

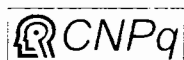
South Africa and Brazil

risks and opportunities
in the turmoil of
globalisation

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Edited by
S. Pinheiro Guimarães



National Council for Scientific and Technological Development



International Relations Research Institute
Alexandre de Gusmão Foundation

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The Seminar was open by H. E. the Vice-President of Brazil, Dr. Marco Maciel, the Vice-Governor of Rio de Janeiro, Mr. Luiz Paulo Corrêa da Rocha, and by Mr. Aubrey Nkomo, Special Advisor of the South African Ministry of External Relations.

The debates were attended by more than sixty Brazilian and South African personalities. The Seminar provided the occasion for an open and informal discussion about the similarities of and differences between the two societies and the potential for cooperation between the two countries.

The papers and the debates of the Seminar contributed to the preparation of President Fernando Henrique Cardoso official visit to South Africa. They represent a permanent source for the study of Brazil and South Africa's foreign policy and of the bilateral relationship between the two countries.

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Remarks of H. E. Mr. Marco Maciel, Vice-President of Brazil*

It is a great pleasure for me to participate in the opening of the Brazil-South Africa Seminar, which is part of the preparations for the official visit to South Africa by President Fernando Henrique Cardoso, whom I have the honor of representing at this event.

Since I had the opportunity to examine the possibilities of cooperation between developing countries in other seminars organized by the Alexandre Gusmão Foundation and by the Research Institute of International Relations, today I would like to explore, with the participants of this seminar, a theme that I consider even more relevant. This is the role of emerging markets in the context of transformations that are taking place in the world and the possibilities of Brazil and South Africa working together.

First of all, however, I would like to trace a parallelism between the two countries, with the aim of justifying this partnership in common situations, interests and objectives.

We are speaking about two countries that find themselves on a level of similar economic development, and that share similar advantages and difficulties. On the one hand, they possess a diversified industrial park, average per capita income, a relatively advanced infra-structure, modern financial system and stock market, and advanced technological development in determinate areas. On the other hand, they face acute social problems, especially enormous inequalities between the poor population and

Both countries, aware of this problem, exert their efforts towards a reform of the economic system that would not only produce an adequate rate of development in pace with the new realities, by redefining the role of the state, of privatization of productive activities and concessions of public services, but promote social justice as well.

In the area of politics, the two countries, despite having lived through different experiences, have equally reached an elevated level of democratic

* Version by Susan Guimarães.

solidification and now seek to perfect it. In this respect, I would like to emphasize the role of President Nelson Mandela who, with his perseverance and capacity of political articulation, was able to transform the system within its own rules.

The postures of Presidents Nelson Mandela and Fernando Henrique constitute paradigms of transformations to be adopted by the two countries in their efforts to contribute to a modelling of the international system that contemplates the interests of the less developed countries.

Brazil and South Africa share, also, common positions in the international scene. This is true not only with reference to a generic objective of greater participation of emerging countries in the international process of decision making, but as well in specific terms of relevance such as non-nuclearization, which translates itself into the common wish of consolidation of a zone of peace and cooperation in the South Atlantic.

Therefore, as I stated previously, this set of factors constitutes a solid base for a cooperation which extrapolates the bilateral field, without failing to attribute due importance to the possibilities of a reciprocal exchange, that develops progressively in the economic and social fields and in the transference of technology.

Effectively, the stage in which the two countries find themselves, economically emergent in the international scene, in a position of leadership in their respective geographic areas in which they find themselves, opens, at the same time, favorable perspectives to their insertion in the dynamic flow of capital, commerce and technology and growing responsibilities as to its outward performance.

These perspectives, these responsibilities, demand an active and dynamic role from the two countries on the international scene. But, the very strength of the actual system should be used, and of course, their inconsistencies, as a means of insertion of the two countries in this process.

In other words, we would like to participate in the process of globalization that is, besides irreversible. Let us place ourselves into the system of transnationalization of factors (commercial, financial and productive, supported by technological development). However, let us negotiate the conditions and the pace that meets both of our interests as well.

I believe that we have the capacity for such a task, if together we join our forces, since together we constitute a significant growing market. This was demonstrated in a study by the Department of Commerce of the United States which coined the idea of emerging markets and elaborated in January of 1994, a corresponding strategy of American performance. According to this study, in the year 2010 the value of American exportation to the ten largest emerging markets (including Brazil and South Africa). Otherwise, if the growth tendency of U.S. trade keeps up, Latin America alone would absorb US\$ 244 billion of north-american exportation by the year of 2020, an amount equally greater than the total of U.S. sales to Japan and to the European Union.

It is up to us , therefore, to utilize this potencial, this strength, to search jointly to influence the moulding of a new order. I believe that the negociations for the constitution of ALCA, constitute an example of a process in which the countries in development strive to insure their interests, negotiating preliminarily the bureaucratic questions and the technical barriers, in order to later elaborate the questions of tariffs and free trade.

Other themes, as the vinculation of the workers rights and the directives for the environment to international commerce, as well as the question of access to the developed market, constitute other areas of negotiation in which the emergent countries, with their bargaining pawner, can influence the direction of these decisions.

I believe that we have available to us many instruments to operate in this system if we work together. We can utilize the strength of our markets, we can explore the incongruencies and the gaps in the system, we can especially, strengthen the cooperation among the sub-regional groups to which we are associated, that is Mercosur and the Development Community of Southern Africa.

For this very reason, because we possess this capability, I believe that we have the responsibility, not only to assure better benefits in the process of globalization for our citizens, but also to seek to extend them to the group of countries that find themselves at the present excluded, in order to make the world more just and human.

This task requires not only strict cooperation but also a permanent accompaniment of the transformations that are taking place in the international scene. It also requires a profound reflexion on the process in motion, to attempt to anticipate the evolution of the new order, and a critical

analysis of the possibilities and the capabilities of a positive insertion in the international context.

It requires, at last the identification of parameters that meet our interests, and values that can enrich the modeling of a new order, so that this new system, by absorbing a set of parameters, should become effectively integrated and global.

It is my belief that this seminar is precisely permitting very reflexion and critical analysis, giving justice to its relevance in the process of approximation and cooperation between Brazil and South Africa. In this context, I would like to congratulate the organizers of this seminar and wish everyone a fruitfull work.

South Africa, Brazil and South Atlantic Security: Towards a Zone of Peace and Co-Operation in the South Atlantic

Denis Venter

Major structural change in global society, brought about by the end of the cold war, provides a compelling reason to rethink the concept of security - now proven to have been ambiguous at best. In the past, security has often been defined in terms of a reaction to threats to the state or to national interests;¹ and the conventional military definition ossifies it in geopolitical terms as "the spatial exclusion of threats".² In such circumstances, "state security" or "national security" become mere code words for safeguarding a political regime and its social elite. Traditionally, therefore, security has almost exclusively involved military issues and threats to the state; but today, in the developing world, the notion of collective security (in the form of traditional interstate alliances)³ rarely offers peace and security because it is very often non-military internal and regional factors that are of decisive importance, whether they be political, economic, social or environmental.⁴

The security of people is threatened more often by the very

¹ Du Pisani, André. "Security and Peace in Post-Apartheid South Africa". *International Affairs Bulletin*, 16 (3), 1992: 5.

² Dalby, Simon. "Security, Modernity, Ecology: The Dilemmas of Post-Cold War Security Discourse". *Alternatives*, 17, 1992: 98.

³ See Ching'ambo, Lloyd J. "Towards a Defence Alliance in Southern Africa?" *Southern Africa Political and Economic Monthly*, 5 (8), May 1992: 33-36; and Breytenbach, Willie. "Conflict in Southern Africa: Whither Collective Security". *Africa Insight*, 24 (1), 1994: 26-37.

⁴ Benjamin, Larry. "The Third World and its Security Dilemma". *International Affairs Bulletin*, 14 (3), 1990: 20.

government under whose sovereignty they live, either because of its oppressive policies or its incapacity to provide for basic needs.⁵ But governments are not the only agents of security; and this is all the more true if a broad or holistic view of security is adopted. Broadening the security agenda to include political, economic, societal and environmental aspects with the military is to accept that human security is ultimately more important than the security of the state.⁶ It is therefore clear, as South Asian strategist Gowher Rizvi states, that "security no longer ... [can] be considered exclusively within the military sphere; it is concerned not only with safeguarding territorial integrity, but also with political, economic and social welfare, and above all, inter-communal harmony".⁷ This "new thinking" on security goes beyond achieving merely an absence of war to encompass the pursuit of democracy, sustainable economic development, social justice, and protection of the environment. Military force remains a legitimate means of defence against external aggression but is not an acceptable instrument for conducting foreign policy and for the settling of disputes. States should, therefore, mitigate the security dilemma and promote regional stability by adopting a defensive military doctrine and posture.⁸

South Atlantic security: the maritime roles of South Africa and Brazil

Since the dawn of time, people have been drawn to the sea. From the moment that our distant ancestors first made off from shore on a dug-out canoe or papyrus raft, the sea became a means of trade and

⁵ See Booth, Ken. A Security Regime in Southern Africa: Theoretical Considerations. Paper presented at a Conference on Security, Development and Co-operation in Southern Africa, organized by the Foundation for Development and Peace, Bonn, in collaboration with the Peace Research Institute, Frankfurt, and the Centre for Southern African Studies, University of the Western Cape, Bellville, and held at Midgard, Namibia from 23 to 27 May 1993: 4 & 6; and Thomas, C. "New Directions in Thinking about Security in the Third World". Booth, Ken (ed). New Thinking about Strategy and International Security. London: Harper Collins, 1991: 267-274.

⁶ See Buzan, Barry. People, States and Fear: An Agenda for International Security Studies in the Post-Cold War Era. Boulder: Lynne Rienner Publishers, 1991: 26-28.

⁷ Quoted in Vale, Peter. "Southern Africa's Security: Something Old, Something New". South African Defence Review, 9, 1993: 33.

⁸ Nathan, Laurie. Formalizing Conflict Resolution and Security Arrangements in Southern Africa. Paper presented at the Second Adcess Workshop on "South Africa within Africa: Emerging Policy Frameworks", held in Johannesburg from 24 to 27 January 1996: 4.

communication and provided the impetus for the development of maritime enterprise. Over succeeding millennia the scope of maritime activity often defined the power relations of the age. Ancient Phoenicia, Greece and Rome were sustained by vigorous maritime trade, the "New World" and the East Indies were colonized by seafaring European nations, and the twentieth century has been dominated by the naval power of Japan, Germany, Britain, the United States, and the Soviet Union.

With the advent of a "new world order" and its susceptibility to conflict over scarce natural resources, the relevance of cogent maritime policies and the significance of naval empowerment has again been brought into sharp focus.⁹ To be sure, the world of today and the foreseeable future is as uncertain as it is unstable, with old conflicts left over from the cold war vying for attention and with new conflicts reflecting the resurgence of nationalism, various forms of political and religious extremism, and ethnocentrism. This often leads to public demands that "something be done" militarily and when governments assess what is dictated by "national interest", a sense of international responsibility to play one's part, combined with the desire to be seen to be fulfilling one's responsibilities in the maintenance of international peace and security, often has a determining effect on the decision.¹⁰

For centuries Africa's destiny was controlled by outside forces and it was the maritime powers that set the agenda. South African history itself was markedly shaped by the clash of land-based and seaborne peoples. None of South Africa's indigenous peoples have ever repelled or withstood a maritime invasion and this fact cannot be understated in any debate about South African maritime policy. And, clearly, in maritime terms the African condition is critical: Africa's territorial waters are being pillaged of their marine resources and polluted with toxic waste, and Africa's sea lanes are increasingly being compromised by various forms of illegal activity. South Africa, as one of the few African states with some capability to address these problems, is increasingly being called upon to intervene in the interests of peace and security. In a situation of having to make hard decisions on competing choices and being embroiled in a vigorous debate on the security

⁹ Kasrils, Ronnie. "Preface". In Mills, Greg (ed), Maritime Policy for Developing Nations. Johannesburg: South African Institute of International Affairs, 1995: v.

¹⁰ Grove, Eric. "Naval Co-operation in the South Atlantic". In Mills, Greg (ed), Maritime Policy for Developing Nations. Johannesburg: South African Institute of International Affairs, 1995: 225.

imperatives of a new defence policy, the choice is not between “houses and corvettes”, as is often and rather simplistically declared, but rather between peace and security on the one hand and exploitation and vulnerability on the other. In this context it is clear that South Africa’s maritime policy will be determined by the extent of its regional role and of the importance of the sea in its quest for mutual security. South Africa is also strategically placed to render assistance to the South Atlantic littoral states, such as Namibia and Angola (as well as to those on the Indian Ocean Rim, such as Mozambique and Tanzania), particularly in terms of protecting marine resources within their exclusive economic zones.¹¹

In a South Atlantic region whose politico-economic architecture is a result of maritime access, much that is significant is close to the sea; and this makes many of the nations of the region particularly susceptible to the various modern dimensions of naval diplomacy.¹² However, conditions in the Southern Hemisphere also lend themselves to the development of naval forces, with coastlines and continental shelves bathed by the seemingly endless seas of the southern oceans. As a result, the nations of the South Atlantic possess enormous marine resources in comparison with other countries. Navies can be to the benefit of littoral countries by co-operating in maritime traffic control and, with the exchange of information, protect life at sea through search-and-rescue operations. They can support trade, regional security and confidence-building measures, control pollution, and protect the resources of exclusive economic zones, ensuring their rational and lawful exploitation. By working together, or assisting each other, navies can also intensify oceanographical, geophysical and meteorological research not only to the benefit of naval operations and in the economic interests of their respective countries, but also to help prevent climatic catastrophies.¹³

With regard to their navies, developing countries share a common challenge: to design a navy that meets the requirements for deterrence and military capability, as well as the demands for seaward services with respect

¹¹ Kasrils, Ronnie. “Preface”. In Mills, Greg (ed), Maritime Policy for Developing Nations. Johannesburg: South African Institute of International Affairs, 1995: v & vi.

¹² Grove, Eric. “Naval Co-operation in the South Atlantic”. In Mills, Greg (ed), Maritime Policy for Developing Nations. Johannesburg: South African Institute of International Affairs, 1995: 225; see also Cable, J. Gunboat Diplomacy, 1919-91. London: Macmillan, 1993: passim.

¹³ De Abelleira, Juan Ignacio. “Argentina”. In Mills, Greg (ed), Maritime Policy for Developing Nations. Johannesburg: South African Institute of International Affairs, 1995: 232, 240 & 241.

to the protection of the nation's maritime economic interests during times of peace, whilst competing for financial resources in an environment where the emphasis is on socio-economic development. The prominence of a navy and the form it takes (its shape and size), are dictated by the maritime interests of the state, as well as the international and regional posture which that state wishes to adopt. The necessity for a navy lies, first, in the seaward protection of the sovereignty and territorial integrity of the state; and second, in safeguarding the maritime strategic interests of the state.¹⁴

The ability to project power in varying degrees without being overly hostile, makes a navy a highly desirable instrument in the hands of any government. In fact, a navy is a very versatile instrument of diplomacy, recognized worldwide and cleverly exploited by many maritime nations, either in their immediate geographical area of interest or further afield, or both. There are many countries in the world that face no clearly defined maritime threat, yet they spend substantial financial resources on maintaining viable navies. In addition, navies also have considerable utility value in terms of what they can do when not at war. Around the world this utility, the inherent capacity of navies, is exploited whilst they are at peace. In virtually all cases, this takes the form of either total commitment, or at least some contribution, to the burden of responsibility that coastal states assume in support of the upholding of international maritime law and in their own maritime interests.¹⁵

South Africa and the South Atlantic: The Role of the South African Navy

South Africa has a coastline of nearly 3 000 kilometres and an exclusive economic zone covering nearly 1 million square kilometres. The country's geostrategic importance arises from its location, its range of strategic minerals, its relatively sophisticated industrial base and its well-developed communications infrastructure. In fact, South Africa lies at the gateway between the South Atlantic Ocean and the southern reaches of the Indian Ocean. Given the vulnerability, in times of crisis, of the Suez and

¹⁴ Simpson-Anderson, Robert. "The South African Navy". In Mills, Greg (ed), Maritime Policy for Developing Nations. Johannesburg: South African Institute of International Affairs, 1995: 273 & 276.

¹⁵ Ibid: 276-277.

Panama canals, the sea route around the Cape is still recognized as a major potential choke point. Around 30 per cent (150 million tonnes) of Middle East oil, bound for Europe, North and South America, is annually conveyed around the Cape, and between 60 and 80 tankers round the Cape every month. South Africa subscribes to the United Nations Convention on the Law of the Sea (UNCLOS) and has declared its maritime zones in accordance with the provisions of UNCLOS III. This implies a burden of responsibility with regard to the monitoring and control of maritime zones and the enforcement of requisite state authority. Given South Africa's long coastline (of which some 1 000 kilometres are on the South Atlantic Ocean), its sovereignty over the Prince Edward Islands, and the extent of the country's potential continental shelf claims, the scope of the maritime task is enormous.¹⁶

The UNCLOS III convention allowed South Africa, through its sovereignty over the Prince Edward Islands, to extend its marine resources jurisdiction along the circumpolar Antarctic convergence belt. In fact, South Africa has declared a 200 nautical mile fishing zone around these islands in the face of rising concern over resource availability and international competition over fishing rights. It has also constructed a new base, SANAE IV, in Queen Maud Land on Antarctica, and its scientific research programmes will concentrate on the Antarctic atmosphere, the monitoring of the Queen Maud Land ice cap, and meteorological research on Marion Island. There are also a number of important international collaborative projects such as the Southern Hemisphere Auroral Radar Project, which is designed to monitor physical change in the Southern Hemisphere and southern oceans. Polar environmental security (changing ozone levels over the Antarctic, and the resultant effects of global warming; and the exploitation of living resources, such as krill) is of primary concern to South Africa, rather than the narrow geopolitical value of the Antarctic region. South Africa has also accepted that the International Seabed Authority should be responsible for possible recovery of natural resources from the deep seabed off the Antarctic continent.¹⁷

South Africa's maritime economic interests can be broadly described as its maritime trade and its marine resources, seen in terms of

¹⁶ *Ibid.*: 274 & 275.

¹⁷ Dodds, Klaus. "South Africa, the South Atlantic and the International Politics of Antarctica". *South African Journal of International Affairs*, 3 (1), Summer 1995: 68 & 75-76.

the contribution they make to the national economy, as well as the burden of responsibility resulting from the need to protect the marine ecology and conserve the marine environment. The country has six well-developed ports (Saldanha and Cape Town on the South Atlantic seaboard) with good facilities for shiprepair and a potential for shipbuilding. More than 90 per cent of South African imports and exports (121 million tonnes, excluding petroleum) flow through its ports; maritime trade amounted to roughly 45 per cent of gross national product (US\$118 billion)¹⁸ in 1993. This points to the interdependence of the South African economy as a whole with that of the maritime community. Exciting prospects for trade exist within the Zone of Peace and Co-operation in the South Atlantic (ZPCSA), which includes Argentina, Uruguay and Brazil on the western edge of the Zone, with the 21 littoral states on the western seaboard of Africa on the eastern edge. These countries have a combined potential market of some 500 million people.¹⁹

The fishing industry is an important component of the maritime economy, contributing about 1 per cent of gross domestic product (US\$103,6 billion) in 1992.²⁰ The protection and management of this resource, which South Africa shares with its neighbouring states, is obviously of paramount importance, especially for a country such as Namibia. Marine mining activities consist mainly of limited petroleum gas mining on the continental shelf (northeast of Cape Agulhas) off the southern coast of South Africa, and diamond mining off the west coast between Port Nolloth and the Orange River mouth. South Africa's coastal environment is under growing pressure from development, tourism and recreation and there is an increasing awareness of the need for conservation, especially in those areas that are still unspoilt. Industrial waste generated ashore and deposited into the sea is a major source of pollution, but the greatest risk of pollution is from oil. The amount of oil that is transported daily along the South African coast is conservatively estimated at between 300 000 and 500 000 tonnes. There is a constant danger of oil spills resulting

¹⁸ Esterhuysen, Pieter (comp). Africa at a Glance, 1995/96: Facts and Figures. Pretoria: Africa Institute of South Africa, 1995: 43.

¹⁹ Simpson-Anderson, Robert. "The South African Navy". In Mills, Greg (ed), Maritime Policy for Developing Nations. Johannesburg: South African Institute of International Affairs, 1995: 275-276.

²⁰ Esterhuysen, Pieter (comp). Africa at a Glance, 1995/96: Facts and Figures. Pretoria: Africa Institute of South Africa, 1995: 45.

from accidents, which is highly likely given the ageing tanker fleets and the notorious sea conditions. In addition, a major oil spill off a neighbouring African coastline could, taking the prevailing sea currents, present a serious pollution problem to South Africa's coastal ecology.²¹

Given the length of its coastline and the relatively limited capabilities of its navy (it has no destroyers, frigates or corvettes), the burden of responsibility that South Africa assumes in upholding international maritime law and in safeguarding its own maritime interests is therefore enormous. This burden includes contributing to the safety of life at sea, monitoring shipping in its maritime zones with a view to reducing the risk of pollution, preventing the dumping of toxic waste at sea, preserving marine resources and controlling illegal immigration, drug trafficking, terrorism and piracy on the high seas. Foreign visits by South African naval vessels as overtures to establish new relationships or to renew old ties, as well as to render humanitarian aid, are clear signals that the country wants to take up its rightful place among the nations of the world, and that it wants to play a meaningful role in world and regional affairs.²²

At a conference of naval chiefs of southern African countries in October 1994 there was consensus that the navies of the region should work towards closer co-operation and some degree of interoperability in order to provide mutual security. The possibility that southern African states may in future be called upon to contribute to Organization of African Unity (OAU) or United Nations (UN) peace-keeping efforts was also mooted. More importantly, however, it was agreed that there was a need for co-operation and assistance to control the exploitation of marine resources, and to protect and conserve the marine ecology and environment. The assistance of the South African Navy in performing these tasks has already been requested by some of the littoral states in the region. Given its geostrategic position, its maritime economic interests, the extent of its maritime zones, its importance in and to the region, and the existing as well as potential demand for its seaward services, South Africa has no

²¹ Simpson-Anderson, Robert. "The South African Navy". In Mills, Greg (ed), Maritime Policy for Developing Nations. Johannesburg: South African Institute of International Affairs, 1995: 276. An ecological timebomb exists in the form of the Castillo de Bellver, a supertanker carrying 224 000 tonnes of crude oil, which sank some 60 nautical miles west of Saldanha in 1983; a similar danger is being posed by the Katina P, another supertanker, which sank in about 3 kilometres of water off the Mozambican coast in 1992, carrying more than 200 000 tonnes of oil.

²² Ibid: 277.

option but to maintain a navy commensurate with these requirements.²³

However, the consistent lack of funding, experienced by the South African Navy for more than a decade, has not only resulted in an inability to renew the fleet, a problem which is aggravated by the impending block obsolescence of entire classes of ships, but also in the loss of a number of important capabilities. The sale of the Navy's remaining frigates and the phasing out of the Shackleton long-range maritime patrol aircraft in the mid-1980s, spelled an end to South Africa's anti-submarine warfare capability. The loss of the frigates also meant the loss of vessels capable of carrying combat helicopters, and budget cuts necessitated the disbandment of the marines. Since 1985, rationalizations and budget reductions resulted in a decline of the number of ships from 37 to 24, and in personnel from around 15 000 to 4 500.²⁴ Present capabilities are 3 submarines; 9 strike craft with surface-to-surface missiles; 4 mine-sweepers; 4 mine-hunters; 2 combat support ships, each with 2 helicopters; 1 hydrographic survey ship; and 1 diving support vessel.²⁵ There are two main naval bases, at Salisbury Island in Durban harbour and at Simonstown (including a naval dockyard), and a major maritime communications facility at Sivermine near Cape Town.

The major problem facing the South African Navy is obtaining sufficient funding just to renew its ageing force design, let alone attempting any expansion or addition to redress the shortcomings and lack of capability that have resulted over the years. Nevertheless, the Navy is confident that it will eventually overcome this problem and serve as a major catalyst for establishing and promoting naval capability among its neighbours in the southern African region in order to provide mutual security in the maritime arena, as well as mutual protection for the shared marine resources of the South Atlantic.²⁶

²³ Ibid: 277 & 278.

²⁴ Ibid: 287-288.

²⁵ International Institute for Strategic Studies. The Military Balance, 1995-1996. Oxford: Oxford University Press, 1995: 256. See ibid: 253 - compare the South African Navy's capabilities with the Nigerian Navy's strength of 5 600 personnel (including coast guard), 2 frigates, 3 corvettes, 2 mine-sweepers, 6 missile strike craft, and 1 hydrographic survey vessel; however, South African ships may, generally, be better maintained.

²⁶ Simpson-Anderson, Robert. "The South African Navy". In Mills, Greg (ed), Maritime Policy for Developing Nations. Johannesburg: South African Institute of International Affairs, 1995: 289.

Brazil and the South Atlantic: The Role of the Brazilian Navy

Brazil occupies a privileged geographical position in the South Atlantic. Its northern coast opens out to the Caribbean and the North Atlantic, while its north-eastern coast unfolds towards north-west Africa (generally covering the coastline from Senegal and Cape Verde in the north, to Liberia in the south). Here the distance between the South American and African continents is narrowed to some 1 500 nautical miles. The eastern and south-eastern coasts favour the construction of ports and terminals and, inasmuch as they encompass the most productive areas of the country, most shipping is concentrated off these shores. Following from this, it is not surprising then that the South Atlantic Ocean stands out as vital to the country, and that there are considerable national interests depending on the sea, particularly those of a political and economic nature. Under the label of political interests can be included the preservation of territorial integrity and natural resources, as well as the participation of Brazil in developing international relationships. With respect to territorial integrity, apart from the fact that the Brazilian coastline is some 6 800 kilometres long, most of the population of 161 million is concentrated (along with the nation's most important productive centres) on the coast. The recently-ratified United Nations Convention on the Law of the Sea has prompted Brazil to enforce all the legal entitlements that UNCLOS III permits over its territorial waters and exclusive economic zone.²⁷

Brazil rates a presence in Antarctica as a major foreign policy priority, along with co-operation with the African continent, and the strengthening of existing bonds with its South American neighbours. For Brazil, the importance of Antarctica derives from its relative propinquity, its privileged geographical position at the juncture of three oceans of significant consequence to national overseas shipping, and its climatic effects over Brazilian territory and surrounding South Atlantic waters. Antarctica also contains great potential in living and non-living resources, even though (in terms of the Madrid Treaty) these will not be available for exploitation for at least 50 years.²⁸ Brazil has, therefore, maintained a consistent, although discreet, interest in Antarctica and in 1975 received

²⁷ Da Silva, Joao Carlos. "Brazilian Naval Power". In Mills, Greg (ed), Maritime Policy for Developing Nations. Johannesburg: South African Institute of International Affairs, 1995: 242-243.

²⁸ *Ibid*: 243.

adherent status to the Antarctic Treaty, emphasizing both its security requirements and its wish to participate in the exploration of Antarctic natural resources.²⁹

Brazilian participation in the development of Africa is important for various reasons. As a developing nation, with strong cultural roots in several African countries, it is easy for Brazil to identify mutual concerns, and to establish bilateral reciprocity without creating suspicions over "ulterior motives". Brazil's "intermediate" level technologies are also close to the needs of most African countries. The relatively short distance between West Africa and Brazil across the South Atlantic could also link the continents in guaranteeing the freedom of this area of the ocean for use by the littoral states. Furthermore, a strengthening of naval links between the countries from both sides of the South Atlantic could encourage more effective compliance with existing international legal instruments within the boundaries of the South Atlantic Ocean. The coincidence of numerous Brazilian interests with those of the other South American countries, the search for shared solutions to common problems, the importance of safeguarding peace to bolster regional development and integration, and the increasing trade flow among South American nations comprise the major premises governing national foreign policy priorities.³⁰

The geographical situation of Brazil (distant from the world economic power centres, from its main sources of raw materials, and linked to them only by air and sea) emphasizes the importance of maritime links. Brazilian imports and exports by ship comprise over 95 per cent of the tonnage of total annual cargo in foreign trade. A little less than 90 per cent of the overall gross value of exports (US\$43,6 billion in 1994)³¹ crosses the Natal-Dakar "strait" (the imaginary line between the north-eastern harbour city of Brazil and the main port city of Senegal), headed for North America, Central America and the Caribbean and Europe, and rounds the Cape of Good Hope, headed for the Middle East, South and South-East Asia and the Far East. Most imports (US\$32,9 billion in 1994)³² follow

²⁹ Hurrell, Andrew. "The Politics of South Atlantic Security: A Survey of Proposals for a South Atlantic Treaty Organization". *International Affairs*, 59 (2), Spring 1983: 185.

³⁰ Da Silva, Joao Carlos. "Brazilian Naval Power". In Mills, Greg (ed), *Maritime Policy for Developing Nations*. Johannesburg: South African Institute of International Affairs, 1995: 243.01/11/96

³¹ *Brazil: Country Profile, 1995-96*. London: Economist Intelligence Unit, 1995: 46.

³² *Ibid.*

the same routes. Moreover, the exploitation of marine resources is essential to the country's economic well-being. Close to 75 per cent of Brazil's oil production (782 000 barrels per day in June 1995)³³ is sourced from the South American continental shelf. Fishery products also constitute a significant proportion of the population's alimentary needs and provide considerable employment. The importance and variety of national interests in the South Atlantic has therefore induced the Brazilian Navy to develop its blue-water capabilities in the event of a struggle for control over marine resources.³⁴

Brazil's need to concentrate available resources on the quest for development suggests that the maintenance of peace should be looked upon as the main goal of national security, with deterrence as the most effective means. The Brazilian Navy's role in this strategy of deterrence requires its deployment in defence of the maritime interests of the nation. And although it confines its operations to the South Atlantic, even this ocean is too large for its present capabilities.³⁵ Brazilian naval strength stands at 50 000 personnel (including 1 250 naval aviation, 15 000 marines and 2 000 conscripts); 1 aircraft carrier; 5 submarines; 5 destroyers; 15 frigates; 29 patrol and coastal vessels; 4 amphibious craft; 26 support craft; 33 armed helicopters; and a marine force equipped with 35 armoured personnel carriers and 105mm and 155mm towed artillery.³⁶ However, the handicap of having to cover such a vast expanse of sea can be minimized through joint naval operations in conjunction with friendly nations of the South Atlantic littoral in defence of mutual interests. Thus, with respect to the smaller African navies, Brazilian naval expertise is designed for the operation and maintenance of units sufficient in capacity to patrol their own territorial waters.³⁷

³³ *Ibid.*: 23.

³⁴ Da Silva, Joao Carlos. "Brazilian Naval Power". In Mills, Greg (ed), Maritime Policy for Developing Nations. Johannesburg: South African Institute of International Affairs, 1995: 244 & 247.

³⁵ *Ibid.*: 245 & 246.

³⁶ International Institute for Strategic Studies. The Military Balance, 1995-1996. Oxford: Oxford University Press, 1995: 208-209. See *ibid.*: 204-205 & 226 - naval strength on the South American side of the South Atlantic is bolstered by Argentina: 18 000 personnel (including 3 000 naval aviation, 4 000 marines and 3 500 conscripts), 4 submarines, 6 destroyers, 8 frigates, 1 combat support ship, 2 oceanographic research vessels, and 1 icebreaker; and Uruguay: 5 000 men (including 280 naval aviation and 430 naval infantry), 3 frigates, 4 mine-sweepers, 3 support ships, and 1 oceanographic research vessel.

³⁷ Da Silva, Joao Carlos. "Brazilian Naval Power". In Mills, Greg (ed), Maritime Policy for Developing Nations. Johannesburg: South African Institute of International Affairs, 1995: 245 & 246.

In view of their shared geography and economic development, it is not surprising that Brazil and South Africa have had peace-keeping and maritime and environmental law enforcement thrust upon them; this, of course, in conjunction with other major players in the South Atlantic.³⁸ In the context of peace-keeping it is significant that its involvement in UNAVEM III in Angola will be Brazil's largest contribution to United Nations peace-keeping forces in 40 years.³⁹ Furthermore, it is clear that strengthening links with navies of other South Atlantic littoral states will enhance collective deterrence, and provide a degree of control in preventing the misuse and over-exploitation of marine resources.⁴⁰ The Brazilian Minister of the Navy, Admiral Mauro César Rodrigues Pereira, is quoted as saying that "Brazil feels that the South Atlantic is an ocean which must be preserved by its littoral countries. Although we already ... [protect] freedom of navigation, ... we also consider that the responsibility for keeping the peace in this part of the world belongs to the countries of the South Atlantic. So it is very important to us all that we work together and prepare our navies to meet this responsibility".⁴¹ Closer naval links could also contribute to the overall development of the region, thus furthering the attainment of a common goal for the countries that ratified the UN General Assembly Resolution on a Zone of Peace and Co-operation in the South Atlantic (ZPCSA).⁴² To be sure, navies are essential conduits for wider regional co-operation and, in this context, the South Atlantic can be seen as an area of co-operative security.⁴³

³⁸ Ibid.: 246.

³⁹ Roelofse-Campbell, Zélia. "Brazil's New Role in South and Southern Africa: An Interview with Luiz Felipe Lampreia". Unisa Latin American Report, 11 (2), July-December 1995: 53.

⁴⁰ Da Silva, Joao Carlos. "Brazilian Naval Power". In Mills, Greg (ed), Maritime Policy for Developing Nations. Johannesburg: South African Institute of International Affairs, 1995: 246.

⁴¹ Campbell, Keith. "An Interview with the Brazilian Navy Minister". African Armed Forces Journal, July 1995: 23.

⁴² Da Silva, Joao Carlos. "Brazilian Naval Power". In Mills, Greg (ed), Maritime Policy for Developing Nations. Johannesburg: South African Institute of International Affairs, 1995: 246.

⁴³ De Abelleira, Juan Ignacio. "Argentina". In Mills, Greg (ed), Maritime Policy for Developing Nations. Johannesburg: South African Institute of International Affairs, 1995: 239.

South Atlantic Maritime Initiatives

Whatever the motivation for action, or the resolve to take it, the more forceful forms of naval action will probably be taken in concert with other nations within an international framework. The end of the cold war has seen considerable reductions in the strength of the US, Russian and other navies, putting a greater emphasis on co-operative efforts. It has also seen the United Nations providing both the context of, and legitimization for, military action. This might well lead South Atlantic states to contribute to *ad hoc* coalition forces, as Argentina did in the Gulf War of 1991. If more formal political arrangements were reached in the South Atlantic region, connected perhaps with a strengthened ZPCSA, it might provide a framework for local co-operative action in which naval forces would play a significant role. Such co-operation might well include the constabulary and nation-building roles of navies. Especially the ZPCSA's proposals on marine protection have clear implications for naval co-operation; and they could provide a framework for bilateral co-operative actions, such as South Africa's support for Namibian fishing rights, the aid provided by South Africa to Zaire in rebuilding maritime facilities, and Brazil's assistance to Namibia in the training of navy personnel and in harbour construction. Putting such activities into a co-operative framework prevents perceptions abroad of "big brother" interference and questions at home of the need for, and desirability of, more distant operations when other priorities closer to home seem more pressing.⁴⁴

Another interesting, and this time well-established, South Atlantic initiative in naval co-operation is the South Atlantic Maritime Area Co-ordination (CAMAS) founded in 1966 in terms of the Inter-American Treaty for Reciprocal Assistance (TIAR). This is a merchant shipping control organization in which Brazil, Uruguay and Argentina exchange data on a daily basis on shipping passing through the designated South Atlantic maritime area. Membership of this organization could be broadened to take in more littoral states, with its area of interest expanded to cover the entire South Atlantic Ocean; and CAMAS itself could be re-orientated into a more general maritime surveillance organization, supporting the efforts of the ZPCSA nations at managing the oceans and at maintaining

⁴⁴ Grove, Eric. "Naval Co-operation in the South Atlantic". In Mills, Greg (ed), Maritime Policy for Developing Nations. Johannesburg: South African Institute of International Affairs, 1995: 225, 226 & 227.

environmental and resource security. Surface vessels, submarines and reconnaissance aircraft could be utilized to track potential poachers and to monitor polluters. Co-operation between CAMAS and African navies will also be necessary to control and protect maritime traffic in the South Atlantic Ocean by gathering information vital for safe passage and for effective search-and-rescue operations.⁴⁵

Brazil, Uruguay and Argentina have a long record of combined naval exercises. A South African task group of a support ship, three strike craft and a submarine crossed to Uruguay and Argentina for naval exercises (codenamed ATLASUR) in May 1993, the first of what was hoped would become biennial naval events. ATLASUR II took place in South African waters from 19 to 24 May 1995 involving 17 ships: 2 Argentinian corvettes; 2 Brazilian frigates and a fleet replenishment vessel; 1 Uruguayan frigate; and 2 South African combat support ships, 4 strike-craft, 3 mine-hunters, 1 mine-sweeper, and 1 submarine.⁴⁶ These exercises provided the participating navies with an ideal opportunity to conduct naval operations, improve combat capabilities, strengthen ties and demonstrate their resolve to maintain the safety of the vital sea routes in the South Atlantic Ocean.⁴⁷ In fact, Brazilian Foreign Minister Luiz Felipe Lampreia is of the opinion that these exercises "signify a first step towards a partnership in ... the defence of ... [the] strategic interests [of the participating nations] in the South Atlantic".⁴⁸

But naval co-operation has certain hardware implications. If one wishes to play a full part in oceanic co-operative operations either in-area or out-of-area, proper ocean-going vessels with sufficient reach are required. No-one has exploited the sea-going potential of fast-attack craft more than the South African Navy, but if post-apartheid South Africa wishes to play the role many expect, it must acquire larger helicopter-equipped sea-going

⁴⁵ Ibid: 227; see also De Abelleira, Juan Ignacio. "Argentina". In Mills, Greg (ed), Maritime Policy for Developing Nations. Johannesburg: South African Institute of International Affairs, 1995: 238.

⁴⁶ Grove, Eric. "Naval Co-operation in the South Atlantic". In Mills, Greg (ed), Maritime Policy for Developing Nations. Johannesburg: South African Institute of International Affairs, 1995: 228 & 231.

⁴⁷ Unisa Centre for Latin American Studies. "ATLASUR II: Multilateral Naval Exercise off Cape Town". Unisa Latin American Report, 11 (2), July-December 1995: 81.

⁴⁸ Roelofse-Campbell, Zélia. "Brazil's New Role in South and Southern Africa: An Interview with Luiz Felipe Lampreia". Unisa Latin American Report, 11 (2), July-December 1995: 52.

combat vessels. South Atlantic nations other than Brazil, such as Argentina, Uruguay and Nigeria, already possess suitable vessels in the shape of frigates and destroyers of various vintages. This is not to say that offshore patrol vessels would not be useful for certain co-operative surveillance and constabulary tasks. Smaller coastal craft might also play important roles in co-operative action in offshore and inshore situations; and there might well be scope for the provision of smaller craft to almost all African navies. Moreover, this would have useful spin-off effects for the industries of those South Atlantic states who could provide such vessels.⁴⁹

Aircraft play key roles in all aspects of maritime operations, not least surveillance. All major states in the region should contribute land-based maritime patrol aircraft to the common surveillance task. Air capability in the shape of helicopters is also one of the many features of large auxiliary ships (of which the South African vessels Drakensberg and Outeniqua are classical examples). Such ships are capable of a wide range of roles from patrol and presence to disaster relief and limited force insertion/evacuation, all of which might be useful in a co-operative context. Their refuelling capacity might also provide useful support and reach to navies who are not equipped with such vessels.⁵⁰

Thus naval co-operation is already taking place in the South Atlantic and this could be developed further as both national capabilities and co-operative frameworks evolve. This will both lessen the chances of intra-regional conflict and provide cost-effective means to deal with problems should they arise. It will also mean that the more powerful South Atlantic nations will be able to play any wider role they might aspire to in the maintenance of global peace and security.⁵¹

The zone of peace and co-operation in the South Atlantic

In the early 1980s, the South Atlantic was the scene of a number of conflicts, which were either induced by or involved active participation by extra-regional powers. The century-old dispute between Argentina and

⁴⁹ Grove, Eric, "Naval Co-operation in the South Atlantic". In Mills, Greg (ed), Maritime Policy for Developing Nations. Johannesburg: South African Institute of International Affairs, 1995: 229.

⁵⁰ Ibid: 229-230.

⁵¹ Ibid: 230.

Britain over the Malvinas/Falkland Islands erupted into a war that raged a few hundred nautical miles from the Argentinian coast and saw the most intensive naval fighting of the post-1945 era, claiming thousands of lives and incurring staggering financial losses.⁵² On the African side of the South Atlantic Ocean, the Angolan civil war, in which the superpowers became increasingly involved through third parties, as well as the decades-long dispute between South Africa and the United Nations over the administration of Namibia, confined the subcontinent to a perpetual state of instability. Western powers observed with great concern the growing presence of the Soviet Union in the South Atlantic, and the desire to contain so-called "Soviet expansionism" was given a new lease of life by the Reagan administration's emphasis on cold war strategic considerations. Greatly encouraged by this shift in US policy, South Africa's military actions in Angola increased dramatically during this period. An additional component to the threat already posed by the interference of the superpowers in the region was a strong suspicion that Pretoria had acquired a nuclear capability.⁵³

It was against this background that the idea of bringing the countries of the South Atlantic rim together into some sort of relationship or understanding was first mooted in order to prevent the increasing militarization of the South Atlantic Ocean. At first it was proposed that all countries in the region, including South Africa, should participate. However, this proved impractical for three reasons: South Africa's domestic policy of apartheid, its continued occupation of Namibia, and its destabilizing military operations in Angola. After further discussions in the United Nations, Brazil took the initiative to launch the Zone of Peace and Co-operation in the South Atlantic (ZPCSA).⁵⁴ It was an initiative to neutralize the establishment of a South Atlantic Treaty Organization,

⁵² Santos, Mario Augusto. "A Zone of Peace and Co-operation in the South Atlantic". Unisa Latin American Report, 10 (2), July-December 1994: 46. See also Grove, Eric. "Naval Co-operation in the South Atlantic". In Mills, Greg (ed), Maritime Policy for Developing Nations. Johannesburg: South African Institute of International Affairs, 1995: 224.

⁵³ Santos, Mario Augusto. "A Zone of Peace and Co-operation in the South Atlantic". Unisa Latin American Report, 10 (2), July-December 1994: 46.

⁵⁴ The ZPCSA initially had a membership of 22 countries (3 South American and 19 African): Angola, Argentina, Benin, Brazil, Cameroon, Cape Verde, Congo, Côte d'Ivoire, Equatorial Guinea, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Nigeria, Sao Tomé e Príncipe, Senegal, Sierra Leone, Togo, Uruguay, and Zaire. Namibia joined in 1990 and South Africa in 1994.

propagated since the 1970s in certain circles,⁵⁵ and to mobilize the countries of the South Atlantic rim to endorse the idea of a demilitarized and nuclear-free ocean.⁵⁶

However, concern for military security in the South Atlantic region was not the only rationale behind the Brazilian initiative. There was also a desire to increase political, economic and cultural links between eastern South America and West, Central and southern African countries, all of whom share the South Atlantic Ocean. Brazil felt that its foreign policy towards Africa, which took a more definite shape in the 1970s, needed a new impetus to raise it to a level compatible with its African heritage. The greater relative distance separating the African and South American countries on the South Atlantic littoral from the world's major economic centres also indicated that innovative measures had to be adopted in the economic field not only to neutralize that disadvantage but also to compensate for it with increased intra-regional trade.⁵⁷

Debated in the General Assembly of the United Nations, the Brazilian initiative became UN Resolution 41/11 of 27 October 1986. The main objectives of the resolution was the promotion of peace and co-operation among the peoples of the South Atlantic region. In order to contribute to the strengthening of international peace and security, the region had to prevent encroachment by the superpowers through militarization, the arms race, the establishment of foreign military bases, the deployment of nuclear or other weapons of mass destruction, and the introduction of foreign rivalries and conflicts into the South Atlantic region. The resolution also called upon all states of the region for mutual respect of each other's political independence, sovereignty and territorial integrity, to co-operate in the elimination of all sources of tension, and to refrain from all acts of aggression and subversion, as well as the threat or use of force. Furthermore, this initiative aimed to promote regional co-operation for social and

⁵⁵ For a full discussion of this issue, see Akinyemi, A Bolaji. "The Need for an African South Atlantic Organization". Nigerian Forum, 1, 1981: 125-130; Hurrell, Andrew. "The Politics of South Atlantic Security: A Survey of Proposals for a South Atlantic Treaty Organization". International Affairs, 59 (2), Spring 1983: 179-193; and Du Plessis, Anton. South Africa and the South Atlantic Ocean: A Maritime-Strategic Analysis. Pretoria: Institute for Strategic Studies, University of Pretoria, June 1987: *passim*.

⁵⁶ Santos, Mario Augusto. "A Zone of Peace and Co-operation in the South Atlantic". Unisa Latin American Report, 10 (2), July-December 1994: 46-47.

⁵⁷ *Ibid*: 47.

economic development, the protection of the environment, the conservation of living resources, and the peaceful uses of the South Atlantic Ocean.⁵⁸

Laying the Foundations for a ZPCSA: The Meetings at Rio de Janeiro (1988), Abuja (1990), and Brasilia (1994)

The first meeting of representatives of ZPCSA countries was held in Rio de Janeiro, Brazil from 25 to 29 July 1988 and allowed, for the first time, the exchange of information and viewpoints about issues concerning the proposed goals of the Zone. A second meeting took place in Abuja, Nigeria from 25 to 29 June 1990 and led to the crystallization of new guidelines for action among member states of the Zone. But it had by then become clear that significant changes in the international arena in 1989, with the ending of the East-West conflict, had removed some of the more visible motivations behind the ZPCSA initiative: from a geopolitical point of view, the strategic position enjoyed by the South Atlantic during the cold war was rapidly losing its relevance.⁵⁹ In fact, the end of the cold war abolished the Soviet threat to the region and its shipping that had provided the strategic rationale for past proposals for a South Atlantic Treaty Organization.⁶⁰ Clearly, the need to safeguard the security of the South Atlantic had to convince the nations concerned "to develop a natural defence, even without a pact, treaty or formal agreement".⁶¹

However, the lack of an institutional and legal framework for the ZPCSA contributed to a noticeable flagging of interest among Zone member states, many of whom were confronted by serious and distracting domestic problems. The Zone initiative therefore stagnated and was, indeed, almost abandoned. Because the concept was still potentially viable and because it

⁵⁸ See United Nations General Assembly Resolution 41/11 of 27 October 1986.

