAs on the international trade system citing such factors as geographical proximity and size of the economy as major determinants of volume of trade between countries. Therefore, according to the gravity model trade between countries in the SADC regional bloc is likely to be spurred on by low transport costs as a result of their geographical contiguity.

The Gravity model is a model that is widely used in policy applications in areas such as identifying important markets for trade promotion among others. However, according to Ciuriak and Curtis (2006: 189-197), one of the criticisms of the gravity model is that it doesn't take into account comparative advantage. It also fails to consider the importance of strategic national interest as a factor to trade agreements between states.

2.6.3 Market Integration and the Levels of Integration

Market Integration is modelled around Balassa's conventional analysis of economic integration in which he emphasised the arguments of customs union theory. According to Balassa, market

integration is described as a process of progressive integration in which there are several hierarchical arrangements and levels. This involves the movement from preferential trade, to free trade, to customs unions, to common markets and from economic union to a final political union,” (Gibb 2009: 706).

Market Integration theory however, fails to explore the influence of non-state actors as well as the spatial and temporal individuality of the states involved. The theory also placed less focus on the impact of domestic politics on market integration, particularly African politics (Gibb 2009). Gibb further argues that market integration is largely Eurocentric. Hence, Gibb (2009) argued that if examined from a postcolonial perspective, Africa’s regional integration has been structured by Western imposition of what should constitute regional integration structure.

2.6.4 Neo- Functionalism and Regional Integration

Neo-functionalism is a theory of regional integration which place focal point on the roles of non-state actors and social interest as integral dynamics for integration (Hamad, 2016). According to Meyn (2005: 188), Neo-functionalism fosters a smoother form of market integration. Neo-functionalism argue that integration begins with co-operation within some specific sectors of the economy. Hence, institutions within the region are thus meant to promote intra- regional cooperation. These include among many others, cooperation in monetary policies, promotion of the private sector, investment, regulations, competition policy, as well as the free movement of capital and labour (Meyn 2005: 192). The neo-functional theory assumes, “that regional integration which is directed via a supra-national element will produce a spill over effect from one sector to another (Meyn 2005: 188). Neo-functionalism is important because it is one of the frameworks that guide the formation of regional organizations in Africa. Examples of such organisation in Africa includes the Common Market for Eastern and Southern Africa (COMESA), SADC, ECOWAS, SACU, etc. (Meyn 2005: 188).

2.6.5 World Systems Theory

The world systems theory which was originally articulated in the 1970’s by Immanuel Wallerstein offers the most competent analytical framework for the TDCA. The theory is a wide-ranging historical and, to borrow Martinez-Vela (2001: 1)’s term, “macro-sociological” analysis of the global economic system and the history and reality of unequal and uneven economic development. Moreover, the theory was articulated to explain the historical origins of the contradictions visible in the global economic system as testified by the grinding poverty of the Third World and the palpable affluence of the First World countries (Hall and Chirot,

1982: 81). According to Wallerstein (1974) the origins of the world-capitalist can be traced back to the sixteenth century when compelled by the excess production under its capitalist system European countries began to explore the world to find markets for their surplus products. It was during these adventures that Europe more or less imposed its economic system on non-European countries. Needless to say, being the architectures of the newly established economic system, the West was better-placed to benefit more than other parties.

Wallerstein sought to present the nation-states in the world and their components as actors and participants in a single albeit grossly asymmetrical and exploitative economic, political and legal system. The world systems theory was propagated from the dependency theory and Marxist methodologies. It argues that the world is essentially a social system, with boundaries, structures within member groups, rules of legitimation and coherence (Wallerstein, 1974: 347-349). The system is characterized by “a world economy, integrated through the market system in which two or more actors are interdependent with respect to market necessities such as food, fuel and protection (Martinez-Vela, 2001: 3).

Wallerstein argued that the world system is based on division of labour which facilitates the production and flow of basic goods and services. This division of labour creates interdependence between different countries which leads to the emergence of core and periphery regions. The core comprises developed countries with sophisticated manufacturing, which are technologically advanced and highly skilled labour. The periphery on the other hand consists of underdeveloped countries with a virtually non-existent manufacturing base with an economy dependent on primary goods, stagnant technology and high levels of capital flight (Hall and Chirot, 1982: 85). As such, both the core and the periphery are structurally dependent on one another. Halsall (1997), Rossem, (1996), Alexander, (1998) and Gowan (2015) however, noted that between the core and periphery is the semi periphery nations which are midway in development between the core and periphery. The semi periphery serves as buffer zones between the two extremes and are made up of states from the periphery striving to improve their economic and development lot so as to join the core state status, or former core states declining in their economy and development (Halsall, 1997; Rossem, 1996; Alexander, 1998; Gowan, 2015).

Wallerstein argue however, that the system is fundamentally structured to favour the core which enjoys high levels of economic development at the expense of the semi periphery and periphery which suffers underdevelopment as a consequence. The core states promote capital

accumulation using various means at their disposal. These states have comparatively superior military, economic and political power to ensure the enforcement of unequal exchange between the core and periphery (Martinez-Vela 2001).

Thus, the TDCA arrangement, the subject of the present study, can be viewed or analysed to an important extent through the world systems lens. The theory help outlines the background conditions in terms of political and economies, of the parties entering the trade deal. it also helps locate the respective parties' position on Wallerstein's core-periphery spectrum. Therefore, the theory is instructive for this research as it helps explain how the disparate economic, political and legal leverage disproportionately favour the EU over South Africa. South Africa is, by and large, a semi-peripheral country with a modestly modern industrial base in a transition phase from peripheral to core. Europe on the other hand belongs to the core category as it possesses the characteristics of that category almost to the letter as described by Wallerstein. The theory also serves to explain the structural position of South Africa vis a vis other members of SADC which are mostly within the periphery spectrum.

2.6.6 Theory of Realism

Realism is an international relations theory which revolves round the concept of "real politick" (Morgenthau, 2014). Real politick is a diplomacy principle based on the consideration of real factors such as power, national interest and economy rather than moral or ethical principles (Baylis, 2013). The major argument of the realist theory is that the international system is driven by the concept national interest which is defined in terms of power among actors (state and non-state) pursuing conflicting interest. Hence, Realism views the international system as a struggle for power among states with self-interest which sometimes could be antagonistic (Walt, 1998). Realism is anchored on the proposition that the international system is anarchic in structure, and made up of state actors who are presumed to be unitarily rational in the pursuit of their national interests which are geared toward survival (Burchill et al, 2013; Weber, 2013). States within the international system act in ways to ensure the protection of their national interest (Morgenthau, 2014).

The theory of realism serves in analysing the rationale and benefits of trade agreements between the European Union and South Africa, as well as the rationale behind the exist of Britain from the European Union. The theory also serves in explaining the rationale behind the trade agreement between the parties involved (South Africa and European Union), and by extension, SADC and SACU.

2.7 Conclusion

Summarily, this chapter surveyed existing scholarship in making a general appraisal of the nexus between trade and economic development. This was motivated in order to make informed and balanced analysis of the possible repercussions of the TDCA on South Africa and its immediate neighbours' economic performance. Based on the literature surveyed, the chapter concludes that relationship between trade and economic performance is one of the central controversies in international political economy literature. The chapter went further to make an analysis of the theories of absolute advantage and comparative advantage as propounded by Adam Smith and Ricardo David respectively. Based on this premises of the literature, the chapter argued that while some nations may possess an absolute advantage in international trade, nations without absolute advantage can enjoy comparative advantage in the international system. The chapter went on to discuss regional integration theories as well as the world systems theory and realism as the theoretical framework for the study's analysis.

The next chapter will look the trade agreement between SA and EU and the impact it has on SA from the lenses of the world systems theory and realism. The theory of realism as espoused by the realists serve to explain the rationale behind the trade agreement as well as the mechanism which moves the flow of the trade agreement between South Africa and the European Union. It also helps explains the rationale behind British exit of the EU as well as lessons for integration for SADC and SACU.

CHAPTER 3

The TDCA and the South African economy

3.1 Introduction

The South Africa and the EU TDCA is considerably vast and is likely to have a significant impact on the economy of South Africa. Under the deal, the two parties undertook to cooperate in a broad array of economic and social sectors that are vital to their two economies. Relying on data from the EU commission and other sources, this chapter attempts to analyse the impact of the TDCA on the quality and growth or lack thereof of the South African economic performance. On the basis of realism as a theoretical framework, this chapter will adopt a sector-by-sector approach to conduct a clear analysis of how South Africa and the EU trade relations have affected such sectors as manufacturing, agriculture, tourism and foreign direct investment among others. Moreover, the chapter will seek to show whether the core-periphery relations have been reinforced under the TDCA deal or whether South Africa's economy is now more dynamic. Further, the chapter will also discuss how the TDCA has influenced South Africa's economic relations with its fellow SACU partners who were also directly and indirectly affected by the TDCA deal.

3.2 Trade Development and Co-operation Agreement (TDCA)

South Africa's post-apartheid regime made several attempts after the end of the apartheid policy in the country to re align herself to the global trading community. The European Union became the first major player in the global arena to which South Africa entered into trade negotiations with after Apartheid (Larsen, 2007). Upon series of negotiations, the Trade Development and Co-operation Agreement (TDCA) was jointly signed and agreed upon by South Africa and the European Union in 2000. The objective of the agreement was mainly to create a free market in which the parties involved could engage in the trade of agricultural and industrial goods. This trade agreement has been widely heralded as the most demanding and aggressive trade agreement the EU had ever concluded with partners from geographically distant countries (Larsen 2007:857).

According to Assarson (2005) the main objective of the TDCA was to improve bilateral trades of industrial and agricultural products between the parties involve, and in the process, provide a platform for political and socio-economic cooperation. Before the trade agreement was

signed, were about 24 rounds of talks and negotiations between the European Union and South Africa at several platforms. The EU and South Africa agreed to the elimination of tariffs for a ten and twelve-year period respectively on a large percentage of their commodities with a special attention for industrial and agricultural products (Carim, 2005). In addition, a large percentage of South Africa's agricultural products were granted unrestricted access to the EU market.

Lee (2010) further observed that both South Africa and the European union have a comparative advantage as relating to different aspect of trade. While South Africa has an advantage in labour force, agricultural products, textile, wine and natural resources, the EU has an advantage in over South Africa in capital, technology, and skilled resources. Also while South Africa export raw material such as minerals, metals and vegetables among others into the EU, it in turn imports industrial commodities such as iron and steel products, chemical products as well as machinery. Hence, according to Lemon (2000), the manufacturing sector of South Africa will be the major beneficiary of the TDCA. Assarson (2005) corroborate the arguments that South Africa stands to gain more from the TDCA by using the trade creation and diversion model in showing how the liberalization of trade has been beneficial for South Africa.

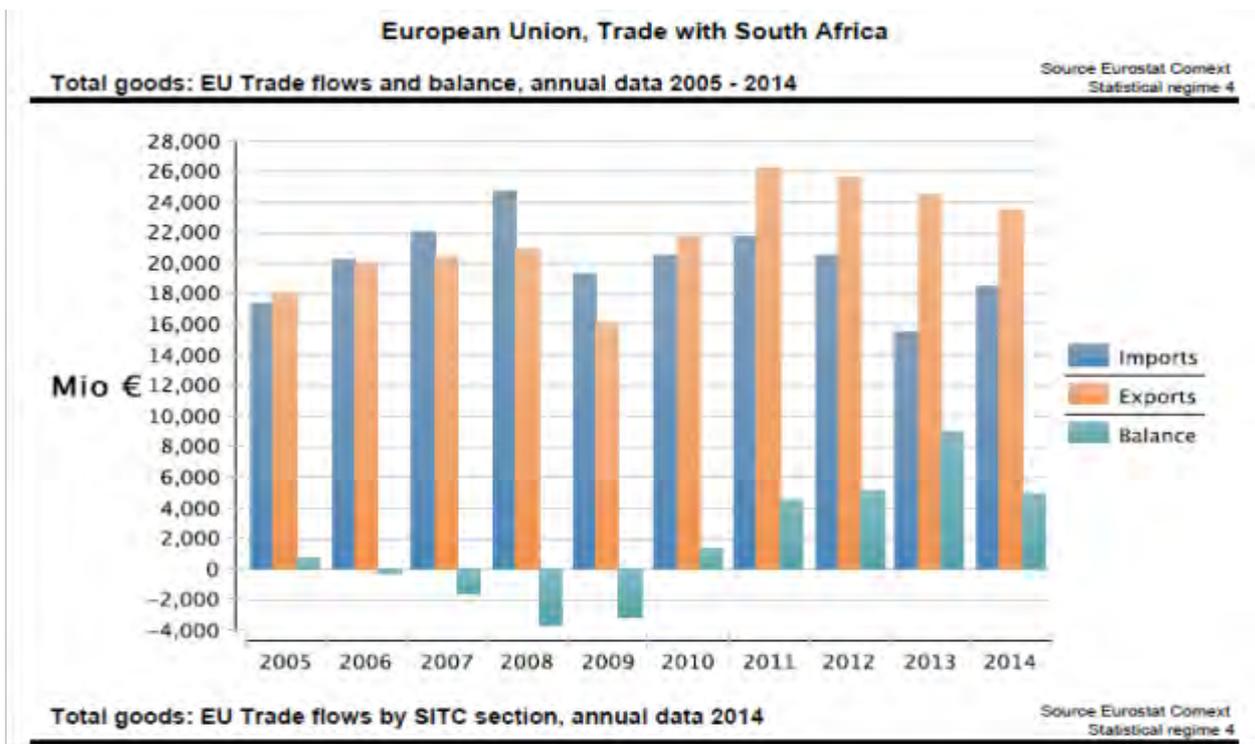
Lee (2010: 102) argued that SA negotiating power within the international community as well as the with the EU in particular would have been more viable and strengthen had it postpone the TDCA negotiations till when it had implemented to a large extend, its development strategies. The refusal to allow SA join the Lome Convention general trade provision was a calculated attempt by the EU to ensure SA perpetual dependence on the EU so as to allow for her continuous exploitation. Hence, the chance of the TDCA leading to economic growth and development for SA economy is minimal without the implementation of a development strategy (Lee, 2010).

Kaplinsky et al (2002) support Lee (2010) summations and further argued that the continuous adoption of import substitution strategy negatively affects the upgrading capacity of firms within the economy. Todaro and Smith (2002) also observed that the adoption of import substitution strategy in South Africa, as with other developing countries failed due to the conditions that leads to the inefficiency in production as well as high cost of import. This is also compounded by the failure of the industries to build up with the local suppliers, backward and forward linkages (Todaro and Smith 2002: 562).

3.3 South Africa and EU Trade Growth Trends

Since the signing of the TDCA in 1999, the EU has increasingly consolidated its place as South Africa's largest trade partner. As figure 1 below shows, trade between the two parties has been growing in leaps and bounds. Export from South Africa to the European Union between 2005 and 2014 make up approximately 25% of its total exports of R382.28 billion (EU Commission, 2014). The elimination of tariff rates on vast amount of products has meant that the EU's products have extensive access to the South African markets. EU import into South Africa are largely composed of durable capital and industrial goods like machinery and appliances as well transport equipment among others, thus placing South Africa in a good position for sustained future economic development.

Figure 1: The growth of trade between EU and SA (2005-2014)



Source: Adapted from European Commission, <http://trade.ec.europa.eu>.

Figure 1 above shows statistics on the amount of trade between EU and SA from 2005 to 2014. From 2006 to 2009 South Africa exported more goods to the EU and enjoyed a favourable balance of payments. However, from 2010 to 2014 this trend was reversed as South Africa began importing

2005 and 2009 recorded the lowest trade volumes between the two parties with a value of 35 million euros. Trade (import and export) between the two parties reached its peak in 2011 totalling around 48 million euros before dropping gradually in the following years to 42.2 million euros in 2014. In terms of imports and exports, EU's exports to SA have increased from R36 billion in 1994 to R109 billion in 2013. This means that imports from the EU to South Africa have, on average, 13% increased per year over the period and imports by SA have 14% increase over the same period of 10 years. Exports from SA to the EU have increased from R20 billion to R80 billion between 1994 and 2003. This constitutes a 17% annual average growth rate over this period. SA exports to the EU have shown significant growth. This also takes into account that on the general, SA's total exports have increased by 14 percent within the same period (Kalaba et al 2005: 8).

Figure 2a: The value of SA-EU trade in services 2011-2013



Figure 2b: SA-EU trade in goods



Source: EU Commission 2014

Figures 2 (a) and (b) above show a further breakdown of EU and SA trade into goods and services respectively. The division of trade into goods and services enables an analysis of human and material capital involved in the trade transactions between the parties involved. EU's imports of goods from South Africa have been declining. The value of these imports goods declined, by close to 25% between 2012 and 2014 from 24 billion euros to 18 billion euros. EU exports of goods to South Africa also decreased but not sharply from 25 billion to 23 billion euros. This may be due to the EU's reluctance to remove duties on some of South Africa's products coming into the EU. Trade in services on the other hand has been relatively more unstable. It decreased by about 50% from a peak of 7 billion euros in 2012 to under 3 billion in 2013.

3.4 The Content of Trade: Core-Periphery Patterns Reinforced

One of the main objectives of this research is to investigate whether the TDCA would be able to mitigate and rebalance the core-periphery patterns that define the global economic system in an equitable and sustainable manner.

Figure 3: SA's trade in manufactured goods with the EU



Source: EU Trade Statistics

The norm in the global economic system has been that the less developed countries' exports tend to be dominated by primary goods. While the developed regions, in this case the EU, export mainly manufactured and processed goods leading to a huge imbalance in the balance of payments. Figure 3 shows that the TDCA has not helped much in transforming the South African economy from the typical periphery economy dependent on primary and extractive industries. Figure 3 shows that in 2014 SA struggled with significant EU import penetration of the manufacturing sector. Only in iron and steel did SA have favorable balance of trade. But in other manufacturing goods like chemicals, semi-manufactured goods, machinery, textiles, clothing and others SA had a negative balance of trade. This may suggest that the extensive measures taken towards the liberalization of trade under the TDCA may not be good for the development of the manufacturing sector in the long run. SA's infant industries are struggling to fend off competition from their more established and well-resourced European counterparts.

Figures 4 and 5 below further paint a clear picture of the lack of structural transformation of the SA economy with the TDCA probably making the possibility of transformation even more remote.

