

CHAPTER 1

1.1 Introduction.

The legacy left behind by the apartheid regime was not only the boycott and economic sanctions against South Africa, but also a legacy of trade discrimination against the country. After the elections in 1994, the ANC government was confronted with the problem of reversing the economic and political isolation of the country, to a country that is acceptable by the international community, both politically and economically as well as deepen internal democracy. Consequently, the ANC government adopted a package of measures including social dialogue and policy making process to be able to build credibility and acceptability both internally and externally especially between capital and labour. According to Levermore, Gibb and Cleary (2000), there was a desire of the ANC government to incorporate all sections of the South African society within the decision making process of the country. The government aimed at creating transparency and inclusivity in the policy making process of the country.

One particular area of the policy making process that the ANC government permitted inclusion of diversity of stakeholders was the policy process leading to the formulation of the Trade and Development Corporation Agreement with the European Union. This was done partially under the National Economic Development and Labour Council (NEDLAC) where business, labour, community and government were represented. NEDLAC as a social dialogue institution, apart from providing the opportunity for deepening the policy making process, it also created the avenue for organized labour, organized business and organized community to foster relationship with government (Webster and Sikwebu, 2006).

1.2 Research question

Which factors and actors were most influential in the formulation of South Africa's trade and development cooperation agreement with the European Union?

1.3 Research questions

What were the issues involved in the formulation of the TDCA?

What was the level of involvement of the actors, in particular capital, labour and government, in the policy process?

What mechanisms were used in getting the participation of the various actors?

1.4 Aim of the research

To explain why South Africa developed the TDCA as it did. What lessons can be drawn from the study and how these lessons can be used to guide future policy development. This research is also seeking to fill in gaps in literature in the subject area, as well as contribute to new knowledge and provide appropriate strategies for labour unions' intervention in trade policy formulation, advocacy and campaign.

1.5 Rationale

South Africa at 1995 had her intention to join the Lome Convention dashed when the EU rejected the inclusion of the country in the Lome Convention. The EU cited the relative strength of South Africa's economy as a threat to the EU domestic markets, and its potential to crowd out the ACP countries from the EU market, as cogent reasons to keep South Africa out side the Lome Convention. Under the circumstance, South Africa was left with limited choice of negotiating a FTA agreement under the TDCA with the EU. As South Africa

settled for the TDCA instead of other options such as the General Systems Preference (GSP) treatment with the EU, this research study examined the policy process leading to the TDCA. The main actors in the policy process were capital, labour and government.

The orthodox Marxian theory, according to Fine (1975: 49), is that, in a capitalist economy, the interest of capital is dominant and the government considered as the executive arm of capital; working to enhance the interest of capital. However, the Gramscian perspective is that the interest of capital is not unanimous, and the government may be inclined to act in support of or contrary to a section of capital.

This study used both Marxian and Gramscian theories to interrogate the policy process leading to the formulation of South Africa's TDCA with the EU. The role of each actor was examined to bring out the power relations among them, the level of convergence and divergence of interests and which actor in particular was most dominant in influencing the policy process. The findings of this study will be useful in understanding some of the "internal dynamics" involved in policy making with particular reference to the TDCA and how these findings can be used by policy makers. The findings are useful to NGO's and trade unions when deciding on how to intervene and how to focus on the relevant actor in order to influence policy outcomes.

CHAPTER 2 – LITERATURE REVIEW

2.1 Introduction

This chapter explores the complex process of policy making, power relations and class differences between South Africa and the EU leading to the formulation of the TDCA. The emphasis is placed on the dynamics of the process within the country, particularly at NEDLAC level among the three main actors - capital, labour and government in formulating the South African position. The internal dynamics that characterised the policy process in the democratic South Africa from the pluralist perspective encompass all sections of interest groups with the state or government playing a neutral role (Dye, 2005).

The Marxian and Gramscian theories of policy process and power relation are also examined in this chapter. The Marxian perspective particularly, in respect of a capitalist economy, the capitalist's interest is dominant in the policy making process. This is so because, in a capitalist society, power is located in the mode of production and the means of production is controlled by the capitalist (Fine, 1975). In the capitalist economy, government is considered as an executive committee of capital, working to enhance the interest of capital at the expense of the working class (Hill, 2005).

From the apartheid era to the democratic change in the 1990's, the role of the mineral-energy complex as the fundamental structure of the economy, accumulation of capital and proletarianisation and the exploitation of the black working class has been phenomenal. The exclusion of the country from the global economy because of the political and economic system under apartheid has been examined. South Africa was unsuccessful in convincing

the EU to be included in the ACP countries under the Lome Convention. Instead, the country was offered with free trade agreement.

2.2 Power relations in policy making

The widely held view under a democratic environment is that the participation of the broader society in policy making is promoted, and there are many channels that people can contribute to the policy making process. Every policy is a product of both public and private actors, their interests and other host of factors ranging from beliefs and attitudes and the formal rules and institutions in the political environment (Van Der Waladt, 2001). The outcome of policy process impacts on every person in the society, even though some members of the society may be positively affected or negatively affected. These outcomes may involve a series of specific decisions either in a rational sequence or in an erratic manner. This requires the generation of multiple interactions among many people or institutions in a consciously determined fashion. It is argued that society is made up of different groups with different interests and therefore public policy must receive the output of all groups in society, in order to embrace the collective public interest (Walt, 1994). This is the pluralist perspective of the policy making process.

From the pluralist perspective, according to Grindle and Thomas (1991), the political society consists of large numbers of interest groups who compete for the interest of their respective groups. Policy making process is inherently a political process which seeks to resolve these conflicting interests among different groups with divergent interests. The state is considered as part of this political society and for that matter a neutral or lesser player influencing the policy process. The policy process is initiated by civil society, instead of the

state, and structured and organised by the way the different groups are ready to participate in the process. Power is defused through out society, and the fragmentation of society into groups with competing individual interests, underscore the democratic nature of the society, which is analogous to a free market system (Walt, 1994).

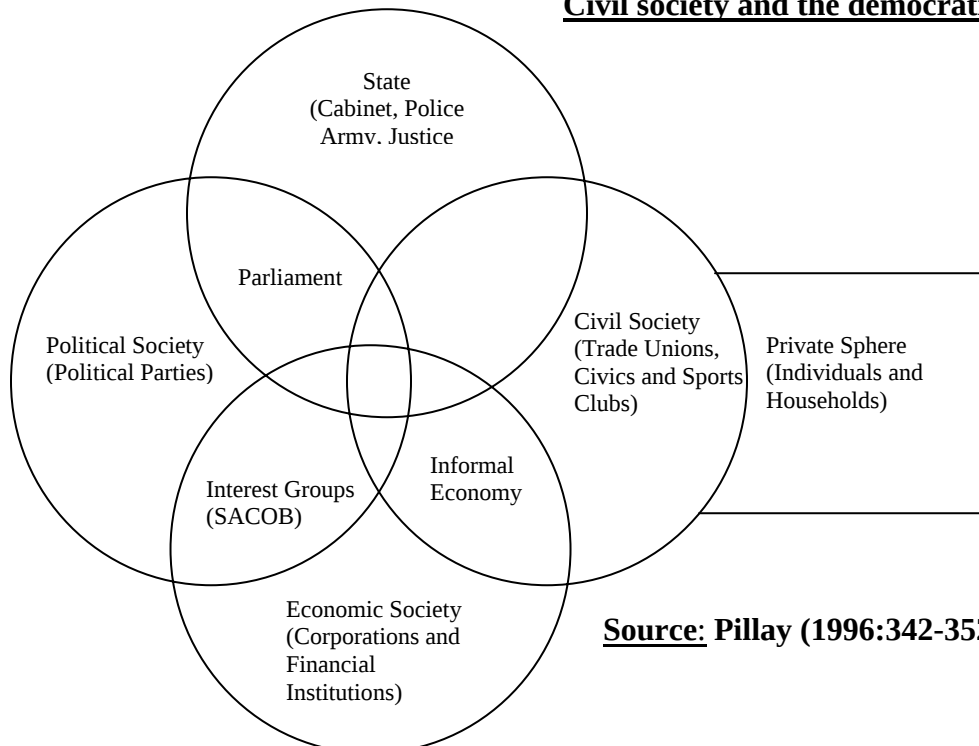
Marx contends that in the capitalist society, power is located in the mode of production. There is a relationship between economic power and political power. The state is not a neutral player in the power relations between the economic and non-economic groups in society. The state is an embodiment of structural determinism serving the interest of capitalism. According to McLellan (1971) cited in Hill (2005: 39), Marx made this view eloquently in the *Communist Manifesto*, that ‘the executive of the modern state is but a committee for managing the common affairs of the whole bourgeoisie’. The state therefore plays a supportive and subsidiary role to capitalism in the power struggle between the capitalist class and the working class.

For Grindle and Thomas (1991), the role of the state in the formulation of legislation and institutional system ensures the ideological hegemony of the capitalist class in society. So the state is a symbol of dominance reflecting the class relations in favour of the capitalist class. In this case the state becomes repressive confirming the policy elite’s subservience to the dictates of the economically dominant class, even if it serves the interest of a section of the capitalist class. When the state is repressive and subservient to the elite group in society, the policy making process will become state-centred bias and the state becomes the independent variable in the political theoretical analysis. In an attempt to change the policy

process, there must be the concentration of effort on mobilisation of civil society groups to influence the authoritative character of the government and the elite.