⁵⁹ Santos, Mario Augusto. "A Zone of Peace and Co-operation in the South Atlantic". Unisa Latin American Report, 10 (2), July-December 1994: 47.

⁶⁰ Grove, Eric. "Naval Co-operation in the South Atlantic". In Mills, Greg (ed), Maritime Policy for Developing Nations. Johannesburg: South African Institute of International Affairs, 1995: 224. See also Dodds, Klaus. "Creating a Strategic Crisis Out of a Communist Drama: Argentine and South African Geo-Graphs of the South Atlantic". European Review of Latin American and Caribbean Studies, 56, 1994: 33-55; and Leysens, Anthony J. "South Africa's Military-Strategic Link with Latin America: Past Developments and Future Prospects". International Affairs Bulletin, 15 (3), 1991: 23-47.

⁶¹ Le Monde (Paris), 24 July 1981; Admiral Harry Train, NATO Supreme Allied Commander (Atlantic), speaking in Montevideo, Uruguay.

had received widespread and substantial support in the United Nations, Brazil tried to rekindle the idea after 1992. It concluded that a rearrangement of priorities was needed: the post-cold war world demanded an emphasis on co-operation rather than on peace - not that peace, in and of itself, was not important. It was felt that there was enough common ground among Zone member states to warrant collective action in promoting development.⁶²

Considerations closer to home made the idea of co-operation for development among the countries of the South Atlantic more attractive: the successful conclusion of the independence process in Namibia; South Africa's negotiated moves towards a democratic and non-racial society; co-ordinated efforts to put an end to the Angolan conflict; and the normalization of diplomatic relations between Argentina and Britain, broken off during the Falklands/Malvinas War.⁶³ But with the growing trend towards economic regionalism - the consolidation of the European Union (EU), the conclusion of negotiations for the establishment of the North American Free Trade Area (NAFTA), not to mention the longstanding Asia-Pacific Economic Co-operation (APEC) forum - there is reason to believe that the South American and African continents could become increasingly isolated from the world's centres of power, as the less developed nations are pushed beyond the periphery into a sort of "periphery of the periphery".⁶⁴

The final version of the ZPCSA was an informal arrangement among the countries of the South Atlantic rim. The strongest and most obvious binding factor was, of course, the South Atlantic Ocean itself. Concern for this body of water would provide opportunities for common action. Over and above this, a common cultural heritage was a potentially strong motivation for exchanges between the two continents. If the countries of the Zone could generate enough momentum, it would be possible to set

⁶² Santos, Mario Augusto. "A Zone of Peace and Co-operation in the South Atlantic". Unisa Latin American Report, 10 (2), July-December 1994: 47.

⁶³ Ibid: 47. Tension between Britain and Argentina had largely disappeared with the creation of a communications and confidence-building regime for the area around the Falklands/Malvinas. Fisheries management and search-and-rescue operations have been normalized, although disputes about offshore oil remain: see Grove, Eric. "Naval Co-operation in the South Atlantic". In Mills, Greg (ed), Maritime Policy for Developing Nations. Johannesburg: South African Institute of International Affairs, 1995: 224.

⁶⁴ Adedeji, Adebayo (ed). Africa within the World: Beyond Dispossession and Dependence. London: Zed Books, 1993: passim.

in motion flows of trade and people that would bridge the waters that have always kept South America and Africa apart. And if these ideas were concretized, the ZPCSA could become a force in its own right and could provide a countervailing influence against the negative trends set off by the demise of the cold war.⁶⁵

Resolutions incorporating these perceptions were adopted by the United Nations General Assembly in 1990, 1992, 1994 and 1995. A UN Resolution of 1990 elaborated on the initial ZPCSA objectives by reaffirming that the questions of peace and security and those of development were interrelated. The states of the Zone should, it was proposed, accelerate their co-operation in the political, economic, scientific, technical, cultural and other spheres. The resolution expressed support for the efforts of the member states of the Zone to make the ZPCSA an active instrument for fostering human rights, fundamental freedoms, racial equality, justice and liberty as integral elements of peace, development and co-operation at national and regional levels. It also emphasized the importance of the South Atlantic Ocean in global maritime and commercial transactions, and called for support for all relevant provisions of international maritime law, including the freedom of navigation on the high seas. Referring to the preservation of the region's environment and the threat that pollution from any source poses to the marine and coastal environment, its ecological balance and its resources, the resolution urged all states to abstain from transferring into and disposing within the region hazardous, toxic and nuclear waste.⁶⁶ In a further elaboration, an UN Resolution of 1992 expressed concern about the use of fishing methods and practices that caused the over-exploitation of living marine resources, especially of highly migratory and straddling fish stocks, and noted that it had an adverse impact on the conservation and management of living resources of the marine environment, both within and beyond exclusive economic zones.⁶⁷ And a UN Resolution of 1994 stressed the importance to the ZPCSA of the United Nations Conference on the Environment and Development, held in Rio de Janeiro, Brazil from 3 to 14 June 1992, which resulted in the adoption of the Rio Declaration on the Environment and

⁶⁵ Santos, Mario Augusto. "A Zone of Peace and Co-operation in the South Atlantic". Unisa Latin American Report, 10 (2), July-December 1994: 48.

⁶⁶ See United Nations General Assembly Resolution 45/36 of 27 November 1990.

⁶⁷ See United Nations General Assembly Resolution 47/74 of 14 December 1992.

Development, the United Nations Framework Convention on Climatic Change, and the Convention on Biological Diversity.⁶⁸

The third meeting of Zone countries, held in Brasilia, Brazil on 21 and 22 September 1994, adopted the Declaration on the Denuclearization of the South Atlantic, the Declaration on the Marine Environment, and the Declaration on Business Co-operation in the South Atlantic; and decided to establish a Permanent Committee of the ZPCSA.⁶⁹ A UN Resolution of 1995 called upon all states to refrain from action which may create or aggravate situations of tension and potential conflict in the South Atlantic region. It lauded the decision of the ZPCSA to encourage democracy and pluralism, and to promote and defend human rights and fundamental freedoms - in accordance with the Vienna Declaration and Programme of Action, adopted by the World Conference on Human Rights on 25 June 1993;⁷⁰ and it welcomed progress towards the full entry into force of the Treaty for the Prohibition of Nuclear Weapons in Latin America and the Caribbean (the Treaty of Tlatelolco),⁷¹ and conclusion of the Treaty on a Nuclear Weapons-Free Zone in Africa (the Treaty of Pelindaba).⁷²

The Four ZPCSA Areas of Action

The overwhelming support given in the United Nations General Assembly (the United States abstained from voting in 1995 having, prior to this date, consistently voted against ZPCSA resolutions) showed that, given the right circumstances, the Zone could provide a workable framework for the promotion of shared interests. Based on the principles enunciated

⁶⁸ See United Nations General Assembly Resolution 49/26 of 2 December 1994.

⁶⁹ See *ibid.*

⁷⁰ See United Nations General Assembly Resolution 50/18 of 7 December 1995.

⁷¹ See Carasales, Julio C. "The Non-Proliferation Treaty, Tlatelolco and the Regional Contribution". Disarmament, XVI (2), 1993: 109-122; and De Azambuja, Marcos Castrioto. "Nuclear Non-Proliferation and Confidence-Building in the Southern Cone". Disarmament, XVI (2), 1993: 123-133.

⁷² The Cape Times (Cape Town), 12 April 1996. The Treaty on an African Nuclear Weapons Free Zone (the Pelindaba Treaty) was signed on 11 April 1996 in Cairo, Egypt by 49 of the continent's 53 countries: Madagascar and the Seychelles did not sign for "technical reasons", and Somalia and Liberia were absent owing to domestic unrest.

in UN General Assembly Resolution 41/11 of 1986, four areas of action were designed to give the Zone more international visibility and stature.

The Environment

Concerned with the protection of the environment and of the marine resources in the South Atlantic, member countries of the Zone are studying ways and means for co-operation and exchange of information in the field of marine conservation, based on Chapter 17 of Agenda 21 agreed on at the Rio Summit on the Environment and Development, and on the United Nations Convention on the Law of the Sea, whose Article 197 recommends the adoption of regional treaties for the protection of the ocean's environment. Although modest, proposed measures would ensure the existence of mutually beneficial and growing interaction among the countries of the region and would give the Zone a more practical structure. One such measure is the development of an early-warning network that would prevent damage being done to the South Atlantic Ocean, through dumping and pollution, especially by extra-zonal countries.⁷³

To be sure, the main maritime threats in the South Atlantic are no longer traditional military ones. They take the form, for example, of threats to fish stocks from uncontrolled fishing, often by distant countries. Given the migratory nature of many species, this requires some form of international control of waters outside declared zones of national responsibility. There is also the problem of poaching in an area where the state does not have the naval constabulary forces to enforce its rights as, for example, in Namibian territorial waters. The isolated nature of many islands and other settlements in the South Atlantic region also highlights the need for mutual support: despite being British, Tristan da Cunha's main link with the outside world is the South African oceanographic vessel Agulhas.⁷⁴

Another threat is ecological: recent incidents, such as a Japan-bound vessel, the Pacific Pintail, carrying radioactive cargo through the South Atlantic; the spilling of oil by a Russian ship in the port of Santos, in the

⁷³ Santos, Mario Augusto. "A Zone of Peace and Co-operation in the South Atlantic". Unisa Latin American Report, 10 (2), July-December 1994: 48.

⁷⁴ Grove, Eric. "Naval Co-operation in the South Atlantic". In Mills, Greg (ed), Maritime Policy for Developing Nations. Johannesburg: South African Institute of International Affairs, 1995: 224.

south of Brazil; and the depositing of nuclear waste in the ocean by the industrialized countries, illustrate the importance of adopting a system for preserving the marine environment in the South Atlantic.⁷⁵ Half the oil bound for Europe and North America from the Middle East still goes round the Cape and many tankers, especially the supertankers still usable on the Cape route, are old and badly maintained. The prospects for major oil spillages (as caused by the sinking in heavy seas of the bulk-ore carrier, Appolo Sea, west of the South African port of Saldanha, leaking an estimated 2 000 tonnes of fuel into the ocean) means an extra dimension, pollution control, has to be added to normal search-and-rescue operations.⁷⁶

Oceanographic, meteorological and geophysical research, and technical and scientific co-operation among the countries of the region in the field of marine resources is also envisaged, as well as the attraction of foreign investment for the responsible exploitation of these resources. By including a strong environmental dimension in the activities of the Zone, it is hoped to generate more support from the international community as well as from ecological movements worldwide.⁷⁷

A Nuclear-Free South Atlantic

The denuclearization of the South Atlantic was given an additional boost in 1992 when South African President F W de Klerk announced the unilateral decision to dismantle six nuclear devices manufactured in that country. Since the first meeting of the ZPCSA states in Rio de Janeiro in 1988, emphasis was put on the achievement of the objectives of the 1964 Declaration of the Organization of African Unity (OAU) on the denuclearization of Africa, and of the Treaty of Tlatelolco on the prohibition of nuclear weapons in Latin America and the Caribbean. From a Brazilian perspective, there should also be a treaty on the denuclearization of the South Atlantic so that there would be three binding instruments (covering Latin America and the Caribbean, the African continent, and the South

⁷⁵ Santos, Mario Augusto. "A Zone of Peace and Co-operation in the South Atlantic". Unisa Latin American Report, 10 (2), July-December 1994: 48.

⁷⁶ Grove, Eric. "Naval Co-operation in the South Atlantic". In Mills, Greg (ed), Maritime Policy for Developing Nations. - Johannesburg: South African Institute of International Affairs, 1995: 224.

⁷⁷ Santos, Mario Augusto. "A Zone of Peace and Co-operation in the South Atlantic". Unisa Latin American Report, 10 (2), July-December 1994: 48.

Atlantic Ocean) that would preclude the use, possession and stockpiling of nuclear weapons. Such a treaty would have the additional advantage of providing the Zone with a legal framework and precise geographical limits that would facilitate its recognition by the international community.⁷⁸

Interpersonal Contact

Despite the obvious historical and cultural links between Africa and South America, in most cases person-to-person contact has been very limited. For the peoples of South America, Africa has remained largely *terra incognita*; and the obverse is equally true. In view of the peripheral geographical position both of South America and of Africa, the tendency is to look northwards (towards the industrialized countries of the "North") and hardly ever to the east or the west (the developing countries of the "South"). Only in recent years did the importance of South-South relations start to receive the recognition it deserves.⁷⁹ For Brazil-South Africa relations it is, therefore, important to heed the words of a former Director-General of the South Africa Foundation, Kurt von Schirnding, speaking in 1991: "In five or ten years, South Africa and Brazil will be rather similar societies. Perhaps we should consider what we have in common and begin to think about how our countries could interact".⁸⁰ In order to stimulate and promote these relations and, above all, human interaction between the two sides of the South Atlantic, tourism, sporting contact and academic exchange should be seen as the prime areas for development.

The Economic and Commercial Sectors

The intensification of economic and commercial ties between South America and Africa is one of the main goals of the ZPCSA. The end of the cold war and the consequent shift of emphasis in international relations from geopolitics to economics, with the formation of powerful regional economic blocs centred in the industrialized North, tend to marginalize the developing states of the South even more. The need to intensify South-

⁷⁸ *Ibid.*

⁷⁹ *Ibid.*

⁸⁰ Von Schirnding, Kurt. "Brazil and South Africa are Ideal Partners for Trade Tango". *Business Day* (Johannesburg), 9 April 1991.

South co-operation is, therefore, stronger than ever. Trade between South America and Africa still plays a minor role in the world economy. The same is true for the economic activity of South America and Africa individually. In 1993, South America's total trade represented only 4,5 per cent of global trade and that of Africa 2,4 per cent, while the industrialized countries accounted for roughly 68 per cent.⁸¹ The distance separating South America and Africa from the largest economic blocs (the EU, NAFTA, APEC) suggests that it would be strategically advantageous for the ZPCSA countries to intensify their economic and trade relations, initiating a process which would culminate in the creation of a free trade zone in the South Atlantic region. However, a system of economic co-operation in the South Atlantic should not limit itself to trade. It should also include direct investment and the entering into joint ventures; projects in strategic areas such as the exploitation of mineral resources, energy and civil construction; the liberalization of trade in services, especially in the financial sector; and the intensification of various other forms of economic interaction.⁸²

The Meeting at Somerset West (1996): A Revitalized ZPCSA?

When Brazil handed over the chairmanship of a still flagging ZPCSA initiative to South Africa at the fourth meeting of Zone countries in Somerset West (near Cape Town) on 1 and 2 April 1996, the Brazilian Secretary for Strategic Affairs, Ronaldo Mota Sardenberg, urged delegates to consider mechanisms to ensure that participating governments follow up on decisions of Zone meetings.⁸³ In his opening address, South African Foreign Minister Alfred Nzo emphasized South Africa's interest in furthering the main objectives of the ZPCSA: the enhancement of peace and security, the promotion of regional co-operation for social and economic development, the protection of the marine environment, and the conservation of marine resources. South Africa wanted discussions between the countries of the South Atlantic zone to culminate in agreement "on

⁸¹ Direction of Trade Statistics Yearbook. Washington, DC: International Monetary Fund, 1994: 2, 3, 6 & 7.

⁸² Santos, Mario Augusto. "A Zone of Peace and Co-operation in the South Atlantic". Unisa Latin American Report, 10 (2), July-December 1994: 49.

⁸³ Quoted by Reuters News (Somerset West), 1 April 1996.

ways and means to encourage and facilitate flows of trade in the region, and bridge the waters that have for too long kept South America and Africa apart. Let us focus on our common marine heritage and on its management and proper utilization, so that we reap the benefits from the ... [ocean] which binds us together".⁸⁴

As leader of the South African delegation, Deputy Minister of Foreign Affairs Aziz Pahad expressed the view that the Zone must be another important building block to effectively achieve the wider vision of South-South co-operation; it is incumbent upon the countries of the South Atlantic rim "to ensure that the progress we are making in [the] ZPCSA, parallels what is being done in the Indian Ocean region, to strengthen the voice of the South in international forums".⁸⁵ South Africa therefore recommended that the meeting focuses, first, on the common marine environment in the South Atlantic: on matters such as resource management, environmental protection, the prevention of pollution, surveillance and sea rescue, and the general monitoring of the ocean; and second, on the encouragement and facilitation of business initiatives, and the expansion of economic and commercial links between Zone countries and across the South Atlantic: on areas such as capital market development and liberalization, and co-operation in the development of infrastructure, in science and technology, in mining and mineral exploration, and in trade and tourism. Governments of all ZPCSA countries should set out to create an investor-friendly climate, an environment conducive to intra-regional and international trade, and a situation in which business opportunity and entrepreneurial enterprise can flourish.⁸⁶

The more important decisions emanating from the Somerset West meeting of Zone countries were:⁸⁷

⁸⁴ Nzo, Alfred. Opening Address by the South African Minister of Foreign Affairs at the Fourth Ministerial Meeting of Member States of the Zone of Peace and Co-operation in the South Atlantic, Somerset West, 1 April 1996.

⁸⁵ Pahad, Aziz. Statement by the Deputy Minister of Foreign Affairs and Leader of the South African Delegation at the Fourth Ministerial Meeting of Member States of the Zone of Peace and Co-operation in the South Atlantic, Somerset West, 1 April 1996.

⁸⁶ Ibid.

⁸⁷ See South Africa, Department of Foreign Affairs. Final Declaration of the Fourth Meeting of Member States of the Zone of Peace and Co-operation in the South Atlantic, Somerset West, South Africa, 1 and 2 April 1996: Articles 3, 6, 20, 22, 25, 26, 28, 29, 31, 34, 36, 38 & 41.

* to decide that co-operation among the countries of the ZPCSA should be pursued in all areas, especially in the economic, technological, environmental, cultural and sporting fields;

* to agree that the Zone has a valuable role to play as a forum for dialogue on multilateral issues, including those related to the maintenance of international peace and security, the promotion of international co-operation for economic and social development, and the protection of the environment;

* to reaffirm the importance of preventive diplomacy, peace-making, peace-keeping and peace-building as suitable means for the maintenance of peace and security, while stressing that the eradication of poverty and the promotion of economic and social development are essential for enduring peace and security;

* to affirm the increasing importance of greater co-operation in economic and financial matters;

* to emphasize the role of regional and sub-regional integration schemes (the SADC, ECOWAS and Mercosur)⁸⁸ in improving international competitiveness of national economies and in contributing to the development process;

* to invite the academic, scientific and technological communities of the member states to participate in discussions on fostering co-operation in the Zone;

* to encourage member states to further investigate and implement means to facilitate business initiative in exploring and expanding regional economic co-operation and commercial links (trade and investment) across the South Atlantic among member states of the Zone;

* to facilitate the establishment of sea, air and telecommunications links across the South Atlantic among member states of the Zone;

* to express, once again, the concern of member states about the safe and secure transportation through the South Atlantic of irradiated nuclear fuels, plutonium and high-level radioactive wastes;

* to encourage member states of the Zone that have not done so to ratify or adhere to multilateral conventions and protocols dealing with the protection and preservation of the marine environment, including the

⁸⁸ The SADC has a membership of 12 countries: Angola, Botswana, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia, and Zimbabwe. ECOWAS comprises 16 member countries: Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, and Togo. Mercosur consists of 4 member states: Argentina, Brazil, Paraguay, and Uruguay.

London Convention on the Prevention of Pollution by Dumping at Sea of Wastes and Other Matters, and the International Convention to Prevent Pollution by Ships;

* to emphasize the importance, in terms of the provisions of UNCLOS III, of the Agreement on the Conservation and Management of Straddling Fish Stocks and Highly Migratory Fish Stocks of 4 August 1995 for member states of the Zone;

* to express the concern of member states at the increase in illegal drug trafficking in or through countries of the Zone, to affirm their commitment to an anti-drug initiative, and to develop a programme of co-operation between regional and international law enforcement agencies to control illicit trafficking in narcotic drugs and psychotropic substances, with a view to assisting one another in the effort to monitor and eliminate existing drug-trafficking routes affecting the security of the countries of the Zone; and

* to register the conviction of member states that the Zone will continue to be an active instrument for enhancing intra-regional and inter-regional co-operation.

Conclusion

When attempting to evaluate the future prospects of the ZPCSA, it will be prudent to remember that efforts to establish any kind of co-operation among countries of the Third World have always encountered the same obstacles. The South exhibits both homogeneity and heterogeneity. Homogeneity derives from a common heritage of colonialism and an asymmetrical relationship with developed, industrialized economies. But here homogeneity ends and heterogeneity starts. The countries of the South exhibit tremendous differences which transcend cultural and historical similarities and play a major role in their relative importance: among them are population size, income inequalities, economic structure and growth, endowment with natural and human resources, as well as political and institutional development. These differences have, in the past, hindered greater cohesion among Third World countries, even though they represent a strong political force. The ZPCSA still has a long way to go in order to become a functioning reality; that is, it still has to prove that this diversity is not an impediment to the promotion of clear-cut common interests. Sharing the South Atlantic Ocean as a common border and with limited but well-defined objectives, the members of the ZPCSA have a fair chance

of succeeding. The individual and collective efforts undertaken by the Zone will ultimately determine whether it will be possible to overcome existing differences (and distances) and transform them into advantages.⁸⁹

South Africans have in the past largely failed to appreciate the importance and value of links westwards across the South Atlantic Ocean. They need to recognize that their neighbours are not merely the states with which they share land borders in the southern African region, but also the countries facing them across the South Atlantic. Indeed, the South Atlantic should not be seen as a barrier but as a major transportation and communications link, and there is much to be gained for both sides of the South Atlantic rim in developing mutually beneficial relationships. Recently, South African Deputy Foreign Minister Aziz Pahad has stated that "South Africa lies at the point where two great oceans, the [South] Atlantic and the Indian meet. We are very conscious of the role these oceans play in international commerce [and] within [the context of] the Zone of Peace and Co-operation in the South Atlantic, [we] must protect this great body of water which divides us, but at the same time serves as the link between all of us".⁹⁰ This realization already seems to have taken firm root in South America. As early as 1977, former Argentinian Foreign Minister Oscar Montes emphasized in a speech before the United Nations General Assembly that "... [South American countries] share an ocean with the African continent which is a ... [natural] route for realizing our economic potential".⁹¹ Interestingly, the idea of a South Atlantic Rim as a workable, but not necessarily institutionalized, loose economic grouping (simulating the examples of the longstanding Asia-Pacific Rim and the more recent Indian Ocean Rim) has already been mooted.⁹²

For South Africa to play its part in preserving the marine environment of the South Atlantic; in facilitating trade between, and

⁸⁹ Santos, Mario Augusto. "A Zone of Peace and Co-operation in the South Atlantic". Unisa Latin American Report, 10 (2), July-December 1994: 49-50.

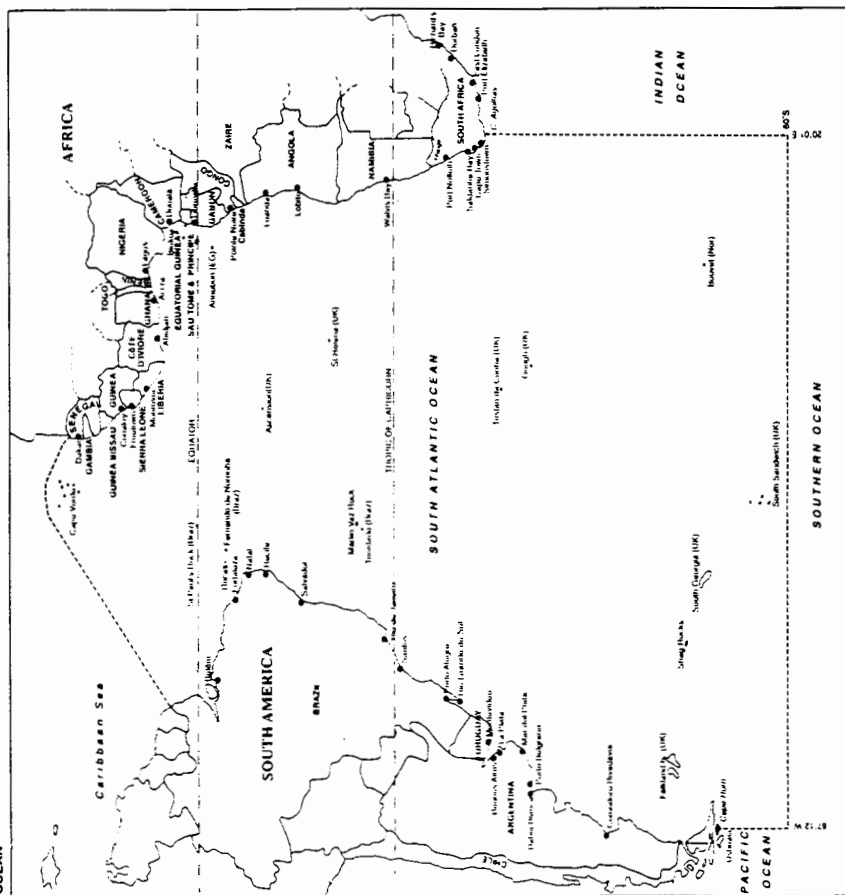
⁹⁰ Pahad, Aziz. Statement by the Deputy Minister of Foreign Affairs and Leader of the South African Delegation at the Fourth Ministerial Meeting of Member States of the Zone of Peace and Co-operation in the South Atlantic, Somerset West, 1 April 1996.

⁹¹ Quoted in Anglaril, Nilda Beatriz. "Argentina's Relations with Africa: The Myths and Realities of Co-operation between the Countries of the Southern Hemisphere". Unisa Latin American Report, 11 (1), January-June 1995: 9.

⁹² Tsukamoto, Yuichi. "Innovations in South African-Brazilian Trade Opportunities". Unisa Latin American Report, 7 (2), September 1991: 43.

investment and joint-venture activities in, Zone countries; and in protecting the vital maritime communication links across the South Atlantic, the South African Navy will have to be provided with the necessary capability to perform this task - naturally in co-operation with the navies of other Zone countries. The debate raging around the proposed acquisition of four corvettes by the South African Navy can, therefore, be regarded as a mere "storm in a tea-cup". Circumstance of geography has thrust major tasks upon South Africa, for which deep-sea, ocean-going vessels and an appropriate mix of smaller naval craft are vitally important: executing sea-rescue operations in the vast expanses of the often stormy waters of the southern oceans; preventing oil-spills and controlling pollution along the often rugged coastlines of southern Africa; and protecting and patrolling not only South Africa's own exclusive economic zone (preventing illegal fishing and harvesting of other marine resources) but, in addition, providing a protective maritime umbrella for other southern African countries. These are all necessary ingredients in the quest for overall peace and co-operation (and, thus, security) in the South Atlantic region.

GEOGRAPHIC AND GEOPOLITICAL DEMARCATION OF THE SOUTH ATLANTIC OCEAN



Reform of the Security Council: Membership and Competence

Deon Geldenhuys

Reform of the United Nations, long a topic of discussion within the organization and beyond, has acquired a new urgency since the end of the Cold War. The vastly changed international environment of the 1990s has led numerous UN members to look anew at the structures and functions of a world body established under very different conditions five decades ago. Last year's fiftieth anniversary of the UN, an occasion for serious introspection, also sharpened international attention on the need to restructure the organization to meet the challenges of the day.

The Security Council, a principal organ of the UN and the one entrusted with "primary responsibility for the maintenance of international peace and security" (article 24(1) of the UN Charter), has inevitably also come under the scrutiny of those favouring reform of the UN. Pertinent questions have been asked about the appropriateness of its composition and powers in a world far removed from what it had been at the time of the Council's creation.

This background paper focuses on the possible reform of the membership and competence of the Security Council. It is a matter of particular interest to Brazil and South Africa, because they are widely regarded as candidates for permanent seats on a restructured Council.

The paper begins with a brief survey of previous attempts at reforming the UN, followed by a consideration of the reasons presently being advanced for restructuring the world body, especially the Security Council. In this regard it should be noted that possible reform of the Security Council is only one aspect - albeit a crucial component - of a far more comprehensive process aimed at reshaping the world body. The discussion then moves to some requirements for successful reform of the Security

Council, and to specific proposals for restructuring the Council. The paper finally records some official Brazilian and South African views on the matter.

A history of UN reform

Efforts to reform the UN are as old as the organization itself. The quest for a more representative Security Council can be traced all the way back to the San Francisco Conference of 1945.¹ It was, however, only in 1965 that articles 23 and 27 of the Charter were amended to increase the Council's membership from the original eleven to fifteen. Provision was then made for four additional non-permanent members, and a corresponding change from seven to nine votes for the approval of resolutions. The five permanent members' veto power over substantive matters was left unchanged. In 1968 article 109 was amended to increase from seven to nine the number of votes in the Security Council required to complement a two-thirds vote in the General Assembly for convening a conference to review the Charter.²

There have been numerous other reform initiatives from various quarters within the UN and from outside the organization. The General Assembly has for instance dealt with reform issues under the agenda item "Question of the Composition of the Relevant Organs of the United Nations" since 1977, and "Question of Equitable Representation on and Increase in the Membership of the Security Council" since 1979. There have also been several committees of experts or government representatives, appointed either by the General Assembly or the Security Council, to investigate aspects of reform.³ One such was the Committee for the Revision of the Charter, which had managed to rouse itself "to a few efforts" in the 1970s

¹ Frederic L Kirgis, "The Security Council's first fifty years", *The American Journal of International Law*, Vol.34(1), January 1995, p.537.

² *Ibid.*, p.506.

³ For a survey of the reform initiatives, see Joachim W Mueller, *The Reform of the United Nations*, Volume I, Oceana Publications, New York, 1992, pp.15-29; Ruediger Wolfrum & Christiane Philipp (eds), *United Nations: Law, Policies and Practice*, Vol. 2, CH Beck, Munich, 1995, pp.1012-1023, and *State of the United Nations: Decline or Regeneration in the Next Fifty Years*, Report of the Twenty-Ninth United Nations of the Next Decade Conference, Sponsored by the Stanley Foundation, June 19-24, 1994, published by the Stanley Foundation, Muscatine, IA, undated.

and then “returned to its slumbers”.⁴ Another was the Group of 18 appointed by the General Assembly in 1985 to review the efficiency of the administrative and financial functioning of the UN; the inquiry was concluded in 1990.⁵ In 1991 the General Assembly adopted a resolution on restructuring and revitalizing the UN in the social, economic and related fields, largely directed at the role of the UN Economic and Social Council.⁶ The following year the Assembly passed another resolution, proposed by India, again insisting on the need for reforms to the UN system. In December 1993 the Assembly established an open-ended Working Group to consider the composition and decision making of the Security Council. Hopes that the Working Group could provide the basis for a deal to be reached during the UN’s Fiftieth Anniversary year have been disappointed.⁷ Nonetheless, not since the reform of the Council in the 1960s “has such an undertaking been carried forward with as much serious purpose”.⁸

Private groups have also been studying ways of reforming the UN. One of the best known is the Commission on Global Governance co-chaired by Shridath Ramphal and Ingvar Carlsson. Two contemporary initiatives in the US are those of the Yale University/Ford Foundation Independent Working Group on the Future of the United Nations, and the Stanley Foundation/International Peace Academy.

Several areas for reform can be identified, dealing with among things the Secretariat, Security Council, peacekeeping, economic and social matters, collapsed states, and budgetary issues.⁹ This paper confines itself

⁴ Mohammed Bedjaoui, *The New World Order and the Security Council: Testing the Legality of its Acts*, Martinus Nijhoff Publishers, Dordrecht, 1994, p.6.

⁵ Joachim W Mueller, pp.37-50.

⁶ Lev Voronkov, “International Peace and Security: New challenges to the UN”, *Paradigms*, Vol. 8(2), Winter 1994, p.7.

⁷ MEK Neuhaus, “The United Nations’ security role at fifty - The need for realism”, *Australian Journal of International Affairs*, Vol. 49(2), November 1995, p.274, and *Our Global Neighbourhood: The Report of the Commission on Global Governance*, Oxford University Press, Oxford, 1995, p.238.

⁸ *The Role and Composition of the Security Council*, Report of a Vantage Conference, Sponsored by the Stanley Foundation and the International Peace Academy, November 12-14, 1993, published by the Stanley Foundation, Muscatine, IA, undated, p.5.

⁹ See Paul Kennedy & Bruce Russett, “Reforming the United Nations”, *Foreign Affairs*, Vol. 74(5), September/October 1995, pp.60-70, and Tim Arnold, *Reforming the UN: Its Economic Role*, Discussion Paper 57, RIIA, London, 1995.

to suggestions for the reform of the Security Council, which is after all at the core of reforming the UN system.

The present need for reforming the Security Council

It is generally accepted that the Cold War had subjected the Security Council to decades of “debilitating rivalry and paralysis”¹⁰ Between 1946 and 1990, the Council passed 646 resolutions, while another 201 became casualties of the veto. The “superpower standoff” prevented the Security Council from developing the system of global security envisaged in the Charter and undermined the Council’s role.¹¹

The end of the Cold War has freed the Security Council of the paralysis and divisions under which it had laboured for so long. Hopes for the dawning of a “new world order” quickly focused on the Council as the principal global organ responsible for peace and security.¹²

Public perceptions of the UN’s effectiveness, Falk observed, “will remain tied, for the foreseeable future, to how well the Organization does in relation to peace and security”.¹³ This means that the Security Council’s performance in these areas will be the critical yardstick for popular judgments of the world body’s overall effectiveness. Over the past six years the Council has indeed been at the very centre of international security affairs, as witness its actions in Kuwait, Haiti, Somalia, Cambodia and the Balkans.¹⁴ However, the setbacks and humiliations it experienced in several of these cases have renewed criticism of the world body and raised questions about whether the Security Council’s existing structure lends itself to effective action with regard to peace and security.¹⁵

¹⁰ Mohammed Bedjaoui, p.2.

¹¹ Ingvar Carlsson, “The U.N. at 50: A time to reform”, *Foreign Policy*, No. 100, Fall 1995, p.6. There are numerous other assessments of the UN’s record over five decades, among them Richard Falk, “Appraising the U.N. at 50: The looming challenge”, *Journal of International Affairs*, Vol. 48(2), Winter 1995, pp.625-646, and Frederic L Kirgis, pp.506-539.

¹² Mohammed Bedjaoui, p.2.

¹³ Richard Falk, p.646.

¹⁴ Ingvar Carlsson, p.6.

¹⁵ Paul Kennedy & Bruce Russett, pp.56&57.

What needs to happen, is that the UN system of maintaining international peace and security should be converted "from the Cold War paradigm of military-political and ideological confrontation to a pattern of cooperation in the resolution of crucial problems of common concern".¹⁶ The latter, according to US Secretary of State Warren Christopher, are the threats posed by arms proliferation, terrorism, international crime, narcotics, and environmental pollution.¹⁷

Particularly since the end of the Cold War, the UN is being pressed by member states and their publics to play a larger role and assume new responsibilities in virtually every one of its activities, including peacekeeping, monitoring human rights, promoting economic development and overseeing environmental accords.¹⁸ The statistics reveal the greater demands being placed on the Security Council. From 1946 until the end of 1989, the Security Council held 2,903 meetings and passed 646 resolutions; from the beginning of 1990 to mid-1994, the Council had no fewer than 495 formal meetings (and almost daily informal consultations) and passed 288 resolutions. UN peacekeeping operations, authorized by the Council, increased from eight in 1990 to seventeen in June 1994. Between 1945 and 1991, the Security Council approved the use of force only twice for any purpose other than self-defence (Korea and the Congo). Between 1991 and mid-1994, by contrast, the use of force under Chapter VII of the charter has been authorized five times (the Gulf, Somalia, the former Yugoslavia, Rwanda and Haiti).¹⁹

As the UN Secretary-General wrote in 1993, "(t)he United Nations in the last few years has come from the brink of oblivion to the center of the world stage".²⁰ Since the UN is increasingly being called upon "to provide governments with the ability to do together what they cannot achieve separately",²¹ there is an obvious need to improve its capacities and grant it greater resources, functions and coordinating powers.²²

¹⁶ Lev Voronkov, p.6.

¹⁷ Warren Christopher, "United Nations reform: The need for far-reaching changes", in *Vital Speeches of the Day*, Vol. 62, 15 October 1995, p.5.

¹⁸ Paul Kennedy & Bruce Russett, pp.57&58.

¹⁹ *Our Global Neighbourhood*, pp.236&237.

²⁰ Quoted by Tim Arnold, p.1.

²¹ Ingvar Carlsson, p.6.

²² Paul Kennedy & Bruce Russett, pp.57&58. Also see Lev Voronkov, p.6.

As regards the Council's composition, a familiar criticism is that the five victors of the Second World War, together with ten non-permanent member states, cannot comprise "a representative, legitimate, or authoritative voice for a U.N. membership of 185".²³ When the Council was originally established, UN membership totalled only 51 states. When the number of non-permanent members of the Council was expanded in the 1960s, UN membership stood at 100.²⁴ The vast majority of today's 185 UN member states did not even exist as sovereign independent states at the time the organization was founded. The legacy of the Second World War is also enshrined in the Charter in several provisions (for instance article 53) that are directed against the former "enemy states" of Germany, Japan and Italy. Not only are all three full and respectable members of the UN, but Germany and Japan are strong contenders for joining the Security Council as new permanent members.²⁵ There is accordingly substance to the contention that the Council is "basically a condominium of the victorious major Allies, who would jointly keep the rest in order".²⁶ Far from being "a tribunal of world opinion", the Security Council has been depicted as "a crude form of power politics".²⁷ But the Council is not even an accurate reflection of the present distribution of power between states. The position of France and Britain seem particularly anomalous, given their international status. The presence of these two countries, together with the US, has also been portrayed as a disproportionate Western presence among the permanent members.²⁸ The "old boys club of 1945"²⁹ seems strangely out of place in the world of the 1990s.

The Security Council's current "unrepresentative status", the Commission on Global Governance insisted, has caused "a crisis of legitimacy". If the Council is at long last going to play the role envisaged in the UN Charter, "it must be perceived as fully legitimate in a broad

²³ Ingvar Carlsson, p.6.

²⁴ MEK Neuhaus, p.272.

²⁵ Lev Voronkov, p.1.

²⁶ Michael Howard, quoted by Helen Leigh-Phippard, "Remaking the Security Council: The options", *The World Today*, Vol. 50(8&9), August-September 1994, p.167.

²⁷ Chris Landsberg, "United Nations: Restructuring the Council", *West Africa*, No. 4032, 16-22 January 1995, p.66.

²⁸ Helen Leigh-Phippard, p.168.

²⁹ Paul Kennedy & Bruce Russett, p.62.

sense by nation-states and people". This in turn requires at least a change in its composition.³⁰ An enlarged membership would add weight to Council decisions. Greater support for its resolutions would also lead to more effective implementation. Since UN members are required to abide by Council decisions, a more representative body would make this easier. More members on the Council would furthermore diffuse pressure on smaller states to submit to the will of the great powers.³¹

Another benefit of increased membership could be more careful consideration of issues, preventing hasty decision making (which does not always lead to wise decisions). New members would also provide the Council with more information. Regional representation, for example, may produce a better understanding of a particular region.³²

The fact that the entire permanent membership of the Security Council is made up of recognized nuclear-weapon states "contributes to the worrying perception that the possession of nuclear weapons confers power and status on the owner". Permanent member status could be separated from the possession of nuclear weapons by extending permanent membership to non-nuclear states.³³ (See the discussion below of Options for the reform of the Security Council.)

In the post-Cold War world, with its emphasis on democratization within states, it seems only logical that the process should be extended to the global level. This again calls the existing composition and functioning of the Security Council into question. Ironically, powers which are in the forefront of promoting democracy at national level are the most reluctant to accept democratic decision making in the Security Council.³⁴

A related concern that has gained new currency in this age of transparency and accountability, is that the Security Council is "too closed a shop". Its working practices include private consultations or caucusing between some or all of the Permanent Five. Another practice is to hold informal but closed sessions of the Council. No public record is kept of

³⁰ *Our Global Neighbourhood*, p.237.

³¹ *The Role and Composition of the Security Council*, pp.6-9.

³² *Ibid.*, p.7.

³³ Helen Leigh-Phippard, p.168.

³⁴ *The Role and Composition of the Security Council*, p.9.

either type of meeting.³⁵ The Council only meets in public session once a resolution or statement has been worked out, and other states and the public then hear “set piece statements” rather than a real debate. While private consultations may promote flexibility of positions and allow for agreement to be reached more easily, a counter-argument is that the international community as a whole is entitled to know how and why such agreement has been reached.³⁶ The call is thus for greater transparency in the Council’s internal procedures.³⁷ To this can be added a widely felt need for greater consultation between Council and non-Council members, specifically those states most directly affected by decisions of the Security Council.³⁸

Some recent Council actions have added to demands for a more representative and accountable Security Council. Among these have been the Council’s issuing of peacekeeping mandates, establishment of international criminal tribunals and imposition of sanctions with scant regard for the costs involved and resources required.³⁹

The previous point touches on the possible abuse of power by the post-Cold War Security Council. This legal or quasi-legal issue flows from the Council’s practice of invoking Chapter VII when a threat to peace is not self-evident (as in the recent cases of Somalia and Haiti) and for the most part not bothering to explain what exactly the threat to international peace is.⁴⁰ The Council has also established war crimes tribunals (concerning the former Yugoslavia and Rwanda) and has issued directives to member states to cooperate with these bodies. A compensation commission has furthermore been appointed to determine claims against an aggressor state (Iraq, following its invasion of Kuwait). These “quasi-judicial determinations” by the Security Council, an international lawyer observed, “go well beyond those inherent in its express authority [under the UN Charter] to determine threats to the peace, breaches of the peace and acts of aggression”. It is such troubling innovations, in a legal sense,

³⁵ *Our Global Neighbourhood*, p.238.

³⁶ MEK Neuhaus, pp.272&273.

³⁷ Ingvar Carlsson, p.6.

³⁸ *The Role and Composition of the Security Council*, p.10.

³⁹ MEK Neuhaus, pp.273&274.

⁴⁰ Frederic L Kirgis, pp.537&538.

that has added new impetus to an old call for judicial review of the actions of the Security Council.⁴¹

The question of judicial review can be approached from other angles too. Any real democratization of the UN must necessarily involve means of controlling the acts of the political organs, especially the Security Council. Control over power - through weights and counterweights, checks and balances - is after all "at the heart of democracy". In the case of the UN, such control could be exercised by the International Court of Justice. Another consideration is that states are subject to sanction for internationally unlawful acts, but the universal organization that they set up "remain(s) immune from any control over the legality of the acts of its organs and from any penalty for the wrongful exercise of power". Again, the International Court of Justice could have a role to play to ensure that the UN respects both its Charter and international law. It can furthermore be argued that the Security Council, "which should be the sole executive arm of the new world order", can only enhance its credibility, authority and effectiveness if "the conviction takes root that it acts not as an institution above the Charter and international law but as their servant". The International Court could provide effective legal control to make sure that the Council acts in precisely this fashion.⁴²

Opponents of reform maintain that changing the composition of the Security Council would undermine its effectiveness and authority. "Too many cooks" could spoil the decision-making process, making it less efficient and a less accurate reflection of the realities of power. The addition of smaller members may also give Council decisions less weight, it has been suggested; such countries, unlike the existing permanent members, do not have global interests and may therefore not be qualified to consider issues of peace and security around the world.⁴³ Arguments for the *status quo* are, however, unlikely to be sustained in the long run, such is the strength of the lobby for reform among members of the UN.⁴⁴

⁴¹ *Ibid.*, p.538, and Mohammed Bedjaoui, pp.37-53.

⁴² Mohammed Bedjaoui, pp.5-8.

⁴³ *The Role and Composition of the Security Council*, p.7.

⁴⁴ Helen Leigh-Phippard, p.168.

Requirements for successful reform

The priority in any plan to reform the Council should, according to Carlsson, be to ensure that it is an “effective means of expressing the will of the international community”. This could best be achieved by the legitimacy that would result from a more representative membership.⁴⁵

An expansion of membership, it is widely held, should not be allowed to diminish the Council’s effectiveness and political vitality. A reformed Council should in other words not suffer from a reduced ability to respond to crises in a timely fashion.⁴⁶ The consideration is not merely an enlargement of membership, but the addition of the “correct” states “to increase the quality of judgements”.⁴⁷

A further condition that has been proposed, is that additional permanent membership should be linked with international responsibility; new permanent members should be able and willing to accept special responsibility for the maintenance of international peace and security, and also carry their share of the financial burden.⁴⁸ Some observers maintain that only “significant contributors” to the UN budget could be expected to “have the appreciation of the costs of Council action”.⁴⁹

Notwithstanding the above considerations, the effectiveness of the Security Council - in terms of ability to take decisions and avoid the repeated use of the veto - may not depend on the commitment of its permanent members to peace and security in the first instance, but on the extent to which their interests coincide. Successful reform of the Council would thus require that new (particularly permanent) members’ interests should not be in conflict with those of the existing permanent members.⁵⁰

A final prerequisite for reform of the Security Council is that the confidence of both the permanent membership and the wider UN membership in the process be ensured. This in turn requires a process of

⁴⁵ Ingvar Carlsson, p.7.

⁴⁶ *Ibid.*, p.7.

⁴⁷ *The Role and Composition of the Security Council*, p.7.

⁴⁸ Helen Leigh-Phippard, p.168, and Chris Landsberg, p.67.

⁴⁹ *The Role and Composition of the Security Council*, p.7.

