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The impact of the United States (US) and South Africa's (SA) trade relationship on Botswana, Lesotho, Namibia and Swaziland (BLNS) [1999-2013]

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The impact of the United States (US) and South Africa's (SA) trade relationship on Botswana, Lesotho, Namibia and Swaziland (BLNS) [1999-2013]

Asanda Saule

A research report submitted to the Faculty of Humanities, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of Master of Arts in International Relations

Johannesburg, 2014

ABSTRACT

This study set out to interrogate the impact of the U.S. - S.A. trade relationship on Botswana, Lesotho, Namibia and Swaziland (BLNS). A qualitative method of study was chosen and the literature review method was used.

South Africa's foreign policy making was analysed and it was found that in 1994, the country, sought international standing and economic growth. As such, it chose foreign policy that met the stringent criteria of Brenton Woods institutions and liberalised markets, privatised and had a stringent tax regime. The country also carved out a niche as an agent for peace on the African continent and a champion of the global South.

South Africa's post-democratic relationship with the United States was analysed and found to have been negatively impacted by the hangover of Cold War politics and the U.S.'s relationship with the apartheid government. The new government also considered Russia and other American enemies like Cuba, Iran and Lybia allies. The South African government never fully trusted the U.S.'s intentions and was wary of agreeing too often with the country for fear of being called a puppet of the U.S. However, the two countries managed to find common ground and continue to trade with each other successfully.

The relationship between BLNS and S.A. in SACU was found to be unequal with BLNS still economically and geographically dependent on S.A. This is in spite numerous changes meant to bring about equality in SACU. The study concluded that there was no real impact on BLNS as a result of the relationship between U.S. and S.A.BLNS suffered a negative impact when the European Union and S.A. signed an agreement but they ensured they were not victims of the U.S. – S.A. trade relationship.

DECLARATION

I, Asanda Antoinette Saule, declare that this research report is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Arts in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

Asanda Antoinette Saule

Signed at ……

On the …….. day of …… 20…..

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List of Acronyms

ACP - African Caribbean Pacific

AGOA -African Growth and Acceleration Programme

ANC- African National Congress

AU – African Union

BLNS - Botswana, Lesotho, Namibia and Swaziland

CODESA - Convention for a Democratic South Africa

COMESA - Common Market for Eastern and Southern Africa

COSATU- Congress of South African Trade Unions

DG- Director General

DRC- Democratic Republic of the Congo

DTI -Department of Trade and Industry

EAC- East African Cooperation

EDF - European Development Fund

EUE - European Union

FDI - Foreign Direct Investment

FTA - Free Trade Agreement

GATT – General Agreement on Tariffs and Trade

GEAR - Growth, Employment and Redistribution strategy

GED- Growth, Equity and Redistribution

IGAD - Inter Governmental Authority on Development

IMF - International Monetary Fund

IOC - Indian Ocean Commission

IMF - International Monetary Fund

IPE - International Political Economy

IR - International Relations

NEPAD - New Partnership for Africa’s Development

OAU – Organisation of African Unity

RDP- Reconstruction and Development Plan

RISDP - Regional Indicative Strategic Development Plan

RSF – Revenue Sharing Formula

SA - South Africa

SACU - Southern African Customs Union

SADC - Southern African Development Community

SITC - Standard International Trade Classification

TDCA - Trade Development and Cooperation Agreement

TIFA - Trade Development and Investment Framework Agreement

US - United States of America

WTO - World Trade Organisation

TABLE OF CONTENTS

ABSTRACT ..... **iii**

DECLARATION ..... **iv**

ACKNOWLEDGEMENTS ..... **v**

LIST OF TABLES ..... **x**

LIST OF FIGURES ..... **xi**

CHAPTER 1. INTRODUCTION **12**

1.1 PURPOSE 12

1.2 HISTORICAL BACKGROUND 13

1.2.1 SOUTH AFRICA AND THE UNITED STATES OF AMERICA 14

1.3 SOUTH AFRICA AND ITS BLNS NEIGHBOURS 17

1.3.1 HISTORICAL CONTEXT 17

1.3.2 BOTSWANA AND SOUTH AFRICA 18

1.3.3 LESOTHO AND SOUTH AFRICA 18

1.3.4 NAMIBIA AND SOUTH AFRICA 19

1.3.5 SWAZILAND SOUTH AFRICA 19

1.3.6 BLNS AND THE US 20

1.4 THE MAKING OF SOUTH AFRICA'S POST-APARTHEID FOREIGN POLICY 22

1.5 LIST OF ACRONYMS ..... **ERROR! BOOKMARK NOT DEFINED.**

1.6 SUMMARY 25

CHAPTER 2. RESEARCH CONTEXT AND APPROACH **26**

2.1 INTRODUCTION 26

2.2 RESEARCH TOPIC AND RATIONALE 27

2.2.1 PROBLEM STATEMENT 29

2.3 RESEARCH APPROACH/DESIGN 30

2.4 RESEARCH METHODOLOGY 32

2.5 LITERATURE REVIEW METHOD 33

2.6 VALIDITY AND RELIABILITY 34

2.6.1 VALIDITY 35

2.6.2 RELIABILITY 36

2.7 LIMITATIONS 36

CHAPTER 3. Literature Review **38**

3.1 THEORETICAL FRAMEWORK – NEW REGIONALISM 43

3.2 SUMMARY 48

CHAPTER 4. UNDERSTANDING UNITED STATES – SOUTH AFRICA RELATIONS.....51

4.1 INTRODUCTION 51
4.2 POST-APARTHEID SOUTH AFRICA AND THE UNITED STATES AS TRADE PARTNERS 51
4.3 SOUTH AFRICA AND AGOA 56
4.4 THE U.S. – S.A. BINATIONAL COMMISSION AND THE US-SA TIFA.....63
4.5 DISPUTES BETWEEN THE U.S. AND SOUTH AFRICA 68
4.6 SUMMARY 70

CHAPTER 5. UNDERSTANDING SOUTH AFRICA IN THE REGION 73

5.1 INTRODUCTION 73
5.2 SOUTH AFRICA: REGIONAL HEGEMON OR MIDDLE POWER?.....73
5.3 SOUTH AFRICA IN SACU 81
5.4 THE SACU- US TRADE, INVESTMENT, AND DEVELOPMENT COOPERATIVE AGREEMENT (TIDCA) 88
5.5 SUMMARY 91

CHAPTER 6. CONCLUSION AND RECOMMENDATIONS.....93

REFERENCES.....99

LIST OF TABLES

Table 1: South Africa: average annual growth Source: Edwards and Edwards 16

Table 2: Trade between SA and the USA Source: Department of Trade and Industry (SA) trade data 21

Table 3: Differences between qualitative and quantitative research methods Source: Rajasekar et al 33

Table 4: South Africa - US trade flows 2000 - 2012 Source: Department of Trade and Industry (South Africa) 56

Table 5: Main gains made through the bi-national commission 63

Table 6: South Africa - US FDI and related indicator trends Source: BEA, U.S. Direct Investment Abroad: Selected Items by Detailed Country, 2007-2011"; and CRS calculations 67

Table 7: Disputes between the Unites States and South Africa 68

Table 8: South Africa's Top Five receiver of exports in Africa Source: Department of Trade and Industry (South Africa) Trade Data 74

Table 9: South Africa's Top Five importers in Africa Source: Department of Trade and Industry (South Africa) Trade Data 74

Table 10: South African exports from the World Source: Department of Trade and Industry (South Africa) Trade Data 87

Table 11: South African imports from the World Source: Department of Trade and Industry (South Africa) Trade Data 87

LIST OF FIGURES

Figure 1: Comparison of USA trade: SA vs BLNS Source: United States Trade Representative Data 2012 21

Figure 2: RTAs notified to the GATT/WTO (1948-2002), cumulative. Source: World Trade Organisation Annual Report: 2002 26

Figure 3: South African exports to the US under AGOA, MFN and GSP in 2012 Source: US International Trade Commission 60

CHAPTER 1. INTRODUCTION

1.1 Purpose

The purpose of this section is to give a historic context to SA and its relations with the US and BLNS. This chapter introduces the reader to South Africa and its relationship with Botswana, Lesotho, Namibia and Swaziland (BLNS). It deals with the history between the two countries as neighbours that are bound by their agreement under the South African Customs Union (SACU). It also provides a context for how SA and the US became trade partners in the first place. The chapter then introduces the reader to how South Africa's foreign policy strategy came to being, which will contribute towards achieving a greater understanding of why South Africa made and continues to make the decisions that it does.

The topic of this thesis is 'The impact of the United States (US.) and South Africa's (S.A) trade relationship on Botswana, Lesotho, Namibia and Swaziland (BLNS) [1999-2013]'. The principal research question is how BLNS was impacted by the trade relationship between the US and SA in the period 1999 - 2013.

Many researchers study regional integration agreements and their impact. However, such studies are usually based on the assumption that the schemes are good for all participating economies. This study will set out to find if there was any impact, negative or positive on smaller countries like BLNS from the relationship that their biggest partner (SA) has with its trade partner (US). The study is therefore concerned with the interaction between multiple agreements amongst different trade partners, namely, the US, SA and BLNS.

In order to fully explore this question various agreements have been placed under the spotlight namely:

- The African Growth and Opportunities Act of 2000 (AGOA)
- The SA – US. Trade Investment Framework Agreement (TIFA)

- SACU agreements between members of 1910, 1969 and 2002
- The failed SACU –US Free Trade Agreement (FTA) that became the SACU – US. Trade, Investment, and Development Cooperation Agreement (TIDCA)

Other issues that will be interrogated are:

- South Africa's foreign policy in the post-apartheid era
- South Africa's relationship with the United States
- South Africa's role in the Southern African Customs Union
- South Africa's role on the continent and the world economy

The issues above will be understood by asking the following research questions:

1. What was the historical context of the US – SA relationship and how did that context affect the foreign policy objectives when relating and signing agreements with the US?
2. What is the historical context of the relationship between SA and BLNS and how did that affect the foreign policy objectives when relating and signing agreements with the SACU?
3. What impact did domestic politics and national interest have on South Africa's foreign policy actions in the relationships outlined above?
4. Was there any impact on BLNS arising from the relationship between SA – US?

1.2 **Historical background**

"International trade is the transmission belt that links global production and consumption. This implies that trade is principally driven by the supply potential

of countries, the demand for traded goods and services as well as geographical and policy-driven "frictions", which determine the transmission belt's efficiency.[1]"

In order to fully understand what the motivation for the relationship between SA and the US, it is important to understand the context in which SA entered the global market. In global terms, South Africa is a small economy with only 0.5% share of the global economy, but it is the most diverse economy in Africa[2]. As a result of this, and its size it holds a special place internationally and on the continent.

1.2.1 *South Africa and the United States of America*

South Africa's relationship with the US has withstood trying times, from a healthy relationship with the apartheid government to economic sanctions, back to a healthy relationship with the post-apartheid government.

South Africa was initially a British colony but gained independence from Britain in 1910[3]. The country was segregated, with the different racial groups having an unequal status but it was only with the introduction of the system of apartheid that racial discrimination was legislated. The system of apartheid began formally in 1948 when the National Party won the general election –in which only whites were allowed to participate[4]. This marked the beginning of legislated discrimination[5]. Ever since the system began, there was mild opposition against it and some noise in the international community but it was the Sharpeville massacre of 1960 that brought attention to the violent nature of the system towards black South Africans[6].

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[1] World Trade Report. (2013). Accessed from http://www.wto.org/english/res_e/publications_e/wtr13_forum_e.htm on 05 June 2013
[2] Goldman Sacks. (4 November 2013).*Two decades of freedom. What South Africa is doing with it and what needs to be done.* Pp4 Accessed from http://www.goldmansachs.com/our-thinking/focus-on/growth-markets/colin-coleman/20-yrs-of-freedom.pdf on 6 June 2013
[3] World and African history: Africa, Colonialism, arts, protest, independence. Accessed from http://www.sahistory.org.za/world-and-african-history/africa-colonialism-arts-protest-independence on 15 March 2014
[4] Apartheid and limits non-violent resistance 1948-1960. Accessed from http://www.sahistory.org.za/liberation-struggle-south-africa/apartheid-and-limits-non-violent-resistance-1948-1960 Accessed on 6 June 2013
[5] Ibid
[6] Ibid

In its aftermath, the United Nations called for sanctions against the South African government[7]. This became a failed bid as Security Council members, Britain, France and the United States, successfully watered down the UN's proposals[8]. The United States did not stop at watering down the UN's proposal in its support for South Africa. Coleman- Adebayo [9] and other critics of the relationship between the US and South Africa accuse the US of being a "*faithful ally of the racist apartheid regime*[10]". As evidence of the extent of the support Coleman-Adebayo recounts revelations that it was the US's Central Intelligence Agency (CIA), working with an ANC agent that revealed the whereabouts of ANC leader, Nelson Mandela, to the South African government that led to Mandela's arrest in 1962[11] .

Furthermore, US president, Ronald Reagan also called Mandela a terrorist and pursued a highly controversial "'*constructive engagement' (i.e., dialogue) with the white South African regime, regarding this approach as the most effective way to promote change*[12]", a policy which to this day still meets criticism. Following the UN proposal, various lobby groups in the US and Europe put pressure on their governments to impose sanctions on South Africa. Resistance against apartheid externally and internally, continued from the Sharpeville massacre of the sixties and was at its loudest by the 1976 Soweto Uprising. The eighties era of resistance saw protests across the county coupled with threats of international sanctions and led to the institution of a state of emergency by the apartheid government in 1986[13]. Anti-apartheid protest group's efforts finally paid off when the US Congress passed the Comprehensive Anti-Apartheid Act in 1986[14]. As a direct result of this act many international companies left South

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[7] *Sharpville Massacre and its Historic Significance*. Accessed from http://www.sahistory.org.za/archive/sharpeville-massacre-its-historic-significance-struggle-against-apartheid on 12 June 2013
[8] Ibid
[9] Coleman-Adebayo M. (14 December 2013). *Eyewitness to America Betraying Mandela's South Africa*: *The Gore-Mbeki Commission*. Truthout. Op-Ed Section. Accessed from http://www.truth-out.org/opinion/item/20597-eyewitness-to-america-betraying-mandelas-south-africa-the-gore-mbeki-commission on 16 March 2014
[10] Ibid
[11] Ibid
[12] Ploch L. (4 January 2011). *South Africa: Current Issues and U.S. Relations.* Congressional Research Service. pp 18 Accessed from https://www.fas.org/sgp/crs/row/RL31697.pdf on April 2013
[13] Lulat Y. G-M. (2008).U.S. African Americans and South Africa, 1949 -2008. In *United States Relations with South Africa. A Critical Overview from the Colonial Period to the Present*.
[14] Stephen Kaufman.(16 December 2013). P*ressure to End Apartheid Began at Grass Roots in U.S.* Accessed from http://iipdigital.usembassy.gov/st/english/article/2013/12/20131216288978.html?CP.rss=true#ixzz38PcPQnPH on 12 January 2014

Africa and the South African economy struggled with the effects of internal and external boycotts[15] as shown in the graph below.

Table 1: South Africa: average annual growth Source: Edwards and Edwards [16]

Years	Export Volume	Import Volume	GDP
1960-1970	4.5	7.8	5.7
1971-1980	0.9	1.9	3.4
1981-1990	1.4	0.3	1.5
1991-2000	5.3	6	1.9
2001-2004	1.1	6.6	3.2

As shown above, during the eighties,

> "trade *protection seriously impeded both exports and imports, and the economy depended on favourable global commodity price trends to avoid running into an external constraint… the pattern of protection was particularly detrimental to exports of non-commodity manufactured goods..*[17]"

In spite of the history outlined above, South Africa and the US were bound to be trade partners. According to Stremlau[18], the countries "*are bound by the proposition that all people are created equal*[19]*" and* their shared history of moving from a legislated racism to a non-racist society.

South Africa's transition from apartheid to democracy was a long and difficult process. It therefore comes as no surprise that, at the dawn of democracy in 1994, South Africa, had to develop new trade relations with both old and new trade partners. It was important for old trade partners in particular, to be aware

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[15] *Disinvestment moves by two major companies*. Accessed from http://www.sahistory.org.za/dated-event/disinvestment-moves-two-major-companies. Accessed on 12 January 2014

[16] Edwards L, Edwards R. (December 2006). *South African Trade Policy Matters: Trade Performance and Trade Policy*. Working Paper 12760. National Burea of Economic Research. Cambridge, Massachusetts. http://www.nber.org/papers/w12760. Pp 5

[17] Ibid http://www.nber.org/papers/w12760. Abstract

[18] Mills G. and Stremlau J. (2000).*The Reality behind the rhetoric: the United States, South Africa and Africa*. South African Institute of International Affairs and The Centre for Strategic and International Studies.pp vii

[19] Ibid

that, they were negotiating with a new country, with new goals, which were different from the apartheid regime.

1.3 South Africa and its BLNS neighbours

1.3.1 *Historical Context*

South Africa has a long relationship with BLNS countries that pre-dates even apartheid. There have been formal economic ties between the countries since the establishment of SACU in 1910. Botswana, Lesotho and Swaziland, were colonies of the United Kingdom at the time. In the 1960s Botswana, Lesotho and Swaziland gained their freedom and became independent states, which led to the first SACU re-negotiation of terms in 1969.

Another negotiation of terms took place in the period between 1994 and 2002. This followed Namibia joining SACU in 1990 and the independence of South Africa in 1994[20]. All these changes also took place as the global economy was changing. Most notably, there was pressure on developing countries to liberalize their economies in the 1980s and the fall of the Berlin Wall which also signalled the end of the Cold War and the beginning of the expansion of the capitalist system under globalisation.

Botswana, Lesotho, Namibia and Swaziland are dependent on South Africa's economy for SACU revenues as well as the provision of employment for its citizens[21]. South Africa on the other hand, has and continues to depend on these countries' citizens for labour and has done so since the early days of its mining industry. For many years, South Africa has and to a certain extent continues to provide infrastructure like the telecoms, power and railroads for BLNS[22]. South Africa has an advanced system of road, railroad and ports, which meant goods could be transported from their countries of origin through

[20] Grynberg R., Motswapong M. (24 April 2012). *SACU Revenue Sharing Formula: Towards a Developmental Agreement.* BIDPA Working Paper
[21] Hentz J.J. (2005). Conclusion: Post Apartheid South Africa's Regional Relations. In *South Africa and the logic of regional co-operation*. Pp 165
[22] Ibid

South Africa into BLNS[23]. These countries are also geographically dependent on South Africa because of their close proximity to the country; with Lesotho[24] the most vulnerable as it is completely surrounded by South Africa.

1.3.2 *Botswana and South Africa*

During apartheid, relations between South Africa and Botswana were strained although both were part of SACU. Botswana publicly declared its stand in opposition to apartheid and even provided a safe-haven to members of banned political organisations like the ANC. However, there was still a lot of trade happening between the countries under SACU[25].

Botswana's geographic and economic dependence on South Africa meant that, it could not impose economic sanctions on the country. It is only in the post-apartheid era that relations became good again between the two countries.

1.3.3 *Lesotho and South Africa*

Relations between South Africa and Lesotho were also tense during the apartheid era. Out of all its neighbours, Lesotho relied on South Africa the most because of its landlocked status. This meant that all goods going into and coming out of Lesotho had to go via South Africa. This left Lesotho both economically and geographically dependent on South Africa. Until the 1960's, South Africa attempted various times to argue for the incorporation of the country without much success[26].

In spite of their dependence, Lesotho criticised the South African government for their apartheid policy. It also provided a safe haven for members of banned political parties like the ANC, PAC and many others. In 1966, Lesotho gained

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[23] *Relations with African States*. Accessed from http://countrystudies.us/south-africa/83.htm on 25 March 2014
[24] Khadija Patel. (19 April 2013).*Lesotho and South Africa: 'Good fences make good neighbours'*. Daily Maverick. Accessed from http://www.dailymaverick.co.za/article/2013-04-19-lesotho-and-south-africa-good-fences-make-good-neighbours/#.UyRpVM4w1uM. 12 May 2013
[25] *Botswana*. Country Report. Accessed from http://countrystudies.us/south-africa/83.htm on 25 January 2014
[26] *Lesotho*. Country Studies. Accessed from http://countrystudies.us/south-africa/83.htm on 25 January 2014

independence from colonialism and was ruled by a constitutional monarchy until 2012[27].

1.3.4 Namibia and South Africa

Like the other BLNS countries, Namibia and South Africa have a long relationship. Namibia was a colony of Germany from the 1800's until the early 1900's[28]. It became the territory of South Africa from 1919, when the League of Nations gave the country a mandate over Namibia until 1988. The country, formerly South-West Africa, also had apartheid laws introduced in 1964 following their introduction in 1948 in South Africa[29]. The United Nations attempted to revoke South Africa's mandate over Namibia, a number of times but only succeeded when South Africa handed over administrative control to the country in 1985 and then signed an agreement releasing Namibia in 1988. It was only in 1990, that the country gained its independence from whites only rule, which caused tension as the leaders of the new Namibian government, had led the war to oust South Africa[30].

1.3.5 *Swaziland South Africa*

Swaziland is yet another neighbour that is economically and geographically dependent on South Africa. It has had co-operation agreements with South Africa on economic and security issues since the 1970s. Its role gained more importance during economic sanctions as "*South African businesses also used Swazi territory as a transhipment point in order to circumvent international sanctions on South Africa*[31]. "

Its status during the fight against apartheid was not always clear- cut. It provided a safe haven for members of the ANC and other banned political

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[27] *Southern African – German Chamber of Commerce and Industry. Country Profile: Lesotho* Accessed from http://suedafrika.ahk.de/en/country-profile/lesotho/ on 20 January 2014
[28] Namibia. South Africa History. Accessed from http://www.sahistory.org.za/places/namibia on 28 May 2014
[29] Ibid
[30] Ibid
[31] Swaziland. Country Data. Accessed from http://www.country-data.com/cgi-bin/query/r-12184.html on 20 January 2014.

parties but also allowed South African security forces to carry out some operations in the country[32].