The term civil society as well as its nature and function is complex and attracts different view points. Although it encompasses elements of the economy, Pillay (1996: 341), using a Gramscian analysis, contends that it ‘constitutes that space between the state apparatuses and individuals or families’. However, civil society excludes the “economic society” or the economic foundation of society as well as political parties and parliament. Pillay (1996: 341) argues that civil society ‘constitutes that vast array of voluntary associations of that make up every day life, from business associations to trade unions, stokvels, and religious groups, in dialectical unity with all the other spheres’. In a democratic state, civil society which includes trade unions, sports clubs and individuals to some extent overlaps with political society (political parties), economic society (corporations and financial institutions) and state (cabinet, police, army, justice).

Civil society and the democratic state



Source: Pillay (1996:342-352)

According to Pillay (1996) and Bieler and Morton (2007), unlike Marx, Gramsci does not make a radical distinction between civil society and the state, neither does he believe that it is necessarily controlled by capital and the elite in society. In the view of Gramsci, according to Pillay (1996: 340), civil society includes elements of both the economic and political realms, and the state is also influential in the development of civil society. Nevertheless, Gramsci disagrees with the conflation of these forces (civil society and the state) on the ground that civil society is a ‘contested terrain’ and in order for the working class to achieve hegemony, it must engage in the “war of position”. However, the outcome of this struggle will largely depend on the type of the state. If the leadership of the state is captured by civil society, then there will be the “withering away of the state”, which Gramsci interprets to mean the full development of the self-regulation attributes of civil society (Pillay, 1996: 341).

Policy process requires knowledge from multiple disciplines and professions. Some policy processes relating to trade policy requires complex bundles of disciplines and professions which range from political, social, economic, administrative, legal, ethical and many more to produce holistic outcomes (Dunn, 2005). Although policy process requires by and large specialised disciplines and professions, it nevertheless requires a combination of common and ordinary senses, which involves the operations of the human being in the immediate and the extended environment. The employment of multiple disciplines and professions as well as common and ordinary sense does not find favour with the elite preference of policy making. According to Dye (2005), it is a myth to believe that public policy reflects the demands of the general populace. In reality, public policy is a reflection of values of the

elite in society whose opinion shapes the opinion of the mass of the people. For that matter, policy process thus flows downward from the elites to the masses. In that respect, the policy outcome does not incorporate the ordinary and common sense which would mostly come from the masses who do not possess the professional and technical expertise in the policy making process.

In the view of Dye (2005), the elite process of policy making discounts the concept that it is society as a whole that permits all people in the society to partake in the public policy making process. Instead, the elite theory divides society into the few who possess the power and the mass of the people who do not have power. To that end, the policy making process reflects largely the values of the few privilege people. Therefore, the masses of the people consume the values of the elite, which contradict the notion that public policy reflects the demands of the masses in society. These elite persons, according to Dye (2005), are private property owners and government officials. Walt (1994:37) supports this view that the elites, who belong to the higher social class in the society, dominate 'policy choice and changes' with the support of the state through its functions.

The policy making process is dominated by the bureaucrats, capital, professionals, military and government who constitute the ruling class or strongly influence the ruling class. In view of the fact that government and the ruling class influence the outcomes of public policy, the elite policy reflects strongly the view of Dye (2005) that 'public policy is whatever governments choose to do or not to do'. The exercise of policy discretion as to regulate conflict in society or organise society to engage in conflict against other societies; redistributed incomes and reward through taxation reflects what government chooses to do

or not to do. However, according to Dye (2005), the growth of government and the expansion in the scope of public policy imposed on it by society compels it to widen the actors of public policy making beyond government officials. The growing numbers of different interest groups and institutions in the political and economic spheres put pressure on governments especially in democratic state to solicit the involvement and participation of these groups and institutions in the policy making process. However, the expanded actors are done within the elite class representing the powerful in society. The outcomes of public policy reflect the values of the few powerful which are imposed on the mass of the population, but this is not true in all cases. Unlike procedural democracies, which facilitate elite rule, in substantive participatory democracies like Kerala, India, the broad mass of the people and the wider society largely influence the outcomes of public policy making, thus putting issues regarding broader social redistribution high up on the agenda (Evans, 1995).

In South Africa, the struggle against apartheid had embedded within it both procedural and substantive democratic objectives. However, as the following discussion shows, a thin procedural form of democracy became dominant.

2.3 South Africa economy and Trade (apartheid to democracy)

The economy of South Africa is on a tripod structure called the mineral-energy complex (MEC) (Fine and Rustomjee, 1996). The MEC is made of minerals, energy and manufacturing which was the centre of the capitalist structure and accumulation since the discovery of Gold in the 1880s. The emergence of modern capitalism in South Africa is linked to the discovery of gold. The proletarianisation and the exploitation of the black population was long in existence, it took a tremendous boost with the discovery of minerals.

According to Terreblanche (2002), the mineral sector did not only facilitate the increase in flow of migrant labour into South Africa and the mining areas in particular, it also promoted the accumulation of capital in a massive proportion.

The mining sector is made up of gold, diamond and coal among others. This sector plays an important role in the economy of South Africa. It is a major foreign exchange earner as well as employer of labour. More importantly, the mining sector creates a symbiotic relationship between it, the energy sector and the manufacturing sector. Fine and Rustonjee (1996), contend that the mining, energy and manufacturing reinforce one another. Each of these sectors feed into the other sectors. Manufacturing supplying some the equipment needed by mining, while the raw materials and energy required by manufacturing are obtained from mining. This relationship creates the structure of the mining-energy complex upon which the economy is built. Even though the contribution of mining to GDP continued to decline relative to manufacturing, which was linked to the decline price of minerals (now the price is increasing) especially gold and diamond, nevertheless, it still contributes significantly to the economy. Its contributions should not only be viewed in terms of GDP, but in terms of employment generation for both skilled and unskilled labour.

According to Fine and Rustonjee (1996), in the development trajectory of South Africa, the revenue from mining is used to import the manufacturing inputs. However, the manufacturing sector continues to be the engine of growth of the economy with the shift to export-oriented policies from import substitution and the inward-looking policies especially from the late 1980s. The growing importance of the manufacturing sector in the economy was reflected in its large scale activities. Fine and Rustonjee (1996) argue that the crucial

role of manufacturing is facilitated by the integral linkage between that sector and mining activities, which creates a chain of capital accumulation. Terreblanche (2002: 261) demonstrates that capital, whichever sector of the economy it comes from, will seek mutual relationships so long as that relationship promotes further capital accumulation. He contends that mining capital and farming capital got united, and indeed influenced the passage of the Native Land Act in 1913 which proletarianised the majority of Africans to create cheap labour. This integral relationship between mining and farming had since provided the foundation on which the 'ultra-exploitative system of racial capitalism was built and maintained until the 1970s' (Terreblanche, 2002: 261).

The symbiotic relationship between mining, energy and manufacturing capital is a complex system of accumulation. The core industries of the system are controlled by conglomerate ownership which extent power over how the economy is operated. This control transcends all sector of the economy including the financial and other sub-sectors. Consequently, the accumulation of capital encompasses the whole economy with varying intensities, which was facilitated by various arms of the state (Fine and Rustomjee, 1996). The relationship did not only manifest at the economic level, but created a political alliance between capitals in the various sectors of the economy. Mining, energy and manufacturing as core sectors allow industries to foster a strong bond of both economic and political relations that enable capital to influence the state in the policy direction of the country.

In 1994, a democratic South Africa emerged from many decades of an economic and political system (apartheid) that excluded impoverished the majority of the population as well as a stagnating economy. The ANC government had the challenge to creating an all-

inclusive society with an economic system that does not only deliver opportunities to all, but also reduce inequality in the society. This was against the backdrop of a global economic system that constrains the government from carrying out policies that infringe on private ownership of property (Hirsch, 2005). In the transitional process from apartheid system of global exclusion, the country had to negotiate a “double transition”, which involves the restructuring of the economy and consolidation of democracy. Under those conditions, the ANC government had to implement compromised economic policies that guaranteed the property rights of the elite white capitalist class. These neo-liberal policies fundamentally do not address the class inequality in the society and the pressure of the working class on government, yet are popularly favoured under globalisation for attracting investment (Webster and Adler, 1999: 348). It is for this reason that Walt (1994) argues that instead of government being an unbiased arbiter between competing interest groups such as capital and labour, it uses its substantial power to favour business.

According to Bond (2000), the period from 1990 – 1996 was a moment of uncertainty for the South Africa’s transition. The structure and nature of the ANC (in alliance with the South African Communist Party and COSATU) provided ground for intense ideological and factional struggles within it. This view was supported by Hirsch (2005). He contends that a section of the ANC, especially those who remained within the country during the apartheid period, considered apartheid and capitalism as inseparable entities and therefore advocated for a “socialist revolution” to be led by black workers to create an opportunity for the nationalisation of some key businesses such as the mining and banking sectors. Upon his release from prison, ANC leader Nelson Mandela seemed to give weight to this perspective when he declared in 1990 that ‘....the nationalisation of the mines, banks and monopoly

industry is the policy of the ANC and a change or modification of our view in this regard is inconceivable' (Marais, 2001: 122). The trade unions belonged to this fraction of the ANC who contributed immensely to the anti-apartheid struggle.

The other fraction was the group of ANC members who been trained and were living outside South Africa during the apartheid era. This group was more cautious, and indeed, shied away from advocating an immediate advance toward a socialist style of economy (Hirsch, 2005). While there was the need for a compromise among the fractions within the ANC, a broader compromise among capital, labour and state was reached. This was done through 'institutional innovations' in order to deal with the stalemate and avoid a unilateral restructuring of the apartheid state and capital. These institutions created new rules for engagement among the social actors – capital, labour and government to bargain over liberalisation and economic policies (Webster and Adler, 1999: 358). This dialogue between capital and labour appears to be a solution for stalling the expansion and dominance of the capitalist interest and cultural hegemony. According to Pillay (1996), a Gramscian perspective recognises the need for the forging of alliances between the progressive civil society and the democratic state. The dialogue will enable the working class to produce first, consensus among the workers, give them the capacity to take autonomous initiatives and second, help build bridges with other social groups in the society ((Pillay,1996).