⁵⁰ Helen Leigh-Phippard, p.168.

incremental reform, beginning with changes that are reasonably achievable and will not seriously undermine existing Council practice and procedure. Permanent members of the Council will have to regard any changes as conducive to the continuing effectiveness of the world body, and not tempt them to resort to the veto. Should current permanent members be replaced, remaining permanent members will need to be convinced that the replacement of their colleagues will not seriously affect cooperation between permanent members. Non-aligned countries will need to be persuaded that reform will reduce the dominance of the First World on the Council, and that a reformed Council will be able to meet their security needs at least as effectively as the existing Security Council.⁵¹

Options for the reform of the Security Council

Before dealing with specific proposals for reform, it may be useful to be reminded of the existing composition and functions of the Security Council. It has five permanent members (the USA, France, Britain, Russia and China) and ten members elected by the General Assembly for a two-year term. Under article 23 of the Charter, non-permanent or rotating members of the Council are supposed to be chosen on the basis of (i) their contribution to the maintenance of international peace and security; (ii) their contribution to other purposes of the organization; and (iii) equitable geographical distribution. In practice, the rotating seats are divided between the UN regional groups, namely the African, Asian, Latin American and Caribbean, Eastern European and Western European, and Others Group.⁵²

The Council's principal function, it was mentioned above, is to maintain international peace and security. It enjoys specific powers to carry out this duty. These are spelled out in Chapters VI (peaceful settlement of disputes), VII (action with respect to threats to the peace, breaches of the peace, and acts of aggression), VIII (regional arrangements) and XII (international trusteeship system). Under these provisions, the Security Council may call on member states to apply economic sanctions and undertake military action such as peace-keeping missions. The Council furthermore supervises several peace-keeping operations. All member

⁵¹ *Ibid.*, p.171.

⁵² Joachim W Mueller, p.7, and MEK Neuhaus, p.273.

states, in accepting the UN Charter, agreed that the Council acts on their behalf and that they will accept and implement its decisions. This means, at least in theory, that Security Council decisions are binding; compliance is, however, difficult to enforce.⁵³

As regards voting, decisions of the Council on procedural matters require nine votes. Decisions on all other matters are made by nine affirmative votes, including those of all five permanent members.

The deliberations of the Working Group, to which reference has already been made, have revealed general agreement among member states that the Security Council should be enlarged (something previously resisted by Britain and France in particular) by between five and ten new members, giving a total of not more than twenty-five. As a proportion of the total UN membership, the size of the Security Council would then still not be as good as at San Francisco, but it would be reasonably close. Any increase over twenty-five, it is widely accepted, would be unworkable.⁵⁴ It has also become clear from the Group's labours that a mere enlargement of the Council will not be sufficient, but that several other issues also require attention; these include the effective and efficient functioning of the Security Council, decision-making, elections and terms of office, and modalities for bringing changes into effect.⁵⁵ For the purposes of this paper, only issues of membership and competence will be dealt with.

Composition

Proposed changes to the composition of the Security Council fall into five broad categories:

- the creation of a two-tier structure of permanent membership;
- the addition of new permanent members;
- the redistribution of the existing permanent seats;
- the immediate re-election of non-permanent members;

⁵³ See A LeRoy Bennett, *International Organizations*, Third edition, Prentice-Hall, Englewood Cliffs, 1984, pp.60-63.

⁵⁴ MEK Neuhaus, p.275.

⁵⁵ *Ibid.*, p.274.

changing of the veto.⁵⁶

Some of these ideas may overlap or may be combined in a package of proposed reforms.

Each of the five proposals will now be considered in turn.

(i) A two-tier structure of permanent membership

Under this reform, the existing permanent members of the Security Council would retain the use of the veto, while a second group of permanent members without a veto would be established. Australia, for instance, has put forward a proposal for creating five new permanent seats with no veto power.⁵⁷ The Commission on Global Governance has likewise proposed a new class of five “standing” members that would not be subject to rotation and would not have the veto. Two of them would be drawn from the industrialized world (“presumably” one from Asia and the other from Europe), and three from the Third World (the expectation being that one each would be drawn from Asia, Africa and Latin America). The General Assembly would, under this proposal, select the five states on the basis of the contribution they would make to the maintenance of international peace and security and to the other purposes of the UN. (The Commission on Global Governance advocated a simultaneous increase in the number of rotating members from ten to thirteen, giving a reformed Security Council a total of twenty-three members. Council decisions would then require fourteen votes instead of nine.)⁵⁸

The main criticism against what has been dubbed an “upper” and a “lower” house arrangement⁵⁹ is that it would create a further clear hierarchy of states among UN members, thereby possibly exacerbating international and regional tensions. To define such a hierarchy requires arbitrary decisions about which other states are important enough to deserve permanent seats on the Council, but do not deserve the same status as the current permanent members. The latter is a particularly troublesome matter, considering the permanent membership of France and Britain.⁶⁰

⁵⁶ Helen Leigh-Phippard, pp.168&169. Also see *The Role and Composition of the Security Council*, p.11.

⁵⁷ Helen Leigh-Phippard, p.169, and MEK Neuhaus, p.275.

⁵⁸ *Our Global Neighbourhood*, p.240.

⁵⁹ Mohammed Bedjaoui, p.2.

⁶⁰ Helen Leigh-Phippard, p.169.

(ii) The addition of new permanent members

A different route to enlargement of the Council is the addition of one or more new permanent members, perhaps combined with alternative voting procedures. An immediate difficulty is the identification of such new members. The US is among the many countries that have expressed support for Germany and Japan as new permanent members.⁶¹ Apart from their global economic importance, Japan and Germany are the second- and third-largest contributors to the UN budget.⁶² Germany's interest in joining Japan on an expanded Council complicates matters, however. A reformed Security Council in which Britain, France and Germany all occupied permanent seats, would further violate the principle of equitable geographic representation that is fundamental to the UN. It would also prove unacceptable to regional groups that have no permanent representation on the Council.⁶³

True, there are several other potential candidates for additional permanent seats, among them Brazil, India and Nigeria. They (unlike Germany and Japan) typically base their claims on the principle of geographic representation. A likely problem is that the addition of a permanent member from one regional group would prompt demands for full regional representation in the Security Council's permanent membership.⁶⁴

An alternative would be simply to expand the permanent membership from five to ten, giving a permanent seat to each major region in the international system: East Central Europe, East Asia, South Asia, Latin America and the Caribbean, and Africa. These new permanent members would have the same rights, privileges and obligations as the existing Big Five.⁶⁵

⁶¹ Warren Christopher, p.3, and MEK Neuhaus, p.274.

⁶² Paul Kennedy & Bruce Russett, p.61.

⁶³ Helen Leigh-Phippard, p.169.

⁶⁴ *Ibid.*, p.170, and Chris Landsberg, p.66.

⁶⁵ Chris Landsberg, p. 67. For a more elaborate discussion of this proposal, see Chris Landsberg, "Another Debate on Order? Restructuring the United Nations Security Council", ISSUP Bulletin, 3/95, May 1995, 10 pp. All other references to Landsberg relate to the former source.

To ensure that the additional permanent members reflect the interests of their regions, a system of rotating membership could be introduced. Such members could be chosen for a limited period by regional consensus (through the OAU, OAS, ASEAN, APEC and some regional institution in Europe), rather than by the UN General Assembly.⁶⁶

(Another part of the latter reform proposal is that a further ten seats for non-permanent members should be allocated in such a way that other Third World countries (not accommodated under the five additional permanent seats) gain regular participation in the Council. Again, rotating membership has been suggested.⁶⁷ Italy has proposed a variation on this theme: an increase of ten new non-permanent seats allocated to a group of twenty to thirty key states selected on the basis of their participation in peacekeeping, and taking into account such other criteria as geographic distribution, population size and economic resources. It amounts to creating “a sort of new middle tier of semi-permanent members”).⁶⁸

Other criteria that have been advanced for selecting new permanent members, include states’ population size, economic capacity, willingness to place resources at the UN’s disposal and to contribute towards the implementation of Council decisions, acceptance of the jurisdiction of the International Court of Justice, and endorsement of the Nuclear Non-Proliferation Treaty. Another suggestion is that all major “civilizations” should be represented on the Security Council, just as “the main forms of civilization and principal legal systems” are represented on the International Court of Justice.⁶⁹

Most of the above proposals require that permanent membership of the Security Council be described in language that is more flexible than that used in the existing Charter. Present permanent members are identified by name, making no allowance for changes in relative national roles in the world.⁷⁰

⁶⁶ Chris Landsberg, p.67.

⁶⁷ *Ibid.*, p.67.

⁶⁸ MEK Neuhaus, p.275.

⁶⁹ *The Role and Composition of the Security Council*, p.14.

⁷⁰ *Ibid.*, pp.17&18.

(iii) *Redistribution of existing permanent seats*

The third option involves the replacement of one or more of the present permanent members by other states. Britain and France are the two obvious candidates for removal, given the decline in their relative power over recent decades. Their replacements, it has been widely suggested, should be Germany and Japan. One problem is that neither Britain nor France would surrender its seat to Germany, and neither would accept its own replacement by Japan without the simultaneous removal of the other.⁷¹

A possible solution would be the replacement of France and Britain by Japan and the European Union. By not increasing the number of permanent seats, this proposal does not raise the number of potential vetoes. Another benefit of such a redistribution is that it would reduce the total West European representation. On the negative side, the addition of EU and Japanese seats would further imbalance the permanent membership of the Council towards the industrialized North, and still exclude the Third World.⁷²

(iv) *Immediate re-election of non-permanent members*

The immediate re-election to the Security Council of non-permanent members could create a form of *de facto* permanent membership without the veto for specific regional powers. Australia, for example, has proposed the creation of eight quasi-permanent seats to which consecutive re-election would be possible. The US has argued for three additional non-permanent members (as well as two new permanent members, Germany and Japan), and the removal of the ban on consecutive election. These proposals would require a minimal amendment of the UN Charter (article 23(2)). Reform of this kind would, however, restrict representation for remaining candidates for non-permanent seats by effectively reducing the number of regional seats open to them. A further difficulty with the idea of immediate re-election is that non-permanent members are bound to view their continuing occupation of a Council seat as merely an interim step to a permanent seat. The proposed arrangement would thus be a "half-way house" to increasing the permanent membership.⁷³

⁷¹ Helen Leigh-Phippard, p.170.

⁷² *Ibid.*, p.170.

⁷³ *Ibid.*, p.169, and MEK Neuhaus, p.275.

(v) *Changing the veto*

The veto power, which ensures that the Security Council cannot take major decisions against the wishes of the permanent members, has come in for criticism since the very inception of the UN. Its abolition could conceivably increase the Council's effectiveness by ensuring that no permanent member can block a decision backed by a majority. Although the abolition of the veto may be "a splendidly egalitarian idea", it is highly unlikely to win the approval of the Permanent Five.⁷⁴ Since the veto protects their self-interests, it may not be to their individual or collective advantage to give it up. Removal of the veto would require an amendment to the Charter, which is only possible with the support of all permanent members.⁷⁵

The Commission on Global Governance has presented the idea of phasing out the veto over a period of time, since it acknowledges that the Big Five will not relinquish the veto readily or during a time of transition and turmoil. The proposal is then that the existing permanent members should agree not to use the veto for an extended period of about ten years, save for circumstances "of an exceptional and overriding nature". This additional period, coming after five post-Cold War years of near non-use, would then hopefully pave the way for an agreement to eliminate the veto altogether. (In around 2005, the Commission recommended, the UN should hold a further full review that would not only abolish the veto, but also consider the future basis of Security Council membership.)⁷⁶

If the veto cannot be abolished, it could perhaps be reformed. A strong case for changing the veto arrangements flows from the risk that any significant expansion of Council membership and an increase in the number of vetoes would undermine the body's effectiveness.⁷⁷ A possible way of avoiding or at least reducing such difficulties would be to combine the enlargement of the Security Council with reformed voting procedures. A "combined-vote veto" would require several negative votes by permanent members to veto a Council resolution; the precise number would depend on the size of any enlargement of membership. Another possibility would be a requirement of two "no" votes or some combination of votes in a

⁷⁴ Paul Kennedy & Bruce Russett, p.62.

⁷⁵ Helen Leigh-Phippard, p.169.

⁷⁶ *Our Global Neighbourhood*, pp.241&301, and Ingvar Carlsson, p.8.

⁷⁷ Helen Leigh-Phippard, p.170.

system of weighted voting to block a resolution.⁷⁸ Alternatively, the consensus level among an expanded number of permanent members could be reduced from 100 percent to, say, 66 percent.⁷⁹ The existing permanent members are, however, unlikely to support their veto power being diminished in this way.⁸⁰

A different approach would be to limit the range of decisions to which the veto applies. The current Working Group on the reform of the Security Council has indeed considered the problem of drawing clear distinctions between procedural and non-procedural decisions. The intention of the founding fathers of the UN, it is worth recalling, had been to restrict the veto to questions of war and peace.⁸¹

It is only fair to add that the retention of the veto has been defended on several grounds. First, the veto provides for a measure of control over UN operations; without it, the number of peacekeeping missions may keep on increasing without a corresponding increase in the world body's resources to sustain such ventures. Second, removal of the veto may cause some of its most influential members to lose interest in the UN. Third, the veto right held by a small number of powerful states is a way of redressing the imbalance that these countries face in the egalitarian General Assembly.⁸²

Competence and procedure

Reform of the Security Council should not be confined to its membership, but should include issues of competence and procedure as well. A highly sensitive matter of competence concerns the Council's authority - or lack of it - to intervene in grave intra-state conflicts. Although there seems to be a global consensus "for a UN response on humanitarian

⁷⁸ *The Role and Composition of the Security Council*, p.12.

⁷⁹ Chris Landsberg, p.67.

⁸⁰ Helen Leigh-Phippard, pp.169&170.

⁸¹ *The Role and Composition of the Security Council*, p.12; Paul Kennedy & Bruce Russett, p.62, and *Working Group on the Question of Equitable Representation on and Increase in the Membership of the Security Council: Working Methods and Procedures of the Security Council*, Document courtesy of the Brazilian Embassy, Pretoria, undated, pp.2&3.

⁸² Helen Leigh-Phippard, p.169.

grounds in cases of gross abuse of the security of people”, the organization is still formally constrained by the so-called domestic jurisdiction clause (article 2(7)) of the Charter. If the Council is to disregard this prohibition, the Commission on Global Governance has argued, it should only do so under circumstances clearly defined in the Charter. The Commission has accordingly proposed a Charter amendment that would formally permit intervention in a state’s internal affairs, “but restricting it to cases that constitute a violation of the security of the people so gross and extreme that it requires an international response on humanitarian grounds”. (The “security of the people” is a concept that focuses on “basic human dignity”, something that could be threatened by hunger, disease and repression.)⁸³

Another issue relating to competence is that of the judicial review of decisions of the Security Council, explained above.

As regards the internal arrangements of the Council, various voices have called for improvements in the Council’s consultation with countries before taking action under Chapter VII; consultation with member states contributing troops to peacekeeping operations; consultation on the supervision of sanctions imposed by the Council; and the exchange of information between non-Council members and their “regional representatives” on the Council, so that Council decisions more accurately reflect international opinion. One possible mechanism to ensure greater consultation is the institutionalization of regional briefings; another is regular (even daily) briefings of non-members by the President of the Security Council; a third calls for automatic consultation between Council members and other countries with a direct interest in a particular matter.⁸⁴ It has also been suggested that the relationship between the Council and the General Assembly requires reconsideration. One study has proposed a greater role for the Assembly in the maintenance of international peace and security. It could deal with such non-military aspects of security as human rights and the environment. This could in turn require the revitalization of the Committees of the General Assembly.⁸⁵

⁸³ *Our Global Neighbourhood*, pp.89&90.

⁸⁴ MEK Neuhaus, pp.276&277; *The Role and Composition of the Security Council*, p.23, and *Working Group on the Question of Equitable Representation on and Increase in the Membership of the Security Council*, pp.1&2.

⁸⁵ *The Role and Composition of the Security Council*, pp.22&24.

Official South African and Brazilian views

The available official statements from the two countries suggest that the Brazilians have far clearer ideas about the reform of the Security Council than the South Africans. The South African pronouncements are little more than vague declarations of intent. Another major difference concerns the two countries' willingness to promote their own candidacies for permanent membership of an enlarged Council. Whereas Brazil has not been "backward in coming forward", South Africa appears to be far less assertive.

A policy document issued by South Africa's ruling African National Congress (ANC) both before and shortly after coming to power, draws the broad outlines of the movement's interest in Security Council reform. "We are concerned that, as presently constituted, the Security Council lends itself to a concentration of power", the document stated. "This suggests that global affairs are run by a small group of powerful countries. We strongly support efforts to review this position and encourage, moreover, efforts to widen the veto power".⁸⁶

At the fiftieth session of the UN General Assembly in 1995, President Nelson Mandela again took up the issue of the "maldistribution of decision-making power" in the UN. The organization "has to reassess its role, redefine its profile and reshape its structures", he insisted. "It should truly reflect the diversity of our universe and ensure equity among the nations in the exercise of power within the system of international relations in general, and the Security Council in particular".⁸⁷ At a subsequent news briefing Mr Mandela insisted that it was unacceptable that the Security Council should consist of only five powers, most of them from the West. He suggested that the Council should reflect the "main composition of the various forms of civilization in the world".⁸⁸ He did not identify the types of civilization he had in mind. (The proposed inclusion of "civilizations" has already been recorded - see 4.1 above.)

Official documents of the Department of Foreign Affairs are not

⁸⁶ African National Congress, *Foreign Policy Perspective in a Democratic South Africa*, Johannesburg, December 1994, pp.20&21.

⁸⁷ "The Republic of South Africa, Address by H.E. Mr Nelson Rolihlahla Mandela, President", in *The UN at 50: Statements by World Leaders*, United Nations, New York, 1996, p.150.

⁸⁸ Sapa report in *The Citizen*, 24 October 1995.

particularly helpful either. The 1995 Annual Report of the Department's Multilateral Branch reaffirmed that South Africa supports the "restructuring" of the Security Council "with the object of achieving a more representative, democratic, transparent and legitimate Council". For the rest, the Report explained matters of tactics rather than substance. South Africa's approach is said to be defined by its membership of the Non-Aligned Movement (NAM) and the Organization of African Unity (OAU). The NAM, through its Coordinating Bureau at the UN, is pressing for permanent representation on the Security Council for Africa, Asia, and the Latin American and Caribbean regions and also favours an enlargement of the category of non-permanent members. South Africa presumably supports both ideas.⁸⁹ As for the OAU connection, an official foreign policy discussion document merely stated that in developing a "clear strategy" for the reform of the UN, "South Africa will need to interact with our OAU partners", and that "(s)olidarity with the hopes and aspirations of Africa should be the watchword".⁹⁰ Applied to the reform of the Security Council, the latter sentiment probably means that South Africa favours at least some form of standing representation for Africa on the Council.

A more detailed exposition of South Africa's views may feature in a position paper being prepared by the Department of Foreign Affairs for submission to the NAM Coordinating Bureau and also to the UN Working Group concerned with the restructuring of the Security Council.⁹¹

In verbal statements, South Africa has been sending out rather confusing signals. At a media briefing after his address at the UN's fiftieth anniversary, President Mandela said that if South Africa might have a role on a restructured Security Council, the country did not want to project itself as a leader. "We must remain in the background and lead from behind", he said. "In that way we will be more effective than coming out openly and taking a lead". He repeated the familiar position that any role South Africa played on this issue should be negotiated with regional bodies to which it

⁸⁹ Department of Foreign Affairs, Multilateral Branch, *Annual Report 1995*, Department of Foreign Affairs, Pretoria, 1996, p.21.

⁹⁰ Department of Foreign Affairs, *South African Foreign Policy Discussion Document*, Department of Foreign Affairs, Pretoria, circa 1996, p.22.

⁹¹ *Annual Report 1995*, p.22.

belonged, such as the OAU and also the Southern African Development Community.⁹²

The Deputy Minister of Foreign Affairs, Mr Aziz Pahad, has been less reticent. Speaking about the possible creation of an African seat on the Security Council, he said in August 1994: "We believe that South Africa should have that seat". He accepted that South Africa would face opposition from other African countries.⁹³ South Africa has evidently been lobbying for just such a seat for itself. At the time of Mr Mandela's visit to the UN in October 1995, South African officials at the UN reported that the country was winning support for the idea that each major region be allocated a permanent seat on the Security Council and that South Africa was the most suitable candidate to represent Africa. Its main rivals, Nigeria and Egypt - both of which had announced their candidacy - were said to have lost international favour due to domestic problems; Nigeria had abandoned democracy and Egypt had to contend with a challenge from Muslim fundamentalists.⁹⁴ Earlier this year a senior Foreign Affairs official confirmed that South Africa considered itself an appropriate country for a permanent seat on the Security Council, but added that regional organizations should make the final decision.⁹⁵

The Brazilian government is a strong proponent of Security Council reform. Its point of departure is that the Council, to carry out its mandate in the field of peace and security on behalf of all member states, "must have unquestionable legitimacy". The latter, in turn, "ultimately rests on representativeness".⁹⁶ Instead of being representative, the Security Council's composition displays an "imbalance" in the ratio of permanent members from the developed countries to those from developing countries, and in the ratio of permanent membership to overall UN membership.⁹⁷

⁹² Sapa report in *The Citizen*, 24 October 1995.

⁹³ *Sowetan*, 4 August 1994.

⁹⁴ *Sunday Times*, 29 October 1995.

⁹⁵ Mr Abdul Minty, reported in *Business Day*, 11 March 1996.

⁹⁶ Statement by the Brazilian Minister for External Relations, Ambassador Luiz Felipe Lampreia, at the opening of the General Debate of the 50th Session of the United Nations General Assembly, New York, September 25th, 1995, Permanent Mission of Brazil to the United Nations, New York, p.8.

⁹⁷ "Reform of the United Nations Security Council", *Aide Memoire*, 18 July 1996, courtesy of the Brazilian Embassy, Pretoria.

This imbalance should, according to Brazil, be redressed by enlarging the Council in such a way that "the participation of developing countries in all member categories" is ensured. Brazil wishes to see "equitable representation" (in terms of regions) in both the permanent and non-permanent membership. Such expansion would be an important step towards democratization and would also increase the Council's effectiveness.⁹⁸

Brazil argues that an increase in permanent membership should take into account the emergence over recent decades of countries from both the developing and developed world "that are capable and willing to contribute to the maintenance of international peace and security".⁹⁹ These states with their "global projection" have come to the "forefront of the international scene" and should therefore "be present in the core group of permanent members".¹⁰⁰ Brazil seems opposed to the creation of a new category of rotating Council members to accommodate developing countries. As its representative on the Working Group asked, "where in the Charter is it written that to the north of a certain parallel states are potentially eligible to become permanent members, whereas to the south of it the maximum they can aspire to is to be in a humdrum state of eternal rotation?"¹⁰¹

Brazil has made no secret of its own claims to standing membership of an expanded Security Council. It has repeatedly declared its "readiness to assume all responsibilities required of countries eligible to occupy permanent seats".¹⁰² During its recent term on the Security Council, Brazil has by its own account "lived up to its responsibilities".¹⁰³ Another of Brazil's supposed qualifications is that it is, in President Fernando Henrique Cardoso's words, "a country of continental proportions with a universal

⁹⁸ Address by Mr Amorim (Brazil), in *United Nations General Assembly, Official Records, Forty-ninth Session, 4th Meeting, Monday, 26 September 1994*, p.4, and *Working Group on the Question of Equitable Representation on and Increase in the Membership of the Security Council, Statement by the Permanent Representative of Brazil, Ambassador Celso Amorim, May 23, 1996*, p.1.

⁹⁹ "Reform of the United Nations Security Council", *Aide Memoire*.

¹⁰⁰ *Statement by the Brazilian Minister for External Relations*, p.8.

¹⁰¹ *Talking Points: Working Group on the Question of Equitable Representation on and Increase in the Membership of the Security Council*, May 10, 1996, Document courtesy of the Brazilian Embassy, Pretoria, p.7.

¹⁰² Address by Mr Amorim, p.4.

¹⁰³ *Ibid.*, p.4.

vocation and global interests".¹⁰⁴ Brazil has also reminded the international community that it is the tenth largest contributor to the regular budget of the UN and the largest contributor from the developing world.¹⁰⁵ It is not surprising that Brazil is widely reported to be conducting an active diplomatic campaign for a permanent seat on an enlarged UN Security Council.¹⁰⁶

If Brazil opposes the idea of a secondary category of permanent membership, it would presumably also object to additional standing members being denied the veto (while the Big Five retain it). Brazil is nonetheless in favour of reforming the veto, proposing that a negative vote by a permanent member need not block a decision. This would require a formula under which a permanent member could waive the provisions of article 27(3) of the Charter (dealing with voting arrangements for non-procedural matters) and express a form of dissent that does not amount to a veto. Such a formula, Brazil hopes, would encourage self-restraint in the use of the veto and diminish the difference between permanent and non-permanent members of the Security Council.¹⁰⁷

A concluding thought

One of the main reasons for advocating a change in the composition of the Security Council, is that a handful of members owe their predominance to the events of fifty years ago. Vast changes have since then taken place in the structure of the international system, making the existing composition in many respects anachronistic. One way of bringing the Security Council in line with the shape of the world on the eve of the 21st century, is to expand its standing membership to include major regional states. This is where both South Africa and Brazil enter the picture as strong contenders for membership. It should be borne in mind, though, that these

¹⁰⁴ "The post-Cold War world: Dilemmas and perspectives", *Conference by the President of the Federative Republic of Brazil, Fernando Henrique Cardoso, at the Council on Foreign Relations, New York, April 19, 1995*, p.6.

¹⁰⁵ "Reform of the United Nations system: Basic principles", *Aide Memoire*, 18 July 1996, courtesy of the Brazilian Embassy, Pretoria.

¹⁰⁶ See, for example, *Country Profile: Brazil 1995-96*, The Economist Intelligence Unit, London, 1995, p.10.

¹⁰⁷ *Working Group...Statement by the Permanent Representative of Brazil*, p.4.

two countries' present regional pre-eminence may change in the years ahead. Like France and Britain, they too may be eclipsed by other rising stars on the respective regional stages. This possibility cautions against repeating the decision of the founding fathers of the UN to identify permanent members by name. And it reminds South Africa and Brazil that in the world of politics permanence may be a temporary thing.

The Brazilian and South African Foreign Policy for Southern Africa*

Fernando Augusto Albuquerque Mourão

In a time of uncertainties, of consequences still very present from the so called lost decade of the eighties, of a series of circumstances concerning positions and analysis by the so called Afro-pessimists, Southern Africa, stage of violent fighting until recently, emerges as a region of great potential on the African continent. Linked to this the ability to develop a process of regionalization that could create conditions to allow the region an ample insertion in the economic world from an analytic perspective with realistic roots. The construction of a new South Africa caught between one of realism and one of utopia, the reason for which, on the eve of the first multiracial elections, with a base in universal voting, brought me to write an article in *Folha de São Paulo*,¹ for the traditional column "*Tendencies/ debates*", I chose the position of "in terms" rather than the optimistic "yes" of the South African Ambassador in Brasília, Johannes Beetge Wessels Carel or the pessimistic "no" of Professor Osvaldo Coggiola. On this occasion it was made evident the responsibility of the international community to openly support the process of democratization already in motion; paraphrasing Isaiah Berlin "The opinions refer to the way that life should be lived (...)".

The consolidation of the political process in South Africa and in Mozambique and the first signs that the process of peace in Angola is beginning to show results is a good omen for the region, that characterizes itself by an asymmetrical interdependence. The contradictions and antagonisms that occurred in the South African social make-up, turned the

* Version by Susan Guimarães

¹ Mourão, F.A.A. Processo penoso de construção de uma nação pluriétnica, *Folha de São Paulo*, 23 04 94, p.1-3.

political process into a painful one. What weighed heavily were the extraordinary efforts of political engineering to make possible social ties around the concept of freedom. This was articulated by the historical necessity of its two main actors in the process to survive: the National African Congress (CNA) and the National Party (PN). The first because one already knows the disastrous consequences of descolonization and secondly one is convinced that South Africa was not the regional power that one judged it to be and that the process of economic growth and security is amply connected to the regional picture. Note the previous experience, to the contrary, when in the not very remote past pro-apartheid South Africa heaved alliances with the last colonial space on the continent. As a consequence of the process of independence, arose among them the Declaration of Lusaka (1980) and the Southern Development Coordination Conference (SADCC)² to reduce economic dependence in relation to South Africa. Today this constitutes a fact and a positive experience in the process of Southern African integration in the stage of SADCC transformation, Windhoek (1992), in the Southern African Development Community (SADC)³, to which South Africa came to join (1994).

The regional picture of the previous decades, mainly in the eighties, the lost decade, was characterized by the inter and intra antagonism of the countries of the region. From this they changed to occupy a space in which the different parts sought regional integration in the face of a world where more and more the economy saw itself internationalized due to a deepening and growing expansion of the Third Revolution Industrial. It was becoming clear to the member countries of SADC that the paths of regional integration could permit a greater stability in the region and amplify the base for insertion into the process of globalization. The role of South Africa is of extreme importance. This is because it offers the means for development in the process of economic, scientific and technological development, strengthening the strategic ties in the region, leaving behind the phase of exclusion.

² SADCC is made up of ten members: Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Tanzania, Zambia and Zimbabwe. The entrance of Namibia occurred before the founding of SADCC.

³ SADC which includes all the 10 members of the SADCC came to include South Africa (1994) and the Mauritius Islands (1995).

South Africa realistically opted for the construction of a multi-ethnic nation starting from a real country. We are facing a project for a plural and multinational state.⁴

Due to the long years of fighting against apartheid, an institutional crisis that affected the majority of the African countries and the necessity to encounter a model that satisfies at least minimally a multi-racial and multi-ethnic composition, the asymmetries that are registered among the various racial groups, the necessity to encounter a solid base in a democratic process that could guarantee economic development are all reasons for the need of a liberal constitution. These reasons necessitate promoting this type of constitution and creating a bicameral parliamentary system based on the principle of constitutional sovereignty, judicial independence, a full bill of rights and an executive power voted on by the National Assembly.

The new Constitution for the Republic of South Africa, approved at the Constitutional Assembly on 8th, May, 1996, stated in its preamble: "to recognize the injustices of our past", and declared South Africa to be "a sovereign state in the family of nations", with a base in democratic principles, social justice and fundamental human rights. The recognition of a multi-racial and multi-ethnic weaving was stamped into article 6, (1) when besides the nine African languages, Afrikaans and English were declared official languages of the country and in article 5-(a), (ii) and (iii) provision was made to encourage other languages spoken in the area and (b) to promote European and Oriental languages, and Arabic, spoken by the immigrants or used by religious groups. The sixth chapter deals with the provinces (9) and, by the powers delegated by the Constitution, an equilibrium can be verified between the powers of the President, the National Executive and the provinces. The seventh chapter deals with local government, and shows the importance that it gives to the municipalities. An analysis of South Africa's constitutional text leads to the conclusion: it is a balanced and realistic one.

⁴ "La modernité démocratique africaine, dépend de la capacité collective des Africaines, d'inventer un type d'Etat nouveau, qui tiendrait mieux compte des réalités politiques, économiques, sociales et culturelles des sociétés africaines plurielles, telles qu'elles résultent du triple passé précolonial, colonial et postcolonial de l'Afrique noire d'aujourd'hui. TSHIYEMBE, Mwayila. L'Etat multinational comme l'horizon de la modernité politique africaine. Institut Panafricain de Géopolitique, Nancy. Inside Doc.

The internal migratory movements, as a result of seclusion or even expulsion from their agricultural lands, the attraction exerted by the cities and the concentration of minerals determine or induce large internal migration. In this way, at the end of the millennium, it is no longer possible to emphasise a strict division of territory based on ethnic occupation, a reality until the first half of the twentieth century, and still today something that certain anthropological texts profess. The province reproduces, up to a certain point, a picture of the distribution of the population and the economic characteristics of the region. The attribution of ample municipal powers benefit, equally, a representation of all the groups which constitute the social web of South Africa and offer ample space for the ethnic groups still living in the lands of origin. The reading of the new constitutional text reflect a vision of equilibrium among the three levels, the President and the National Executive, the provinces and the municipalities grounded in reality and the need to encounter a constitutional mechanism which permits to accomodate the internal asymmetries and offers conditions for governing⁵. One notes a certain influence of federalist principles, indirectly placed, since certain autonomous positions could, in a context still blackened by certain ambiguities even of a political nature, lead to ruptures.

The course of construction of a multi-ethnic and multi-racial nation tends to lead to various complications, added by a true and potential dimension for pertinent social problems particularly resulting from urban swelling, one of the characteristics of the African cities, namely those located in Southern Africa. In spite of the socio-economic indices of South Africa being the best on the African continent, the problem exists. South Africa needs to grow not only to control potential problems, but in order to encounter the conditions to handle the process of growth of Southern Africa and, by extension, to be able to influence, later on, in the reconstruction of Zaire. It is up to the international community to support the process of

⁵ "It appears from the summing up of the arguments of the "unitarists" and the "federalists" that there is a great deal of overlapping regarding the requirement of the respective regime structures-sometimes it is only the terminology that differs. The fact that a union and a federation lie along a spectrum, with only vague boundaries between some institutions and functions in the various regime models, makes it easier to reach a compromise on powers and functions. The one important requirement here is the will of the political leaders to make the compromise model work- this could in fact develop rapidly among the provincial leadership as a consequence of the dynamics and benefits inherent in the acquisition of autonomous decision-making powers". In; KOTZE, Hennie (ed.) "The political economy of federalism in South Africa: policy opportunities and constraints of the interim Constitution". Stellenbosch, University of Stellenbosch/Konrad Adenauer Stiftung, 1996. p. 79.

democratization occurring in this part of the world. And that requires more than assistance, a theme in decline with the outmoded phase of bi-polarism, cooperation around an ample sheaf of economic and financial interests, in the field of services, science and technology with a commercial perspective. Assistance, today there is not, due to small political will, or lack of financial capacity. Some studies of a realistic nature have showed that the results of assistance policies are below expectation.

The central point refers to the fact that the African economies, for the most part, with the exception of South Africa, are not demonstrating a capacity to respond to or even to adapt to international economic standards, today characterized, among other factors, by the paradigms of the Third Industrial Revolution and, consequently, by the sophistication of finance management and in the service sector. The prudence of macro-economic policies and the application of structural adjustment, an imposition of the IMF, is still far from producing the desired results, even if a healthy practice was introduced into the treatment of public accounts. In spite of showing a certain recuperation, the renewal of growth requires also severe measures, such as the reconversion of the production sector to find new options in the international market, where a migration is noted in relation to products in demand. A recent study of the World Bank: "Adjustment in Africa: reforms, results, and the road ahead", covering 29 countries of sub-Sahara Africa in two periods (1981-1986; 1987-1991), shows that there was no increase in growth, with the exception of very few cases. In the same sense, it is worth noting another study by the World Bank: "Adjustment in Africa: lessons from country case studies"; A.W. Clausen, Director of the World Bank states: "the resources which Africa requires to find the path to growth are not many; but they are beyond the means available or contemplated."⁶

South African foreign policy toward Southern Africa

The process of South African democratization, now a politically multi-ethnic nation now allows a change in relation to the vectors of its foreign policy; a different picture from the theme of continuity or

⁶ CLAUSEN, A.W. Les besoins financiers de l'ajustement dans la croissance de l'Afrique Subsaharienne, 1986-1990.

discontinuity, a theme that has come to occupy a place with many analysts of the process.

What we have today is a politically multi-racial South Africa. It knows that it has interest in the phenomena of globalization, that it is also one of the other countries of Southern Africa, with a necessity to strengthen regional ties, even because the more powerful blocks, such as the European Union, shows a preference for a dialogue between blocks and not with a country. Mercosur now and previously the Rio Group, the San Jose Group, plays the role of speaker for South America with the European Community. South Africa lives with various scenarios. To the north, a vertical relationship with Europe, the United States and Asia. To the south, with the South Atlantic area and with that of the Indian Ocean. On the regional level, with the member countries of SADC. Democracy, economy, and security, are interconnected overlapping themes in function of the South African project that, in a certain way, coincides with the present SADC project. The strengthening of the South African plan implies a reinforcement of the economies of the member countries of SADC, which, in their turn, face the paradigms of the Third Industrial Revolution, are aware, or at least certain decisive sectors already are, that in the face of the scarcity of capital and a certain disinterest or impossibility-short and medium term - of meeting the financial needs of the African continent, among others, South Africa is the indispensable partner to make viable the region, allowing itself to become speaker for the blocks with its economic and political weight, as well as permitting a reinforcement of the bilateral policy of each of the member countries and principally South Africa.

The perception of the interests of the member countries of SADC seem to form a process of approximation around common interests, based in certain asymmetries, mainly of an economic character that, in this picture, rather than create divergences, can lead realistically to make possible convergences. The topic of regional security passes through this reflection. The internal migrations due to the mining operations of South Africa, which attract a significant number of migrants from the neighboring countries - for which emigration represents a significant source of exchange - are one of the main topics of security. There is need to enlarge and examine carefully the theme of democracy, peace and economy. This last passed through a integration of its system of transportation, generation and distribution of energy - of a thermal, hydraulic and even atomic nature. In the area of commerce and services and even that of the banking infra-structure, an

extremely important area that has not received the due attention, it seems central, since the potential economic development among the countries of Mercosur, for example, and the countries that make up SADC goes, as I see it, from the utilization or development of partnerships with the commercial infra-structure of South Africa, which possess sufficient tradition and business practice in the region. This places a minimum base of security to develop activities of a commercial nature by which the member countries of Mercosur find themselves unequipped in this scheme of activity to be potentially developed in relation to the majority of the countries making up the SADC.

A Southern Africa Development Community (SADC) should come to be substituted by the Association of Southern African States, already created, but still not institutionalized. This Association, in the future, will establish itself as a regional organ. In turn, the group of Countries of the Front Line (PLF), an historical creation that had a very important role when South Africa was not yet democratized, should shortly become extinct. What happens is that in the diplomatic channels the term PLF is still used because the countries of the region, members of SADC, wish to maintain a form of strict political consultation at the level of Chiefs of State, without the interference of the Secretariat, and that still represents the largest force of the organization. The charter of SADC, now counting on the inclusion of South Africa, anticipates the existence of an area of activities for the organization dedicated to political and diplomatic questions and to regional security, under the wing of the Secretariat. The realization of these objectives is dependent on delimiting in a clear way a concept of regional security for Southern Africa. Once the main obstacles have been overcome, especially in the field of security, - some ghosts of the past still persist at the level of the parts involved- it is natural that SADC, at present a delicate structure, begins to take on a new profile. It is interesting to note that the Chiefs of State, due to the nature and the power structure, are reluctant to designate more functions to a secretariat since their perception of this fact, at the moment, is thought to present complications. SADC at the present is characterized as having an extremely thin structure and as a forum of apprenticeship and practice of regional integration policies. My perception is that the present SADC, renamed The Association of Southern Africa Countries, once that certain central themes are clarified and begin to accept the role of the Secretariat, will come to assume the role of a full regional entity.

The creation of the Common Market for Eastern and Southern Africa (COMESA), that arose due to the Kampala Treaty (5.11.1993), organizing 15 of the 18 countries that make up the Preferential trade Area (PTA) - which dates from 1992- and with its beginning calculated for the year 2000, does not seem to be in the least consistent. The treaty that in the future could even include South Africa, that sent observers to the meeting, demonstrates from the beginning several weaknesses concentrated in the asymmetries between part of their members. And still taking into account that the expenses of the African countries are even today, for the most part, paid by the income from customs, since the economic structure of a large number of these countries is the same as during the period of colonialism, when the goal of export was to meet the needs of the First and Second Industrial Revolution. COMESA is, in a certain way, the result of the works of the Economic Commission of the United Nations for Africa, which has been showing itself favorable to a policy of economic integration, without taking into account some structural weaknesses. For the majority of the African countries customs revenues are fundamental to pay the debts of the country and, given the nature of the economic structure of these countries, it is still not possible to rely on other sources. It is clear that South Africa will have a fundamental role in the scheme of regional integration. The problem that presents itself is that of regional imbalance, and difficulties in the area of national peace, particularly in Angola, and political and social problems in general. If for the USA the income from customs does not represent more than 2% of the fiscal revenue, for the countries on the path of development, this percentage exceeds 50% and in the case of the majority of the African countries, is much higher. South Africa, in a certain sense an exception, is still not in a condition to fully assume the role of leader for the African economies and thus permitting the opening up and liberalizing of trade in the region by means of an effective regional integration. What we have, through SADC, is a picture of a process of gradual regionalization. In the case of Africa this is fundamental, since the colonial heritage weighs heavily in the sense that the former colonies were areas of dependent production to the colonizing nation, and the new countries characterize themselves by their isolation in relation to their neighbors. What is to be studied, realistically, is the future creation of mechanisms for regional integration, along with the eventual adoption of a Common Foreign Tariff (TEC), which will arise problems difficult to solve. The central role of South Africa, today in full process of democratization, is of fundamental importance to the future of the region. This was already

perceived by the European Union (EU), that began to consider South Africa as a privileged area and, by extension, Southern Africa as well. In spite that Zaire, a country that geographically belongs both to Central and Southern Africa, but politically is located in Central Africa, is characterized by a total destruction of the country's apparatus and economy, of a deep anomie on the social level, in spite of being one of the countries with the greatest potentials on the African continent, it is at present removed from the picture of the Southern process.

South Africa, which has a very clear notion of its place in the context of Southern Africa and of its importance in the region, is beginning to examine the possibilities, in the South-South scheme, of a plan of cooperation, Indian Ocean Rim⁷. This would involve Australia, India, Malaysia and the Mauritius Islands-this last country just joined SADC-and could be considered, in a certain form, a copy of a limited Commonwealth, without the historical weight of England, a new non exclusive arrangement strongly articulated between the countries of the South with the North.

South Africa, the hard core of the regional system of Southern Africa, follows vectors apparently convergent in terms of its foreign policy: its own interests and those of the region, in a perspective of bilateral, regional and multilateral activities, whether on a vertical (North-South) or horizontal (South-South) plane- where a certain interest is beginning to be noted-, in face of a fluctuating world before "indefinite polarities". In the industrial field, I believe that South Africa in a regional space could approach, with some limits, to the advantage that Germany is beginning to have when it expands the creation of industrial plants outside its realm, which allows periodic recycling in a spacial scale of the industrial park.

South African diplomatic posture in reality

The international activities of South African's responsible politicians, moving along with, attentive and seeking opportunities, suggest us the following observations on the diplomatic position of this country and on its present objectives.

⁷ BREYTENBACH, Willia. South Africa and SADC: balancing global and regional interests. Perspective, September, 1995.

1. The leaders of South Africa fully understand the profile they have to assume today in the world and know how to put into action innumerable devices to generate a distinct image and amplify its relative weight on the world scene in a regional and African context.

2. The "naïveté" which they use can be translated as an expression of an evaluation of their strength, the manner of their perceptions, their vision of a complex world in process, the place they wish to occupy and their youth, intelligence and will.

3. The foreign action, in its dual political and economic stages, is definitively in a command post.

The South African decision makers are very attentive to their role at various levels and fields of their foreign action. In spite of the fact that a negligent judgement could indicate that South Africa absolutely favors the regional cooperation in which it tends to shape itself by means of carrying out its economic objectives of development in an atmosphere of peace and acquired gradually democracy, such does not result from a limited perception to the scope of its foreign engagements. Being economic and political objectives of extreme importance, the good neighbor relationship and regional integration, which are necessary conditions for its foreign operations, which are far from limiting themselves to Southern Africa.

4. Cooperation alleviates and overcomes the cleavages that come with the enchantment that results from the rising up of large country freed from apartheid in the scenario of the regional sub-Sahara, fascination that sees it fit to maintain conserving a diversity of focuses, not always peaceful but not irreconcilable with its foreign policy.

5. Nevertheless, there exists an order of regional priorities and a central hierarchy of global priorities. Those South Africans responsible know that the center of their foreign engagements is international and global competition, that is, in all the areas and sectors; the international "fora", the alignment with the "common places" (North American, at the start), that constitute the today common challenges of humanity; the reinforcement of the role increasingly attributed to economic intelligence, especially to counter information, among many other relevant aspects. In one word: South Africa would like to become the leader of the regional block, separating its own interests *vis-à-vis* its neighbors on a regional level and, even more so, on a world level, where the regional encourages the profile of a young democracy.

Constituting itself visibly and affirmatively in the globalization and regional picture, being aware of its main “weak points”, transformed them into strategic objectives: the increase of international investment and growing insertion into international trade, economic purposes of its posture and performance, which it calls “fragilities” and “dependencies”, because access to global resources, determining factors of South African projection, impose a responsible and affirmative integration in the international society and in its dilemmas and central options, a diplomatic position which the others can not yet covet.

Brazilian foreign policy toward Southern Africa and a triangular arrangement: MERCOSUR/ SADC/ UE- the role of CPLP/ ZPCAS

The internationalization of the economy, the paradigms of the Third Industrial Revolution, among other factors, lead us to a reflexive conception encircling bilateral relations, intra and inter regional and multilateral.

The limits imposed on Brazilian diplomacy from an internal point of view and determined by the lack of resources in the budget, the lack of a convertible currency, together form “the priorities” which the country imposes to itself having in mind a return to a process of development and, on the other hand, the lack of a practice that permits itself to win over a relative persistence in the maintenance of areas of “private game reserve”, which, however, is not the case of South Africa.

South Africa, by its own interests, to which can be added those of the region, begin to manifest interest in inter-regional arrangements on the South level, along with the traditional interests on the North level, which Brazil cannot ignore, whether on the economic, strategic or political level⁸. Through the mechanisms of the Peace and Cooperation Zone in the South Atlantic (ZPCAS) it is being studied the signing of a Treaty for the Protection of Marine Environment in the South Atlantic, along with a Treaty of Denuclearization in the South Atlantic.