As outlined above, during apartheid, South Africa's neighbours openly criticised the government's policy of segregation and even harboured operatives of the ANC and other banned political parties in their countries. As the political situation in South Africa changed, so did South Africa's relationship with its neighbours. In fact, the opposition to apartheid became a unifying force amongst countries on the African continent, especially BLNS countries, which were economically and geographically dependent on South Africa and therefore could not completely divorce themselves from the country and its trade.

After economic sanctions against SA were implemented, trade with BLNS became even more crucial for SA as the countries could not impose sanctions on SA. As outlined earlier, countries like Swaziland became strategically important for circumventing the sanctions.

At the dawn of democracy in 1994, South Africa's first democratic President and the president of the ruling ANC, Nelson Mandela, made it clear that the country wanted a good relationship with the continent and particularly South Africa's neighbours[33]. The country was moving from having an imperialist top down approach towards its neighbours to a relationship that sought partnerships and wanted to recognise the importance of each player[34]. This was in spite of South Africa's continued economic power and the neighbours continued dependency as explained above.

1.3.6 *BLNS and the US*

All SACU members trade with the United States; however, there is a vast difference between their trade volumes and therefore the bilateral relations with the US. South Africa's economic status is not comparable to those of its trading

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[32] *Swaziland. Country Data.* Accessed from http://www.country-data.com/cgi-bin/query/r-12184.html on 20 January 2014.
[33] Field S. (12 November 2000). *From Polecat to Leader of the South: A review of South Africa's Foreign Policy since 1994*. Prepared for the Presidency: Policy Co-ordination and Advisory Services. Institute for Global Dialogue.
[34] Ibid

partners. The differences in economic status are recognised by institutions like the World Trade Organisation (WTO). *"Botswana and South Africa are classified as upper middle income countries while Namibia and Swaziland are considered low-middle income countries and Lesotho is a least-developed country[35]".* The graph show the below shows just how big the gaps between SACU members trade with the US are.

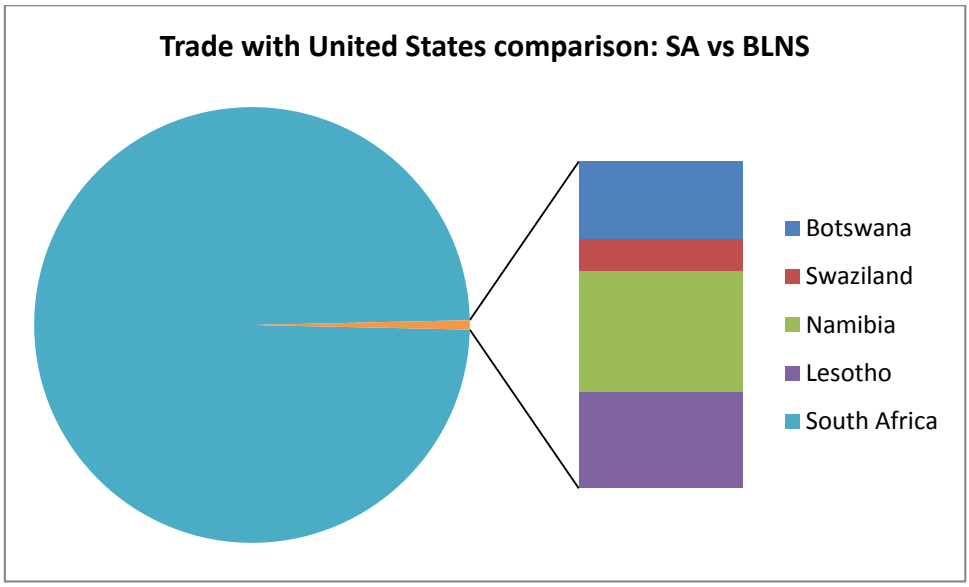


Figure 1: Comparison of USA trade: SA vs BLNS Source: United States Trade Representative Data 2012 [36]

For the US, SACU is the biggest trade partner outside of oil producing Nigeria. Within SACU, the US's biggest trade partner is South Africa, as shown in the table below[37].

Table 2: Trade between SA and the USA Source: Department of Trade and Industry (SA) trade data[38]

[35] World Trade Organisation. (30 September 2009). *Trade Policy Review Body Report by the Secretariat: South African Customs Union*. p 1
[36] Accessed from http://www.ustr.gov/countries-regions/africa/southern-africa . Accessed on 26 February 2013
[37] Phiri D. (October 2009). *The SACU- US TIDCA: South African Private Sector Perspectives.*
[38] Ibid

South Africa Trade by Country										
Country	Exports to and Import from in (R' Million)					Rank		Proportions 2013		Annual growth %
Name	2013	2012	2011	2010	2009	2013	2012	Total %	Cum %	2012-2013
UNITED STATES EXPORT	67 017	64 417	59 701	52 658	41 554	2	2	77.34	77.34	4.04
UNITED STATES IMPORT	62913.552	60966.903	57292.302	42887.053	42159.29	4	4	61.722552	61.722552	3.192961353
TOTAL TRADE BALANCE	129 931	125 384	116 994	95 545	83 713					

The graph and the table show that the trade relationship between the U.S. and South Africa is important for both countries. It also shows just how little the U.S. and BLNS benefit from having a relationship with each other, especially when compared to South Africa.

1.4 The making of South Africa's post-apartheid foreign policy

At the dawn of democracy, South Africa found itself at a crossroads, having to decide which inter-state relationships from the apartheid era to continue with or discontinue. A new approach was required for both old and new trade relationships. Architects of the transition knew that the new South Africa would require a large influx of capital but they could not agree on which foreign policy strategy to follow[39].

Three competing approaches to trade were discussed during the transition period and each had its own supporters and detractors. The approaches were, the 'developmental co-operation approach', 'the market co-operation/ laissez-faire approach' and the 'ad hoc cooperation approach[40]'.

Hentz describes the *developmental co-operation* approach as "*co-operation that would facilitate economic development for all of South Africa's economy*" [41]. This approach was initially supported by one of the main players of the negotiations and the future ruling party, the ANC and its allies, labour groups such as Congress of Southern African Trade Unions (COSATU) as well as Die Afrikaans Handelsinstituut. Initially, the ANC seemed to fall towards a

[39] Hentz J.J. (2005). Conclusion: Post-Apartheid South Africa's Regional Relations. *In South Africa and the logic of regional co-operation*. Pp 163 -184
[40] Ibid
[41] Ibid pp 164

"*Keynesian based socialist policy*" [42] which "*implied state managed cooperation…supporting a strong state role for promoting economic development*[43]" but later, the organisation's stance changed.

The second approach was the *"market co-operation/laissez-faire approach[44]",* which falls under *"neoliberal orthodoxy"* and *"promoted regional integration through the expansion of free trade"*. This had supporters from external actors like the European Union, International Financial Institutions, IMF and World Bank and others. It was also the preferred policy choice of big business and officials from the old regime[45].

The third approach was the *"ad hoc co-operation approach[46]",* also supported by *"the old regime….big business and the parastatals."* This approach was favoured by those who were *"benefiting from the dependence of neighbouring countries on South Africa's regional telecommunications, electricity grid and railroads[47]"* This approach included those who argued that if South Africa retained its dominant position then there would be no need for *"institutionalised regionalism[48]"*. This approach would allow South Africa to retain dominance over the region and the industries where it already dominated[49].

As mentioned earlier, the ANC later changed their stance in terms of which ideology to follow. The supporters of the ad-hoc approach dominated the 'informal' economic talks that ran parallel to the political talks at the Convention for a Democratic South Africa (CODESA) [50]. They managed to convince the ANC of the merits of this approach and as a result, the ANC began to talk more about neoliberal economics.

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[42] Hentz J.J. (2005). Conclusion: Post Apartheid South Africa's Regional Relations. In *South Africa and the logic of regional co-operation*. Pp 164
[43] Ibid pp 164
[44]Ibid pp 164
[45] Ibid pp 165
[46] Ibid pp 165
[47] Ibid pp 165
[48] Ibid pp 166
[49]Ibid pp 166
[50] Ibid pp 166

According to Terreblanche[51] , at the beginning of the transition period, the ANC was "*socialist oriented*" whilst South African business was "*capitalist oriented"* but this changed over time". He observed that, "*the joint TEC – IMF statement shows clearly that the core ANC leaders must have changed their strategic and ideological thinking in important ways from 1992 onwards.*[52]" He adds further that, by the end of the negotiation period, the ANC had committed itself to *"a macro-economic and fiscal policy that clearly excluded a comprehensive redistribution policy for addressing the predicament of the poorest half of the population*[53]*."* This thinking was largely at odds with the people-centred economic policies that the ANC championed at the beginning of the negotiations. This ideological shift was clearly visible in post-apartheid foreign policy. Edwards et al [54] characterises it as different from apartheid era foreign policy and a move "*from export promotion with import controls to greater openness through tariff libelirazation."* This decision to liberalise had a large impact on how South Africa interacted with its allies, neighbours and trade partners.

[51] Terreblanche, S. (2002). *A history of Inequality in South Africa 1652 -2002*. University of Natal Press. Pietermaritzburg.pp95
[52] Ibid pp 97
[53] Ibid pp 97
[54] Edwards L, Cassim R, Seventer D. (2009). Trade policy in South Africa. (Eds) Aron J, Kahn B and Kingdon G. *South African Economic Policy under Policy under Democracy*. Oxford University Press. pp151 -178

1.5 **Summary**

This chapter set out to introduce the study and provide a historical context for SA and its relations. To that end, the love-hate relationship between apartheid South Africa and BLNS countries was analysed. The argument that SACU was and continues to be a marriage of the unequal with South Africa dominating the policy direction of the union was introduced. As outlined above, BLNS found itself bound to South Africa, even during international economic sanctions. SACU bound the countries together indefinitely and was highly beneficial to South Africa, especially in the sanctions era. However, the opposition of the system of apartheid became a powerful unifying force for BLNS countries, which were economically and geographically dependent on S.A.

The history between apartheid South Africa and the U.S. was also discussed. Apartheid South Africa had a close relationship with United States, especially president Ronald Reagan, who engaged the country under a controversial policy. The U.S. even thwarted initial UN efforts to impose sanctions until the anti-apartheid lobby finally won in 1986. This historical background will be important in understanding the ambivalence of the new South African government when interacting with the U.S. which will be discussed in subsequent chapters.

CHAPTER 2. RESEARCH CONTEXT AND APPROACH

2.1 Introduction

This chapter outlines the method and theoretical framework used to analyse data in the study. A thorough literature review is conducted to understand the scope of the study and distinguish between what research has been done and what research still needs to be done in the area of study. Studies that research the impact of the relationship between the U.S. and S.A. as well as the relationship between S.A. and BLNS are critically analysed and dissected. A hypothesis is presented as well as the problem statement and its sub-problems. The validity and reliability of the study is also undertaken and the limitations to the study are discussed.

This study forms part of a larger volume of studies into the high volumes of trade agreements signed worldwide. In the past 50 years alone, there has been a proliferation of multiple Regional Integration Arrangements (RIA's), Free Trade Agreements (FTA's) and Preferential Trade Agreements (PTA's) as indicated in the graph below.

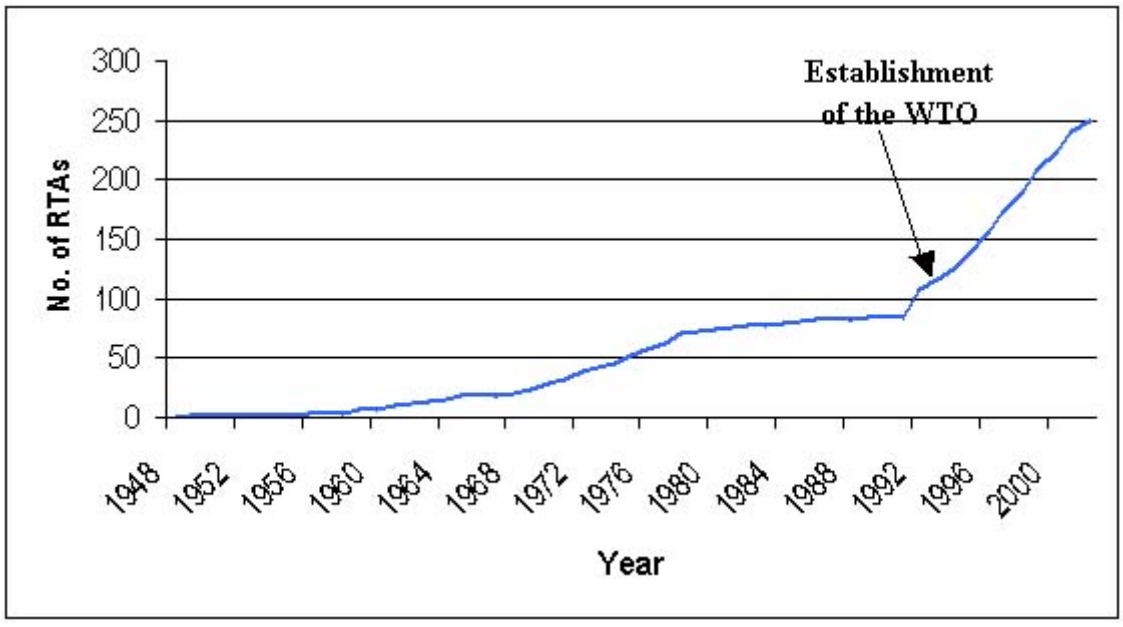


Figure 2: RTAs notified to the GATT/WTO (1948-2002), cumulative. Source: World Trade Organisation Annual Report: 2002

2.2 **Significance of the study**

This is not the first regional integration study and not the first study into South Africa's trade agreements. However, it is one of few studies that interrogates the impact of multiple agreements on individual members of regional integration schemes. In this case the study seeks to understand how the agreements signed by South Africa (a member of SACU), affected other members of SACU, namely BLNS. There have been studies on the impact of S.A.'s relationship with the E.U. on BLNS before but none that interrogates the impact of the U.S.-S.A. relationship on BLNS.

This study is therefore important as it can help smaller countries in trade agreements with regional or global powerhouses weigh up the pros and cons of such agreements. Smaller economies in regional schemes like (ECOWAS), where Nigeria dominates and East African Community (EAC) where Kenya dominates could benefit from this study. The experience of BLNS will also help these and other countries understand the power dynamics that are at play when regional and global powerhouses become trading partners. In future, smaller economies similar to BLNS can use this knowledge to negotiate better trade agreements in bilateral and regional trade agreements.

An analysis of the U.S. – SA trade relationship's impact on BLNS is also important because SACU remains one of the key trading partners of the U.S. and South Africa remains, the biggest trading partner to the U.S. in SACU[55]. This means that SACU and South Africa are important trade partners for the U.S.

BLNS states under SACU make for an interesting study because of their long relationship and trade ties with South Africa. Even when they disagreed with South Africa's policy of apartheid, the SACU agreement held because of their economic and geographic dependency on South Africa as outlined in the previous chapter. SACU itself is the oldest customs union in the world and this

[55] Phiri D. (22 October 2009). *The SACU- US TIDCA: South African Private Sector Perspectives*. Business Unity South Africa. 1st draft

makes it a good organisation to study as it is one of the few African regional integration schemes that is more than a hundred years old. Its age makes it the example of the most developed form of regional integration on the continent. Its counterparts are younger, and have not evolved as much as SACU. In the era of wholesale regional integration agreements and studies, this makes a study focusing on SACU important for understanding the regional integration process in developing countries. The majority of regional integration studies and theories are based on European experiences of integration and how the EU developed into what it is today.

This study is also important because of the history of the relationship between S.A. and BLNS during negotiations with third parties. SACU has been previously proven to be a grouping of unequal members at many points in history. For example, in a study conducted by Van de Staak [56], he analysed the impact of South Africa's trade agreement with the European Union on all BLNS countries. He found that BLNS countries suffered from the agreement, so much so that South Africa and the EU came up with financial compensation in the form of aid packages to offset the economic losses the countries faced as a result of their trade agreement and the opening of their markets to European Union products and companies[57]. Mc Donald and Walmsley [58] also analysed the effect of an E.U. –S.A. trade agreement on one BLNS country, Botswana, and found that there was an adverse effect that led to the U.S. having free access to Botswana but Botswana not enjoying that freedom in return.

Mc Donald and Walmsley's then concluded that:

"…more and more PTAs will be formed between states that are signatories to other agreements, and where the preferences provided by a new agreement do not extend to other countries in existing agreements. How these multiple agreements interact is likely to become an important consideration in both the

[56] Van der Staak S.(2006). Trade liberalisation and financial compensation: the BLNS states in the wake of the EU-South African trade and development agreement. African Studies Centre .Research Report 84.
[57] Ibid
[58] Mc Donald S and Walmsley 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. 29

framing of PTAs and in efforts to ensure that PTAs do not have adverse unintended effects. In particular it may be deemed important to ensure that the least developed nations, who are small, vulnerable and disproportionately concentrated in Africa, are not adversely affected.[59]*"*

This study is significant because it allows for an analysis of whether SACU learnt from the experience of S.A.'s trade agreement with the E.U. It is concerned with how the U.S. – S.A. 's trade relationship affects, BLNS, which includes some 'least developed nations' that are 'small' and 'vulnerable' like Lesotho60. It is a study that seeks to understand how 'multiple agreements' have an impact (intended or not) on countries that may or may not be signatories to an agreement as is the case with U.S. and S.A., a member of SACU.

2.2.1 *Problem statement*

Mistry argues that the spoils of regional integration schemes are not always equally to the benefit of all its participants.

"Where regional integration arrangements (RIA) have succeeded in generating visible gains, their distribution has often been perceived as inequitable by the less developed members of the group" [61]

This is the crux of what this study aims to analyse:

a. ***Research question:***

If South Africa's relationship with the US was beneficial to South Africa was it equally beneficial for South Africa's neighbours, BLNS?

The problem statement may further be broken down as:

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[59] Mc Donald S and Walmsley 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. 29

[60] Ibid

[61] Mistry, P.(1996). R*egional Integration Arrangements in Economic Development, Panacea or Pitfall?* The Hague: Forum on Debt and Development. pp 26

i. **Sub-problem 1:**

Were the spoils of SACU perceived as inequitable or equitable to the 'less developed members of the group', i.e. BLNS?

ii. **Sub-problem 2:**

Did BLNS countries become affected in any way, (negative or positive) by the relationship between the US and South Africa?

Alden and Le Pere[62] analyse South Africa's role in the continent and argue that the country presents many ambiguities and contradictions in its interactions with the continent which can lead to confusion about whether it's a hegemon or partner.

They summarise South Africa's relationship with the continent as thus:

"The normative foundations of its Africa engagement with regard to providing public goods and leadership in peace diplomacy, resolving conflicts, and helping to develop the continent's institutions collides with the more instrumental aspects relating to investment, its commercial interests and the material sources of its hegemony."[63]

As part of providing a context for the study, ambiguities affecting the relationship between South Africa and BLNS states within the context of South Africa's relationship with the US will also be analysed throughout this study.

2.3 Research Approach/Design

This study is qualitative and mainly draws on primary, documentary evidence. In this study, a content analysis of existing literature was undertaken in order to

[62] Alden C and le Pere G. (April 2009). *South Africa in Africa – bound to lead?* Politikon: South African Journal of Political Studies., 36,1. pp 145 – 169
[63] Ibid

conduct research that seeks to find out the impact of the U.S. and S.A. trade relationship on BLNS counties.

This research is centred on economic and political agreements and treaties as well as statistical analysis, theories and concepts of regional integration, with a specific focus on SACU as a customs union. The research is organised into data that is from primary and secondary sources. Primary data consists of some unpublished works, including conference papers, speeches, and some published interviews with various stakeholders from US, SA and BLNS countries as well as media articles and sources from the internet. All of them offer original information on historic and current trends in regional integration and customs unions. They also tackle the workings of the global economic system and cooperation amongst nations. The information covers the African continent and the rest of the world.

In terms of internet sources, the SACU official website, the South African Department of Trade and Industry (DTI), Department of International Relations and Co-operation (DIRCO) as well as those of the Office of the United States Trade Representative, US Congressional Service Reports and other relevant websites were central to the writing of this study. Data from the World Trade Organization (WTO), the World Bank and IMF as well as international political economy journal articles and other existing studies were also used. Of equal importance has been information from a source who works at the Department of Trade and Industry who was able to separate the theory from the real workings of the agreements.

A thorough literature review was undertaken to develop a sound theoretical framework for this specific topic and the sources mentioned here are the backbone of the study. They provide information on all aspects of the study from regional integration to bilateral and multilateral agreements between developing and developed countries as well as political and economic relations between countries.

2.4 **Research Methodology**

This study is a qualitative research study, which is defined as research which "seeks to understand underlying motives of human behaviour[64]". It is analytical in nature in that it "uses facts or information already available and analyse these to make a critical evaluation of the material[65]". It is different to descriptive research "which includes surveys and fact-finding enquiries of different kinds[66]" The study also seeks to "identify social, economic or political trends that may affect a particular institution …[67]" The research is also conceptual in nature as it "relates to some abstract ideas or theory[68]".

In this case, we are researching to find out the impact of the U.S. and S.A. trade relationship on BLNS counties. Qualitative research methods have struggled for acceptance in the scientific research industry and they have been deemed as '*unscientific, or only exploratory, or subjective*'[69].