Figure 4: SA trade balance in manufactures with EU 2011-2014

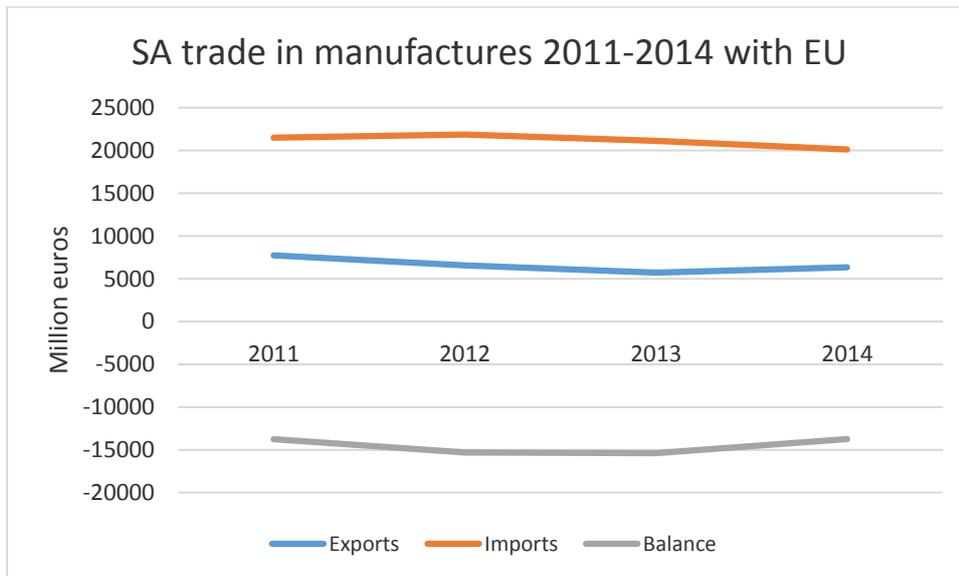
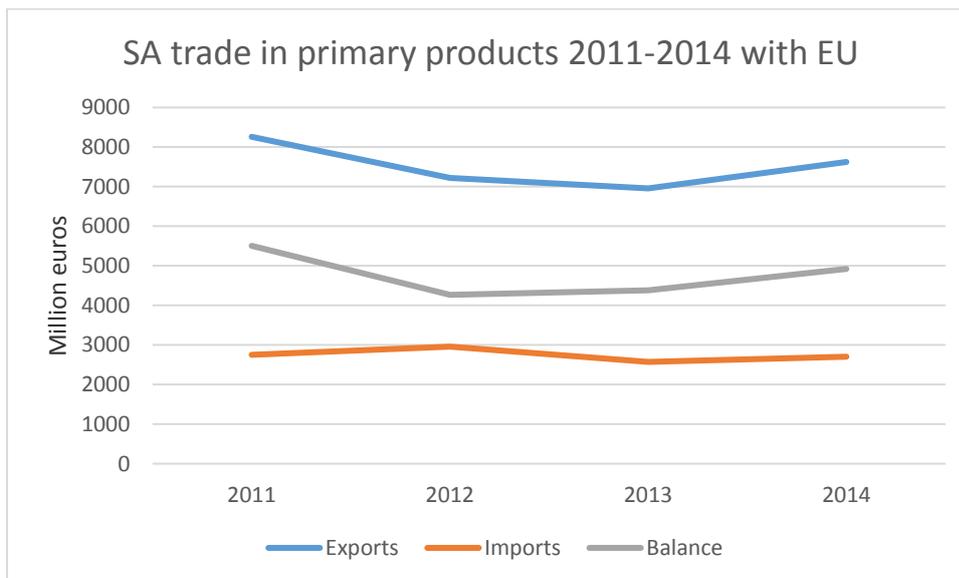


Figure 5: SA balance of trade in primary products 2011-2014



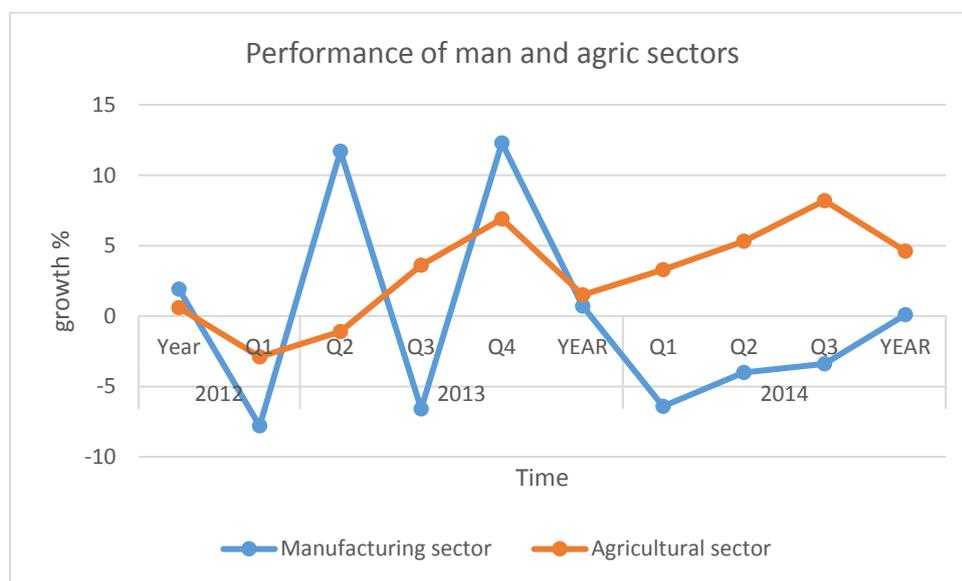
Source: compiled author using data from European Commission, 2015. The European Union trade in goods with South Africa. Available at http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113447.pdf

Figures 4 and 5 above are a comparison of SA's trade performance in manufactured goods and primary products between 2011 and 2014 under which the TDCA has been fully operational. South Africa's trade in manufactures is well in the negative as displayed in figure 4. While South Africa exported, to the EU, an average of 5 billion euros' worth of manufactured goods

between 2011-2014, its imports from the same region reached an average of 20 billion euros thus resulting in 150% negative trade balance.

However, the trends are reversed in the primary products category with SA's trade balance being consistently in the positive. Between 2011 and 2014 SA imported an average of just under 3 billion euros' worth of primary goods while exporting an average of 7 billion euros thus creating more than 50% trade surplus. These trends present grave concerns for the South African economy. While the trade balance in the primary sector is positive it is offset by the enormous trade deficit in the manufacturing sector.

Figure 6: The performance of agricultural and manufacturing sectors 2012-2014



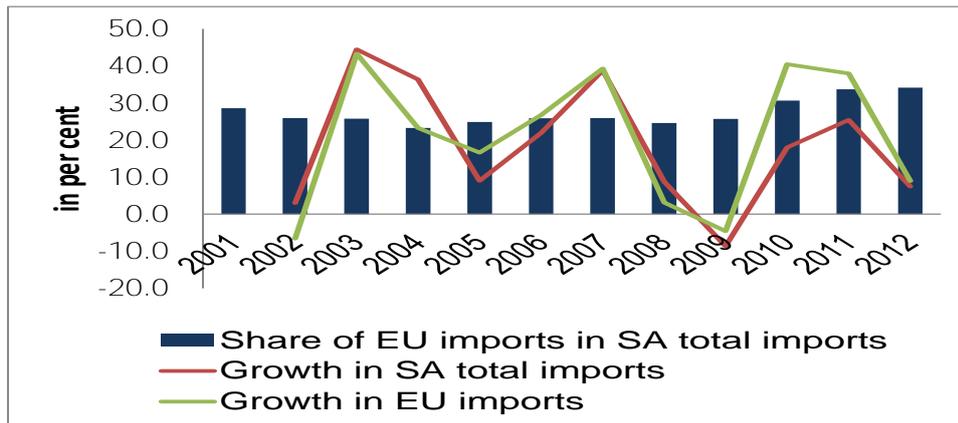
Source: Compiled by author using data from The South African Reserve Bank. Quarterly Bulletin March 2015. Available at www.resbank.co.za

The trends displayed in figure 6 above confirm South Africa's status as a typical peripheral economy struggling to diversify its industrial sector. The manufacturing sector has had to endure a sluggish performance since the TDCA became fully operational. The sector has contracted by 1,8% between 2012 and 2014 posting a positive growth of 1,9% in 2012 and declining to a paltry 0,1% in 2014. Moreover, the three quarters recorded for 2014 posted negative growth for the sector. This is in direct contrast to the trends obtaining in the agricultural sector during the same period. While the sector seemed to struggle in 2012 and the first two quarters of 2013 posting negative growth, it recovered spectacularly growing by 1,5% in 2013 and an impressive 4,6% in 2014. This perhaps explains South Africa's positive trade balance in primary products witnessed in its TDCA based trade with the EU. If the data above

is anything to go by, the TDCA would arrest or significantly slow the pace of South Africa's industrialization. These points to the inability of local firms to withstand international competition and the TDCA cannot be said to have made things better in that regard (2015 Budget review).

3.4.1 EU Import Penetration in the Agricultural Sector

Figure 7: EU imports in SA's agricultural sector



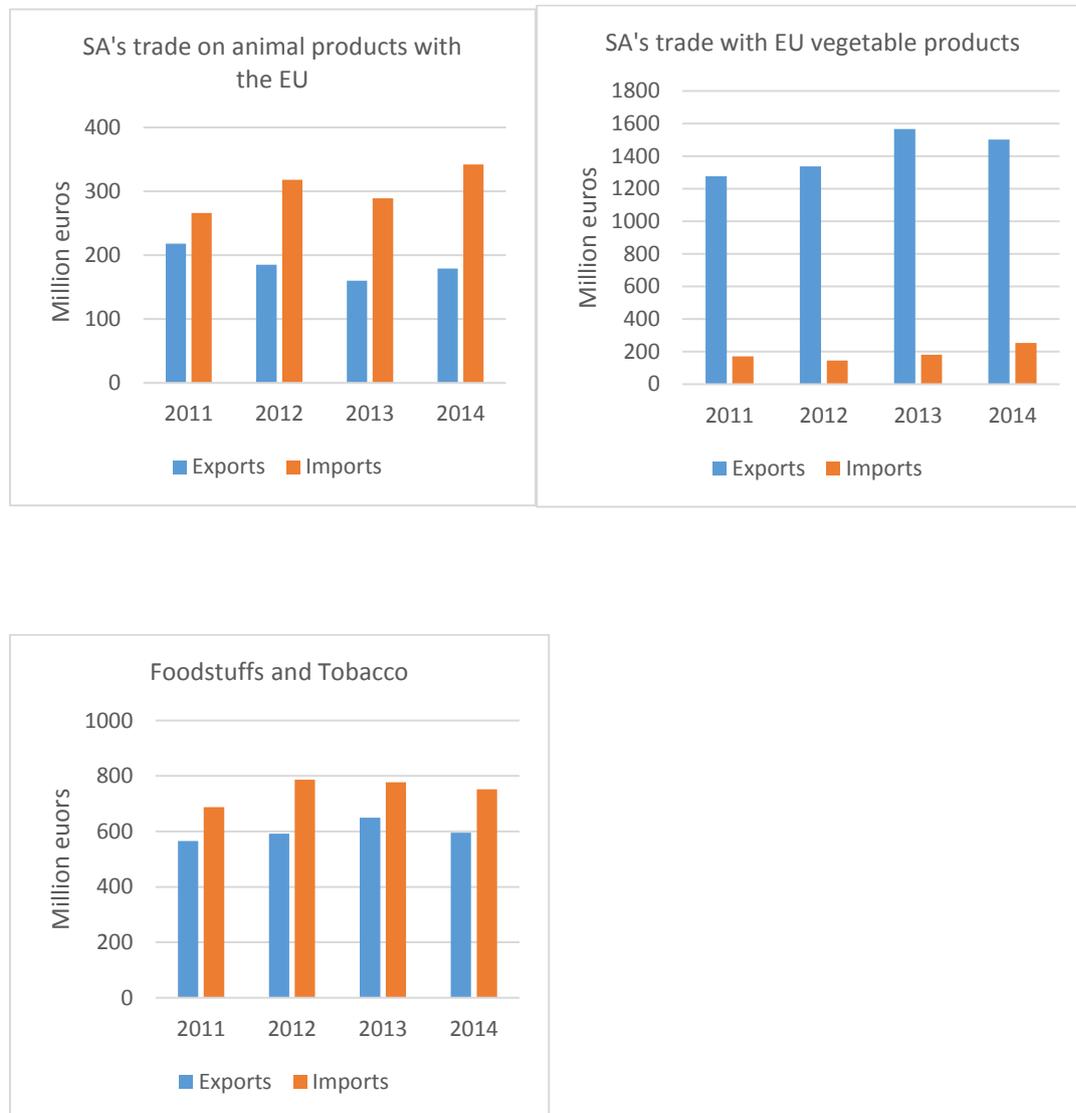
Source: Adapted from Obinyelukau, M. 2013. South Africa's trade relations with the EU: Implications for the local agricultural sector. *Newsletter of International Trade Administration Commission of South Africa*. May 2013: Volume 1.

Agricultural imports from the EU into South Africa have grown steadily since the signing of the TDCA. Imports from the EU increased from just under 30% of SA's total agricultural imports in 2001 to over 35% in 2012. According to Obinyelukau (2013) the monetary value of the imports grew from US\$200 million in 2001 to US\$1,6 billion in 2012. According to the 2014 figures released by the EU commission the value of trade between the SA and the EU increase slightly to US\$1,7 billion. However, compared to the manufacturing sector, EU agricultural imports have been limited. This might be due to the fact that many agricultural products are tariff-protected as they are classified under sensitive products. For instance, South Africa under the TDCA place fresh meat, dairy products, cereals and sugar on the list of its sensitive products. For the sensitive products there hasn't been any removal of tariffs. Such a move could explain the agricultural sector's steady growth from 2013 through to 2014 as the farmers are shielded from intense international competition. Having observed the suffering of the manufacturing sector as industrial firms struggle to withstand international competition, the

government may do well to consider protecting some of the manufacture products by placing them on the sensitive list.

3.4.2 Trade in Various Agricultural Products

Figure 8: EU-SA trade in different agricultural products



Source: EU Commission on Trade Statistics

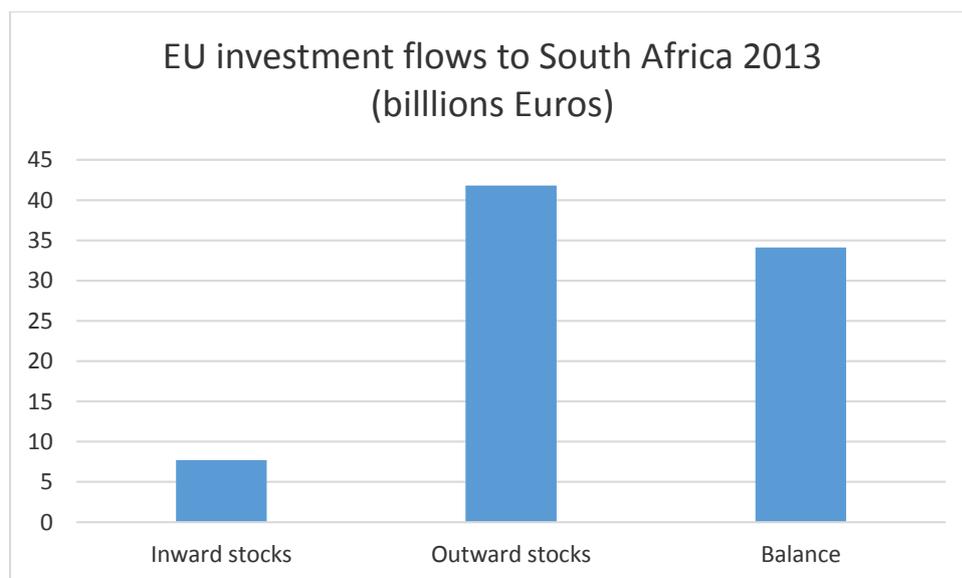
Figure 8 above shows the trade flow between the EU and South Africa on individual agricultural products like animal products, vegetable products and food stuffs and tobacco between 2011 and 2014. The tables show that the EU dominates the trade in animal products and foodstuffs and tobacco while South Africa dominates the trade in vegetable products. South Africa has an average of over 1 billion euros' worth of exports of vegetable products annually as compared to annual average imports of below 200 million euros of the same products. It

seems South Africa’s horticulture industry has found a ready and big market in the EU which may enable it to expand and creating more employment in the process. However, the South African food, animal and tobacco industries have to find ways of expanding and improving so as to pushback against EU’s aggressive import penetration in these sectors as shown by the figures above. South Africa has an average trade deficit of over 200 million in foodstuffs and tobacco trade with the EU between 2011 and 2014 and recorded another deficit of over a 100 million euros in animal products.

3.4.3 Investment

The TDCA has not only strengthened SA-EU trade relations but has also opened new opportunities for investment which is an important factor in driving economic growth and generating much needed employment. Almost 2, 5 billion euros was invested by European companies in different sectors of the South African economy.