More than a niche of opportunities, South Africa and Southern Africa, open themselves up to Brazil as a fertile field of ample partnerships. For example, in the field of trade, including banking, in the face of the

⁸ MOURÃO, Fernando Augusto Albuquerque. A União Européia e o Mercosul: um relacionamento em construção. IN: CASELLA, Paulo Borba (coord.). Contratos Internacionais e Direito Econômico no Mercosul. São Paulo, LTR, 1996, p. 518-544.

little experience and knowledge of Brazilian entrepreneurs, the South African infra-structure could, defining its common interests, help to reach a deepening of bilateral relations with countries of the region and mainly an inter-regional approximation: Mercosur/SADC, which could be complemented by partnerships with countries in the North, according to their capabilities, knowledge, interests and importance with relation to the countries making up SADC.

In Angola, the presence of Brazilian troops integrated in the Peace Force of the United Nations is not only of extreme importance on a regional level, as a new Brazilian posture shows: that of actively participating in the field of international responsibilities.

Along with the theme of relationship between multilateralism and regionalism, it is fitting to point out the emergence of potential relationships in the field of peripheral economies, involving countries in development, and articulating its interests with the two dominant economies of the North Atlantic.

The importance of the developing countries and the peripheral countries in the post-Cold War period is not a mere perception, when due to the atomic arsenal war must be discarded as a prolongation of that policy⁹.

In the light of the advances that are made in the field of regionalism and globalization it is possible to think in an emergency of a triangular arrangement involving the regional space of the Southern Common Market (Mercosur), of the Southern African Development Community (SADC) and the European Union (EU), centered around the real and complementary interests of the three potential regional partners.

Historically and realistically this conception is triangular, based in common interests, contemplating the necessary dinamization of the South-South relations closely articulated with the North.

The growing internationalization of the national economies and the adjustments of the industrial park to the paradigms of the Third Industrial Revolution will make possible the development of complementary

⁹ (...) at both poles of international economy - the core and peripheral countries - there is a more intense interaction between their domestic economies and the international economy. Such interaction goes beyond strictly economic aspects once "countries" are also "political economies" (...). SATO, Eiiti. The role of peripheral countries in the international economic order: perceptions in change. São Paulo, USP, 1991, p. 105. (mimeo)

triangular actions and is not just based in the old conception that Brazil appeared for Africa as an alternative country. The constant necessity of capital, in an international scenario characterized by scarcity and by the unfolding to a market economy in areas politically and culturally considered as priorities for the West, as is the case of the countries of Central and Eastern Europe, determines a more selective choice of partners and powers, within a concept of gradual action.

From the Brazilian point of view, we see the development of processes of alternate approximations: a possible partner. After some years of regular trade with African countries, Africa, with the exception of some countries, is returning to a limbo of changing relations. In the face of based the Third Industrial Revolution, the scarcity of capital and on advances of the North, along with the process of the opening up of the Brazilian economy, the countries of OCDE, the Asian space, the United States maintain themselves and begin to define themselves as priority goals, while Africa is still considered as a whole (which is not and never was, except possibly only during the colonial period) on the part of the merchants, or on the part of the developers and assistencialists.

Curiously today we find Europe in a confrontation of concepts in the treatment with the South, more specifically in relation to the African continent. We find, in the European scenario, two conceptions: that of Northern Europe, a commercialistic vision, and that of Southern Europe, a protectionist vision. The conflicts that are registered on the level of conversations that aim at a reformulation of the Lomé IV agreement - matter that has been treated reservedly and outside of the media, are a clear example of these positions. Southern Europe, including France, a country still holding to the idea of a mission and of its role as policeman on the African continent, insisting on defending the main guidelines of the Lomé Agreement, while Northern Europe tends to the increase in economic relations aiming at an insertion of that part of the world in an international commercial system. Spain, even though located in Southern Europe, in this case tends to follow the thesis of Northern Europe.

An analysis of the approximation of Brazil, as a country and as a member of Mercosur, with countries of the African continent - a) with the countries of Southern Africa, b) with the countries of the Community of the Countries of Portuguese Language (CPLP) - is a plausible hypothesis. This hypothesis covers an analysis of the ongoing process of a closer

relationship between the European Union and Mercosur, such as was recently recommended at the meeting of the European Council at Corfu and also stated by the Ministers of Foreign Affairs on the occasion of an informal reunion with their homologous of Mercosur in São Paulo and in the communication at the meeting in Madrid of the chancelleries of the European Union and Mercosur (December, 1995), which could lead to the creation of a Free Trade Zone between the European Union and Mercosur. On the other hand, this leads to take into account the strategic elements of the Peace and Cooperation Zone in the South Atlantic (ZPCAS) and tangently the Community of Countries of the Portuguese Language (CPLP).

We can see in the Southern African space a region that possesses real possibilities to inset itself into the international trade, a potential alternative market, the desire to discover the necessary mechanisms by which to implant a process of real development, taking into account the internal weaknesses, the difficulties of regional relations and the global context, be it from an economic or political point of view.

The European Union began to consider South Africa as an "area of priority". The recent initiative on the part of Brazil to re-open the Peace Zone and the South Atlantic Cooperation (ZPCAS), involving mainly projects of cooperation among the marginal countries of the South Atlantic, are initiatives that made possible a dinamization of the triangular activities in the fields of economy, cooperation and culture.

The virtual and potential approximations between Mercosur and SADC, the movement between Mercosur and the European Union, along with the re-opening of ZPCAS and that of a greater presence of Brazilian investments in Europe, mainly in Portugal, allow it to profit and sustain the perception of a real profit from the tendencies to globalize the world economy, through a dinamization of the vertical and horizontal activities within the regions, not necessarily excludent.

The creation or revitalization of the new scenarios in the area of ample cooperation seeking to develop new niches of opportunity in the context of foreign trade is a challenge that imposes itself to the peripheral countries. In the case of Brazil, a global trader, it would be not only just to preserve the traditional relations of an historical mark with potential relations on the level of cooperation, including trade and services. A first analysis of the flow of trade and services with countries on the African continent clearly show the importance of Southern Africa, standing out

that the presence of petroleum in Angola has been an important factor in the maintenance of commerce flow and in the balance of payments. The complications that surge in the face of linear and simplified readings of commercial flows and of cooperation through a bilateral perspective do not take into account the projects of economic reconversion and adaptation in the face of paradigms of the Third Industrial Revolution, or rather, the reconversion of production in the light of the demands of the North, which tends to show a picture of competition among the Southern countries in the face of the markets of the North.

The implementation and the diffusion of the paradigms of the Third Industrial Revolution, which are making impractical the premises based on theories of autocracy, of disjunction and dependency, bringing the African continent, in an extreme case, to be disconnected from the North, in spite of the discreet role of compensation funds (STABEX and SYSMIN), with violent consequences in the area of social fragmentation, determine new arrangements, which should not detain just the bilateral mechanisms of the North-South plan, should be enlarged and complemented around the South-South axis, taking into account the complementary and common interests. This would not only articulate the triangular potentials to increase the competitive advantages, but also in the specific area of the South potentialize and find mechanisms that make it possible for certain projects with the Peace Zone and the South Atlantic Cooperation (ZPCAS) and the Community of Countries of the Portuguese Language (CPLP).

The Portuguese language, as a reference, should be understood, even on the level of security, for example in the case of Mozambique, as a language of resistance, just as in the case of the African languages in the colonial past in the face of the colonizing language, a sign of a barrier in a continent that, in spite of the charter drawn up by the Organization of African Countries that had stated at its beginning the principle of *uti possidetis juris* - the intangibility of the frontiers in the colonial period, there are territorial pretensions of the neighboring countries, even because they do not possen an access to the sea, which is given to them by the Mozambique corridors: Maputo, Beira, Nacala¹⁰.

The wished adhesion of Mozambique to the Commonwealth, that raised apprehensions in some more conservative areas, should be treated

¹⁰ "These problems are related to alleged "historical reasons" invoked by leading circles of some States but they are nothing more than veiled forms to justify their ambitions of extending their

as a natural adhesion of a country to a space, but not conflictive with other spaces, even because in the relationship regionalism/globalism, the spaces created and those in creation, although costly¹¹, are not exclusive.

The Community of Countries of the Portuguese Language arise out of a mechanism of cooperation involving luso-speaking countries of the South, in its variations, and Portugal which, because of its geographic position and option, situates itself in the North due to its membership in the EU and, at the same time, in the Atlantic space. Brazil, located in the American space, is also an extension of the African and European sphere. Angola, Cape Vert, Mozambique, Guine-Bissau and Saint Thomas and Principe locate themselves in the African sphere and make up, equally, an

influence over other States' territories.

In this respect Malawi's attempts are significant because since the beginning of the sixties, the country intended to expand its influence over the inner part of Mozambique and Zambia. Indeed, there are clear evidences of ruling leading circles claims to attach the Mozambican zones of Tete and Niassa. In Congress Party advertising, Malawi's sole political party, Zambeze is considered as Malawi's natural frontier. It must be stressed that because of historical reasons and colonial geography, Malawi is located in a closed territory without a sole owned port, reason why Malawi's claims invoked such aspect.

In 1968, President Hastings Banda defended Malawi's uncountable rights over four districts of Zambia, defining what he considered to be the frontiers of his country: Zambeze in the South and the Indian ocean coast in the West. President Banda justified the legacy of those frontiers based on the frontiers of the ancient Marave empire as they were set down in ancient Portuguese letters and in the reports of the first Portuguese missionaries who claimed the Niassa lake.

The difficulties that Banda's government raised against Frelimo during Mozambique's struggle for independence are also known as well as the links he had with personalities of the colonial regime, as for example, Jorge Jardim whose project of independence for Mozambique seemed to establish frontier adjustments and facilities aiming to reach the ocean.

Other territorial claims were formulated before and after independence of Austral Africa British territories always based on ethical and cultural affinities of populations that lived close to the frontiers. In Zambia, both the identity of *maraves* from Undi (*marave* head of the Mozambican territory who took refuge in that country) and *nsengas* in the province of Tete were pointed out. Swaziland, taking advantage from South Africa's benevolence, also revealed expansionist trends over the Maputo territory. At the time of the study carried on South African bantustans these delimited the Mputoland, in the South of Mozambique, as future bantustan. Afterwards, the territory was proposed to be transferred to Swaziland. In February 1, 1973 a new bantustan was set up near to the frontier of Gaza Mozambican province which was named Venda-Gazi and later on Gazamkulu: that designation was indeed more appropriate, once the area was populated mainly by people coming from Gaza.

Some disputes of this nature seem to have been revived during the last years. Recently a frontier dispute has set Zambia against Zaire. Relations between Mozambique and Malawi which have always been hard even after Mozambican independence were challenged again. The main even veiled issue continues to be territorial dispute". ROCHA, Aurélio. National integration vs. Regional integration. Historical, cultural and political considerations. IN: IEEI. Austral Africa: the challenge of future. Lisbon, IEEI, 1991, pp. 22-23.

¹¹ Bhagwati, J. The high cost of free trade areas, Financial Times, 31/05/95.

extension of the European sphere. Brazil, at the moment a global trader, has in view a diversification of economic partners for its insertion in the Southern Cone of Latin America, in Mercosur. Angola and Mozambique, due to its insertion in the Southern Africa Development Community (SADC) and Cape Vert and Guine-Bissau because of their insertion in the Economic Community of Western African Countries (CEDEAO); Saint Thomas and Principe, with its integration into the Economic Community of Central African Countries (CEEAC), all belong to different spheres. The CPLP arises as an inter-related sphere of several regional spheres able to create new niches of complementary opportunities to the traditional North-South relations, besides previewed activities in various fields, chiefly under the perspective of economic cooperation, involving Angola, Brazil, Cape Vert, Guine-Bissau, Mozambique, Portugal, Saint Thomas, and Principe.¹²

¹² Mourão, Fernando Augusto Albuquerque. *A Comunidade dos Países de Língua Portuguesa: a fase lingüística e a material*. Perspectiva, São Paulo, 91 (1) : 166, jan./mar., 1995.

New Neighbours: Reflections on The New South Africa And Brazil in Contemporary World Politics

Graham Evans

Introduction

Anyone seeking to chart the scope and direction of South Africa's re-entry into international relations after the 'Miracle' of 1994 and to explore opportunities for bilateral engagements that this might open up, must first consider the role of the African National Congress and its approach to foreign affairs. President Mandela's Government of National Unity (GNU) may nominally appear to be part of a power-sharing coalition involving the active participation of all the major political parties, but in fact it is dominated by the ANC. Since ex-President de Klerk formally withdrew his National Party (NP) from government in May 1996, the ANC's supremacy has been all but complete. Of the two main rivals, only Chief Buthelezi's Inkatha Freedom Party (IFP) now has a formal role in central government¹. Technically then, it remains a 'government of national unity' but in fact virtually the entire decision-making competence within the South African polity has been ceded to the ANC.

The next general election is scheduled for 1999 and most analysts agree that the ANC, with or without its alliance partners², the Congress of South African Trades Unions (COSATU) and the South African Communist Party (SACP), will remain the predominant force in South African politics well into the new millennium. So much so that despite the pluralist political

¹ Buthelezi retains the Home Affairs portfolio. He is therefore the only non-ANC member to hold Cabinet rank.

² The ANC has not yet fully completed the transition from national liberation movement to political party. Its formal title remains the African National Congress Alliance. Despite disagreement over the GNU's 'restructuring' plans it is unlikely that COSATU and SACP will leave the Alliance, at least not until the elections of 1999.

framework provided by a liberal, non-racial democratic constitution, many fear that even now South Africa is de facto, a single party state. To comprehend the general direction of the country's foreign policy therefore, it is necessary to examine the ANC's political orientation and the development of its thinking about international relations. Against this backdrop, it should then be possible to identify points of convergence and divergence with current Brazilian perceptions and aspirations regarding its own international position as an emerging global player with strong Southern interests and discernable African affinities.

Accordingly, the first section of the paper will focus on the development of the ANC's thinking about international affairs, its record in office since 1994 and future projections. The second section will explore common foreign policy themes and bilateral threads that might connect Brazil and South Africa as neighbours and possible partners in the quest for a favourable place in the, as yet undefined, post-Cold War international order.

Background: the ANC and Foreign Affairs.

The ANC Alliance is a complicated ideological package. Surveying the evolution of its international thinking, it is possible to identify at least three distinct developmental phases; the liberal internationalist, the socialist and the neo-realist. While these stages correspond to a coherent chronological progression with one phase periodically succeeding another (usually in response to external stimuli), ideationally they overlap. It is therefore possible to discern elements of all three traditions of thought in the formulation and conduct of the GNU's foreign policy since its inauguration in May 1994. Indeed, the accusations of incoherence and 'ad hocery' that have been levelled at the New South Africa's foreign relations over the past two years can in part be explained by reference to the pull-push effects of this competing triad of ideas, and the lack of consensus the tension between them has generated concerning perceptions of the national interest and how best to define, defend and promote it³.

³ The best account of the ANC's international relations in exile is Scott Thomas *The Diplomacy of Liberation: The Foreign Relations of the ANC since 1960*, International Library of African Studies, Taurus Academic Press, London, 1966. For an account of critiques of contemporary South African foreign policy, see Graham Evans 'South Africa in Remission: the Foreign Policy of an Altered State', *Journal of Modern African Studies*, Cambridge, Summer, 1996.

i) Liberal internationalism (1912-1960)

This was the dominant influence for much of its history and in the guise of neo-liberalism has made something of a comeback in the post-apartheid, post Cold War era. Since its founding in 1912 the ANC recognised the importance of appeals to the international community to complement its domestic struggle for civil and political liberties. For over 50 years, the main thrust of its diplomacy was directed at the newly-created collectivist international organizations and at leading Western powers, particularly the former colonial overlord which retained extensive interests and influence in its ex-imperial possession⁴.

During this first developmental phase, the strategy was to work within the liberal internationalist order espoused by President Woodrow Wilson in 1918 and to seek amelioration of its land and franchise grievances by reference to the values and norms associated with his famous Fourteen Points. The liberal doctrines of national self-determination, anti-colonialism and equal rights which were at the heart of Wilsonian idealism during the inter-war years, thus formed the broad philosophical context within which the ANC's external policy was conceived and implemented. The practical task was to persuade the Western states to interpret Western values expansively and to intercede with the Union of South Africa on its behalf. This was undertaken bilaterally through appeals to Britain and multilaterally through lobbying at the League of Nations and after 1946, at the United Nations.

On both levels, the ANC was rebuffed. The organization was unable to develop a workable international policy primarily because the 'new world order' established partially at the Versailles Conference of 1919 and more fully at San Francisco in 1946 in effect reaffirmed the central pillars of the discredited Westphalian system; namely the principles of non-intervention in the internal affairs of sovereign states and the twin doctrines of legitimacy and recognition i.e. the unwillingness to accord recognition to non-state organizations as legitimate international actors. This endorsement of traditional state-centric ideas about participatory rights in international relations and the quasi-legal restrictive practices associated with their

⁴ Britain formally relinquished control of South Africa in 1910. The ANC was created to unify African opposition to the Union of South Africa Act which effectively ceded political authority to whites.

exercise, was to plague the ANC's attempt to develop a counter-foreign policy throughout its history. During this period, it was compounded by the status that South Africa enjoyed as a pro-Western power and as a founding member of the League and the UN. In fact, the South African Premier, Jan Christian Smuts was influential in framing both the Covenant of the League and the Charter of the UN and was determined to protect Pretoria's territorial integrity and domestic jurisdiction from external encroachment, particularly regarding the 'Native Question' and possession of South West Africa (Namibia). Between 1946-1990 the UN's non-intervention clause (Article 2, para 7) became the grundnorm of South Africa's defensive diplomacy. For the ANC it symbolised the international community's legal, political and diplomatic rejection. It represented the shield behind which the apartheid state could shelter and it delayed the incorporation of the right of self-determination into customary international law.

During this liberal internationalist phase then, the ANC remained a petition-orientated civil rights movement with strong attachments to 'Western values', but whose ability to challenge the South African state was severely circumscribed by structural constraints imposed by an essentially conservative international legal, diplomatic and political order.

ii) Socialism (1960-1990)

It was as a result of the Sharpeville massacre of 1960 and its repressive aftermath that the ANC now in exile, seriously began to articulate a coherent set of policy objectives and to establish the political-machinery (the External Mission) to put them into effect. This was the beginning of the second phase in the development of its thinking about foreign affairs. Whereas the first phase consisted of intermittent, *ad hoc* liberal/humanitarian appeals to conscience and was directed at forging links with sympathetic international groups and agencies, this new phase signalled a determination to engage continuously with the outside world in a systematic, direct and where necessary, confrontational way. The old strategy of petition and protest within a broad framework of liberal internationalist ideals about progress-through-moderation, now gave way to a more hard-headed, practical policy of alliance seeking and a deliberate effort to politicise the international constituency. Its foreign policy orientation became more avowedly liberationist and revolutionary. In 1969 it formalised the long standing association with the South African Communist Party (SACP) and

this resulted in changes in foreign policy role-conception and role-performance. Specifically, it adopted Marxist/Leninist revolutionary ideas relating to organisational structure and decision making (the Revolutionary Council), military strategy (mobilising the urban masses for a people's war) and ideology (support for the Soviet Union and its alternative vision of post-colonial development in the Third World).

By the early 1970's, the ANC had become fully integrated into the Cold War framework and its alignment with the Second World was virtually complete. Until the late 1980's, although sections of the leadership disagreed with the SACP regarding the political economy of the post-apartheid state, ANC foreign policy positions at the levels of political analysis, strategic planning and implementation reflected this convergence with Moscow and its allies.

For many of the old guard, the realignment from a broadly liberal perspective to a socialist one was not so much the result of a sudden 'road to Damascus' ideological conversion. It was simply a matter of following the line of least resistance regarding the search for powerful international backers. For years the ANC had been ignored by Western states and handicapped by their professed values. Western vacillations at the UN on the question of mandatory economic sanctions against South Africa and its openly expressed disapproval of the armed struggle meant that pragmatically, closer ties with the USSR and the communist camp was the *sine qua non* of survival. Apart from the attractions of Marxist arguments concerning alternative paths to development, the willingness of the Soviet Union and East European states to bankroll the organization were critical factors. Of course, the influence of the SACP on the Revolutionary Council was also significant. But notwithstanding suspicion in some quarters about the nature of Soviet ambitions in Southern Africa, the inescapable reality was that if the ANC was to continue to pose a serious challenge to the apartheid state on both internal and external levels, then, as Scott Thomas puts it, 'it simply had nowhere else to turn'⁵.

This second developmental period was by far the most successful era for the ANC's International Department. During the 1970's and 1980's it demonstrated to the world that South Africa was now represented by two

⁵ Thomas, *op. cit.*, P.172.

distinct sets of foreign policies, and arguable that of the non-state actor was the most effective. By the end of the 1980's it was widely perceived by the international community to be the government-in-waiting. It had established far more permanent overseas diplomatic missions than had Pretoria, whose global isolation had now reached pariah proportions. Although it had not toppled the state through the armed struggle, the projection of the apartheid issue into one of the very few moral absolutes of twentieth century international affairs coupled with the skilful manipulation of the sanctions instrument, seriously damaged South Africa's ability to function as a normal state in the international environment. Moreover, its campaign to render South Africa ungovernable had begun to bear fruit. By the end of the 1980's its stature and legitimacy as an international actor and key player in domestic politics had been firmly established. Despite the failure of the war of liberation, it had become clear even to the Afrikaner die-hards that the South African government could not properly discharge its functions without due regard to the ANC as the 'Significant Other'.

iii) Neo-realism (1990-96)

Despite the very real achievements of the Socialist phase, the catalyst that ended the stalemate between the South African state and its opponents was provided by structural and normative changes in the international system itself, rather than by the ANC's strategy of confrontation on all fronts. The end of the Cold War and the 'de-ideologisation' of foreign policy that accompanied the collapse of the Soviet Empire forced both sides to re-think their basic positions, particularly concerning regional and domestic conflict resolution issues. While President de Klerk quickly took the opportunity to divest South Africa of the kind of geopolitical thinking that had produced P. W. Botha's 'National Security State'⁶ and the associated regional policy of destabilization, the ANC was wrong-footed by these developments. Suffering the material and ideological pains of patron-bereavement and acutely aware that its principle coercive instrument - the sanctions weapon - was being rendered ineffective as the world rushed to 'reward' the de Klerk power-sharing

⁶ For an account of this see Chris Alden *Apartheid's Last Stand: The Rise and Fall of the South African Security State*, Macmillan, London, 1996.

initiatives, the ANC's policy planning department was thrown into confusion. The sudden death of the Soviet Union and the exposure of the inner contradictions of communism meant that its formal commitment to a socialist and radical foreign policy now appeared anachronistic.

The alliance with the SACP and pledges of massive state-intervention in post-apartheid South Africa reinforced the atavistic image of the ANC as an organisation unable or unwilling to break out of the ideological mould of Cold War politics. It was visibly out of step with a changing international order in which the previously discarded Western values of liberal democracy and the market, multipartyism, pluralism, human rights, and peaceful transition within a culture of political tolerance, had now reached the status of universal norms of behaviour. While the personal prestige and international standing of the world's most famous ex-prisoner, Nelson Mandela, did much to distract attention from basic contradictions in ANC thinking, this merely served to delay the systematic reappraisal of political theory and foreign policy that was now urgently necessary.

The reappraisal was undertaken by the head of the ANC's International Department, Thabo Mbeki and his astute Deputy, Aziz Pahad. Together in a series of policy documents and statements issued during 1992-1993⁷ they distanced the organization from the commitment to liberation politics and began the process of policy convergence and integration with Pretoria's Department of Foreign Affairs. Preparing for government, Pahad spelt out the normative and structural characteristics of contemporary international affairs that would guide and inform policy-making in the post-apartheid period. They included recognition of the following 'realities' of the post-Cold War order:

- the general collapse of the socialist world order and the rise of unipolarity.
- globalisation of the economy and regional bloc formation.
- the importance of multilateralism.
- conditionality and the focus on good governance, human rights and democratisation.
- the marginalisation of Africa and its peripheral status in the

⁷ 'Ready to Govern: ANC Policy Guidelines for a Democratic South Africa' African National Congress Johannesburg, May 1992. See also Aziz Pahad 'South Africa's Foreign Policy Objectives', Royal Institute of International Affairs, Chatham House, London, 18 November, 1994.

international system.

Thus, though not strictly determinist, important sections of the ANC leadership were now beginning to accept that the voluntarist element in policy formulation is circumscribed by conditions external to the state. That is, that South Africa is simultaneously marginalised from and dependent on the neo-liberal international economy, but as the region's superpower it has the ability to virtually dictate the terms of subordination to its neighbours.

For the past two years the GNU's foreign policy has broadly followed these precepts established by Mbeki and Pahad. Although foreign policy remains contested ground within the ANC, the GNU has not embarked on the kind of radical initiatives associated with policy pledges made in exile (e.g. affirmative action programmes for the region). Remnants of old thinking have survived in some quarters ('solidarity' with Cuba, Palestine, Libya and Iran for example) but the general trend has been to view foreign policy as an interest-based activity rather than as an exercise in the projection of ethical values or ideological principles. However, the debate between the new pragmatists and the old idealists will for some time continue to frustrate the development of a coherent world view. This is hardly surprising considering the competing foreign policy paradigms that co-exist within the mind-set of the ANC.

President Mandela has an understandable preference for policies which reflect his moral standing in world politics. The Department of Foreign Affairs (DFA) under the influence of Mbeki and Pahad⁸, is much more circumspect. Constrained by the domestic imperatives of the Reconstruction and Development Programme (RDP) they are cognisant of the costs and dangers of embarking on heroic international initiatives which do not directly benefit the home base. While President Mandela remains at the helm, the full implications of a policy of 'South Africa First' may not become apparent. But the general direction that the DFA is taking over a number of issue-areas (e.g. regional relations, arms sales, foreign investment, trade and commerce policies) indicates that the moral and

⁸ Thabo Mbeki is President Mandela's Vice President and nominated successor. The Foreign Minister is Alfred Nzo. Aziz Pahad is Deputy Foreign Minister. It is an open secret in South Africa that in foreign affairs the key movers and shakers are Mbeki and Pahad. Alfred Nzo is regarded as a party political figurehead who does not play a major role in policy formulation. The overall strategic direction of foreign policy is controlled by the Mbeki/Pahad partnership. This is likely to continue if and when Mr. Mbeki takes over the Presidency.

ideological dimensions of policy characteristic of past pronouncements, have been subordinated to the imperatives of Reason of State. In this respect, South Africa is now a 'normal' state in international relations. As with most countries that accept the prevailing systemic norms, its mode of insertion into the external world is on the basis of enlightened self-interest. In South Africa's case, self-interest dictates that the inescapable priority is the quest for domestic reconstruction and economic growth allied to internal political stability. This will mitigate against the more adventurous policy postures that were a feature of the ANC's foreign affairs programme prior to assuming office in 1994.

The New South Africa and Brazil.

Diplomatically, South Africa has now come in from the cold. Its belated re-entry into international affairs has occurred at a time when the structure of the international system is still in the process of redefinition. The 'great simplifier'⁹ of world politics, the Cold War, no longer provides a haven, an alibi or a reference point for foreign policy. It is little wonder therefore that South Africa's international strategy since 1994 has suffered from conceptual confusion concerning the ranking of priorities and a lack of operational clarity over the means/ends formula. Even if we discount difficulties caused by ideological schisms within the ANC Alliance, the new government would still be confronted with problems of orientation.

Debate about the focus and direction of foreign policy is a common feature of the 'new world disorder'¹⁰ of the 1990's affecting states across the entire politico/economic spectrum - North, South, great, middle and small. In this respect South Africa is not unusual. What is different about South Africa is that although it is not a new state in international politics, it does display some of the attributes of newness. After thirty something years of severe diplomatic isolation, the South African state has not yet re-established a clear conception of its national identity or reached a consensus on the kind of role it should perform at the regional, continental and global levels. Accordingly, during the formative 1994-1996 period, foreign policy

⁹ The phrase is from Josef Janning, 'A German Europe - A European Germany? On the debate over Germany's Foreign Policy', *International Affairs*, Vol, 72, No.1, January 1996, p.33.

¹⁰ See B. Anderson 'The New World Disorder', *New Left Review*, no. 193, 1992. See also Stanley Hoffman 'Delusions of World Order' *New York Review of Books*, April 9, 1992.

has been characterised by a somewhat ambiguous and contradictory mix of pragmatism, moralism, assertiveness and caution.

As we have noted, there has been evidence of a paradigm shift in ANC thinking over the past few years from a socialist perspective to a neo-realist one. But this directional change is by no means complete or even irreversible. We can conclude that today South Africa's thinking about international relations is in a period of gestation. It is therefore more open and flexible than at any time in its history. The question that now arises is this: What opportunities does this newly-created diplomatic space offer to a country like Brazil - an upwardly mobile middle power with global aspirations?¹¹ A state which is committed to pursue an independent course both inside and outside of its own hemisphere?

This section will explore the common ground between Brazil and South Africa and examine areas of possible policy convergence which present opportunities to consolidate and deepen the, as yet, undeveloped bilateral tie between them. It concludes that the two states have much to gain from policy co-ordination and harmonization around a cluster of important issue-areas not least those relating to improving the status and bargaining position of the South in international affairs.

i) Historical background

Until recently, geographical distance, the absence of historical and cultural interaction and in particular political complications caused by apartheid, have inhibited the development of close ties between Brazil and South Africa. It may be a truism that 'Brazil has its body in America but its soul in Africa'¹² but it was not until the 1970's that Brazil began to pay sustained attention to the African dimension of its external relations. Although Brazil's identity with the developing countries of the Third World was evident from the beginning of the decolonisation process of the 1950's and 1960's, close ties with Portugal (along with South Africa, probably the most resolute defender of colonialism) constituted a major obstacle to Brazil's aspirations in Africa. This was compounded by its ties to the

¹¹ See R. M. Schneider 'Brazil in the World' in *Brazil: Culture and Politics in a New Industrial Powerhouse*, Westview Press, Boulder, 1996, pp.204-19.

¹² Quoted in T. G. Sanders 'Brazil's Foreign Policy in Africa' *American Universities Field Staff Reports*, No. 43, 1981, p.1.

USA and shared fears of communist intrusion into the South Atlantic. Indeed, during this period the South Atlantic issue became an important one for both Brazil and South Africa. Pretoria's perceived military strength and its militant anti-communism, made it a candidate for inclusion in a South Atlantic defence pact (SATO) which would involve Brazil, Portugal and other Latin American states. In geopolitical and strategic terms, such a pact made sense. But politically it was a non-starter although the South African government continued to pursue this possibility as part of its effort to convince the West that it was an indispensable component of Cold War strategy.

By the end of the 1960's Brazil's attitude to the apartheid state visibly began to harden, but its continued attachment to Portugal and the notion of a Commonwealth-like Luso-Brazilian community in world affairs, jeopardised its standing in black Africa. It was not until the 1974 Portuguese revolution that Brazil's African policy was finally released from its ambiguity and it became free to concentrate on forging political and economic links with the new African states. This was especially the case with Mozambique and Angola, the two states which in theory if not in practice, represented Brazil's point of entry into the southern African sub-system.

Since 1974 Brazil has projected itself in world politics as a champion of the causes of the South and one which due to ethnic, cultural and historical factors, has a 'special relationship' with black Africa. However, until the inauguration of the new South Africa in 1994, Brazil's influence in the region was less than it might have been due to its continued trading and diplomatic ties with the apartheid state. Until recently, the central dilemma of its African policy - support for the liberation movements versus pragmatic trade and commercial links with reactionary regimes - had not been resolved. As a consequence, Brazil's image amongst black South Africans has suffered and if Brazil is to replace Cuba in the national consciousness as the focal point of the new South Africa's interest in Latin America, it must now pay serious attention to this problem¹³.

¹³ The 'defeat' inflicted by Cuban armed forces on the South African Defence Force (SADF) at Cuito Cuanavale in Angola in 1988 was celebrated throughout the black townships of South Africa and Cuba quickly came to symbolise black resistance to white South Africa. The country retains its romantic image in popular black consciousness. Given that soccer is the national sport in the new South Africa, one way of raising Brazil's profile would be through a courtesy visit by its national soccer team. This would be an effective instrument of cultural diplomacy and would greatly enhance the image of Brazil especially amongst the young.

ii) Shared priorities and common interests

The inhibiting Portuguese episode in Brazil's Africa policy is over. The contradictory signals it sent to black Africa have given way to a forward strategy based on access to markets, as Brazil repositions itself in world politics as a genuinely independent actor with strong extra-hemispheric interests and ambitions. In South Africa the end of apartheid and the installation of a government anxious to normalise foreign policy and to shake off the debilitating effects of enforced isolation, presents opportunities to revitalise previously dormant relationships.

This opening up of diplomatic space on either side of the South Atlantic offers the prospect of co-operative bilateral partnerships covering a number of issue-areas in proximate regions which for both remain virtually untapped. To assess the outlook for policy convergence between Brazil and South Africa in the new international order we turn first to a consideration of the principles which guide and direct policy formulation. To what extent do the fundamental goals and objectives overlap? What are the priorities for South Africa and Brazil in the post-apartheid, post-Cold War period? For convenience these can be grouped around three broad headings each representing the basic values and norms which inform foreign policy: these are democracy, sovereignty and economic development.

(a) Democracy: regime stability and survival

This is the highest priority for both states. In 1994, for the first time in its turbulent history, South Africa became a functioning democracy. While everyone admired the 'miracle' of the peaceful and orderly transition from authoritarian rule, the process is incomplete. There are fears in some quarters that the democratic consensus may not survive the presidency of Nelson Mandela. This is unlikely but there are pockets of secessionist, irredentist and anti-democratic resistance within the state that pose real security problems for the government. Unrest in Kwazulu/Natal, rising crime rates, high unemployment figures and extremely porous borders ensure that the GNU pays constant attention to the full implications of recent regime-change. The government cannot be complacent. The ANC for its part is anxious not to reap the whirlwind of its 1980's policy of rendering South Africa 'ungovernable'. These concerns about internal

stability and order - what has aptly been termed the 'Hobbes problem'¹⁴ - are not as acute for Brazil. But it too cannot take democracy for granted in the way that West Europeans or North Americans do. Brazil's stop-go democratisation process since World War II is evidence enough that no government, however populist, can rest easy. The democratic system of competitive civilian politics has survived major social, economic and constitutional crises since 1985 and can no longer be considered 'experimental'. But as with newly democratised South Africa, Brazil's first policy priority must continue to be internal stability, the preservation of social order and regime survival.

(b) Sovereignty, independence, territorial integrity

Again, these are prized values for both states. This may appear to be no more than stating the obvious, but attachment to the full meaning of these values has important implications for foreign policy projection. For example, both Brazil and South Africa are committed to resisting hegemonial intrusions from external political and economic forces, however benign these may appear to be. Brazil has recently embarked self-consciously on an 'independent' foreign policy. It is seeking to nullify or diversify its traditional dependence on the USA and to develop a much broader network of intra- and extra-hemispheric relationships based on a re-evaluation of its own legitimate interests and aspirations as a global trader¹⁵. The 'Opening' of Africa and the special position occupied by the New South Africa within this framework, is an example of Itamaraty's determination to develop its own options in its own way. South Africa too, has tilted away from dependent relationships. It can no longer be considered, as it has been for too long by Western policy elites, a European outpost on the tip of southern Africa. South Africa is now an African state complete with African interests and priorities. Its commitment to foreign policy independence has been demonstrated by its very public disagreement with the United States over its relationship with Cuba, Libya, Iran and other Middle Eastern countries. It has also resisted interference from the IMF

¹⁴ See Howard J. Wiarda, 'South American Domestic Politics and Foreign Policy' in South America into the 1990's, G. Pope Atkins (ed), Westview, Boulder, 1990, P.46.

¹⁵ See Ambassador Antonio Barbosa 'Brazil's Place in the World' in Brazil: the awakening of a giant' Royal Institute of International Affairs, Chatham House, London, April 1996.

and the World Bank and it is presently engaged in a protracted dispute with the European Union over access to the Lomé Convention. Like Brazil, it can be considered to be a revisionist power committed to amending the institutional, political and economic rules which have sustained the North/South divide in world politics. This policy of self-assertion is not necessarily confrontational. It derives naturally from a conception of 'sovereignty' which while not excluding interdependence, resists unfair competition, uneven playing fields and enforced asymmetrical relationships.

Regarding issues relating to territorial integrity, lingering boundary disputes are common in both regions and must always be a cause for concern. However, in southern Africa and in the Southern Cone region the development of economic and security communities via the integration process is changing traditional patterns of regional relations. Zimbabwe may well for the moment be South Africa's Argentina, but common membership of the region's most important multilateral organisations (SADC and MERCOSUL) has diluted historic conflictful geopolitical and economic rivalries. Both of these powerful regional players are acutely aware that consolidating good relations with their respective neighbours is a vital foreign policy goal. Both as an end in itself and as a means towards a higher profile in world affairs. There is a healthy awareness that instability on the borders could easily spill over and outwards. To promote a positive image, both have formally renounced ideas about assuming hegemonical responsibility for their neighbourhoods and confidence-building measures remain a high priority. The declared regional objective of both countries is cooperation without domination. In these matters, southern Africa lags behind South America (SADC is not a common market and Angola remains a threat to regional security), but the political will to emulate the Brazilian experience is present. Old geopolitical ways of thinking about the region have been discarded by the new administration; affirmative action programmes have not yet emerged but there is a new spirit of cooperation and egalitarianism in Pretoria's approach to regional relations.

(c) Economic development and social progress

'Economic diplomacy' is the mantra common to both leaderships. In South Africa, the Reconstruction and Development Programme (RDP) is the touchstone by which all policy-making is judged. After over 300 years of political, economic and social exclusion, South Africa's non-white

majority is now impatient for its place in the sun. Anything which does not relate to the requirements of the RDP is therefore downgraded. Achieving sustainable economic growth is the overriding objective and its international dimension (trade, commerce, investment, scientific and technological exchange etc) is a vital area of concern for all government departments and agencies. The Department of Foreign Affairs therefore has an important role in meeting the challenges presented by the RDP. Brazil too has huge income disparities and problems of uneven development. Though in the past, perhaps overly preoccupied with the notion of 'Giantism' the potential of both states remains great but unrealized. Compared to their neighbours, in terms of population, GDP, industrial infrastructure and agricultural resources are comparatively plentiful. But both have characteristic social problems associated with the Third World; poverty, unemployment, income inequality, inflationary economics, soaring crime rates and deteriorating health care and education systems. Brazil and South Africa each face the difficult task of reconciling the strict measures required to achieve the long-term macro-economic goal of economic stabilization with rising expectations in the short term to deliver higher standards of living and eradicate poverty and unemployment. Foreign policy of necessity reflects these concerns. The primary task of diplomacy is to service these goals. For both therefore, the diplomats trade, is trade.

Policy convergence and complementarity

Within this general framework of shared values and priorities the prospects for developing a bilateral strategic partnership are high. Brazil is keen to establish closer ties with South Africa principally to facilitate entry into the southern African regional sub-system. Africa is Brazil's Atlantic neighbour and one of the formative influences on its culture. It has been heavily involved in UN peace missions to Africa and has linguistic ties with five African states. Two of these, Mozambique and Angola offer exciting trade and investment opportunities.

A close relationship with South Africa as the region's power-house and conduit is therefore a logical consequence of Brazil's African policy. South Africa too is anxious to up-grade relations with Brazil. In 1995 two-way trade with Brazil amounted to R2-billion and tourism to South Africa is on the increase. South America has advanced rapidly in the field of

regional economic groupings and MERCOSUL as the second Customs Union in the world after the EU, is a model that SADC might hope to emulate. Brazil occupies a central place within the Southern Cone and has good relations with all twelve of its neighbours. South Africa has eleven SADC partners and occupies a similar leadership position in the region. The advantages of mutual cooperation and learning are obvious. Out of Africa, three issues in particular merit attention; reform of the United Nations, developments in the South Atlantic/Antarctica region and South-South cooperation. Each of these important issue-areas in contemporary international relations offers opportunities for creative, problem-solving diplomacy. Regarding the UN, both states have expressed their dissatisfaction with the closed-shop operated by the P5 group in the Security Council. Both take seriously their candidature for permanent membership of an enlarged Council. Brazil's claim, as the world's fifth largest state and as the strongest regional power in the Southern Hemisphere, is widely recognised. South Africa, now that Nigeria is out of the reckoning, is the remaining obvious choice from Africa. (Egypt is technically an African state, but politically and culturally belongs to the Middle East). Close cooperation on this issue would clearly benefit both states. South Africa has the ability to become a commanding presence in the Organization of African Unity which has a membership of 51 states. In combination with the political leverage that Brazil exerts in South America and elsewhere, this represents a formidable voting bloc at the General Assembly. South Africa currently occupies the presidency of UNCTAD and has already begun the process of its reform. With the assistance of Brazil's experienced and highly professional diplomats, agency-reform could conceivably represent a 'test of the reformability' of the whole UN structure¹⁶.

Both states have vital interests in the South Atlantic/Antarctica Region. South Africa as a member of the Valdivia group of states (with Chile, Argentina and Uruguay) has direct access to Antarctica. This year South Africa hosted the fourth-ministerial meeting of the 24-member states of the Zone of Peace and Cooperation in the South Atlantic. Decisions were taken to develop practical measures for the protection of the South Atlantic marine environment and for policies on illegal fishing activities.

¹⁶ This is certainly the view of the German government. See the statement at the Yaunde OAU summit, July, 1996, by Uwe Kaestner the German Ambassador, *The Star and SA Times Business Report*, p.v, July 31, 1996.

Although South Africa does not, as yet, possess a blue-water naval capability its technological and scientific expertise is internationally recognised and is a valuable and portable asset. Bilateral cooperation on these issues, and other so-called 'global themes' (e.g. drug trafficking and environmental pollution) is already under way and is destined to increase.

Finally, both states are actively seeking First World status. In economic/industrial terms Brazil is much closer to this goal than South Africa which now perceives itself to be a small-to-middle developing peripheral power with strong regional interests. Compared to Brazil, South Africa's capacity to implement decisions or exert influence on extra-regional affairs is severely constrained. Brazil by contrast, as an industrialised continental and upwardly mobile middle-power has the capacity to influence outcomes on a global basis. Its most important bilateral relationship is still with the United States but this relationship is no longer one of marginalised subordination. In strict developmental terms Brazil's identification with the South may be largely symbolic, but in terms of its guiding philosophy as a rising world power it remains a revisionist state which shares a fundamental community of interests with those seeking a new international economic and political order.

For a state like South Africa which lies at the intersection between the developed and developing world Brazil will be a necessary partner in the quest to change the rules of international political and economic interaction. This will obviously involve conflict with those in possession who benefit from the existing order. However, the recent foreign policy record of both states indicates that neither will shirk the challenge posed by the kind of confrontational economic diplomacy necessary to create foreign policy space and room for manoeuvre in a system that disproportionately reflects the interests of the North. In sum, English-speaking South Africa may not be one of Brazil's 'natural' African partners, but there is sufficient complementarity of interests for it to be an important 'elective' one.

Bridges Across the South Atlantic?

A Comparative Perspective on South Africa's and Brazil's Foreign Policies

Greg Mills*

"South Africa's future foreign relations will be based on our belief that human rights should be the core of international relations, and we are ready to play a role in fostering peace and prosperity in the world we share with the community of nations. ... The time has come for South Africa to take its rightful and responsible place in the community of nations. Though the delays in this process, forced upon us by apartheid, make it all the more difficult for us, we believe that we have the resources and the commitment that will allow us to begin to make our own positive contribution to peace, prosperity and goodwill in the world in the very near future." South Africa's President Nelson Mandela, 1993¹

"It is right for Brazil to play a more active role internationally... I think that the end of the Cold War has deeply changed the atmosphere in international relations. There is a relatively

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¹ Mandela N, 'South African Foreign Policy', *Foreign Affairs*, November/December 1993, p.97

broad convergence of values in the international community. Countries both in the North and the South have come to regard democracy and the protection of human rights, as well as a free-market economy, as the best way to ensure development for their citizens. Contrary to the widespread perception of the 1960s and 1970s, I do not see the interests of the North and South as conflicting or as preventing cooperation. I see rather a commonality of interests based on the values that won the Cold War. Brazil's priority in foreign policy is precisely to advance those values, to strengthen the positive elements in the international scene that have emerged with the end of the ideological confrontation." President Fernando Henrique Cardoso, 1995²

This paper provides an analytical overview of South Africa's current foreign policy, and highlights the choices faced as it strives to offset the effects of 30-something years of isolation. In particular, it focuses on the complementarities with Brazil, and seeks to answer two interrelated questions: what are the nature of the challenges facing South Africa and Brazil in the foreign domain; where does potential synergy lie between the two nations?³

South Africa and Brazil in comparative perspective

For the purposes of this paper, it is useful to first place South Africa and Brazil into some sort of comparative context *vis-à-vis* both their economies and respective regions.

In a sense, both countries are recovering from a lost decade economically, and clearly not all about the picture (below) holds true today.

² Hoge JF, 'Fulfilling Brazil's Promise: A Conversation with President Cardoso', *Foreign Affairs*, July/August 1995, pp.68-69.

³ For a full discussion of the factors influencing South African foreign policy, see SAILA, *South African Yearbook of International Affairs*, 1996. SAILA: Johannesburg, 1996, 305pp. Some of the arguments presented in this paper draw on the chapter in the Yearbook on 'The Year in Review'.

Put simply, aside from the obvious political constraints in South Africa's economy, both nations are battling - albeit with some reward - to move from 'import substitution' type economies to full global integration. Far-reaching economic reforms have been conceived, encompassing liberalisation, deregulation and privatisation through which to encourage foreign investment. In Brazil's case - through the so-called 'real plan' - this has resulted in 5.8% growth in GDP in 1995 (from -4.5% in 1990), and inflation has been brought down from a staggering 2,700% in 1993 to some 20-24% today. The nominal fiscal deficit (as a percentage of GDP) has fallen from over 55% in 1993, to under 5% in 1995.⁴ South Africa has not yet managed such a dramatic turnaround, though the apparent acceptance by the government of the 'macroeconomic strategy' released in May 1996, would indicate the wholesale pursuit of liberal reform policies.