According to Cassel and Symon [70] qualitative research is:

"a focus on interpretation rather than quantification; an emphasis on subjectivity rather than objectivity; flexibility in the process of conducting research; an orientation towards process rather than outcome; a concern with context—regarding behaviour and situation as inextricably linked in forming experience; and finally, an explicit recognition of the impact of the research process on the research situation"

The quantitative method of research has not been used because of known criticisms which are that sometimes:

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[64] Kumar R. (2008). *Research Methodology: An Introduction in Research Methodology* Accessed from http://www.newagepublishers.com/samplechapter/000896.pdf on 14 November 2014 pp 2-4
[65] Ibid
[66] Ibid
[67] Ibid
[68] Ibid
[69] Denzin, Norman K., & Lincoln, Yvonna S. (2000). Introduction: The discipline and practice of qualitative research. In Norman K. Denzin & Yvonne S. Lincoln (Eds.), *Handbook of qualitative research* (2nd ed., pp.7). Thousand Oaks: Sage.
[70] Cassell, Catherine, & Symon, Gillian (1994). Qualitative research in work contexts. In Cassell C & Symon G (Eds.), *Qualitative methods in organizational research, a practical guide* (pp 7). London: Sage.

"samples are small and not necessarily representative of the broader population, so it is difficult to know how far we can generalise the results; the findings lack rigour; it is difficult to tell how far the findings are biased by the researcher's own opinions".

This does not mean that qualitative methods of research are without criticism. Qualitative methods of study have been criticised for not always being able to prove validity and reliability. Another criticism is that qualitative research methodology requires you to extract the relevant parts of the text first and then analyse those parts.

The graph below sets out to further explain the differences between qualitative and quantitative research methods in an attempt to explain why the latter was chosen.

Table 3: Differences between qualitative and quantitative research methods Source: Rajasekar et al71

Qualitative	Quantitative
Non-numerical, descriptive, applies reasoning and uses words	*Numerical, non-descriptive, applies statistics or mathematics and uses numbers.*
Aim is to get the meaning, feeling and describe the situation	*An iterative process whereby evidence is evaluated*
Qualitative data cannot be graphed	*Results are often presented in tables and graphs*
Exploratory	*Conclusive*
Investigates the why and how of decision making	*Investigates the what, where and when of decision making*

2.5 **Literature Review Method**

A literature review is more than just a collection of papers and articles on the topic of study. Hart [72]defines it as "the use of ideas in the literature to justify the particular approach to the topic, the selection of methods, and demonstration that this research contributes something new[73]." Webster and Watson [74] argue

[71] S. Rajasekar S, Philominathan P, Chinnathambi V. (14 Oct 2013). *Research Methodology*. Accessed from http://arxiv.org/abs/physics/0601009v3 on 15 November 2013
[72] Hart C. (1998). *Doing a literature review: Releasing the social science research imagination*. London, UK: Sage Publications. pp1
[73] Ibid

further that an effective review of literature “creates a firm foundation for advancing knowledge”. They add further that it “facilitates theory development, closes areas where a plethora of research exists, and uncovers areas where research is needed[75]”. This literature review aims to provide the explanations discussed by Hart [76]and Webster and Watson[77].

2.6 **Validity and Reliability**

The validity and reliability of the qualitative method has been criticized for posing problems of inference and problems of reliability. Titscher et al [78]defines the two as:

a. *“Problems of inference relate to the possibility of drawing conclusions, on the one hand, about the whole text on the basis of the text sample and, on the other hand, about the underlying (theoretical) constructs such as motives, attitudes, norms, etc., on the basis of the text. As a result, inference in content analysis confines itself only to specific features of external and internal validity.*

b. *Problems of reliability: here, particular attention is paid to the trustworthiness of the coding. The so-called inter-coder reliability shows to what extent different coders agree in the coding of the same text and intra-coder reliability explains how stable the coding of one coder is. ”*

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[74] Webster J and Watson R.T. (2002) . *Analysing the past to prepare for the future: Writing a literature review.* MIS Quarterly, 26 (2), pp 13
[75] Ibid
[76] Hart, C. (1998). *Doing a literature review: Releasing the social science research imagination*. London, UK: Sage Publications. pp1
[77] Webster J and Watson R.T. (2002).*Analysing the past to prepare for the future: Writing a literature review*. MIS Quarterly, 26 (2), pp 13
[78] Titscher S, Meyer M, Wodak R, & Vetter E. (2000). *Methods of text and discourse analysis* .London: Sage.

2.6.1 *Validity*

a. *External validity*

External validity is the extent to which answers based on the observations correctly generalise to other unobserved situations[79].

There are several economic blocks or integrated economic regions in the global developing economy context. These integration regions are typically characterised by low research output and poor data collection and availability. Therefore it is difficult to determine external validity through comparable findings. However it is expected that this study is generalizable across regions where there is a dominant large economy or regional hegemon such as in ECOWAS (Nigeria) and EAC(Kenya).

b. *Internal validity*

Internal validity is the aspect of validity concerned with whether the underlying theoretical concept is adequately answered by the study based on the data gathered by the study[80].

This study's data sources are peer-reviewed texts, as well as publicly available historic and policy documents. It is therefore expected that it is internally valid as the regional trade policy practice is based on these documents. Also, the overall population for regional economic regions within developing economies is small. The documents within the context of this study sample a significant percentage of that population; therefore findings may be validly used to infer conditions across the population.

This study covers an analysis of all SACU members and as such it is a valid study of all members. A student based in any SACU member state can therefore come to the same conclusions that this study comes to if they are using the same data and documents for analysis.

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[79] Ibid
[80] Ibid

2.6.2 *Reliability*

The research method has a high degree of inter-coder reliability as the literature sources are public and reviewed multiple times by multiple parties and agencies.

2.7 Limitations

Botswana, Lesotho, Namibia and Swaziland are all treated as equals in this study. They share the problem of being economically and geographically dependent on South Africa.

Identifying the real reasons and motives causing progress and delays in the negotiations of the various trade agreements identified in the study is not always possible. This is because of the closed nature of the trade negotiation process. Papers that critique each agreement exist and have been used but they do not always shed light on all the motives of all actors. Only those present at the negotiating table have complete insight of the negotiations. Further, even when government officials do record proceedings, they do not always reveal all the details of negotiating tactics and strategies. Some government statements will be used in the analysis but one will be mindful of the subjective nature of some of them.

In terms of theories, it has been necessary to select a few out of many suitable theories. It is not possible to cover all areas negotiated in the various trade agreements analysed but the main areas of negotiation and contention will be covered. Besides data gathering limitations, there is another limitation in the theoretical framework used to analyse the information in the study. Most of the economic models that are used to measure the impact of a Free Trade Agreement (FTA) on individual countries are based on conditions in developed countries or an analysis of a relationship between a developed country and a developing country. This study is examining the impact of one developing country's action on other developing countries, using available methods. The results will therefore be carefully interpreted with the understanding that they are conditional on the assumption mentioned above.

The different SACU treaties will be reviewed and discussed but only as far as they have an impact on the relationship between South Africa and BLNS. The absence of quality data on BLNS countries at times is a critical constraint on conducting economic analysis of them. Some statistics will be incomplete or unavailable and although the study will endeavour to use as much accurate data as available, it is a reality that some data may be missing. This is the reason the study will only use a few analytical methods as sophisticated econometric models demand a lot of data, while simple trade indicators do not.

CHAPTER 3. Literature Review

This study sets out to understand the failures and successes of regional integration especially, in the case of SACU. Various studies have been done on the relationship between South Africa and the U.S. as well as on SACU and the relationship between its members. The majority of research by analysts like McCarthy [81], Hichert et al[82], Grynberg and Motswapong[83], Edwards and Lawrence focus on South Africa's dominant role in SACU and why the other countries allow it to continue.

McCarthy **[84]** analyses SACU and concludes that the organisation is an unequal organ that is built as a "*defacto economic integration of politically separate members*"**[85]**. He adds further that South Africa determines the common external tariff and mostly administers its own industrial policy interests **[86]** . Other analysts also share the sentiment that South Africa dominates SACU with Hichert et al surmising that "*National interests drive SACU. However, national interests reflect the inequalities between South Africa and the BLNS countries and as such are causes of conflict in the organisation****[87]***." They add further that *"the South African political landscape dominates decision making, both political and economic, in Southern Africa****[88]****."*

[81] Mc Carthy C. (February 2003). *The Southern African Customs Union:* Case Study prepared for the Food and Agricultural Organisation of the United Nations. http://www.hubrural.org/IMG/pdf/fao_etude_sacu.pdf. Accessed from 23 April 2013

s[82] Hichert T.Draper P. and Bertelsmann-Scott T.(July 2010). *What Does the Future Hold for SACU? From Own Goal to Laduma!* Scenarios for the Future of the Southern African Customs Union. South African Institute of International Affairs. Development Through Trade Programme.Occasional Paper No 63.pg 6

[83] Grynberg R and Motswapong M. (24 April 2012). *SACU Revenue Sharing Formula: Towards a Developmental Agreement.* BIDPA Working Paper

[84] Ibid

[85] Ibid

[86] Ibid

[87] Hichert T. Draper P. and Bertelsmann-Scott T. (July 2010). *What Does the Future Hold for SACU? From Own Goal to Laduma!* Scenarios for the Future of the Southern African Customs Union. South African Institute of International Affairs Development through Trade Programme. Occasional Paper No 63.pg 6

[88] Ibid

Edwards and Lawrence [89] agree and state that **"***South Africa unilaterally determined tariffs, while other SACU members were forced to simply fall in line.***"**

Analysts Grynberg and Motswapong**[90]** concur and argue that South Africa consistently places its national interests before SACU and uses SACU as an instrument in fulfilling its national agenda. They criticise the fundamental revenue sharing structure of SACU as flawed, even after the two reviews of 1969 and 2002**[91]**. They accuse South Africa of giving BLNS countries a new formula for revenue sharing without changing the economic relationship of dependency on South Africa by BLNS**[92]**.

Edwards and Lawrence **[93]** criticise SACU's tariff structure as *'excessively complex and opaque and biased against exports'*. They argue that the tariffs are historic with little consideration for application in the current global economic system. They contend further that the current tariff sharing formula is '*expensive and defective*' and BLNS countries would benefit from a tariff structure overhaul as they would be able to *"access to cheaper inputs and final products**[94]** "*. They also call for a separation of the "*aid and tariff-revenue sharing components***[95]**"

Phiri warns that the signature of the EPA with the EU by Botswana, Swaziland and Lesotho in spite of South Africa and Namibia's objections shows cracks in the unity of SACU**[96]**.

Ruppel highlights the two issues in the current debates about SACU

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[89] Edwards L, Lawrence R. 2008. *SACU Tariff Policies: Where Should They Go From Here?* Centre for International Development, Harvard University.
[90] Grynberg R and Motswapong M. (24 April 2012). *SACU Revenue Sharing Formula: Towards a Developmental Agreement.* BIDPA Working Paper
[91] Ibid
[92] Ibid
[93] Edwards L, Lawrence R. 2008. *SACU Tariff Policies: Where Should They Go From Here?* Centre for International Development, Harvard University.
[94] Ibid
[95] Ibid
[96] Phiri D. (22 October 2009). *The SACU-US TIDCA: South African Private Sector Perspectives*. Business Unity South Africa. pp17

1. The aftermath and fear of SACU disintegrating following the signature of the EPA
2. The danger posed by declining revenues from SACU due to the global economic crisis, a worrying trend as these revenues make up a large percentage of GDP and foreign exchange, in BLNS countries [97].

Lehloenya[98] explores the SACU- US agreement and its possible benefits for SACU members and concludes that it was a reaction by the U.S. to the agreement South Africa signed with the European Union (EU). Fergusson and Sek [99] as well as Draper and Khumalo [100] agree.

Flatters and Stern[101], Hentz[102] , Edwards et al [103] all discuss the changes brought about by the new revenue formula signed in 2002 and implemented in 2005.

Hentz[104] seeks to explain the attempt at equity by South Africa in giving more revenue to BLNS countries than it kept for itself, which Flatters and Stern [105]see as yet another way to keep the economic dependency of these countries. They analyse the effect of the new revenue system and conclude that its implementation was disastrous for SACU.

As outlined above, there are a few studies that critique the negative impact of South Africa's external agreements on SACU but there are none that focus exclusively on the impact of the SA – US relationship on other SACU members. Of those that do delve into how South Africa's trade relationships with other countries affect BLNS, they focus on the impact of European Union's trade

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[97] Ruppel O. (2 July 2010). *SACU 100: Reflections on the world's oldest customs union*. Namibia Law Journal. Volume 2 pp123-134
[98] Lehloenya P. M. 2009. *The Failed SACU-USA Free Trade Agreement in Hindsight: A Lost Opportunity or Disaster Averted?* Journal of International Commercial Law and Technology, Vol. 4, Issue 2.pp 117-127
[99] Ian F. Fergusson I and Sek L. M. (10 March 2003). *Trade and Investment Relationship with Sub-Saharan Africa: The African Growth and Opportunity Act and Beyond*. pp 20
[100] Draper P. , Khumalo N. (October 2007). *One size doesn't fit all. Dealbreaker issues in the failed US- SACU Free trade negotiations*. pp 11
[101] Flatters F. and Stern M. (2006). *SACU Revenue Sharing: Issues and Options*. Queens University. Accessed from http://qed.econ.queensu.ca/faculty/flatters/writings/ff&ms_sacursf_2006 on 20 May 2014
[102] Hentz J.J. (2005). Conclusion: Post Apartheid South Africa's Regional Relations. In *South Africa and the logic of regional co-operation*. pPp 168
[103] Edwards L, Cassim R, Seventer D. (2009). Trade policy in South Africa. (Eds) Aron J.; Kahn B and Kingdon G. In *South African Economic Policy under Policy under Democracy*. . Oxford University Press. P151 -178
[104] Hentz J.J. (2005). Conclusion: Post Apartheid South Africa's Regional Relations. In *South Africa and the logic of regional co-operation*. pp 168
[105] Flatters F. and Stern M. (2006). *SACU Revenue Sharing: Issues and Options*. Queens University. Accessed from http://qed.econ.queensu.ca/faculty/flatters/writings/ff&ms_sacursf_2006 on 20 May 2014

deals and relationship with South Africa. There is some research and work that interrogates the U.S. –S.A. relationship overall but none that look at the trade relationship and its impact on BLNS, specifically. Firsing[106] , Stremlau[107] and numerous other authors, for example look at SA-US relations but without really tackling the impact on BLNS countries.

There is debate on whether South Africa is a regional power, hegemon or middle power. Flemes defines a regional power as a country that [108] *"can be distinguished by four pivotal criteria: claim to leadership, power resources, employment of foreign policy instruments and acceptance of leadership".* According to Ploth[109], South Africa fits this description.

Oden[110] assesse South Africa's historic role on the continent and concludes that during apartheid, it was the destabiliser. It became the unifying force, with the continent united in its stand against apartheid. He offers that apartheid was also an obstacle to regional integration in Africa[111] .

Adebayo and Landsberg highlight the fear of South Africa's neighbours that the country will use its military and economic power to the detriment of its smaller trade partners. They theorise that this was and continues to be an obstacle to the country becoming a hegemon[112]. They conclude that South Africa is not a "hegemon" but rather a "pivotal state" [113].

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[106] Firsing S. T. (2011). *Assessing asymmetry in international politics: US-South Africa relations: 1994-2008*. University of South Africa.
[107] Mills G. and Stremlau J. (2000).*The Reality behind the rhetoric: the United States, South Africa and Africa*. South African Institute of International Affairs and The Centre for Strategic and International Studies.

[108] Flemes D. (2007). *Conceptualising regional power in international relations: Lessons from the South African case*, GIGA working papers, No. 53. pp 1

[109] Ploch L. (4 January 2011).*South Africa: Current Issues and U.S. Relations* . Congressional Research Service.pp 1-20 Accessed from https://www.fas.org/sgp/crs/row/RL31697.pdf on April 2013
[110] Ibid
[111] Ibid
[112] Adebajo A. and Landsberg C, 2003.South Africa and Nigeria as regional hegemons. From Cape to Congo: Southern Africa's Evolving Security Challenges. Lynne Rienner Publishers. Pp 174
[113] Ibid

Alden and Le Pere [114], disagree and claim South Africa is actually a hegemon albeit, on a shoestring. Jordaan [115] on the other hand, positions the country as an emerging "middle power" and distinguishes between a traditional and emerging middle power. According to him, S.A. is an emerging middle power as middle powers have a good reputation and are seen to be neutral actors in the global political system.

Flemes[116] postulates that South Africa is a co-operative hegemon as it seeks to reform and change the global economic system. Hentz [117] sums up the debate and argues that South Africa is neither a hegemon nor a middle power but has a combined strategy of a co-operative hegemon and also plays a developmental role on the continent.

Hentz [118] , as discussed earlier, also provides a context for this when he outlines the development of South Africa's foreign policy and the three policy choices considered. He describes the changes in ideology that took place in the ANC during the transition. Terreblanche[*119*] also interrogates, these ideological changes and the impact they had on the South Africa's foreign policy.

Peterson [120]argues that the main difference in foreign policy between the apartheid and the post-apartheid government is the new government's willingness to liberalise markets.

On US-SA relations, Stremlau[121] points to the high level delegations that visited South Africa every three months from 1994-2000 as evidence of great relations

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[114] Alden C and le Pere G. April 2009. *South Africa in Africa – bound to lead?* Politikon: South African Journal of Political Studies., 36,1. pp 1(abstract)
[115] Jordaan E. (November 2003). *The concept of a middle power in international relations: distinguishing between emerging and traditional middle powers*. Politikon, Vol 30. Issue 2,pp 165
[116] Flemes D.(2007*). Conceptualising regional power in international relations: Lessons from the South African case*, GIGA working papers, No. 53. (abstract)
[117] Hentz J.J. 2005. Conclusion: Post Apartheid South Africa's Regional Relations. In *South Africa and the logic of regional co-operation.* Pp 166
[118] Ibid pp 163 -184
[119] Terreblanche, S. (2002). *A history of Inequality in South Africa 1652 -2002*. University of Natal Press. Pietermaritzburg.pp95
[120] Peterson L.E. (November 2006). *South Africa's Bilateral Investment Treaties: Implications for Development and Human Rights*. Dialogue of Globalisation. Occasional Papers .N° 26 . p 7 . Geneva
[121] Mills G. and Stremlau J. 2000.*The Reality behind the rhetoric: the United States, South Africa and Africa*. South African Institute of International Affairs and The Centre for Strategic and International Studies.

between the two countries. Fabricius[122] suggests that the relationship was initiated and led by the U.S. He also adds that it had an impact on the country's relations with its allies and trade partners. He argues that the [123] U.S. expected democracy; regional leadership and a trade partner from South Africa, which did its best to comply at all times. He characterises the South Africa's approach to the U.S. as ambivalent as the country constantly battled with accusations of being a puppet of the U.S. He summarises South Africa's view of the relationship as

"On the one hand it was flattered by all the attention from the world's greatest power. On the other hand, it was rather overwhelmed by all the energy and effort of American diplomatic overtures."

Morisson [124] notes the change in tone of the relationship in the early 2000's following disagreements with the South Africa government on the provision of HIV/AIDS medication and on how to deal with Zimbabwe.

3.1 Theoretical Framework – New regionalism

Both U.S. and SA are powerhouses, the U.S., globally and S.A. in the region. The complexity presented by each country's status and or position on the world economy will form part of this study as it is important in assessing the impact of SA's trade relationship with the US on its smaller trade partners, BLNS.

The international political economy (IPE) framework will be the theoretical basis of this study. Regionalism and in particular, new regionalism will be the main theory used.

New regionalism is a response to the multipolar, globalised world. As such, it requires that *"the integration project should be market-driven and outward-looking, should avoid high levels of protection and should form part of the*

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[122] Fabricius P. (5 March 1997). U.S. South Africa relations: A view from both sides. In *US South Africa relations and the Pariah States*. SAIIA Reports No 2, pp 26

[123] Ibid

[124] Morrison S.J.(2000). The U.S. South Africa Courtship Shifts. In *The Reality behind the rhetoric: the United States, South Africa and Africa.* South African Institute of International Affairs and The Centre for Strategic and International Studies. pp15

ongoing globalisation and internationalisation process of the world political economy[125]*"* This makes new regionalism a good fit for a study of South Africa as the country, sought to do away with the protectionism of the apartheid era and liberalise their markets.

Telo [126]offers that one of the reasons for regionalism is *"the desire of less developed countries to gradually cope with global competition by cooperating and converging with regional leaders"*. This explanation goes some way into explaining why BLNS countries, continue to be members of SACU even when analysts suggest that regional leader South Africa's interests dominate the organisation.

Regionalism falls under the study of International Political Economy (IPE), which concerns itself with the relationship between politics and economics, as well as the relationship between states and markets.

Hettne and Inotai [127] define a region in the following ways:

"a) from an economic point of view, a region is a zone within which there is more intensive cooperation between the countries than their relations with the rest of the world.

b) Geographically, a region is a specific area of political cooperation and/or conflictive relationships."