Figure 9: EU investment flows to South Africa in 2013

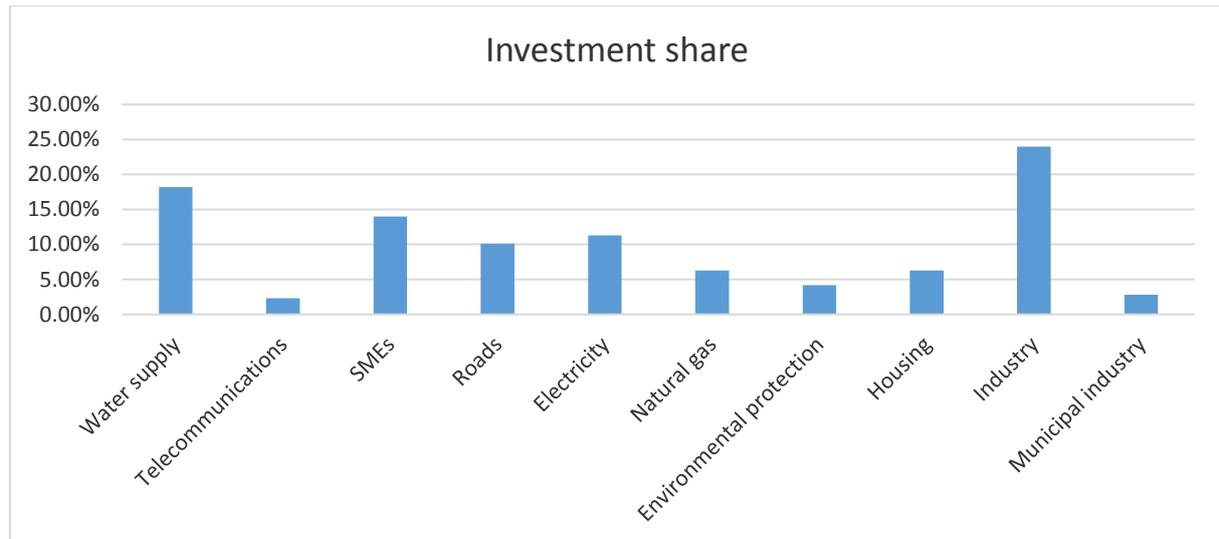


Source: European Commission, 2015. Trade: Countries and Regions. Available at <http://ec.europa.eu/trade/policy/countries-and-regions/countries/south-africa/> .

The EU countries boast of a share of 80% of foreign direct investment (FDI) stock in South Africa. The FDI flow into South Africa fell by 24% from U\$6-billion in 2011 to U\$4.5-billion in 2012, but it picked up in 2013 showing an increase of FDI into SA. This was mostly through infrastructure projects. South Africa requires increased levels of FDI in order to fund the South African Government's infrastructure plan, to be able to generate sufficient employment and improve economic performance.

Figure 10 shows the distribution of European investments into different sectors of the economy which is mostly infrastructure oriented. Water and the industrial sectors got the largest share of investment at 18% and 24% respectively. Small-to-medium enterprise (SMEs) sector got 14% while roads and electricity got 10% and 11% respectively. This is in line with the SA government’s policy which focuses on poverty alleviation and creating economic growth.

Figure 10: The distribution of EU investment in South Africa



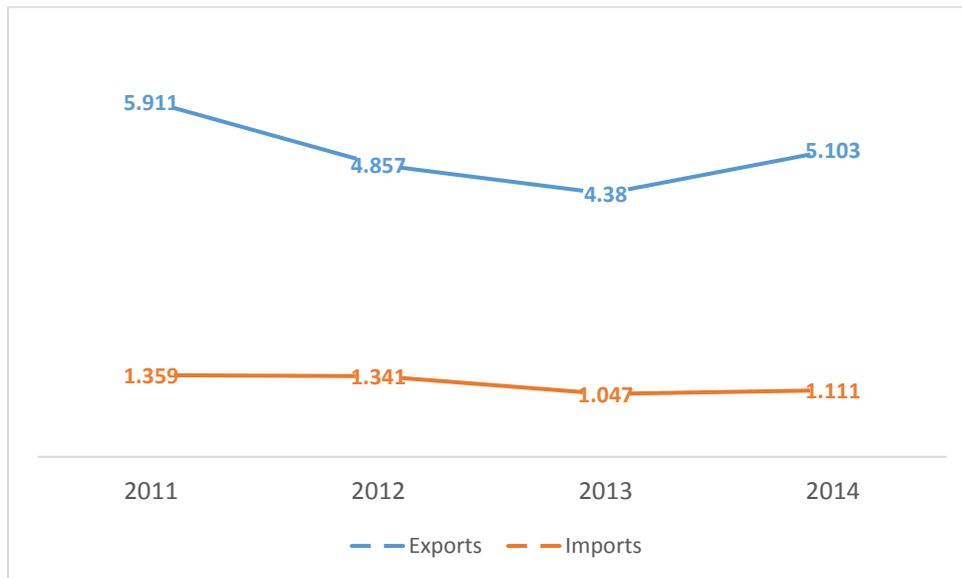
Source: European Investment Bank. 2013. Available at http://www.eib.org/attachments/country/eib_in_south_africa_en.pdf

While the presence of foreign investment in various sectors of the economy is a welcome development in terms of the employment and economic growth generation South Africa still has to exercise caution in its management of foreign investment. Foreign investors may crowd out or outcompete their local counterparts and oftentimes that is the case. Thus the growing presence of foreign investment might stall the growth of local industries thus keeping South Africa in the status of a peripheral economy reinforcing the core-periphery relations. There is need for policymakers to protect local industries or avail funding so they can compete with their well-resourced EU counterparts.

3.4.4 The Mining Sector Performance

Mining is one of South Africa’s crucial economic sectors as it is a significant source of government revenue and employment. South Africa’s major mining exports include gold, platinum and diamond. Figure 10 below gives a picture of the export import trends in the sector with the EU.

Figure 11: Mining sector import/export performance (billion euros)



Source: compiled by author based on the statistics from European Commission, 2015. The European Union trade in goods with South Africa. Available at http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113447.pdf

SA mining section, like other primary industries in South Africa, enjoys a significant trade balance against the EU mining sector. South Africa has maintained a trade surplus of around 400% since the TDCA became fully operational. However, the TDCA has failed to trigger a robust growth in the export performance of the mining sector. Indeed, the value of South Africa's exports decreased from 5,9 billion euros in 2011 to 5,1 billion euros in 2014. The imports of mining products on the other hand have been more or less consistent only declining by 200 million euros from 2011 to 2014. Productivity in the mining sector has been sluggish in South Africa with the sector contracting by 1,6% in 2014. This has been due to among other things, low prices of minerals in the global markets, policy uncertainty on the part of the South African policy makers and labor unrest with frequent industrial action disrupting production. However, the picture in the mining sector vis-à-vis the TDCA also reinforces the point that the much-touted deal is not transformational. Thus South Africa remains a typical peripheral player in the global economic system.

3.4.5 Trade in Individual Mining and Manufacturing Products

Tables 1 and 2 below display trends of EU and SA trade relationship in the manufacturing and mining sectors.

Table 1: SA trade with EU on various mining products

Products	Exports (million euros)				Imports (million euros)			
	2011	2012	2013	2014	2011	2012	2013	2014
Ores and other minerals	2523	2451	1861	2062	66	107	86	36
Petroleum products	98	106	103	90	1086	1006	798	770
Nonferrous metals	1942	1442	1560	1884	171	202	162	264
Iron ore and steel	1464	1230	1152	1025	537	553	512	366

Table 2: SA trade with EU in manufactured products

Products	Exports (million euros)				Imports (million euros)			
	2011	2012	2013	2014	2011	2012	2013	2014
Chemicals	693	738	735	744	3584	3804	3582	3788
Machinery & Transport equipment	3861	3142	3337	3431	13357	13377	12981	12189
Electrical machinery	88	89	92	91	1244	1303	1409	1290
Telecommunications Equipment	98	83	53	69	1218	1095	702	488
Pharmaceuticals	18	25	34	36	1091	1188	1087	1077
Electronic data processing and office equipment	37	38	27	26	1191	1073	903	865

The period 2011-2014 is when the TDCA became fully operative in both South Africa and the EU. The figures reveal the increasing and unmitigated pattern of core-periphery relationship between South Africa and the EU. South Africa dominated trade in the mining sector mainly in primary products like iron and steel, ores and minerals and nonferrous metals where the country enjoyed a trade surplus. However, the EU dominated trade in petroleum products enjoying a surplus of over 800 million euros annually on average. The manufacturing sector trends, as shown in table 2, paint a clear picture of EU dominance. The EU enjoys huge trade surplus in transport and electrical machinery equipment, chemicals, telecommunications and office equipment as well as in pharmaceuticals. This shows that the EU products are dominating the South African manufacturing sector and the country's policymakers would have to put in place measures to grow the local manufacturing sector. It also points to the fact that the TDCA while it may be too early to judge may not help South Africa shed its peripheral status unless the government negotiates new tariff arrangements on manufactured products with the EU. One may be forced to conclude that perhaps the terms of the TDCA are perhaps too liberal to pull the South African economy out of the peripheral category or to even begin to close ranks with the EU.

3.4.6 EU-SA: OTHER AREAS OF COOPERATION

3.4.6.1 Development

The TDCA did not only make possible the expansion of trade between South Africa and the EU but also availed opportunities for cooperation with mutual benefit in other areas as well. The EU has consistently lent support to South Africa's poverty alleviation efforts since 1994. Its cooperation program effectively addresses the challenges faced by South Africa in innovative ways. Hence, the initiatives developed under the EU-SA strategic partnership were developed to ensure socio-economic and political development.

Between 1995 and 2006, the EU has availed €1.5 billion to projects in South Africa in various areas such as governance, education and training, health urban development, water and sanitation, and small and medium sized enterprise development. All this to strengthen democracy while getting people out of poverty by granting them increased access to resources and opportunities (van de Geer 2014). The EU started a seven-year support program (2007-2013) of €980 million. The 2007-2013 program with its strong commitment to the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action has brought greater

alignment with South Africa's development priorities and is largely implemented through budget support, thus greatly reducing the costs of implementation.

Even though South Africa today is acclaimed an upper-middle income country, it is still grappling with challenges faced by developing countries. South Africa's Gross Domestic Product (GDP) is about R3.465 trillion with public expenditure around R1.149 trillion. The country has about 40% and 25% poverty and unemployment rate respectively with the youth more affected. The country is made up of unequal societies with a spatial pattern reflecting the configuration during the apartheid era.

The EU-SA strategic partnership program between 2007 and 2013 covers a wide range of developmental projects and programs in 5 key areas. These are social cohesion and service delivery, employment creation, cooperation for Pan Africanism as well as provision of assistance in the implementation of the trade agreement. In 2012 the EU availed a 50-million-euro loan to fund the implementation of the Khi Solar project that is aimed at providing more than 37 000 families with renewable energy (European Investment Bank).

The program for the 2014-2020 periods is much reduced in size in close consultation with the South African Government and is focused on three areas: education, employment and assisting in strengthening the capable state. Such initiatives spearheaded by the EU may help to spur the growth of the South African industry if carefully managed and thus reduce the gap between the core and the periphery.

3.4.6.2 Creating Employment

Employment generation is one of the major challenges facing both the EU and South Africa but it is most acute in the latter. European companies and agencies have partnered with their South African counterparts in a bid to find strategies to boost job creation. One of the initiatives included the European Council's broad-based program to reduce youth unemployment, the Youth Employment Initiative which was formed in June 2013 (van de Geer, 2014). The EU is of the view that while Government can create the environment favorable to job creation and growth, it rarely creates jobs themselves. Investment and businesses are important factors to job creation. In South Africa, at least 2,000 European companies have invested over R60 billion (Foreign Direct Investment Stock) in the country and have created over 350,000 direct jobs (South African Government News Agency 2014).

The Local Economic Development program in Limpopo, KwaZulu-Natal (KZN) as well as Eastern Cape have led to the creation of over 7000 jobs in support of poverty-stricken communities, promoting local competitiveness, strengthening local government and promoting private sector investment. In addition, a several number of people totaling over 4, 000, have been trained in several sector of the economy. This training covers business skills and community development, agriculture, etc. The benefits of the program have led to the expansion of the program by the provincial governments in Eastern Cape and KwaZulu-Natal (European Investment Bank).

The EU has also embarked on a number of innovative programs to effectively tackle the soaring unemployment in South Africa. For instance, over 12,000 jobs and 60,000 livelihoods have been supported through the EU Risk Capital Facility (RCF) providing support for 136 small and medium enterprises. This facility of €70 million also promoted further investment, enabling a total investment value of €266 million (van de Geer, 2014). It has further assisted in the creation of new development funds at the level of the implementing bank, the Industrial Development Corporation (IDC) and its Development Funds Department is now managing a large number of EU supported funds.

The EU has also supported the implementation of the South African Government's Community Works Program and well as its Expanded Public Works Program through a sector budget support program of €100 million to the South African Government. And to support the South African Government's infrastructure development program, an innovative €100 million EU instrument, the Infrastructure Investment Program for South Africa (IIPSA), has been put in place. If successful, the IIPSA model has the potential to be replicated with South African Government resources.

3.5 South Africa's International Trade Policy

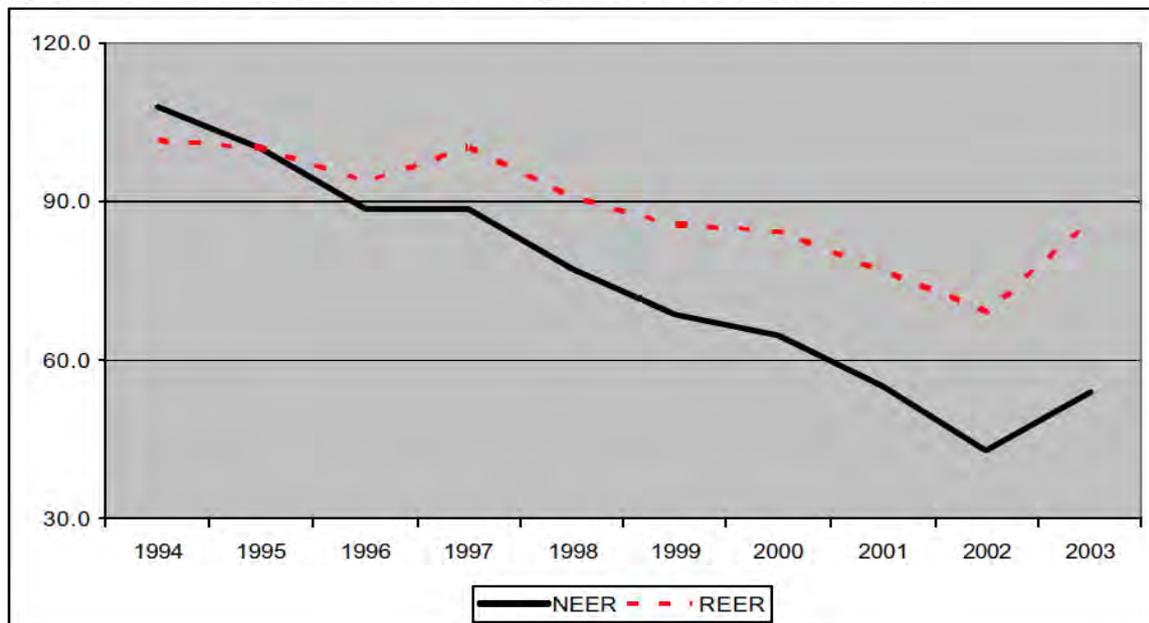
Industrialisation as the driver of economic growth and transformation has been at the centre of South Africa's economic policies. The government has displayed a firm grasp of the importance of forex in accomplishing these goals hence its adoption of measures to institute a liberal trade regime. Since 1994 South Africa has aggressively sought to expand its export markets to generate the much needed foreign exchange to fund its economic growth. In this endeavour, liberalization has underpinned much of SA's international trade activities with vast reforms being carried out in tariff regimes to facilitate the flow of capital across its borders. According to Vickers (2014) South Africa has one of the most liberal laws for FDI and

prioritises investor confidence. Cassim and Seventer (2004: 2) point out that tariff liberalisation, exchange rate and trade related export measures are the most important policy tools that have an enormous impact on trade.

SA has taken steps to reform its tariff regime in order to promote investment and trade through signing a number of trade agreements. In 2008 SA signed the SADC Free Trade Area (SADC-FTA) in an effort to promote regional integration and increase the volume of regional trade. SA is also part of the SACU-EU FTA while also participating in the Generalised System of Preferences and the Africa Growth and Opportunity Act (AGOA) (Vickers, 2014). The government in 1993 signed the World Trade Organisation (WTO) agreement under which it made an undertaking to progressively reduce its tariffs on imports. According to the Department of Trade and Industry (DTI) (2010) South Africa’s tariff declined from an average of 23% in the 1990s to just 8% in 2010. Cassim and Seventer (2004) point out the sustained tariff reduction in manufacturing, the elimination of surcharges and quantitative control in agriculture and the phased reduction of tariff charges surpassing multilateral tariff reform as the most important steps government took to liberalise trade in post-apartheid.

Figure 12: South Africa exchange rates over the years

Figure 1: Nominal and Real Effective Exchange Rates (1994-2003, 1995=100)



Source: Hlahla, N. 2014. South African economy: Overview of key trends since 1994, Industrial Development Corporation, Available at <http://c.ymcdn.com>

Figure 12 above shows how South Africa made efforts to devalue its currency in order to expand its export base. The rand was over-valued when the new democratic government took office in 1994. The nominal and effective exchange rates were reviewed downwards in the first eight years of post-apartheid from by 3% and 7% respectively.

3.6 Conclusion

This chapter set out to establish the effect or the impact of the TDCA on the South African and the European Union trade relationship within the context of realism and the World systems theory core-semi periphery- periphery framework. The TDCA is a broad-based free trade agreement between the two parties under which each of the parties undertook to liberalise trade on broad and comprehensive spectrum of products. This, it was argued, would expand trade and create a mutually beneficial economic relationship between the EU and SA. However, statistics paint a sobering picture for the South African economy as the EU is overwhelmingly dominating trade between the two parties. South Africa enjoys modest trade surpluses in the agricultural and mining sectors which are dominated by raw unprocessed products. This surplus is amply offset by the enormous deficit that the statistics show in the manufacturing sector. South Africa suffers a deficit of over 1000% in some cases in terms of trade in the manufacturing products. As such the South African manufacturing sector seems to have been handed a raw deal in the TDCA as it evidently cannot cope with the competition unleashed by the tariff liberalisation measures under the TDCA. Based on the analysis of the available statistics, it is safe to conclude that the TDCA reinforces and reproduces the core-periphery trade patterns between the developed and the developing countries. The latter play their role as the suppliers of raw unprocessed products of lower value in the world market while the former are established as suppliers of processed products of higher value thus leaving a gap in equality within the relationship thus established. The available data also paints the glaring picture of interest and power play as a motivate for the relationship established as a result of the TDCA.

The next chapter will therefore analyse the implication of TDCA on SADC in terms of the rationale that has informed South Africa's integration policies and approach in post-apartheid South Africa, as well as its role in the intra-regional trade within SADC region.