However, the Reconstruction and Development Programme (RDP), which was a labour-driven development programme, was substantially amended to become more attractive to domestic and international capital (Webster and Adler, 1999). These amendments were constraining to COSATU's vision and commitment to redistribution through growth.

The Growth, Employment and Redistribution (GEAR) policy developed in 1996 by the government due to pressure from the International Monetary Fund (IMF), laid the foundation for a market-led economic growth and liberalisation of trade through lowering of tariffs on imports (Bond, 2000) and Webster and Adler, 1999). These policies were not withdrawn or modified despite the fierce protest from the Congress of South African Trade Unions (COSATU) and the South African Communist Party (SACP): members of the Alliance. Terreblanche (2002: 463) argued that the leadership core of the ANC had entered into ‘several elite compromises with the corporate sector and its global partners’ and using their ‘international power relations and processes to shift the balance of domestic power to the right’ away from its roots and its purpose. Consequently, the confidence of the government is eroded and its decision making capacity weakened because the compromises with the corporate sector has resulted in corruption and arrogance which further undermined the governance and bureaucratic systems.

Furthermore, on May Day 1994, Mandela was reported to have stated that ‘in our economic policies ... there is not a single reference to things like nationalisation, and this is not accidental. There is not a single slogan that will connect us with any Marxist ideology’. This declaration was in sharp contrast to the ANC’s position four years earlier. It is observed that the ANC economic policy was influenced largely from the ‘counsel of business and mainstream foreign experts’ Marais, 2001: 123). The statement of Clem Sunter of Anglo America Corporation seems to confirm the strong influence of business on the ANC economic policy making. He stated earlier, before 1994 that ‘negotiations works. Rhetoric is dropped, reality prevails and in the end the companies concerned go on producing the minerals, goods and services’ (Marais, 2001: 123). According to Webster and Adler (1999)

the ANC since 1990 had made a series of concessions in macroeconomic policies and in some cases policy reversals in favour of neo-liberal orthodoxy. The government had agreed with the IMF to make monetary policy more liberal and to put a freeze on tax increases.

Bond (2000) saw the policy making process of the ANC as having been hijacked by neo-liberal forces both from inside and outside the state. According to Terreblanche (2002), the leadership of the country was naïve in their perspective to policy making. He attributed this to the historical background of the ANC in the struggle for the dismantling of apartheid. The ANC's over indulgence in the liberation politics blinded its vision to believe that the future of the country starts and ends with apartheid. They seemed to be unaware of other policy measures that could erode the influence of working people over their political and economic future choices. Consequently, the policy making approach was focused more on economic issues than the ideological position of working people. This narrow view point made the ANC quick to make compromises for investment and business.

In 1995, South Africa made a commitment to World Trade Organisation (WTO) rules by further lowering tariffs imports and trade liberalisation. According to Draper and Sally (2005), the country opted for launching the new multilateral negotiations notwithstanding generalised resistances in the Africa group, which bequeath a legacy of mistrust for the South African government. This neo-liberal policy commitment also drew fierce protest from organised labour in particular. In order to reduce the tension and avoid a stalemate, and ensure class compromise (Webster and Adler, 1999) in trade policy making, the National Economic Development and Labour Council (NEDLAC) was set up in 1995 by an Act of parliament, Act No. 35 of 1994. With a tripartite structure, NEDLAC is a forum for

organised business, organised labour and government; among others promote participation in economic decision making and social equity, and strive to reach consensus on economic and social issues (Webster and Sikwebu, 2006). But the different views about the economy from both labour and capital represent the challenge to overcome for consensus to be reached. As stated by the Mbhazima Shilowa, COSATU's general secretary in 1996 when addressing the NEDLAC annual summit said that "the road to that consensus will, no doubt, be stormy and rocky", but if labour was prepared to work for economic growth and business ready to work for redistribution of wealth, consensus can be reached.

A consensus in itself is not necessarily a win-win for all the stakeholders and yet the outcomes are legitimised and acclaimed to have received the broad acceptance of capital, labour and government. By implication, the parties become jointly and severally responsible for the decisions. The consensus character of NEDLAC may on one hand promote social dialogue, afford the opportunity for labour to make input into economic and social policies to moderate their negative consequences on working people. On the other hand, the moral basis for labour to criticise policies that turn out to adversely affect workers is diminished because of its participation in the decision making process. Like in the WTO, which owes its decision making process to consensus building rather than majority vote, this arrangement allows the most powerful parties to often set the agenda without fear that their positions would be rejected by the other parties (Evans, 1999).

2.4 South Africa-EU TDC Agreement

Under the apartheid era, the EU had separate trade and political relations with South Africa. The international isolations of South Africa did not make it possible for the country to be

included in the ACP countries under the Lome Convention. In 1994, when South Africa had her first democratic election, South Africa had intended to be accepted into the Lome Convention. This would have allowed her to enjoy the general trade provisions under the existing Lome Convention but this request was rejected by the EU (Lee, 2003). According to the European Commission submission to the Namibian Parliamentary Standing Committee on Economics attending a Workshop on 18 and 19 July 1996, the EU rejected the request of South Africa to join the Lome Convention for three main reasons;

That the big size and relative strength of the South Africa's economy would dwarf the ACP states in the EU markets and thereby erode the advantages they were enjoying,

The inclusion of South Africa in the Lome Convention would pose problems in the World Trade Organisation (WTO) in terms of maintaining and expanding the existing waiver granted under the Lome Convention, and

That South Africa's exports pose a threat to EU domestic producers on their own markets.

However, Perry cited in Lee (2003), contended that the main reason for the EU rejecting South Africa inclusion in the Lome Convention was fear of competition from South Africa's exports. The use of WTO regulations and the crowding-out of ACP countries from the EU markets by South African exporters as reasons were only technical and unfounded. The EU therefore proposed to negotiate an FTA with reciprocal preferential treatment consequences. South Africa was then forced to negotiate the TDCA as an asymmetrical free trade area agreement based on "nothing was agreed until everything was agreed" with negotiations officially commencing on June 30, 1995, without the opportunity of a

reciprocal grace period. There will not be a transitional period for the gradual reduction of tariffs for South African exports entering the EU market.

It is observed that the South Africa's TDCA with the EU failed to promote an immediate and substantial improvement in the country's access to the market as well as generating economic growth and a structural change of the economy. Nevertheless, South Africa had other options available to it - including the extension of the General Systems Preference (GSP) treatment, which could provide immediate effects on South Africa's economy. The GSP is a facility of low tariffs granted by developed countries to developing countries' exports. This facility allows developing countries to access developed countries markets with low tariff imposition their exports.

However, the Pretoria administration did not see this option as viable and capable of providing the kind of access to the EU market for the country's short and long-term economic advancement. This option was declined upon by the Pretoria government, but instead accepted a trade negotiations that aligned her to the Lome Convention in a manner that she believed would not only bring her closer to the ACP countries but offer mutual benefit for the Lome Convention members and South Africa. Under the FTA agreement South Africa could not access EU Aid and trade preferences to the ACP countries, but would be permitted to tender for EU-funded projects in ACP countries as well as participate in discussions at the level of Lome Convention (Lee, 2003).

According to Fou  re (1997), the free trade area under the TDCA was to assist South Africa to expand her economy through the opening up of the SADC region and the EU's market in

particular. South Africa would have access not only the EU market for her exports but can compete for contracts and also take part in tenders for projects. Furthermore, the TDCA agreement with a reciprocal relationship will generate competition in the internal market which will translate into advantages for the country to attract foreign investment. Consequently, the EU 1996 expressed the desire to hasten with the negotiations on the phasing in of the FTA apparently because the EU had much to gain than South Africa. From EU's own assessment, the Union's exporters would have competitive advantages over rival exporters from USA, Japan and others to the South Africa's market.

The EU also saw the FTA with South Africa as a logical way of implementing the propositions of the Green Paper published in 1996. The Green Paper was a study by the EU on the effects and the way forward of its bilateral trade relations with the ACP countries. This study had intended to change EU future relations with the ACP countries under the Lome Convention from a 'bi- to a multi-polar world system' as it enlarges eastward. This future relationship was to be based on differentiation and reciprocity with the ACP countries from 2000. However, the fact that ACP countries would need time to move from a non-reciprocal relationship to a fully reciprocal relationship, the EU was ready to offer a GSP status to them after 2000 while a liberalised trade and cooperation started to conform to WTO rules. But South Africa was also cautious, citing the need to do more research on the impact of the agreement on trade and economic development on her economy as well as the Southern Africa region. More so, the SADC protocol on trade, Article 28 (2), which deals with trade relations among member states, enjoined South Africa to extend any advantage, concession and privilege granted to a third party to all other members of the community (Graumans, 1996: 23).

South Africa initiated consultations both at the domestic and regional levels in order to formulate a mandate for the negotiations with the EU. The departments of trade and industry and agriculture held consultations with the parliamentary portfolio committees on trade and industry, agriculture, foreign affairs, forestry and water affairs. The outcome of these consultations was critical of the EU mandate, which was accused of failing to acknowledge and account for the different levels of development of the EU and South Africa. As such, for South Africa to achieve a development-oriented growth into the future, the differentiation and asymmetry nature of the EU mandate needed to be revised to accommodate non-reciprocal concessions in the short term, with reciprocity at a far future date.