Brazil and South Africa face similar socio-economic challenges. The problems posed by fast migrating populations (75% of the Brazilian population was urbanised in 1987 compared with 59% in 1960; the comparable figures for South Africa are 60% in 1991, and 48% in 1960) have to be addressed, while there are problems, *inter alia*, of skewed income distribution which impacts on life expectancy and relates to educational opportunities. In Brazil, it has been estimated (in 1990) that as much as 60% of the population lives outside the modern economy, while in 1980 only 25% of the adult population was considered literate.⁵ Unemployment has increased with the 'real plan' reforms, to be between 5-13%.⁶

⁴ See, Economist Intelligence Unit report on *Latin America: Economic Structure and Analysis*. EIU: London, 1990.

⁵ EIU, *ibid.*, p.92.

⁶ *Financial Times*, 11 October 1995.

Brazil and South Africa

	Brazil	South Africa
Population (m.)	159,143	42,3
Population Growth, 1985-94 (per annum average %)	1.8	2.4
GNP US\$m, 1994	536,309	117,200
GNP/per capita US\$, 1994	3,370	2,771
Real Growth (average annual), % 1985-94	-0.4	-1.4
Inflation (average annual), % 1985-94	913	14.2
Foreign Debt US\$bn	150 (1994)	30.8
Defence Spending, US\$bn	4.4 (1993)	2.3 (1996)

Sources: *The World Bank Atlas*, 1996; *The Military Balance*; *South Africa in Figures* 1996.

In South Africa, nominally 32.6% of the population is unemployed, though this figure could be as high as 45-50% if the figures for the informal sector are included. It is forecast that, at current rates of growth (the population is predicted to rise to 58 million in 2010 and 73 million in 2025), jobs will be found for only 7% of new entrants into the labour market, compared to an absorption rate of 80-85% between 1965-70. Almost half the unemployed people are younger than 30, and almost 90% of them do not possess any skills or training for any kind of job. Some 12.5 million of the population (30%) of the population are said to be illiterate. The country displays extreme inequalities in the distribution of wealth, where the per capita income of whites is around 12 times that of blacks, and the income of the richest 20% of households is some 45 times that of the poorest 20%. About 45% of all dwellings (85% in the rural areas) do not have access to electricity.⁷

In 1994, the share of exports to GDP in South Africa was 20.87% - with exports mainly in mining (56.6%), agriculture (5.6%), and iron and steel manufacturing (9.0%). By comparison, Brazil's exports/GDP ratio in 1993 was 5.0% - the chief contributors being coffee (2.3%), food (4.7%), and manufactures (63.7%). The markets are similar: in Brazil's case, some 17% of exports (worth US\$39 billion in 1993) flow to the US, and 27% to the EU. With South Africa, in 1995 4.7% of exports (worth around US\$25

⁷ See, *inter alia*, *Sunday Independent*, 24 December 1995, and *Natal Witness*, 9 May 1995.

billion in 1995) flowed to the US, but 25.3% to the EU, while Japan took 5% of exports (see the table below).⁸

South Africa's Top Ten Trade Partners, 1995 (Rmillion)

Country	Position		Total	Imports	SA Exports
	1994	1995			
Germany	2	1	20583.6	16029.9	4553.7
UK	3	2	19042.3	10755.4	8286.9
USA	1	3	16337.0	11511.5	4825.5
Japan	4	4	14990.5	9880.1	5110.4
China/Hong Kong	6	5	6478.8	3472.5	3006.3
Italy	7	6	6415.6	4005.9	2409.7
Switzerland	5	7	6040.9	2382.1	3658.8
Taiwan	8	8	5774.0	3220.2	2545.8
Zimbabwe	-	9	5507.0	964.1	4542.9
Belgium	9	10	5365.4	2129.0	3236.4

The grand total for South African trade in 1995 was (1994 figures in brackets): imports, R97,285 billion (R75,601); exports, R102,323 billion (R90,133). The current (July 1996) US\$-R rate-of-exchange is: R4.50-US\$1.00, though this has depreciated in value considerably from around R3.80-US\$1.00 at the end of 1995.

⁸ *The World Almanac and Book of Facts, 1996*; and, Standard Bank Group, *South Africa in Figures*, 1996 edition. See also, Hayashida M, 'Taking off Again: The Brazilian Economy - Economic Policy and its Political Sustainability in a Developing Country', *Institute for International Policy Studies (Tokyo) Policy Paper 128E*, September 1994, 22pp.

The earlier comparative table on Brazil and South Africa, in a sense foretells the nature of the challenges facing these two countries in the foreign domain. Though the foreign policy aspirations of each may be cloaked in the rhetoric, *inter alia*, of the 'North-South' divide and in reconstituting the world order, essentially the challenge is to try to develop their economies at home in a manner consonant with international consensus - this consensus being the globalisation/liberalisation of markets and businesses. For each of these two states, this involves the acceptance of a 'package' of liberal-democratic reforms, which in the economic realm includes accession, internationally, to the World Trade Organisation (WTO) as part of a structured, though voluntary attempt to legislate free-markets and world trade. At home, this involves the acceptance of a range of macroeconomic reforms which include deregulation, privatisation and the careful management of fiscal deficits which will open the countries up to foreign investment.

In an age when much about foreign policy is in essence, foreign economic policy, given the need in both countries to address social inequalities through economic growth, it is inevitable that foreign policy will be geared to this end. As Nelson Mandela has noted:⁹

The primary motivation of the ANC's foreign economic policies as a whole will be to place South Africa on the path of rapid economic development with a view to addressing three key problem areas: slow growth, severe poverty, and extreme inequalities in living standards. The South African economy has grown very slowly since the early 1970s, with the exception of short periods of gold market booms. Annual GDP declined from almost six percent in the 1960s to less than four percent the following decade and to barely one percent during the 1980s. The economy contracted sharply during the recession-bound 1990s, and in 11 of the past 12 years, per capita income declined.

How then has the new South Africa reacted to these challenges and needs thus far?

⁹ See Mandela, *op cit.*, p.93.

South Africa's foreign policy: new challenges and new opportunities

Despite the clarity of South Africa's domestic needs (and given the obvious policy ramifications for foreign policy), since the democratic election in April 1994, serious concerns have been repeatedly raised in South Africa about the direction and substance of the new nation's foreign policy. Critical analysis has focused on, in particular, the apparently poor policy judgements made with respect to relations with so-called 'pariah' states. As a result, questions have been asked as to who articulates South Africa's foreign policy, what this policy should be and where South Africa should best focus its meagre resources?

A foreign policy or profile?

Since April 1994, South African foreign policy attempted to steer a neutral path, as one would expect initially from the Government of National Unity (GNU), a government which inherited a whole range of ideological convictions and past baggage. Thus the principle governing its foreign 'policy' has been labelled as 'universality' - essentially the opening of foreign and local doors in the reconciliatory spirit that has characterised South Africa's domestic transformation. In practice, this has resulted at one level in a massive expansion in South African representation abroad - bilaterally and multilaterally - and in an increased diplomatic presence in the Republic. By mid-1995 South Africa had relations with 163 countries, and there was a fourfold expansion in the number of overseas South African missions to 124 between 1990-95. From May-December 1994, the Republic also acceded to or was readmitted to 16 multilateral organisations, including the United Nations General Assembly, the Commonwealth, the Southern African Development Community (SADC), and the Organisation of African Unity (OAU).

The success of South Africa's transformation and President Mandela's remarkable domestic gospel has also helped to maintain, and arguably exaggerate South Africa's international profile, already heightened relative to its global economic and strategic importance for altogether different reasons in the past by apartheid. Criticism of South Africa's (lack of) foreign policy may appear to be at odds with the superstar image of President Mandela and the 'afterglow' of the events of April 1994. However, while the cataloguing of the increase in foreign ties is in itself a positive

development, it does not give real content or direction to foreign policy. This lack of content is partly a result of Pretoria's uncertainty over its new position in the world.

A fiery debate has raged in South Africa since 1994 over the direction South Africa's foreign policy has taken and should take. In this, South Africa remains in a dilemma over some of the fundamental issues which are the basis of guiding principles. It is caught between being part of Africa, yet being part of the West in Africa. Now that it does have an opportunity to play an expanded role in Africa and the region, it faces a quandary over whether or not regional development and involvement will detract from domestic imperatives. It is trapped between a desire to assist the region, given that Southern Africa's problems have domestic consequences, and not, too overtly at least, wanting to appear the dominant regional power. Hence its reluctance to take the policy lead in Southern Africa, and a hesitancy to become involved, for example, in African peace-support operations.

Part of the dilemma faced by South Africa lies in its role as a functioning, if minor, power in the Western sense. With power inevitably comes a certain responsibility and constraint. The luxury of passionate but empty rhetoric devoted to the political fads and fancies of the moment, permitted to peripheral states in Africa or elsewhere - whose absence from the world stage would pass totally unremarked - is something South Africa cannot afford. To maltreat the English metaphor: one cannot eat one's cake and have it!

But the apparent success of its transition has given South Africa a new-found authority in the area of human rights, negotiation, and peaceful resolution. This has also raised the further dilemma of what the combination of guiding criteria for South Africa's external relations should be: human rights and liberal democracy, universality, old allies and friends - or a mish-mash of them all?

'Universality' has led to the perpetuation of diplomatic conundrums such as, *inter alia*, how Pretoria should best manage its relations with China and Taiwan (which should it choose to recognise diplomatically?); with human rights abusers Myanmar/Burma, Nigeria and others; and between powerful trading partners such as the US and its rivals, the latter being countries with which many South Africans' ideological and past sympathies lie, such as Iran and Cuba. Within this policy vacuum, the leadership made

some high profile and controversial moves: the President's response at the Commonwealth Heads of Government Meeting (CHOGM) in Auckland in November 1995 to the execution of Ogoni activist Ken Saro-Wiwa and his colleagues; his meeting in February 1996 with Anouar Haddam of the militant Algerian Islamic Salvation Front (FIS); his reported consideration of a meeting with Hamas in the wake of the terror bombings in Israel; the meeting with Louis Farrakhan - a gain probably only for the Islamic leader; and the Armscor *impasse* in the US, are all moot cases.

While South Africa has thus far escaped from these controversies largely unscathed, the lack of a clear understanding of South Africa's place in the world is viewed by many South Africans as potentially expensive. Foreign Minister Alfred Nzo's apparent consorting with an international *pariah* such as Libya - a value judgement seemingly shared by most of South Africa's principal trading and investment partners - can only, many South Africans would argue, come at a cost to Pretoria's international image. Underlying the coincidence of events that led to the tumble in the value of the rand in February-March 1996, was a failure on the part of Pretoria to appreciate fully the low level of international confidence in South Africa, where the markets could not fail to react to foreign policy *faux pas* such as the statements made by Mr Nzo during his visit there in April 1996, which were interpreted as being at least outwardly sympathetic to Tripoli. South Africa would, as expected from a nation that has emerged from its bitter past, like to be friends with all, but the world - it is quickly discovering - does not work in such a naive manner.

It is clear from the President's response to General Abacha's regime in Nigeria that universality does have teeth, and is not just an empty token response to foreign policy dilemmas. There is a strong urge from some quarters in South Africa to link foreign policy principally to human rights issues. As President Mandela noted in 1993 (before he was exposed, perhaps, to the harsh reality of international politics): 'Human rights will be the light that guides our foreign policy'.¹⁰ In the case of Nigeria, a combination of issues sparked the response to General Abacha's government, a move which isolated South Africa from its African partners and the multilateral environment. As the Foreign Minister argued in the Foreign Affairs Budget Vote in Parliament on 22 June 1996:

¹⁰ *Ibid.*, p.88.

South Africa is not oblivious to human rights abuses in individual countries. Our concerns have been raised in our interaction with leaders of a number of countries, and we have urged them to uphold universally acceptable human rights principles. This message has been reinforced by the way in which human rights concerns influence our decisions concerning arms sales, the support which we give to a country's candidacy for posts in international organisations, and many other ways in which we conduct our foreign relations.

But question marks still hang over the way in which South African policy towards Nigeria and, initially, towards the Armscor case in the US, was articulated and applied. At times - as with CHOGM/Nigeria, Hamas and FIS - it appears that foreign policy is more a reflection of Presidential (or Presidential advisory) whim and decree than of the considered decisions of the Department of Foreign Affairs (DFA). The use of President Mandela's stature in this way is seen by many to be reckless, as it could debase South Africa's most valuable international asset.

There are questions, also, not only about the personalised manner in which South Africa's foreign policy is apparently made and articulated, but concerning the influence that the African National Congress (ANC) has on foreign policy. The US\$10 million pre-election donation made to the party by Taiwan would - even if the ANC chose not to interpret it this way - seem to have paid dividends for Taipei given that the anticipated shift of recognition to Beijing has not (yet) been engineered. As a result, questions have also been asked about whether the ANC has received any donations from any other nation, and what effect these might have.

The apparently minimal role of the DFA in foreign policy making is, in turn, both a reflection of its own integration difficulties and management tribulations, and of the comparatively low profile of the Minister when judged against that of the President and his Deputy, Thabo Mbeki. Before the election, the DFA comprised of 1,552 staff. Since then, 45 ANC cadres with experience in the activities of the ANC's 28 foreign missions during the apartheid years, as well as 624 former TBVC (Transkei, Bophuthatswana, Venda and Ciskei) homeland 'diplomats' have joined. The professional capabilities of the latter group are somewhat limited - hardly surprising in a group whose prior 'international' experience was their deployment in South Africa or another homeland. Not surprisingly, of the 188 redundancies announced in March 1996, 138 were from the

former homelands. In July 1996, it was announced that a total of 267 officials would leave in 1996: 104 to rationalisation; 150 who had taken premature retirement; and 13 who had chosen to accept voluntary severance packages. Of those departing, around 43 were line-function officers of director, deputy-director or assistant-director rank. And added to this number are some 70 'high-flyers' who have already left voluntarily to better-paid jobs in the private sector. A total of 142 people in the Department of Trade and Industry have also taken severance packages in 1996.¹¹

In all this, Minister Nzo has been castigated in the media for his alleged (mis)handling of foreign affairs. Given also that he has frequently been out of the country (139 days in 1995), Deputy Minister Aziz Pahad (who himself was absent for 42 days in 1995), has seemingly been left to handle the departmental integration process and to handle the aforementioned dilemmas. Yet, while it is easy to criticise the Ministry and DFA for the high-profile problems and poor decisions, mention must be made of the successes. Not only has the Department coped remarkably with the expansion in ties and concomitant personnel demands, but has enabled South Africa at times to successfully exploit its unique international position. Perhaps the best illustration of this role was the constructive intermediary function played at the Non-Proliferation Treaty (NPT) Review and Extension Conference in May 1995. Although some South African pundits suggested that Pretoria 'lost' an opportunity and sold out its Non-Aligned Movement (NAM) allies by agreeing to the indefinite extension, it is forgotten that the treaty extension would have occurred with or without Pretoria's blessing. This much is recognised by the arms control community; and South African officials are privately lauded for their responsible contribution.

Budget shrinkages, the importance of trade and the DFA/DTI interface

Budget shrinkages have meant that the DFA has had to allocate resources in a creative manner which best represents South Africa's national interests. Previously under-represented areas in Africa and the Far East still, in the opinion of many, do not get a large enough slice of the budget,

¹¹ *The Star*, 31 July 1996. As a point of information, in June 1996, of the 64 ambassadors abroad, 29 were from 'previously disadvantaged' communities, and 10 are women.

though this is increasing. Speaking in the 1995 budget debate, the Chairperson of the Parliamentary Portfolio Committee on Foreign Affairs, Raymond Suttner, complained that while Africa was the destination of 31.7% of South African exports, the continent received only 16% of the funding for foreign missions while Europe and North America managed 55.4%. In the Far East - where the centre of global economic gravity has shifted - South Africa still remains under-represented. However, projected expenditure for 1996-97 on South Africa's foreign missions shows the following increases: Africa will receive 24.2%, Asia and the Middle East 9.6%, the Americas and Europe just 4.7%, and multilateral relations some 19.6%.¹²

The Department of Foreign Affairs was allocated R1,146 billion in the 1996-7 Annual Budget, only a 0.7% increase on the previous year. Already far below the domestic inflation rate of around 9%, this cut has been exacerbated by the fall in the value of the rand which will make the upkeep of dollar-based missions at least 8% more expensive in the coming year. This is also going to make an expansion in the number of missions more difficult (new missions are promised for 1996 in New Zealand and Algeria), and the books will probably have to be balanced by 'downsizing' in some countries, in the form of staff cuts and the closure of whole consulates or even embassies.

South Africa has, currently, seven full embassies in Latin America. However, four of these are concentrated within the Mercosur grouping (Paraguay, Uruguay, Argentina, Brazil and Chile), and there is no representation in any of the Andean states (Bolivia, Peru, Ecuador, Colombia and Venezuela). This, in the words of one knowledgeable South African analyst, 'impedes our access to a market of 98 million people which, in 1994, enjoyed an average growth rate of 4.7%'.¹³

¹² Speech by the Minister of Foreign Affairs, Mr Alfred Nzo, on the Foreign Affairs Budget, National Assembly, 28 June 1996.

¹³ See Handley A. 'Booming Latin America demands urgent diplomatic attention or South Africa will miss the boat', *The Sunday Independent*, 4 August 1996. Handley is the 1996 SAIIA Latin American Research Fellow, an ongoing project which is sponsored at the SAIIA by the Anglo American and De Beer's Chairman's Fund. I am grateful for her comments on this paper.

Latin America-South Africa Trade Relationship: 1995

Trade and Tourism

Country	Imports (Rmillion)	Exports (Rmillion)	Tourists
Argentina	902.9	409.2	8,163
Brazil	871.2	1053.1	7,784
Chile	342.1	203.7	1,302
Cuba	* * *	62.2	201
Mexico	111.4	111.8	421
Paraguay	9.8	* * *	296
Uruguay	15.4	* * *	641

Andean Group/Pact

	Imports (Rmillion)	Exports (Rmillion)	Tourists
Colombia	21.4	36.2	311
Ecuador	6.8	44.7	84
Peru	79.9	46.8	353
Venezuela	5.5	60.0	188
Bolivia	* * *	5.0	96

Central America

	Imports (Rmillion)	Exports (Rmillion)	Tourists
Costa Rica	14.3	3.4	65
El Salvador	* * *	15.3	58
Guatemala	8.0	8.7	43
Honduras	* * *	3.2	108
Nicaragua	2.7	0.9	22
Panama	7.5	19.2	116
Puerto Rico	25.1	39.9	

In South Africa's case, within government there are clearly competing intra- and inter-departmental (DFA-DTI) interests. There are four (of six) Deputy-Directors General in the DFA each of whom is responsible for a different geographic area, and thus compete - in a sense - for influence. The DFA currently has two criteria in deciding on where to place new missions: the state of, first, political relations and, second, trade relations. Some form of systematic global analysis is necessary here for a longer-term view. Also, given the current competition for resources, ongoing cost-benefit analysis will have to be made regarding existing missions.

With regard to the relationship with the DTI, the issue of representation abroad is complicated by the nature of such representatives and their skills: although South Africa's trade with Australia shot up from a total of R664 million in 1990 to R2.7 billion in 1995, there is still (mid-1996) no South African trade representative in Australia. This issue raises, in turn, the question of the future of the two separate departments of Foreign Affairs, on the one hand, and of Trade and Industry (DTI) on the other. Should not South Africa do what the Australians managed so successfully, and simply merge the two, but leaving two separate ministers? This would certainly facilitate policy homogeneity (which was notably absent in the

issue of the Indian Ocean Rim initiative in 1995) and would grant DFA expertise in foreign trade and multilateral economic issues which it does not (at least not at the level of DTI) have at present. But in South Africa's case this is complicated by the existence of the industry section as part of DTI, and possibly this would then have to move to a separate department.

That is not the only sensitivity, however. In the current climate of low morale and departmental reorganisation/transformation, it is likely that the DFA would feel threatened by such a move, particularly as so much of foreign affairs is about economics now. But there is much scope for a complementary approach, and the DTI/DFA interface and organisation of relations will probably be the most crucial issue in the near future for the political leadership to solve.

The SA foreign policy white paper

The Department of Foreign Affairs has attempted to redress the lack of policy through the formulation of the *South African Foreign Policy Discussion Document* - a sort of draft White Paper - which was released in June 1996. Once comments on this paper have been absorbed, the document will be redrafted as a *Green Paper* for distribution to a wider audience for their input. Only then will the document be presented to Parliament as a *White Paper*.

Undoubtedly it is essential for South Africa's foreign policy experts to establish a clear understanding of the values on which decisions and standpoints should be premised. It is also important to establish a clear chain of command, throughout which there would be an acceptance of South Africa's role in the international community, and of the evolving nature of that community.

As it stands, however, the *Discussion Document* does not provide this lead. Its stated design is to assist the Government in the task of 'shaping, directing and executing South Africa's foreign policy'. Put frankly, however, the Document can best be described as an ambitious but misguided wish-list for South African foreign policy which understates the importance of the international operating environment, and South Africa's abilities and resources to work within that context. It identifies an all-inclusive list - variously described - of pillars, cornerstones, principles and priorities for South Africa's foreign policy covering virtually everything from

'responsible global citizenry' to 'the advancement of human rights and the promotion of democracy' to support for 'the work of the UNHCR' and to 'secure world-wide peace, promote disarmament, prevent genocide, restrict proliferation of nuclear arms of mass destruction and achieve a new world security regime'. Ironically, the Document states that 'South Africa's policy initiatives should be modest and not overly ambitious'. Though few would take exception to these noble goals, it is doubtful, given South Africa's limited resources (especially finances and skilled personnel) and size, that all of these can realistically be achieved.

Brazil and South Africa: some new directions?

Both South Africa and Brazil will, in the future, have to locate their foreign policies according to domestic and external circumstances.

Internally, to re-emphasise, it is clear that both nations currently are striving to 'hook' into the global political-economy in order to secure the most favourable conditions for domestic economic growth which, notably, depend on large foreign investment flows. Only through growth, as conventional wisdom would have it, will extreme socio-economic disparities disappear.

In this, South Africa - not unlike states of Latin America - will have to shrug off negative, stereotypical assumptions and perceptions of Africa. It will also have to compete with an evolving global context in which the relative locus of economic power is continuing to shift eastward. Some analysts predict an increase in East Asia's share of total global production from 20% to 40% and a relative decline in NAFTA's share from 30% to 25%, and that of the Eu from 34% to 25%.¹⁴ This, in turn, will potentially exacerbate the marginalisation of most sub-Saharan countries from the economic and political mainstream. At the same time, there looks set to be a continuation in the movement of total aid flows, which could potentially be greatly stepped up, subject to a decline in the voice of isolationist tendencies in the United States. Increasingly, aid might well be guided by the need to arrest humanitarian catastrophes (where the 'CNN factor' will undoubtedly play a major part in highlighting these emergencies) rather

¹⁴ Oden B, *Southern African Futures: Critical Factors for Regional Development in Southern Africa*. Uppsala: Nordiska Afrikainstitutet, 1996, p.10. See Mills G et al (eds.), *South Africa in the Global Economy*. Johannesburg: S.A.I.A. 1995.

than to long-term development programmes. Already in 1994 sub-Saharan Africa received only 9.7% (US\$20,136 billion) of the US\$207,402 billion of long term resource flows to developing countries; just 6.1% (US\$2,987 million) of the US\$48,614 billion of Foreign Direct Investment (FDI); but a relatively high percentage, 32.7% (US\$15,482 billion), of the US\$47,416 billion of Official Development Assistance, indicating thus the vulnerability to changes in the extent of aid flows.¹⁵

In the external realm, it is critical that both emerging nations appreciate fully the nature of the world outside. Clearly, as stressed above, the most important global trend is that of political and economic liberalisation, in which a body of *Eurocentric* ideas around free-trade and democratic governance are today taking root beyond just 'the West'. In South Africa's case, this much has been impressed on President Mandela, his Deputy Thabo Mbeki, and Finance Minister Trevor Manuel by the local business community, and clearly also by international players when the South Africans make their frequent trips abroad. Although the *South African Foreign Policy Discussion Document* makes numerous references to the need to offset the 'North-South divide' and to encourage 'South-South' co-operation, even if it was never much more than a useful political tool and concept, such an apparent split is no longer a reality. Pandering to it by the South African government is probably thus more a reflection of a need to assure local constituencies of South Africa's concern for old political allies, than it is a genuine belief in reordering the world system.

With the above in mind, what then should South Africa's and Brazil's foreign policies focus on?

In South Africa's case, it is often said that 'South Africa is an African power or part of Africa', consequently the continent should therefore be the primary focus of its foreign policy. The premise may be correct, but the analysis is wrong. South Africa should react with Africa, insofar as its interests lie, but foreign policy should not be bound by notions of territorial or, for that matter, ideological exclusivity. With the end of the Cold War, nations now define their foreign policy increasingly in terms of their global economic and trade relations. Geographic bounds too are increasingly made irrelevant through technological advances. South Africa will inevitably

¹⁵ The World Bank, *Global Economic Prospects and the Developing Countries*. Washington: The World Bank, 1996, pp.84-85.

go, whatever the rhetoric to the contrary, to where its national interests lie: to the West, to the economic powerhouses of Asia, and *also* to Africa.

The staging of the ninth UN Conference on Trade and Development (UNCTAD) near Johannesburg in April-May 1996 raised questions about the thrust of South Africa's foreign policy towards developing countries. This thrust has been emphasised by the assumption of the UNCTAD Presidency by South Africa's Trade and Industry Minister Alex Erwin. But, if South Africa is to form and consolidate special relationships, given limited resources, this would have to be clearly and accurately focused on those areas which are an investment for the future. In short, this will be with the OECD countries and those emerging markets where complementarities exist.

Given the realities of an emerging global liberal consensus, South Africa and Brazil will both have to head in similar directions. Their foreign policies can only be geared towards hooking-up with the markets of the OECD countries whether bilaterally or multilaterally. Hence the urgent need in South Africa's case for a commitment to establish profitable relations with the EU by a speedy conclusion of the current negotiations around a Free Trade Area (FTA), to abiding by the rules of the World Trade Organization and, importantly in the context of the current macroeconomic strategy debate in South Africa, to pursuing the global consensus around economic liberalisation.

Regional circumstances

This is not to say, however, that either nation can avoid their respective regions nor the niche markets present elsewhere. For both South Africa and Brazil are regional giants, and what happens to their domestic circumstances will inevitably affect their respective regional environments.

South Africa in Southern Africa

In the UN General Assembly in October 1994, President Mandela stated:

We are a part of the region of Southern Africa and of the continent of Africa. As members of the Southern African Development Community and the OAU, and an equal partner with other member states, we will play

our role in the struggles of these organisations to build a continent and a region that will help to create for themselves and all humanity a common world of peace and prosperity.

Yet, in doing so, South Africa will have to balance the need for regional with domestic development; and leadership of the region with regional political sensitivities around South Africa's role. The table below gives some indication of South Africa's regional dominance. Put another way, South Africa's economy is nearly four times as big as the other 11 members of the Southern African Development Community (SADC), or twenty times the size of the next largest, that of Zimbabwe. Though the South African government has, since 1994, tried to avoid the old apartheid government's stress of South Africa's regional dominance (and, thus, indispensability), this cannot be ignored. In 1994, South Africa exported nearly R20 billion worth of goods to its SADC neighbours, but imported only R4.8 billion from them; it has 23,000 of Southern Africa's 42,000 kms of railway lines; 58,000 of 87,000 kms of paved roads, and over 5.1 million of the region's 6 million motor-vehicles; it handled nearly 16 times more tonnage of goods through its harbours than those of the region; and it creates nearly 75% of sub-Equatorial Africa's total installed electricity capacity.¹⁶

¹⁶ See Esterhuysen P, (ed.), *South Africa in Sub-Equatorial Africa: Economic Interaction*. Pretoria: The Africa Institute, 1994, 78pp.

Southern African Regional Perspective (1993)

	Area (sqkm)	Population (m)	GDP (US\$m)	GDP/head
Botswana	600,400	1.2	3,740	2,670
Lesotho	30,400	1.7	510	408
Swaziland	17,400	0.7	950	1,174
Namibia	823,100	1.3	2,508	1,716
Zimbabwe	390,600	9.6	4,514	420
Zambia	752,600	7.9	3,995	352
Mozambique	801,600	14.0	1,467	97
Angola	1,25m	8.9	6,179	601
Malawi	118,500	8.9	2,019	192
South Africa (‘94)	1,22m	42.3	117,200	2,771

Source: The Standard Bank. *South Africa in Figures*. 1996.

The *South African Foreign Policy Discussion Document* notes that: ‘South Africa will have to work within the SADC to coordinate its positions on global issues at the UN and elsewhere in the process of developing OAU positions’.¹⁷ It goes on to note that: ‘South Africa has a leadership role to play in the SADC and in the NAM and a clear vision as well as a set of objectives for that role should be developed’. Within SADC, South Africa is, according to the Document, to ‘wholeheartedly support’ the recommendation to create an Organ on Politics, Defence and Security for

¹⁷ Department of Foreign Affairs, *South African Foreign Policy Discussion Document*. Pretoria: DFA, 1996, p.22.

the purpose of addressing issues of 'political dialogue, the strengthening of democracy and threats to the peace and stability of the sub-region'. Relations with SADC member countries are said to be of primary importance' and each embassy/high commission is thus to 'handle SADC issues in an integrated manner as a matter of priority'.¹⁸ The Document advocates the regionalisation of the 'South African RDP to promote development projects in the whole sub-continent', while 'Mission objectives should focus on coordinating mechanisms, promotion of trade and investment, regional development and interaction with South African provinces bordering SADC states'.

Yet, South Africa faces many 'complexities' in dealing with Southern Africa.¹⁹ These relate, firstly, to the restructuring of the Southern African Customs Union (SACU) agreement which is already being fundamentally altered by trade liberalisation. Secondly, in dealing with SADC, the problems around integration including the definition of the parameters of co-operation, so-called 'two-speed' integration with countries such as Mozambique and Angola, and the SADC-Common Market for Eastern and Southern Africa (COMESA) membership dichotomy need to be determined. Thirdly, SADC is not yet recognised by the Abuja Treaty establishing the Pan-African Economic Community (AEC). Fourth, it is unclear whether regional integration can occur without the presence of good governance and democratisation, but without which region-wide investment prospects could be adversely affected. Fifth, 'South-South' cooperation remains a South African government priority, and it is felt that a bilateral focus on regions elsewhere could detract from a concentration on Southern Africa. Finally, it is at this stage unclear what South Africa's bilateral relationships with, for example, the European Union and the World Trade Organisation will mean for South Africa-Southern Africa integration.

In June 1994, South Africa was offered a Free Trade Agreement by the European Union's Council of Ministers. In spite of support from SADC and the Afro, Caribbean and Pacific (ACP) countries it was decided that

¹⁸ *Ibid.*, p.27.

¹⁹ Bosman W, 'Regional Integration and the Multilateral System'. Response prepared for the conference on *South Africa in the Global Economy*, South African Institute of International Affairs, Johannesburg, 11-12 July 1996. For an excellent and concise summary on the implications for South Africa of the EU FTA, see Ismail F, 'Is EU's 'free trade' offer to SA a threat or an opportunity?', *Business Day*, 18 July 1996. Faizel Ismail is the Chief Director of Foreign Trade Relations in the Department of Trade and Industry.

South Africa be accorded instead full Lomé status, the Council also decided to exclude South Africa from the trade preferences enjoyed by the ACP nations and grant only qualified accession to the Lomé Agreement.

The effects of the proposed FTA will be debated for some time to come. It will mean, for example, that EU states will have more preferential access to the South African market than its SADC neighbours. At best, SADC member-states will have to compete on an equal basis against those in the EU which possess a competitive advantage in many areas. Furthermore, the EU agreement could be a precursor to similar arrangements being struck at the insistence of trading partners in North America (NAFTA) and in the East. At this stage it is thus not clear how South Africa's bilateral trade relations might, in short, impact on the potential route for South African-SADC integration.

However, there is clearly a need for unified regional action and investment in a number of key areas.²⁰ For example, the effective provision of water resources in Southern Africa is not so much a matter of choice, but rather of necessity, as several countries will face acute water shortages in the near-future. South Africa consumes 80% of water in the region, though less than 10% of the region's water is derived from within the Republic's borders. And given that South Africa will face absolute water scarcity by the year 2025 (when Mozambique, Tanzania and Zimbabwe will be 'water-stressed' but Malawi would have gone beyond the critical water scarcity barrier), a regional solution is necessary.

South Africa's present excess of electricity generating capacity will only continue, it has been argued, until the end of the century, and thereafter a 4-5% average annual rate of domestic economic growth will require between 1,200-1,500 MW of additional capacity each year. It is estimated that a regional approach to power system development could result in generating savings of US\$3 billion between now and the year 2010. The Inga River scheme in Zaire (a non-SADC member) could supply 44,000 MW annually.

Current estimates put transportation costs at around 30-40% of the final value of products sold in Southern Africa. This high cost factor can

²⁰ For a full explanation of these arguments, see Mills G and D Lautenbach, 'South Africa and SADC: From a Talking Shop to Real Development?'. Unpublished SAIIA Discussion Paper, August 1996.

be reduced through a cohesive and consistent regional transport policy. This has to be aimed at rationalisation and deregulation. For example, at last count there were 24 passenger and eight freight airlines in the region, and a ground arrangement of 122 airports - an unnecessarily duplicative and expensive network.

But, even if SADC was able to pursue a path of development integration temporarily sealed off from extra-regional market influences, the financing for such initiatives can only come from the private sector. And that sector will only become involved with liberalisation - where *national* deregulation and privatisation will spawn opportunities for investment and profit.

Brazil in Latin America

Brazil is a regional giant, accounting for an estimated 40% of Latin America's GDP (see the table below):

Latin American Regional Perspective (1994)

	Area (sq.km)	Pop. (m)	GNP (US\$m)	GNP/head (US\$)
Argentina	4,13m	34,180	275,657	8,060
Bolivia	1,1m	7,237	5,601	770
Brazil	8,54m	159,143	536,309	3,370
Chile	759,551	14,044	50,051	3,560
Colombia	1,15m	36,330	58,935	1,620
Costa Rica	51,298	3,304	7,856	2,380
Cuba	111,290	10,951	-	-
Ecuador	273,096	11,220	14,703	1,310
El Salvador	31,122	5,641	8,365	1,480
Guatemala	109,309	10,322	12,237	1,190
Honduras	112,520	5,493	3,162	580
Mexico	1,96m	91,858	368,679	4,010
Nicaragua	132,178	4,275	1,395	330
Panama	75,8088	2,585	6,905	2,670
Paraguay	408,324	4,830	7,606	1,570
Peru	1,295m	23,331	44,110	1,890
Puerto Rico	9,079	3,645	-	7,000 ('93)
Uruguay	176,896	3,167	14,725	4,650
Venezuela	915,574	21,378	59,025	2,760

Source: *The World Bank Atlas*, 1996.

Up until now there appears to have been a twin-track in regionalism - simply, that facilitated by Washington and, alternatively, indigenous Latin American initiatives. Growing recognition of the importance of intra-regional co-operation was spotlighted at the Miami Summit in December 1994 when 34 North and South American leaders united behind the vision of a hemisphere under a single free-trade regime by 2005.

Outside of the US initiatives, Mercosur (Mercado Común de Sur - or Southern Cone Common Market) and the Andean Group are probably the best known. With a combined member GDP of over R3.5 billion, the 200 million consumer union Mercosur began life under the Treaty of Asuncion on 26 March 1991, but came into effect as a tariff-free union on 1 January 1995. Average external tariffs have fallen to 14% under Mercosur and a common external tariff agreed for about 90% of products.²¹ With the signing of a framework agreement to develop free trade with the EU by 2005, the grouping could contain many lessons for the SADC region. These include:

- The combined weight of the Mercosur countries gives the region much greater economic clout.

List of Economic Powers' GDP, US\$bn, 1992

NAFTA	6,765	Russia	397
EC	6,744	ASEAN (minus Brunei)	375
Japan	3,507	Maghreb	90
Mercosur	642		

Although Mercosur's broader remit includes the coordination of, for example, fiscal and monetary policies, industrial and technical policy, agricultural policy and macroeconomic policy, essentially its immediate function has been carefully (at least to the outsider) focused so as 'to enhance

²¹ See *The Economist*, 29 June 1996. For a discussion on the nature of Mercosur, see European Union, 'Mercosur: An Enhanced Policy', *Info-Note* 29/94; also, Simon F & SK Purcell, 'The Impact of Regional Integration on European-Latin American Relations', *Europe and Latin America in the World Economy*. Boulder: Lynne Reiner, 1995, pp.39-84.

its members competitiveness in the face of increasing internationalisation of economic and trade flows'. Hence its first priority to introduce a customs union on 1 January 1995.

In the past, there was a confusing overlap of regional clusters - so-called 'multiple linkages' - which are now being streamlined through attrition: hence the operation of in the past of the Group of Three, Andean Pact, Central American Common Market (CACM), the Caribbean Community and Common Market (CAMCOM), and Mercosur. In this, there has been the tension of attraction between the North-based groupings and elsewhere - put another way, between linkages with NAFTA, and those with the EU. Despite the calls for the creation of a South American Free Trade Area (SAFTA), this tension would appear to have been resolved, with sub-regionalism being seen as a means to an end - such as global integration - rather than as an end in itself.

Mercosur has no overarching, bureaucratic structure as with SADC; instead it is simply a functional organisation which has tremendous success in boosting regional trade without being sidetracked by security and other issues. Mercosur has resulted in an increase in cross-border trade and investment (see the table below). The progressive decrease in protectionism has meant that the value of intra-regional (Mercosur) trade has doubled from US\$4.1 billion to US\$10 billion between 1990 and 1993.

Brazil's Trade Flows with Mercosur (US\$ billion)

Year	Exports to	Imports from
1988	1.6	1.1
1989	1.4	2.2
1990	1.3	2.3
1991	2.3	2.3
1992	4.1	2.2
1993	5.4	3.4
1994	5.9	4.6

Source: Pinheiro AC, *The Brazilian Economy in the Nineties: Retrospect and Policy Challenges*. Draft

Finally, greater regional co-operation has led to, on the one hand, an improved intra-Mercosur trade relationship (see above); and on the other, to cooperation in a range of multi- and trans-national infrastructure projects, such as the plan to pipe natural gas, due to start operating by 1999, from Bolivia to central Brazil.

Plans for a *hidrovia* (waterway) on the Paraná and the Paraguay are another such scheme. The proposed waterway will stretch from Brazil, 3,450 kms south down to the Atlantic, near Buenos Aires, ferrying goods to-and-from the heartland of the continent. Bolivia and the four Mercosur countries have an interest in the proposal, and it is viewed as a potential solution to Mercosur's poor transport infrastructure. Currently, nine-tenths of the region's cargo travels on poor roads and at a high price - a not dissimilar situation to Southern Africa.²² This *hidrovia* is one of several ambitious water projects under way in the region. Brazil alone is harnessing five river systems for a total of 8,000 kms of waterway.

SA and Brazil's bilateral interests: trade, investment and security

In terms of South Africa's overall foreign policy focus, the Mexican Ambassador to South Africa, Cassio Luiselli, has advanced an interesting concept - that of the 'New South', a loose clumping of states which possess economic, political and security complementarities on account of their size and strategic importance. This group is, as Luiselli puts it, the 'core' of the old 'South' or Group of 77 (G-77). According to his analysis, the 'New South' comprises seventeen states, where the GNP, population size, and the GNP/exports and share of manufacturing/GNP ratios are the primary membership determinants. These are: Argentina (GNP of US\$276 billion and 34 million population), Mexico (US\$370 billion and 92 million), Brazil (US\$536 billion and 159 million), Venezuela and Colombia (both US\$59 billion and 21 and 36 million respectively), India (US\$280 billion and 914 million), Indonesia (US\$168 billion and 190 million), Thailand (US\$130 billion and 59 million), Malaysia (US\$69 billion and 19 million), South Korea (US\$366 billion and 45 million), Poland (US\$95 billion and 38 million), the Philippines (US\$63 billion and 66 million), Turkey (US\$149 and 61 million), Egypt (US\$41 billion and 58 million), Saudi Arabia (US\$127 billion and 18 million), South Africa (US\$125 billion and 42 million) and Morocco (US\$30 billion and 26 million).

²² See *The Economist*, 17 February 1996, for details of regional schemes.

Luiselli has excluded China because of its 'obvious size' (US\$630 billion and 1.2 billion); Algeria (US\$46 billion and 27 million), the Ukraine (US\$80 billion and 51 million), Iran (66 million population) and Nigeria (US\$30 billion and 108 million) due to continuing and seemingly intractable problems of political stability; while the small population number of Chile (US\$50 billion and 14 million) and Singapore (US\$66 billion and 3 million) kept them out. While one might argue for-or-against the inclusion of a number of these states, the point Dr Luiselli makes is clear: they all have large economies and populations, and thus are attractive markets for like-minded emerging countries. They can form strategic alliances in economic fora, though the stress in this relationship is on *bilateral* rather than *multilateral* relations: the 'New South' is not another multilateral grouping or a reorganisation of the G-15 (Group of 15), but is rather a *modus operandi* for states which share similar interests. At the political level, they all are concerned with the need to reform the UN system in their favour. In strategic terms, they are major regional players.

What would all this add up to in the case of South Africa and Brazil?

Trade and investment

The economic improvements wrought to Latin America through macroeconomic reforms, regional integration and co-operation, the flows of foreign investment, wide-scale privatisation, the mining 'boom' and the state of the region's financial institutions, are all likely to impact favourably on the future nature of South African-Latin American trade and investment relations.

By the start of the new century, Latin America's annual metals exports worldwide should have doubled from their current level of R100 billion. This contains significant implications, both in terms of opportunities and threats for investors, for the mining industry in South Africa, are enormous and are likely to continue to affect relationships with those countries in Latin America possessing significant mineral exports.

In this regard, the investments by South African-based or linked companies in Latin America and Brazil are likely to increase, particularly as privatisation opens up new opportunities. Anglo American's plans to invest in a US\$1.5 billion venture with Brazil's Companhia Vale do Rio

Doce (CVRD) in the Salobo mining project in Pará should be viewed in this light.²³

Such investment highlights the debate about whether Latin American economies and South Africa are in competition or complementary. As the trade figures demonstrate, there is enormous potential for growth in bilateral trade, in part because the figures begin from a relatively low base, but also because the nature of the markets is so similar. South Africa's trade with Brazil increased from R957 million in 1993 (South African exports to Brazil were R403.9 and imports from, R554), to R1540.1 million in 1994 (R804.1 and R736.1), and R1924.3 million in 1995 (R1053.1 and R871.2).

Security and political relations

Currently, security-defence contacts occur mainly through the operation of the Zone of Peace and Cooperation in the South Atlantic (ZPCSA), the body formally created through UN Resolution 41/11 on 27 October 1986, and through the ATLASUR naval exercises such as the one held in South African waters from 19-24 May 1995 between South Africa, Brazil, Argentina and Uruguay. Ironically, the ZPCSA was proposed as a counter to the Southern African Treaty Organisation (SATO) initiative favoured by the South African government at that time. As the ZPCSA is covered by another contributor to this conference, it will suffice to note that the Zone is based on four 'windows' for action: namely the environmental window which is concerned with the protection of marine resources in the South Atlantic; the denuclearisation of the area; the sports window; and the economic and commercial window.²⁴ The goal to establish a *Community (or Commonwealth) of Portuguese Speaking Countries* is seen to be complementary to the broader aims of the Zone.

As the Fourth Ministerial Meeting of ZPCSA members held near Cape Town from 1-2 April 1996 indicated, however, there is much greater

²³ *Sunday Independent*, 21 July 1996.

²⁴ See Santos MA, 'A zone of peace and co-operation in the South Atlantic', *UNISA Latin American Report*, 10, 2, 1994, pp.46-51. Also, see the documents ('The Final Declaration') released by the Department of Foreign Affairs (DFA) at the conclusion of the Fourth ZPCSA Meeting held in Somerset West in South Africa from 1-2 April 1996; and Mills G, (ed) *Maritime Policy for Developing Nations*. SAILA: Johannesburg, 1995, 299pp. especially the chapters on 'Brazil', 'Argentina' and 'South Atlantic Maritime Co-operation'.

scope for regional (and bilateral) security interaction. There exist certain functional needs which have been neglected due to the years of apartheid. As the Brazilian Foreign Minister, Ambassador Luiz Felipe Lampreia, put it during his visit to South Africa in May 1994:²⁵

My visit marks the beginning of a very promising relationship, albeit one that is very young. This is because over the past 50 years relations between Brazil and South Africa were really only a formality, with initiatives being discouraged. Certain large-scale commercial initiatives were even prevented, for example the supply of training planes to the SA Air Force. The Brazilian Government decided to abide by the United Nations sanctions at the time and prevented EMBRAER from competing for the order. The result is that our relations are still in the initial stages. ... Brazil is an important actor in the international scenario and particularly in its own region. The same applies to South Africa, which is clearly the country with the greatest resources and potential in Southern Africa. It is therefore obvious that dialogue regarding integration, commercial expansion and economic development, will revolve around this axis formed by Brazil and South Africa within their respective regions. Of course this does not mean that Brazil will seek hegemony, or a self-imposed leadership status. It nevertheless carries weight and comprises a gravitational point that cannot be ignored.

In particular, drug trafficking is today a global threat in which co-operation between South Africa and Brazil may reap immediate dividends. This is most important for young, vulnerable democracies. In the words of the US Assistant Secretary of State for International Narcotics and Law Enforcement Affairs, Robert Gelbard:²⁶

The rapid globalisation of the drug trade over the past decade virtually assures that no country is immune to the threat. But the increasing ability of traffickers to market drugs anywhere, anytime is part of the danger. To succeed, traffickers must be confident they can operate with minimal or no government interference, and that they can convert their cash into tangible assets - two conditions that drive them to penetrate and corrupt

²⁵ Roelofse-Campbell Z, 'Brazil's new role in South and Southern Africa: an interview with Luiz Felipe Lampreia', *UNISA Latin American Report*, 11, 2, 1995, p.51.