CHAPTER 4

TDCA Implications on SADC

4.1. Introduction

To this end, it has been argued that the Trade and Development Cooperation Agreement entered into between SA and EU is vast and wide-ranging. Under this agreement, the two parties are implementing trade liberalization on a long list of trade items that is likely to affect South Africa's trade patterns and dynamics in no small ways. The trade deal will naturally have far-reaching implications for the SADC region especially as South Africa is the largest economy in the region. South Africa accounts for 70% of the region's collective GDP and controls 60% of intra-regional trade. In this light, South Africa has firmly established itself as the epicenter of economic and trade flow in Southern Africa. Bearing in mind the theoretical framework of realism and the world systems theory to which this study is underpinned, this chapter analyses the impact and implications of the TDCA on the progress of regional economic integration in the SADC region in terms of economic and trade development. The first section will analyze the factors and forces informing South Africa's policy and approach to regional integration since 1994. The second section will take stock of the extent of South Africa's role in the intra-regional trade in the SADC region in terms of its exports and imports. This will create a strong background for the analysis of the implications of the TDCA on South Africa's relations with SADC.

4.2. South Africa's Policy on Regional Integration

The post-apartheid government at its inception in 1994 immediately recognised the importance of regional economic relations as an important element of its broader approach to global economic relations. Departing from the apartheid government's policy of pursuing domination and economic hegemony in Southern Africa, the new government sought cooperation. Since 1994 the government has repeatedly committed itself to promoting regional cooperation along new lines that will correct imbalances in current relationships. This policy stance was adopted on the realisation that strong and stable regional economic and political environment was essential to South Africa's consolidation of its democracy, security and political stability. Moreover, enhancing regional integration had considerable economic benefits in terms of expanding and growing the export market, becoming more competitive in the global economic environment and also achieving economies of scale. Vickers (2014: 57) argues that there was

a shift from neo-liberal approach to regional integration to developmental regionalism whose main principles were market integration, economic restructuring and development of infrastructure. As such, South Africa viewed SADC as an important partner in its quest to grow its own economy and expand its participation in the global economy.

The South African Customs Union (SACU) (which comprises of South Africa, Botswana, Lesotho, Namibia and Swaziland) and the SADC have been the main platforms which South Africa has used to promote its quest for regional integration. The post-apartheid government led the move to change and recalibrate the terms of the SACU agreement to make it a more effective player in the 21st century circumstances. South Africa also actively participated in the negotiations of the 2000 SADC Trade Protocol which aimed at reducing the barriers to trade in the region and creating more dynamic and sustainable economy. South Africa's role and policy in these two institutions will be discussed below.

4.3. The Southern African Customs Union (SACU)

SACU was an international body established between South Africa in 1910 and the British High Commission territories of Bechuanaland, Basutoland and Swaziland. The organization was however, modernized in 1969 in order to establish a customs-free zone among the member parties with a common external tariff in a bid to foster regional integration and promote economic growth (Grant, 2006). The terms and agreement of SACU were as follows:

- a) The maintenance of similar tariff to that which exists in the Union of South Africa
- b) The equitable share of the duties on goods passing through the South Africa to the territories shall be paid over them, and vice versa.
- c) The free interchange of South African products and manufacturers between member nations and territories. (<http://www.sacu.int/show.php?id=564>)

The apartheid government had used the organization as an instrument of expanding its economic and political influence and therefore consolidating its hegemony. It was very obvious that at the established SACU, South Africa had the most to gain as the country with the greater comparative advantage in terms of development and economy in the region by having similar tariffs and the interchange of products their products with other SACU members. South Africa adopted import substitution policies which guaranteed a regional market and made SA the sole administrator of SACU revenue pool. This was possible because South Africa was pivotal in

setting the SACU import duties and excise policies (<http://www.sacu.int/show.php?id=394>). The SACU agreement in 1969 included the following:

- a) A Common External Tariff on all goods imported into the Union from the rest of the world; a common pool of customs duties as per the total volume of external trade; and excise duties based on the total production and consumption of excisable goods
- b) Free movement of SACU manufactured products within SACU, without any duties or quantitative restrictions
- c) A Revenue-Sharing Formula for the distribution of customs and excise revenues collected by the Union (<http://www.sacu.int/show.php?id=394>).

There were two major changes to the agreement in 1965 when Lesotho, Botswana, Swaziland and South Africa become sovereign states these were:

- a) The addition of excise duties into the revenue pool; and
- b) The annual increase of BLS revenue by 42%. (<http://www.sacu.int/show.php?id=394>).

Regardless of these changes South Africa still had a lot of influence and sole decision making over the customs and excise policies. Manufacturers from South African benefitted from trade diverting effects of having open access to the market from the BLS states as well as high common tariff barriers for Southern African neighbours exports to SACU (<http://www.sacu.int/show.php?id=394>). The absence of a joint decision making resulted in the BLS requesting a factored compensation from the revenue sharing formula, so as to address the loss of fiscal discretion. They were three key issues that concerned the BLS:

- a) There was no joint decision making- SACU was only administered on a part time basis by annual meetings of the Customs Union Commission as a result they were no effective procedures to ensure compliance or resolve disputes
- b) The Revenue Sharing Formula- the Revenue Sharing Formula determined each country's share. In 1976 they amended it to include a stabilization factor that ensured BLS received at least 17 percent, and at most 23 percent of the value of excise duties
- c) Question of external (outside SACU) trade- the BLS argued that SA consistently entered into preferential agreements which benefited only one of the five members (<http://www.sacu.int/show.php?id=394>).

When the new South African government came into office it initiated negotiations for the reform of the organization which culminated into the new agreement in 2002 defining the new terms of engagement. The new pact had several significant clauses that highlighted a new approach to regional integration:

- a) The establishment of common institutions like the SACU Tariff Board to promulgate and manage trade policy
- b) The creation of the SACU Tribunal to resolve and settle disputes between countries
- c) Formulate a revenue sharing formula (RSF) to administer the shares of customs revenue and excise taxes to ensure fairness and equitability
- d) Strengthening and deepening integration through developing common policies in areas spanning agriculture, industry and competition (Grant, 2006).

The terms of the new agreement put SACU on a new trajectory of regional integration and cooperation. With this new agreement, SACU can effectively play as the nucleus and basis of wider regional integration across the whole SADC region. SACU can also play an instrumental role in South Africa's quest to bring new investment in the Southern African region while adapting to the new dynamics in the global economy.

Table 3: South Africa's dominance in intra-SACU trade (Million Rand)

	Botswana	Lesotho	Namibia	SA	Swaziland	Total Exports	SA share%
Botswana	-	14	1805	5070	7	6896	87.9
Lesotho	74	-	7	2301	94	2476	98.5
Namibia	4814	7	-	6649	9	11479	88.4
SA	43,868	13620	45367	-	13999	116854	-
Swaziland	35	53	170	11244	-	11502	98.6
Total imports	48791	13694	47349	25264	14109	149207	95.2

Source: SACU Merchandise Trade Statistics 2013, available at <http://www.sacu.int>.

Table 3 above gives the details of intra-SACU trade in terms of exports and imports and shows overwhelming evidence of South Africa's dominance of the customs union. Out of 149-billion-rand worth of exports in trade among SACU countries, South Africa lays claim 116 billion

Rands. South Africa is also the major trade partner of every SACU member state claiming an average share of over 90%. Furthermore, SA accounted for 98.6% of Swaziland intra-SACU imports, which was the highest in the Union, and it also accounted for 98.5% of Lesotho intra-SACU trade. This also includes 88.4% of Namibia's and 87.9% of Botswana's intra SACU trade. This shows that there is overdependence on South Africa and the fact that countries import from South Africa way more than they export to it is testament to an acute trade imbalance (<http://www.sacu.int/docs/reports/2014/SACU-Merchandise-Trade-Statistics-2013.pdf>).

What is also clear is that much of the SACU countries' international trade revolves around South Africa. The monetary policy within SACU is largely led by SA. Lesotho, Namibia, Swaziland and SA all form a Common Monetary Area, within which the Lesotho currency, the Namibian dollar and the Swazi currency are pegged to the South African Rand. Countries within SADC depend on South Africa for their trading and investment, South Africa allows countries like Botswana and Swaziland to franchise their clothing stores or food stores, for example Botswana has franchised stores like Mr Price, Woolworths and KFC. South Africa dominates in relation to imports and exports and the TDCA has given them an added advantage. This is as a result of the flow of infrastructural goods into the South Africa economy, hereby impacting positively on the growth of the economy comparatively to its regional counterparts. The TDCA also makes South Africa an intermediary of trade flow (import and export) between EU and SACU and by extension, SADC member states. Even though Botswana is not a member of the Common Monetary Area, its currency is influenced to a larger extent by the fluctuation in the rand (Odhiambo, 2015; Lesotho et al, 2016). The BLNS countries to a large extent follow South Africa's monetary and exchange policies (WTO, 2003; Basdevant et al, 2015; Benjamin, 2016).

Therefore, it is the hypothesis of this study that the TDCA deal between South Africa and the EU is likely to have a significant bearing on SACU and by extension SADC member states. This bearing and impact has the potential for SACU member states to link their production mechanisms in agriculture, industry, manufacturing and services, hereby, promoting the speedy integration and development of regional infrastructure to facilitate trade between the member countries.

4.4. The Southern African Development Community (SADC)

The Southern African Development Community (SADC) was established in 1980 with the aim of limiting the economic impact of South Africa on its neighbors. The organization was a result of the efforts to create a solidarity against apartheid South Africa. This solidarity was consolidated with the signing of the 5th October, 1993 treaty which was ratified by 10 countries from Southern Africa who were committed to the formation of the new regional economic and political bloc. The regional economic agenda in SADC is to facilitate market integration with policy coordination and sectoral cooperation in a broad development project. The SADC Protocol on Trade was amended in August of 2008; the vision was to establish a FTA within the SADC region. The major agenda of the union was to enhance international trade liberalization in order to ensure efficiency in production, economic development, diversification as well as create a climate which will allow for cross border foreign and domestic investment. Sandrey (2013) observed that about 85% of intra- regional trade within SADC partner states attained zero duty since the commencement of the FTA in 2001 (Sandrey 2013:2).

Table 4: The aggregate global trade data for SADC in 2011, \$million &% shares

Country	% of global SADC total trade			SADC global trade \$ million		
	Angola	Botswana	DRC	Angola	Botswana	DRC
Export 2011	31.2%	2.8%	3.1%	65,500	5,882	6,600
Import 2011	10.6%	3.5%	2.7%	22,000	7,272	5,500
	Lesotho	Madagascar	Malawi	Lesotho	Madagascar	Malawi
Export 2011	0.5%	0.8%	0.7%	1,100	1,590	1,427
Import 2011	1.3%	1.4%	1.2%	2,600	2,850	2,426
	Mauritius	Mozambique	Namibia	Mauritius	Mozambique	Namibia
Export 2011	1.3%	1.7%	2.1%	2,647	3,600	4,373
Import 2011	2.5%	3.0%	3.1%	5,158	6,300	6,330
	Seychelles	RSA	Swaziland	Seychelles	RSA	Swaziland
Export 2011	0.2%	46.2%	1.0%	483	96,848	2,000
Import 2011	0.4%	58.7%	1.0%	750	121,606	2,100
	Tanzania	Zambia	Zimbabwe	Tanzania	Zambia	Zimbabwe
Export 2011	2.4%	4.3%	1.7%	5,098	9,015	3,500
Import 2011	5.2%	3.5%	2.1%	10,724	7,178	4,400
Total export 2011 \$m		\$209,663 m				
Total Import 2012 \$m		\$207,194 m				

Source: WTO data at www.wto.org/statitics cited by (Sandrey and Fundira, 2007)

Table.4 shows the total exports from SADC during 2011, these were reported as being worth \$209.7 billion. 46.2% of the total exports are from South Africa and 31.2% from Angola (a combined 77.4%). The total imports were reported as being \$207.2 billion with 58.7% imported into South Africa and 10.6% into Angola (a combined 69. 3%).By destination it is clear to see that South Africa dominates, with limited bilateral intraregional SADC export trade and even more limited bilateral intraregional SADC imports. It is also evident that what happens with South African and to a lesser extent Angolan trade will largely determine the outcome of the SADC FTA (Sandrey 2013).

Table 5: South African export data as reported by the Global Trade Atlas, 2007 to 2012, \$ million

All Exports Annual Series: 2007-2012								
Partner		US dollars, millions						
		2007	2008	2009	2010	2010 ITC data	2011	2011
	World	69.868	80.208	62.380	81.311		96.702	87.264
	Africa	8.999	11.528	10.232	11.735		13.811	14.494
	BRIC	5.997	7.566	8.478	12.201		16.221	15.005
	EU	21.061	23.653	15.025	19.197		21.333	17.838
	Africa	9.641	12.537	10.827	12.617		14.916	15.722
	SACU	0	0	0	0	4.943	0	261
	SADC	5.735	7.611	6.719	8.060	16.040	9.567	10.388
2012 Rank	SADC% total	8.21%	9.49%	10.77%	9.91%		9.89%	11.90%

Source: Global Trade Atlas (South African Revenue Services data)

In table 5, the ITC and official South African data shows a significant difference. The ITC indicate an exports of about 16, 0404 million dollars to SADC, while the GTA shows about 8.060 million dollars. The 79% difference is primarily due the exports to Botswana and Zimbabwe, with a contribution that are not in the GTA data from the GTA exports to Lesotho and differences for both Tanzania and Malawi. It is important to note despite a lowering of tariffs or SADC imports over this period, its overall share of import seems to have experience a slight change. Between 2007 and 2008, it had above 5%. It however declines to less than 4.5% in 2009 to 2011, and experience a recovery to 5.57% in 2012 (Saundrey 2013: 13-14).

South Africa is the biggest player in the exports controlling a commanding 68% of the exports (Sandrey, 2013). This shows that SADC is crucial to South Africa's international economic policy as it provides a considerable export market size. South Africa is also the third highest importer within SADC with 14.8% coming after Botswana and Zimbabwe with 17 and 23% respectively (Sandrey, 2013). As such, it is in the interest of South Africa to actively participate in shaping SADC policy to meet its economic and political objectives.

The free trade negotiations which culminated in the SADC Trade Protocol were finalized in 2000 at which time the tariff came into effect. There was some progress in this region which resulted in the elimination of duty on 85% of traded goods in 2008. The SADC was improved further in 2012 when 92% of the goods were traded duty free mainly to South Africa and fellow SACU members' initiative. Despite this notable achievement, considerable work remains to consolidate the FTA. Some of the SADC members (Angola and DRC) are yet to join the FTA while some member states constantly breach the provisions of the Trade Protocol by reinstating tariffs on some goods.

SADC, due mainly to geography and proximity is by large South Africa's most crucial trading region in Africa. The SADC region plays an important part in the stability of the South African economy. It serves as the market destination for South Africa's noncompetitive commodities at the international arena. Due to its strategic importance, the first post-apartheid foreign policy document was geared towards creating a framework for cooperation within the Southern African region. Amos (2010:126) observed that the vision of the region is to create the highest possible regional economic integration and mutual assistance as well as joint developmental initiatives which will lead to socio-economic and political integration. SADC supplied 6% of South Africa's imports from the world compared to COMESA and the East African Community (EAC)'s 1%. SADC imports were US\$6 billion whilst COMESA and the EAC imports amounted to US\$1 billion each. Moreover, in terms of South Africa's exports SADC is also the dominant partner. In 2012 SADC received 10% of South Africa's exports to the world valued at \$10 billion. In comparison COMESA received \$9 billion worth of South African exports while the EAC received \$2 billion exports. Intra-regional trade is diversifying albeit at a slow pace.

The SADC region still faces important challenges that continue to hinder progress towards a fully-fledged and economically viable customs union. One of the issues of concern is the lack of capacity by SADC member states to fully utilise improved market access in South Africa due to mainly infrastructural constraints. While South African imports from the region are increasing, it is the quality of the growth that is the cause for concern as it is mostly unprocessed and low value commodities drive most of the growth. Against this background, it goes without saying that the TDCA deal between South Africa and the EU is likely to affect trade dynamics and patterns between South Africa and the SADC. The extent and direction of the impact of this deal is what the next section will attempt to appraise.

4.5. The TDCA, SACU, SADC- Economic Partnership Agreement (EPA): The Issues

South Africa signed the TDCA deal with the European Union without involving fellow members of the SACU or of the SADC. However, it was inevitable that BLNS group which belongs to the SACU was going to be affected. The most important issue was how the existing tariff policy of the SACU organisation was going to accommodate the tariff arrangements reached under the TDCA between South Africa and the EU.

Although there were concerns from SACU about the TDCA agreement between SA and EU, it is important to analyse how the TDCA affected the SADC EPA negotiations with the EU in 2004. This was part of an effort to replace the Cotonou Agreement signed in 2000 between the EU and the African, Caribbean and Pacific (ACP) countries whose terms did not meet the provisions of the General Agreement on Tariffs and Trade (GATT) (Hurt, 2012). The negotiations have revealed serious challenges towards regional integration. Firstly, there have been divisions and differences between the SADC countries up to the point of negotiating the EPAs in clusters. For example, seven SADC countries which include the BLNS group, Angola, Mozambique and the DRC signed an EPA with the EU. While other SADC countries Mauritius, Malawi, Zambia and Zimbabwe chose to join the East African Community group. Such moves have derailed efforts at creating a single and harmonised trade regime between the EU and the SADC region since countries entered into different arrangements with the EU. This exposes serious divisions and disunity that will hamper South Africa's efforts to bring the TDCA in line with the region's objectives so that it becomes a mutually beneficial venture. Moreover, as the EU is probably the region's most important trading partner, the outcome of the EPA negotiations makes it difficult for the region to formulate a uniform and coherent trade policy that will improve the economy of the region.

Moreover, one other challenge that has to be taken into consideration when analysing the impact of the TDCA on SADC regional integration is the poor appraisal of the nature of the factors holding sway. It is important to recognise that the TDCA is centred mostly on trade liberalisation in the form of reducing or eliminating tariffs. While tariffs constitute an essential component of international trade, the intra-SADC trade flow is hampered mostly by non-tariff barriers. Vickers (2014) points out that non-tariff barriers such as underdeveloped production structures, disparity in development levels, inadequate and dilapidated infrastructure and severe capacity constraints are likely to limit trade flow in the region. As such, it is difficult to

gauge the impact of the TDCA on the SADC region if the complex nature of the challenges that threaten regional integration is not taken into account.