The percentage coverage for trade liberalisation for the EU should be higher than South Africa, and the country should have the right to impose countervailing tariffs on subsidised imports from EU under the Common Agricultural Policy (CAP). There were also concerns about loss of revenue by the Botswana, Namibia, Lesotho and Swaziland (BNLS) under a SA-EU FTA, stiff competition from EU exports against BNLS exports into South Africa as well as decreased investment in the BNLS countries (Graumans, 1996: 25).

The Namibian parliamentary standing committee on economics in 1996 also raised serious concerns about the negative effects of an SA-EU FTA agreement on the economies of South Africa and Namibia. The committee pointed out that the elimination of duties of 90% of EU exports to South Africa would result in substantial loss in revenue not only to South Africa but to the rest SACU common revenue pool. It was estimated that revenue loss to Namibia as a result of SA-EU FTA would be up to 15% of government revenue (Namibia National

Assembly, 1996). In the view of Goodison (2000), an SA-EU FTA agreement will bring about a *de facto* transformation of the EU- BNLS trade relations from a non-reciprocal agreement under the Lome Convention to fully reciprocal relations. Yet, the EU had no obligation to consult the BNLS countries even though Article 12 of the Lome Convention enjoins EU to that it does not commit itself to policies that would negatively affect the interest of particular members of the ACP countries. The conduct regarding the non-respect for Articles of the Lome Convention underscores the extent to which the EU would be prepared to go to satisfy its narrow interest. In fact, the obligation of South Africa to the BNLS and SACU has been circumvented under the agreement.

The increase of trade up to 90% or “substantially all trade” between South Africa and EU was unpopular among the automotive and textile capital in South Africa “because it now appears that some automotive and textile products will fall within the deal and not be included in a separate agreement” (Business Day, 10/06/98). Though South Africa saw this agreement very essential to cover the WTO requirements and for the deal to go ahead, it hope to use the 12 years transition period to get her automotive and textiles industries which had undergone restructuring sufficient time to adapt. It was apparent at the time of negotiation that South Africa’s agricultural industry would probably not benefit a lot from the deal. The agreement will lead to bitter complaints from farmers and members of the agricultural department. Against a backdrop of about half of the \$90 billion EU’s budget spent on agricultural subsidy, it was difficult for South Africa to make a benefit (Business Day, 10/06/98).

The political, economic and social history South Africa from 1652 through apartheid to democracy in the 1990's to a large determined the power relations between capital, labour and government. The proletarianisation of the black population and the dislocation of the South African society, especially during the apartheid era, skewed the power relations in favour of capital (Terreblanche, 2002). According to Walt (1994), government's role in policy process is neutral and unbiased. Government intervention in the competing interests among interest groups in the society is generally in favour of capital. Terreblanche (2002: 463) contended that during the transitional process, government entered into 'several elite compromises with the corporate sector and its global partners' such as the IMF and World Bank.

The mineral-energy complex which has been the tripod structure of the economy of South Africa facilitated a mutual integration between manufacturing, mining and farming sectors for capital accumulation. The symbiotic relationship between the different types of capital for the sake of capital accumulation created unity that gives capital enormous power, and allows it to influence internal policy formulation through government (Fine and Rustumjee, 1996). Consequently, the factors such as power relations, structure of the economy and the socio-political environment within which the South Africa's mandate was formulated favoured the dominance of capital.

The South African society had emerged from a certain ideological, political and economic background, which played tremendous role in determining the power relations in the policy making process leading to the formulation of its negotiating mandate with the EU for the TDCA. The country had through the transitional process adopted neo-liberal principles and

doctrines which placed institutional dialogue among social classes as a critical part. In spite of the opposition by the trade unions and some individuals to neo-liberalism, the South African context (emerging from economic, social and political discrimination) persuaded them to favour social dialogue (Marais, 2001). The need to have a free trade agreement with the EU in the form of the TDCA was just a logical consequence of the neo-liberal model of development adopted by the country through the democratic transitional negotiations in the 1990's.

This study places emphasis on NEDLAC's institutionalised structure to facilitate policy making process dialogue for capital, labour and government on the TDCA. The study demonstrates that in a neo-liberal society, particularly in developing countries, formal institutions much as they play a critical role in mobilising capital, labour and government together to participate in policy process, policy outcomes reflect the interest of capital and government. The institutions being used for social dialogue can only be forums for legitimising the interest of capital and the elite in society. As much as these institutions provide an avenue for labour to engage with capital and government on policy issues, labour stands to lose out, particularly, where it lacks the technical expertise to understand and deal with the issues.

This study also shows that internal institutions such as NEDLAC, however representative of capital, labour and government it may be, it is still limited in determining the final outcome of policies that pass through it. This constraint comes from NEDLAC's mandate which does not allow it to have the final say on some issues. Although the TDCA policy process passed through NEDLAC, the institution did not have the final say on it. Aside, in a developing

country where neo-liberalism is practiced, policy making process is not influenced by internal social dialogue institutions alone. It is also largely interfered with, by the Washington Consensus, Multilateral and bi- lateral institutions such as WTO, IMF and World Bank.

CHAPTER 3 - METHODOLOGY

3.1. Introduction

The study area (scope) was the policy process leading to the formulation of the South Africa's trade and development cooperation agreement with the European Union (EU). The roles of capital, labour and government as actors of the process were studied. The methodology used here was to help the researcher answer the following research questions;

What were the issues involved in the formulation of the TDCA?

What was the level of involvement of the actors in the policy process?

What mechanism was used in getting the participation of the various actors?

In order to answer the research questions, the qualitative research method was used to collect data. According to Monette et al (2005), a qualitative and contextual approaches offer the researcher access to valuable data. It allows the researcher gain deeper and richer understanding of the subject under study including peoples' subjective knowledge and experiences. The data collection was taken two forms – secondary data and interviews. The secondary data included documentation from NEDLAC and parliamentary records. An in-depth interview guide was also used to collect data from the field.

3.2 Sampling and data collection

This is a qualitative research and non-probability sampling method was used in the data collection and the selection of respondents. This sampling method was useful to understanding the social process and structure of the policy process leading to the development of the South African trade development with the European Union. The social

interaction in the form of individuals and groups that characterised the policy process could best be understood by applying non-probability sampling methods.

Most importantly, and regarding the policy process, it was impossible to develop a sampling frame of a population, as a complete list of all elements in the population. Some of the elements are hidden and difficult or impossible to be located. A policy making process is often driven by power-relations both at the formal and informal or official and unofficial levels, thereby giving the elements different levels of visibility. Some are more visible than others, either for fear of reprisal from public opinion or out of their own disposition. Consequently, every element in the population cannot be guaranteed an equal chance of appearing in the sample.

In spite of the overwhelming usefulness of the non-probability sampling method for achieving the goal of this research, its limitations could not be discounted. There was the problem of precise and adequate representatives of the elements selected, since the population was not known. Some social scientists argue that the question of representatives relative to the population size which cannot be determined, greatly limits the ability to generalised findings beyond the sample size. Furthermore, under non-probability method, the degree of sampling error is difficult to determine. Basically, because of lack of knowledge of the population size and its composition, we are left with nothing to compare the sample (Monette et al, 2005). These limitations notwithstanding, the research study on the policy process of the South Africa's trade and development cooperation with the European Union did not require the use of statistical tests of significance to establish relationships found in the sample data for generalisation.

The major concern in research is the selection of a sample that is representative of, and will enable the generalisation for the larger population. In the case of researching into the policy process leading to the TDCA agreement, and where the population size was unknown, the researcher needed to exercise control of the sample size. In the case study of the policy process research focusing on trade, it required certain types of respondents to be chosen to the exclusion of others whose presence might confuse the research findings. For that reason, the purposive sampling procedure was used to select respondents. Only respondents deemed to have technical knowledge in the research area or could supply valuable information was selected as the samples. In a policy making process situation, according to Monette et al (2005), it is not every person who is involved in the process.

3.3 Techniques of data collection

The data collected was from interview, newspaper and documentary sources from government websites and documents from the ministries and government agencies, publications from the trade unions, NGOs, South Africa TDCA and EPA (Cotonou Agreement).

3.4 Documentary sources

This research study used documentary materials as its main source of data collection. These included parliamentary Hansards, NEDLAC reports and minutes of meetings relating to the process leading to the formulation of the TDCA. The parliamentary debates of Tuesday, 5 November 1996 were based on a presentation made by the chairman of the committee on trade and industry. According to the report, after the democratic election in 1994, the EU

invited the South African government to negotiate a trade and development cooperation agreement to assist her to consolidate the democratic process as well as promotes the reconstruction of South Africa and the Southern African region. The parliamentary committees that worked on the proposals to the TDCA were three. These committee covered the most directly sectors such as Agriculture, Trade and Industry and Foreign Affairs.

The government of South Africa also consulted widely with interested parties through NEDLAC and SADC. In all these consultations, grave concern was raised about the suitability of a free trade agreement with EU based on fully reciprocal access to South Africa's market through removal of duties of approximately 90% of each others imports. Even though, the parliamentary committee was sceptical about the EU proposal to negotiate a free trade agreement, it believed that over all, South Africa stands to benefit if an agreement resulted in increasing the exports of South Africa into EU market. This could possible by removing discriminatory measures against her exports; qualified her to the membership to the Lome Convention; distribute cost and benefits in proportion to the sizes of the EU and South African economies (the bigger economy bearing the larger portion of the cost) as well as enhancing the efforts of regional integration.