They trace the origins of regional integration to the failure of global structures to intervene and solve regional conflicts. They also posit that the establishment of the United States of America in the 18th century inspired other regions to seek unity and a grouping of their own countries, from Europe, to Latin America and the African continent[128]. These efforts then led to post- World War II efforts at

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[125] Hettne B. ( ) Beyond New Regionalism.
[126] Telo, M., (2007). Introduction: Globalization, New Regionalism and the Role of the EU in *European Union and New Regionalism. Regional actors and global governance in a post-hegemonic era*. Ashgate Publishing Limited. Hampshire, United Kingdom.
[127] Hettne and Inotai. (1994).The New Regionalism: Implications for Global Development and International Security UNU World Institute for Development Economics Research (UNU/WIDER).pp v
[128] Hettne and Inotai. (1994).The New Regionalism: Implications for Global Development and International Security UNU World Institute for Development Economics Research (UNU/WIDER).pp vii

regional integration for political, economic and other reasons like the OAU, NATO, Arab League and others. In the post-Cold War era, there emerged a multi-polar world where the United States and Russia no longer had interest in intervening in global issues, like Soviet Union did in the Cold War era[129].

Regional integration was initially proposed as the solution to regional and therefore global economic co-operation and prosperity. However, in the 1980's this view changed as there was a fear that,

"the global trading system may disintegrate into a number of trading blocs, regional integration groups, or special cooperation zones which would usher in new forms of competition and conflict."

The fear was that these groups would make global co-operation in the global economic system impossible as each group would seek out solutions that best suited them and were in their interest. To a certain extent this fear has come true with WTO talks, especially the Doha Round, stalling because of the unwavering stance of different regional trade groups.

Mistry[130] argues that second generation Regional Integration Agreements or new regionalism is better than those of the nineties because they:

a) *"Involve greater diversity among regional members*

b) *Have different objectives with an outward orientation*

c) *Go beyond trade liberalisation in goods subject to GATT regulations to include liberalization of trade in services, investment, technical, and regulatory standards, customs formalities and government procurement practices*

[129] Hettne and Inotai. (1994).The New Regionalism: Implications for Global Development and International Security UNU World Institute for Development Economics Research (UNU/WIDER).pp viii

[130] Mistry, P.1996. Regional Integration Arrangements in Economic Development, Panacea or Pitfall? The Hague: Forum on Debt and Development.26

d) *Are more outward – looking in aiming to achieve or maintain the global competitiveness of the region as a whole and that of its members*

e) *Are based on a partnership amongst members which have already carried out significant unilateral trade liberalization and;*

f) *Have developed a more North – South character instead of the North – North and South – South arrangements that characterized earlier integration efforts."*

He argues that it is different to the old regionalism because it focused on two main principles, trade creation and trade diversion without taking into account other factors.

These concepts are explained in Gosha and Yamarik as:

*"**Trade creation** occurs as low-cost member countries displace high-cost domestic producers"*[131]

*"**Trade diversion,** on the other hand, occurs when members of a trading bloc reorient their trade away from low-cost, non-member countries towards higher-cost, member countries."*[132]

Mistry criticizes the Vinerian133 framework as it *"only focuses on static efficiency gains",* he adds further that *"it is too partial and inadequate for evaluating unorthodox or dynamic gains."*

New regionalism is relevant to this study as it deals with domestic factors, the ambitions of smaller states and the interests of business in seeking out regional co-operation[134].

[131] Sucharita G, Yamarikb S. 2004. Are regional trading arrangements trade creating? An application of extreme bounds analysis.. Journal of International Economics 63 .p 369
[132] Ibid
[133] Mistry, P.1996. Regional Integration Arrangements in Economic Development, Panacea or Pitfall? The Hague: Forum on Debt and Development.29

Hettne and Inotai [135] question, *"Whether or not regionalism will be able to provide greater security for smaller nations against the actions of regional hegemonies than global institutions have been able to achieve".*

This is a criticism of regionalism as it suggests that the regional institutions may disadvantage smaller members even further.

This is one of the questions at the crux of this study, did smaller nations, namely BLNS countries get impacted in any way by the actions of regional hegemon South Africa when it interacted with the U.S.

Mistry argues that,

> *"the success of RIAs must be judged on economic as well as non-economic grounds and be based on the right choice of partners. Such choices cannot be based in lofty political aspirations or in notions of solidarity but in opportunities based on realistic and attainable economic objectives"*[136]

He adds further that RIA's must not adopt, *"a framework for co-operation inappropriate to economic realities"*[137]

New regionalism was used to understand why South Africa maintained the trade partnerships it did, especially SACU and why it sought out the new relationships it did.

In summary, proponents of new regionalism like Cooke and Morgan, Florida , Storper, Scott in Harrison[138] argue that it is the solution to the current system of capitalism, they argue that *"its territorial configuration are best regulated and governed in and through the decentralisation of socio-economic decision-*

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[134] Telo, M., (2007). Introduction: Globalization, New Regionalism and the Role of the EU in *European Union and New Regionalism. Regional actors and global governance in a post-hegemonic era.* Ashgate Publishing Limited. Hampshire, United Kingdom.
[135] Hettne and Inotai. (1994).The New Regionalism: Implications for Global Development and International Security UNU World Institute for Development Economics Research (UNU/WIDER).pp v
[136] Ibid,pp 27
[137] Ibid
[138] Harrison, J. (2006).*Re-reading the new regionalism: A sympathetic critique.* Longborough University. Pp 1

making and associated policy implementation to sub-national institutional frameworks and supports"

New Regionalism is criticised for being ambiguous in that *"it remains unclear what it exactly is, how it takes form and what is so new about it*[139]*."* Lovering criticises new regionalism for only focusing on the only positive aspects of regionalism and ignoring the negative aspects and impact on smaller countries[140].

Proponents of new regionalism point out the fact that old regionalism theories were based on Europe and America's experiences of regionalism as a weakness or criticism. Meanwhile, new regionalism is criticised for not sufficiently explaining the complexities of levels or scales of regionalisation. Regional integration takes different forms and has certain levels of integration with some arrangements having deeper levels of integration than others[141]. Hettne[142] argues that there are different kinds of regionalisms tackled by new regionalism, namely trade blocs, monetary regionalism (which he says has been ignored), developmental regionalism and security regionalism. He argues that some of these regionalisms have been ignored by old and new regionalism because of their focus on trade. Lovering[143] on the other hand, says new regionalists have overlooked many significant influences on the economic dynamics of many regions.

3.2 **Summary**

A thorough literature review was conducted to understand the scope of the study and some criticisms have emerged. The main criticism of the literature reviewed is that although literature exists on SACU, there isn't enough of it,

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[139] van Wijhe A. (3 April 2010). Limology. Accessed from http://criticalgeography.wordpress.com/2010/04/03/review-article-new-regionalism-the-european-union-and-the-rest-of-the-world/ Accessed on 13 December 2013.
[140] Lovering, J. (1999) Theory led by policy: The inadequacies of the 'new regionalism' (illustrated from the case of Wales*), International Journal of Urban and Regional Research*, 23, pp. 379-395.

[141] Hettne B. (2005). *Beyond Regionalism* .New Political Economy, 10:4. pp 7
[142] Ibid p 8
[143] Lovering, J. (1999) *Theory Led by Policy: the Inadequacies of the "New Regionalism"*, International Journal of Urban and Regional Research, 23(2), pp 386

especially considering that it has been around for more than a century. Of the literature that does exist, there is an unbalanced focus on analysing the actions of South Africa as the biggest member of the grouping. There is little analysis of the actions of the other individual BLNS countries or BLNS as a grouping and its impact on SA. There is also no literature that analyses the impact of South Africa's agreements, outside of the analysis of the EU agreement mentioned earlier.

For a country as big and of such global importance to the continent and the world economic system, there is little analysis on individual agreements that South Africa enters into. Where there is analysis it is conducted by the same organisations e.g. SAIIA and TRALAC, which limits the variety of opinions about the agreements, their potential and impact.

A critical analysis of literature on South African foreign policy is also problematic as it paints a picture that is too 'binary'. Lipton points out the mantra of analysing policy as having …

> *"'shifted from Mandela's idealism to Mbeki's realism'. The problem with analysing foreign policy within this narrow binary framework is evident from the fact that Mandela's policy contained major elements of realpolitik, such as the withdrawal of recognition from Taiwan in 1997 under pressure from China. Meanwhile, Mbeki's policy had major elements of 'idealism'. Indeed, Mbeki's policy was probably more ideologically driven than Mandela's.[144]"*

In the time that South Africa entered the global economy, much had changed in the global order. Major players had shifted with historic events like the end of the Cold War era and the fall of the Berlin Wall to mention a few. This meant that communism and to certain extent socialism as ideologies suffered a huge setback as global capitalism became the new economic mantra.

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[144] Lipton M. (December 2009).*Understanding South Africa's foreign policy: the perplexing case of Zimbabwe*. South African Journal of International Affairs. Vol. 16, No. 3, pp 331-346. Routledge Taylor Francis. London

This context is missing in a lot of articles and books that purport to be seeking to understand South Africa's foreign policy decisions. There is reference to how the global economy was and what was expected of new entrants but no recognition of the little choice that South Africa had on terms of entry. There are also those analysts who posit that South Africa did attempt to change the system they were entering, in spite of evidence to the contrary. The role of the South African government and in particular, that of former South African presidents Nelson Mandela and Thabo Mbeki's fight for changes to WTO, World Bank and other international financial institutions (IFI's) rules as well as the calls for debt relief for the developing world is not given the necessary credit. Achievements like fighting for a change in the structure of the Security Council and South Africa's subsequent membership are mentioned as small victories instead of the big institutional shake-ups that they were to the global political system.

CHAPTER 4. UNDERSTANDING UNITED STATES – SOUTH AFRICA RELATIONS

4.1 Introduction

This chapter explores the relationship between the United States and South Africa. Initially, the relationship between the two countries during the apartheid era is discussed and at a later stage, the relationship during the democratic era is discussed. The main differences between pre and post-democratic relations are highlighted. An analysis of disputes between the two countries is also undertaken to understand the depth of the relationship and all its multiple dynamics. Instruments such as the US –SA Binational Commission, AGOA, GATT and the US-SA TIFA are also critically analysed in order to explain their use and purpose in the relationship.

4.2 Post-apartheid South Africa and the United States as trade partners

The main priority of the newly formed South African government was economic growth. Du Plessis and Smit describe the state of the economy at independence as thus,

"Trade and financial sanctions and internal political opposition to the apartheid government had contributed to the poorest ten year growth performance (1984 – 1993) since the Second World War and the removal of these constraints was widely expected to transform the country's economic performance[145]*."*

The new government sought to fix the economy and opened up its markets, signing many bilateral and multinational agreements, such that by 2006, more than *"40 bilateral treaties designed to promote and protect foreign*

[145] Du Plessis S and Smit B.(2006). Economic Growth in South Africa since 1994. Stellenbosch Economic Working Papers Vol 1.pp1-33

investment"[146] had been signed. Peterson [147]argues that this is the main difference in foreign policy between the apartheid and the post-apartheid government.

Peterson[148] argues further, that the democratic government needed these bilateral agreements to fulfil the objectives of Growth, Employment and Redistribution strategy (GEAR)[149]. This economic strategy was criticised as too close to neo-liberal economics and too removed from the socialist leanings that the ANC entered the negotiations with.

It was in this climate that the US began intensifying efforts to ensure South Africa was an important trade partner. By the end of 2003, US officials recorded that …

"The United States is the largest single-country source of new foreign investment in South Africa since the country's 1994 transition to democracy. More than 900 U.S. companies and more than 400 U.S. subsidiaries and franchises are operating in South Africa[150]*"*

Stremlau[151] highlights the fact that there was an American foreign delegation visit to South Africa every three months from 1994-2000 as evidence of the robust nature of the relationship between the two countries. Not only were the visits, but they came from leaders of U.S. Republicans and Democrats. Each visiting delegate sought prominence, a sign that American government officials placed importance on a having good relationship with South Africa[152]. The American public also agreed with a 1998 public opinion survey in the U.S. ranking South Africa amongst the most admired countries in the world. The feeling was mutual in South Africa, a public opinion poll ranked the importance

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[146] Peterson L.E. (November 2006). South Africa's Bilateral Investment Treaties: Implications for Development and Human Rights. Dialogue of Globalisation. Occasional Papers .N° 26. Geneva.pp 3 .
[147] Ibid p 7
[148] Ibid
[149] (1 June 2000). *International Investment Agreements in South Africa Report*. Institute for Global Dialogue, prepared for the Centre for Research on Multinational Corporations, pp. 11-16
[150] (2004) Trade Policy Agenda and 2003 Annual Report. pp 187 Accessed from http://www.sice.oas.org/ctyindex/USA/2004Rep_e.pdf Accessed on 20 January 2014
[151] Mills G. and Stremlau J. (2000).*The Reality behind the rhetoric: the United States, South Africa and Africa*. South African Institute of International Affairs and The Centre for Strategic and International Studies.
[152] Ibid

of a relationship with the U.S. as secondary only to good relations with S.A.'s neighbours[153].

Fabricius[154] suggests that from the beginning of the democratic era, the U.S. led the relationship between the two countries. He adds further that the relationship went on to define how S.A interacted with its other trade partners, particularly those in its regional integration schemes like the Southern African Development Community (SADC), South African Customs Union (SACU) and others.

Langdon[155] confirms that the U.S. was strategic and purposeful in its dealings with South Africa and describes how within a year of anti-apartheid sanctions ending in 1993, the Americans sent a delegation.

According Fabricius***[156]***, the U.S. knew what it wanted from South Africa.

"It wanted South Africa to become a successful free market democracy, to provide markets for US goods in South Africa, and to become the agent for stability and the engine for growth in the region so as to expand those markets and to diminish US responsibility for dealing with humanitarian crises."

As stated above, the U.S. also wanted South Africa to take over the reins of humanitarian crisis intervention on the continent. This is in the context of the tragic, failed intervention in Somalia in 1992, known as Black Hawk Down. Ironically, South Africa played this role so well, that it faced accusations of being a puppet of the U.S. This had the effect of making South Africa reluctant or "unsure" of its decisions when dealing with the U.S. It was constantly watching over its back at each point to ensure that it did not anger or become misunderstood by its regional and southern alliance partners. Fabricus ***[157]*** *highlights the influence of the South African Communist Party (SACP) and the other ANC allies, who added to South African official's ambivalence.*

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[153] Mills G. and Stremlau J. (2000).*The Reality behind the rhetoric: the United States, South Africa and Africa*. South African Institute of International Affairs and The Centre for Strategic and International Studies.
[154] Fabricius P. (5 March 1997). *U.S. South Africa relations: A view from both sides in US South Africa relations and the Pariah States*. SAIIA Reports No 2, pp 26
[155] Langdon D. (October 2008). US Trade with Sub-Saharan Africa: AGOA and beyond. CRS Report for congress
[156] Ibid.p26
[157] Ibid.

The post-Cold War era or hangover of the nineties, placed countries into communist/socialist/pro-poor vs capitalist/pro-American camps. This did not have a positive impact on how South Africa's relationship with the US was viewed by its partners in Africa and elsewhere in the developing world. The fact that the relationship was taking place in an era when potential investors and multilateral organisations set rules for entry that included, liberalisation, privatisation and tax reforms, which South Africa made huge efforts to comply to [158]also provided fuel for the South Africa is an agent of the US thesis. As a result, South African policy makers were fearful of being bulldozed into decisions that infringe on the sovereignty of SA and its neighbours. This also led to a fear of agreeing with the US too often. South African officials knew they wanted to push for aid assistance from the US as well as trade but they weren't sure what terms and conditions it would be accompanied by[159].

Fabricius [160] identifies the Armscor case as the first indication of what can be characterised as South Africa's schizophrenic relationship with U.S., at times great friends but always wary of being seen as a sell-out and traitor by its anti-Western allies.

He also identifies the conference to renew the nuclear Non-Proliferation Treaty (NPT) as the point at which the relationship matured and S.A. balanced its schizophrenia. At the conference South Africa medicated between the U.S. and NAM countries[161].

The relationship between South Africa and the U.S. was at its best in the period after independence in the early 90's and matured over time. By the late 2000's, it had become a normal trade relationship with the expected ups and downs[162].

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[158] Mbeki T. (24 May 2000). Address to the Commonwealth Club, World Affairs Council and US-SA Business Council Conference. San Francisco. United States. In *The Reality behind the rhetoric: the United States, South Africa and Africa*. South African Institute of International Affairs and The Centre for Strategic and International Studies.
[159] Fabricius.(5 March 1997). *U.S. South Africa relations: A view from both sides in US South Africa relations and the Pariah States*. SAIIA Reports No 2, pp 26
[160] Ibid
[161] Ibid
[162] Morrison S.J. (2000). The U.S. South Africa Courtship Shifts. In The Reality behind the rhetoric: the United States, South Africa and Africa. South African Institute of International Affairs and The Centre for Strategic and International Studies. pp 15 -24

There is also a notable difference in how South Africa was viewed under Mandela – who was voted the fourth most admired leader by Americans[163] and Thabo Mbeki's presidential tenure, especially his second term. The controversial stance of President Thabo Mbeki on HIV/AIDS and South Africa's stance on Zimbabwe, lost the country many supporters in the U.S. and proved to be a point of conflict on numerous world stages and events[164]. Morisson [165]described the change as thus: "US *commitment towards and affection for South Africa endured but at a lower heat"*

Although the U.S. and South Africa, have had disputes, that almost led to diplomatic crises, they agreed on a number of important issues and this kept their partnership going. They agreed on the need to for strong institutions of democracy as precursor for economic growth, trade and investment as well as the need to advance peace and security whilst promoting development and many other issues[166]. As already highlighted earlier, the U.S. also understood that South Africa's role in the continent would be useful in helping them grow on the continent too. The graph below shows the growth in trade.

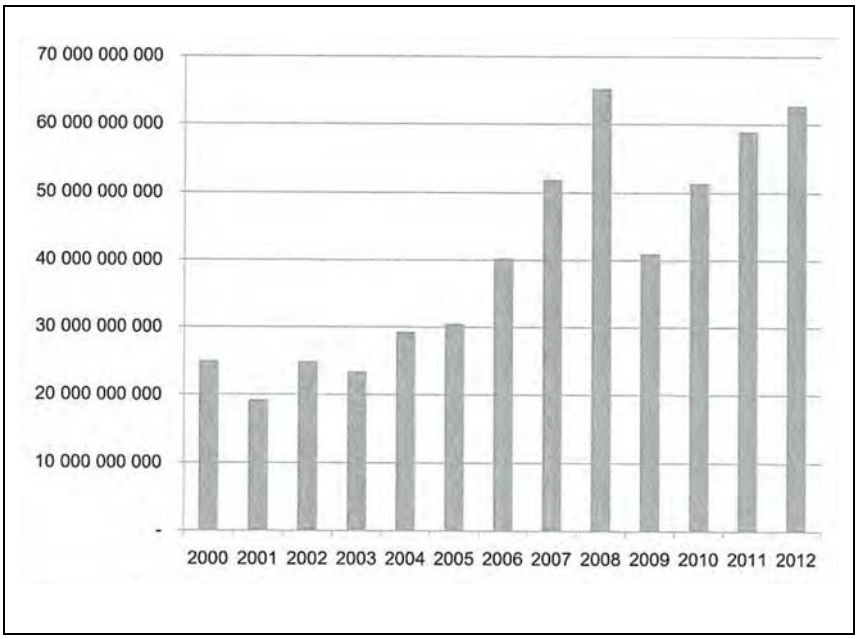
[163] Mills G. and Stremlau J. (2000).*The Reality behind the rhetoric: the United States, South Africa and Africa*. South African Institute of International Affairs and The Centre for Strategic and International Studies.

[164][164] Morrison S.J. (2000). *The U.S. South Africa Courtship Shifts. In The Reality behind the rhetoric: the United States, South Africa and Africa.* South African Institute of International Affairs and The Centre for Strategic and International Studies. 15-24

[165] Ibid pp 15

[166]Firsing S.T. (31 July 2012). *Special Report: Hillary Clinton in South Africa – Unpacking US-South Africa relations*. http://www.saiia.org.za/opinion-analysis/special-report-hillary-clinton-in-south-africa-%E2%80%93-unpacking-us-south-africa-relations . Accessed on 24 April 2013

Table 4: South Africa - US trade flows 2000 - 2012 Source: Department of Trade and Industry (South Africa)



4.3 **South Africa and AGOA**

"Apart from the World Trade Organisation (WTO)'s most favoured nation (MFN) tariff system, two important preferential trade schemes govern the bulk of South Africa's exports to the US: the Africa Growth and Opportunity Act (AGOA) and the Generalised System of Preferences. The challenge, however, is that these two schemes are unilateral in nature and can be theoretically withdrawn at any time ***[167]*** *"*

Williams [168] defines the African Growth and Opportunity Act (AGOA) as "a non-reciprocal trade preference program that provides duty-free treatment to US imports of certain products from eligible sub-Saharan African (SSA) countries."

The Generalized System of Preference (GSP), is the exception to the Most Favoured Nation Principle under World Trade Organisation rules. It is a

[167] Draper P and Khumalo N. October 2007. *One size doesn't fit all. Deal breaker issues in the failed US- SACU Free trade negotiations*. pp 78
[168] Williams B. (2 August 2013).*African Growth and Opportunity Act (AGOA): Background and Reauthorization*. Congressional Research Service.

programme that gives special trade preferences to developing countries[169]. Developed countries like the US have the programme and more than a 120 developing countries benefit. The programme was signed into action in 1971 but began in the U.S. in 1976 [170]. The main difference between AGOA and GSP is that AGOA "*covers more products and includes additional eligibility criteria beyond those in GSP. Additionally, AGOA includes trade and development provisions beyond its duty-free preferences*[171]" Unlike AGOA, GSP did not include most textiles and apparel and other products[172]*."*

The AGOA programme began in May 2000, when the US set out to develop a new trade relationship with developing countries, and it is set to expire in September 2015[173]. It represented a change in power dynamics and perceptions of the US as noted by Schneidman and Lewis who categorise pre-AGOA relations as *"defined largely by Cold War calculations, donor-recipient relations, aid for poverty alleviation and emergency relief*[174]*."*

However, it is not a blank cheque nor an unconditional gift from the US. Its main objectives, according to Schneidman and Lewis[175] are increasing democratic governance and economic progress or growth. To this end the US required "adherence *to the rule of law, due process, political plurality, anti-corruption measures and a market economy*[176]" as a conditions for participating in AGOA. Various countries have been removed from AGOA for failing to meet these requirements.