4.6. The Impact of TDCA on SADC

4.6.1. Derailment of Regional Integration

One of the main aims underlying the EU and SADC's engagement was to promote and reinforce regionalism and regional integration. The EU being Southern Africa's largest trade partner, it was assumed that it would be easy for the SADC member states to forge a common policy in dealing with EU and thus create new opportunities and avenues for further cooperation. However, contrary to the initial assumptions, the attempt by the EU to strike a trade deal with the SADC has exposed and to some extent reinforced divisions and differences between the SADC states. The SADC member states were divided on how to approach the EU deal as a collective and apparently failed to find common ground leading to the split and continuing the negotiations in separate groups. The rationale for the failure to establish a common ground for cooperation among SADC members cannot be farfetched from the drive as each country within SADC strive to pursue its strategic nation interest at the expense of the other members involve in the deal agreement.

Zimbabwe, Zambia, Malawi, Mauritius, DRC and Madagascar decided to negotiate an EPA separately with the COMESA group. The SACU countries were joined by Mozambique, Angola and Tanzania in negotiating a separate EPA with the EU. The cause of the disunity between the SADC countries with regard to the EU EPA is widely suspected to be the terms of the TDCA. There was disagreement amongst the countries on which products to exclude or include in the liberalization schedule and on the appropriate time frame. For instance, countries in the SADC have different abilities and resources to process raw materials from mining and agriculture. Thus given the varied economic structures a blanket deal with the EU would have possibly meant that some countries were going to lose while others gain. Moreover, the TDCA was negotiated between South Africa and the EU with South Africa influencing the contents and terms of the deal to suit its specific and strategic national interests thus furthering the realist and core-periphery-periphery argument. In conclusion, the TDCA needed to have been negotiated together with the SACU countries. This is because even though they are not directly involved they are largely affected by the agreement.

The failure of the SADC countries to sustain a unified stance might have far-reaching and negative implications for intra-SADC trade flow. For example, the application of the Rules of

Origin might hamper the smooth flow of trade between the countries in the region. The different agreements the two groups may have entered into with the EU are likely to result in states imposing tariffs and duties on goods imported from neighboring countries based on the rules of origin.

4.6.2. Perpetuating Peripheral Status: Locating Power Within the TDCA

Partridge (1963: 235) defines power as ‘the ability to do something by an actor which affects another actor, and which leads to changes in the future patterns of events. This can be seen mostly within the decision making process’. Within the TDCA between the EU and SADC, power constructs persist. Firstly, the EU region is 50 times developed with an outstanding capacity to enter deals with any individual SADC member states. In such dealings, due to power, it is the EU’s terms of trade that are favoured at the expense of the SADC member states. Therefore, to its economic power and comparative advantage the EU has the capacity to force any individual SADC member states who disagree with its trading terms into submission. For instance, the SADC member states are still divided on how to approach the EU deal as a collective. Apparently despite it being a common trading block, individual states within SADC have failed to find common ground. This is leading to the splits and continuing private negotiations in separate groups.

Secondly, South Africa has a more advanced infrastructural and economically developed trading system. South Africa has well developed primary and tertiary sectors which include mining, agriculture as well as wholesale and retail trade, tourism and communications. In addition, the country has modern transport networks that link the country to other African countries. As such, it has a better comparative advantage when compared to countries such as Swaziland and Lesotho. Due to the foregoing facts, any trade deal between the EU and South Africa deal will naturally have far-reaching implications for the SADC region. For instance, South Africa is the largest economy in the region. South Africa accounts for 70% of the region’s collective GDP and controls 60% of intra-regional trade. In this light, due to power that South Africa has- the epicentre of economic and trade flow in Southern Africa- South Africa is able to force other individual SADC countries into submission in entering into any bilateral trade.

The research problem of this study was to find out whether the EU-SA trade agreement promote or retard integration within SADC region and the implications it has on SADC. However, looking at the preceding sub-sections in this chapter, firstly, the TDCA, it must be

acknowledged, is an asymmetrical deal between economically unequal partners. Due to inequality, as realists aver, the prime concern of the state in international relation is survival. To this effect – the state can use any means possible to retain survival. It can thus sell divisive or cooperative ideas to achieve its ends. This realist view is well exhibited in the TDCA between EU and SADC. The continuing disagreement among SADC countries on which products to exclude or include in the liberalization schedule and on the appropriate time frame, illustrates this view better. For all the countries in the EU and SADC regions have different comparative advantages and exhibit different levels of sensitivity to different products. Thus, each country due to any power it has-from the comparative advantage will strive to sell divisive terms of trade to achieve its ends (survival).

Secondly, The European Union has a well-developed and industrialized economy whose size is over 50 times larger than that of the SADC. In answering the research question as to how the EU-South Africa trade agreement affect the promotion of regional integration within SADC, due to a well-developed economy, liberalization and free trade agreement between the EU and South Africa is likely to affect trade within the SADC region. The EU with its modernized and technology driven economy is likely to reinforce the SADC countries' status as belonging to the periphery in terms of the global economy. The SADC countries are mostly underdeveloped. Other than favouring unified SADC trade agreements, the underdeveloped SADC member states will prefer individual trade agreements with the EU (disintegration of SADC). The separate deal that Zimbabwe, Zambia, Malawi, Mauritius, DRC and Madagascar decided to negotiated with EPA and the COMESA group is clear enough to show that the TDCA between SA and EU is disintegrating the SADC. Another example of SADC disintegration is when Mozambique, Angola and Tanzania negotiated a separate EPA with the EU.

4.7. The EU-SA TDCA and its Impacts on SADC: An Analysis

In the literature review, this study established that most studies done on this issue are one dimensional. For instance, Lewis, Robinson and Thierfelder (2000), Akinkugbe (2000), Gibb (2003) look at the advantages in engaging in free trade and how it generates economic growth and increases the exports for both developing and developed countries. In another study Lee (2010), Rodrik (2001), Jachia and Teljeur (1999) examines the harmful impacts of free trade for developing countries like South Africa because it forces them to lower their export prices and lead to an income transfer from poor countries to richer countries. Lastly there are scholars like Holland (1995), Akinkugbe (2000) and Lewis, Robinson and Thierfelder (2003) who analysed the trade agreement between the EU and SA and briefly analyse the impact this

agreement would have on SADC. Many of these studies have focused on how EU-SA TDCA is beneficial in improving SA's economy and international trade. However, these studies pay a blind eye on the impacts of the EU-SA TDCA on regional integration within the SADC region. For example, Industrial Development Corporation (2013: 16) emphasizes how the volume of SA's foreign trade has increased in leaps and bounds, growing from less than 400 billion Rand in 1994 to 1.6 trillion Rands in 2012 after signing the SA-EU TDCA. Similarly, Mare (2013) found out that 77 percent of foreign direct investment in SA comes from the EU and that this trade has grown by 128 percent due to the TDCA. However, through the tenets of regional integration and comparative advantages perspectives, such studies have failed to give verifiable data on how the TDCA between EU and -SA has far-reaching implications for SADC integration.

This study is of the view that if comparative advantage is considered trading with countries within SADC who have larger economies and produce a larger quantity of goods both for export and domestic use is recommendable (Khumalo et al, 2013). In analysing the SA-EU TDCA, one has to take into consideration that each economically powerful SADC member will consider its market production in entering any TDCA. Due to this fact, there is likelihood of SADC disintegrating in quest for market competition with the EU. For instance, it is due to the strength of the South African economy that was a major factor that attracted the EU into TDCA with SA. As shown in chapter three, South Africa is an economic powerhouse in Africa with a GDP of over US\$349 billion in 2014 (World Bank, 2014). This gives South Africa comparative advantage over other SADC member states. Therefore, due to this advantage, a South Africa will want an integrated SADC that will be in its favour. This may become a root cause of regional dis/integration. In one way, other SADC member states will enter SA-EU SADC trade deals due to South Africa's advantageous positioning. In another way, some SADC member will not want to be associated with SA-EU in an attempt to protect their market and special products.

There is also some economic impact of SA-EU TDCA. The SA-EU TDCA has enhanced regional co-operation from intra-SADC liberalization. For instance, as it was indicated in Chapter Three, the EU-SA TDCA is resulting in the expansions of SADC economies especially through the trade by the parties involved in the animal, agriculture and processed food sectors. This does not rule out the fact the TDCA is making the SADC manufacturing sector to be comparatively less attractive following liberalization. From the preceding view, this study argues that the SA-EU TDCA has made the EU the biggest trading partner for many SADC

economies. However, it is crucial to seek further integration within SADC at the same time in order to reap these benefits of this TDCA. Despite the presumed gains that the EU-SA TDCA has on SADC economies, there is the possibility of the EU signing other TDCAs with individual SADC member states or the region as a whole. This will lower expected gains for SADC economies, making the EU-SA TDCA less appealing. On revenue sharing (among SACU members), the less appealing SADC-EU TDCA will require that adjustments be made so that there is a net transfer of resources to lesser developed SADC members. This is disastrous to regional integration.

With soaring trade between South Africa and countries such as Japan and China which SA does not have any formal trade agreement with, there is evidence that the EU-SA TDCA may suffer a blow (Kwentua, 2006). It would be too early to assess the actual trade effects of the EU-SA TDCA on SADC. This is because other SADC member states are trading with countries like China and Japan and among themselves. Some of these trade flows among SADC countries are usually not reported. Similarly, comparatively, most SADC countries are more dependent than the EU on trade. For example, Botswana exports accounts for about 58% of its GDP, while export accounts for about 52% of GDP for the rest of SADC. Contrarily, to the EU exports of 14% of its GDP. The same pattern holds for imports between SADC and the EU. However, South Africa is more like the EU in its trading pattern. Therefore, since there is a high trade dependency for other SADC members apart from South Africa, it means SA-EU TDCA liberalization can lead to large structural changes in South Africa and indeed for Southern Africa. Based on this structural changes some SADC economies may be hurt by the SA-EU TDCA some may benefit slightly (Andrianmananjara, Soamiely and Russell, 2001).

While EU liberation of trade with South Africa seeks to promote SADC-EU TDCA, Hurst (2012) argues that this is a way of promoting 'open regionalism'. For Hurst (2012), such a stand poses threats to the coherence of SADC. For instance, in 2006, when the EU had sought to modify its EPA negotiations with the rest of SADC member states, it included South Africa as a key negotiator. South Africa for its part claims that it joined the EPA negotiations in order to prevent the further break-up of the SADC region as a whole. Therefore, during this negotiation, the inclusion of South Africa (which had its SA-EU TDCA) was seen by other SADC member states as a compromise to the coherence of SADC as an organisation. This non-coherence of SADC became clear when other (most) member states of SADC began to be involved in other regional EPA negotiations. The focus now has shifted from SADC to SACU.

Another impact of the EU-SA TDCA on SADC is the unfair trade policy generated by the agreement. As it has been discussed in the previous sections, the EU and South Africa are more developed economies than the rest of the SADC member states. Just as it was during the negotiations for the EU—SA FTA, South African workers protested against the negative impact EU exports on the South African economy. The workers protested against an attempt by the EU to maintain high duties on South African imports while heavily subsidized European products flooded South African markets. This was a threat to job security in South Africa (Luke 1998). The SADC faces the same threat in two ways. Firstly, the unfair trade policy from the EU on the developing SADC member states. Secondly, the flooding of heavily subsidized South Africa and EU products in all SADC member states (Lee, 2002). This therefore, constitute a threat to the development of production industries in other SADC member states.

While the SA-EU TDCA has many positive impacts on the SADC region, however, this study argues that the foregoing TDCA puts both EU and South Africa in advantageous position in comparison to the rest of SADC member states who are placed in a position of comparative disadvantage vis a vis the position of core – semi periphery- periphery structural arrangement. As such this constitute a lingering threat to SADC integration. In many of its arguments, this study may have subordinated the real importance of the EU-SA TDCA. However, with the emergence of China, this study maintains that there is a need to re-think the SA-EU-SADC trade agreement. Although it is through trade agreement that SADC is fostering its unity, the impacts of SA-EU TDCA are one dimensional: unfair trade with developing SADC members.

4.8. Conclusion

This chapter critically discussed the impact of SA-EU TDCA on SADC regional integration. Through the tenets of realism and the world systems theories, the chapter argued that South Africa and EU are well positioned to reap more benefits in the TDCA than the other SADC members. The study established that the SA-EU-SADC TDCA is an asymmetrical deal between economically unequal partners. This chapter showed how the pursuit of individual country interests sow divisions within SADC. Against the preference of the asymmetrical unequal partners that the SA-EU-SADC TDCA upholds, the chapter recommends that the continuing attempts by the EU to strike a trade deal with the SADC is deemed to expose and reinforce more divisions and differences between the SADC states. Hence, while the SA-EU TDCA has many positive impacts on the SADC region, it furthers the core – semi periphery- periphery structural arrangement and reinforce the realist notion of state pursuance of national interest in international relation. This hereby constitute a threat to regional integration within

the SADC region. Based on the foregoing, the next chapter attempts an analysis of the possible economic implication of Brexit on EU and by extension, the South African economy vis a vis the TDCA agreements.

CHAPTER 5

IMPACT OF BRITAIN'S EXIT FROM THE EUROPEAN UNION (EU)

5.1. Introduction

The current chapter discusses the recent vote by Britain to exit the European Union and the likely impact this exit will have on South Africa. Using realism as a theoretical framework, this chapter provides a brief background to Britain's exit from the EU. The argument here is that Britain's exit from the EU was carried out of the rationale of protecting British strategic interest in the global arena in terms of economy and power politics as argued by realism. This chapter also discusses the role of Britain in the EU and the trade relations that exist between SA and Britain. At the core of this chapter is the aim to understand the possible implications of such a move to South Africa's economy.

5.2. Causes of Britain's Exit (BREXIT)

The referendum on Britain to exit the EU is likely to have profound implications for its economy, international influence, social cohesion and political culture. The recent vote for Britain to exit the EU has caused a number of socio-economic and political uncertainties (Matthijs, 2013). There are a number of factors that have been implicated on British exit from the EU. People campaigning for Britain to leave the European Union argue that Britain has no need for membership of the European Union when it has the Commonwealth (Lazowski, 2012). For Lazowski, the EU is an organisation alien both politically and culturally from the UK. The Commonwealth has 53 independent states formerly part of the British Empire. These states offer UK a vast, untapped network built around a shared political system and heritage (Lazowski, 2012). With this in mind one can conclude that those advocating for the British exit envisage a new ready-made global role outside the EU. The clamour for Britain's exit from the foregoing is hinged on the need to advance its national interest by exploring its advantage as leader of the commonwealth.

Another reason for the exit has been its scepticism on the state of Europe. Britain has over the years been doubtful of Europe. The British people have been Eurosceptic and have thus questioned the instrumental benefits of membership. EU's free trade provisions are said to bring material advantages. However, over the past decades EU's role and activities have increasingly lost popularity (Łazowski, 2012). Some economic analysts have seen the EU as a

dictatorship with a leadership that is not clear on how it is selected and thus not accountable and transparent (Matthijs, 2013). According to (Matthews, 2015) the appointment of EU members is barely known as they are appointed and not elected. The majority of citizens in the European Union do not even know who the leadership is and as such the public cannot initiate or repeal legislation. Thus the British saw that there was no democratic way of repealing the laws and legislation. The EU leadership is seen as power without accountability. The UK thus saw independence as a possible opportunity for self-governance and growth.

Governments in the Commonwealth have expressed interest for Britain to take a stronger role in the Commonwealth organisation, developing its political and economic integration. The Commonwealth members benefitted from the UK's membership of the EU and are also likely to be affected by "Brexit". Furthermore, bilateral trading relations between individual Commonwealth countries and the UK could change after "Brexit". The exit is likely to make common wealth a free trade area which can either complement or rival the EU (Murray & Broomfield, 2014). It can be concluded that the Commonwealth offers Britain a vast network in which to expand and deepen its economic, political and cultural engagement.

Instead of promoting regional trade the EU has engaged in protectionism (Łazowski, 2012). This can be seen by the vast number of trade barriers such as Tariffs, Quotas and regulations. Quotas limit the number of imports into a country which is designed to protect local companies. However, such a move has resulted in the protection of inefficient producers and drag down efficient ones (Łazowski, 2012). This largely affects negatively on the consumers who have to buy expensive goods with low quality. Reduced competition does not do the protected companies any favour as they will see no need to be creative and thus improve. This has resulted in the EU becoming a declining trade block. In addition to the above, lobby groups and analysts in Britain have noted that many of the EU regulations impose a cost on business that's not always matched by tangible benefits (Łazowski, 2012). The regulations of the EU have actually been an expense to the British economy. It was thus not in their economic interest to remain in the EU.

5.3. Role of Britain in the EU

Britain has a strong economy with lucrative trade engagements with the rest of the world. It is among the dominant countries that have assumed leadership roles in Europe Union trade. Britain and Germany have been the significant net contributors to the EU budget. Britain alone contributes over 10 % of the budget. Britain has enjoyed economic benefits from being part of

the EU. 44.6% of UK exports of goods and services as well as 53.2% of its imports are with EU member states. In addition, UK- EU trade has been largely dominated by goods rather than services. This trade represented an estimate of two-thirds UK exports to the EU, and over three-quarters of UK imports from EU. In 1973, Britain joined the EU, and brought with her to the negotiation table, her former colonies in order for them to benefit from aid agreements in which former French colonies were already benefiting from (Matthews, 2015). This arrangement became known as the African, Caribbean and Pacific States (ACP). This allows for the negotiation of African aids and trade. Prior to joining the ACP in 1975, Africa's export to the EU was about 6% of EU imports. However, as at 2000, Africa's export has reduced to only 1% of EU imports. While the EU awarded large sum of aids to Africa, its aid policies came with prohibitive trade practices which deter Africa's growth and development (Matthews, 2015). Britain remains a key player in the global economy as it has traditionally served as the European financial services capital and as a gateway to the EU.