²⁶ See Gelbard RS, 'Drug Trafficking in Southern Africa'. Paper presented at the conference organised by the SAIIA, World Peace Foundation and the Institute for Defence Policy on *War and Peace in Southern Africa: Crime, Drugs, Armies and Trade*, Johannesburg, 4-6 August 1996.

political and economic institutions. And the deeper this penetration sinks, the more at risk is the very governability of the state.

For South Africa, its political transition has opened the door to international criminals. Moreover, its geography no longer offers a modicum of protection as with the increase in international flight traffic (the number of foreign airlines arriving in South Africa has increased from 21 in 1990 to 54 today), the Republic has become a favourite transshipment point for international drug syndicates. According to Assistant-Commissioner Neels Venter of the South African Police Services, 'Since South Africa emerged from international isolation, it has increasingly become a transit point and now a consumer market for many types of rich-man's drugs'. There are today an estimated 136 drug syndicates, 112 'vehicle-related syndicates', 85 commercial/fraud rackets, and 71 diamond and gold related syndicates.²⁷

This problem obviously demands international solutions. In this, there is a peculiar Southern Africa-Brazil-Nigerian nexus which demands policing. According to Gelbard, Brazil is a 'cocaine source country for Nigerian traffickers' who ply their trade to, *inter alia*, the Cape Verde, Portugal, Angola, Mozambique and South Africa. He noted that in the Cape Verde, 'From March 1995 to May 1995, 98kgs of cocaine were seized, mainly from West Africans'; in Portugal, 'Between November 1994 and February 1995, 40kgs of cocaine were seized from South Africa en route to Mozambique'; and, in Angola '18.5kgs of cocaine were seized in 1994. In his words, 'Currently, cocaine is the most serious drug problem South African authorities face. Nigerians, who acquire the drug in Brazil and Argentina and smuggle it to Luanda and Namibia, manage most of the trade'. He also noted that: 'From 1993 to 1995, Brazilian authorities arrested 42 Nigerians in possession of a total of 266 kilograms of cocaine. Brazil is the primary staging area for Nigerian cocaine shipments because of its close historic ties to Africa and its large ethnic African population'. He went on, 'In 1993, Nigerians were responsible for more than half the cocaine that was seized in South Africa, and that percentage may be rising'.

The Fourth ZPCSA meeting in April 1996 noted with 'concern' the threat posed by drug-trafficking, and urged member states to accede to the

²⁷ See Venter CJD, 'Staunching the Flow of Drugs'. Paper given at the War and Peace conference, *ibid.*.

United Nations Drug Conventions 'as soon as possible'. Along with the careful management and policing of fish-stocks in the maritime domain, it is clear that the spread of drugs is an area where functional needs could encourage greater regional co-operation.

Finally, South Africa and Brazil have a shared interest in one other multilateral area: that of reforming the UN system. As regional leaders, both have potential stakes in an expanded UN Security Council - though both will have to carefully manage regional sensitivities over their role.

Other areas: lessons for South Africa?

South Africa and Brazil face many common problems, in part derived from their shared colonial past. Both have emerged from decades of authoritarian government, and suffer high levels of crime, violence, corruption and economic instability. Both worry over the need to uplift poor communities, and the effect that liberal economic reforms will have on these groups - hence the continued demand in South Africa for implementation of its Reconstruction and Development Programme (RDP), and in Brazil for spending on the 'social agenda'.

South Africa, in particular, can learn lessons from Brazil's experience with macroeconomic reform. The nature of the sequencing of these reforms, their effects (especially the social fallout), and the management of the opportunities created (through deregulation and privatisation) all contain important lessons. The recent furore over control of Brazil's Banespa Bank, for example, did not go unnoticed in South Africa, and the ending of Brazil's government monopolies in the electricity generation, the transport and the telecommunications sectors, in particular, will be watched (I suspect) closely.²⁸

In another area, Brazil's experience with policing, and topically for South Africa the use (or acceptability) of the army and vigilante groups in this role, contain lessons for Pretoria as it grapples with unacceptably high rates of crime.²⁹ At another level, both nations share the common problems

²⁸ See Handley A, 'Lessons from Latin America'. Paper presented at a conference on South Africa in the Global Economy, *op.cit.*.

²⁹ See Flynn P, 'Brazil: Conflict or Conciliation', *Research Institute for the Study of Conflict and Terrorism Conflict Studies Report 205*, October 1993, especially pp.18-29 for an explanation of rural and urban violence, the operation of drug syndicates, and the role of the police.

of emerging markets everywhere. The fallout from the crash of the Mexican peso included a review of all emerging markets as portfolio managers took a closer look at the economic fundamentals in a range of emerging markets - including South Africa. Finally, the method and operation of Mercosur could, too, contain lessons for SADC and Southern Africa.

Conclusions

At the moment, South Africa's foreign policy is a highly personalized and uncoordinated affair. At times it is less a policy than a profile into which the President occasionally breathes magic (though unfortunately not long-term investment funds). And while some of the high profile *faux pas* should not be interpreted as a sign of a new, rogue foreign policy path for South Africa, it is clear, too, that if Pretoria is to cultivate friends and allies after Mandela, it is crucial that it fully appreciates the demands and opportunities of the world outside.

Brazil and South Africa share many of the same problems: both nations are striving to cope with domestic inequalities and to fully integrate their economies into a world which is not always sympathetic to social issues. For both countries, a successful foreign policy demands a saleable domestic product - in particular, the pursuit of acceptable macroeconomic policies. The attempts to remedy social ills parallels current macroeconomic reforms. These efforts require improved trade and investment conditions, particularly with their closest neighbours. In this regard, the expansion of Mercosur to include Chile (and potentially Bolivia) gives that grouping further importance for Brazil's foreign policy. In Southern Africa, the relationship between South Africa and its SADC partners will inevitably be a major focus of Pretoria's foreign relations, particularly as the 12 member-states seek out areas of common interest particularly in the security, transport, electricity and water sectors.

There is, however, the prospect of special ties across the South Atlantic as emerging nations seek to grapple with similar problems and the (at times) conflicting strains of nationalism, regionalism, and globalism. In this regard, particularly, there is much scope for improvement in trade, investment and security ties between South Africa and Brazil - for new bridges across the South Atlantic.

South Africa and Brazil: Prospects for Co-Operation in Southern Africa

J. E. Spence

Any attempt to examine the degree to which Brazil and South Africa can influence the promotion of good governance, balanced economic development and regional integration throughout the region of southern Africa must proceed with a degree of scholarly caution. The two major actors, Brazil and South Africa, are often described as middle income developing countries and, indeed, do have several notable features in common. Yet this description does mask several important differences between them: historical experience as hegemonic states in two very dissimilar regional contexts; the extent of bilateral involvement in regional affairs before the work of internal transition began; and the relative standing of each in the global political economy and the hierarchy of power in the international system as a whole. These variables suggest that any co-operative role in southern Africa will require careful definition, and acknowledgement that a step by step pragmatic approach rather than the adoption of some formal blueprint in advance is to be preferred as the best guide to joint endeavour.

First some observations on the obvious similarities and differences between the two states:

Both have undergone transitions from authoritarian to democratic rule. The Brazilian experience has been longer and accompanied by an impressive commitment to economic reform via the liberalisation of the economy and the Real Plan. South Africa, by contrast, has only recently completed the work of political transition with the introduction of a constitution earlier this year. This, in effect, represented a final revision of

an interim constitution agreed in 1994 after a four year period of protracted negotiation. Economic and social reform is under way, but progress has been slow and haphazard and much remains to be done by way of liberalisation, deregulation and privatisation. And this, too, is also the case with respect to the implementation of the Reconstruction and Development Programme (RDP) - the centrepiece of the government's strategy for transforming the lives of the deprived black majority.

Both governments are relatively stable polities. Each has a tradition of strong statehood, and ethnic fragmentation of the kind evident in the former Soviet Union, Yugoslavia and parts of Africa is unlikely. In South Africa political violence has declined markedly since the advent of the Government of National Unity (GNU) in May 1994, although the low intensity war between rival Zulu factions of the African National Congress (ANC) and the Inkatha Freedom Party (IFP) respectively continues in KwaZulu-Natal. Crime, however, remains a serious problem for both societies and - in South Africa's case - it constitutes a significant deterrent against much needed foreign investment.

Despite differences in size, population and economic capability, both countries aspire to leadership roles in South-North relations, seeking to redress the balance of economic and political disadvantage characteristic of those relations. Brazil is clearly better placed than South Africa to be an influential global player in this context and has a greater variety of foreign policy options. Indeed, the pattern of Brazil's external relations seems more settled and better prioritised than South Africa's, the government of which is still in the process of devising priorities for the formulation and conduct of foreign policy.

The current debate in South Africa is instructive in this context: some critics claim that there is an over-emphasis on economic links with the rich North and Far East to the detriment of the country's role as an African power with commitment to a strong human rights posture. By contrast, the 'realists' in the Department of Foreign Affairs argue that the charge of Eurocentrism is misplaced; that increased trade and investment with and from e.g. the European Union must be the constraining influence on foreign policy if economic growth is to be assured and without which the task of social and economic reconstruction will fail for lack of resources.

Both states have regional roles of great significance, although their historical experience has been very different. South Africa has always been the dominant power in its regional hinterland and during the years of the

apartheid regime followed a variety of policies designed to increase its influence. In the 1960's, following the Unilateral Declaration of Independence (UDI) by the Smith government in Rhodesia, South Africa launched an 'outward movement' in foreign policy designed to establish diplomatic relations with selected members of the Organisation of African Unity (OAU) in the hope of breaking free of its isolated position on the African continent. (Malawi was, in fact, the only success in this context).

In the mid-1970's, following the withdrawal of Portugal from its African colonies - Angola and Mozambique - and an abortive military campaign to dislodge the MPLA government in Luanda Pretoria embarked on a 'detente' policy with a view to easing tension over the Rhodesian crisis, but again its efforts achieved little. In the 1980's, alarmed by the infiltration of ANC guerrillas into South Africa from neighbouring states, Pretoria embarked on a destabilisation campaign involving lightning military raids to weaken and eliminate support by governments for the ANC's armed struggle. This ceased with the onset of negotiations between the National Party government and the ANC after the unbanning of the latter (and a variety of other organisations) and the release of Nelson Mandela from gaol in February 1990.

Brazil, by contrast, inhabits a region in which it has been at peace with its twelve neighbours for over 120 years. It enjoys a variety of productive relationships with those neighbours: the Rio Group, the Amazon Co-operation Treaty, the Latin American Integration Accord and MERCOSUL. In other words, Brazil operates in a more 'benign' environment than South Africa in its region; the progress Brazil and its neighbours have made in adapting to the disciplines of the international market economy and the degree to which multilateral structures have been created to promote continentalwide solutions, stands in sharp contrast to the state of play in the southern African region, and indeed the wider African continent of which southern Africa is a part.

Thus Brazil is well placed to play not simply a dynamic role in Latin America, but also in global terms. As Ambassador Rubens Antonio Barbosa, Brazil's London representative recently remarked at a Chatham House conference:

The variety of Brazil's international interests has made the country a "global player". We are one of the few developing countries with global interests and an international presence. Europe

is our cradle and the Americas our hemisphere. Africa is our neighbour across the Atlantic and one of the origins of our culture. We share a language with five African countries and maintain diplomatic relations with the entire continent. The Brazilian contingent in UN peace missions in Africa numbers more than a thousand. Our links with Asia are strong and becoming more and more important. Brazil has the largest community of Japanese origin outside Japan. We are engaged in a joint satellite construction programme with China, which is considered to be the most important technological co-operation project in the world between developing countries. We have deep affinities with India in terms of ethnic and religious diversity, size and population, and especially with regard to our position in world forums.

There is also a noteworthy commitment to multilateralism expressed in Brazil's role in the Uruguay round of the GATT negotiations and in the functioning of the World Trade Organisation (WTO). Again, to quote Ambassador Barbosa: "We have commercial relations with practically every country in the world, evenly spread among the most important regions. 28% of Brazil's trade is with the European Union, 25% with NAFTA, 21% with South America and 16% with Asia".

Finally, we may point to Brazil's role as a mediator in forums as diverse as the 1922 Rio Conference on the Environment and Development; the 1993 Human Rights Conference in Vienna and the Paris negotiations on chemical weapons in 1993.

By contrast, South Africa inhabits a continent which is in danger of being marginalised as a consequence of the end of Cold War competition; the preoccupation of the rich north with adaptation to globalisation (and in Europe's case closer union in the absorption of the states of Eastern and Central Europe into the Union); and the insistence on 'good governance' and structural adjustment as the price of debt relief, further aid and investment. This emphasis on 'conditionality' is the consequence of thirty years of economic mismanagement, corruption, one-party statehood or

military dictatorship, and had, by 1990, produced a mood of disillusion about the continent's future verging on despair at the spectacle of state collapse under the pressure of prolonged civil war and ethnic division.

Whether external strategies can manipulate the pace of change in a positive and ultimately beneficial direction is open to argument. One astute observer, Stephen Riley has argued that:

there is...an inconsistency in...requiring both domestic reform and continued economic adjustment and austerity. It is unlikely that the newly enfranchised citizens will actually vote for further austerity. Juggling the competing demands of external donors and an active citizenry is likely to remain difficult, despite the 'techno-politicians'.

Riley is surely right in stressing that "some democratic states may thus fall to revived authoritarianism or at least military *coups d'état* as a consequence".

Perhaps the scale of the problems confronting many African governments are simply too vast for externally generated solutions to affect the outcome significantly in a positive sense. As Riley points out:

These new regimes have to balance the demands of their external predators against the pressing needs of their newly enfranchised citizens...[yet]...life expectancy for black Africa as a whole averages just over fifty years. The United Nations has estimated that by the middle of the 1990's 400 million Africans will be living in poverty, 260 million of them women. These are not encouraging conditions for the stability of the new democratic governments...they also have to cope with the residue of the policy headaches of the 1980's: economic decline or stagnation, war, famine, refugees, environmental degradation, population pressures, food shortages, AIDS and other health problems, and policy reforms such as structural adjustment, privatization and market liberalization.

In view of this bleak outlook for the continent it is hardly surprising that South Africa has been cautious in responding to the siren calls of the West to use its economic skills and military resources to help restore failed or collapsed states to some semblance of viability. The contrast with Brazil is, therefore, striking: Latin America - despite the magnitude of the social and economic problems facing its governments - is not a continent threatened with the spectre of state collapse à la Africa. Nor is it a region threatened with marginalisation by the international community. This profound difference, therefore, imposes a set of constraints on South Africa. It is likely, therefore, that its government in so far as it has energy and resources to spare from the task of social and economic reconstruction at home, will sensibly concentrate on doing what it can to promote regional (i.e., southern African) initiatives rather than attempt some grandiose strategy designed to rejuvenate Africa south of the Sahara as a whole.

The regional context

South Africa's re-entry into respectable international society also brought hope to her immediate neighbours in the region. As remarked earlier, for over a decade several of these states Lesotho, Angola, Mozambique, Zambia and Zimbabwe - had been exposed to a South African strategy of destabilisation designed to undermine their support for ANC exiles. The latter, in turn, were attempting to mobilise indigenous support by means of the 'armed struggle'. The problems these poorer and weaker states faced were compounded by economic dependence in varying degrees on their powerful neighbour. To reduce this dependence, a Southern African Development and Co-ordination Conference (SADCC) was established in 1981, but, if anything, the dependence increased as trade statistics amply demonstrate: "the value of intra-SADCC trade is approximately 4% of the total trade of SADCC countries; 25% of total trade is with South Africa. It is the severe imbalance of trade between South Africa and the region: 5.5:1 in favour of South Africa".

Thus when the 'new' South Africa joined SADCC (subsequently named the Southern African Development Community) (SADC), in 1994, there was a genuine expectation that the region as a whole would benefit from the 'engine of growth' the new member represented. Furthermore, there was the prospect that the economies of the member states would ultimately move towards greater regional integration and, by so doing,

follow the example of states elsewhere in establishing regional groupings (e.g., NAFTA, KU, APEC, and MERCUSUL). This tendency towards state aggregation is regarded as a means of countering the declining utility of state sovereignty under pressure from the impact of globalisation. In other words, the southern African region, by increasing the level of inter-governmental co-operation in the short term, and over the long run maximising the opportunities for integration, might well escape the marginalisation that threatens so many small and under-resourced states elsewhere on the continent.

Paradoxically, a region that seems better placed than its counterparts elsewhere on the continent to survive the threat of marginalisation has endured a variety of violent modes of struggle ranging from civil wars in Angola and Mozambique, wars of liberation in Namibia and Zimbabwe to low intensity urban and rural conflict in South Africa. By contrast, the decolonisation process in much of Africa south of the Sahara in the post-war period was relatively peaceful - the exceptions being Eritrea and Kenya during the Mau-Mau phase. It was once fashionable to posit a positive cause and effect relationship between 'revolution' and state and nation building, on the grounds that the 'struggle' produced a catharsis, a purging of the body politic, and in the process transformed a divided society into a coherent and dynamic state capable of meeting the needs of its people and asserting itself in the international system. This is a dubious proposition, and hardly borne out by the experience of Nigeria in the wake of civil war in the 1960's.

Consider, too, the experience of Angola and Mozambique one that highlights the pattern of uneven development characteristic of the region as a whole. Neither has ended in the transformation of state and society; rather, both have left a legacy of death and destruction that will take decades to repair. The precarious truce that currently exists in Angola between UNITA and the MP LA government, and the uneasy coexistence of Renamo (the defeated party in the 1994 elections) and the ruling Frelimo party in Mozambique are fragile structures created by the mutual exhaustion of all the actors involved in earlier struggles and a recognition that the costs of continuing conflict exceeded the costs of compromise and peace-making. And the uncertainty surrounding the future of both countries has important implications for the region as a whole and SADC in particular. The objective of greater inter-governmental co-operation, let alone full scale functional integration, will remain all the more difficult to achieve unless and until a

legitimate and stable government is established in Angola, and Mozambique makes significant headway with the task of social and economic reconstruction.

Moreover, the extent to which South Africa can aid the integration process has to be qualified in two important respects: first, there is an understandable fear on the part of its poorer neighbours about the possibility of a hegemonic role for South Africa by virtue of its greater economic and political muscle. Jakkie Cilliers has graphically illustrated the dependence of these states on South Africa.

In 1992, South Africa exported some R17,35 billion worth of goods to its neighbours, but imported only R4.12 billion from them; it has 23,000 of southern Africa's 42,000 kilometres of railway line; 58,000 of 87,000 kilometres of paved roads, and over 5.1 million of the region's 6 million motor vehicles. South Africa handled nearly sixteen times more tonnage of goods through its harbours than those of the rest of the region and it creates 75% of sub-Equatorial Africa's total installed electricity capacity.

Even before the new government took power in May 1994, President Mandela recognised the political implications of this dependence, arguing that South Africa would have to treat its neighbours with "sensitivity and restraint".

The second qualification is the constraining influence of domestic pressures on the government as it struggles to restructure the local economy and meet the pressing needs of its citizens. The latter constraint might seem - at first sight - to cancel out any incentive for South Africa to exert unwelcome influence in the region, but its leaders have long memories of the apartheid regime's destabilisation strategy. Indeed, in this context it is significant - as Keith Somerville reminds us - that South African efforts to mediate in Angola, following the 1992 election, were rebuffed by the Luanda government after the discovery that the South African Defence Force were still involved in supplying arms to UNITA. Similarly, South Africa was not invited to participate in the UN peacekeeping force attached to Angola in 1994 following the truce between the warring parties.

It is in this context that Cilliers' analysis has continuing relevance: he rightly argues:

South Africa's destiny is intertwined with that of the region's. South Africa shares more than 1000 kilometres of porous, unguarded, sometimes even unmarked borders with its neighbours - borders giving access to increased numbers of illegal immigrants, drugs, arms, contraband and stolen vehicles.

Thus the creation of a new security regime is essential to cope with trans-national threats to the region's stability; indeed, it could be argued that just as the establishment of NATO in 1949 provided Europeans with the confidence to proceed with the work of economic integration, so a similar outcome is essential in the case of South Africa. One may fairly conclude that the outcome in terms of regional cooperation is likely to be a number of bilateral intergovernmental agreements in areas where a common interest exists (and security is the obvious example), and region-wide economic co-operation where this is possible on a functional basis involving common exploitation of the transport linkages, power supplies and water resources. This process will, admittedly, be slow and haphazard based on the principle that regional structures will only emerge once the substance of day to day economic and social transactions across borders multiplies to a level where regulation by regional institutions is required to create a 'level playing field'.

It is also true that the major actors in southern Africa following periods of protracted violence - ultimately learnt the value of compromise in protracted constitutional negotiations, and this constitutes an important asset in their current diplomatic and political efforts to find common ground for the creation of a network of regional structures. In promoting this objective, regional leaders have this advantage, that the relationship between South Africa and its neighbours will certainly be very different from that which prevailed during the apartheid era when a profound ideological gulf made self-conscious and fruitful co-operation very difficult, if not impossible. At the very least, in the new post-apartheid era, relations will be governed by straightforward economic and political interests; clashes may well occur on issues such as migration from the poorer states to its richer neighbour, but at least there is an acknowledgement that co-operation rather than competition - as in the past - is the only basis on which to make progress.

The continental context

As for South Africa's wider continental role, its economic and military capability together with the moral authority of its State President following the country's successful transition to democratic government, has raised expectations at the OAU, for example, that the new government would conduct a constructive and dynamic policy designed to help raise the continent's economic performance and assist in the task of conflict resolution. Yet the Mandela government, following the failure of 'cautious diplomacy' to secure the release of the Ongoni dissidents in Nigeria in November 1995, has resisted calls to be the 'saviour' of Africa. This applies particularly - as Cilliers argues - with regard to peacekeeping operations beyond its borders, especially where this threatens to draw the country into "intractable conflicts and commitments".

This is hardly surprising given the formidable domestic agenda inherited by the Mandela government and - in particular - the priority attached to merging the security forces of the old regime and the military wings of the liberation movements into a coherent and efficient South African National Defence Force (SANDF). Nor can the government ignore the current debate about the appropriate size of South Africa's military capability, given that resources are limited, with many competing claims in the area of economic and social reconstruction to consider.

Brazil-South African relations (for trade statistics see Appendix I)

Given its population make-up (the country with the largest black population outside of Africa), Brazil is the one Latin American country with a vested interest in Africa, as evidenced by their enthusiastic support for UN peacekeeping efforts in both Mozambique and currently, Angola. Brazil traditionally opposed the "apartheid regime" and actively pursued the isolation of the old South Africa in international fore. The so-called "Sarney decree" of 1986 virtually froze all relations between the two countries.

Brazil responded very warmly to the advent of the "new" South Africa. President Cardoso eulogised the South African experience in his inaugural speech and indicated the improvement of relations with South Africa as one of the foreign policy priorities of his government. Foreign Minister Lampraia undertook the first official visit ever by a Brazilian

Minister to South Africa in May 1995. Minister Alfred Nzo reciprocated during October of 1996 and was warmly received in Brasilia, also by President Cardoso.

Bilateral relations have improved dramatically over the past two years. Two way trade more than doubled and South African exports to Brazil during 1995 exceeded R1 billion for the first time. Tourism from Brazil to South Africa also shows a steep increase. Military relations have been normalised with the exchange of military attaches and several joint naval exercises have taken place with the emphasis on safeguarding the South Atlantic.

There is increased co-ordination of positions in multilateral fore. Brazil actively supported South Africa's entry into the fold of the South Atlantic Zone of Peace and Co-operation, which Pretoria currently chairs, and which provides a most useful vehicle to further regional co-operation.

Brazil is without any doubt a major player in the emerging world and a very important partner in south-south co-operation. In president Fernando Henrique Cardoso, the country has a very able and popular leader, much respected for his commitment to democracy and the pursuit of human rights and social justice. His visit to South Africa will, without any doubt, solidify the emerging and potentially very important relationship between two regional powers and important role players in the Southern Hemisphere.

The emphasis on the denuclearisation of the South Atlantic and the desire to establish a treaty to protect the marine environment in the South Atlantic are not new and are closely related to the deliberations of the past ministerial meeting of the ZPCSA (Somerset West, April 1996).

Brazil is, in particular, interested in possible joint ventures for application in countries like Angola and Mozambique. A major Brazilian international conglomerate (Odebrecht, SA) has, for example, opened offices in Johannesburg. Mining houses in South Africa (Anglo, De Beers and Gencor) are already established in Brazil.

South African Airways and Varig maintain direct airlinks between Rio de Janeiro and Cape Town/Johannesburg. Varig operates a flight twice weekly, one with Bangkok as end destination.

South Africa successfully participated in a variety of trade, cultural and agricultural shows (eg EXPOSUL '93, '94, '95 in Curitiba,

EXPOINTER in Porto Alegre (1994), FESTA DAS NAÇÕES '93 and '94, Exposição 1995 in Londrina).

Prospects for co-operation between Brazil and South Africa in the Southern African region

What has been argued so far in this paper will - it is hoped - provide a helpful background for a discussion of the potential for further collaboration in promoting the economic and political development of the southern African region as a whole. On the face of it, the disparities in size, GNP, economic performance and global status between the two key actors - Brazil and South Africa - seem formidable. Yet South Africa and the region it dominates needs all the help it can get and what follows is a summary of what might be achieved by the two countries acting in concert.

First, South Africa has much to learn from the experience of Brazil's transition. True, the provenance of each was different; in Brazil's case a transition from military rule; in South Africa's a constitutional settlement arising from a pact between representatives of the old apartheid regime and those representing the deprived black majority. At the level of economic and social reconstruction, however, both governments have had to recognise the necessity for conformity with the principles of a liberal, free market economy in which the role of the state is progressively reduced. The Brazil government - as remarked earlier - have made greater progress in this context, while its South African counterpart has yet to 'bite the bullet' of privatisation, deregulation and liberalisation. Its leaders in this respect are on a steep learning curve, not helped by the fact that many are products of a now discredited ideological climate which emphasised the virtues and necessity of state control of the commanding heights of the economy. There is, too, the constraining influence of the trade unions whose leaders fear the impact of liberalisation and the consequences for employment in a country where unemployment is some 40% of the adult male population.

Nevertheless, South African leaders have acknowledged the relevance of the Latin American experience for South Africa. Aziz Pahad, the Deputy Foreign Minister argued, for example, after a visit to Brazil earlier this year that he was impressed by "the economic transformation through wholesale restructuring and privatisation programmes. Furthermore, South Africa, which should now follow along, could learn

valuable lessons from this experience and “leapfrog” to a take-off point of economic growth. We must leapfrog stages - we don’t have to go through the early stages....One advantage of coming late is that we do not have to reinvent the wheel again”. He also drew attention to the “inventive mechanisms of privatisation and the way in which all role players - the private sector, the government and unions, had co-operated. Our Nedlac idea will be the basis of key role players coming together to assess things in a more transparent and economic way” (15). Indeed, the Brazilian experience of privatisation might well be relevant to South African efforts in this context. It is interesting that the British government has sent a high ranking Department of Trade (DTI) official to advise Pretoria on the issues involved. Why not, then, a Brazilian official as well, and one with some understanding of the incentives and constraints that attend a developing country’s commitment to privatisation?

Second, trade and the establishment of regional trade structures: in 1993, Brazil was South Africa’s 18th largest trading partner internationally.

Exports from South Africa jumped by 84% in 1994 (over 1993), mostly because of the sale of synthetic alcohol, whilst Brazilian exports correspondingly grew by 26%. Total bilateral trade in 1994 came to Rand 1 504 211 000, a strong increase over the 1993 total of Rand 957 926 800. Significantly, the trade balance swung into South Africa’s favour for the first time in many years.

During 1994 Brazil became a bigger export market for South African products than traditional trade partners like, for example, Australia (R666 million) and Canada (R481 million).

South African exports to Brazil also exceeded exports to the rest of Latin America combined.

It is common cause, however, that the potential for further expansion is vast and that a figure of US dollars 1 billion (total bilateral trade) is attainable in two to three years. By the same token, advice from Brazilian ministers and officials involved in the creation of MERCUSUL would be invaluable to South Africa as they engage in a similar enterprise. Here we should note the signing of a trade protocol by the SADCC states in August in Maseru which encourages the elimination of import duties throughout the region over a three year period. Here too is yet another area where Brazil’s role in establishing MERCOSUL might provide a source of

assistance and advice to South Africa and its neighbours as they grapple with the issues involved in establishing a free trade area.

Third, the signing of protocols at the Maseru meeting with regard to co-operation in reducing drug traffic, the harmonisation of energy policy and the integration of transport communication networks suggests areas where Brazil's experience and cooperation with its neighbours might well have insights and lessons for their southern African counterparts.

Fourth, bilateral relations are being strengthened year by year. Military attaches were exchanged and two joint naval exercises have already been conducted. Reciprocal visits and training exchanges are taking place regularly. The Mission staff was recently enlarged by the addition of two SASS officials and co-operation with their Brazilian counterparts are good. The head of SANAB visited Brazil earlier this year and a channel for the exchange of operational information was established and practical results were already obtained. SANAB will station a full time specialist in Brasilia towards the end of August 1996. The need to establish a bilateral drug enforcement agreement was mutually recognised.

The recent appointment of Ambassador Oto Maia to South Africa marked the first time ever that a professional diplomat with the rank of Under Secretary-General is appointed as Ambassador to any African country.

Fifth, Brazil's extensive experience in peacekeeping in Africa and elsewhere might well provide guidance in doctrine and application for South Africa as it considers its role as a conflict-resolver in the region and further afield. As argued earlier, military exchanges between the two countries are already under way at a variety of levels. With regard to the enhancement of naval co-operation in the South Atlantic, much will depend on the willingness of the Pretoria government to expand its maritime capability. As in the field of foreign policy, a keen debate is under way on the scope and substance of the country's defence posture. This was patently evident from the reception given to the Ministry of Defence proposal to purchase Corvettes and submarines to replace ageing and obsolete capability

Sixth, could it not be argued that the two countries also have something to learn from each other with respect to controlling crime? After all, if a senior representative of the US Federal Bureau of Investigation had pertinent things to say on this issue during a recent visit to South Africa,

why should the same not be true of a Brazilian police official familiar with the contours of third world crime?

Finally, the recent establishment (July 1996) of a Community of Portuguese Speaking Countries (CPLP) incorporating Brazil, Portugal, Angola, Mozambique, The Cape Verde Islands and Guinea Bissau provides Brazil with additional incentive and scope for an active role in Africa and the southern African region in particular. The latter's efforts to promote regional integration are - as claimed earlier - handicapped by the parlous economic position of Angola and Mozambique following decades of civil war. The reconstruction of these two states is essential for the prosperity of the region as a whole and Angola, in particular, will require massive injections of aid, investment and technical assistance if its very considerable economic resources are to be properly exploited. In particular, its communication links with neighbouring states will require major repair.

Brazil is well placed through its membership of the CPLP to assist in this process and the private and public sectors of both South Africa and Brazil may well see opportunities for co-operation to restore Angola's economy to some semblance of normal operation. Indeed, in a recent interview, Mr Luiz Felipe Lampreia, Brazil's Foreign Minister, emphasised that "Brazil and Angola have developed very close ties which have translated themselves into extensive credit, food, support and training programmes". He also made reference to Brazilian assistance for Mozambique where Brazilian experts are involved in helping the country "to develop structures for transportation, mining, agriculture, etc". In the same interview he also cited the common experience of South Africa and Brazil in the development of low income housing. He cited Brazil's development of technology in this context and the fact that some Brazilian companies have already approached their South African counterparts with a view to sharing their know-how in the housing industry.

Nor should the fact that the majority of southern African states belong to the Commonwealth prove a significant impediment to co-operation. Mozambique, in fact, belongs to both Associations and small, weak states in general have much to gain from membership in as many international organisations as possible. Indeed, both the CPLP and the Commonwealth have the bulk of their membership in the southern hemisphere. The experience of the Commonwealth as an association designed to maximise profitable linkages between like minded states and a

host of professional associations in the south might well provide a valuable object lesson for the CPLP in fostering similar categories of formal and informal co-operation. Nor is there any reason why the two associations should not share the benefits of their experience and work together to rehabilitate the southern African region and at the same time provide a united front in larger organisations such as the World Trade Organisation and the United Nations when bargains have to be struck between the South and the North on issues such as multilateral trading arrangements, environmental degradation, restructuring of the UN, and the division of responsibility on peacekeeping and peace enforcement arrangements.

Conclusion

This paper has attempted to sketch out possible arenas for co-operative endeavour between Brazil and South Africa. Both states, despite the differences between them in terms of historical experience, economic development, global influence and regional perspective, have a vested interest in asserting the claims of the south in relation to the rich and powerful northern tier of international society. Both can assist each other with respect to their regional roles; both have a capacity for leadership in their respective regions in the knowledge that a combination of skilful diplomacy underpinned by bilateral economic and political co-operation might well ensure a significant contribution to the establishment of a more peaceful and just world order.

Brazil and South Africa: a Comparative Analysis of the Foreign Policies of South Africa and Brazil*

José Flávio Sombra Saraiva

Introduction

The context of preparation for the visit of President Fernando Henrique Cardoso to South Africa is an appropriate moment to reflect on the insertion of Brazil and South Africa on the international stage. Both countries occupy privileged positions in the balance of sub-regional power and in the strategic game of their own regions. Furthermore, they both find themselves in positions to demand a greater role in the chessboard of international relations in the nineties.

The main objective of this paper is to compare their foreign policies. Such a comparison is always a complex exercise but a necessary one. Only through a comparative view will it be possible to detect certain similarities and differences. The importance of comparison - here used in the sense to which Adam Watson refers in his excellent work “: The Evolution of International Society”¹ - is that of bringing about the possibility of identifying the processes and values in common as well as pointing out the inequalities, differences, contrasts between two or more countries, or groups of countries, in their relations with the rest of the world.

The historical origins still provide the best means to proceed in this exercise of comparison of the foreign policies of countries. History is here to be understood not as a mere preface , but rather a movement, a

* Version by Susan Guimarães.

¹ WATSON, Adam, *The Evolution of International Society. A comparative historical analysis*, London: Routledge, 1993, pp. 13-20.

process and above all a radical attempt to understand the continuations and ruptures in the traditions of different foreign policies. Without history, foreign policy suffers from the lack of ballast; without tradition foreign policy is restrained from building an array of options for the future. The methodology developed here does not ignore the contribution of qualified comparisons in indices and mathematical and econometric models, but reaffirms its limitations for tackling more profound courses in foreign policy.

In the field of international relations, and in the comparison of foreign policies in particular, the theories have not usually preceded and guided the practical operations, as occurred in the internal planning of the governments and its policies. On the contrary, they have accompanied and interpreted the experiences created by their own existence.²

The celebrated return of South Africa to the international community has encouraged comparative analysis with Brazil, which has been for more time part of the international system. The political mechanism that permitted South Africa this transition into a democratic, and pluralistic life, came about without the high costs of a civil war. This gives a special meaning to the possibility of a comparison of its foreign policy with countries such as Brazil, more secure in its democratic destiny, but which still carries with it, as South Africa, a strong amount of social domestic violence.

The central argument of this paper is that there exists more affinities than differences between the two foreign policies; and that this will facilitate an eventual coordination of policies between South Africa and Brazil, whether it be on the bilateral or multilateral level.

The experiences created by the historical existence of each one of the two foreign policies demonstrate two strong traditions. The first is a continuity of the concept and the execution of their permanent objectives. The second is a cautious strategy of international insertion, in situations marked by uncertainties or transformations charged with multiple possibilities. The first part of the paper will evaluate these dimensions.

There are also differences which call our attention and should be taken into account in policies of approximation. This will be the intention of the second part of the paper.

² Idem, *ibidem*, p. 6.

Similarities in the diversity of historical experiences

It is evident that the historical experiences of Brazilian foreign policy were quite distinct from that of South Africa. However, it is equally interesting to note that, since the first experiences, there exists similarities between the two countries. In certain respects, the evolution of Brazilian foreign policy can encounter more parallels with South Africa than with some of its actual partners in Mercosur.

Brazil moved from a situation of mercantile colonialism to a condition of center of the Portuguese Empire in the first quarter of the nineteenth century. The passage to independence brought with it a strong bureaucracy, values and Portuguese traditions with regard to foreign affairs, the art of diplomacy, and the artifices of negotiation. The presence of a king in Brazil, Don Pedro I and then Don Pedro IV in Portugal- with a head in Lisbon and a body in Brazil, gave a special connotation to the negotiations for recognition of the Imperial State that would arise in September of 1822.

During the course of the nineteenth century, nevertheless, it developed a positive, professional and stable standard of insertion in the global stage integrated in the international order which was, dominated by the expansion of the European International Society. This model remained during the Old Republic, in spite of the reduction of its scope and the limitation of national to coffee plantation owners interests. Thus emerged the model of "foreign policy of agricultural exportation", as defined by Clodoaldo Bueno.³

Afterwards, during the next thirty years, a more consistent foreign policy, would be developed with a wider vision of national interests and based on a project of development. The study of the evolution of this foreign policy, inaugurated by Getulio Vargas, demonstrates how much its fundamentals were preserved up until the present day.

The same positive insertion was sought by the South African settlers in the construction of their saga in Southern Africa. A history of isolated construction in the extremity of Africa, of a pluralistic society, but a

³ CERVO, Amado e BUENO, Clodoaldo. *História da Política Exterior do Brasil*. São Paulo: Atica, 1992. Ver também BUENO, Clodoaldo. *A República e sua Política Exterior (1889 a 1902)*. São Paulo/Brasília: UNESP/IPRI, 1995.

stratified one, was the basis for a gradual consolidation of a state that searched for , since the beginning of its development , a place in the sun.⁴

The British occupation, the fighting between whites and blacks over the question of land ,the Anglo-Boer War of 1899-1902, the formation of the South African Union between 1908 and 1910 were part of the profound course that led to the consolidation of a White State of Afrikaner , which lasted until the construction of a new state model in the second half of the forties. The second important chapter in this history, begun in 1948, provoked an internal division with segregation and apartheid.

South African foreign policy, during the present century, was reactive and positive to the international designs. On the side of Brazil, the South African delegates were present at the negotiations at the end of World War I (1914-1918) in Europe.They called attention, as did the Brazilians, for limits to a European negotiation excluding Germany in a revengeful effort of reordering, in the period between wars, by the egoistic dimensions of national interests. The same took place at the end of the Second World War when Brazil and South Africa began to lead efforts of westernizing the South Atlantic under the benevolent and interested eyes of the head of the Alliance, the United States.

Brazil and South Africa: regional leaders and important roles in international relations

Both countries have sought to develop, since their beginnings, an active insertion on the international scene. They have defined, since an early stage, their permanent objectives, and these objectives were constructed in a similar way by both countries.

Brazil sought to affirm itself with the other nations as a country possessing the capacity and the means to establish local leadership and play an important role in international relations. From Rio Branco to Vargas, from diplomacy of agricultural exportation to the model of national development, foreign policy attempted to instrument the prime objective in the building of regional respect. National respect, the objective articulated throughout the last decades, was achieved, among other motives, due to an active and perceptive foreign policy.

⁴ DAVENPORT, T.R.H., South Africa. A Modern History. London: MacMillan, 1992, pp. 19-27.

From the writings of Oswaldo Aranha, in the decade of the thirties, to the unfolding of diplomacy during the period of the military governments, Brazil always kept the wish to be recognized as a leader in Latin America and more particularly in South America.⁵ The wish to lead, however, would not be accomplished by force nor by wars, but by the capacity to support national development, industrialization, modernization, urbanization, and the values of cultural identity regarding an international hegemonic center, particularly the West.

South Africa, simultaneously, inserted itself in international relations, procuring to secure regional leadership in Southern Africa and on the continent as a whole. Jan Smuts, at the beginning of the century, fashioned a mode of personalized South African diplomacy, as did similarly Rio Branco in Brazil. His conceptual framework, his philosophy of work, his knowledge of international life etc., led him to enlarge the role of South Africa in the region and in the concert of nations.⁶

In spite of the international rejection of apartheid and especially during the difficult period called "diplomacy of isolation"⁷, South African foreign policy attempted to break the limited circumstances of international misconfidence to form an area of regional operation under its influence. The workers of neighboring countries in the South African mines, the capacity of Pretoria to prevail in its objectives in the region, the economic dependency of the countries of Southern Africa in relation to South African development, the threat of transnational interests in areas of strategic minerals, as a point of passage on the oil routes from Asia and the near East to the West, among other factors, help to build a position of regional power for South Africa.

⁵ McCANN, Frank D., "Brazilian Foreign Relations in the Twentieth Century", in SELCHER, Wayne (ed), *Brazil in the International System: The rise of a Middle Power*. Boulder: Westview Press, 1981, p. 10.

⁶ EVANS, Graham, "South Africa in Remission: the Foreign Policy of an Altered State", Second Pan-European Conference on International Relations, Paris: September, 1995 p. 24.

⁷ See this idea in the classic book of GELDENHUYS, D., *The Diplomacy of Isolation*. Johannesburg: Macmillan, 1984. See another classic text on South African Foreign Policy: BARBER, & BARRATT. *South Africa's Foreign Policy: The Search for Status and Security, 1945-1988*. Cambridge University Press, 1990. On International Relations of the ANC, see the doctorate thesis of THOMAS, S. "The Diplomacy of Liberation: the International Relations of the African National Congress of South Africa, 1960-1985", London: University of London, 1990.

There is therefore, a vivid historical culture in the two countries that leads them to recognize themselves as capable of directing, with naturality, regional relations. And this was accompanied by another culture, rare in African and American foreign policies, which is the maintaining of their standards of behavior during a long temporal cycle.

Brazil has a clear vocation for continuity in foreign policy. All analysts point to this characteristic as permitting the country, during the last fifty years, to move from domestic situations of instability to situations more stable without altering its behavior on the international level.

South Africa is also an exemplary case of continuity in foreign policy on the African continent. Since Jan Smuts, passing to the ambitions of the regional hegemony of the old National Party with its project of a "constellation of states", to the so called "new diplomacy" articulated in the final moments of apartheid, and presented by Neil van Heerder in 1989, until the most recent phase called "diplomacy of liberation" of the CNA, what stands out is a surprising continuity contrasting with periods so diverse in the domestic political life.

Chris Alden, in his interesting study on the evolution of perceptions on foreign policy of the CNA, called attention in 1993, in the middle of negotiations during the period of transition which led a year later to the presidential elections in South Africa, over an exemplary continuity. As Head of the Department on International Affairs of the ANC (DIA) he affirmed that: "Our future relations with the international community will be based on economic and trade considerations rather than ideological considerations."⁸

The realism of the declaration expresses not only the new strategic perceptions of the CNA facing the imminent formation of a national unity government. It affirms, above all, the strength of a tradition dear to South African foreign policy: the continuity of a standard of behavior and the perception of interests in the long run.

This is the explanation for the fact that the South African foreign policy of the GNU (Government of National Unity) - which governs the

⁸ Apud, ALDEN, Chris. "From Liberation Movement to Political Party: ANC Foreign Policy in Transition", *The South African Journal of International Affairs*, 1 (1), 1993, pp. 62-81.

country since 1994 and was responsible for the movement to reintegrate the country into the international community - does not contain radically new elements in relation to the traditional standards of South African insertion on the international level. Graham Evans sees no substantial change in de Klerk's "new diplomacy" likewise he sees no change in the concept on the identity and the destiny of South Africa's post-apartheid foreign policy.⁹

The continuity of South African foreign policy in the present should not cause surprise. The national interests were reanimated because of democracy and with the end of exclusive white power, but the fundamentals remain intact.

The symbolic value of South Africa's return to the General Assembly of the United Nations, to the Commonwealth, as well as the entrance into the former SADCC (actual SADC- Community for the Development of Africa Austral), gave moral strength and great dignity to the South African negotiated transition. It should not be underestimated the sense of legitimacy in the eyes of their neighboring countries as well as those of international community, represented by the charismatic presence of President Nelson Mandela.

But this new tradition does not make itself present as the substance of its foreign policy except as an adjective. In a certain sense, the "moral space" opened by democracy, the transparency, and the amplification in the recruitment of non-white diplomats revitalized South African foreign policy, but did not transform it in its essence.¹⁰

The attachment to their essence did not disqualify the foreign policies of neither Brazil nor South Africa. On the contrary, the permanencies indicate the strength of traditions which brought with it real gains over time and permitted a learning process relating to changes in international relations. Brazilian pragmatism in foreign policy and the cautiousness of South Africa leads to the possibilities of a fruitful dialogue between countries that have common habits and similar international languages.

⁹ EVANS, Graham, *Op. Cit.*, p. 12.

¹⁰ SPENCE, J.E. "South Africa: the Process of Transformation", Sir Robert Birley Memorial Lecture, City University, London, 14th of March, 1996 pp. 14-15.

Globalization and regionalism: a comparison of the more recent movements in foreign policy in the two countries

The uncertainties in the construction of a new world order in international relations in the nineties have affected the movements of both Brazil and South Africa's diplomacy. The efforts for a favorable reinsertion into the international scene has led President Fernando Henrique Cardoso to declare that globalization creates risks that should be avoided and opportunities that cannot be lost.¹¹

President Nelson Mandela has also declared something similar on various occasions. The reorientation of the South African economy to a global scale already included, as in Brazil, a series of internal political reforms such as those that are going through Parliament in both countries. The series of reforms approved in the middle of this year in South Africa, including the reduction of tariffs due to the Uruguay Round, demonstrates the effort to include the country in the trade liberalization movements.

The two countries are renovating their foreign policies to meet the new risks and opportunities. Adaptation to the new principles and rules of international conduct is a characteristic which draws together the two foreign policies.

At the same time, the perceptions of the world are undergoing changes during the nineties in both countries. It is curious to note that several of these views move almost jointly in the two giants on both sides of the South Atlantic.

The first common perception to both countries is that which leads to understand the end of an era supporting the spirit of armament. The ideology of disarmament, which has resulted in significantly less spending with defense and security, redesigning the agendas of foreign policy in South Africa and Brazil to ones of cooperation, especially in the South Atlantic, around the Zone of Peace and Cooperation in the South Atlantic (ZPCAS). The demilitarization of the region, the banning of nuclear weapons in the Atlantic, the defense of the ecological common ocean reserves, the Brazilian presence in the monitoring of peace in Angola, the South African

¹¹ CARDOSO, Fernando H. "Riscos E Oportunidades da Globalizacao", Conferencia no Colegio do Mexico, janeiro de 1996, p. 2 (separata).

wish to participate in the peace operations in the region, among other movements, demonstrate a spirit of present distension.