In the year 2000, when the programme was started, Africa was not an important trade partner but it is increasingly becoming an important player in the global

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[169] Generalized system of preferences. Accessed from http://www.ustr.gov/trade-topics/trade-development/preference-programs/generalized-system-preference-gsp Accessed on 13 January 2014
[170] Ibid
[171] Williams B. (2 August 2013).African Growth and Opportunity Act (AGOA): Background and Reauthorization. Congressional Research Service.

[172] Generalized system of preferences. Accessed from http://www.ustr.gov/trade-topics/trade-development/preference-programs/generalized-system-preference-gsp Accessed on 13 January 2014
[173] Páez L., Karingi S., Kimenyi M., Paulos M.(July 2010). *A decade (2000-2010) of African-US Trade Under the African Growth Opportunities Act (AGOA): Challenges, Opportunities and a framework for post-AGOA Engagement*. pp1-36
[174] Schneidman W and Lewis Z.A. (June 2012). *The African Growth and Opportunity Act: Looking Back, Looking Forward.* The Brookings Africa Growth Initiative. Brookings Institution
[175] ibid
[176] Field S. (12 November 2000). From Polecat to Leader of the South: *A review of South Africa's Foreign Policy since 1994*. Prepared for the Presidency: Policy Co-ordination and Advisory Services. Institute for Global Dialogue. pp 10

economy with increasing competition from regions outside the U.S. The programme also aims to improve trade, increase investment and employment opportunities between the US and African countries[177]. In 2002, 'AGOA II' was launched and aimed for *"substantially improved access for imports from beneficiary sub-Saharan African countries[178]."*

US officials believe that,

> "*by providing duty-free entry into the United States for almost all African products, AGOA has helped expand and diversify African exports to the United States while at the same time fostering an improved business environment in many African countries*.[179]"

In the first ten years of AGOA, 300,000 new jobs were created in Africa at an average of over 30,000 new jobs per year[180]. South Africa is the biggest non-oil beneficiary, with the most diversified exports, of all of AGOA's thirty seven eligible countries[181]. Since the begging of AGOA, U.S. exports to South Africa have grown to US$ 7.5 billion.[182]

The country also benefited in other ways[183],

- "*Automotive vehicles, machinery, iron, steel, platinum, diamonds, and ores as well as citrus fruit, wine, footwear are the biggest exports from South Africa to the U.S.*
- *South Africa went from having only US$ 417 million in exports in 2001 to having about US $ 1.7 billion dollars by 2008[184].*

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[177] Ibid
[178] (2004) .*Trade and Policy Agenda 2003 Annual Report* http://www.sice.oas.org/ctyindex/USA/2004Rep_e.pdf
[179] (2010). *Trade and Policy Agenda and 2009 Annual Report*. http://www.ustr.gov/2010-trade-policy-agenda

180 Ibid

181 Marantis D. (7 June 2011). *AGOA: The foundation of US-SA Trade*. Accessed from http://www.saiia.org.za/presentations-speeches/agoa-the-foundation-of-us-sa-trade-ambassador-demetrios-marantis. Accessed from 20 March 2013

[182] Firsing S.T. (31 July 2012). Special Report: Hillary Clinton in South Africa – Unpacking US-South Africa relations. Accessed from http://www.saiia.org.za/opinion-analysis/special-report-hillary-clinton-in-south-africa-%E2%80%93-unpacking-us-south-africa-relations Retrieved from 24 April 2013

183 Páez L, Karingi S, Kimenyi M, Paulos M. (15 July 2010). *A Decade (2000-2010) of African-US Trade under the African Growth Opportunities Act (AGOA): Challenges, Opportunities and a Framework for Post-AGOA Engagement*. pp19

- *Customs procedures have been standardized*
- *Diversified exports to include agricultural products, an achievement most African countries are still grappling with*
- *Automobile and transport related exports from South Africa to the US have risen from US$148 million to US$1.9 billion[185]"*

South Africa is not the only benefactor of AGOA. It has been important to the economy of Sub-Saharan Africa as a whole. Its main effect is that *"during the last 10 years, on average more than 70 percent of Sub-Saharan Africa's exports to the U.S. have been duty free under AGOA or GSP[186]"*

In terms of BLNS countries,

- *"In Lesotho, AGOA spurred a vibrant textile and apparel industry that is the country's largest private sector employer with 36,000 workers[187]"*
- *"Lesotho and Swaziland became leading exporters of apparel and textiles to the U.S.[188]"*
- *"The Lesotho garment industry produces over 26 million pairs of jeans to service the US and South African markets. The industry has existed in Lesotho for three decades placing Lesotho at first position in supplying the US market with garments.[189]"*
- *Botswana's beef and cattle sector was strengthened*

Trade data indicates that in the period 2001 -2008 alone, Botswana went from no trade to US $16 thousand, whilst Lesotho went from US $ 129 million to US

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184 Ibid

185 Ibid

186 Schneidman W and Lewis Z. (June 2012). *The African Growth and Opportunity Act: Looking Back, Looking Forward*. The Brookings Africa Growth Initiative. Brookings Institution

187 Dans P. (12 August 2013).*Mauritius and other African countries push for 15 more years AGOA trade benefits*. Accessed from http://www.lemauricien.com/article/view-washington-mauritius-and-other-african-countries-push-15-more-years-agoa-trade-benefits Accessed on 18 December 2013

188 Schneidman W and Lewis Z.A. (June 2012). *The African Growth and Opportunity Act: Looking Back, Looking Forward*. The Brookings Africa Growth Initiative. Brookings Institution, p9

189 Southern African – German Chamber of Commerce and Industry. *Lesotho –RSA Trade and Investment Roadshow* Investement Promotion Show Brief. Accessed from http://suedafrika.ahk.de/en/events/current-events/event-details/events/lesotho-rsa-trade-and-investment-roadshow/?cHash=f32c7c7281326ed5bf7e5606e71c22bc on 20 January 2014

$ 339 million, Namibia went from zero trade to US $ 28 million in 2007 and Swaziland went from U $8 thousand US $ 124 million[190].

Overall AGOA is lauded as a success as:

"The volume of AGOA imports has increased 500 percent, from $8.15 billion in 2001 to$53.8 billion in 2011, and non-energy AGOA imports have increased 275 percent, from $1.2 billion to $4.5 billion.[191]*"*

According to the Department of Trade and Industry analysis, South African exports that entered the United States under AGOA and GSP make up 43% of total exports in 2012[192]. Almost half of South Africa's goods entered the country duty free and or had zero rated tariff duties.

The graph below shows the overall advantage received by South Africa from AGOA and GSP.

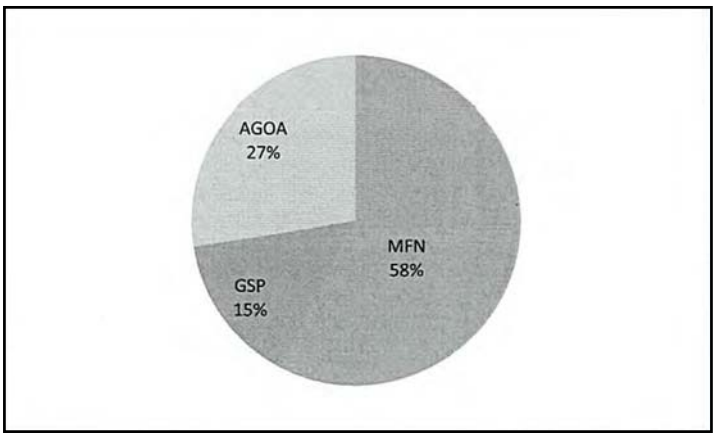


Figure 3: South African exports to the US under AGOA, MFN and GSP in 2012 Source: US International Trade Commission

[190] Ibid
[191] Schneidman W and Lewis Z.A.(June 2012). *The African Growth and Opportunity Act: Looking Back, Looking Forward*. The Brookings Africa Growth Initiative. Brookings Institution
[192] (July 2013). *South Africa's Trade Agreements. Key Policy Parameters for Negotiations*. Prepared by International Trade and Economic Development. pp 9

The impact of these two instruments is huge, as a result of them, *"South Africa's tariff lines fell from over 12 000 at the beginning of the 1990s to 6500 in 2006* [193]."

The advantages of AGOA are many and well documented:

"Eligible countries exported nearly $35 billion in products to the United States under AGOA in 2012, and that total exports have risen 300 percent since the program's start. While about 84 percent of products were petroleum (oil from places like Nigeria), the program has also helped promote other, value-added exports such as apparel, footwear, agricultural products and cars[194] *. "*

However the programme is not without its critics. One of the main criticisms is that the programme has created a high dependence on the U.S. for trade, such that countries like Lesotho and Swaziland are vulnerable to global economic changes[195].

It has also been criticised for only resulting in a tiny portion of African exports going into the U.S. compared to the full access for U.S. companies that it demands in return. Only 2% of the total imports into the U.S. are products that come in under AGOA, with South Africa being the biggest benefactor outside of oil, and one with the most diverse range of products[196]. South Africa's role as the biggest non-oil benefactor of AGOA forms the basis of the argument by American companies lobbying for the removal of South Africa. They argue that the country has a middle income status and should not be benefiting from U.S. market access more than poorer countries like Bangladesh for example[197].

AGOA has also been criticised and accused of being an instrument used by America and its companies to force the hands of AGOA recipients to fulfil

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[193] Edwards L, Cassim R, Seventer D. (2009). Trade policy in South Africa. (Eds) Aron J.; Kahn B and Geeta Kingdon. South African Economic Policy under Policy under Democracy. . Oxford University Press. P151 -178

[194] Dans P. 12 August 2013..Mauritius and other African countries push for 15 more years AGOA trade benefits. Accessed from http://www.lemauricien.com/article/view-washington-mauritius-and-other-african-countries-push-15-more-years-agoa-trade-benefits Accessed on 18 December 2013

[195] World Trade Organisation. (30 September 2009). Trade Policy Review Body Report by the Secretariat: South African Customs Union. (p viii)

[196] Williams B. 2 August 2013.African Growth and Opportunity Act (AGOA): Background and Reauthorization. Congressional Research Service.

[197] Marias J.16 February 2014. Free Trade Deal on the Line. Business Day. Accessed from http://www.bdlive.co.za/business/trade/2014/02/16/free-trade-deal-on-the-line on 28 May 2014

America's national interest. Proponents of this argument point to the case of United States poultry and security industries calling for the removal of South Africa from AGOA as a result of a dispute over poultry anti-dumping duties and South Africa's new bill that proposes to stop foreign ownership of security companies. In the dispute over poultry, in retaliation for the introduction of anti-dumping duties, *"lobbyists in the US have been trying to get South Africa excluded from AGOA, which is vital for the local automotive industry*[198]*."* The dispute over poultry is a long-standing disagreement which began in 2000 when South Africa released an anti-dumping order against imports of some U.S. poultry products[199] By 2008, some products had been removed but four still remained on the list namely: chicken meat portions, L-lysine HCL, suspension polyvinyl chloride(PVC) and acetaminophenol [200]. Ever since the dispute began, poultry producing companies in the U.S. have been calling for South Africa to be removed from AGOA under the argument that South African poultry farmers get duty free access to their market but U.S. companies are not afforded the same rights in South Africa.

South Africa recently announced the proposal of a bill that seeks to enforce a rule that 51% of security company ownership must be local. The Security Industry Association (SIA) in the U.S. wrote a letter to senators to "*suggest putting pressure on South Africa through amendments to the African Growth and Opportunity Act (AGOA) if the South African bill were to become law*[201]**"** They also made the argument that South Africa had free access to their industry and were meant to provide free access to American firms in return but this bill goes against that.

African supporters of AGOA want it to continue indefinitely as they believe their countries benefit from the programme. A working group of African Ambassadors met with Congress in 2012 and presented its AGOA wish list and called for the

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[198] Marias J.16 February 2014. Free Trade Deal on the Line. Business Day. Accessed from http://www.bdlive.co.za/business/trade/2014/02/16/free-trade-deal-on-the-line on 28 May 2014
[199] 2004 Trade Policy Agenda and 2003 Annual Report
[200] Ibid
[201] http://www.digitaljournal.com/pr/1957786

programme to be extended by another 15 years[202]. Only time will tell if AGOA will be extended when it comes up for renewal in 2015 and whether South Africa, will still be included, should it be extended.

4.4 The U.S. – S.A. Binational Commission and the US-SA TIFA

As already mentioned, South Africa has no binding bilateral trade agreement with the United States, it only gains market access through AGOA, the MFN programme and GSP. U.S. - South Africa relations initially took place under the US-SA Binational Commission, nicknamed the *'Gore-Mbeki Commission'* (BNC) **[203]**. This was set up in March 1995 when Al Gore and Thabo Mbeki were deputy presidents of US and SA respectively**[204]**. It was the main institution where all the rules of engagement, discussions and relations between South Africa and the United States happened**[205]**.

Various important gains were made through the Commission.

Table 5: Main gains made through the bi-national commission

Area of Co-operation	Co-operation actions
Organized crime, drugs, trafficking and money laundering	*"People and resources from the Federal Bureau of Investigation (FBI), the Drug Enforcement Agency (DEA), Customs and the Bureau of International Narcotics and Law Enforcement (INL). In addition, we put together an inter-agency co-ordination group to provide assistance in a wide variety of law enforcement and intelligence gathering areas"*[206]
Ease of doing business in S.A. and U.S.	*" leaders in business and government to work together to develop policy incentives and eliminate disincentives to trade and investment. Tax treaties have been signed,*

[202]Dans P. 12 August 2013..Mauritius and other African countries push for 15 more years AGOA trade benefits. Accessed from http://www.lemauricien.com/article/view-washington-mauritius-and-other-african-countries-push-15-more-years-agoa-trade-benefits Accessed on 18 December 2013

[203] Coleman-Adebayo M. 14 December 2013. *Eyewitness to America Betraying Mandela's South Africa: The Gore-Mbeki Commission*. Truthout. Op-Ed Section. Accessed from http://www.truth-out.org/opinion/item/20597-eyewitness-to-america-betraying-mandelas-south-africa-the-gore-mbeki-commission on 16 March 2014

[204] Coleman-Adebayo M. 14 December 2013. *Eyewitness to America Betraying Mandela's South Africa: The Gore-Mbeki Commission*. Truthout. Op-Ed Section. Accessed from http://www.truth-out.org/opinion/item/20597-eyewitness-to-america-betraying-mandelas-south-africa-the-gore-mbeki-commission on 16 March 2014

[205] Coleman-Adebayo M. 14 December 2013. *Eyewitness to America Betraying Mandela's South Africa: The Gore-Mbeki Commission*. Truthout. Op-Ed Section. Accessed from http://www.truth-out.org/opinion/item/20597-eyewitness-to-america-betraying-mandelas-south-africa-the-gore-mbeki-commission on 16 March 2014

[206] Jones J. (1997). The United States and South Africa In An Interdependent World: A Partnership of Mutual Benefit. (1998). International Policy Update. No.I. Speech by James Joseph, United States Ambassador to South Africa to Durban Branch of SAHA in November 1997 Accessed from http://dspace.cigilibrary.org/jspui/bitstream/

	markets have been opened, technology shared and practices and policies changed because of the work of the BNC[207]"
Maths and Science teaching	*"an agreement to bring Peace Corps volunteers to teach maths and science in South African schools serving the majority population[208]."*
Housing and Energy Efficiency	*"Energy-efficient homes are under construction because of the leadership of our Energy department under the auspices of the Binational Commission[209]."*
Information Sharing	*"One of the best examples of information sharing is the early warning given the South African government on the coming impact of El Nino on the Southern African climate. That information has not only helped South Africa to plan for the forthcoming drought, but it can now help predict where there are likely to be malaria outbreaks as well.[210]"*
Working Group on African and Global Issues	*"South Africa and the United States work together on a range issues impacting the region and the world…In 2012, we inaugurated a formalized mechanism for discussing cooperation, including non-proliferation, climate change, human rights, developments in Iran and Syria, and regional crises in Zimbabwe, Somalia, Sudan and South Sudan, and the Sahel. [211]"*
Health	*"The United States has made an unwavering commitment to South Africans living with HIV/AIDS. Since 2004, we invested more than $3.2 billion in South Africa through PEPFAR, including over $500 million in 2012. In 2009-10, the U.S. government provided $120 million to prevent a stock-out of antiretroviral drugs and technical assistance that reduced the cost of such vital medications by half through a new procurement model. Hundreds of thousands of lives have been saved, 6.8 million individuals have received counselling and testing, 720,000 pregnant women access services to prevent mother-to-child transmission, and 1.7 million individuals receive antiretroviral treatment. Through the Partnership Framework Implementation Plan announced in August, the United States will continue to play a strong supporting over the next five years as South Africa takes the lead in caring for those living with HIV/AIDS.* *Another sign of our mutually beneficial cooperation on health was the recent launch of a Global Disease Detection Center, co-directed by the U.S. Center for Disease Control and South Africa's National Institute for Communicable Diseases, the only such center co-directed by a host country. [212]"*
Education	*"On November 2012, we launched the $7.5 million School Capacity Innovation Program (SCIP), a public-private partnership between USAID, the ELMA Foundation and J.P. Morgan designed in collaboration with the Department of Basic Education to improve teacher quality.*

[207] Jones J. (1997). The United States and South Africa In An Interdependent World: A Partnership of Mutual Benefit. (1998). *International Policy Update*. No.l. Speech by James Joseph, United States Ambassador to South Africa to Durban Branch of SAHA in November 1997 Accessed from http://dspace.cigilibrary.org/jspui/bitstream/

[208] Jones J. (1997). The United States and South Africa In An Interdependent World: A Partnership of Mutual Benefit. (1998). International Policy Update. No.l. Speech by James Joseph, United States Ambassador to South Africa to Durban Branch of SAHA in November 1997 Accessed from http://dspace.cigilibrary.org/jspui/bitstream/

[209] Jones J. (1997). The United States and South Africa In An Interdependent World: A Partnership of Mutual Benefit. (1998). International Policy Update. No.l. Speech by James Joseph, United States Ambassador to South Africa to Durban Branch of SAHA in November 1997 Accessed from http://dspace.cigilibrary.org/jspui/bitstream/

[210] Jones J. (1997). The United States and South Africa In An Interdependent World: A Partnership of Mutual Benefit. (1998). International Policy Update. No.l. Speech by James Joseph, United States Ambassador to South Africa to Durban Branch of SAHA in November 1997 Accessed from http://dspace.cigilibrary.org/jspui/bitstream/

[211] U.S. Embassay South Africa.(09 November 2012). *Fact Sheet: Advancing U.S.-South African Cooperation* southafrica.usembassy.gov/key_reports.html

[212] U.S. Embassay South Africa.(09 November 2012). *Fact Sheet: Advancing U.S.-South African Cooperation* southafrica.usembassy.gov/key_reports.html

	In August 2012, Secretary Clinton announced a $500 million Opportunity Grants Program for South Africa to help disadvantaged students study at U.S. universities. This is in addition to the over $12 million that the U.S. Government currently provides for graduate-level Fulbright scholarships and other exchange and speaker programs. *The U.S. Government operates a series of reading rooms and information centres in Soweto, Mamelodi, Pretoria, Pietermaritzburg, Bloemfontein, Cape Town, Durban, and Johannesburg to provide current information to students. [213]"*
Energy	*"South Africa and the United States share a commitment to developing clean, renewable, and efficient energy technologies. A recent $2 billion agreement was signed between the U.S. Export-Import Bank (EX-IM) and South Africa's Industrial Development Corporation to provide credit guarantees for the development of the renewable energy sector. In February 2012, EX-IM signed an $805.6 million loan with South African utility company Eskom for the purchase of engineering and management services related to a new coal-fired plant. The Overseas Private Investment Corporation (OPIC) will support U.S. companies to develop renewable energy programs in South Africa. [214]"*
Rule of Law and Democratic Governance	*"Over the next five years, USAID will invest $32.1 million to democratic governance programs throughout the region.* *The U.S. government is also spending $1.7 million on bilateral law enforcement programs this year and committed an additional $2 million in each of the following two years to provide training and support to South African government departments for victim empowerment, combating sexual and gender-based violence, border and port security, judicial capacity building, financial crimes, fraud detection, consumer protection, corruption, fugitive apprehension, LGBT rights, anti-terrorism assistance and women's justice and empowerment.* *A partnership between USAID, the MAC AIDS Foundation and the South African government is combating the scourge of gender-based violence through the expansion of Thuthuzela Care Centers in South Africa and in the region. These centres provide counselling, medical and legal services to survivors of such violence.* *The United States and South Africa cooperate to bolster democracy in the region through 14 trilateral assistance projects that provide expertise to nine countries in Africa on gender-based violence prevention, natural resource management and constitutionalism in post-conflict areas. For example, USAID has partnered with South Africa's Independent Electoral Commission (IEC) and the University of South Africa to provide training to elections bodies, including for the South Sudan High Elections Committee, a critical institution in Africa's newest democracy. 215"*
Military Co-operation	*"Military cooperation has long been institutionalized through the U.S.-South Africa Defense Committee, which has met on a regular basis since 1997. The visit of South African Minister of Defense Mapisa-Nqakula to Washington in September 2012 for a meeting with U.S. Secretary of Defense Panetta signals the strength of this enduring relationship.* *We will build on the success of Exercise Shared Accord 11 during the next Shared Accord combined military exercise in July 2013, which will strengthen our nations' capacity to conduct humanitarian operations. 216"*
Environment	*"In 2011, we worked closely with South Africa at the COP 17 to move all parties toward a meaningful outcome on climate change. Several recent bilateral grants help address our shared concerns, including a USAID program to assist with water management in the Limpopo and Orange-Senqu trans-boundary river basins.*

[213] U.S. Embassy South Africa.(09 November 2012). *Fact Sheet: Advancing U.S.-South African Cooperation* Accessed from southafrica.usembassy.gov/key_reports.html Accessed on 28 June 2013
[214] Ibid
[215] Ibid
[216] Ibid

	The United States is committed to stopping wildlife trafficking, a national security, public health and economic security issue that spans continents. The U.S. government is providing policy and technical assistance to countries world-wide, including South Africa, to improve awareness, surveillance, detection, law enforcement, and prosecutions.[217]"

At the pinnacle of relations through the Commission, the U.S – S.A. Trade and Investment Framework Agreement (TIFA) was signed in 1999[218].