5.4. History of Trade between South Africa and Britain

South Africa and Britain have shared common interests in a number of areas. The UK accounts for about 15% of South Africa's trade with the European Union. This accounts for about 3.7% of South Africa's global trade. Although SA has about but 20% of exports to the EU, the majority have been to the UK (Gibb, 2016; IDC, 2016). The UK represents about 18% of all tourists visiting South Africa and this might change in the present future (SA Tourism 2010,2013; IDC, 2016). The UK buys 10% of South Africa's exported wine, 10% of exported citrus fruit and 21% of exported grapes (DAFF, 2010; 2011; 2015; IDC, 2016). Trade is a big part of the UK-SA relationship (Edwards and Lawrence, 2012) South Africa's largest exports to the United Kingdom are gems and precious metals (Łazowski, 2012). Thus the British Exit is likely going to hamper the levels of trade between UK-based companies and South Africa as a result of negative economic consequences on both countries. In this case South Africa is likely to be affected negatively by the possible renegotiation of trade agreements between the UK and her EU counterparts (Rensburg, 2016).

5.5. Implication of Britain's exit from the EU on South Africa

5.5.1. Positive Outcomes

There are numerous implications of the British exit of the EU. On a positive note the British exit from the EU should act as an eye opener on why South Africa should not seek trade agreement with the EU but should focus more on regional integration. Particularly improving

trade within the SADC region where it already claims dominance and is likely to benefit more. South Africa has much to gain from Brexit. According to (Botha, 2016) South Africa will benefit from the increase in the gold price. The increased uncertainty in financial markets has made safe haven assets such as gold to stay in demand well into the future. Economic research agencies such as the International Centre for Monetary and Banking Studies (ICMB) (2015), International Monetary Fund (IMF) (2013) among others have predicted the continuation of the extraordinary low interest rate environment in Europe, the United States of America and other advanced economies such as China (IMF, 2013; ICMB, 2015). In this case South Africa is likely to benefit from increased employment in different sectors including mining. However, this will be accompanied by increased labour migration into the country and the enhancement of core-periphery relations between South Africa and its neighbours.

With British exit from the EU, South Africa stands a good chance of benefitting from future bilateral trade and investment agreements with Britain. SA has enjoyed strong economic cooperation with Britain. This status could serve as a gateway for business and development for sub-Saharan Africa. Botha (2016) points out that within the continent of Africa, SA has the most competitive economy as well as superior infrastructural and financial market as compared to other emerging markets. The move by Britain out of the EU could also mean that South Africa can trade with Britain outside the confinement of a global trade agreement. According to Botha (2016) the British can set up shop in South Africa. The UK has several options after exiting the EU. Britain could opt to join the existing non-EU European States Free Trade Area (EFTA). This will guarantee the UK an access to the market from the EU. South Africa also stands the chance of benefiting from this arrangement since the customs union already has an agreement with EFTA. In addition, it is possible for Britain to decide to pursue bilateral trade deals on its own. However, the challenge is that it has not done for decades.

5.5.2. Negative Consequences

Although a number of positive outcomes can be anticipated from the exit of Britain in the EU for South Africa and its neighbours, other negative outcomes are likely to arise as well. There are about three ways in which South Africa can be affected by the exit under discussion. These include its markets, trade and currency. Analysts have argued severally that the British vote to exit from the European Union has shaken world markets and exposed South Africa to a likelihood of a deeper economic catastrophe (Lee, 2016; Monks, 2016; Smith, 2016; Rensburg, 2016; Tan, 2016; The Telegraph, 2016). Over the past years South Africa's economy has been struggling and is facing a further decline as a result of Britain's decision to exit the EU. There

are threats of a recession if SA is to continue moving towards a negative economic growth (Matthews, 2015). The two consecutive quarters of negative growth that are likely to occur would harmfully affect jobs in South Africa. In addition, the plans by the reserve bank to put inflation above economic growth are likely to be affected. However, it has been noted that South Africa's economy has grown by 3,3% quarter-on-quarter according to estimates of real gross domestic product as measured by production (Algu and Creamer, 2015; Creamer, n.d; SARB, 2015; Statt SA, 2016; NWDC, 2016). This is the fastest quarter-on-quarter rise in economic activity since the fourth quarter of 2014. Year-on-year growth in the second quarter of 2016 was 0,6% suggesting a positive growth in the GDP with the mining and manufacturing industries contributing over half of the growth in GDP. This suggests that such speculations of a recession might be overstated. However, the 2016 growth did tumble and thus its possible implications cannot be undermined (Rensburg, 2016; Tan, 2016).

The most likely impact of British exit is damage on the markets (Matthews, 2015). According to (Łazowski, 2012) whenever there is a global shock such as the move by Britain, investors are forced to move to the US bond been the safest asset. As a result of the flow of money into the US bond market from other areas, the emerging markets around the globe were shaken by the capital flight. South Africa in question was vulnerable to the outflow of such capital as it has a big current account deficit. This means that SA needs money to continue flowing into its own financial markets to keep the rand steady and if the opposite happens the rand is going to grow weaker (Monks, 2016: Smith, 2016; Rensburg, 2016; Tan, 2016). According to (Murray and Broomfield (2014) if capital flight continues, the economies that have large external funding requirement such as South Africa and Turkey could be pressured to raise interest rates. In addition, South Africa also falls among those emerging markets with banking systems that have a relatively high dependence on short-term funding in the capital markets. Thus it is particularly exposed to market trouble (Murray and Broomfield, 2014).

One of the negative impacts of the British exit is a decline of the Rand. The British exit from the EU has far reaching effects which are of critical importance not only to the UK and Europe, but also in Southern Africa. For instance, South Africa already faces currency issues with the rand losing power; the exit is likely to increase the Rand's volatility (Lee, 2016; Monks, 2016: Smith, 2016; Rensburg, 2016; Tan, 2016

Botha (2016) argues that South Africa's emerging market economy is under strain. The British exit has added global uncertainty and a potential capital flight to safer areas such as the United

States of America which is not in the EU. Thus Brexit is likely to complicate life in SA and could hurt the countries already ailing GDP growth. The “Brexit” has resulted in the decline of the equity market. According to (Lis and Wilding, 2016) although the global investments funds have not dried up, investments have been directed to other areas that are considered safe. For instance, there is a new focus of investment to what are being termed safe havens which include precious metals and US bonds.

The British exit from the EU is also going to slow SA’s economic growth. According to (Matthews, 2015) a sluggish global rate of growth will eventually hit demand for local exports, growth and jobs. Supporting this perspective, Murray and Broomfield (2014) argue that Slower growth is likely to undermine South Africa’s credit rating, which is currently at the bottom of the investment-grade scale. Another direct effect on South Africa’s economy has resulted from the decline the British pound which fell 4% against the rand, 8% against the US dollar and 6% against the euro (Murray and Broomfield, 2014). This is likely to cause serious damage its immediate economic prospects. In theory, this means Britain has to pay more for anything they import which will increase the competitiveness of their exports.

In line with the foregoing discussion, the greatest challenge South Africa is likely to face as a result of British exit is market volatility because of the uncertainty which is threatening a continued low-growth environment for the country (Matthews, 2015). The capital constraints triggered by the British exit has the potential to affect South Africa’s ability to access financing from British banks. According to (Matthews, 2015) UK lenders’ claims on the entities in South Africa amount to over 170% of South Africa’s foreign currency reserves. The main challenges remain unknown as it is not clear if Britain will renegotiate separate agreements with countries to maintain some of the existing arrangements.

The EU provides the provisions for freedom of movement and as such being part of EU means that member states’ workers can work in those other countries for free and they are protected by EU laws in terms of working hours and wages. In this case, due to the TDCA agreement that also allows for the flow of human capital, South Africans could have enjoyed employment in Britain and the exit of Britain is likely to affect such migration policies. It can be observed that the opposition to be part of the EU was the concern with immigration. Some analysts viewed immigration as bad for the economy and thus want to leave the EU (Cook, 2016; Dewan, 2016; Lee, 2016; Somerville, 2016; OECD, 2014; Worstall, 2016). They were of the opinion that immigration largely undermines than it enriches Britain’s cultural life. In the

context of South Africa, the British exit from the EU is likely to affect immigration patterns between SA and Britain (Cook, 2016; Dewan, 2016; Lee, 2016; Somerville, 2016; OECD, 2014; Worstall, 2016)

Although there is no visible immediate impact, the partnership consensus reached between SA customs union, Mozambique and the EU is bound to substitute the TDCA between South Africa and EU. The United Kingdom's exit from the EU will serve as a major constraint to the deal as it was a major player to the partnership agreement. An important part of the agreement entails access to Britain's market. Hence, the exit of Britain from the EU will pose a major problem for EU not only in its trade agreement with SADC, but with other regional blocs.

The British exit will upset the global economy especially trade and investment. According to (Murray & Broomfield, 2014) trade arrangements between most countries in Africa and Britain were largely negotiated through the European Union. This in effect means that when Britain exits the EU all the trade relations and agreements will become null and void. This will be disastrous for Africa particularly SA as the UK will no longer be a stakeholder of the key initiatives which forms the basis of co-operation between Europe and the continent. The Brexit will impact negatively on the important regional blocs in Africa since as it provides the strongest supports for the development of economic growth and democracy. Colossal pressure will also increase on the emerging markets and frontier asset markets because of the financial instability.

Analysts predict that the effects of British exit out of the EU in South Africa are expected to be disastrous (Lee, 2016; Monks, 2016; Smith, 2016; Rensburg, 2016; Tan, 2016; The Telegraph, 2016). South Africa is said to have an already bad economy may be further affected by the exit as the UK is Africa's largest trading partner. According to the 2015 data, Britain's market accounts for South Africa's 8th largest import and export in global terms. Its trade, investment as well as developmental aid will suffer a major setback if the British exit from the EU leads to a void of all trade agreements deals that have been made. These agreements include among others, the EU-SADC Economic Partnership Agreement. Hence, Britain leaving the EU might result in the likelihood of higher inflation rate, higher interest rates, capital outflows, extended weaker growth, and a possible decline in GDP. Given that in the day of the news of Britain's decision to exit the EU, the rand fell more than 7%. This was the steepest single day decline since the 2008 financial crisis. South Africa's close financial ties to the UK could be a concern.

The vote to exit the EU in Britain has implications for the SA's trade and business interests. The research compiled by the South African Institute of International Affairs has identified the European Union as South Africa's most important strategic partners in trade. The EU has entered into a series of trade treaties and economic partnership agreements with South Africa over the years. The more favourable trade balance between SA and the EU has been with Britain. For instance South Africa has benefited from foreign direct investment from the UK which in 2014 totalled an estimate of over R730 billion in 2014 (Murray & Broomfield, 2014). In 2015 Britain was South Africa's eighth largest trade partner and in that period the country's exports to Britain were over R41 billion. On the other hand, the British imports to South Africa were over R35 billion. Given the above, it is highly likely that the British exit is going to have an impact on the existing arrangements.

Although there is an anticipated economic impact to be expected by the British exit of the EU, such a move should not be exaggerated (Lis & Wilding, 2016). Botha 2016 notes that although Britain may be out of the EU, it will remain an integral and pivotal part of Europe. Thus the impact is less likely to be catastrophic. Britain remains a strong economic giant and very influential in the world. Lis and Wilding (2016) note that Britain has been classified by the International Monetary Fund (IMF) as a major advanced economy. The UK is also a member of the seven most influential countries in the world (the G-7 group). The country under study has a per capita GDP of \$44,000. This is four times greater than the world average. In this case Britain's position in the world economy will remain intact and thus its move may not necessarily result in a rapid decline of its socio-economic status. In addition, despite withdrawing their membership, British business have to comply with alternatives legislations, particularly if trading within the EU.

Although the exit of Britain from the EU will be a loss of an economic giant, other economic powers have continued to be in the EU. There are other member states of the EU who have good economies that can remain as good trade partners with South Africa. These countries include Spain, Sweden, France, and Italy just to mention a few. Thus the move by Britain although it is going to shake the world economy its impact might be limited and short-lived. In-line with the above analysis, although uncertainty is brewed by the British vote to exit the EU, the exit has not been finalised. Botha (2016) argues that the onerous legal and administrative processes required for such exit will take several years before it is completed. This gives time to the EU member states to prepare for the eventual exit of Britain. Botha

(2016) also adds that there are a number of trade treaties which need to be nullified but most of them can be renegotiated.

The exit of Britain from the EU should be a lesson for South Africa not to join the treaty as it can foster trade agreements with European countries without having to be a member state. For instance, Norway is an economic giant but is not a member of the EU. Norway has enjoyed similar access to benefits similar to that of the member countries as it agreed to abide by the rules of the internal market. This among others include environmental and social legislations, as well as paying smaller contributions to the EU which is lesser than that of EU member states. The above suggests that Norway is a clear case study of a non EU member country which have access to the economic privilege enjoyed by EU states. In the extreme of outcomes, the trade agreement is likely to become void. This is because the exit by Britain increases the fear of further exits by its members.

The impact of Britain exiting the EU is a clear reflection of SA's dependence on EU as well as Britain for trade and investment. The world systems theory already gives us a perspective of SA dependency role and how Britain leaving the EU could affect their market, trade as well as their currency. This does not only affect SA but would also affect other African countries that trade with the EU. The negative impacts could also be an indicator to SA of the importance of strengthening regional integration within SADC. Both the EU and Britain still need raw materials that are in SADC countries, so if SADC was more unified, they would not be greatly affected by the conflicts happening in Europe.

5.6. Conclusion

In summary this chapter discussed the impact of the exit of Britain from the European Union. The chapter summarily argued that the clamour for Britain's exist from the EU is hinged on the need to advance its strategic national interest by exploring its strategic advantage within the commonwealth and global arena as a whole. Due to the policy drive and structure of the EU, it was thus not in Britain's national economic interest to remain in the EU. In line with the foregoing, due to uncertainty created, the main challenges of this move remain unknown as it is not clear if Britain will renegotiate separate agreements with countries to maintain some of the existing arrangements. However, it is clear that the negotiation of separate arrangement will be based on Britain's need to protect her national interest in line with the arrangements to be reached. The chapter further discussed the role of Britain in the EU, as well as the history of trade relations between South Africa and Britain. The chapter argued that the exit of Britain

from the EU could have both negative and positive impact on South Africa's economy. However, the greatest challenge South Africa is likely to face as a result of British exit of the EU is market volatility which is likely to lead to a slow economic growth for South Africa. The exit would likely lead to South Africa possibly signing an independent trade agreement with Britain outside the confinements of the EU. SA was likely to benefit from the developed economy of the British. The move would also likely result in the focus of 'safe havens' such as gold and other precious metals which South Africa has. However, the negative impact cannot be undermined.

CHAPTER 6

CONCLUSION

6.1. Introduction

This chapter is the concluding chapter of the study. It will provide a summary overview of the study. It was argued that during apartheid South Africa was excluded from trade with many countries especially those in the European Union (EU). However, post-apartheid saw a big transition in both social and economic development that resulted from the global economic integration of South Africa. The chapter will also summarize the impact of the EU-SA trade on the trade welfare of the country as well as its impact on the SADC region. As well as the impact of Britain's exit from the EU and how it could potentially affect South Africa and other African countries. It has been argued that national interest as argued by the realist scholars as well as core periphery relationships that characterize the global economy still exist. The EU-SA trade agreement is a perfect depletion of an agreement that characterizes such a relationship.

6.2. Summary of the Study

Although there is enormous literature on the trade agreement between South Africa and the EU, as well as how it has improved SA's international trade, little attention has been made to point out how this trade agreement affects SA's economy and whether or not it has a positive or negative impact on SA economy and people. This research also looked at the impact this agreement has on SADC. Particularly whether the EU-SA trade agreements promote or retard integration within SADC region. This study thus engaged with the critical analysis of the trade agreement between SA and EU and the implications it has on SADC. Based on the findings of this analysis, the following conclusions can be made; the Trade and Development Cooperation Agreement entered into between SA and European Union is vast and wide-ranging and has had an impact on the South African economy.

There have been a number of trade agreements signed between South Africa and the other countries. The post-apartheid period has seen SA signed several trade agreements which were designed to improve the countries social and economic development. These have varied from local, regional as well as global trade. Regionally, the dominant agreements have been those made with SACU and SADC. South Africa is a member of Southern African Development Community (SADC). The regional economic agenda in SADC is to facilitate policies which will lead to the integration of the market as well as the coordination of policy which will lead

to sectoral cooperation in a broad developmental project. Its Protocol on Trade amended in August of 2008 had a vision to establish a Free Trade Agreement within the SADC region. This would be achieved by further loosening restrictions on the trades in goods and services within the region so as to ensure for efficient production and the improvement of the environment for domestic commodities. It also sought to promote investment which are either cross border or foreign in nature as well as enhancing the development of the economy through industrialization and economic diversification of the region. South Africa has enjoyed a number of benefits from trade with countries in the SADC region. This form of regional integration has had considerable economic benefits to the country by expanding and growing the export market. This has also resulted in the country becoming more competitive in the global economic environment and also achieving economies of scale.

6.3. Impact of EU-SA Trade on Trade Welfare

Trade relation between SA and EU have experience a substantial improvement since the signing of the TDCA agreement in 2000. The trade in goods commodities have substantially increased by more than 120%. In addition, the trade agreement has also resulted in more than fivefold growth of Foreign Direct Investment. This indicate that EU-South Africa trade, though imbalanced in terms of the core-semi periphery-periphery relationship, has in many ways serve the national interest of the parties involved.

This study has observed similar finding to that of Lewis et al (2000) who argue that free trade arrangement between SA and EU has a potential benefit for the parties involved especially for SA because it would increase its export to EU on goods commodities such as vegetable and fruits which in the past were constrained by had high tariff. This study has indicated that there has been an increase in South Africa's exports of processed food as well as grain which has been beneficial for both parties. The trade agreement has also resulted in equal platform for competition amongst EU and SA companies as well as providing urgent consultations. South Africa major imports from the EU are in industrial goods, such as iron and steel, machinery items, and chemical products. They in turn export commodities such as minerals, wine, metals, vegetables and other agricultural products. In addition, the EU has also enjoyed among others, the advantages of having for the import of natural resources, textile, agricultural products, wine and labour force.

6.4. Impact of EU-South African Trade on SADC

South Africa has firmly established itself as the epicentre of economic and trade flow in Southern Africa. Since the 1950's, a vital part of South Africa's development strategy as well as that of most countries in Africa is the regional integration approach. The trade relations between SA and the EU have resulted in mixed outcomes both promoting regional trade as well as causing some notable challenges to the trade relations within the region. TDCA deal between South Africa and the EU is likely to have a significant bearing on the Southern African region and SADC in particular. The TDCA vision makes it possible for SACU member states to link their production mechanisms in agriculture, industry, manufacturing and services. It can be concluded that the trade agreement has at some level strengthened as well as promoted regional integration within SADC.