In second place, both foreign policies hold perceptions less "Third World" than one would expect from countries with a strong contingent of its population identified as backward. Brazil and South Africa work today with a perception of its limits in the face of a large backward population and an inconsistent concept of the notion of a Third World.

In this sense, without abandoning certain areas of specific interest with backward countries, South Africa and Brazil have sought to depoliticize their foreign policies and direct them to the opening of markets, to strengthen ties with the West, to a progressive reapproximation with the European Community, the United States and part of Asia. An analysis, in both countries, of the displacement of diplomats during the nineties shows their movement from Africa and less developed parts of Asia, towards the United States, European Community, MERCOSUR and more economically advanced regions in Asia.

These new ideas seem to separate South Africa and Brazil from the typical demands of backward countries. In spite of having hosted the IX Conference of the United Nations for Trade and Development (UNCTAD) in April of the present year, South Africa does not seem inclined to lead the Group 77 or work within the schemes of the Movement of the Non-Aligned Countries. The same vision is shared by many South African diplomats with reference to the cautious role that South Africa should play in relation to the inefficiency and ineffectivity of the Organization of African Unity (OAU).

Brazil has for some time moved away from its former role as a Third World actor and that, (while not excluding other equally important movements toward wealthy countries), was one of the foundations of its international insertion in the seventies and part of the eighties. Therefore the two countries are similar in their perceptions of caution with respect to a reawakening of a North-South dialogue.

The third point in common is the effort both countries have been making in the sense of building regional integration. Brazil came out in a determined manner, after having overcome the controversies with Argentina, and integrated into the South Common Market (MERCOSUR) Architected from its origin around an industrial axis of integrated

development between Sao Paulo and Buenos Aires, MERCOSUR moved ahead and today is an example of a successful experience of regional coordination that goes beyond the dimensions of a custom union.

South Africa, even with less enthusiasm when compared to the efforts of Brazil in MERCOSUR, has led the movement of a new regional integration in Southern Africa. Replacing the climate of insecurity during the eighties, the new conditions created by the internal pacification of South Africa in the nineties have directly influenced the construction of a new regional experience. Having to face the drama of unequal development in the region, South Africa accepted to be a partner in the restructuring of the Community for the Development of Southern Africa (SADC) in August of 1994. Substituting the former SADCC, SADC has been considered an area of priority by the National Unity Government.¹²

The question remains whether this form of regional participation for South Africa will bring benefits to itself and the remaining countries. In this area, the regional preponderance of South Africa is historical. Countries such as Mozambique, Lesotho, Malawi and Botswana have always orbited around the axis of hegemonic South Africa. The struggle for integration, in a certain sense, reinforces the very inequality of development in the region, without the apprehension which existed during the period of apartheid. For Graham Evans, South Africa, by strengthening its regional approximation is building more unequal cooperation than a policy of integration.¹³ This is a problem that will have to be evaluated by the new South African leadership.

The Southern African Customs Union (SACU) is another relevant effort led by South Africa in the direction of regionalization of its interests. Even though it is institutionally above SADC and implying a certain onerous duplicity of functions, SACU has been amplifying its scope and the participation of the countries of the region.

The next step for Brazil and South Africa will be the articulation of their experiences of regional integration to the other regional blocks by

¹² DAVIS, Robert. "Confronting the Challenges of Globalization and Regionalism: A South African View", *separata*, 1996, pp.5-10.

¹³ EVANS, Graham. *Op. cit.*, p. 25.

means of the creation of free trade zones. MERCOSUR sought this together with the European Union and South Africa is seeking this together with Europe and Asia.

Professionalism of diplomacy

Finally, it would not be fair to examine the affinities between the two foreign policies without elaborating on the dimension of professionalism in Brazilian and South African diplomacy. This feature will give a special contour to the possibilities of an intensification of contacts in this present decade. A political agreement of the two countries should take into account this factor of approximation and trust.

Brazil prides itself of its professional diplomacy. With a body of highly qualified government officers, - a true state within a state- the tradition of Itamaraty as a "think tank" for Brazilian foreign policy is internationally recognized. In spite of few non career ambassadors, the presence of career diplomats in key posts, and the direction of the Foreign Ministry itself, exemplifies the strength of the organization.

Itamaraty was fundamental in Brazil's approximation to the African continent in the seventies and victorious in the domestic governmental disputes about the reorientation of Brazilian policy towards Black Africa from 1972 on. It was also accused of being pro-Third World and of having precipitated the official recognition of the MPLA government in Angola in November of 1975. It was also accused of having kept, longer that it should have, reservations in relation to the process of transformation of apartheid in South Africa.

South Africa, at the same time, seems to have developed its own diplomatic style with discipline and professionalism. From the personal diplomacy of Jan Smuts, in the beginning of the century, to the recruiting of whites from the National Party, during the harsh years of apartheid, there was a strong dose of professionalism in the building of South African diplomacy. As paradoxical as it may seem, the ANC found, at the beginning of the National Unity Government a mature diplomatic corps, used to work in very difficult negotiating circumstances.

The patience of South Africa's "quiet diplomacy", is an asset for the present. The Department of Foreign Affairs remained directly linked

to President Mandela as it has been in the past to the presidents of the apartheid regime. In spite of the criticism of many South Africans about its elitist and technocratic character the DFA was capable of influencing the Department of International Affairs of the ANC into its way of thinking.

The permanence of the previous diplomatic culture in the new government shows more the professionalism of the old South African diplomacy than its ability to coopt. To adapt itself to the new times, it renewed its methods of recruitment, sent people abroad to be trained, opened its ranks to the people of the DIA . However its values, its philosophy, and its methods remained the same.

An interesting aspect in both countries is the fact that their parliaments have a small participation in the process of elaboration of foreign policy. In Brazil, except for the nineteenth century, parliament had little influence in foreign policy decisions. In South Africa, foreign affairs were always very much under presidential control. There are great challenges in the present debate in both countries about the democratization of foreign policy decision making . Discussion about the subject especially in South Africa has great importance.

Therefore, in Brazil and in South Africa the Foreign Offices play a fundamental role in the articulation of foreign policy. For Brazil this is an important aspect in the growing South African leadership on the African continent. Trust in one's words, in agreements made, in tradition and in moderate rethoric to guarantee greater gains are qualities appreciated in both Brazil and South Africa.

Differences and divergencies

In spite of the predominance of affinities there are different characteristics in Brazilian and South African foreign policies. The differences and similarities are the product of historical experiences and the values that have been present in the cultures of both countries.

South Africa, after a long period of isolation, faces divisions inside the decision making process about the directions of its foreign policy, something that is not present to the same extent in Brazil. In other cases, South Africa seems to be, discussing aspects of its reinsertion into the international system that seems to have been debated and resolved in Brazil.

The first example is the division about the vocation towards a Western or Third World call of South African foreign policy. For some the heart of South African foreign policy should be to develop and strengthen close links with the West and with rich Asian countries. This orientation would guarantee investments, capable of increasing the growth of South African economy. Being pragmatic, the defenders of this line of thinking, call attention to the challenges of the economic reconstruction of the country and to the new role of South Africa as a regional power in the new global international relations.

For others, particularly those from the classic cadres of the ANC, South African foreign policy priorities should be directed to the African continent, to exercise leadership in the non aligned movement, and to a solidarity policy towards less developed countries.¹⁴

The criticism of the former to the Third World orientation of the latter, points to the fact that there is no reason to move closer to the non aligned movement in a period of de-ideologizing of the international relations after the end of the cold war. The second group attacks the simplistic neoliberalism of the first group.

It is clear that the debate reflects the present South African political situation and the options of the several groups that constitute the government of National Unity since May of 1994. Strategies vary slightly depending on the position of each group in the delicate political transition process that is taking place in South Africa.¹⁵ Besides, the dispute becomes understandable when it is seen from the perspective of the creation of a new culture of debate in the post-apartheid culture, of creative criticism and of the democratization of foreign policy decision making in South Africa.

In any case, Brazil has already discussed such questions in the seventies and decided that the country should not exclude the two orientations. The policy to finance development with Western capital and investment, does not exclude a policy of solidarity with the African continent. At the same time, it is natural that a country that has received so

¹⁴ See this debate in SPENCE, J. E., op. cit., p. 20 and EVANS, Graham, op. cit., pp. 25-27.

¹⁵ MARX, Johan. "South African Foreign Policy in the New Era: Priorities in Africa and the Indian Ocean Islands", *The South African Journal of International Affairs*, 2 (2), 1995, pp. 1-2.

much international support to fight apartheid, has kept some debts in relation to the African countries that were more militant in the fight against racial and social discrimination in South Africa.

Secondly, South African foreign policy seems to be divided between the global and the regional approaches. For some, the global approach is the only way to attract investments on a large scale and a guarantee of a positive insertion in the globalization of markets. For the regionalists, the adequate approach for the international re-insertion of South Africa is through a Southern Africa, regional approach.

Once again it seems that this debate already took place in Brazil and the conclusion was reached that the two positions are not excludent. The global trader condition of Brazil makes it easier to see the merit of this type of international insertion.

The situation however, seems to be slightly different from the South African one due to the circumstances of its relationship with its regional partners. Economic and strategic relations of South Africa with its neighbors are much more unbalanced and unequal than the relationship of Brazil with the countries of MERCOSUR and with other neighbors. SADC congregates a much larger and unequal number of countries than the comparatively restricted scheme of MERCOSUR.¹⁶

A third difference between the two countries lies in the respective continental environments in which their foreign relations take place in the present. While the African continent becomes increasingly marginal in the international scene Latin America seems to react in a more positive way to the construction of a new global order. This is a fundamental difference in the comparison of the two foreign policies. Brazil is part of a continental environment much more favorable to its international activities than the comparable South Africa situation.

This dimension partially explains the decline of the relative importance of the African continent for Latin America and for Brazil in particular. In spite of the declarations about the permanence of old Brazilian goals in Africa, the African policy of Brazil reduced its range in the

¹⁶ On the difficulties of construction, of cooperation and of integration on the African continent, see the article: SARAIVA, Jose Flavio S.: "Cooperacao e integracao no continente africano: dos sonhos pan-africanistas as frustracoes do momento", *Revista Brasileira de Politica Internacional*, 36 (2), 1993, pp. 28-45.

nineties.¹⁷ The relative decline of trade between Brazil and Africa , the end of Brazilian energy vulnerability and the smaller dependence on oil imports resulted in the gradual distancing of Brazil in relation to Africa. This does not mean that there is no specific priorities for Brazil in the African continent. South Africa for certain is one such priority. The selective option of Brazil for countries that can offer advantageous exchange opportunities and projects of common interest in the South Atlantic incline Brazil towards closer relations with South Africa. The visit of President Fernando Henrique Cardoso will be an explicit manifestation of re-arrangement of Brazilian priorities in the African continent.

Conclusion

This paper attempts to evaluate and compare the foreign policies of two countries that present some similarities in their forms of international relations. It tries to demonstrate that there are more things in common than differences in Brazil and South Africa foreign policies.

The future of the international relations of the two countries profoundly depends on the capacity to adapt their diplomatic traditions to the circumstances of the new challenges. If on the one hand Brazil has a more consolidated foreign policy , South Africa on the other hand faces the debate about the new options in relation to the uncertainties of the present moment .

In any case, there are still solid diplomatic traditions in both countries that make it possible to see the end of apartheid and the reconstruction of South African society creating a privileged space for re-approximation between the two countries. They would profit enormously through the development of coordinated policies between the two South Atlantic giants.

There can be no doubt that the history of the South Atlantic has been a history of lost opportunities and lack of mutual knowledge. The Brazilian rediscovery of South African professionalism in foreign policy will be a great step ahead in the efforts to give Brazil and South Africa the

¹⁷ SARAIVA, Jose, Flavio S. O Lugar da Africa. A Dimensao Atlantica da Politica Externa do Brasil. Brasilia:EDUnB, 1996, capitulo 6.

capacity to create in the region a new space of middle power in the international relations south of the Equator.

Aspects of South African Foreign Policy in Latin America*

José Maria Nunes Pereira

Introduction

The main good of this paper is to present a brief historical analysis of South African relations with some Latin American countries, in particular Brazil, beginning in the mid-sixties, when the Government of Pretoria began to evolve an outward movement policy¹, a policy toward foreign countries which aimed, among others, at some countries in South America.

Present political reality markedly differs from that which hence was in force on the two the South Atlantic coasts. On the western coast, Latin American countries succeed to accomplish the democratization process. On the other coast, changes were much more relevant. Mozambique (1975), Angola (1975), Zimbabwe (1980), and Namibia (1990), achieved their political independence and a new democratic South Africa, has emerged, free from the apartheid political and judicial constraints thanks to an important “negotiated revolution” carried on between the two main political forces: The African National Congress - ANC, and National Party - NP².

Both political parties considered the national dimension in their political projects and at the moment of negotiation, an extraordinary degree of maturity and political lucidity.

* Version by Susan Guimarães

¹ The essential on politics is in LEYSENS, Anthony. South Africa's relations with Latin America (1966-1988). Occasional Papers n.6 Centre for Latin American Studies. Pretoria: UNISA, Nov. 1992. p. 4-12 and LEYSENS, Anthony. The economy of South Africa's relations with Latin America: past development and prospects for future co-operation within the context of South-South relations. Latin American Report. vol. 8, n.1, 1992. Pretoria: UNISA. p. 38-50.

² PEREIRA, Jose Maria Nunes. Os trunfos do pos-apartheid. Notícias Africanas. n. 60, 20-26 of May 1994. Centro de Estudos Afro-Asiáticos. Rio de Janeiro, p.1.

It is our understanding that such reference to this relatively recent past of South Africa relations with Latin America is not out of purpose for our present objectives, which refer to a more advantageous relationship based on new foundations between the south poles of these two neighboring continents.

The South African “outward movement” and Latin American countries’ need for new horizons, laid the foundations, mainly in the economic and commercial areas, of new relations, even in a political framework (radically new) as is at present.

Similarities in the differences

Some of South Africa historical cycles are similar to those of Latin America: a colonial past, an intense European immigration, an industrialization process to substitute the fall in imports after Second World War and a strong presence of the State in the economy.

As with Brazil, these similarities are more evident. In both countries, the predominant populations have banto origins. In South Africa, these populations are more than seventy percent of the population. In Brazil, such percentage falls to about half, since this country also ancestors coming from Sudanese spoken regions, in the large area of the Gulf of Guine.

Brazil, with a population of 153 million, of which 44% is black or mestizo, is considered, after Nigeria, as the country with the largest black population in the world. South Africa, on the other hand, with about 7 million whites, has a population of European origin greater than that of all African countries together. The mestizo colored population of about 3. 5 million people is also greater than that of the whole continent.

Such a racial complexity has developed differently: on the Brazilian side, an attempt forward integration; for that of South Africa, a declared option for segregation. These movements also had diverse origins. On the western side of the Atlantic, Portuguese colonialism and almost four centuries of slavery. On the other side, the movement had its beginning with the Afrikaner invasion at the beginning of the seventeenth century, with British colonization in the nineteenth century, and with the imposition of apartheid, from 1948 racial issue, together with other factors constitutes [Although in different degrees) main aspect of both countries’s national projects.

Other similarities can be found. Both countries present Third World, characteristics and isolated First World. Features South Africa and Brazil are, each one on its own continent, the most developed poles of capitalism. This is shown, not only in their SDP high rates but also in their industrial. Both development, of them play a natural leadership role in their respective regions and evolve an open foreign policy, not only because of their position as global traders, but also because of their own distinct capacity to intervene in many issues of the international political agenda.

Once these two countries have developed, suitable to tropical areas social and ecological needs they can naturally evolve a South-South cooperation. Especially in the Southern Africa context, South Africa and Brazil, can carry on such policy and benefit from opportunities for partnership competition.

The economic regional organizations of the South cones in the two continents -as Mercosur and the (Southern African Development Community - SADC) will certainly turn these relations of cooperation easier.

Southern Africa is, in strategic and economic terms, the second most important region of the African continent. It is only surpassed by North Africa, the Mediterranean region almost touching Europe. For a more correct evaluation of the new South Africa potential and capacity of international presence is important that the Brazilian public have idea, even summarized, on what Southern Africa represents. Indeed it is in Southern Africa the two largest Portuguese speaking countries: Angola and Mozambique.

Southern Africa: a key region

This region, made up of eleven countries- South Africa, Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Tanzania, Zambia and Zimbabwe - is more than a simple geographic expression. It presents, because of its historical formation, a high level of integration that cannot be found elsewhere on the African continent on a similar level.

Its strategic position, very much increased in value during the Cold War, is related to the Cap route through which is carried the greatest part of petroleum forward the West. The region is also economically important

thanks to the production and reserves of various strategic minerals necessary to Western countries, particularly the United States.

The region is located between the Atlantic and the Indian oceans. Across the former, it has frontiers with the Southern cone of Latin America. The latter puts it in contact with the Middle East and with an important part of the Asian world.

An important geographic fact, concerning integration, is the existence in the region of six countries with no access to the sea (Botswana, Lesotho, Malawi, Swaziland, Zambia, and Zimbabwe). Tanzania also belongs to Eastern Africa. For political and economic reasons the country was "southernized", and takes part today in all the integrating organizations of Southern Africa.

This is the largest and oldest region peopled by Europeans (Dutch-Boers, Cape region, 1652). There was set up the only African colony with a population that preceded the Industrial Revolution and consequent occupation of the continent.

England was the first protagonist of integration Southern Africa by establishing sub-system of the British Empire. Briefly, we could say that this "perverse" integration was based on, the minerals of the whole hinterland region, on abundant workforce for the mines coming from adjacent territories, and on points of discharging the products across a vast railroad network that emptied into the ports of Benguela-Lobito (Angola) and Maputo and Beira (Mozambique).

Economic integration is being accomplished over decades thanks to multinational companies, originally English or already South African, which operate in the countries of the region, taking control over key- sectors of production and commercialization. A classic example of this is the British-American Company and its subsidiary, De Beers, that reached world recognition by its control of gold, diamonds and other products of the region.

From the beginning of the sixties on, in order to face the national movements that unleash in the armed struggle against apartheid, or for independence the region, the dominant "white power" in South Africa, Namibia and Rhodesia (Zimbabwe), associated with Portuguese colonialism, extended integration to the political, ideological and military field.

The independence of Mozambique, Angola and Zimbabwe, archived in a context of Cold War, and the new fight platform of the ANC, set up a new correlation of forces in the region and made possible a counterattack on the “perverse” integration. The establishment of the “Countries of the Front Line” block in the political field, and the SADCC (the Southern African Development Coordinating Conference), set up in 1989, were instruments of this counter attack. The SADCC made every effort to increase mainly foreign investment in the region, through projects coordinated by sectors of economy that would embrace two or more countries of the area. The main goal was to reduce Southern countries’s dependence, on different levels, on South Africa.

Recent developments in the region, of which the most important was the emergence of a new South Africa, led to the establishment of a new community - The Southern Africa Development Community.³

South Africa in Transition

“The world only entered into the twentieth century with the War, in 1945. The twenty first century began under the sign of peace with the election of Nelson Mandela”. This declaration made by the Brazilian Foreign Minister Celso Amorim, when he visited South Africa in May 1994, is in agreement with the general understanding of the success that is being achieved by that country, with the complex process of transition that is taking place.⁴

It is important to remember that three political processes occurred in South Africa: a) a final end to the process of descolonization; b) the transition from apartheid- an extremely excluding authoritarian system- to democracy; c) a exacerbation of old nationalism with the Afriander and the Zulu. These movements occurred at different moments in other countries; in South Africa they are taking place simultaneously.

The possibility of this historic fact has much to do with the existence of an already consolidated South African State (even at the cost of apartheid), where almost the whole population identifies itself with it.

³ PEREIRA, José Maria Nunes. *África Austral: integração e perspectivas no pós-apartheid*. Curso de Política e Estratégia Marítimas da Escola de Guerra Naval, Rio de Janeiro, 1993, mimeo, passim.

⁴ *Jornal do Brasil*. Rio de Janeiro, 13 de maio de 1994.

Differently from what occurred in Israel/Palestine, everyone in South Africa, blacks and whites, consider themselves Africans and feel represented by their same State; even though there are strong divergencies as to the character that the State adopted. An example: both an officer from the ancient regime army and another from the African National Congress army agree on the hegemonic role that their country must play in Southern Africa and even on the continent.

Another important achievement in the success of the transitional process (here understood wider sense) is the strengthening of civilian society; particularly after the war against apartheid from 1983. On when the United Democratic Front was set up based on 700 organizations that emerged directly from the civilian community. These political processes entailed economic changes, although these changes could not keep pace with the "politico".⁵

Usually a very general picture of the African economy is presented through some indicators which, unexpectedly, make us realize about the global dimension of the country, especially if compared to the African continent as a whole. Here are some of these indicators. Although South Africa represents only 4% of the continent surface and a little more than 6% of the population, its estimated US\$ 120 billion GDP (1995), is higher than the sum of the products of Algeria, Egypt and Nigeria. The country is responsible for 66% of total steel produced in the continent, for almost half of industrial production, for about 60% utilized electricity. The country's railway structure corresponds to the third part of African's structure.

The indicators referring to minerals production and reserves are much more significative, since they refer to the global scale and not just to the continent. South Africa is the first world producer of gold (33% of production, 44% of reserves), chromium (32% and 56% respectively), metallic manganese and zirconium. It is the world third largest producer of platinum (21%, 70%) and the fifth in diamonds (9%, 24%). Such production only represents 12% of South African GDP but is responsible for half the exports (Gold, 25%), with an annual value that oscillates between US\$ 13

⁵ PEREIRA, José Maria Nunes. Os trunfos do pos-apartheid. Notícias Africanas. n. 60, 20-26 de maio de 1994. Centro de Estudos Afro-Asiático. Rio de Janeiro.

billion. Total exported in 1994 was of US\$ 24,9 billion. Per capita income is still around US\$ 3 thousand.⁶

The above mentioned figures classify South Africa, according to World Bank criterion as a developing country with a high average income, the same evaluation of Brazil. In terms of international economic policy, South Africa is classified as a semi- peripheral society. Its economy, was historically dominated by two sectors: mining and agriculture. This was the basis for the first settlements and territorial expansion. Thanks to mining however economy could expand as a whole, creating a strong industrial sector and modernizing production forms. Yet large black population sectors, and not only those who live in the former - bantustans, have life standards typical of the rest of the continent and from the Third World, in general.

Even the modern sectors of the economy essentially export raw materials and semi- industrialized products (70%) to the northern countries. And from these, they import machines and equipment for mining, transportation etc.

Industry Manufacturing has to meet two conditions simultaneously due to the promising domestic conditions of the country and to the need of achieving sounder international economic platform. Its growth must be based both on an increase in exports (these make up already 25% of the GDP, against 10% for Brazil) and on productivity. To increase the latter means to face difficulties some: the relatively high salaries of the white population and the tariff protection system derived from the import substitution model. Comparative advantage presented by industry is still based on raw materials associated to intensive capital investments.⁷

Nevertheless, significant changes have already been taking place occurred in the manufacturing sector since the middle of the eighties. A mixture of international sanctions against apartheid and domestic recession pushed more and more companies to export, in spite of external restrictions. One example: between 1984 and 1990 manufactured products exports increased at an annual average rate of 10%. And this tend to improve since

⁶ AFRICA YEARBOOK 1995. Pretoria, 1995.

⁷ McGOWAN, Patrick. The "New" South Africa: Ascent or Descent in the World System? *The South African Journal of International Affairs*. vol. 1, n.1 primavera de 1993. Pretoria: South African Institute of International Affairs. p. 35-41.

domestic reforms will tend to increase productivity and international sanctions no longer exist. Expectations, partially already fulfilled, of a high increase of manufactured products exports to the African continent itself and Southern countries, notably to Asia and possibly to Latin America tend hence to become higher.

These domestic reforms are basically of two types. The first, derived from internal changes and the political and economic need to accomplish in the best possible way, promises made by the government of Mandela to his electorate, expressed through the RDP- Reconstruction Development Program. An additional positive factor is the expected increase in productivity resulting from present investment in education and in the improvement of the black work force.

The second type of reforms is concerned with a new commercial policy, tax reform, and better domestic and international conditions for exports⁸.

It is worth noting that South African economy is controlled by half a dozen private conglomerates and a large number of State companies. Among these: ESCOM (electricity), ISCOR (steel), ARMSCOM (weapons), SASOL (fuel origin) and IDC (industrial fomentation). These conglomerates control, directly or indirectly (data from the end of the eighties), about half the Johannesburg Stock Market which, for its part, represents one quarter of South African wealth. In the Stock Market, the Anglo-American company participates with more than half of the assets.⁹

The South African outward movement policy and Latin America

Very few countries, at the present, had to drastically change the political structure of their foreign relations as did South Africa. As the main purpose of this work is to define the general features of South African policy towards Latin America during the period that has begun three decades ago, it is important to remember some of the basic objectives of this policy and its priorities.

⁸ Financial Times Survey. Investing in South Africa. Londres, 2 de maio de 1995.

⁹ Financial Times de 7 e 8 de maio de 1994.

These objectives were implemented by a Government under the regime of apartheid and they can be summed up in the following points: a) maintain, and if possible strengthen relations with the Western powers; b) make itself accepted as a force against communism in a region of conflict and strategic on the African continent; c) attempt, through adequate policies (popularly: "carrot and stick") to maintain the status quo in the Southern region, and as much as possible, in the Sub-Saharan Africa; present itself as respectful to international principles such as the non-interference in other States (Which became difficult to be sustained due to interference and invasions in neighbor countries).¹⁰

Priority areas of this policy were: a) Southern Africa, where at the time it maintained close and global relations with the "white" powers of the region (Rhodesia and the Portuguese colonies: the Pretoria-Salisbury-Lisbon axis) ; b) the West, important as an investment, technology and commercial partnership provides.

Outward Movement

In the mid-sixties, the Government of Pretoria began to evolve a foreign policy known as outward movement, and was in the context of this policy that a South Africa became closer to Latin American countries, particularly those of the Southern cone.

Such policy was implemented based on South Africa's will to reduce its international isolation, aggravated by the episode known as the "massacre of Shaperville", which took place in 1960. The first four years that followed this episode, registered a significant withdrawal of foreign capital from the country, due to a domestic instability and economic pressures recommended by the United Nations.

However, when the Government of Pretoria regained control over the situation and brought back stability, foreign investors returned and South Africa registered from 1965 on, a marked recovering of its economic growth

¹⁰ LECHINI DE ALVERES, Gladys. O apartheid e a política externa sul-africana: uma percepção a partir da Argentina. Estudos Afro-Asiáticos, n. 25, dez. 1993. Rio de Janeiro: Centro de Estudos Afro-Asiáticos. For a more profound study see GELDENHUYS, Deon. The Diplomacy of Isolation: South African Foreign Policy Making. Pretoria: The South African Institute of International Affairs, 1989. For that which is specific to Latin America, p. 42.

which lasted until the middle of the seventies, when unfavorable political and economic changes to Pretoria occurred in the region.

In spite of this, the issue of international isolation persisted and, from an economic point of view, South African exports to England, its main partner in trade and investment, were reduced after England's entrance into the European Economic Community.

The Minister of Foreign Relations of Pretoria, at that time, Hilgard Muller (1964-1977), was convinced that relations with the West would be highly influenced not only by South Africa attitude is towards the African continent but also by the new partnerships that his Government would establish with Latin American countries, who Muller considered as "our transatlantic neighbors". This same outward policy should equally include other countries such as Israel, Taiwan, Iran and South Korea. Those countries were, besides economic partners, also ruled by authoritarian regimes against communism. Even if they were not parties¹¹ of the international system as South Africa.

The approximation with Latin America, particularly with South America, had a strong political and strategic component, not to mention economic. Most these countries were, at the time, under military rule whose policy underscored a national security concept, extremely anti-Communist marked by the Cold War.

This was seen by the South African Government as an important reason for a closer cooperation. One assertion as an example: "Our countries are targets of the international communism and both governments must take steps together to frustrate the conspiracy of this perverse ideology." This declaration was made by the Argentinean Minister of Information, Frederico Frichkwecht, in the City of Cabo, in 1969¹².

There was also a diplomatic component that could bring benefits to South Africa in terms of the votes in the National Assembly of the United Nations. These Latin American countries, (the "Latin Block", as was called by Pretoria) given their anti-Communist position, reduces the impact of

¹¹ On the situation of social outcast countries see the book of GELDENGUY, Deon. *Isolated states: a comparative analysis*. Cambridge University Press, 1960.

¹² LEYSENS, Anthony. *South Africa's relations with Latin America (1966-1988)*. Occasional Papers n. 6. Centre for Latin American Studies, Pretoria: UNISA, nov. de 1992. p.9.

the voting against the apartheid regime given mainly to the new African States and Asian countries.

The Strategic Component

One of the more constant wonders of the apartheid regime was to be an integral part of the Western Strategic Defense System. The main alliance of this system is made up by NATO, having as its South boundary the Tropic of Cancer, what excludes the participation of South Africa. Other areas of the Southern Hemisphere were already integrated in the North America Defense System by means of the Rio de Janeiro Treaty, ANZUS and SEATO with Asia and Oceania.

It is not, therefore, strange that South Africa puts emphasis on the strategic component of its relations with the Southern cone countries of Latin America. Based on that the project of the South Atlantic Treaty Organization (SATO) was created. The effort did not bring concrete results, but is it worth making a short retrospective¹³.

The idea of a common defense for the South Atlantic is prior to South Africa initiative. Already in 1964, right after the military take over in Brazil, its President, General Castelo Branco (1964-1967) discussed with the President of the Ministers Council of Portugal, Oliveira Salazar (1928-1968), the possibility of an agreement for the Defense of the Cabo route.

Two years later, the idea of a treaty became to be well received in the Brazilian military circles and even more so in Argentina. General Onganía, President of Argentina (1966-1970) was receptive to the idea and, in 1967, Argentinean and South African Navies made common military maneuvers. The Brazilian Naval School, Custodio de Melo, visited the city of Cabo in 1968, and a year later, Minister Muller visited Brazil and Argentina, where he had meetings with the Ministers of Defense of both countries.

Yet, after these contacts, the Ministers of Foreign Relations of Brazil and Argentina denied any interest of these counties to participate in a South Atlantic Military Pact.¹⁴

¹³ Idem, *ibidem*, p.13.

¹⁴ Idem, *ibidem*, p. 34.

The idea to create the SATO remained some years in the military circles. Their perception pointed to the growing presence of the Soviets in the Indian Ocean and to defend the Cabo route from the Russian Navy. This situation, from the South African perspective, became even more a serious and extended itself over the South Atlantic. When in 1974, after the collapse of Portuguese colonialism, the recently independent, the Angolan Government requested military assistance from Cuba and established close relations with the Soviet Union.

However, Brazil's close approach toward Africa, still under a military regime, during the Government of General Geisel (1974-1979), reduced the political-strategic tone of South African relations with Brazil and, with the democratization of Latin America, from the middle of the eighties, with the other countries of the Southern cone. The exception was with Chile and Paraguay, where a cooperation based on military technology became closer, bringing economic benefits to South Africa.

Although the strategic-political alliance did not continue and the UN closed giving its support after democratization, the outward movement for Latin America was not in vain. A reasonable trade flow was initiated, and Latin American countries showed themselves to be a promising area for investment for the large South African companies. These companies, being caution in face of the uncertain political future of its country, were anxious for new investments alternatives.

The Economic Component

In the first phase of the outward movement towards Latin America, between 1966 and 1972, trade between the two sides of the South Atlantic increased significantly, even though the volume showed a small growth. Imports from Latin America represented only 0. 8% of South Africa's total and exports 0. 6%.

However, beginning in 1972, trade flow experienced a new and significant growth until 1977. During this period, having Brazil as an example, South African exports to this country reached the equivalent of 4% of South Africa's total and Brazilian exports, 5% of its total.

The development of trade between South Africa and Latin America was harmed by the fact that both economies were similar and very dependent

on exports to the countries in the North. Although South Africa exported during this period capital gains to Chile, Ecuador and Colombia, for example, it was not able to put its manufactured products in the markets of its Latin American partners. Brazil had an advantage in this area.

Besides this, one of the greatest difficulties between South Africa and Latin America was the high tariffs adopted by both parts to protect their national industries. This is one additional argument in understanding that the increase in South Africa-Latin America relations, in the context of the outward movement, aimed at in its first decades, achieving more political and strategical objectives. than commercial ones.

In terms of investment, South Africa achieved some significant results, especially in Brazil and in the area of mining. One example of this was the association of the Anglo-American Co. with the Brazilian group Bozano Simonsen, which made up the Anglo American Corporation of Brazil Limited (AMBRAS). Mario Ferreira, a Portuguese who had already represented the Anglo-American Co. interests in France and Portugal. Was choose to head it as a Portuguese citizen, he had, according to Brazilian laws, the same commercial rights as the Brazilian nationals.

AMBRAS had, already in the middle of the eighties, control over Mineração Morro Velho, which owned at the time 72. 5% of the Brazilian production of industrialized gold. During this period, it was the largest foreign group working in mining and the fifth in the general ranking.

AMBRAS began to control, not only gold but through six companies that it purchased, 72. 3% of Brazilian nickel, 44. 6% of niobium and 32. 7% of tungsten.

Already passing through the initial phase of the outward movement and concentrating on Brazil, it can be said that the trade exchange between the two countries went through two distinct periods during the years 1981-1990. Until 1985, this trade represented an annual average drop of 25%, with a commercial balance dropping from US\$ 225 million to US\$ 72 million. The second phase, on the contrary, saw an annual average growth of 24. 5%, with a favorable balance for Brazil.

Brazilian exports to South Africa have been made up mainly of industrialized products, especially manufactured. In 1990, 81,2% of exports were made up by industrialized products of which 72,8% of manufactured goods. Brazilian imports of South African products in the years 1988-1989,

were constituted, in their majority, by industrialized products, 65. 2% and 60. 4 respectively. Among Brazilian imports the following products stand out: alcohol, coal, steel, basic metals, machine instruments and mechanical equipment. As for South African imports they were: soybeans, tobacco, polyethylene, freezing gas.

Brazilian-South African Trade.

US\$ million	1990	1991	1992	1993	1994	1995*
Brazilian Exports	160	169	161	153	191	234
Brazilian Imports	61	84	88	112	191	234
Total Trade	221	253	249	265	399	394

* Estimates for 1995

Source: Africa do Sul-perfil 95-96

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Foreign Policy of the New South Africa: A Brief Review

Raymond Suttner

Introduction

Since April 1994, with the election of a new, democratic government, South Africa has entered a period of fresh opportunities in foreign policy, the chance to start again, the ability to be in places out of bounds for the apartheid regime, to relate to goals and institutions as a respected participant from whom much is expected.

Nevertheless, within the country, South African foreign policy is almost continuously under fire from columnists, politicians, cartoonists and others. Some doubt whether there is a foreign policy at all. Others say that what foreign policy there is, is made on an *ad hoc* basis. Some criticise foreign policy for being idealistic at the expense of pragmatic considerations. Others criticise it for being pragmatic at the expense of idealism. Some suggest that it is self-destructive, particularly in choice of friends (like Cuba, Libya and Iran) that alienate the United States. Still others, criticise relations with dictatorial regimes like Sudan and Indonesia. There are many other criticisms.

These attacks from so many sides do not necessarily mean that we should resort to clichés to the effect that 'the truth is somewhere in between' and that 'criticism from so many different vantage points means that the Department of Foreign Affairs [DFA] must in fact be getting it right.' We need an analysis of what has been done and measure this against objectives that are clearly articulated.

We need to be sensitive to the political vantage point from which criticism comes. It may be that some of the comments derive from impatience over the apparent slowness in reconstruction of the Department of Foreign Affairs and some aspects of foreign policy. At the same time,

there is no doubt that some of the criticism derives from a larger attempt to *prevent* transformation of a critical element of modern state power. What the 'realpolitik' school tries to achieve is the elevation of the pragmatism of the apartheid state, representing its own narrow interests, to the policy of the democratic state. This would preserve under disguised forms, the interests of a slightly larger, but still narrow set of interests.

The suggestion that there may not be a foreign policy at all needs to be taken seriously. There may well be a foreign policy in the sense of a series of individual decisions. It is undeniable that decisions concerning foreign policy are taken on a day-by-day and perhaps hour-by-hour basis. But what is open to question is whether there is a foreign policy in the sense of a broad strategic approach informing all decisions.

According to Dr Robert Davies, speaking in the National Assembly, foreign policy 'can mean the sum total of a series of day-to-day decisions by foreign policy practitioners. In that sense, every country has a foreign policy, no matter how ad hoc or how little informed it may be by a coherent framework. On the other hand, foreign policy can be understood as a strategic perspective and set of principles within which day-to-day foreign policy decisions are located. It is clearly within the second sense that we need a foreign policy....'¹

There are broad commitments to human rights, peace, justice and so on. But whether there are policies for implementation is open to question. There are broad aspirations and individual decisions. But there is not a clear framework for realization of overall strategic objectives.

This absence of a broad strategic approach can be seen in the treatment of individual bilateral issues as well as conduct of multilateral relations.

An important intervention, that may provide the opportunity to deepen discussion on foreign policy questions and remedy some of the limitations on policy formation thus far, is the publication of a Department of Foreign Affairs Discussion paper, which is described as part of a process leading to a White Paper.²

¹ Speech in National Assembly, 18 June 1996

² South African Foreign Policy Discussion Document. Department of Foreign Affairs, May 1996, at 5

Who are the main actors in foreign policy, how are they coordinated?

One of the inherent difficulties in foreign policy is that there are a number of actors, with varying levels of power and there seems to be little in the way of coordination.

Governmental actors. The most powerful actor in foreign policy, though not necessarily the most frequent is the President. It is not clear that the Presidency relates on a regular and coordinated basis with other foreign policy structures when it makes interventions on foreign policy questions. Nor is it clear that there is a structure that relates to the President on an advisory basis, as one finds with other presidencies in other parts of the world. The President has a legal adviser and as far as is known, no other advisers.

The Minister of Foreign Affairs is intended to be the main decision-maker on foreign policy matters. His capacity to effectuate that role is severely limited by a number of factors. The present programme of work for the Minister appears to entail a substantial amount of time out of the country (some 139 days in 1995). There is clearly a need to re-examine a division of labour that leaves a head of a ministry away from its central functioning so much of the time.

The Ministry is serviced by the DFA. This is a large department, consisting of numerous desks with considerable specialised knowledge. It is however characterised by conservatism, primarily staffed by diplomats and bureaucrats of the previous period, who are mainly white.

The dominant ethos of the Ministry may have changed from the apartheid era. But, in conversations with personnel one gets the sense of very narrow, conservative approaches. In particular the perspective on international relations appears to be 'realism' with emphasis on a limited, trade-based conception of national interest. As the department likes to say:¹ 'Foreign policy is trade, trade, trade.'

Even within this perspective there may be reason to question the degree of expertise that the department has to deal with issues like trade agreements (bilateral or multilateral) or to challenge existing norms and governance of the global economy³. The main concern seems to have cordial

¹ Cf Rod Alence, *International Political Economy and Foreign Economic Policy: Some Notes on the Foreign Affairs Discussion Document*, Prepared for CSAS Workshop on 'South Africa's Foreign Policy', 2 August 1996, at 1.11

relations with all countries and to introduce South African business to potential partners abroad.

The character of the DFA is crucial because on a day-to-day basis the Minister cannot be expected to have expertise on every issue that arises. The advice of desk officers is decisive. The appointment of four ANC people as Deputy Directors General is an important and positive development, though it is to be balanced against their being surrounded by hundreds and hundreds of old-style bureaucrats and diplomats.

Apart from the Presidency and the DFA, decisions and interventions of foreign policy significance are made by numerous other Ministries. Most crucial amongst these are the Department of Trade and Industry [DTI], whose trade policies are of considerable foreign policy significance.

The entire relationship between the two departments needs to be looked at afresh with a view to rationalising their areas of activity and drawing fully on their respective expertise. Careful consideration needs, in addition, to be given to suggestions of possible merger of the two departments.⁴

Home Affairs approaches to cross-border migration may have a seriously destabilising effects on neighbouring countries, as well as building xenophobic tendencies within the South African population. Amongst other departments that make decisions and interventions that impact on foreign policy are Defence, Health, Safety and Security and the recently established committee on arms sales, the NCACC.

Despite the significance of these other decision-makers for foreign affairs it is not clear that there is a mechanism for coordinating all the inputs on foreign policy matters, particularly in the region. It has been suggested that one of the weaknesses of the recent Department of Foreign Affairs Discussion document is that while purporting to cover the area of foreign affairs it entirely omits mention of these other actors.⁵

⁴ See e.g. Greg Mills 'South African Foreign Policy: The Year in Review' in South African Yearbook of International Affairs, 1996, at 5, Professor Philip Nel, (unpublished) 'Comments on Foreign Policy Discussion Document, 26 July 1996, at 3, Lisa Thompson and Anthony Leysens, Comments : South African Foreign Policy Discussion Document, August 1996, at 11, 12

⁵ Philip Nel op cit at 2-3,6.

Non-governmental actors. Parliament through the Portfolio Committee on Foreign Affairs. Parliament has traditionally played no role in foreign policy-creation. The new Portfolio Committee has been trying to carve out a role partly as a monitor of what the DFA and Ministry does, and partly as a contributor to the process of foreign policy making.⁶

Thus far it has not been very successful in either. Its low level of specialisation has limited the extent to which it can monitor the activities of a massive department, though it has managed to articulate broad norms of accountability.

Its contribution to foreign policy making is limited again, partly by its capacity to develop and articulate such inputs into policy. Contributions tend to be in very general terms and in relation to very immediate issues.⁷ Its input is often impaired by the fact that a decision may well have been taken before the Committee has had the opportunity to meet with the authorities. (e.g. Nigeria, 1995)

It is also limited by the absence of regular structures for such an input to be made. Ministers and the Department have welcomed the principle of such contributions but in practice there is not space to make much of an input, before a decision is taken. Many controversial matters are learnt about in the press, rather than discussed as part of a process where the committee inputs into decision-making.

This relationship is still young and it is improving. Despite these problems, it may still develop into an important process of cooperation.

Civil society. i. The ANC/SACP/Cosatu [African National Congress/ South African Communist Party/ Congress of South African Trade Unions alliance. The ANC through its NEC subcommittee on international relations is trying to make a regularised input into foreign policy, focusing on specific issues. This influence tends to be behind the scenes but is nevertheless a promising development.

⁶ The equivalent Senate Committee also takes responsibility for Trade and Industry and Public Enterprises. It has understandably had less time to devote to the area of foreign affairs.

⁷ But a meeting of the Portfolio Committee on Foreign Affairs, on 21 August 1996 decided to focus primarily on a smaller range of issues: SADC, OAU, human rights in foreign policy, UN and EU/SA negotiations with a view to making a more long-term impact.

Cosatu and the SACP have a relatively greater independence of government than the ANC. This may place them in a better position to raise some issues. Thus far their impact has been limited.

ii. *Other organs of civil society.* It is a traditional preoccupation of those concerned with democratic foreign policy to insist that it is a public concern and that it should be democratic in its making as well as result⁸. In practice this is hard to achieve. The publication of a DFA discussion paper as part of a white paper process may provide the opportunity for much greater public involvement.

In the last two years, however, there has been sporadic involvement of civil society. In the first place negotiations on the extension of the NPT, hailed as a great success by the negotiators, was condemned by organisations like the Environmental Monitoring Group who commented in the press and presented evidence to the Portfolio Committee.

The hanging of Ken Saro Wiwa and others was a significant factor in mobilising civil society involvement in foreign policy, which continues to a limited extent to this day. Considerable outrage over the results of 'quiet diplomacy' evoked a massive public upsurge concerning foreign policy over Nigeria. This led to the establishment of a popular-based foreign policy group -the SA Nigeria Democracy Support group

There is a relatively well-established Cuban solidarity movement with structures in major centres. There is also considerable public involvement in the debate over China, though this is mainly restricted to intellectuals

Multilateral relations. The previous regime's foreign policy was primarily bilateral, because it was excluded from most multilateral organisations. The present government has re-entered all multilateral forums, but there clearly is an experiential gap. The Deputy Director-General for multilateral affairs, Abdul Minty, has had considerable experience in the liberation movement and there are other liberation movement diplomats that have joined the department.

But the liberation movement's experience was mainly as a lobby group for its own interests, not as a part of discussion of broad international

⁸ The ANC foreign policy document holds: 'Foreign policy belongs to South Africa's people.' Foreign Policy Perspective in a Democratic South Africa' (1993, revised December 1994) at 2

issues. It did not function as an equal member of such organisations, trying to influence their broad direction. The liberation movement was there in order to advance its own limited goals. How SA impacts on these broad multilateral forums ranging from the UN, OAU, SADC to negotiating forums concerning particular issues like the question of landmines and other weapons, the NPT etc, will require time to develop. It will require training and re-training and it will also require clear articulation of policy goals and their realization within these forums.

What is not always clear in our multilateral policies is what is the place of consensus seeking? Is it an end in itself, to be the initiator of a consensus as SA was over the NPT or is it a conditional goal depending on the issues? In negotiating over the question of anti-personnel landmines, for example, ought we to be within the consensus of the lowest common denominator, or should we not, in the light of our terrible record under the apartheid regime, be in the forefront calling along with certain other states, for a total ban?

It is clear that the Nigerian issue was initially tackled primarily bilaterally and that when we came to deal with it multilaterally we found ourselves isolated. It is now difficult to know how to advance Nigerian democratisation within such a consensus because most African states appear to be reluctant to take steps that may incur any degree of displeasure on the side of the Nigerian junta. As an example of its isolation, it should be noted that SA was the only African state to withdraw its High Commissioner (or ambassador).