This was an opportune time to have access to the U.S. market because "...the outstanding high investment and consumption growth in the United States resulted in an expansion of imports of goods and services of more than 10% in both nominal and real terms[219] .

Some of the objectives of the TIFA of 1999 as set out in the agreement are that both countries will seek to:

"…. take appropriate measures to encourage and facilitate the exchange of goods and services and to secure favorable conditions for long-term development and diversification of trade between the two countries….. .[220]"

According to Ferguson and Sek, TIFAs are seen as the first steps towards the negotiation of a Free Trade Agreement[221].

The SA- US Trade Agreement of 1999 set out to,

(1)…. expand trade in goods and services between them, within the framework and terms of this agreement.

(2) …take appropriate measures to encourage and facilitate the exchange of goods and services, and to secure favorable conditions for long-term development and diversification of trade between the two countries.

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[217] Ibid
[218] (18 February 1999).Agreement Concerning the Development of Trade and Investment between the Government of the Republic of South Africa and the Government of the United States of America. Accessed frin http://www.ustr.gov/sites/default/files/uploads/agreements/tifa/asset_upload_file224_7728.pdf Accessed on 20 April 2013
[219] Ibid
[220] Ibid
[221] Fergusson I and Sek L. M. U.S. March 10 2003. Trade and Investment Relationship with Sub-Saharan Africa: The African Growth and Opportunity Act and Beyond.pp 21

(3) ……encourage private sector investment between the two countries, as a means of furthering growth, job creation, and economic development, and, to this end, will promote an open and predictable environment for investment and facilitate expanded contacts between their respective private sectors.

Even though the TIFA was signed, work continued under the Commission but it was then abandoned as soon as President George Bush became president in 2001. As outlined in the table above, one of its biggest accomplishments was the ability to bring South African and United States diplomats together to discuss issues of possible mutual co-operation. South Africa also received much needed help through the commission but there was no real trade action taken as a result of the agreement. The TIFA was a general cooperation agreement and not a trade agreement as it did not contain any market access and or tariff concessions. It was signed in 1999 but ended in 2002 with the signature of the SACU Agreement which introduced, Article 31 of the 2002 SACU Agreement which established a Common Negotiating Mechanism (CNM). Under this clause *"no individual SACU Member State can enter into a preferential trade agreement with a third party without the prior consent of all the other Member States*[222]*."*

In spite of the end of the TIFA, South Africa continued to receive Foreign Direct Investment from the United States as shown in the table below.

Table 6: South Africa - US FDI and related indicator trends Source: BEA, U.S. Direct Investment Abroad: Selected Items by Detailed Country, 2007-2011"; and CRS calculations

	2008	2009	2010	2011
US FDI Stocks ($ billions)	5.00	5.81	6.47	6.55
U.S. Financial Flows into South Africa ($ millions)	306	410	779	722

[222] SACU.2007.Trade Negotiations. Common Negotiating Mechanism. Accessed from http://www.sacu.int/traden.php?id=413 Accessed on 27 May 2014

4.5 Disputes between the U.S. and South Africa

Various issues have become points of disagreement between the U.S. and S.A. These include South Africa's relationships with old allies, Cuba and Iran, both of which made the U.S. uncomfortable and other political ideology differences[223]. Over the course of the relationship, there have been many disputes and these have been highlighted in the table below.

Table 7: Disputes between the Unites States and South Africa

Issue	Description
South Africa as champion of the South	*"South Africa has close relationships with countries that exert their independence from the West. Some of the relationships that have resulted in major conflict between South Africa and the U.S. include Cuba, Iran and Iraq. Former South African President Nelson Mandela was vocal in his opposition to what he viewed as U.S. unilateralism on Iraq[224]"*
AFRICOM's location in Africa	*"Some South African officials expressed opposition to the Bush Administration's initial proposal to locate the new U.S. combatant command, Africa Command or AFRICOM, on the continent[225]"*
Anti-dumping	In December 2000, an antidumping order against imports of certain U.S. poultry products was issued. By 2008, South Africa maintained antidumping duties on four U.S. products: chicken meat portions, L-lysine HCL, suspension polyvinyl chloride (PVC), and acetaminophenol U.S. exporters of chicken parts argue that the antidumping measures against their products should be discontinued, consistent with a September 2007 ruling by South Africa's Supreme Court of Appeal concerning the calculation of the deadline for initiating a sunset review of antidumping measures[226].
Telecoms monopoly	"*South Africa's basic telecommunications monopoly, Telkom, and its failure to provide facilities necessary for U.S. value-added network services (VANS) providers to operate and expand[227]"*
Black Economic Empowerment (BEE)	*"U.S. companies generally support the objectives of South Africa's Black Economic Empowerment (BEE) policies, which are intended to promote the economic empowerment of the historically disadvantaged population in South Africa. However, some US companies have expressed concern about the scope and implementation of BEE. For example, there are concerns about BEE policies requiring the transfer of equity to historically disadvantaged individuals[228]."* Peterson argues that there was concern that *" foreign investors might invoke the protections contained in these investment treaties in an effort to challenge certain Black Economic Empowerment (BEE) policies in South Africa[229]"*

[223] Ibid
[224] Ploch L. (4 January 2011).South Africa: Current Issues and U.S. Relations . Congressional Research Service. P 1-20 Accessed from https://www.fas.org/sgp/crs/row/RL31697.pdf on April 2013
[225] Ibid
[226] 2004 Trade Policy Agenda and 2003 A0nnual Report Accessed from http://www.ustr.gov/2004-trade-policy-agenda Accessed on 20 June 2014
[227] Ibid
[228] Ibid
[229] Peterson L.E. (November 2006). South Africa's Bilateral Investment Treaties: Implications for Development and Human Rights. Dialogue of Globalisation. Occasional Papers N° 26 . p 3

	This was one of the situations where foreign policy objectives were at loggerheads with domestic policy. South Africa wanted foreign direct investment but were not willing to abandon BEE requirements for doing business in South Africa to get it. Perterson[230] explains further that *"These treaties provide foreign investors with the capacity to detour around the domestic court system of their host country, and to pursue international arbitration in case of the alleged breach by the host state of treaty protections. The protections contained in these agreements include duties to pay "market value" compensation in case of expropriation or nationalization; and to provide "full protection and security" and "fair and equitable treatment" to foreign investors and investments; and to treat foreign investors and foreign investments no less favourably than domestic investors and investments."*
Arbitration and legal disputes	Peterson[231], found evidence of a case where a foreign investor took South Africa to court and won resulting in SA having to pay some money to the investor, as compensation. November 2008, the joint U.S. export sales marketing arm of U.S. soda ash producers agreed to pay a fine and withdraw as a joint entity from the South African market as part of a settlement with South Africa's Competition Commission of a longstanding complaint that the U.S. entity operated as a price-fixing cartel with respect to export sales to South Africa. The settlement stated that U.S. producers will be free to make export sales to South Africa. The settlement stated that U.S. producers will be free to make export sales to South Africa on an independent basis[232].
UN Security Council Decisions	*"U.S. officials articulated frustration with the South African government on positions it took during its term on the Security Council 2007-2008. The Mbeki Administration was criticized by the United States as well as by many human rights activists for its lack of support for human rights issues raised before the Council233. The decisions that the two differed on particularly were decisions on, Burma, Zimbabwe and Lebanon[234]."* *" Many supporters of the anti-apartheid struggle, and former admirers of the African National Congress (ANC), are confused and dismayed by some aspects of the foreign policy of post-apartheid South Africa. Their disappointment is summed up in the assessment in the 2009 Annual Report of Human Rights Watch that, during South Africa's recent two-year stint on the United Nations Security Council, it consistently sided with and protected some of world's worst perpetrators of human rights abuses, and often threats to stability, by opposing or refusing to support resolutions on behalf of victims of violations in Sudan, Myanmar, Uzbekistan, Belarus, North Korea and, especially, its neighbour Zimbabwe.[235]"* South Africa took up the seat again in 2011.
Zimbabwe	*"South Africa's critics maintain that its record on good governance and human rights issues, particularly in relation to its neighbour Zimbabwe, conflicts with its commitments under the UN and AU charters and the requirements of the African Peer Review Mechanism. They also maintain that South Africa's stance has not only been deeply damaging for Zimbabwe but that it does not serve the interests of South Africa or the SADC region. Among the reasons for an emphasis on Zimbabwe is its precipitous decline, over the past decade, from being one of Africa's most stable, prosperous states to being one of the worst off, with a quarter of the population fleeing*

[230] Peterson L.E. (November 2006). South Africa's Bilateral Investment Treaties: Implications for Development and Human Rights. Dialogue of Globalisation. Occasional Papers N° 26 . p 3
[231] Ibid
[232] Ploch L. (4 January 2011).South Africa: Current Issues and U.S. Relations . Congressional Research Service. P 1-20 Accessed from https://www.fas.org/sgp/crs/row/RL31697.pdf on April 2013
[233] Ibid
[234] Ibid
[235] Lipton M. (2009).Understanding South Africa's foreign policy: the perplexing case of Zimbabwe. South African Journal of International Affairs. Vol. 16, No. 3, December 2009, p 331-346. Routledge Taylor Francis. London

	into exile and a drastic decline in living standards and life expectancy for those remaining [236]"
HIV/AIDS Policy	South Africa and the U.S. were at loggerheads over South Africa's HIV/AIDS Policy during Thabo Mbeki's era and this cost South Africa dearly. Ironically, this is one of the areas that went on to become a great area of co-operation between the two countries once South Africa decided to roll out ARV's. US AID, to this day, still provides the majority of money used for HIV/AIDS awareness campaigns, drug roll-out programmes, testing campaigns as well as Tuberculosis education and treatment.
Iran and other "Pariah States"	*"….states such as Iran, Iraq, Palestine, Cuba, Libya, and Zimbabwe. While South Africa has proudly supported these states, many of them have been considered pariah states by the Americans and subjected to US sanctions*[237]*"* *"South Africa moved to comply with U.S. banking and trade sanctions on Iran by eliminating its imports of Iranian oil in 2012, earning U.S. sanction waivers. In the past it has variously opposed and supported U.N. sanctions on Iran. In September 2012, it offered a U.S.-opposed amendment to a U.N. resolution, which called for International Atomic Energy Agency probes of suspected Iranian atomic bomb research. South Africa was also critical of the U.S.-led invasion of Iraq in 2003, as well as alleged U.S. unilateral actions toward the regime of Saddam Hussein prior to the war. More recently, it opposed Western military intervention in Libya, preferring an AU-brokered mediation that the United States and others ultimately viewed as ineffective. South Africa, which served on the U.N. Security Council from 2011 to 2012, has also voiced caution regarding proposed external interventions in Syria and called for even-handed treatment of the government and opposition groups*[238]*"*
Patent laws	The crux of this dispute was that *"Pharmaceuticals in South Africa have been priced above costs for the same drugs being sold in other countries in the region and in other parts of the world.* [239]*"* *"The South African government has come under pressure from the Clinton Administration to adjust its domestic patent laws in order to continue pharmaceutical patent protection. The disagreement between South Africa and the United States revolves around changes to the 1965 Medicines and Related Substances Control Act (1965 Medicines Act), which allows the Health Minister to abrogate patent rights for pharmaceuticals, to issue compulsory licenses and to allow parallel imports of pharmaceuticals with the goal being to lower pharmaceutical prices. The U.S. government wants the offending clauses repealed, guaranteeing full protection to foreign pharmaceutical patents. However, the South African government maintains that it needs these tools in order to combat various problems in its health care system, including the burdens inflicted by the Acquired Immune Deficiency Syndrome (AIDS) crisis. Because of the patent issue, the United States has removed privileges for South Africa under the generalized system of preferences (GsP) and could move to impose harsher economic sanctions later*[240]*."*

4.6 **Summary**

This chapter set out to determine the relationship between the United States and South Africa. An analysis of the relationship shows an ambivalent South

[236] Ibid
[237] Field S. 12 November 2000. From Polecat to Leader of the South: A review of South Africa's Foreign Policy since 1994. Prepared for the Presidency: Policy Co-ordination and Advisory Services. Institute for Global Dialogue.p11
[238] Cook N. (19 December 2013). South Africa: Politics, Economy, and U.S. Relations. Congressional Report Service. p 24
[239] Ostergard .R.L. (1999)The Political Economy of the South Africa–United States Patent Dispute. Jr. Accessed from Accessed from http://www.robertostergard.us/research/pubs/jwip.pdf on 16 March 2014

[240] Ibid

Africa negotiating with a sure footed U.S. South Africa sought a good relationship with the U.S. but didn't want to be seen to agree too often with the global hegemon, lest it give credence to accusations of being its puppet. Such accusations were abound especially in the early nineties and early 2000's. The discussion above however shows that the South African government stood its ground and took action against the U.S. on many important issues. South Africa also made many gains from its relationship with the U.S. especially in capacity building and helping with resources for the fight against the scourge of HIV/AIDS which at some point threatened to destabilise the country.

Coleman-Adebayo and other critics argue that from early in the relationship, South Africa bent over backward too many times and prioritised a neo-liberal economic approach at the expense of its domestic conditions and people when negotiating with the U.S. [241]. The truth however, lies somewhere in the middle. South Africa found itself negotiating within a specific context and time and did its best to adapt and fit into that structure whilst attempting to make some changes to the global economic system from within. The well documented role of the South African government and in particular, former president Thabo Mbeki as a crusader for a change in WTO and other global economic systems institutions as well as debt relief for poor countries is a testament to this. Mbeki was open about his ambitions for South Africa to be a champion of the South. In one of many speeches he made to U.S. and other countries business delegations, he highlighted the need for the reform of the global system to the benefit of the developing world[242].

He offered that:

> *" We need to create a situation where developing countries are themselves part of the rules-making process and that the rules take*

[241] Coleman-Adebayo M. (14 December 2013). Eyewitness to America Betraying Mandela's South Africa: The Gore-Mbeki Commission. Truth out. Op-Ed Section. Accessed from http://www.truth-out.org/opinion/item/20597-eyewitness-to-america-betraying-mandelas-south-africa-the-gore-mbeki-commission on 16 March 2014

[242] Mbeki T. (24 May 2000). Adress to the Commonwealth Club, World Affairs Council and US-SA Business Council Conference. San Fransisco. United States. In the Reality behind the rhetoric: the United States, South Africa and Africa. South African Institute of International Affairs and The Centre for Strategic and International Studies. Pp 4

cognisance of the specific realities of the developing countries rather than approach the rules from a "one size fits all" perspective[243]. "

[243] Mbeki T. (24 May 2000). Address to the Commonwealth Club, World Affairs Council and US-SA Business Council Conference. San Francisco. United States. In *the Reality behind the rhetoric: the United States, South Africa and Africa*. South African Institute of International Affairs and The Centre for Strategic and International Studies. pp 4

CHAPTER 5. UNDERSTANDING SOUTH AFRICA IN THE REGION

5.1 Introduction

This chapter provides the reader with a context for South Africa's role in the region and how it relates to countries on the African continent, including its neighbours BLNS. The debate and merits of each the arguments on whether South Africa is a regional hegemon, pivotal state, middle power or co-operative hegemon is undertaken. South Africa's role in SACU is deliberated, especially the effect of its dominance on BLNS, within the SACU arrangement. Finally, the SACU –US TIDCA is critically examined and its impact on each member of SACU is contested.

5.2 South Africa: regional hegemon or middle power?

"South Africa has consistently outperformed its African neighbours in FDI attraction since FDI markets records began in 2003… attracting about one fifth of all investments in to the continent, more than double its closest African rival, Morocco.[244]"

The FDI flows, serve to cement the country's status as one of the most desirable partners in the continent for many countries. The country's economic size also means South Africa has strong trade relationships with a number of countries on the African continent, with some countries even making its top 5 export and import countries (as shown below).

South Africa, on the other hand is the biggest Foreign Direct Investor in Southern Africa having invested in countries as diverse as Tanzania, DRC,

[244] African Countries of the future 2013/14 winners. FDI African Countries of the Future 2013/4 Accessed from http://www.fdiintelligence.com/Rankings/Caribbean-and-Central-American-Countries-of-the-Future-2013-14?ct=true on 13 June 2014

Zimbabwe and Mozambique[245]. Trade on the continent has risen by more than *"300 % since 1994*" although trade is still in favour of South Africa with more exports from South Africa than imports from the continent[246].

Table 8: South Africa's Top Five receiver of exports in Africa Source: Department of Trade and Industry (South Africa) Trade Data

South Africa Top Five Trade Partners - Africa										
South Africa Trade by Country										
Country	Exports to World in (R' Million)					Rank		Proportions 2013		Annual growth %
Name	2013	2012	2011	2010	2009	2013	2012	Total %	Cum %	2012-2013
BOTSWANA	44 496	41 645	33 177	30 451	29 263	4	4	4.78	30.19	6.85
NAMIBIA	40 961	33 534	31 147	28 276	23 891	6	6	4.40	39.06	22.15
MOZAMBIQUE	27 373	19 316	17 486	13 766	13 402	10	12	2.94	51.72	41.71
ZAMBIA	26 282	21 784	17 225	12 674	11 960	11	10	2.82	54.55	20.65
ZIMBABWE	23 196	19 850	17 636	15 543	13 307	13	11	2.49	59.56	16.85

Table 9: South Africa's Top Five importers in Africa Source: Department of Trade and Industry (South Africa) Trade Data

South Africa Trade by Country										
Country	Imports to World in (R' Million)					Rank		Proportions 2013		Annual growth %
Name	2013	2012	2011	2010	2009	2013	2012	Total %	Cum %	2012-2013
NIGERIA	34892.274	30546.411	22654.261	16079.707	15634.452	7	7	3.503703	52.629142	14.22708169
ANGOLA	18919.874	22999.846	11514.243	14600.554	11659.012	13	9	1.8998366	67.194177	-17.73912446
MOZAMBIQUE	12212.542	10377.728	7425.596	3843.7232	3508.7886	19	19	1.2263208	76.530911	17.68031043
SWAZILAND	11251.716	9482.4728	6790.875	7219.8934	6251.7517	20	25	1.1298395	77.660751	18.65803467
NAMIBIA	6657.9217	5341.7145	5325.6589	4976.1125	3814.419	31	33	0.6685543	87.491007	24.64016328

Oden[247] analyses South Africa's relationship with the continent and argues that it has gone from *"being the main regional destabiliser, which the other countries have to co-operate against to the main source of economic growth, with which they have to co-operate."*

Oden[248] argues that during apartheid, South Africa's role as a hegemon was undermined by external factors and the political situation. He identifies the following as external factors:

a) *"Before independence - the colonial powers*

[245] Alden C and le Pere G. April 2009. South Africa in Africa – bound to lead? Politikon: South African Journal of Political Studies., 36,1. pp 1. (abstract)
[246] Ibid pp12
[247] Ibid
[248] Ibid

b) *After independence and during the Cold War by the super powers and to a certain extent former colonial powers*

c) *From the 1980s, increasingly by the Brenton Woods Institutions and bilateral aid donors[249]"*

As discussed previously, countries in the region were opposed to apartheid and united against South Africa in their opposition. This made it difficult for South Africa to exercise its power as a regional hegemony. It also made regional integration impossible. As a result*, "economic links between South Africa and its neighbouring countries did not grow between 1975 – 1990."*[250]

However, all this changed with the dawn of democracy. Nkuhlu, an officer of the Department of Trade and Industry, quoted in McGowan and Ahwireng-Obeng[251] explained South Africa's predicament best,

"Whereas South Africa has no desire or ambitions for hegemonic designs in the region, it continues to have legitimate interests ... a new relationship will also not be sustained if it is perceived to be based on a series of demands by the smaller states"

Ever since the pivotal "*I am an African*" [252]speech and the '*African Renaissance*, *South Africa and the world*" [253]speech by then Deputy President of South Africa, Thabo Mbeki, the country has made great strides in its efforts to lead Africa. Mbeki's African Renaissance was a *"doctrine for Africa's political, economic and social renewal and a call for political democratisation, economic growth and the re-integration of Africa into the global economy[254]".*

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[249] Ibid
[250] Ibid, pp243
[251] McGowan P and Ahwireng-Obeng F. (1998). *Partner or Hegemon? South Africa in Africa.* Part Two. Journal of Contemporary African Studies, 16,2. Pp 1
[252] Mbeki T. (1998). I am an African. Speech at the adoption of The Republic of South Africa Constitution Bill http://www.anc.org.za/show.php?id=4322 Accessed 18 December 2013
[253] Mbeki T. (9 April 1998). Speech by Deputy President Thabo Mbeki at the United Nations University. *The African Renaissance, South Africa and the World. http://www.dfa.gov.za/docs/speeches/1998/mbek0409.htm Accessed 18 December 2013*

[254] Adebajo A. and Landsberg C. (2003).*South Africa and Nigeria as regional hegemons*.From Cape to Congo: Southern Africa's Evolving Security Challenges. Lynne Rienner Publishers.