It can be argued that South Africa has entered the world economy at the expense of SADC. Lewis, Robinson and Thierfelder (2003) shared similar views when they argue that SADC countries will suffer from the EU-SA trade agreement. For them, a free trade agreement between SADC regions is more effective than a free trade agreement only between the SADC countries with the EU. The TDCA has had a negative impact on the progress of regional economic integration in the SADC region in terms of economic and trade development.

Britain's recent decision to exit from the EU has caused global uncertainty. Britain joined the EU in 1973 and has very strong economy with lucrative trade engagements. The main causes of Britain deciding to exit the EU were that Britain wants to focus more on the Commonwealth. The British government has expressed interest to take up a stronger role in order to develop political, economic and cultural integration. Instead of the EU promoting regional integration it has mainly engaged in protectionism resulting in having inefficient producers at the expense of efficient ones. Britain also began to question the instrumental benefits of the EU because it had seemed to lose popularity, as well as questioning leadership within EU which was viewed as power without accountability.

There is no doubt that Brexit has cause a lot of uncertainty for South Africa in terms of future trade engagements as well as trying to assess just how much of an impact this will have on their markets, trade and their currency. Britain is SA's eighth largest import and export market globally. There are some positive impacts of Britain leaving the EU, SA could benefit from increased gold prices. It could give room for SA to then focus more on regional integration because Britain's decision leaves South Africa exposed to many uncertainties. It could lower

inflation prices as we have already seen that the Rand has been steady ever since Britain announced its decision to leave the EU. SA could benefit from possible future bilateral trade and investment agreements with Britain. However, there is no ruling out the possible negative impacts. Brexit could cause both market volatility and a capital flight of investors moving into the US bond market. This could cause a huge current account deficit. It could result in slow economic growth in South Africa. There could be high interest rates creating capital outflows and a possible decline in GDP. It could lead to a recession which could affect jobs in South Africa. Immigration policies can be tightened since there will be no need for Britain to be flexible with immigration policies. It could also affect trade and investment because the only trade arrangements that exist between African countries and the UK were negotiated through the EU.

6.5. Conclusions/Implications of the Study

In conclusion, the trade relations that exist between the European Union and South Africa have brought the country in question into the world trade where it had been previously excluded. South Africa has enjoyed the benefits of such trade which include the export of its goods with reduced tariffs. However, its involvement in such a trade has resulted in adverse consequences on its regional trade.

There had been extensive tariff removal and reduction since 1994. It is important to note that while there has been a significant increase in South Africa's Export, the majority of export commodities, with some notable exceptions, still remain largely unchanged. Except in African markets, SA's exports is still largely dominated by primary commodities. South Africa is the dominant player in SADC and if existing resources are used in regional integration can prove to be beneficial. In addition, the country should support industrial development and upgrading, employment growth and increased value-added exports. South Africa previously had a relatively open economy that was protected only moderately by tariffs, where 56% of duties were set at 0%. There is therefore a need for more improved tariffs that are uniform for both the EU and other foreign countries as well as within the SADC region.

This study explored the nature of the EU-SA trade agreement commonly known as TDCA. The deal agreement was targeted towards a cooperative broad array of economic and social sectors that are vital to their two economies. It was identified that although South Africa has benefited from the trade agreement with the EU, the EU has largely benefited more at the expense of South Africa. South Africa is among the developing countries in the world and its trade

relations with developed countries is characterised by dependency. If viewed from a world systems theory perspective, the existing trade relations between SA and the EU have resulted in unequal exchange. Wallerstein (1974) understands this phenomenon as the “systematic transfer of surplus from semi proletarian sectors in the periphery to the high technology, industrialised core”. The engagements with EU have resulted in the lowering of export prices. This is because of unequal rates of exchange between the EU and SA in which in most cases the EU pay lower rates for raw materials. It can be concluded that South Africa is among the African states that have been integrated unequally into the world economy on disadvantaged terms which affects their development.

In conclusion, this study provided a background of the SA-EU trade. It indicated that South Africa has enjoyed a number of trade agreements after the abolition of apartheid. These trade agreements were made regionally and internationally. Regionally, South Africa has commanded dominance within the region being the leader of the SADC trade. It has been able to enjoy good prices on both exports and imports. The regional trade has improved the local manufacturing companies and have thus increased employment opportunities. South Africa has also been identified as a player in the global economy

6.6. Recommendations for Policy and Practice

There is a need to promote regional integration. It's the formula for the country because it has better exchange rate as compared to that of global trade. They can focus on more exports and imports of finished goods rather than primary goods that they currently export to the European Union. Such an approach would encourage development of and upgrade of value-added, labour-absorbing industrial production.

There have been questions raised by the South African Reserve Bank (2015), Statistics South Africa (2016), Dewan, (2016) among others on South Africa's “open economy”, the benefits of tariff protection and the benefits of Foreign Direct Investments (FDIs). Some trade agreements as noted above have raised concern to economists who have observed that South Africa is not sufficiently protecting her economy as she continuously open up her market at an alarming pace. It is general truth that historically, developed economy will always want to penetrate other markets while ensuring they keep a guard on their own markets. There is therefore, a need for South Africa as well as other countries in Africa to consciously move from the export of primary commodities into the export of more finished goods. Several available trade agreements give a limelight as to how countries can diversify their economy and move

from primary export oriented to manufacturing oriented. Bearing this in mind, there is a possibility that the regional integration policies could result in trade policies which could contribute to the growth in employment and industrial development for South Africa and other developing economy.

There is need for specialization of goods as well as strengthening Import Substitution policies so as to improve its performance in the regional market. This view is based on David Ricardo's model of comparative advantage which suggests that a country engaging in international trade should specialize in the production of those goods that it produces most efficiently and to buy the goods that it produces less efficiently from other countries, even if this means buying goods from other countries that it could produce more efficiently itself. This view of comparative advantage allows a country like South Africa to be able to share the welfare benefits of free trade even though it produces everything less efficiently than any of its trading partners. Strengthening manufacturing industries would result in the processing of primary commodities which promoted the export of finished goods and locally increases employment in the industries.

In addition, there is therefore a need for more improved tariffs that are uniform for both the EU and other foreign countries as well as within the SADC region. Need for a common Tariff on all goods imported into from both the EU and SADC. Given South Africa's position as a major role player within the pool of developing countries' economies, there is strong need for South Africa to develop initiatives so as to assist other developing countries. The responsibility on the shoulder of South Africa as a major world player among the developing economies can be discussed in terms of the negotiations around the agreements entered, neighbouring countries partnerships and the view developed countries have of South Africa. The challenge that has been identified is that South Africa is considered more developed than the average African country by developed countries which has resulted in them being reluctant to afford the country the same allowances as its African counterparts.

6.7. Recommendations for Further Research

There is a need to access the benefits of regional integration, using channels like SADC. Market integration theory provides a guideline for successful regional integration. There is also a need to understand that through the world systems theory and realist theory paradigm, if developing countries trade individually they will never fully benefit and gain comparative advantage.

hence, there is a need to conduct further research by collecting new qualitative and quantitative data so as to gain more knowledge on these issues.

REFERENCES

- Adetula A. (2004). Regional Integration in Africa: Prospect for closer cooperation between West, East, and Southern Africa. University of Jos: Nigeria.
- Akinkugbe, O. (2000). The European Union – South Africa Free Trade Agreements and the SADC Region. *The South African Journal of Economics*. Vol. 68:4, pp. 639-661
- Alexander, R.T et al (1998). World-systems theory in practice: leadership, production, and exchange. Rowman & Littlefield Publishers.
- Algu Y and Creamer K (2015). A macroeconomic trilemma or dilemma? evaluating South Africa's open economy.
- Amos S. (2010). The role of South Africa in SADC regional integration: the making or breaking of the organization. *Journal of International Commercial Law and Technology* Vol. 5, Issue (2010).
- Andriamananjara S. and Hillberry R. (2001). Regionalism, Trade and Growth: The Case of the EU-South Africa Free Trade Arrangement. *Office of Economics Working Paper*, U.S International Trade Commission, No. 2001-07-A.
- Andriamananjara S. and Hillberry R. (2001). "Regionalism, Trade and Growth: The Case of the EU-South Africa Free Trade Agreement." U.S. International Trade Commission, Office of Economics, *Working Paper*. No. 2001-07-A, July
- Antonucci, D., and Manzocchi, S. (2005). Does Turkey Have a Special Trade Relations with the EU. A Gravity Model Approach, SSRN: [http://ssrn.com/abstract, 609881](http://ssrn.com/abstract,609881).
- Assarson J. (2005). The Impacts of the European Union- South African Free Trade Agreement. Department of Economics: Uppsala University.
- Assarson, J. (2005). The impact of the South Africa-EU Free Trade Agreement, Unpublished D-level thesis, Uppsala University. Available on <http://uu.diva-portal.org>, accessed 16 September 2015.
- Balassa, B. (1978). Exports and economic growth: further evidence. *Journal of Development Economics*. Vol. 5. No. 2. Pp. 181-189.
- Baltzer, K. and Jensen, H. (2007). European Free Trade Areas as an alternative to Doha - Impacts of US, Russia and Chinese FTAs, Institute of Food and Resource Economics, Copenhagen, Denmark
- Barnes J. (1999). Changing Lanes: the political economy of the South African automotive value chain. *Development Southern Africa*, Vol. 17. No. 3. Pp. 401-415.
- Basdevant, O. et al (2015). The Mystery of Missing Real Spill overs in Southern Africa: Some Facts and Possible Explanations. *South African Journal of Economics*. Vol. 83. No 3. Pp. 371-389.
- Baylis, J., Smith, S. and Owens, P., 2013. The globalization of world politics: An introduction to international relations. Oxford University Press.

- Bean C. et al (2015). Low for long? causes and consequences of persistently low interest rates. Geneva Reports on the World Economy. International Centre for Monetary and Banking Studies (ICMB)
- Bekaert G. and Harvey C. (1995). Time-Varying World Market Integration. *The Journal of Finance*. Vol, L, No. 2. June 1995.
- Benjamin, T.K., (2016). South Africa's role in the Southern African Customs Union: 1994-1996 (Doctoral dissertation).
- Bertelsman-Scott, M. and Draper, P. (2005). The TDCA: Impacts, Lessons and Perspectives for EU-South and Southern African Relations. *Report on the SAIIA Conference 4-5 November 2004 Johannesburg, South Africa*.
- Bertelsman-Scott, T. and Draper, P. (2004). The TDCA: Impacts, Lessons and Perspectives for EU-South and Southern African Relations. *Report on the SAIIA Conference 4-5 November 2004, Johannesburg, South Africa*
- Bineau, Y. and Montalbano, P (2011). Selected Developmental Aspects of Trade and Trade Policies. Final Report. HTSPE Limited. Available from: http://trade.ec.europa.eu/doclib/docs/2012/june/tradoc_149606.pdf
- Botha, R. (2016). Brexit – weathering the storm in South Africa
- Bryman, A., (2015). Social research methods. Oxford university press.
- Burchill, S. (2013). Theories of international relations. Palgrave Macmillan.
- Carbaugh, R.J. (2002). International Economic. Ohio: South Western–Thomson Learning.
- Carim, X., (2005): The Trade Dimensions of Industrial Policy, *Trade and Industry Monitor*. No. 35. September 2005.
- Carlos A., Vela M. (2001). World Systems Theory.
- Carter, M. R., and May, J. (2001). One kind of freedom: Poverty dynamics in post-apartheid South Africa. *World Development*. Vol. 29. NO 12. Pp 1987-2006.
- Chirot, D., and Hall, T. D. (1982). World-system theory. *Annual Review of Sociology*, Vol. 8, pp. 81-106
- Chitiga, M., et al (2008). Agricultural Trade Policy Reform in South Africa. *Economic Research Working Paper*, 95. African Development Bank.
- Cline, E.H., (2015). Contested Peripheries in World Systems Theory: Megiddo and the Jezreel Valley as a Test Case. *Journal of World-Systems Research*. Vol. 6. No. 1. pp.7-16.
- Cook J. (2016). Immigration Concerns Continue to Dominate Brexit Debate as Referendum Approaches. http://www.huffingtonpost.com/entry/immigration-dominating-brexite-debate_us_576034dbe4b053d433066561
- Creamer K. (ND). South Africa as an open economy: Problems and potentialities.
- Creswell, J.W. (2013). Research design: Qualitative, quantitative, and mixed methods approaches. Sage publications.

- DAFF (2010). Step by step export manual for the South African fruit industry. Department of Agriculture, Forestry and Fisheries. Department of Agriculture, Forestry and Fisheries
- DAFF (2011). A profile of the South African citrus market value chain. www.daff.gov.za.
- DAFF (2015). A profile of the South African table grapes market value chain. Department of Agriculture, Forestry and Fisheries
- Davis J. (1993). Squeezing Apartheid. Retrieved at <http://www.sahistory.org.za/sites/default/files/SQUEEZING%20APARTHEID,%20by%20Jennifer%20Davis.pdf>. Accessed 10 May 2015.
- De Melo, J., and Tsikata, Y. (2014). Regional integration in Africa: Challenges and prospects. *Monga, C. & Yifu Lin, J. The Oxford Handbook of Africa and Economics: Policies and Practices*. Oxford: Oxford University Press, 2014.
- Department of Agriculture, Forestry and Fisheries. (2015). Economic Review of the South African Agriculture.
- Dewan A. (2016). Brexit: What will immigration look like if Britain leaves the EU? <http://edition.cnn.com/2016/06/16/europe/brexit-britain-immigration-referendu>
- Du Plessis, S. and Smit, B. (2007). South Africa's growth revival after 1994. *Journal of African Economies*. Vol. 16. No 5. Pp 668-704.
- Dunne, P. and Edwards, L. (2006). Trade and Poverty in South Africa: Exploring the Trade. *Economics and Statistics*. Vol. 90. No 4. Pp 666-682.
- Edwards, L., and Alves, P. (2005). South Africa's Export Performance: Determinants of Export supply, School of Economics, University of Cape Town
- Edwards L. and Lawrence R. (2012). South African Trade Policy and the Future Global Trading Environment. South Africa Institute of International Affairs. Occasional Paper No 128
- Emmanuel, A. (1972). Unequal Exchange: A Study of the Imperialism of Trade. *New York: Monthly Review*.
- Engman, M. (2005). The Economic Impact of Trade Facilitation. *OECD Trade Policy Working Papers*. No 21, OECD Publishing.
- Enser L. (2001). Fisheries Accord with EU impossible. *Business Day*, April 4.
- European Commission, (2015). The European Union trade in goods with South Africa. Available at http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113447.pdf
- European Commission, (2015). Trade: Countries and Regions. Available at <http://ec.europa.eu/trade/policy/countries-and-regions/countries/south-africa/>
- European Investment Bank. (2013). Available at http://www.eib.org/attachments/country/eib_in_south_africa_en.pdf

- Filen, C. (2012). "Export taxes on resources can be a Possibility-Deloitte". From <http://www.moneyweb.co.za/moneyweb-political-economy/export-taxes-on->
- Flatters, F. and Stern, M. (2007). Trade and Trade Policy in South Africa: Recent Trends and Future Prospects. Development Network Africa. Available from: http://www.dnaeconomics.com/assets/dlas/FILE_063020080109_FILE_101820070217_Trade_and_Trade_Policy_in_South_Africa.pdf
- Framework for Global Communication Research. *Journal of World-Systems Research*. Vol. 8. No 2. Pp 330–365
- Geda, A. and Kebret, H. (2007). Regional Economic Integration in Africa: A Review of Problems and Prospects with a Case Study of COMESAL. *Journal of African Economy*. Vol. 17. No 357.
- Gelb, S. (2007). Macroeconomic policy in South Africa. From RDP through GEAR to ASGISA'. At the end of the rainbow.
- Gibb R. (2009). Regional Integration and Africa's Development Trajectory: meta- theories, expectations and reality. *Third World Quarterly*, Vol. 30, No. 4, 2009, pp 701-721
- Gibb, R. (2000). Post-Lomé: The European Union and the South. *Third World Quarterly*. Vol. 21. No 3. Pp 451-481.
- Gibb R. (2003). Globalisation and Africa's: A Case Study of the European Union-South Africa Post-Apartheid Trading Regime. *Journal of Southern African Studies*. Vol, 29, No. 4, pp. 885-901.
- Gibb R. (2016). Op-Ed: The impact of Brexit on South Africa. Daily Maverick. <https://www.dailymaverick.co.za/article/2016-11-30-op-ed-the-impact-of-brexit-on-south-africa/#.WEqdU-Z96Uk>
- Golding, S. et al (2013). ANLEC Project 7-1011-0189: Authigenic carbonates as natural analogues of mineralisation trapping in CO2 sequestration: a desktop study.
- Gowan, P., (2015). Contemporary intra-core relations and world systems theory. *Journal of World-Systems Research*. Vol. 10. No.2. pp 471-500.
- Grant, C. (2006). Southern Africa and the European Union: the TDCA and SADC EPA. Tralac Trade. Brief No. 1, May 2006.
- Grant, C. (2006). Southern Africa and the European Union: the TDCA and SADC EPA. Tralac Trade. Brief No. 1, May 2006.
- Green, J. and Thorogood, N., 2013. Qualitative methods for health research. Sage.
- Grossman G., Helpman E. (1995). The Politics of Free-Trade Agreements. *The American Economic Review*. Vol. 85, No. 4. pp. 667-690.
- Gunaratne, S.A. (2002) An Evolving Triadic World: A Theoretical

- Hamad, H.B., (2016). Neo-Functionalism: Relevancy for East African Community Political Integration? *Journal of Pan African Studies*. Vol. 9. No 7.
- Harvey, R. (2013). Releasing the Prisoners from their Dilemma: How to Resolve Labour Tensions in South Africa's Mining Sector.
- Hill, C.W.L. (2007). *International Business: Competing in the global marketplace*. New York: McGraw-Hill/Irwin.
- Hoekman, B.M. and Kostecki, M.M. (2001). *The Political Economy of the World Trading System: The WTO and Beyond*. Oxford: Oxford University Press.
- Hurt, S. (2012). The EU–SADC Economic Partnership Agreement Negotiations: ‘locking in’ the neoliberal development model in southern Africa? *Third World Quarterly*. Vol. 33. No 3. Pp 495-510.
- IDC (2016). Analysis of the potential impact of the United Kingdom's exit from the European Union on the South African economy. Department of Research and Information. Industrial Development Corporation
- IMF (2013). *World Economic Outlook*. International Monetary Fund
- International Trade Commission (2009). 1999-2008. Market Access Map. Geneva: International trade commission. Available: <http://www.macmap.org/Default.aspx?ReturnUrl=%2fAdvancedSearch%2fRawData%2fTradeByCountry.aspx>
- Irving, J. (1999). South African and European Union Conclude Sweeping Trade Agreement. *Africa Recovery*. Vol. 13. No. 1. Pp 20-23.
- ITED (2010). “South African Trade and Policy Framework”. Prepared by the International Trade and Economic Development Division of the Department of Trade and Industry, South Africa, May 2010. Available at www.gov.za.
- Jachia L. and Teljeur E. (1999). Free Trade Between South Africa and The European Union a Quantitative Analysis. Uncad/OSG/DP. NO 141.
- Jansen, M., and Nordås, H. K. (2004). Institutions, trade policy and trade flows. World Trade Organization.
- Jones, D., D. (1999). “SADC Fears Pact will hurt farmers”, Business day, 16 April
- Kalenga, P. (2013). SADC update: review of the RISDP. *Presentation at TRALAC Annual Conference*, April 25 and 26, 2013, Cape town.
- Kaplinsky R. et al. (2002). The Globalization of Product Markets and Immiserizing Growth: Lessons from the South African Furniture Industry. *World Development*. Vol. 30. No. 7. Pp 1159-1177.
- Khumalo S. et al (2013). Influence of trade agreements on South Africa's trade patterns.
- Klasen, S. (2000). Measuring poverty and deprivation in South Africa. *Review of Income and Wealth*. Vol. 46. No 1. Pp 33-58.