However, some members of parliament strongly objected to South Africa negotiating a free trade agreement with EU. They contended that it was not in the interest of regional integration to open South Africa's market to EU products when producers in the SADC and SACU had no free access to her market. That would in effect allow EU companies to compete with SADC on equal terms in the South African market. The parliamentarians

opposing the free trade agreement further argued that the EU's exclusion list from the free trade constituted about 40% of South Africa's trade in agriculture. For that matter, a free trade agreement would have negative impact on industry, agriculture and employment as well as customs revenue.

The parliamentary Hansard and the portfolio committee's reports revealed the degree of engagement on the issues relating to the policy positions of the various interest groups. Parliamentarians, apart from their own vested interests, reflect power agents' interest in the society. The political parties represented had political and economic perspectives that were skewed to either capital or labour for reason of their source of support and membership. Parliamentarians in their debates on the floor of parliament reflected the interest of their constituencies. The Hansards helped the research study to discover the power relations among the parliamentarians and how these power relations were linked to capital and labour interests at NEDLAC level. Furthermore, the Hansards and committee reports also showed the extent to which parliamentarians reflected, influenced government interest and vice versa.

This study also used extensively, minutes and reports from NEDLAC. NEDLAC is the forum of organised business, organised labour and government which discusses trade policies. The forum provides the avenue for policies to be constructed at the national level within a broad frame of consultations of interested parties in the economy. NEDLAC plays a very critical role in the policy process that leads to policies that constrains job creation, promote job loss as well as promote income inequalities. For that matter, minutes and

reports from NEDLAC were consulted in order to understand the power relations, convergence and divergence of interests among the stakeholders.

These documents were obtained from the NEDLAC secretariat in Johannesburg. The minutes, particularly, those on meetings of the trade and industry contained the issues that were discussed at the NEDLAC chamber meetings as well as at the subcommittees' level; the different positions of capital, labour and government sides and how their differences were resolved; the compromises made; how long it took to resolve differences and make compromises in fulfilment of NEDLAC mandate of reaching "consensus and conclude agreements on economic and social policy" (Webster and Sikwebu, 2006: 7). Through the minutes one was able to gain a clear sense and understanding of how the power relations dynamics played out in the policy process leading to the formulation of the South Africa TDCA with the EU.

Consideration of the parliamentary Hansards, portfolio committees' reports, minutes and annual reports of NEDLAC will help the researcher to understand the power relations that exist between parliament and NEDLAC and the extent to which these relationships played out in the policy making process of the TDCA. Particularly, on how issues of agreement and disagreements by NEDLAC are influenced when they get to parliament.

3.5 Newspapers Reports

Other documents will be valuable to this research are newspaper reports. Some of them are Business Day and Business Report. These reports will capture debates and discussions on

the floor of parliament and chamber meetings of NEDLAC as well as at other forums. Feature articles on the policy areas will be useful to obtaining and understanding the ideological, political and economic interests of the actors as manifested both within and outside NEDLAC and parliament.

3.6 Interviews

In-depth interviews were carried out using open-ended questions. The open-ended questions interview technique was used in order to allow the respondents expressed themselves freely, as well as enabled the researcher solicit both intended and unintended information needed for the research. Trade policy is a special area of policy and only organisations and individuals interested and working in this area were capable of providing information that could best serve the purpose of the study. These individuals and their organisations are interested and working in the area of trade.

3.7 Sample questions

Some of the questions that were used to solicit some information from respondents are;

What issues on the TDCA were brought up for discussion at NEDLAC?

Which of the issues did the parties have a common position on?

How did they do that and how long did it take them to agree on these issues?

How were the issues with divergence positions resolved?

In your opinion, which of the parties (capital, labour and government) was most influential in the outcome of the discussion?

Who convened the meetings to discuss the issues of the TDCA?

Why was your organisation selected to participate in the discussions?

To what extent has the TDCA with EU supported the Reconstruction and Development Programme (RDP) process in the country?

Has the asymmetrical component of the TDCA of both content and timing observed by the EU?

3.8 Limitation

The respondents are high profile persons at their various organisations and generally very busy. Establishing contact and getting their time for the interviews was extremely difficult. However, given the importance and exciting nature of the research whose results could be useful to enhancing respondents work performance, it was possible for them to readily spare time to grant audience to the researcher for interviews. In the process ten respondents were interviewed instead of fifteen as initially intended. Nevertheless, the information collected from the respondents was adequate to solicit sufficient supplement the data collected from the secondary sources.

3.9 Ethical considerations

This research did not seem to have serious ethical issues. However, respondents consent or approval was obtained at all times especially, for direct quotations or for citing their names in the report. Confidentiality issues, as well as issues relating to publication of research report were also negotiated with respondents before or during the interview.

CHAPTER 4 - ANALYSIS

4.1 Introduction

In this chapter, the dynamics of the policy process of South Africa and the EU after the demise of apartheid and the democratic transition is analysed. The relationship between the South Africa and the EU during this period was it academic, information technology or biotechnology was linked to trade.

4.2 Building a negotiation mandate

In 1995, the EU proposed to negotiate a free trade agreement with South Africa as a way of helping the country integrate its economy into the global economy after many years of exclusion during the apartheid era. The trade and development cooperation was meant to support the consolidation of democracy in the country. This rhetorical claim from the EU came against South Africa's request to join the Lome Convention was turned down by the EU. The Council of Ministers meeting of EU scheduled for 25th March, to mandate the EU Commission to commence negotiations immediately was delayed due to a request by France for an impact study.

The study had agreed for an FTA negotiations with South Africa so long as "sensitive" products such as beef, maize and sugar were excluded. The first draft list of EU included 40% of products and a condition that the FTA to be negotiated should conform to the EU Common Agricultural Policy (CAP) and WTO rules. The list was strongly protectionist and excluded 39% of South Africa's agricultural exports from the terms of the proposed free trade area while including fisheries. However, the EU proposal did not exclude industrial

goods, in which unfortunately, South Africa had no competitive advantage or could pose a threat to EU producers. From the outset, it was clear that the EU was ready for predatory negotiations contrary to the diplomatic rhetoric that South Africa was to be supported to integrate into the global economy (Lee, 2003). The EU negotiation mandate list also included the automotive components, oil and gas products.

The response of South Africa to the EU's negotiation mandate which largely excluded fruits, vegetables and wine exports to the Union was swift and strong. But the country was happy that it was praised by foreign investors for the framework of economic and social policies already put in place. The government had been encouraged by the EU to continue on the path of privatisation and deregulation. Of grave concern to the EU was the high level of trade union militancy, and the labour movement's uncompromising stance to privatisation and the government's macroeconomic strategy. The labour movement from the outset was against trade policy that was export-driven and trade liberalisation. It saw the proposed FTA with the EU as premature should there be the need at all for such a policy. The trade union movement was unequivocal that a trade policy must be an off-shoot of industrial policy with policy measures that promote economic growth that leads to job creation and the strengthening of local industries' capacity to be competitive. The trade union movement argued that South Africa, unfortunately, did not have a credible industrial policy at the time (COSATU, 1998).

The trade unions argued that a trade policy must be anchored on a strong and well developed industrial policy. Its proposition was that an FTA with the EU would constrain the government's ability and policy flexibility to identify industries which have the potential

for growth to be given support. Labour also wanted the inclusion of social clauses in the agreement, but South Africa with other developing countries had already rejected the inclusion of social clauses in the WTO. And since the proposed FTA must be WTO compliance, the inclusion of social clauses in the agreement would run counter to WTO rules or become a WTO plus.

The concerns of the labour movement for a strong industrial policy seemed to have been articulated and understood by government to be critical for the FTA process. However too late it might be to avert the serious repercussions for industry emanating from the lack of a good industrial policy before entering into the TDC negotiations, the government in 1998 initiated an assessment process on the effects of the existing industrial policy on the performance of industry. COSATU's measure of a good industrial policy is a "state-led employment-generating" policy which is not one-sidedly focused on competition and export orientation (COSATU, 1998: 2).

On 8 May 1998, the trades unions in a submission to the public hearing on industrial policy to the parliamentary portfolio committee on trade and industry wanted a industrial policy that was not "concession-driven". The union called for an industrial policy that contains both a combination of well conceived and mutually reinforcing incentives, regulations and penalties. The proposed free trade area under the TDC with the EU unfortunately was incompatible with the type of industrial policy that the labour movement envisages.

The trade union expectation was an impossibility to be accommodated under the new political and economic dispensation. The negotiated settlement for the transitional

democracy had political implications for the political leaders to retreat. The leadership could only continue to receive support and acceptability from the industrialised countries on the strength of keeping the negotiated terms of promoting economic liberalisation unimpeded. The country since 1994 had been locked into neo-liberal doctrine and policies. The GEAR and RDP policy strategies which emphasise on privatisation, export-orientation, competitiveness and laissez-faire capitalism had already laid a foundation conducive for free trade relationship with the EU.

The role of capital in the transitional process has been phenomenal and is manifested in the type of economic policies since the democratic change in 1994. According to Marais (2001), the ANC government has benefited immensely from the counsel of business in developing its economic policies. The rewriting of the RDP and development of the Growth, Employment and Redistribution (GEAR) policies without the input of the labour movement and Civil Society Organisations (CSO) in particular, and the neo-liberal bias of these policies give credibility to the view that the policy making process of the ANC government was hijacked by neo-liberal forces including business. For Terreblanche (2002), the then ANC government was weak, lacked confidence and experience, and had to be influenced and operated under the dictatorship of the corporate sector. The South African offer for the TDC negotiations was developed by business. It was a small group of business that developed the offer which labour reluctantly agreed to, at NEDLAC as the mandate of South Africa's negotiators. Dye (2005) contends that in reality, public policy does not necessarily reflect the demands of the general populace.