There are many activities that South Africa has undertaken to cement its role as a leader on the African continent. It was the leading force behind the change and revival of the Organisation of African Union into the African Union in 1999[255]. It was also the driving force behind the development of various programmes to monitor governance on the continent including the African Peer Review Mechanism as well as the establishment and hosting of the Pan African Parliament on South African soil under the New Partnership for Africa's Development (NEPAD) Programme[256]. South Africa also fought for changes in the permanent membership structure of the United Nations (UN) Security Council and won, taking up the seat between 2007-2008 and again in 2011[257]. Since democracy the country has also been involved in numerous efforts to solve conflict on the continent for countries like the Democratic Republic of Congo, Burundi, Rwanda, Sierra Leone, Ivory Coast, Sudan, Zimbabwe, Swaziland, Mali, Madagascar and many others.

South Africa has made some gains in convincing its neighbours to support it in various important decisions that have gained it global respect like the fight for new countries to be included in the Security Council on a global scale and the support for the candidacy of former Minister of Foreign Affairs, Nkosazana Dlamini Zuma as Chairperson of the African Union on a regional scale. All this bodes well for Flemes's definition of a regional power as a country that [258] *"can be distinguished by four pivotal criteria: claim to leadership, power resources, employment of foreign policy instruments and acceptance of leadership"*

South Africa's role of being of a leader in African conflict resolution has been recognised by many. Ploth[259],describes SA as a country with *"a government that has played an active role in promoting regional peace and stability".* She

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[255] Ploch L. (4 January 2011).*South Africa: Current Issues and U.S. Relations*. Congressional Research Service. P 1-20 Accessed from https://www.fas.org/sgp/crs/row/RL31697.pdf on April 2013
[256] Department of Trade and Industry. Anual Report. 2011-2012 pp 40
[257] Ibid

258 Flemes D.(2007). *Conceptualising regional power in international relations: Lessons from the South African case,* GIGA working papers, No. 53. pp 1

[259] Ploch L. (4 January 2011).*South Africa: Current Issues and U.S. Relations*. Congressional Research Service. pp 1-20 Accessed from https://www.fas.org/sgp/crs/row/RL31697.pdf on April 2013

adds further that*, "South Africa is poised to have a substantial impact on the economic and political future of Africa*[260]*."* She also highlights that *"South Africa is the only African member of the G20, the premier forum for international economic cooperation*[261]*",* a big achievement for the country and the continent. South Africa's motivation for the activities highlighted above, has always been clearly articulated as part of a plan or fight for *"…the eradication of poverty and the economic empowerment of the South, translating into its economic liberation within the context of an increasingly globalizing world.*[262]*"*

Although the country has received many glowing reviews for all its work on the continent and the globe, there have also been many voices critical of South Africa's actions and foreign policy strategies. Many analysts and countries on the continent are constantly challenging its regional power status and role and are even critical of what they see as South Africa's "giantism" [263]. This is the fear that South Africa has and could use its military and economic power for the destruction of its smaller neighbours and trade partners[264].

Adebajo and Landsberg, [265] describe how former South African president Thabo Mbeki spearheaded the African Renaissance project with then Nigerian President Olusegun Obasanjo. They travelled the globe preaching the message of *" democracy, development and security and seeking foreign investment for their ailing economies* [266] *"They also* campaigned for *"greater international burden sharing in peace keeping missions in Africa, …the annulment of Africa's external debt, ….better access for African goods entering Western markets and called for Africa's integration into the global economy"*[267].

In spite of all this, they argue that South Africa does not fulfil the traditional definition of a "hegemon" but is rather a "pivotal state", as also described by the

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[260] Ibid
[261] Ibid
[262] Field S. (12 November 2000). *From Polecat to Leader of the South: A review of South Africa's Foreign Policy since 1994*. Prepared for the Presidency: Policy Co-ordination and Advisory Services. Institute for Global Dialogue.
[263] Adebajo A. and Landsberg C. (2003).South Africa and Nigeria as regional hegemons. In *From Cape to Congo: Southern Africa's Evolving Security Challenges*. Lynne Rienner Publishers. pp 174
[264] Ibid
[265] Ibid
[266] Ibid pp 171
[267] Ibid

U.S. A pivotal state is defined as "a state that has economic and military power as well as influence over other states in its sub-region[268]". They contend that South Africa has the economic and military might but lacks the legitimacy required to be a true hegemon due to its chequered military and political past under apartheid.

Adebajo and Landsberg [269] identify the problem with South Africa as the inability to provide clear leadership to others that allays their fears whilst providing leadership to them. They argue that a true hegemon needs to "*make it clear to the hegemonised that they have the ability to reward and punish*". They point to South Africa's failure, at times, to influence their neighbours on pivotal political, security and economic decisions as evidence of its illegitimacy. Zimbabwe, Namibia and Angola, are identified as the stumbling blocks to South Africa's aspirations to hegemony. In conclusion, they determine that instead of being a beacon of democracy and development, the country could end up resulting in a division of unity on the continent with states grouping together in anti-hegemon alliances against both South Africa and Nigeria.

Alden and Le Pere [270], disagree and argue South Africa is actually a hegemon even though they identify it as 'hegemony *on a shoestring*'. They point to Pretoria's ability to build regional institutions and "moral suasion "and the expansion of its businesses into the continent, which all had an impact in "restructuring the regional economic and political architecture" as signs of the country's hegemon status.

Jordaan [271] on the other hand, provides yet another view and argues that South Africa is an emerging "middle power" and distinguishes between a traditional and emerging middle power. He defines a middle power as a country that will "*display foreign policy behaviour that stabilises and legitimises the global order, typically through multilateral and cooperative initiatives.*" He identifies traditional

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[268] Ibid
[269] Ibid 174
[270] Alden C and le Pere G. (April 2009). *South Africa in Africa – bound to lead?* Politikon: South African Journal of Political Studies. 36,1. abstract
[271] Jordaan E. (November 2003). *The concept of a middle power in international relations: distinguishing between emerging and traditional middle powers*. Politikon, Vol 30. Issue 2,pp 165

middle powers as countries like Australia, Sweden and Canada, whilst emerging middle powers are identified as South Africa, Argentina and Malaysia.

He defines emerging middle powers as those that:

> *"…..are semi-peripheral, materially inegalitarian and recently democratised states that demonstrate much regional influence and self-association. Behaviourally, they opt for reformist and not radical global change, exhibit a strong regional orientation favouring regional integration but seek also to construct identities distinct from those of the weak states in their region*."[272]

On the other hand, traditional middle powers are identified as,

"States that are neither great nor small in terms of international power, capacity and influence and demonstrate a propensity to promote stability and cohesion in the world system."

He argues that most attempts at understanding middle powers focus on one or a combination of the following attributes namely on *" state capacity, position in the world order, the normative composition of the middle-power state–societal complex, domestic class interests, and the role and influence of foreign policy-makers[273]"* According to Jordaan, middle powers have a good reputation as they are seen to have an "*absence of self-interested foreign policy behaviour in which the gains are immediate and clear*" and this has led to "*an image of middle powers as good international citizens*"[274]. Jordaan [275] defines them as "*stabilisers and legitimisers of the world order, whether in times of hegemony or not."*

This analysis of middle power status and the classification of South Africa as such, fits some analysts, criticism of South Africa as a country that seems to

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[272] Ibid
[273] Ibid pp 166
[274] Jordaan E. (November 2003). *The concept of a middle power in international relations: distinguishing between emerging and traditional middle powers*. Politikon, Vol 30. Issue 2.pp 166
[275] Ibid

be changing the status qou on the surface but is actually just keeping the neo-liberal agenda alive.

Flemes[276] , however sees things differently and argues that South Africa is a co-operative hegemon, as its *"reformist South oriented multilateralism is challenging some of the guiding principles of the current international system."* This refutes the argument of not changing the world order, which is a pre-requisite for being classified as a middle power.

Alden and le Pere sum up South Africa's relationship with the continent as follows:

"South Africa's future interface with Africa will depend on the extent to which it can confront its own horsemen of the apocalypse in the form of endemic poverty, crime and inequality, address its image deficits by changing its orientation in Africa to one based on genuine partnership, restrain the predatory and acquisitive instincts of its capital, and share its developmental successes with the continent in a fair and equitable manner.[277]*"*

The debate of whether South Africa is a reluctant hegemon or a middle power continues amongst analysts. Hentz [278] postulates that that the reason for the debate in the first place is because South Africa is neither or but has elements of both. He argues that South Africa,

"is pursuing a strategy for regional economic integration/cooperation that has elements of both ad-hoc cooperation and developmental integration/cooperation as a way to placate two important constituencies, labour and big business[279]*"*

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[276] Flemes D. (2007). *Conceptualising regional power in international relations: Lessons from the South African case*, GIGA working papers, No. 53. (abstract)
[277] Alden C and le Pere G. (April 2009). South Africa in Africa – bound to lead? Politikon: South African Journal of Political Studies. 36, 1. pp 1. P12
[278] Hentz J.J. (2005). Conclusion: Post-Apartheid South Africa's Regional Relations. In *South Africa and the logic of regional co-operation*. pp 166
[279] Hentz J.J. (2005). Conclusion: Post Apartheid South Africa's Regional Relations. In *South Africa and the logic of regional co-operation.* pp 166

South Africa's actions on the continent and in SACU, which will be discussed below, prove Hentz [280]to be correct in his analysis that South Africa uses the mixed approach.

5.3 **South Africa in SACU**

"A trade bloc can be defined as a 'preferential trade agreement' (PTA) between a subset of countries, designed to significantly reduce or remove trade barriers within member countries. When a trade bloc comprises neighbouring or geographically close countries, it is referred to as a 'regional trade (or integration) agreement[281]*"*

The South African Customs Union (SACU) is an example of a trade bloc that compromises neighbouring or geographically close countries or a regional integration agreement by the definition above. It is made up of South Africa, Botswana, Lesotho, Namibia and Swaziland.

Abass[282] defines a region *"….as a notion encompassing entities, which may, but do not necessarily, belong to a geographically determinable area, having either common or disparate attributes and values, but which seek the accomplishment of common goals*".

The SACU agreement between members, South Africa, Botswana, Lesotho, Namibia and Swaziland, makes the whole region a Free Trade Area (FTA) with no internal barriers[283]. SACU was founded in 1910 and the original agreement [284] was signed between the then governments of Bechuanaland (present day Botswana), Swaziland, Basutoland (present day Lesotho) and the Union of South Africa (present day South Africa). Under SACU, *"the five member states*

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[280] Ibid pp 163 -184
[281] Sanoussi B.(2001). "Trade blocs", R. Jones (ed). In *Encyclopaedia of International Political Economy*. Routledge
[282] Abass, A. (2004). *Regional Organizations and the Development of Collective Security- Beyond Chapter VIII of the UN Charter*.Hart Publishing. Oxford. pp 25.
[283] Draper P, Halleson D, Alves P. 2007. SACU, Regional Integration and the Overlap Issue in Southern Africa: From Spaghetti to Cannelloni? Trade Policy Report No 15. South African Institute of International Affairs.
[284] Ruppel O. SACU 100: Reflections on the world's oldest customs union. *Namibia Law Journal*. Volume 2 Issue 2 July 2010

maintain a common external tariff, share customs revenues, and co-ordinate policies and decision making on a wide range of trade issues"[285].

SACU countries share a common monetary area with all the currencies pegged on the South African rand, with the exception of Botswana[286].

They also have a common revenue pool which,

"consists of all customs, excise and additional duties collected in the common customs area and these duties and taxes are paid into South Africa's national Revenue Fund, and subsequently distributed among SACU members according to a revenue-sharing formula.[287]*"*

The Customs Union has been reviewed twice since inception, with new agreements signed in 1969 and again in 2002. The 2002 revision was undertaken when members recognised that the agreement of 1969 was no longer relevant to the world they were living in [288] . The independence of Botswana, Lesotho, Swaziland in the 1960s, the new membership by Namibia in 1990, as well as the democratisation of South Africa in 1994 all served to highlight the need to make changes in the rules of the union[289] .

The main changes of the 2002 Agreement focused on

- *"joint decision-making processes based on consensus and involving all SACU member states, and by establishing common institutions …*
- *dispute resolution, the Agreement established an ad hoc Tribunal to resolve any differences that might occur between or amongst member states.*

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[285] Lehloenya P.M. The Failed SACU-USA Free Trade Agreement in Hindsight: A Lost Opportunity or Disaster Averted? Journal of International Commercial Law and Technology, Vol. 4, Issue 2 (2009)

[286] 2009 National Trade Estimate Report on Foreign Trade Barriers. http://www.ustr.gov/archive/assets/Document_Library/Reports_Publications/2009/2009_National_Trade_Estimate_Report_on_Foreign_Trade_Barriers/asset_upload_file405_15451.pdf. Accessed on 5 July 2013

[287] 2009 National Trade Estimate Report on Foreign Trade Barriers. http://www.ustr.gov/archive/assets/Document_Library/Reports_Publications/2009/2009_National_Trade_Estimate_Report_on_Foreign_Trade_Barriers/asset_upload_file405_15451.pdf. Accessed on 5 July 2013

[288] 2002.Southern African Customs Union (SACU) Agreement, http://www.sacu.int/main.php?include=docs/legislation/2002-agreement/main.html, Accessed on

[289] Grynberg . Motswapong . 24 April 2012. SACU Revenue Sharing Formula: Towards a Developmental Agreement BIDPA Working Paper. Pp 2

- *A new revenue formula was introduced as well, which takes into account the different levels of economic development of the various member states, and determines how revenue derived from customs and excise duties is to be shared*[290]*"*

Another inclusion in the agreement was that all member states agreed that they needed to have "common or harmonised policies and increased cooperation, in the areas of industrial development, agriculture and competition policy[291]". A crucial point also included in the 2002 changes was Article 31, the Common Negotiating Mechanism (CNM)[292]. Under the CNM, the SACU Council decided that all trade negotiations with third parties must be conducted with SACU as whole, not individual countries[293]. In spite of all these changes and the search for equality amongst members, Hichert et al [294] and Mc Carthy [295] conclude that the organisation is unequal and politically and administratively dominated by South Africa.

One of the problems within SACU is that South Africa sets the MFN Common External Tariff and according the World Trade Organisation, "*it appears that the structure of the CET does not adequately reflect the needs of the individual economies of the other SACU members*[296]". Grynberg and Motswapong[297] offer the opinion that the 2002 agreement led to changes but did not change the terms of engagement.

"The apartheid regime created a RSF that served to increase the share of revenue of Botswana, Lesotho and Swaziland (BLS), leaving the South African

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[290] Ruppel O. SACU 100: Reflections on the world's oldest customs union. *Namibia Law Journal*.Volume 2 Issue 2 July 2010.pp 122
[291] Ruppel O. SACU 100: Reflections on the world's oldest customs union. *Namibia Law Journal*. Volume 2 Issue 2 July 2010. Pp 122
[292] Trade Negotiations: Common Negotiating Mechanism. Accessed on 30 April 2014 from http://www.sacu.int/traden.php?id=413
[293] Trade Negotiations: Common Negotiating Mechanism. Accessed on 30 April 2014 from http://www.sacu.int/traden.php?id=413
[294] Hichert T.Draper P. and Bertelsmann-Scott T. July 2010. What Does the Future Hold for SACU? From Own Goal to Laduma! Scenarios for the Future of the Southern African Customs Union. South African Insititute of International Affairs.Development Through Trade Programme.Occasional Paper No 63.pg 6
[295] Mc Carthy C. February 2003. The Southern African Customs Union: Case Study prepared for the Food and Agricultural Organisation of the United Nations. http://www.hubrural.org/IMG/pdf/fao_etude_sacu.pdf. Accessed from 23 April 2013
[296] World Trade Organisation. (30 September 2009). Trade Policy Review Body Report by the Secretariat: South African Customs Union. (p viii)
[297] Grynberg R. Motswapong M. (24 April 2012). *SACU Revenue Sharing Formula: Towards a Developmental Agreement* BIDPA Working Paper

share a residual of revenues ….. The 2002 formula increased the share to the BLNS and removed South Africa as a residual claimant but did not change the fundamental economic relationship between members[298]*"*

One of the changes in the 2002 agreement included "*higher allocations for the most vulnerable countries, Swaziland and Lesotho*[299] ". The new revenue sharing model was however only implemented in 2005 and upon its implementation many fundamental flaws of the model were exposed[300] .

According to Flatters and Stern

"Immediate "data problems" related to implementation of the RSF have brought to light some more serious issues with the design of the formula and more fundamentally with some of the underlying assumptions and expectations about short and longer term fiscal relationships between South Africa and its smaller and less well developed BLNS partners[301]*."*

The main difference between the old revenue formula and the new formula was that the formula *"during the apartheid era had more of a political than an economic rationale*[302]*"* Hentz[303] argues that the new system attempted to be more equitable by basing each country's share on its "*contribution to intra – SACU imports*" except for South Africa who although contributed" *close to 80 percent of the customs pool, it will only get 50 percent back"*

Edwards, Cassim and Seventer [304]highlight the following as key difference brought by the new agreement:

- *"A dispute settlement mechanism*

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[298] Ibid
[299] Benjanim C. 29 November 2013. *Sacu's day of reckoning has arrived*. Mail and Guardian. Bussiness Section. Accessed from http://mg.co.za/article/2013-11-29-00-sacus-day-of-reckoning-has-arrived on 15 December 2013
[300] Flatters F. and Stern M. (2006). "*SACU Revenue Sharing: Issues and Options*". Queens University. Accessed from http://qed.econ.queensu.ca/faculty/flatters/writings/ff&ms_sacursf_2006 on 20 May 2014
[301] Ibid
[302] Hentz J.J. (2005). *Conclusion: Post Apartheid South Africa's Regional Relations*. In South Africa and the logic of regional co-operation. Pp 168
[303] Ibid
[304] Edwards L, Cassim R, Seventer D. (2009). *Trade policy in South Africa*. (Eds) Aron J.; Kahn B and Kingdon G. South African Economic Policy under Policy under Democracy. . Oxford University Press. P151 -178

- *The requirement to have common policies on industrial development, agriculture, competition, and unfair trade practices; and a new system regarding the common revenue pool and sharing formula"*

The higher revenue BLNS received used to provide them with foreign exchange and allow them to finance imports but that is not the case anymore[305]. The implementation of the new model coincided with the global economic crisis and the Common Revenue Pool dropped by up to 40% with a deficit recorded for the years 2009/10 and 2010/11. This was attributed to *"the reduction of imports into the region, while excise duties declined due to a slowdown in domestic production as result of the global financial and economic crisis [306]"*

SACU officials themselves recognised the unequal nature of the revenue distribution and a SACU Council of Ministers meeting decided to begin another process of reviewing the Revenue Sharing Arrangement. South Africa is battling many pressures on its fiscus that make contributing about 40 billion to BLNS no longer sustainable[307]. As a result, it is pushing for a "developmental funding formula" which would see a percentage of the money set aside for regional and industrial development[308]. BLNS on the other hand, are seeking more of the same because of the impact that a different sharing model would have on their Gross Domestic Product (GDP)[309]. A further reduction in the revenue that BLNS countries receive would cripple these countries as their Gross Domestic Product (GDP) depends on the SACU revenues. This is especially the case for Swaziland and Lesotho but even Botswana would face a financial crisis.

The country received an average of 9.3 billion pula from the SACU pool between 2006 -2009 and this helped the country protect its economy from global instability as its economy is mainly based on income from its mining

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[305] Basdevant O, Benicio D, Mircheva B, Mongardini J, Verdier G, Yang S, and Zanna L. November 2011. The Design of Fiscal Adjustment Strategies in Botswana, Lesotho, Namibia, and Swaziland. IMF Working Paper. African and Research Departments.pp 3

[306] SACU's furture remains positive, Moremi says.(14 September 2011).Accessed from http://www.trademarksa.org/news/sacu%E2%80%99s-future-remain-positive-moremi-says Accessed on 25 June 2014

[307] Benjanim C. 29 November 2013. *Sacu's day of reckoning has arrived*. Mail and Guardian. Bussiness Section. Accessed from http://mg.co.za/article/2013-11-29-00-sacus-day-of-reckoning-has-arrived on 15 December 2013

[308] Ibid

[309] Grynberg R. and Motswapong M. (1 March 2012). SACU revenue sharing formula: the history of an equation. Botswana Institute for Development Policy Analysis (BIDPA)

industry. If the draft proposition is enacted revenues for Botswana would fall by about 10.3 from 17% in 2012/13 to 6.7 in 2019/20[310].