- Klotz A. (1995). Norms Reconstituting Interests: Global Racial Equality and U.S Sanctions against South Africa. *International Organisation*, Volume 49, Issue 3. Pp 451-478
- Kudo, T. and Mieno, F. (2007). Trade, Foreign Investment and Myanmar's Economic Development during the Transition to an Open Economy. *Institute of Developing Economies*. Discussion Paper No. 16.
- Kwentua, G.E. (2006). South Africa Free Trade Agreement. Master's Thesis. Louisiana State University and Agricultural and Mechanical College
- Kwentua, G.E. (2006). Trade creation and trade diversion effects in the EU-South Africa free trade agreement. Unpublished master's thesis. Louisiana State University. [Online] Available at: <http://etd.lsu.edu> Accessed on 10/12/2015
- Laaksonen, K. (2008). Free Trade Agreement (TDCA) between South Africa and the European Union – An Exemplar for the Economic Partnership Agreements. *Pellervo Economic Research Institute*. Working Papers 112. p 39.
- Labour Linkages. Paper prepared for SALDRU Trade and Poverty Project. Available from:
- Larsen M, F. (2007). Trade Negotiations between the EU and South Africa: A Three-level Game. *JCMS 2007* Volume 45. Number 4. Pp. 857-881.
- Laverty A. (2007). Impact of Economic and Political Sanctions on Apartheid. Retrieved at: <http://theafricanfile.com/politicshistory/impact-of-economic-and-political-sanctions-on-apartheid/>. Accessed 10 May 2015
- Lazowski, A. (2012). How to withdraw from the European Union? *European Law Review*. Vol. 37. Pp 523-540.
- Lee D (2016). Why the idea of 'Brexit' — Britain's exit from the European Union — is shaking up markets worldwide. <http://www.latimes.com/business/la-fi-brexit-economic-impact-20160620-snap-story.html>
- Lee T. (2016). Brexit: the 7 most important arguments for Britain to leave the EU. <http://www.vox.com/2016/6/22/11992106/brexit-arguments>
- Lee, M. (2010). The European Union-South Africa Free Trade Agreement: In whose Interest. *Journal of Contemporary African Studies*. Vol. 2. No.1.
- Lee, M.C. (2002). The European Union - South Africa Free Trade Agreement: In Whose Interest? *Journal of Contemporary African Studies*. Vol. 20. No. 1, Pp. 81-106.
- Lemon A. (2000). South Africa's Relations with the European Union since the end of Apartheid. Oxford: Blackwell Publishers.
- Lesotho, O.K. et al. (2016). Stock Market Returns and Exchange Rates in Botswana. *African Journal of Economic Review*. Vol. 4. No. 2. pp.16-42.
- Levy P. (1999). Sanctions in South Africa: What should they do? Economic Growth Centre: Yale University.
- Lewis, D. et al (2003). Free Trade Agreements and the SADC Economies. *Journal of African Economics*. Vol 12, pp. 156-206.

- Lewis, J. (2001). "Reform and Opportunity: The Changing Role and Patterns of Trade in South Africa and SADC," *Africa Regional Workshop*. Paper Series No. 14.
- Lewis, W. A. (1954). *Unlimited Supplies of Labour*. Manchester school.
- Lis, J and Wilding, P. (2016). *BREXIT: The commonwealth Dimension*. London. Anthony Bailey Ltd.
- Loewald C, F. (2008). *Policy Change and Economic Growth: A Case Study of South Africa*. National Treasury of the Republic of South Africa: *South Africa Policy Paper* Number 14
- Lowe P, (2000). *Main Parameters of the EU-SA Partnership*. In Bertelsmann-Scott, Mills and Sidiropoulos (eds) pp 39-45.
- Luke G. (1998). *Unions Mount Demos against Lome*. Electronic Mail and Guardian. November 17.
- Mandelson, P. and Michel, L. (2007). *This is not a Poker Game: Critics of the EU's Trade Agreements Are Gambling with People's Livelihoods in the Developing World*, Guardian. <http://www.guardian.co.uk/commentisfree/2007/oct/31/comment.eu>.
- Martin D., Johnson P. (1986). *Destructive Engagement*. Harare: Zimbabwe Publishing House.
- Martínez-Vela, C.A. (2001). *World Systems Theory* ESD.83
- Matthews, A. (2015). *Implications of British exit from the EU for the Irish agri-food sector*. Trinity Economic Papers (215).
- Matthijs, M. (2013). *David Cameron's Dangerous Game: The Folly of Flirting with an EU Exit*. *Foreign Affairs*. Vol. 92. No. 10.
- Mayer M. (1996). *The implications of the South Africa- European Union Trade, Development and Co-operation Agreement for the Proposed Southern African*
- McDonald, S. and Walmsely, T. (2003). *Bilateral Free Trade Agreements and Customs Unions: The Impact of the EU Republic of South Africa Free Trade Agreement on Botswana*. *GTAP Working Paper*. no. 9, Purdue University.
- Meyn M. (2004). *The Export Performance of the South African Automotive Industry. New Stimuli by the EU-South Africa Free Trade Agreement*. University of Bremen, Number. 89, June 2004, ISSN 0948-3829.
- Meyn M. (2005). *The progress of Economic Regionalisation in Southern Africa- Challenges for SADC and COMESA*" in *Monitoring Regional Integration in Southern Africa Yearbook*. Vol. 5 (2005).
- Monks K. (2016). *7 ways Brexit will be felt across Africa*. <http://edition.cnn.com/2016/07/01/africa/brexit-africa/>
- Morgenthau, H.J., (2014). *A realist theory of international politics*. *The Realism Reader*, 53.
- Murray, I., and Broomfield, R. (2014). *Cutting the Gordian Knot: A road map for British exit from the European Union*. Institute of Economic Affairs (IEA), London.

- Ngangjoh-Hodu, Y. and Matambalya, F.S., (2009). 1 Contextualising the debate of the Africa–EU trade relations beyond the Cotonou Agreement. Trade Relations between the EU and Africa: Development, Challenges and Options beyond the Cotonou Agreement, 76, p.1.
- Ngwenya T. (2016). Economic impact of Brexit and the like. LinkedIn. <https://www.linkedin.com/pulse/linkedin-microsoft-our-next-play-begins-jeff-weiner>
- North West Development Corporation (2016). Economic data report 2016/2017. NWDC research and innovation unit. Q2. www.nwdc.co.za
- Obinyelukau, M. (2013). South Africa’s trade relations with the EU: Implications for the local agricultural sector. Newsletter of International Trade Administration Commission of South Africa (ITAC) May 2013: Volume 1.
- Odhiambo, N.M., 2015. Exchange rate dynamics in South Africa: a review of past and present regimes. Economics, Management, and Financial Markets, (2), pp.77-95.
- OECD (2014). Is migration good for the economy? Migration Policy Debates © OECD May 2014
- Olympio, J. and Cocks, M., (n.d) A Study to Assess the Likely Impacts on Southern African and EU Producers of Further Liberalising the Trade, Development and Co-operation Agreement (TDCA) by Granting South Africa Duty Free Access to the EU. Occasional Research Paper No. 3. Landell Mills Ltd. Regional Trade
- Oosthuizen, M. and Borat, H. (2004). The Post-Apartheid South African Labour Market. SAGA Working Paper No. 176. Available from: <http://www.saga.cornell.edu/saga/workpap.html>
- Oxfam (2007). “Signing Away the Future: How trade and investment agreements between rich and poor countries undermine development” Oxfam Briefing Paper.
- Padayachee A and Desai A. (2015). Post- Apartheid South Africa and the Crisis of Expectation. Rozenberg Quarterly. Retrieved at <http://rozenbergquarterly.com/post-apartheid-south-africa-and-the-crisis-of-expectation-dprn-four/>. Accessed 11 May 2015.
- Padayachee, V. and Valodia, I. (2001). Changing Gear? The 2001 budget and economic policy in South Africa. *Transformation: Critical Perspectives on Southern Africa*. Vol. 46. Pp 71-83
- Palmer, N., (2015). Desktop resource for institutional research [Book Review]. *Australian Universities' Review*. Vol. 57. No 2. p.131.
- Panagariya A. EU Preferential Trade Arrangements and Developing Countries. Oxford: Blackwell Publishers.
- Panos Institute. (1998). Trading in Futures- EU-ACP Relations: Putting commerce before co-operation? Panos Briefing No. 31.
- Pant, M. (2009). The Costs and Benefits to South Africa of joining the SADC EPA. December, 2009 Centre for International Trade and Development School of International Studies Jawaharlal Nehru University, New Delhi.

- Paul H. (1997). Modern History Sourcebook: Summary of Wallerstein on World System Theory, August 1997
- Pisani, A., et al (2013). Monitoring Regional Integration in Southern Africa. Trade and Law Centre: Stellenbosch.
- Punch, K.F., (2013). Introduction to social research: Quantitative and qualitative approaches. Sage.
- Rensburg D.V (2016). How Brexit may affect SA economy. <http://citypress.news24.com/Business/how-brexit-may-affect-sa-economy-20160626>
- Ritchie, J. et al (2013). Qualitative research practice: A guide for social science students and researchers. Sage.
- Rodrik, D. (1999). The New Global Economy and Developing Countries: Making Openness Work. Washington, D.C: Overseas Development Council.
- SA Reserve Bank (2015). Domestic economic developments. Quarterly Bulletin.
- SA Tourism (2010). Marketing South Africa in the UK. 3rd edition. South African Tourism
- SA Tourism (2013). 2012 Annual Tourism Report. South African Tourism Strategic Research Unit. Vol. 07062013 4
- Sako S. (2006). Challenges facing Africa's Regional Economic Communities in Capacity Building. The African Capacity Building Foundation Occasional Paper No. 5 2006.
- Salvatore, D. (1995). International Economics. New Jersey: Prentice Hall.
- Sandrey, R. and Fundira, T. (2007). Southern Africa and Trading Relationship with the European Union, Tralac Trade Brief No. 1. Stellenbosch: US Printers.
- Sandrey R. (2013). An analysis of SADC free trade area. Stellenbosch. Tralac
- Saurombe, A. (2010). The role of South Africa in SADC regional integration: the making or braking of the organization. *Journal of International Commercial Law and Technology*. Vol. 5. No. 3
- Schularick, M. and Solomou, S. (2009). Trade and Economic Growth: Historical Evidence. Cambridge Working Papers.
- Shadlen, K.C. (2005). "Exchanging Development for Market Access? Deep Integration and Industrial Policy under Multilateral and Regional-Bilateral Trade Agreements." *Review of International Political Economy*. Vol.12, No. 5. pp. 750-775.
- Smith C. (2016). Why SA is most exposed to Brexit impact - Moody's. <http://www.fin24.com/Economy/why-sa-is-most-exposed-to-brexit-impact-moodys-20160708>
- Smith, A. (2003). The Wealth of Nations. New York: Bantam Bell.
- Smith, J.A. ed., (2015). Qualitative psychology: A practical guide to research methods. Sage.

- Somerville W. (2016). When the Dust Settles: Migration Policy after Brexit. Migration Policy Institute. http://www.migrationpolicy.org/news/when-dust-settles-migration-policy-after-brexit?gclid=CjwKEAiAgavBBRCA7ZbggrLSkUcSJACWDexArDqImbMuanglRVbXp9RQ0LCyv87otcTaZ3fBOX7q_hoChp_w_wcB
- South African Government News Agency. (2014). 'SA, EU vow to tackle unemployment, boost trade', 19 JULY 2014. Available at www.sanews.gov.za
- South African news. (2014). South Africa to benefit from EU trade pact. Retrieved from <http://allafrica.com/stories/201407231143.html>. Accessed: October 2014
- Sowetan Live. (2014). Rooibos protected in EU trade pact. Retrieved at <http://www.sowetanlive.co.za/business/business-stories/2014/07/22/rooibos-protected-in-eu-trade-pact>. Accessed: 18 October 2014
- Staiger, R. and Tabellini, G. (1987). Discretionary Trade Policy and Excessive Protection. *The American Economic Review*, Vol. 77, No. 5. pp. 823-837.
- Statt SA (2016). How did the economy perform in the third quarter of 2016. <http://www.statssa.gov.za/?p=9208>
- Stevens, C. (2006). 'The EU, Africa and Economic Partnership Agreements: Unintended Consequences of Policy Leverage', *The Journal of Modern African Studies*, 44(3): 441
- Stiglitz, J., E. and Charlton, A.H. (2005). *Fair Trade for All: How Trade Can Promote Development*. Oxford:
- Stoneman C. and Thompson C. (2007). Trading Partners or Trading Deals? The EU and US in Southern Africa. *Review of African Political Economy*. Vol. 34, No. 112. Pp. 227-245
- Suranovic, S.M. (2007). *International Trade Theory and Policy*. E-book. [Online] Available: <http://www.flatworldknowledge.com/printed-book/205113>. Accessed: 30 October 2013
- Tan A. (2016). Africa after Brexit. <http://www.un.org/africarenewal/magazine/august-2016/africa-after-brexit>
- Taylor, S.J et al (2015). *Introduction to qualitative research methods: A guidebook and resource*. John Wiley & Sons.
- The South African Reserve Bank (2015). *Quarterly Bulletin*. Available at www.resbank.co.za
- The Telegraph (2016). Business world reacts to Brexit vote as Britain's EU Commissioner Lord Hill announces resignation. <http://www.telegraph.co.uk/business/2016/06/23/markets-live-will-sterling-surge-or-slump-as-the-eu-referendum-c/>
- Todaro M. and Smith S. (2002). *Economic Development*. Eighth Edition. Harlow: Pearson Education.

- Trudi, H. (2011). Regional Integration in Africa, WTO Staff Working Paper, No. ERSD-2011-14, Geneva, Available at <http://www.econstor.eu>, accessed 12 September 2015.
- Ugarteche, O. (2000). The false dilemma – Globalisation: opportunity or threat. London: Zed Books.
- Van de Geer, R. (2014). South Africa and the EU: 1994-2014 trends, developments and a perspective on the future. University of South Africa, Pretoria.
- Van Rossem, R., 1996. The world system paradigm as general theory of development: A cross-national test. *American sociological review*, pp.508-527.
- Venables A.J (2003). Winners and losers from regional integration agreements. *The economic Journal* Vol 113. Issue 490. Pp 747-761.
- Walaza U. (2013). Evaluating the impact of the EU-SA TDCA on South Africa's Policy Space. South Africa: University of Witwatersrand.
- Wallerstein I. (1974). The Rise and Future Demise of the World Capitalist System. *Comparative Studies in Society and History*, Volume 16, Issue 4. Pp 387-415.
- Walt, S.M. (1998). International relations: one world, many theories. *Foreign policy*, Pp.29
- Weber, C., 2013. International relations theory: a critical introduction. Routledge.
- Weeks, J. (1999). Commentary. Stuck in low GEAR? Macroeconomic policy in South Africa, 1996-98. *Cambridge Journal of Economics*. Vol. 23. No 6. Pp 795-811.
- Wolmarans, J. (2011). The impact of trade policies on the South African clothing and textile industry: a focus on import quotas on Chinese goods. SUN Scholar Research Repository. Retrieved at: <http://hdl.handle.net/10019.1/8544>. Accessed: 5 December
- World Bank. (2000a). Can Africa Survive the 21st Century? Washington DC: World Bank.
- World Bank. (2000b). "World Bank Calls on Rich Countries to Open Their Market for the Poor and Their Children." News Release No. 2001/243/S, February 26. Washington DC: World Bank.
- World Trade Organisation. (2013). Statistics International trade and market access data. www.wto.org/statistics
- World Trade Organization., (2003). Trade Policy Review Southern African Customs Union Report by Secretariat. Available at https://www.wto.org/english/tratop_e/tpr_e/s114-0_e.doc.
- Worstell T. (2016). UK Net Migration at 330,000 For 2015: Bad News for The EU Referendum Debate. <http://www.forbes.com/sites/timworstell/2016/05/26/uk-net-migration-at-330000-for-2015-bad-news-for-the-eu-referendum-debate/#2eabe7ad368a>
- Wroblewski, J. (2012). Assessment of the Economic Partnership Agreement between South Africa and the European Union. Master's Thesis. North-West University

- Yadav, M.S. and Pavlou, P.A., 2014. Marketing in computer-mediated environments: Research synthesis and new directions. *Journal of Marketing*, 78(1), pp.20-40.
- Zarenda, H. (2013). South Africa's National Development Plan and its implications for regional development. Tralac Working Paper. No. D13WPOI. P. 2013.