The determination of a negotiating mandate of the TDC for South Africa even at the NEDLAC level was not done by capital, labour and government. Only a small section of capital prepared the proposal. Terreblanche (2002) contends that the government's lack of capacity was visible in all areas of public activity. The corporate sector managerial elite then took advantage of government's lack of bureaucratic capacity to overly push for neo-liberal policies. While the white-controlled capitalists were unwilling to serve all sections of the society by creating enough jobs to reduce poverty, the government of the ANC was unable to assert its authority and influence on the corporate sector. According to Masemola Kitashi, the General Secretary of Food and Allied Workers Union (FAWU), an affiliate of COSATU, the trade unions and the NEDLAC forum lacked the technical capacity and time to discuss the details of the TDC proposal (Interview on 06/11/07). Generally, the NEDLAC platform was used to discuss principles of approach rather than details. The discussion was always centred on defensive and offensive interests.

Business agenda was clearly in favour of neo-liberal policies. This confirms Dye's assertion that policy formulation reflects largely the values of the privileged few in society. The masses of the people simply consume the values of the elite in contradiction to the notion that public policy in a democratic society reflects the demands of the masses. It is not always the case that public policy will receive diverse ideas and expertise simply because of the involvement of different stakeholders. The level of contribution by the institutions and individuals participating in the policy process will depend on their understanding of the complexities of the issues for discussion. South African business thought, wrongly though, that no business elsewhere was as good as them in terms of efficiency and therefore were yearning for open trade.

Business also knew that there were unintended consequences with free trade, but was persuaded that so long as mitigating measures were put in place they would be successful. According to Michael McDonald of Steel and Engineering Industries Federation of South Africa (SEIFSA), one of the representatives of business at NEDLAC, even though the “EU hasn’t granted us all that many favours – certainly not insofar as improvements in trade access is concerned, in the final stages of negotiation, we did win some important concessions on some agricultural products” (Interview, McDonald, 09/11/07). Business was hopeful that with resources from government to restructure, the agreement could probably increase South Africa’s exports of industrial products to the EU by not more than around 1% to 2% overall. However, business was quick to acknowledge that the one area where South Africa could have made major inroads was in agricultural products (including processed products such as fruit juice, canned fruit and wine), but that is where it encountered the greatest difficulty and challenge in the long drawn-out four years of negotiations.

4.3 The ideological, economic and political context

The negotiations of the TDCA commenced in a period of ideological, and to a smaller extent political uncertainty. The ANC government at the time had to deal with its internal political contentions that were carried over from the negotiated settlement of the transitional process. The internal factional struggles for policy control and direction were still not only visible but aggressive. The way the two factions see the world and South Africa in that world influenced the policy making process regarding the TDCA. According to Marais (2001), the trade unions were still ideologically opposed to free trade that was neo-liberal in principle and in content. This position of the trade union movement was already loudly

articulated, and government and sympathisers of neo-liberal policies were well aware of this fact. However, all social classes, including the trade unions had faith in institutionalised social dialogue.

The ANC government, like many governments under neo-liberal democracies, is a composite of the different social classes, but more of an embodiment of structural determinism seeking to advance the interest of the capitalist group (Hill, 2005). Neo-liberal democracies permit for the social dialogue, but in a manner that does not adversely affect the accumulation of capital. The unique circumstances of South Africa emerging from the “negotiations miracle” reinforced the confidence of social classes in the social dialogue process as a credible means of incorporating the diverse beliefs, attitudes and interests through formal rules and institutional structures like NEDLAC. The political process to resolving the conflicting interests among the different groups in formulating South Africa’s mandate to the TDC negotiations was through the NEDLAC structure.

The negotiated settlement presented an opportunity for the transition. According to Herbert Mkhize, the Executive Director of NEDLAC, the faction within the ANC and a section of the civil society group, who supported a radical action that would have paved the way for the nationalisation of big businesses such as the mines and the banks, but seem to have lost out saw NEDLAC as a new window of hope (Interview, 17/10/07). This group believed that the threat for a revolutionary option was apparently used as a bargaining chip during the negotiated settlement which saw the isolation and eventual collapse of the apartheid regime. The labour movement which was part of the faction that was not enthused with the negotiated settlement as an option then pushed for social dialogue. The trade unions thought

they had perfected negotiations skills, and these skills could be used to secure social change for working people.

The political atmosphere during the transitional and post-transitional period added spice to the ideological and political context that influenced the policy making process of South Africa. In the 1990s, many intellectuals and unionists joined the ANC party and the government in particular and consequently their loyalty shifted to satisfying their interest first and where possible the interest of the working class. Some of these intellectuals and unionists played critical roles in developing the economic policies such as RDP and GEAR of the ANC. For Webster and Adler (1999) the government had already undertaken a number of concessions on macroeconomic policies and in some instances policy reversals in favour of neo-liberalism doctrines. It is for this reason that Marx describes government as the committee for managing and serving the interest of the capitalist class (Fine, 1975). The implementation of these policies brought about severe consequences for workers by way of retrenchment, which weakened and continued to weaken the labour movement. These developments gave a certain sense of fear and anxiety among government, business and labour for a social dialogue to reach common ground in order to avert the increasing acrimonious relations that was beginning to emerge similar to the apartheid era.

The intense struggle for ideological and political control during the period of 1990-1996 created an uncertain atmosphere within and without the ANC. The labour movement had mounted an intense criticism against the tariff liberalisation of the government and accused the government of an ideological shift from protectionism to market economy. But the “Mandela factor” created a mood of tolerance among the actors, at least, in the internal

environment. Nevertheless, the task of formulating a position on free trade agreement with the EU was still tedious and suffered a delay. South Africa received the EU mandate in March 1995 and could not meet the time table of 1996 for a deal to be reached. The country had to also deal with concerns from its Southern African countries on the effects of free trade with EU on their economies. Consequently, the need to engage in parallel talks and consultations with SACU partners was imperative.

The social and economic consequences left behind by the apartheid economy were to be avoided at all cost. The polarisation of the South African society on racial lines was viewed by some of the respondents as the lack of social dialogue. Herbert Mkhize, the Executive Director of NEDLAC, remarked that the need for social dialogue became imperative in order to address the social and economic decay of apartheid, integrate the society and to move away from the massive oppression that characterised the apartheid system (Interview, 17/10/07). The successful transition from apartheid to the democratic society needed to be managed in order to heal the deep wounds that were inflicted on the majority of the black population both socially and economically.

NEDLAC was also created to manage the transition and to ensure that the labour market policy legislation which was used in the past to divide the South African society did not recur. Consequently, one of the respondents surmised that NEDLAC could have been a conspiracy to give legitimacy to some neo-liberal policies that were intended in the future. As a neo-liberal strategy, NEDLAC was set up as a thermometer used to test level of resistance to forthcoming policies: so that the critique that would ensue could convince government as to how to proceed with those policies.

The economic legacy of the apartheid proletarianisation of black labour and low wages in order to serve the interest of mine owners and white farmers, created an intertwined capitalism and apartheid was a very complex issue to be addressed by the democratic government, COSATU and other stakeholders. The economy inherited from the apartheid system was uncompetitive due to its import substitution structure and heavy protection from more competitive imports. The education and social policies of the apartheid regime that placed a string of restrictions on the black people did not only destroy the dignity, but made it very difficult to foster social cohesion even under the democratic economy. The strong desire to get the declining and isolated economy integrated into the international economy was a major concern for the political leadership and policy makers. This was clearly manifested in the rush of South Africa in making a wholesale acceptance and commitment to WTO rules by lowering tariffs in defiance of strong resistance from the civil society and African countries (Draper and Sally, 2005).

4.4 South Africa negotiators consultations with stakeholders

From the 1990 to 1996 emerged many forums for social dialogue of which some were formal and others informal. Some of these forums emerged during the democratic transitional process that brought about the collapse of the apartheid political and economic system. The formal forums include NEDLAC, Agricultural Trade Forum (ATF), Parliament and SADC partners. These social institutions contributed immensely at different levels and times to the policy making process of the country. These consultations at formal and informal levels underscored the desire of the new political leadership of ANC and policy makers to bring on board the divergent views of the different interest groups as well as

bring meaning to the emerging democratic culture of tolerance and all inclusiveness(Interview, Mkhize, 17/10/07).

This process of consultation and policy making is in consonance with the pluralist perspective that public policy making process in a democratic society and a market system, the state endeavours to facilitate the harmonisation of the different interests from different groups for a mutually beneficial policy outcome (Grindle and Thomas, 1991). However, the contention of Marx is that the state is not a neutral player in a capitalist system and policy outcome is a product of power, which is located in the mode of production. Consequently, the economically powerful group which controls the means of production exercises power through the state to influence policy in its favour (Hill, 2005).

The one institution that provides a broad sectional forum for participation in the formal policy making process is NEDLAC (NEDLAC, 1996). The institution was established by the NEDLAC Act of 1994. NEDLAC as a statutory body had four chambers namely labour market, public finance, development and trade and industry. The main task of NEDLAC was for the social actors such as organised labour, organised business and community-based groups to strive to reach consensus on economic and social issues. In reality, issues that are handled at NEDLAC are categorised into two: consensual and non-consensual issues. The consensual issues relating to labour legislation and the non-consensual issues are social and economic related for which the actors must not necessarily reach consensus. In other words, the actors agree to disagree should the need arise. The TDC was categorised under the social and economic issues which did not require agreement by the actors. In the

event that an agreement could not be reached on a social and economic issue at NEDLAC, it is sent to government which reserves the right to a final decision.