SACU is plagued by non-compliance to its agreements. The CNM principle has been followed by some but not by others. In the negotiations on the Economic Partnership Agreement (EPA) with the European Union (EU), a deal negotiated between SACU member states and the EU, the CNM was not followed by all. South Africa and Namibia refused to sign the agreement but Botswana, Lesotho and Swaziland signed the deal, leading to a fractured front and different trade relationships with the European Union amongst SACU members[311]. South Africa continues to trade with EU under the Trade Development Co-operation Agreement (TDCA) of 1999, which already affords the country preferential tariffs for 90% of its exports[312]. Phiri warns that "*the signing of the interim EPA by some members of the SACU entails a violation of the SACU Agreement and puts in question the continued existence of SACU*[313]*."*

Yet another change that is yet to be implemented is the harmonisation of institutions as per the agreement of 2002. The council sought to have harmonised institutions but these are still fragmented throughout SACU. There is still no harmonisation of institutions on "*competition, agriculture, standard authorities; and … behind-the-border barriers*[314]." BLNS countries also do not have their own legal and institutional framework to initiate trade remedies but instead follow the ones set by South Africa on all issues for example anti-dumping tariffs[315]. The lack of harmonisation was even pointed out by the U.S. as a reason for the failure of talks towards an FTA with SACU.

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[310] (9 April 2011). *Government agencies brainstorm over SACU revenue threat*.Accessed from http://www.trademarksa.org/news/govt-agencies-brainstorm-over-sacu-revenue-threat Accessed on 27 June 2014
[311] Van der Merwe C. (22 April 2010).*Zuma urges SACU to tackle EPA*. Creamer Media's Engineering News, South Africa. Accessed from http://www.bilaterals.org/?zuma-urges-sacu-to-tackle-epa on 28 May 2013
[312]Van de Bosch S. (9 Jun 2009). *TRADE: EPA Signing Threatens Southern African Customs Union*. Interpress Service News Agency. Accessed from http://www.ipsnews.net/2009/06/trade-epa-signing-threatens-southern-african-customs-union/ on 28 May 2014
[313] Phiri D. (22 October 2009). *The SACU-US TIDCA: South African Private Sector Perspectives*. Business Unity South Africa. pp17
[314] Van der Merwe C. (22 April 2010).*Zuma urges SACU to tackle EPA*. Creamer Media. Engineering News, South Africa. Accessed from http://www.bilaterals.org/?zuma-urges-sacu-to-tackle-epa accessed on 28 May 2014
[315] Ibid

The future of SACU is heavily dependent on South Africa and the direction it takes next in cementing its position in the global economy. It is important for the health of the organisation to implement the agreements of 2002 and later as they might provide a more equal plane-field for BLNS in SACU. BLNS also need to take some initiative and seek out more trade partnerships to expand their GDPs as well as the revenue they receive from SACU instead of relying on South Africa to lead the process[316]. South Africa, as the SACU member with the largest economy, plays a large role in the economies of BLNS states and the institution of SACU as demonstrated by the tables below.

Table 10: South African exports from the World Source: Department of Trade and Industry (South Africa) Trade Data

South Africa and SACU trade										
South Africa Trade by Country										
Country	Exports to World in (R' Million)					Rank		Proportions 2013		Annual growth %
Name	2013	2012	2011	2010	2009	2013	2012	Total %	Cum %	2012-2013
BOTSWANA	44 496	41 645	33 177	30 451	29 263	4	4	4.78	30.19	6.85
NAMIBIA	40 961	33 534	31 147	28 276	23 891	6	6	4.40	39.06	22.15
SWAZILAND	14 654	15 251	11 467	12 500	12 934	15	14	1.57	63.18	-3.91
LESOTHO	13 958	13 180	11 512	9 464	8 447	17	16	1.50	66.19	5.90

Table 11: South African imports from the World Source: Department of Trade and Industry (South Africa) Trade Data

South Africa Trade by Country										
Country	Imports to World in (R' Million)					Rank		Proportions 2013		Annual growth %
Name	2013	2012	2011	2010	2009	2013	2012	Total %	Cum %	2012-2013
SWAZILAND	11251.716	9482.4728	6790.875	7219.8934	6251.7517	20	25	1.1298395	77.660751	18.65803467
NAMIBIA	6657.9217	5341.7145	5325.6589	4976.1125	3814.419	31	33	0.6685543	87.491007	24.64016328
BOTSWANA	5069.919	3305.2156	2450.9189	2171.234	2244.1395	38	42	0.5090952	91.689023	53.39147317
LESOTHO	2282.0007	2143.9696	1957.3216	1926.9492	1520.984	52	48	0.2291468	96.238586	6.438109707

[316] World Trade Organisation. (30 September 2009). *Trade Policy Review Body Report by the Secretariat: South African Customs Union*. pp viii

5.4 The SACU- US Trade, Investment, and Development Cooperative Agreement (TIDCA)

The US began negotiating a Free Trade Agreement (FTA) with SACU in 2003[317]. Different analysts provide different reasons for the existence of the TIDCA, which began as a Free Trade Agreement negotiation.

Fergusson and Sek [318]suggest that SACU's economic integration is the reason behind the US- SACU TIDCA. They say "a large degree of economic integration exists among the SACU states because of the agreement, perhaps contributing to the U.S. decision to negotiate an FTA with SACU, rather than just South Africa[*319*]."

Draper and Khumalo [320] and Lehloenya [321] agree and argue that in fact the prize for the U.S was access to South Africa that also brought SACU's smaller members with it as a bonus in order to counteract the SA-EU deal. They argue that for the United States, the agreement was a reaction to South Africa's trade agreement with South Africa, which resulted in companies from outside the EU having limited access to South Africa and in turn BLNS, since they have a common trade tariff[322]. The United States' *2004 Trade Policy Agenda and 2003 Annual Report* also shows that this is amongst the reasons for attempting to go into an FTA with SACU. There is a mention that "other *exporters such as the European Union already receive preferential access to the South African market*" which shows that the U.S. was aware of this and possibly wanted to counter this effect[323]

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[317] Langdon D. (July 2008). *United States-Southern African Customs Union (SACU) Free Trade Agreement Negotiations: Background. and Potential Issues.* Analyst in International Trade and Finance Foreign Affairs, Defense, and Trade Division. US Congress.

[318] Ian F. Fergusson I and Sek L. M.(10 March 2003). *Trade and Investment Relationship with Sub-Saharan Africa: The African Growth and Opportunity Act and Beyond*.pp 1-30

[319] Ibid

[320] Draper P. and Khumalo N. (October 2007). . One size doesn't fit all. Deal breaker issues in the failed US- SACU Free trade negotiations. pp 5

[321] Lehloenya P. M. 2009. The Failed SACU-USA Free Trade Agreement in Hindsight: A Lost Opportunity or Disaster Averted? Journal of International Commercial Law and Technology, Vol. 4, Issue 2.pp 117-127

[322] Ibid

[323] 2004. *Trade Policy Agenda and 2004 Annual Report.* Accessed from http://www.sice.oas.org/ctyindex/USA/2004Rep_e.pdf Accessed on 20 May 2014

According to American official Langdon, the FTA was meant to "eliminate tariffs over time, reduce or eliminate non-tariff barriers, liberalize service trade, protect intellectual property rights, and provide technical assistance to help SACU nations achieve the goals of the agreement." [324]

According to Draper and Khumalo[325], the aim for SACU was to:

"use the potential FTA as a means to achieve AGOA-plus liberalisation (by locking in and possibly extending current market access), address non-tariff barriers affecting its US-bound exports, spur regional integration in SACU and strengthen relations with the US as insurance against possible failure of the Doha round."

According to Langdon[326], the U.S. also sought the same benefits. The FTA was going to be the first of such an agreement with Sub-Saharan Africa[327]. At the time of negotiation, SACU *was "the largest U.S. export market in sub-Saharan Africa, with $2.5 billion in U.S. exports in 2002[328]".* Another important reason for the deal was that the U.S. sought to use the FTA to force SACU to harmonize its investment and regulatory regimes which were not uniform, in order to making trading with them easier[329]. Draper and Khumalo contend that the agreement of the lack of *"frameworks to regulate important issues in bilateral economic relations, especially investment and intellectual property rights[330]"*

The process of negotiating was fraught with fear from the onset with many analysts in the region warning SACU to tread carefully as the U.S. had a reputation for not backing down on intellectual property issues especially. It was therefore no surprise when the first stalling happened in 2004 over

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[324] Langdon D.(July 2008). *United States-Southern African Customs Union (SACU) Free Trade Agreement Negotiations: Background. and Potential Issues*. Analyst in International Trade and Finance Foreign Affairs, Defense, and Trade Division. US Congress.
[325] Draper P and Khumalo N. (October 2007). *One size doesn't fit all. Deal breaker issues in the failed US- SACU Free trade negotiations*. pp 5
[326] Ibid
[327] Ibid
[328] 2004 *Trade Policy Agenda and 2003 Annual Report*. Accessed from http://www.sice.oas.org/ctyindex/USA/2004Rep_e.pdf Accessed on 28 May 2014
[329] Langdon D. (July 2008). *United States-Southern African Customs Union (SACU) Free Trade Agreement Negotiations: Background. and Potential Issues*. Analyst in International Trade and Finance Foreign Affairs, Defence, and Trade Division. US Congress
[330] Draper P and Khumalo N. October 2007. *One size doesn't fit all. Deal breaker issues in the failed US- SACU Free trade negotiations.* pp 5

disagreement on intellectual property rights. A year later, talks began again and policy makers spoke of conducting negotiations issue by issue as the December 2004 deadline came and passed. By April 2006, however, the whole process was suspended in favour of pursuing a trade and investment agreement[331]. When the negotiations failed, a blame-game ensued with the US blaming SACU and SACU blaming the US for the failure.

"The US attributed the failure of the talks to the absence of harmonised trade and investment policies within SACU. SACU in turn blamed the US for being inflexible with its comprehensive negotiating template, which includes many new generation issues like investment that the US was not keen to engage in."*[332]*

Observers cited, *"the capacity of SACU nations to negotiate a U.S.-style (comprehensive and high-standard) FTA, and disagreements between the parties on the scope and level of ambition of the negotiations [333]."*

In the meantime, the United States set about wooing various individual SACU members with the goal of creating bilateral agreements. Washington also hoped to create a trade and investment agreement that would eventually become a Free Trade Agreement (FTA). BLNS countries refused to sign on a version of the SACU-US agreement that was not satisfactory to them, as a result of their experiences with the European Union – South Africa trade agreement[334].

During February 2007[335], both sides agreed to enter into a Trade, Investment and Cooperation Agreement (TIDCA) instead of the FTA that was initially sought out. On 16 April 2008[336], the U.S. and SACU finally signed a Trade and Investment Development Cooperation Agreement (TIDCA). According to SACU, the signature of the 2008 agreement was "*aimed at promoting investment and*

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[331] U.S. –SACU bilaterals.Accessed from http://www.bilaterals.org/?-US-SACU- Accessed on 28 May 2014
[332] Draper P and Khumalo N. (October 2007). *One size doesn't fit all. Deal breaker issues in the failed US- SACU Free trade negotiations*. pp 11
[333] Jones C and Williams B. (14 November 2012). *U.S. Trade and Investment Relatinos with sub-Saharan Africa and the African Growth and Opportunity Act*. Accessed from http://www.fas.org/sgp/crs/row/RL31772.pdf on 16 July 2013
[334] Lehloenya P.M.(2009). *The Failed SACU-USA Free Trade Agreement in Hindsight: A Lost Opportunity or Disaster Averted*? Journal of International Commercial Law and Technology, Vol. 4, Issue 2.
[335] Agreement between SACU and US. Accessed from http://www.sacu.int/traden.php?id=414 Accessed on 28 May 2014
[336] Ibid

expanding and diversifying trade between SACU and the USA.[337] " The highlight of the agreement was the establishment of a consultative group on trade and investment but little else was conceded outside of the benefits South Africa was already receiving from the U.S. [338].

An analysis of the SACU – US agreement shows that the U.S. wanted the agreement to effectively compete with the European Union who had a trade deal with South Africa. The U.S. –S.A. agreement did have some gains but was not powerful enough to give access to the whole region. To solve this, the U.S. pushed for a SACU deal, particularly an FTA. It stands to reason then that the U.S. – S.A. TIDCA did not have a negative impact on BLNS. In fact, it seems the lessons learnt by BLNS in the EU – SA negotiations made them better negotiators. They made the point clear that only way to gain access to their markets is not through signing an agreement with S.A. as the EU did, but rather to sign a SACU deal. One key criticism of the SACU –US TIDCA is that it 'does not go any further than merely political statements' and does not provide any more benefits than what SACU member South Africa, gets via AGOA and GATTS [339]

This chapter sought to offer the reader a context for South Africa's role in the region and how it relates to countries on the African continent, including its neighbours BLNS. The debate around South Africa's position and whether it is a hegemon, pivotal state, middle power or co-operative hegemon is undertaken.

5.5 **Summary**

This study has shown that South Africa seems to have taken a co-operative hegemon stance as it co-operates with its trade partners, sometimes even to its own detriment, but other times it makes decisions and simply carries BLNS along with or without its consent. South Africa's role in SACU was also analysed with a focus on the effect of its dominance on BLNS, within the SACU. Finally,

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[337] Ibid
[338] Ibid
[339] Phiri D. (22 October 2009). *The SACU-US TIDCA: South African Private Sector Perspectives*. Business Unity South Africa. 1st Draft

the SACU –US TIDCA was analysed and found to be an empty document that offer very little to BLNS outside of the benefits SA already receives.

CHAPTER 6. CONCLUSION AND RECOMMENDATIONS

This study sought to interrogate 'The impact of the United States (U.S.) and South Africa's (S.A) trade relationship on Botswana, Lesotho, Namibia and Swaziland (BLNS) [1999-2013]'. In doing so, the analysis was focused on discovering if there was an impact –whether negative or positive, on BLNS caused by the trade relationship between U.S. and S.A. It focused specifically in the period between 1999 and 2013 but there was some analysis of events before 1999 in order to provide a historical context for the analysis.

The introductory chapter of this study set out to introduce the reader to South Africa and its relationship with the United States and its neighbours Botswana, Lesotho, Namibia and Swaziland (BLNS). In analysing the relationship between the U.S. and South Africa, it was shown that the two countries have a long trade relationship that even pre-dates democracy. The close relationship between the U.S and South Africa during apartheid was to have an impact on its relationship with democratic S.A. The relations between the two countries during apartheid explain why South Africa never completely trusted the U.S.'s intentions as there were many within the country that saw the U.S. as an ally of the apartheid government. This didn't mean that there wasn't a relationship between the new government and the U.S. nor that the relationship was antagonistic. It simply meant that when entering negotiations with the U.S. there was always a level of distrust, which was also exaggerated by the history of U.S. dealings internationally and its history of sometimes over-stepping other countries sovereign rights. This combined history meant that although South Africa trades and relates with the U.S. successfully, all negotiations were conducted with a certain level of ambivalence. Another complicating factor in the relationship is the difference in ideologies between the two countries and the remnants of Cold War politics. During the Cold War, the then banned African National Congress which is the ruling party in South Africa belonged to organisations that were allies of the Soviet Union and its partners. In fact, ANC, PAC and many other organisations banned during apartheid were supported by the Soviet Union and its allies. They provided financial support and military training to these

organisations. Many ANC leaders spent long periods in Russia and other Soviet Union ally countries during the fight against apartheid. These relationships continued once South Africa became a democratic country led by the ANC. This immediately pitted the incoming government against the U.S. in a number of ways. It meant that at times there were ideological disputes between the two which are discussed in some detail in the second chapter. Beyond ideological differences South Africa had many disagreements with the U.S. over its relationships with sworn U.S. enemies like Cuba, Libya, Iran and many others.

As part of the study, South Africa's foreign policy making was also discussed. It was found that at the dawn of democracy, South Africa considered three different approaches and the most neo-liberal of the three won the order of the day. This was chosen, as South Africa sought international standing and a foreign policy that was visibly different from the apartheid government's policy. The chosen policies also meet the stringent criteria of Brenton Woods institutions, which were critical for entering the global economy in the nineties. It quickly liberalised markets, privatised a number of state entities and developed stringent tax laws in order to achieve this. This approach caused many internal disagreements between the ANC and its alliance partners. It has also resulted in the ruling party being accused of selling out the socialist cause in favour of capitalism. The choice of foreign policy by South Africa had an impact on the policy direction of the country, especially economic policy. The controversial and much criticised GEAR and ASGISA programmes were created based on the expected gains from the foreign policy outlined. There is still rigorous debate within the country over the true cost of this policy line and its impact on the economy, the high unemployment rate and the resultant socio-economic problems. This is a possible area of research, an analysis of the impact of South Africa's foreign policy on South Africa's ability to provide employment for its citizens.

The study of regional integration and its impact on participating countries is not new. The study of the impact of multiple agreements by individual members on the rest of the regional integration grouping is also not new. In fact the past 50

years have seen an increase in regional integration schemes and with it, an increase in research around them. What is new about this study is its focus specifically on the impact of global hegemon U.S. and regional hegemon, S.A. on BLNS countries. There have been studies on the impact of S.A.'s relationship with the E.U. on BLNS but none that interrogates the impact of the U.S.-S.A. relationship on BLNS.

This study is a qualitative study and mainly utilises documentary evidence to come to a conclusion. A content analysis of existing literature was undertaken in order to conduct research that seeks to find out the impact of the U.S. and S.A. trade relationship on BLNS counties. In conducting the literature review it was found that although SACU is a 100 year organisation there is still very little research conducted into the actions and implications of BLNS countries. This is a possible area of future research. Of the research that does exist, a large portion of it is focused on South Africa's dominant role and this means that there is little research that actively seeks to understand BLNS countries. There is also a shortage of research that analyses the various trade agreements that South Africa enters into with other countries. Where this data exists, it has been provided by either the SAIIA or TRALAC. This means that there is a lack of diversity in opinion in this space. This also provides possible areas of future research.

BLNS countries are small developing countries, flanked by a regional hegemon and this means that researchers who study SACU seem to focus on S.A. at the expense of research on BLNS. This meant that trying to find any data on the actions of BLNS and how it was impacted by any agreements was a difficult feat. There is a general dearth of research on these countries and when it exists, there is a dearth of trade data and or analysis to back up that date. This is another possible area of research. Studies could be done that will develop data for BLNS countries that is independent of SACU revenues and also separates and identifies the different sources of the SACU revenue itself.

The lack of data made it hard to conduct a thorough statistical analysis of the impact and explains why this study ended up focused on interrogating many documents, to come to a conclusion that there was little impact on BLNS from

the trade relationship between the U.S. and South Africa. BLNS countries seem to have learnt from the experience of South Africa's trade deal with the European Union which led to so many losses for them that S.A and the E.U. had to provide financial compensation in the form of aid for BLNS to accept the deal. This experience seems to have impacted BLNS countries so much that when the U.S. and South Africa began negotiations towards any agreement, BLNS countries were quick to remind S.A. of the EU experience. This also became visible during negotiations with the U.S. towards a SACU FTA which later became a SACU TIFA, in part because BLNS was only willing to go so far in terms of opening their markets to the U.S.

A number of agreements were explored as part of the study, namely:

- The African Growth and Opportunities Act of 2000 (AGOA)
- The S.A. – U.S. Trade Investment Framework Agreement (TIFA)
- SACU agreements between members of 1910, 1969 and 2002
- The failed SACU –US Free Trade Agreement (FTA) that became the SACU – U.S. Trade, Investment, and Development Cooperation Agreement (TIDCA)

On the African Growth and Opportunities Act of 2000 (AGOA), it was found that South Africa is one of the biggest benefactors of these trade scheme. It was also found that the country has the most diverse number of exports compared to its other sub-Saharan counterparts. South Africa benefits from this scheme so much that various American lobby groups have argued that it should be 'graduated' out of the programme. The scheme is meant to help small African countries who otherwise would not be able to access the American market, and these groups argue that South Africa, no longer fits that description.

These increasing calls for the removal of S.A. from AGOA and the fact that the scheme is unilateral and can be withdrawn at any time, poses a threat to South Africa's relationship with the U.S. If the country was to be removed from the scheme, the effects would be devastating for South Africa but not necessarily have much of an impact on the U.S. as the total trade from AGOA amounts to only two percent of its international trade. South Africa has and continues to

seek a bilateral trade agreement with the United States that is binding and not easy to get out of like AGOA. Efforts to secure this have been thwarted by a number of issues discussed in the study including BLNS and its need for assurances that the negative experience of the EU deal will not be repeated. Yet, another possible area of future research exists in finding out what would happen to the South Africa economy if the country was removed from AGOA and GPS schemes.

Another agreement that is critically analysed is the S.A. – U.S. Trade Investment Framework Agreement (TIFA). It was found that the TIFA did not amount to much. It ensured that diplomats from the U.S. and S.A. met regularly to discuss issues of mutual co-operation. South Africa also gained assistance in various forms from it but there were no real trade concessions as a result of the agreement. It was a general cooperation agreement and not a trade agreement as it did not contain any market access and or tariff concessions. As already mentioned, there is a need for more research that analyses South Africa's bilateral agreements with different countries outside of the current sources of such research SAIIA and TRALAC.

South Africa is a regional hegemon and as such plays an important role on the continent. This role was critically analysed and the debate over whether South Africa is a "hegemon", "pivotal state", "middle power" or co-operative hegemon was discussed. It was concluded that South Africa is a co-operative hegemon as it display and uses its hegemonic status sometimes but also co-operates with its smaller trade partners for the benefit of the whole sometimes. South Africa's foreign policy in Africa has developed to make it a known champion of conflict resolution and democratisation. On a global scale, the country is a known champion of the South, and this was achieved by fighting for and calling for debt relief for poor countries of the South and participating in the development of organisations that seek to unite the south. To this end,it is currently a member of India, Brazil, South Africa (IBSA), Brazil, Russia, India, China and South Africa (BRICS) and many others. South Africa also remains the only country in Africa that is a member of the G20. Yet another area of

future research, is studies that interrogate how effective South Africa is as a global champion of the South as well as the effect this has on its economy i.e. are there instances where the country takes a decision that is good for solidarity with the South but not necessarily good for South Africa as an individual country.

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