When there is no consensus on a policy issue at NEDLAC, that issue is then subjected to further lobbying and debate at parliament and informal forums where labour is mostly not present. Regarding parliamentary debate on a non-consensual issue from NEDLAC, the actors are at liberty to present memoranda to parliament. But presenting memoranda to parliament must be reinforced by intense lobbying. Unlike other legislation that pass through parliament, the TDC from the outset received parliamentary importance when in 1996, the portfolio committees of Agriculture, Trade and Industry and Foreign Affairs were jointly mandated to critically examine the policy issues of the EU proposed mandate and formulate a counter mandate for South Africa (Interview, Mkhize, 17/10/07).

The critical concern was that while the TDC was being debated at NEDLAC by labour, business and government representatives, parliament was also carrying out parallel work on it. The inherent confusion about which institution had responsibility to discuss the TDC and at what stage must that be done became public concern. Parliament was accused of trying to usurp the role of the executive. In responding to these concerns, Dr. Rob Davies, making a submission on Tuesday, 5 November 1996 as chairman of the parliamentary joint committees on the TDC, acknowledged the confusion associated with the role parliament arrogated itself. Parliament was aware of the extensive consultations with interested parties in the country through NEDLAC and with SADC and SACU. However, he claimed that the involvement of parliament stemmed from the sense of responsibility that was given to it as a body of public representatives. As parliamentarians who were involved in other forums in

the SADC and SACU levels, they were not only encouraged by the rules of parliament to provide 'active input in the policy making process' but were enjoined not to be passive and wait until the ratification of the agreement (National Assembly, 1996: 5180).

The proposal from the EU for a TDC in the form of a free trade agreement with the South Africa was very technical. The TDC encompassed trade, development and political cooperation. Fourere (1997) contended that the FTA from the EU perspective was to assist South Africa gain access to the EU's market as well as enable the country compete for contracts and tenders for projects. When the Minister for Trade and Industry, Alec Erwin, was presenting the negotiated agreement of the TDCA to parliament on Thursday, 25 March, 1999, he attested to the fact that the TDCA covered the political, economic and commercial fields of South Africa's relationship with the EU (National Assembly, Tuesday, 5 November 1996: 5179).

For the country to take full advantage of these broad dimensions of the TDC, it did require not only technical competence in international diplomacy and political economy on the part of South Africa, but long experience in the dynamics of the global power relations and power manipulations. Certainly, the many years of exclusion of South Africa from the global community was a deficit for the country in terms of its capacity to engage in a very competitive negotiation with the EU. At NEDLAC level, there was a huge deficit of technical expertise in international trade policy. The trade unions in particular had no trade policy and according to Masemola Katishi, one of COSATU's representatives at NEDLAC, there was general lack of time as well as lack of technical expertise on the issues of the TDC (Interview, Katishi, 06/10/07)

Unlike the Labour Relations Act (LRA) of 1995, the actors at NEDLAC were receiving consultations and briefings from the government negotiators for the TDC. For that matter, the time that agreement reached by the actors at NEDLAC and the actual negotiations time between the DTI officials who were the negotiators with the EU was very long. According to Tanya Van Meelis , former COSATU trade officer, through the consultations by the negotiators outside NEDLAC with other formal and informal institutions such as parliament, ATF and SADC partners, the views of actors at NEDLAC got diluted or changed before the negotiations with the EU negotiators got started. This time lag between NEDLAC and the negotiations proper as well as the many opportunities available to the negotiators for consultations diminished the level of influence each actor had on the negotiations (Interview, Meelis, 05/11/07).

However, business was better positioned on the basis of the general role the corporate sector played in the whole process of the democratic transition which ushered in the neo-liberal economic paradigm. According to Terreblanche (2002: 435), business had already successfully lobbied to win the debate for a neo-liberal economic paradigm which emphasises on “growth through distribution” instead of “distribution through growth”. It is worthy of note, to conceive that some parliamentarians subscribed to the liberal theory of trade liberalisation and open market system. Debating the TDC on the floor of parliament on Tuesday, 5 November 1996, some parliamentarians generally agreed with the theory of liberalised trade policy based on timing and in content (National Assembly, 1996).

The South African farmers, industrialists and other businesses were urged to rise up and be competitive in the global market with free trade and tariff without protection. How could South African business and farmers be competitive against EU farmers who were receiving huge subsidies? Ironically though, this view by some of the parliamentarians was in consonance with the manufacturing sector of business in NEDLAC that prepared the initial draft of the South African mandate. Business supported free trade area with the EU with the belief, that access to the EU market will enable them benefit from economies of scale.

4.5 EU politico-economic manipulations of the negotiations

The political past of South Africa which was characterised by exclusion from the international community especially the apartheid era, created a double effect for the negotiations. On one hand, there was an anxiety within the country among the political leaders and business community to get integrated into the global economy, and on the other hand, the internal political economy of the EU. The internal economic policy management had already laid the foundation to embrace neo-liberal policies and free market economy (Bond, 2000). By 1996, through the intellectually powerful persuasive arguments of the World Bank and IMF, the Reconstruction and Development Programme (RDP) was dropped and replaced by the Growth, Employment and Redistribution (GEAR) (Bond, 2000). The ambition, and indeed the eagerness of the government to transform the economy ‘towards an outward oriented economy’ to meet the ‘demands of international competitiveness’, and capable of playing a strong role in the international community, was critical to the negotiation process (Government of National Unity, 1996:1).

The country's leadership attitude was in favour of more and free trade with the rest of the world. The political dividend to be gained from the international community was seen to be overwhelming that the dangers of free trade were taken for granted. The negative impression of the political system of the apartheid regime of segregation and exclusion of the majority of the people from political, social and economic decision making, to the international community was something that the new political leadership of the ANC was eager to reverse. In response to calls by wine farmers for tariff protection to save the industry from definite marginalisation from subsidised wine from the European Union, president Mandela argued that "we must at all times ensure that South African business is internationally competitive out of merit and not because of protection". The government thought this could be done by reviewing the existing regulations in a manner that would create an environment conducive for substantive growth without tariff protection (Weekly Mail, 26/04/1996).

There was a misconception by the South African political leaders that international competitiveness of the country could be achieved by free trade without protection. According to Chang (2002), Britain, the first country to industrialise, successfully applied tariff protection on its journey to prosperity. He argues further that "free trade is only beneficial among countries at similar levels of industrial development" and that free trade is less beneficial to less developed countries. The trade and industry minister, Alec Irwin on return from Southern African government ministers visit to Europe in 1996, was reported by Sunday Independent to have expressed optimism for a long-term relationship with EU. He said there was a strong support for South Africa's new economic policies and privatisation

plans and strategies that “our macroeconomic programme was very well received” (Sunday Independent, 15/08/96).

The EU’s ability to link the entrenchment of democracy to free trade was well received by the political leadership of South Africa. The sustainability of democracy was viewed as a function of access to the EU market. Meanwhile, the EU was concerned that a free trade with South Africa in all agricultural products would aggravate the large surplus levels recorded by EU farmers and could cause the entire amendment of the EU’s mandate. During a visit to Germany in 1996, Chancellor Helmut Kohl promised President Nelson Mandela, that he would discuss the concerns of South Africa on the issue of development aid and free trade with his EU colleagues. This was in sharp contradiction to Germany and France’s earlier objection to having a free trade deal with South Africa.

However, due to the naivety of the political leadership of the ANC government about how international relations and diplomacy is defined and operated, which is characterised by self-interest rather than morality, they were unable to see the insincerity and manipulations of the EU. Consequently, Mandela appealed to German investors in South Africa not to be motivated by profit; instead, they should be driven by the desire to support the survival of democracy and sustained growth and job creation. He also asked EU to grant South Africa development assistance similar to the Marshall plan for the post-war reconstruction of Europe. What probably did escape the imagination of the South Africa’s leadership is that the American’s support and finance of the Marshall plan was motivated by the strong desire to reconstruct the European market for American exports. The Marshall plan was not driven

merely by moral factors, but largely by economic and selfish interest (Sunday Independent, 15/08/96).

However, Business Day report of 27/6/96, recounted the frustration of the South African negotiators over EU's offer which excluded about 40% of South Africa's agricultural exports in the FTA. The comparative advantage of the country was in agricultural products. There was almost no industrial product of South Africa which could not be produced in Europe at a cheaper cost. Consequently, under a free trade agreement with all protective barriers removed on industrial products, while inhibiting free access to EU markets for agricultural exports will not only reduce the over-all foreign revenue, but lead to the collapse of local firms. These concerns were also rife in the SACU countries that could be affected seriously from a deal between South Africa and the EU. In fact, there was a sense of betrayal among South Africa's officials that the EU member countries had reneged on their promise to support the country made at the time of the 1994 elections. It was as though the "box of gold given as dowry to the democratic bride has been found to contain a worthless rock" (Business Day report, 27/6/96).

4.6 Post-TDCA – implementation, challenges and lessons

It was with applause when the minister for Trade and Industry made a statement on the floor of parliament on Thursday, 25 March 1999 to the effect that the proposed text for Trade and Cooperation Agreement between the EU and South Africa was unanimously accepted by member states of the EU. The negotiations that spanned more than four years covered varied range of issues from political dialogue, the free trade area, a number of trade-related issues, economic cooperation, financial assistance and, of course, science and technical

agreements and the partial access to the 'Lome that is provided for in the total package' (National Assembly, Tuesday, 5 November 1999: 3388).

At the final stages of the negotiations, it was very difficult, as each side tried to advance its own specific interest. Nevertheless, the TDCA was regarded as historic and symbolises the strong ties of solidarity and friendship between the EU and South Africa. The compromises made during the negotiation left some of the issues deliberately vague. According to the Minister of Trade and Industry, the text regarding the port and sherry issue was tactically formulated to allow for joint negotiations with the EU after 12 years into the operation of the TDCA. Even though, the wish of South Africa was to keep out completely, the port and sherry issue from the TDCA; it had to make a slight shift to accommodate a joint negotiation after 12 years. However, within the 12-year period, South Africa would maintain exclusive rights to the domestic market contingent on what happened at the forthcoming WTO negotiations (National Assembly, Tuesday, 5 November 1999: 3387).

The Minister for Trade and Industry intimated that the South African negotiators did make the compromise on the port and sherry issue in exchange for 'other important developments in the final stages' such as the duty free wine, and the negotiations of the wine and spirit at the end of 1999. The agreement was seen as strategic, and did grant South Africa a massive access to the EU market for industrial products. These compromises required some few technical changes to the text to allow 32 million litres of wine to come into effect in November 1999, when the agreement was to be signed. The negotiators were happy that as a consequence of the extensive consultations with the general public and the lobbying made

in the EU parliament in particular the TDCA would be beneficial to the economy (National Assembly, Tuesday, 5 November 1999: 3388).

However, in October 1999, in a submission to the joint Portfolio committees on Trade and Industry, Agriculture and Land Affairs, and Foreign Affairs, COSATU expressed concern about the process leading to the TDCA. The free trade part of the TDCA posed a great threat to the South African economy than opportunities. The reduction of tariff generally, is no effective and strategic to the promotion of an industrial policy capable of meeting the development needs of the country. So, there was no doubt that a free trade agreement between South Africa and the EU would work to disproportionately favour the EU, because the agreement was 'purely a function of historical/colonial relationships or based solely on grounds of maximum economic gains' (COSATU, 1999: 3). The outcome of the TDCA and concerns of COSATU reflect the view of those who believe that once a country adopts a 'liberal capitalist version of democratic capitalism', its economic policies will be anchored on the desire for economic gains rather than the desire to alleviate poverty and the distribution of wealth (Terreblanche, 2002: 420).

Fundamental to the COSATU's critique of the South Africa's FTA with the EU is about unequal power relations between the two sides. The union feared that the colonial style relationship characterising the trade agreement poses the danger of locking the South Africa mode of production perpetually in primary productions instead of value-adding chain. The way forward is for South Africa to encourage increased trade relations with the SADC countries and other developing countries which share similar world outlook. These lamentations of the labour movement are a reflection of its concerns over lack of

insufficient consultations from government during the negotiation process to the TDCA. COSATU wondered whether through the TDCA, South Africa could achieve its objective of value-added products. In a social democratic environment where the formal and informal institutions for social dialogue are proliferated, the state and policy makers have a dangerously flexibility to drop the contributions from social actors it deems contrary to its position. More so, when the outcomes of the social institutions like NEDLAC is not final, but only the beginning of the policy process trajectory.

CHAPTER 5 – CONCLUSION

I posited the question from the outset in the introduction of this research report about which factors and actors were most influential in the formulation of the South Africa's trade and development cooperation agreement with the European Union? The issues, level of involvement of the actors in the policy process and the fractions or subsections of capital, labour and government that were most influential in the policy process.

This chapter considers the extent to which the factors and actors such as capital, labour and government influenced the policy process leading to the South Africa's trade and development cooperation agreement with the EU.

In a neo-liberal dispensation, social dialogue and social institutions could be a check on the rate of capital accumulation. The case of South Africa, where the country had serious and long period of cultural and social disharmony based on race, social dialogue was necessary for the sake of promoting economic and social stability of the society. It is also well documented that some form of social dialogue existed since the 1970's between employers and the trade unions. Proponents of social dialogue in South Africa contended that the emergence of NEDLAC and other institutions of social dialogue after the democratic transition in 1994 was the reinforcement of what started in the 1970's.

In the case of Kerala, social dialogue created a class compromise that succeeded in disciplining capital and state so that the social cost of adjustment was not borne by workers alone (Webster and Adler, 1999). The outcome of social dialogue will largely depend on the economic and historical context of the society. South Africa has an economic structure

that is capitalistic which provided for capital accumulation using one of the worst forms of proletarianisation coupled with racialism. However, the social dialogue that characterised the policy process of the TDCA both at institutional (formal) and outside circles did succeed in disciplining capital and state.

The policy process for the TDCA at NEDLAC level was democratically organised and arranged. All the actors – capital, labour, government and even the communities were represented and participated in the discussions. Each actor had sufficient and equal opportunity to contribute to the discussions, as well as research into the issues. However, the actors did not possess the same level of resources and technical know-how on trade issues to be able to articulate their views. Organised labour did admit that it lacked the technical expertise to interrogate the trade issues that were tabled for discussion. One of COSATU's representatives at NEDLAC Masemola Katishi, contended that the labour group confined itself to matters of strategies and principle rather than going into details of the technical issues. While labour tried to understand the technical issues relating to the TDCA, capital was at the forefront of determining the content and direction of not the policy process, but the outcome of South Africa negotiating mandate.

The TDCA as a major trade and developmental agreement under the policy process required the transparent and the democratic process. However, the economic context and the neo-liberal environment did not permit this level of transparency, even though at the institutional level the process was democratic. Whereas labour's role was limited largely to the institutional space that was created at the NEDLAC level, business had the benefit of first developing the initial mandate and subsequent consultations from the state. Since capital

prepared the initial mandate of South Africa, it had a better understanding of the factors that characterised the TDCA. Social dialogue therefore in the face of the TDCA policy process did not yield equal dividend for the social actors.

As contended by the proponents of social dialogue that the power, control and accumulation of capital in a neo-liberal environment (Webster and Adler, 1999), the South African social dialogue did yield results. Even though, capital would have been contented with its domineering posture during the Apartheid era, the political context did not favour this interest. It is important to note that the social dialogue process notwithstanding the breaks it imposes on the accumulation of capital, it did facilitate or guarantee the survival of capital.

Social dialogue as it was structured at NEDLAC level did present organised labour, organised capital and organised community as though each was monolithic in character without differences of over the issues discussed in respect of the TDCA, the outcome of the agreement suggested that not all of them within their respective constituency benefited equally. For instance, agriculture capital could not push their case to be reflected in the agreement the way they wanted it (Weekly Mail, 26/04/1996).

The protection that farmers wanted for their business against a better protected and heavily subsidised exporters from Europe could be achieved. On the other hand mining and manufacturing capital did not seem to have been equally affected by the TDCA which ushered in a free trade area between South Africa and the EU. According to McDonald, the representative of capital at NEDLAC, through the TDCA, the mining and manufacturing sectors were able to increase their exports to the EU market (Interview, 09/11/07). This

suggest that even if at the NEDLAC level capital appear to be unanimous and united over their position, there might have been differences among them. It is common knowledge that big business and small business do not always have a common interest since the challenges facing them were either different or each has different capacity in dealing with the challenges.

The role of government in the whole policy process was not neutral. Government was convinced that a free trade agreement would move South Africa economy forward. Even where the farmers were advocating for a stronger protection for their products, the government thought otherwise. Government view the TDCA agreement as an opportunity for it to be recognised and build credibility before the international community especially its European partners. In that respect the attitude of government was in support of free trade whereas labour in particular objected to this view. This was manifested by the critique from labour on the TDCA after it has been signed in 1999. This gives credence to the argument that government and capital, even if had differences over the issues to be negotiated, these were narrower than those between labour on one hand and capital and government.

The TDCA policy issue was considered as one of the issues that did not require consensus at the NEDLAC by the actors. This then provided the avenue for the social dialogue to leave gaps that could be manipulated by capital and government. Therefore the policy process environment in South Africa, particularly in respect of TDCA from the outset put some of the actors at a disadvantage. The argument of some, from a Gramscian perspective, that social dialogue provides the avenue for labour to lobby government and capital to conform to its position, cannot be sustained given the narrow social dialogue space provided during

this period. This is under account that the capital and government were fixed in their position that free trade under the TDCA was the best economic and political arrangement for the country. The outcome of the TDCA and the critique by labour after the agreement was signed in 1999 attest to the fact that labour lost out in the social dialogue process.

The ideological and political disposition of the ANC government after the 1994 democratic transition was inclined to a more social dialogue process. The fact that within the ANC, capital and labour articulated different policy direction provided critical motivation for laying the foundation for further social dialogue. The compromises that brought the emergence of neo-liberal policies as against socialist policies enhanced the position of capital and government in the policy process of the TDCA. The political leadership of the country had earlier on since the 1990s accommodated neo-liberal policies was compelled to continue with social dialogue but within the parameters that did not negate or reverse the agreement reached. So under such ideological and political context the involvement of actors in social dialogue was tolerated that, it did not derail the status quo. Therefore, during policy process to the TDCA the labour participation was limited to the space provided at the NEDLAC level. The other avenues for social dialogue which capital and government could exploit were the informal opportunities. These opportunities were so varied and complex that labour with its resource and technical limitation could not make effective use of.

However, there were other institutions such as the Agricultural Trade Forum (ATF) which were instrumental in the negotiation process, but have not been subjected to detailed investigation by this study to ascertain the extent of their influence. Future study may

consider into detail how the ATF and other institutions did play a role to affect the policy process leading to the formulation of the South African mandate for the TDCA negotiations.