But now operating within an African consensus, SA has recently been criticised for not supporting a resolution calling for a special rapporteur on human rights for Nigeria. Had SA agreed with the resolution we may have been isolated on the continent. By going for the consensus we have achieved a more limited objective. Is it not correct to go for a limited approach and build a consensus? Has it not got to be gradual in the light of SA being a new actor? Would impatience not be perceived as hegemonism? Under what circumstances would leadership entail taking up a position that at this point in time, is supported by few other states, but nevertheless points in a direction most compatible with our constitutional values, advancing democracy and human rights? These are the questions still being asked. The answers are difficult to provide.

Problematic issues-human rights.

Human rights figures prominently in the 1993 (revised 1994) ANC policy document on foreign affairs.⁹ It is a regular aspect of speeches of the Minister and Deputy Minister.

On 16 May the Minister stated in the Senate:

‘Since South Africa itself has been the scene of grave abuses of human rights...we have vowed to play a leading role in the promotion of **human rights and democracy** internationally....’[emphasis in original]

The recently issued Department of Foreign Affairs Discussion Document also raises the centrality of human rights questions.¹⁰

But the Ministry and Department of Foreign Affairs come under considerable criticism for doing too little about advancing human rights in foreign policy. This criticism is not totally valid, in my view. Insufficient attention is paid to *the problem* of advancing human rights in foreign policy. It is easy to articulate a commitment. It is difficult to find a way of effectuating it.¹¹

How does one manifest a commitment to advancing human rights in foreign policy? In the first place there must be a characterisation of a human rights situation, one must first establish that it is an international and not a purely domestic matter. The prohibition on intervention in the internal affairs of states is not a sham, but an important element of national sovereignty.

Much of the battle in the world today is to internationalise the human rights practices of contending states e.g. the question of China, Cuba, Indonesia, Sudan, the aboriginal people of Australia, American Indians etc. Are these all international issues?

In our characterisation we need, also, to avoid becoming captive to liberal, democratic notions of human rights, which emphasise a limited number of issues such as multi-partyism and freedom of the press. We

⁹ At 5,6

¹⁰ At 9,13,15,29,30

¹¹ For further discussion see Raymond Suttner, Foreign Policy and the Promotion of Human Rights, Workshop Paper, Foundation for Global Dialogue/Portfolio Committee on Foreign Affairs, Johannesburg August 13 1996

need to also bring to the fore, liberation movement principles, such as self-determination.

While SA should form its own opinion, it is best to have such a characterisation made by a multilateral body like the UN or ILO, supplemented by human rights bodies like Amnesty, Africa Watch etc etc.

International norms, deriving from the UN charter tend to treat human rights as an international matter where the practices of a country amount to extreme and systematic human rights violation. This is in contrast to cases of human rights violation that may be serious, yet nevertheless are the result of administrative action by individual officials rather than official policy

Through such a framework one can distinguish between human rights violations that may occur sporadically or occasionally in Cuba and the systematic human rights violations of apartheid SA.

Having made a characterisation one needs to adopt a position towards such violations and develop a strategy for influencing it. Here we need to be very frank and honest and to recognise that there is a big chasm between SA adopting a position that a country's human rights practices are extreme and systematic and a threat to peace and *being able to do something effective about it*. (In contrast, the United States has resources at its disposal for influencing the behaviour of other states, should it wish, which we do not have.)

The simple way that some people advocate to resolve this is to 'speak out' on all occasions, supporting this or that resolution.¹² There is no denying the merit of acting on one's conscience, but that is not in itself a strategy for realizing objectives such as democratisation in Nigeria or influencing human rights violations in Indonesia.

Another position is to suggest that SA should not have or should break off diplomatic relations with countries like Indonesia and Sudan or should not establish diplomatic relations with China because of its human rights violations.

¹² cf John Daniel's overall position in *Mission Imperfect. Redirecting South Africa's Foreign Policy*, ed Chris Landsberg, Garth le Pere and Anthoni van Nieuwkerk, CPS/FGD, 1995, 32ff and criticism of statements of Abdul Minty in the column 'Legal Alien' by Amma Ogan in *Sunday Independent* 12.05.96

Mixed in all these responses are bilateral and multilateral approaches. What is clear is that there is a place for both and we need to be clear exactly what is achievable in each case and what their limitations are.

There is some merit in bilaterally raising human rights questions, though there is some doubt as to the effectiveness where we have little clout with the state concerned.

Breaking off diplomatic relations is advanced as an approach based on the success of the anti-apartheid campaign. There is no doubt that Indonesian genocide against East Timor is a crime against humanity, comparable to apartheid atrocities and there has to be a concerted effort to develop mechanisms against it. But this is a process which SA can only impact on gradually. There is no international campaign of states of which we can be a part. That still has to be built, presumably with Fretilim [the East Timor liberation movement] giving the lead. We must not think that our interventions-as a state(which is not to preclude interventions by civil society)- can jump the gun and pre-empt the need to build such international alliances.

Flowing from the qualified way in which the question of human rights in foreign policy has been confronted, the treatment of certain problematic bilateral relations has been unsatisfactory.

What does this mean in relation to Indonesia? Do we raise concerns about East Timor or extreme human rights violations in Indonesia itself, in discussions with the Indonesian authorities?

What does our commitment mean in relation to Sudan? What is the level of cooperation between SA and Sudan? Assuming that we do not consider breaking off diplomatic relations an appropriate step, for the reasons advanced briefly above, do we nevertheless have mechanisms for raising concerns about human rights violations? Do we monitor development and report on these to any structure? If so, what is done with such reports? These are matters that still need clarification within the continuing human rights in foreign policy debate.

In short, what meaning does the commitment to human rights have if we do not do any of these things, or if we do not do these things, how do we manifest the commitment? The answer is not obvious but it is not made easier to confront real difficulties by continuing to treat it as an abstract issue. It is not disposed of by relatively general aspirations on the side of

the department nor by the dogmatic advice of some critics to break off diplomatic relations or 'speak out'.

The Question of Identity

Developing a new foreign policy includes clarifying the question of identity.

What type of country is South Africa? How is it classified- as developed or developing or 'something in between'? This question is not a purely abstract preoccupation of academics, but has considerable practical significance, in particular, affecting access or otherwise to trade preferences from countries or groupings of states.

A related question is: with whom should South Africa link up in pursuing its international goals, diplomatically and in trade? One line of thinking is to relate SA primarily to the southern African region and the African continent and also see our diplomatic thrust concentrating on south-south relations and the nonaligned movement.

In the Foreign Affairs Discussion document this vantage point is present but coexists with a suggestion that because SA combines social features of developing and developed states, it is in a position to mediate between north and south, to interpret the north to the south and vice versa. Thus it quotes a speech of Minister Nzo:

'...the position in which South Africa finds itself is that it has features both of the developed and the developing world. It is truly at the point of intersection between both worlds-an industrialised state of the South which can communicate the needs, the concerns and the fears of the developing world. Conversely we can interpret the concerns and the fears of the developed world.'

The document goes on to suggest:

'The International Community is expecting South Africa to assume an important role in some organisations and there is the perception that South Africa has the necessary power, capacity and prestige to fulfil this role. The country is expected to play a bridging role in ensuring that North/South relations are non-antagonistic and are more equitable.'

It is not clear who in the international community is requesting SA

to play such a role and who is expected to benefit from such South African preoccupation.

A third position is to distinguish and distantiate SA from the South. One manifestation is to suggest that the southern African region in particular is so poor and its GNP so low that we should look for economic openings to other areas. Thus, the Institute for Defence Policy, in a submission on the Department of Foreign Affairs Discussion document, quotes Professor J Herbst:

‘...the regional economy is simply so small that South Africa in particular will benefit little from regional trade and the prospects for greater interregional trade is extremely limited. Over the last twenty-five years the region as a whole performed poorly with its share of the global economy decreasing from 0,76% to 0,58% in 1993. Southern African countries would be far better served by reforming their economies to take advantage of the roughly 99,4% of the world economy that is outside their region. Indeed, there is so little economic activity in Southern Africa that significant efforts to promote value of greater regional trade is especially limited to South Africa. The region’s total economic product without South Africa amounted to only 0,13% of the global economy in 1993.... Further, as in the rest of Africa, the nature of the region’s economies limits the degree of regional integration...prospects for increased inter-African trade, which would be a useful component of any regional economic resurgence, hinge far less on regional integration per se than on the fate of domestic economic reform and the overall embrace of globalisation. Regional integration is not a substitute for globalisation but a logical complementary activity.’¹³

According to such views, we should not allow geography to determine where our focus lies. Similarly, Dr Greg Mills writes:

‘What should South Africa’s foreign policy focus on? It is often said that “South Africa is an African power or part of Africa”, consequently the continent should therefore be the primary focus of our foreign policy. The premise may be correct, but the analysis is wrong. South Africa should react with Africa, where its interests lie, but foreign policy should not be bound by notions of territorial or for that matter ideological exclusivity. With the end of the Cold War, nations now define their foreign policy

¹³ Quoting J Herbst, *Africa and the International Economy*, paper presented at a conference on ‘South Africa in the Global Economy’, 11-12 July 1996, pp 18-21

increasingly in terms of their global economic and trade relations. Geographic bounds too are increasingly made irrelevant through technological advances. We should thus go, to put it simply, where our national interests lie: to the West, to the economic powerhouses of Asia and *also* to Africa.'

Another variation on the theme which seeks to distinguish SA within the south is the concept of the 'new south' advanced by Greg Mills, based on the views of the Mexican ambassador to South Africa. The suggestion seems to be that SA should not relate in an undifferentiated manner to the south as a whole, but should relate primarily with wealthier, apparently economically more successful states of the south, a so-called new South. Brazil is included amongst the group of states with whom, it is suggested, we might profitably relate.

The question really is in the first place, an objective one, what type of country are we, not what do we wish to be. From the type of country that we are, flow consequences in terms of shared experiences and positioning that imply the possibility of developing relations and alliances.

South Africa does have features of developed countries and indeed some of the population live in a sense like the people of Canada. But the overwhelming character of South Africa is that of a developing or underdeveloped country. The majority of the country live like the people of most of the poorer developing countries. Their aspirations for a better life are those of people of the south in general.

This is not something that can be resolved by resort to any universally accepted definition. Various international organisations adopt different classifications. Thus for some purposes

South Africa is classified as a developing country, and for others it is classified under a variety of different headings.

In speaking of the country as part of the south one is not therefore implying that South Africa is a country with features purely of the South. Equally one is not suggesting some undifferentiated unity within that body of countries called the south. Amongst countries of the south there is considerable differentiation (as there is amongst countries of the north)

South Africa is primarily a developing country and shares the problems, for example of access to markets and pressures of globalisation,

experienced by most other developing states. The relationship with Southern Africa is not in the first place an ideological choice. It is a long established economic and historical link to neighbouring countries. Its potentiality as an economically beneficial relationships cannot be assessed purely on the basis of existing GNP. It is an economic relationship whose cooperative possibilities is only starting to be assessed now, in post-apartheid South Africa.

While relationships with countries on other continents must be developed, the level of economic integration possible within Southern Africa is obviously greater than with those more geographically distant. It is important not to counterpose the one type of relationship to the other. Southern Africa may be poor, but that is where we are and it is in our interests to rationalise resources here and develop these to the benefit of all the countries of the region. It is not a form of charity, but in our short and long-term interests. For us to develop close relationships with all other countries, including Brazil, is within the context of this primary focus.

Foreign Policy of a Democratic South Africa: committed to democratic values.

Greg Mills is not correct in describing the foreign policy of the new South Africa as neutral.¹⁴ The framework of all government activity is the democratic values of the interim and new constitution, committing government to values which represent a qualitative break compared with what existed prior to 1996. It is from these constitutional principles, amongst other places, that the mandate to advance human rights and democracy in foreign policy derives.

The foreign policy of the new South Africa represents in many respects a conscious break from the past. In the first place, there is the reinsertion of South Africa into the southern African region and the African continent, areas marked out as priorities in South African foreign policy. There is the recognition of South Africa as part of the South and consequent emphasis on south-south relations.

¹⁴ In South African Yearbook of International Affairs 1996, at 1

Unfortunately these orientations are not unambiguous, and coexist not only with the references already made to being some type of mediator between north and south, but also formulations that may contradict the legitimately partisan commitments to democratic values. Thus, when establishing diplomatic relations with Palestine, the first mention was made of the 'non-ideological' character of South Africa's foreign relations. This concept of de-ideologisation is apparently part of the training of new diplomats¹⁵ and the concept of non-ideological and non-confrontational approaches is found in the Departmental discussion document.

No one seeks confrontation. Nor does one seek a foreign policy blinded by dogma, if that is what is meant by the reference to ideology. But is that all that is meant? There is a danger that the reference to de-ideologisation can denude foreign policy of the type of moral commitments that distinguish relations between South Africa and peoples struggling for self-determination (e.g. Palestine) and those suppressing self-determination (e.g. Indonesia).

The concept of deideologisation especially when taken together with the concept of universalism, frequently deployed in foreign policy discussions, can mean an undifferentiated approach towards states with whom relations are established. In fact a democratic foreign policy includes establishing a hierarchy of relationships, an appreciation of the history of SA which has resulted in particularly close links to some countries as well as the interests of a democratic SA which would lead to a stress on some places, more than others.

The principle of universality appears to be the desire to be well received/liked by all and the assumption is that is how to advance South African interests.

Obviously we need clarity as to where we locate ourselves in the world, whether it is just an ideological predisposition to link up with the south or whether there are, as earlier suggested, objective reasons to see South Africa's fate tied to that of the developing world. Clearly far from foreign policy being 'de-ideologised' it is suffused with ideological choices of various kinds relating to alliances, our place in the world, our self-identity and other factors. Let us not be blind to this reality and articulate all of these factors.

¹⁵ John Daniel in *Mission Imperfect. Redirecting South African Foreign Policy*, 1995,CPS.FGD, at 34

Strategic Evaluation of International Security in the South Atlantic: the past and the Perspectives for the Future*

Thomaz Guedes da Costa

Introduction

This work consists of a brief strategic evaluation of the past and identifies some elements that could feature in the future of international security in the South Atlantic. Its purpose is to contribute to the discussion about interests and views on the questions involving the region, in considering the analytical essence of phenomena and interactions, as well as surmising on components of the decision-making processes in the efforts to establish solid and cooperative bonds between the peoples of the American and African shores of the Atlantic.

Like a conductor, this analysis has adopted a hypothetical/deductive approach, which Arthur L. Stinchcombe characterized as the “capacity to invent explanations”. Or rather, the analysis seeks to reply to general and significant propositions over the South Atlantic issue against empirical evidence. As regards a prospective exercise, substantiated by historical bases and present-day factors - the most simulating part of the exercise for the formulation of policies - the work itself is limited to working out variables that, when crossed with one another, make up the background of the bilateral and multilateral relationship of the various national interests in the South Atlantic area. These conjectures, simplified within the limits of this analysis through immediate access to the sources of information, are derived only from a Brazilian perspective (which are various). Insofar as matters such as drug smuggling, international migrations, and national and civil conflicts in both shores can affect the configuration of regional security in the area by their all-embracing nature and complexity these

* Version by Globo Tradução de Línguas Ltda.

themes were not included in this analysis. Moreover, bearing in mind the extension of the Antarctic Treaty for another 50 years, having regard to political demands, conjectures about the impact of politics concerning the Ice Continent within Atlantic policy have been avoided.

The South Atlantic as a Concept

The first proposition to be focused on is that of the South Atlantic as a significant geostrategic concept. How does one characterise geographically the South Atlantic? Proposals for a valid definition, with a geopolitical ring, have been appraised in many ways, as José Maria Cohen has pointed out. In a direct form, the proposition of Admiral João Carlos Caminha appears to be sufficient. Caminha argued that "from a strategic viewpoint, it is convenient to regard the South Atlantic as stretching from the vicinity of Parallel 15 of the Northern Hemisphere to just above the Antarctic continent", having the meridians of Cape Horn and the Cape of Good Hope as boundary markings in the extension of the coasts.

If the geographic proposition is satisfactory, one should ask if it is appropriate to assume, in analytical terms, the South Atlantic as an integrating geographic concept, operationally and politically defined, an area suitable for carrying out a system of security that is valid and viable. Would the South Atlantic manifest empirically its own identity, or would it be just an area of transition, or, further still, an ancillary stage for interactions that would occur in other regions, mainly in the continental masses of America or Africa? A reflection on these questions is important in order that the geostrategic framework of the South Atlantic would not be reduced to merely a minor role in what goes on politically in the continents.

In the strategic construction of the 20th century within the historic multipolar context as well as in the Cold War period, the evidence about the relationships of the States does not show with descriptive or explicative facility that the region is a concept for integration. Despite its importance in the structure of strategic thinking of the formulators, the inhabitants of surrounding countries, this characteristic would not be a sufficient condition to generate a valid model of the region projected in world politics.

The strategic model of the maritime area contrasted with that of the continental. Weakening the maritime model on the one hand were the

initiatives taken in the past by the political structure that prevailed up to the end of the Cold War and, in the present, by the proposals for regional cooperation observed in the continents, whether by Mercosur, by the Tlatelolco Treaty in America, by the South African Development Community (SADC), or by the Treaty of Pelindaba in Africa. On the one hand, his proposition by itself is weak. There is also the operational difficulty in setting up the South Atlantic Zone for Peace and Cooperation (ZOPACAS) for activities in effective political coordination that would transform into a network in the South Atlantic, engraved indelibly in the mind set of governments, makers of public opinion and societies on both sides of the Ocean.

This fragility in the geostrategic characteristics of a maritime area does not apply exclusively to the South Atlantic. Other seas, such as the Pacific, can likewise be described as undefined models, whilst others, like the Mediterranean and the Indian Oceans, with still more activity, act as dividers, or theatres of interactions of the continental fronts. This conclusion may be easily sustained by considering that the geographic accident has no intrinsic value, but presents itself as a constant in the varied political equations that occur around it and in other dimensions of human relationships, in spite of efforts by geopoliticians to propose determining values to the geographic base.

In spite of the fact that its supporting role in the global political system, in the tensions of peace or in the confrontations of war, had given the South Atlantic a minor role in the field of international security, the scenarios of the past or other possible future ones, there is a strategic dimension that ought to be joined to the grand strategies of countries like Brazil, Argentina, the Republic of South Africa, and Great Britain. The geographic position is a part of Fate.

Some strategists like to point out that this maritime area holds the attention of strategists from outside the region, but Paulo Roberto de Almeida mentions categorically in his summary the relative strategic indifference existing with regard to the South Atlantic. Almeida argues that it appears to be condemned by its geographic size to secondary maritime traffic, its demilitarisation being relative to the question of regional interactions, and its relevance to be minute as long as it is a sub-system of the global macrostructure. The author points out further that in the view of North Atlantic strategists, there was a vacuum in the South Atlantic, which,

theoretically, would be contrary to the classic geostrategic way of thinking which holds that the filling of the vacuum would be assured in some inevitable way. For North Atlantic people such as Coutau-Begarie, Michael Morris or Margaret Daly Hayes, the definition of South Atlantic as a geostrategic area only has value in a peripheral way in the scope of a global conflict between great powers, whichever the situation. There is no appreciation of the argument that views and interests of the peripheral peoples can produce regional interactions not connected with the wishes of the principal powers. In the opinion of these authors, the naval activities of these small countries are limited to the coasts.

As a counterpoint, Almeida tries to argue against this view with the idea that in this geostrategic area the proper thing to have is a trans-Atlantic cooperation to do away with interferences, deployments and confrontations of the extra-regional powers. The ZOPACAS would thus appear to be the spirit of this proposition.

The South Atlantic in the Global Context

The second proposition refers to the value of the Atlantic in the global context. Up to the 1930s, there were no significant interests or situations for armed confrontation within a specific strategic-military framework for the South Atlantic, even considering the particular viewpoints of the small countries and the naval patrols of the colonial powers in their hegemonic disputes in other parts of the globe. In the American framework, under the isolationist perspective of the Monroe Doctrine, the ideal of Pan-Americanism of Bolívar, expressed in the Congress of Panamá, and under the creation of the Pan-American Union at the Washington Conference of 1889, the South Atlantic remained as a modest appendix. In the colonial African framework, the Royal Navy's mastery encountered no challenger. European agreements on the colonial question or confrontations never produced any significant deployments apart from those permitted by Britain's naval power.

The first steps towards an effective system of collective action affecting the South Atlantic may be linked to the Americans' "Good Neighbour" policy of Franklin Roosevelt, which proposed to bring the whole American Hemisphere into an alliance that would benefit continental security. This policy, under the aegis of the concept that an attack against

any American nation by a non-American country would be considered an attack against all the American States, led to the setting up in 1936 of an inter-American system of collective security through the mechanism of a Consultative Pact. This mechanism enabled the US to request the participation of the other States in the defence of the continent after the attack on Pearl Harbour in 1941.

Under the glare of the strategic game and of the combat operations of the Second World War, the South Atlantic acquired its own valuation, especially for Brazil. Initially, this geographic mass signified a buffer against a possible Nazi-Fascist military advance towards the US. In South America, a crossing of the Natal Dakar strait could be carried out through German air power in Project "Condor", an aircraft similar to the Americans' B-17. With the start of hostilities and the combats, the South Atlantic became the scene of traffic of maritime freight convoys and anti-submarine campaigns.

Pan-Americanism revealed itself in regional continental pragmatism, in the anti-Axis alliance, as well as in 1947, with the creation of the Inter-American Reciprocal Assistance Treaty (TIAR), and in 1948 in the legal structuring offered by the Charter for the Organisation of American States (OAS). In the context of the power struggle in the Cold War, the relegation of the South Atlantic became more accentuated, overshadowed by the manifestations surrounding the end of African colonialism, the internal ideological disputes in the countries, and the peripheral clashes under the tutelage of the superpowers on both shores. This ocean became yet another geographic delineation for an engagement in defence of the American continent in a conventional war, with relevance to naval manoeuvres only in the North Atlantic. The collective systems of the North Atlantic Treaty Organisation (NATO), of the Inter-American Reciprocal Assistance Treaty, as well as of others connected with the military confrontations in the crises absented themselves from South Atlantic waters, to the relief of many.

Meanwhile, the formal inclusion of the South Atlantic in the framework of the East-West conflict was touched upon on a number of occasions. In 1955, US Secretary of State Foster Dulles proposed the integration of TIAR and NATO, which move could well have resulted in the birth of a "South Atlantic Treaty Organisation" (SATO). In case of conflict, the US Navy would assuredly be the chief protagonist, with others providing modest military support. The proposal was abandoned in silence

by the Southern countries with the logic that this fusion would lead to the militarisation of the inter-American system of collective security, transforming it into a permanent system, which would be a contradiction, taking into account the non-existence of the perception of a common enemy. In other words, the American countries prevented the signatories of TIAR from incorporating a defined enemy, in this case members of the Warsaw Pact, into its fragile and incipient structure of defence coordination. It may also be pointed out that this permanent system would be counter to logic. For the South Americans there was a certain comfort in the security generated and developed under the benefits of the hegemony and costs of the United States in confronting any possible Soviet aggression in the Western Hemisphere.

Later on, between 1968 and 1969, a proposal similar to that for SATO was formulated in a more defined form during meetings between the naval commanders of Argentina and South Africa. In the meantime, because of mutual reasons and also, more objectively, of political restrictions from Brazil, SATO did not materialise.

It may be said that even during the Cold War there was a vacuum of power in the South Atlantic resulting from the inability by the Soviets to project themselves to carry out significant military moves in the area as a global superpower. On the one hand, the South Atlantic did not have its security identity clearly defined in the American project, since TIAR does not include the entire South Atlantic. Its dividing line is located in the meridian of 020 degrees W, practically half the distance between Brazil and Africa. On the other hand, the tensions and legacies of the end of colonialism maintained the armed confrontations in Africa on land.

If on the Western side of the South Atlantic the creation of TIAR and the structures of the Brazilian and Argentine naval forces did not characterise the setting up of a clear military framework, on the other side, Great Britain established the points of its potential presence without any challenge. Besides the logistic support of Ascension Island, the military cooperation with the Republic of South Africa, particularly with regard to the Simonstown Accord, resulted in the South Atlantic Unified Command, giving the Royal Navy access to the Simonstown base until the end of the bilateral accord in 1975. The possibilities of the operational capabilities of a British intervention force were confirmed in the Falklands/Malvinas War in 1982, when the South Atlantic drew in a definite way the attention of the world.

For military strategists, in an armed confrontation between blocs within the macrostructure of the Cold War, coupled with the idea of a repetition of Atlantic campaigns similar to those of the Second World War, a silent concern would be about the presence of intercontinental missile-launching submarines on patrol along the Equator. During the Cold War, the security of the South Atlantic became confused with global security, enabling the potential for expansion of Soviet influence in Africa and South America to cause the US to activate compensating mechanisms in the continents, principally on the political level, to establish bilateral and multilateral relations in military coordination, and to support movements that were against Marxist forces in Africa, and above all to have an eventual military and naval presence in the South Atlantic.

The search by the Americans for oceanographic data that would optimise the tracking of Soviet submarines was the principal result of all this activity. The deployment of submarines of the Typhoon (Soviet) and Ohio (US) classes, with missiles with a range of approximately 8,000 miles, in the South Atlantic would enable the concealment of strategic submarines that could target the territory of the two superpowers from a line linking Recife to Lagos. This could be interpreted as one of the reasons that led the Soviet Union to seek support for its submarines and long-distance aviation in the Atlantic coast of Africa (Guinea, Angola, Sierra Leone, Cape Verde, Ghana, Congo, Nigeria and Namibia). On the other hand, to enable the US to use its Trident missiles against strategic targets in Soviet territory, its submarines must approach the African coast to reduce the distance for the missiles, making them vulnerable to Soviet aviation based in African territory. Consequently, the US put emphasis on anti-submarine activities and on the presence of Soviet influence in East Africa, to try to prevent the relative advantage that the vast and profound abyss of the South Atlantic could give to the strategy of the USSR.

Despite the end of the Cold War, the equations of the war and of nuclear weapons between the main powers are not defined. These equations received the impact of new variables in the political game, but did not eliminate definitively the weapons for mass destruction. Even though the strategic picture in the South Atlantic may today have an importance described as peripheral in terms of concealment of vectors of strategic arms, it still is part of the strategic concept of security for the States with the capacity to develop a nuclear deterrence, especially if the submarine continues to evolve as a principal reserve system of the last instance in the

nuclear weapons competition between the powers in the future, and if the tactics of total concealment in global terms continue to be maintained.

In the conventional field, the US is in the process of implementing a strategy of national security known as "Engagement and Enlargement". At the same time NATO is reviewing its organisational and operational structure and seeking greater integration with the Western European Union (WEU), within the integrated framework of the European Union, in an apparent political (but not operational) distancing from its other North American partners. These new developments enable the leading States to explore the peace dividends in political and financial terms by reducing security expenditures but at the same time retaining an effective capability for conventional deterrence to contain any new threats through the imposition of a military force that, although quantitatively inferior to that of the Cold War period, makes the costs of an aggression disproportionately greater than the possible gains, and in case the deterrence fails, the country could still defend its interests by offensive and defensive actions.

Despite being enveloped in a veil of apprehension as to the harmony of their relationship (which is obviously subject to a verdict by history), the two greatest military entities on the globe - the US and NATO - have remodelled their ideas about the use of the armed forces in order to deal with the new variables of security. The US integrated their expeditionary forces according to the concept "From the Sea" of 1992, which gave origin to the sea strategy "Forward...From the Sea". For its part, NATO in January 1994 formally incorporated in its operational system the Combined Multinational Forces (CJTF), national units from member countries capable of unleashing the so-called "Operations Outside the Area" (OOA). In both cases, the purpose is the same: crisis-handling and the preservation of interests in regional conflicts, permitting the deployment of forces of global range.

In practice, it may be observed that there has been a re-orientation of the vector of the threats, from East-West to South-North, with the resulting operational model duly re-equipped and in reserve, to provide a military response for the North. What is often more difficult to notice is that this reorientation has caused a change in the perspective of those countries that became potential objects of intervention by those forces alleging defence of common interests and the collective good, creating an asymmetry between the interests of peace for the States of the North and the defence of political proposals for those in the South.

In this sense, the demands of security in the South Atlantic has become very much complex. The architect of a security concept for the region would have to consider the integration of continental plans within the global context in defence of common interests and at the same time the demands of national interests of the South Atlantic countries that possibly come into conflict with those of the North. This equation becomes clear when it is shown that some of the values that define traditional models for security of the States in the South, such as the defence of sovereignty and the maintenance of vital economic resources, end up with less significance in the bargaining routine of the Northern countries and inserted in complicated globalisation formulas (often used as instructional aids to bolster the legality of military or coercive actions such as those idealised in the plans of the "Operations Outside the Area").

Theoretical models developed for the industrialised countries of the North in a global context may not be appropriate to a regional context in the developing world. A mere reduction of scale does not suffice. The analysis of regional security requires the breaking away from the influence of historical opinions preventing the inclusion of common regional interests which, in the final analysis, is the thing that gives coherence to the sustaining policies of the security systems. In other words, there is the need to break from the regime of "immediacy" inserted in the prepared formulas that do not take into account regional peculiarities, and also to avoid rhetoric that does not produce a constructive political substance.

The South Atlantic as a Pipeline

In the global system, the South Atlantic has its own value in the viewpoint of those parties who are at the mercy of its impact as a geographical constant. This is because of the function of this ocean as a pipeline for commercial interests, chiefly because of the significance of oil from the Middle East by way of the Cape and destined for the Americas and Europe.

The South Atlantic possesses four basic maritime features with the following trade poles: from Asia and the Middle East via the Cape of Good Hope for the North Atlantic; from the Pacific coast of South America for the North Atlantic; the South Atlantic route of Cape Horn to the Cape of Good Hope; and the trans-Atlantic route linking South America with East Africa.

The route to North America is responsible for about 33% of Brazilian imports, with an average daily movement of 44 ships. In terms of exports, the route of greater importance for Brazil is that connecting the Prata with the ports of Brazil's Southeast region and from there to Europe, through which flows 43% of our exports in tonnage using some 72 ships. The route joining Brazil to the Middle East is responsible for about 40% of the exports and 33% of the imports in tonnage.

Evidently the routes that traverse the South Atlantic gained greater importance with the re-dimensioning of the ships' characteristics as a result of the closing of the Suez Canal between 1967 and 1975 and the saturation of the Panama Canal. The potential flow through this area, responsible for the traffic of 66% of European oil and 26% of American oil in the 1990s, was the factor that guided the development of various regional geostrategic concepts and brought into relief the island support points.

The interlinking of the geographic island points of the South Atlantic, commonly known as "island springboards", has led to the designing of polygons of distinct forms. These polygons help to shape the geostrategic concepts used in military circles, with deployment of air units across sea lanes. Notwithstanding the geostrategic peculiarities of each polygon, it is to be noted that the formulated concepts of defence converge upon a similar theoretical model that has a reference in Mahan's doctrine in terms of the use of fixed bases for support and vigilance of the access routes to the South Atlantic and for the control of lines of maritime communication.

In this sense, the reinsertion of South Africa in the international political scene did not represent a break away from these models but a mere adjustment in the strategic balance of the fixed bases, owing to the privileged position of this country which permits the monitoring and support by way of supplies and annual repairs to more than 12,000 ships. Similarly, the British control was maintained as a result of the conflict with Argentina over the Falklands/Malvinas.

Three of these polygons are considered of greater relevance. The first, formed by the islands of Fernando de Noronha, Trindade and Malvinas, control passage from the Atlantic to the Pacific, and is directly connected to the protection of sea traffic vital to the countries of TIAR in general and to Brazil in particular. It is not by chance that the maritime limits of TIAR are inserted into this polygon of support under its protection. The second

polygon (called the "English Triangle") is covered by the lines that join the islands of Ascension, Santa Helena and Tristão da Cunha. Their median position in the South Atlantic contributes to the protection of the flow of petrol from the Middle East through the Cape route, which is of vital interest to the US and Europe. The third springboard is formed by the islands of Gough, South Sandwich, South Shetlands and South Georgia. This polygon is important in the defence of the mid-Atlantic, the Southern route and the approaches to the Antarctic. The construction of a runway in South Georgia, for example, permits a projection on the Antarctic continent and represents the British interest in the area today and for the future.

It is to be remembered also that France has in Senegal a traditional point of support and another in French Guiana enabling it to establish a line of control between Africa and South America which intercepts the main sea lanes to Europe.

The US is present in the South Atlantic despite the restrictions imposed by ZOPACAS, through periodic exercises as well as routine operations aimed at combating drug smuggling and the maintenance of naval proficiency. For this purpose, they rely on military installations in Ascension Island rented from the British, the strategic value of which were evident in the Falklands/Malvinas conflict.

Technically, there are four principal routes for Middle East oil, with the following main characteristics: Suez, Malacca via the Panama Canal, Malacca via the Strait of Magellan, and the Cape. The selection of the route is an essential function for the type of ship used, in the absence of political interdiction of maritime traffic. Transport by way of the Suez Canal is viable for ships with the capacity of up to 60,000 tons, and the route through the Strait of Malacca is limited to ships of up to 200,000 tons. In terms of distance, it is enough to note that the difference between the Middle East and Europe, compared to the route of the Cape with that of the Panama Canal, is around 8,000 miles, with the advantage going to the former. Combining the limits of Suez and Panama, any impediment to traffic shows that the South Atlantic is important to the countries of the North as a quick sea link for great volumes of trade with other points of origin and destination. Thus the South Atlantic is a means and not an end.

Nevertheless, it must be acknowledged that the importance of the Cape route, or that of the Strait of Magellan is relative. In the case of oil, the initial legs of the voyage in the Middle East are to be found within the

spheres of influence of more important theatres of operation where it is easier to interrupt the traffic. This hypothesis was considered during the Cold War and after the Gulf War in 1990-91. It would be logical, however, to acknowledge that naval interceptions could occur in a complementary form in Atlantic waters, seriously affecting the trade flow. If this hypothesis is possible, it would be difficult to construct an objective probability in the present international political situation.

Review of the Main Ideas on the Importance of the South Atlantic

The proposition of the relevance of the Atlantic for Brazil should be considered in view of its power of attraction for the formulator, although within an "insufficient consistency in strategic convictions". It is hard to input relevance since there is no clarity, conviction or a facility to visualise an objective situation that arouses the political interest of society and of governments and is consequently capable of generating the will and resources for the use of military expedience in this theatre. When dealing with military planning based on an hypothetical armed confrontation with neighbours or powers from other continents, or with neutralising vulnerable elements, one cannot substantiate the ideas with clarity. It should be stressed that this condition is peculiar not only to the Brazilian Navy; as has been pointed out, the history of Brazil's military posture on national defence as a whole has shown a lack of unifying guidelines, and this has resulted in a fragmented military preparation that is also politically disintegrated, especially in the present post-Cold War period.

The logic of the Brazilian Navy has resulted in a framework of coherent aspirations aimed at the maintenance of tranquillity in the Atlantic, necessary for the nation's economic development, with the Navy providing the routine security for navigation in general and the defence of the shores, the coastal installations, sea traffic, and the economic resources of the sea that are of interest, or could be of interest, to Brazil in the future in international politics. More incisively, strategic reasoning attributes to the South Atlantic an economic importance because it is a vital area, not because of its neighbours, but because the greater part of the country's international trade and the oil consumed in Brazil pass through these waters, and also because of the size of the continental shelf that functions as a new frontier.

Even during the Cold War, the inability to see the risks of a Brazilian involvement minimised such a consideration in Brazil's strategic planning.

Admiral Flores, as Navy Minister, affirmed that the conflict “should not - and even less so today - be a condition for Brazilian naval preparations, because it is a confrontation and a hypothetical build-up in war level with which Brazil has little or nothing to do, including a military contribution.”

Thus, even with the difficulty of defining and visualising the shaping of naval power within the logic of a policy for the defence of Brazil, the South Atlantic is an integral part of the Brazilian naval operational code, since it is the scenario that calls for measures of defence and deterrence against outside threats. The origin of this is in the psychological, political, and operational impacts caused by the experiences undergone by the Brazilian Navy during the Second World War, in the crisis of the “Lobster War”, in the naval incidents with the US over fishing, and naval exercises of the US Navy off the Brazilian coast. In the conjectures over the Brazilian maritime situation and in speculative studies over the crises, the visions of a perennial “gunboat policy” by foreign powers and the events of the Falklands War are the most dramatic points that hold the attention of the Brazilian naval strategists, who have deposited on the hypothesis of being faced with naval intimidation by a power from another region the fulcrum of the national strategy in the Atlantic.

In bibliographies, especially those in the Brazilian Maritime Review, and in conversations over coffee with naval commandants, there is no evidence about any great concern over naval challenges in the regional context, and even less with something hypothetical on the part of Argentina. On the contrary, after the Cold War, in the political context of regional economic integration, naval cooperation has become coherent. The notion of naval intimidation or aggression by a party despatching units from overseas gives rise to a Brazilian will to defend in full the Atlantic and raise the risks of damage to the aggressors as part of the doctrine of the use of force by the Brazilian Navy.

Even with the process of economic integration with Brazil and its neighbours within the ambit of Mercosur, and with the intense interchange between the navies of Brazil and Argentina, it is worth pointing out that Brazil treats with the greatest care the naval equation between the two countries because of certain intervening factors.

First, there is caution in the management of correlation of interests. Argentina aims at participating in the regional security arrangements and in economic cooperation, protecting maritime traffic and exploiting resource

in its Exclusive Economic Zone, making use of its Antarctic projection, and assuring sovereignty over the archipelagos of the Falklands/Malvinas, South Georgia and the South Sandwich. If on the one hand there is a great convergence of aspirations by Brazil and Argentina over the Atlantic, on the other there is the dispute about the archipelagos between Buenos Aires and London. The way the problem is dealt with by the two countries, both in the Argentine initiatives for a change in the *status quo* as well as in the British reactions, will define in large part the presence of the Royal Navy in the South Atlantic. This definition can be of great interest to Brazil because it defines the behaviour of an important variable in the configuration of future scenarios, as will be discussed further on.

Secondly, there is the question of an Argentine reaction to the project for construction and operations of nuclear-powered submarines by Brazil. From the viewpoint of grand strategy, in the naval aspect the nuclear submarine would make Brazil "a naval power compatible with Brazilian interests at sea and with the maritime vulnerability of the country". The allocation of resources would be for possessing a weapons system with mobility and security which would involve an ample range of missiles in order to provide substance to Brazilian naval power. In the meantime this proposition has caused a very unfavourable reaction on the part of the Argentines. Initially Buenos Aires realized that it ought to maintain a certain strategic balance with Brazil in the military sphere, despite the integrational process and the asymmetries of regional and global considerations. Hence the desire to develop also this weapons system would be logical. However, within the logic of the policy of arms purchases and the strategic repercussions, in the relationships with both Great Britain and Chile, budget limitations and political risks oblige the Argentines to put a hold on the acquisitions. Thus in an expected way the Brazilian strategists find themselves having to consider one more aspect of the "cooperation/conflict" complex of the strategic game. The obsessions of the Argentines cannot be disregarded, and a set of measures for mutual confidence, involving a dialogue on various levels and an understanding over defence, should be implemented. The clarifications and the process of confidence building should be on the political-strategic level and taken into account in the respective defence policies. The interchanges between the navies are important on the naval operational level, but are not sufficient in themselves for the building of a policy of confidence.

The Political proposal of the Model for South Atlantic Security

From the Brazilian viewpoint, the relation between Brazil and the African continent has the common historical and cultural heritage as a factor for its inevitability. In the colonial past, because of race and culture, Brazil's foreign policy built a number of models and took various initiatives for approximation to forge a definitive trans-Atlantic interchange. But the great majority of the efforts were incapable of mobilising widely the political will of society and of working out long-lasting bonds. It is exactly these difficulties that show up the determination, the belief and the will of part of the nation's elite to foster such an approach. At times the Brazilian effort was in the form of a diplomatic project and of an official nature, as may be observed during the decolonisation phase of Africa and the post-independence period of the former Portuguese colonies. More recently, the expectation of cooperation has also emerged from the symbolism of a common denominator, as is expected from the Community of Portuguese-speaking Countries. However, the logistical difficulties and the costs of transaction have frustrated the possibility of having in commerce and technical cooperation a central avenue of interchange.

The composition of the Brazil-Africa relationship may be viewed in two moments of Brazilian foreign policy; for example, in the reflections referred to by Ambassador Ronaldo Mota Sardenberg. In 1980, as a key official in the Foreign Affairs Ministry, Sardenberg argued that "as a whole Brazil's African policy is in the construction phase. It is a new horizon that is opening up, and we have already passed through the preliminary 'declaratory' phase and reached that of concrete negotiation. If, on the one hand, we present an option in Africa that, while not sufficient, dilutes the North-South arrangements that traditionally affect the external position and internal development of the African nations, on the other hand the relations with Africa in the way it is being stimulated reinforce Brazil's external profile. This African watershed leads us to reconsider the external problem and gives us new and valuable elements for negotiations in the global diplomatic game." Nevertheless, up to now the Brazilian presence in Africa has been episodic and truncated.

At present Secretary for Strategic Studies, his rhetoric tends to distance itself from an idealism towards a more political status in face of the uncertainties of globalisation. For Sardenberg the bridge building in the South Atlantic should be subordinated to more immediate material

interests and the need for political coordination. "What we should do in the South Atlantic despite all difficulties and inadequacies is to develop a new type of regionalism. Our region will not fulfil its enormous potential if our countries are kept apart and remain isolated from each other. We have to strengthen our political and economic ties, as we look ahead to the new century. Our region-building effort should be placed in the context of the process of globalisation, that is to say, within the process of change in the established world structure of production and in the global pattern of consumption."

If the arrangements for a security configuration in the continental masses along its shores can be isolated, the figure of the ZOPACAS would be the most clear landmark of the efforts for designing the system of transregional political coordination that governs Brazilian strategy. In 1986 through Brazil's efforts and that of other South Atlantic countries, the Zone for Resolution 41/11 of the United Nations was created.

It should be pointed out that in attempting to define and exclude an area of military involvement in the dispute resulting from bipolarisation or of possible future regional confrontations, and also from a positive point of view, in drafting a trans-Atlantic cooperation proposal, ZOPACAS ended up by restraining once and for all the pretensions of setting up the South Atlantic Treaty Organisation (SATO). ZOPACAS gained force from having a regional identity to becoming consolidated in the South Atlantic, with its own beat. The essential objective of its proposition was to eliminate sources of tension by refraining from threats or use of force, stressing respect for unity, for sovereignty and the political independence of all the States of the region. Its most elementary mark was the adoption of a symbolic but pragmatic posture, that of repudiation to the presence of nuclear weapons, since the signatories of the region, while respecters of non-proliferation, would be powerless to impede such a *de facto* intrusion.

Although this does not appear in the document of intentions initially declared, it is interesting to note that with the end of the Cold War, the strengthening of ZOPACAS may in a certain way generate the need for rethinking over the operational framework of the international security, chiefly to induce the notion that the responsibility for the economic and environmental security of the region would now be in the hands of all the surrounding countries, to be shared through a common interest.

Strictly in the implementation of defence measures for security,

the qualification of ZOPACAS as an area of cooperation does not permit it to deliberate on defence matters. Nevertheless, the insertion in the legal text for political coordination allows it to start off legitimate developments for approximations and joint military exercises between the region's armed forces, aimed at fostering the individual skills of the States for their own defences as well as for collective action, while respecting international commitments. On the Brazilian side it has been even argued that a joint patrol of the sea would be desirable with a view to looking after common interests. If on appraising this from the military standpoint the proposal may appear inappropriate then the transit of warships equipped with nuclear weapons, particularly American aircraft carriers and the submarines of various powers, plus the freighters with cargoes of plutonium, as observed in 1984 and 1992, are objective situations that come into the cooperative framework of ZOPACAS.

Some Master Variables in the Configuration of Future Scenarios

This evaluation suggests the following central variables that will influence significantly the configuration of future security scenarios of the South Atlantic, even though a careful appraisal of these developments and the relationship between them in the crossed impact is necessary. The considerations dealt with here are limited to pointing out some central points.

Marine Resources: Value and Sustainability

The component that is most objective in defining the relevance of the South Atlantic will be the combination of the conferred value and the rate of exploitation of the sea resources of the region. The insertion of this variable is important due to the increase in world value of certain sea resources, especially fish, and by the degree of degradation and aggression that the environment may continue to undergo with the reduction of fish stocks. As registered by the FAO, since 1986 the volume of fish has become stabilized at some 50 million tons. On the other hand, the number of fishing enterprises has increased because of demand. The result is rising prices for sea products, thus setting off a vicious circle based on ever greater investments, fishing and demand.

With the continuity of the growth of demand by consumers and the stabilisation of the volume of fish, the markets begin to put pressure

through price increases on the limits of marine habitats considered peripheral until recently. In the case of the South Atlantic, particularly along the African coast, the local populations have intensified their search for fish as a consequence of the reduction of the amount of the catch and the rise in prices for exports. An example of this is the grave risk facing the shoals of tuna in the Gulf of Guinea and in the Antarctic area, where ship-factories from countries outside the region operate, possibly in a predatory way, in order to attend to the growing global demand. As the fish stocks are very collective, and the damage caused by fishing very diffuse, the political decision relating to the protection of the national property becomes stranded by an inertial weakness.

Within this context, what will be the role of the countries of the region as guardians of the collective produce of the sea? Would the navies be ready to check and control the exploitation of resources? What kind of political coordination and actions can be put into effect?

Coordination of Defence Policies

The definition of a security system in the South Atlantic will depend on the degree of coordination of the defence measures and others for the benefit of regional security to be worked out between the interested parties in the planning involving the continent and in its Atlantic projections.

Up to the end of the Cold War, the chief model for the shaping of national defence resulted from the preferences of the strategists for adopting values, attitudes and policies of an absolutist nature or of alliances with associations in face of the use of armed force in international politics. As a result, defensive and offensive strategies and doctrines were created in accordance with the military technology and conjunctural posture of the contenders. At the time it was noted that the inter-State wars, although based in political disputes, were precipitated by mistaken perceptions regarding intentions and the capabilities of the parties involved.

With the end of the bi-polar freeze and with the spread of the complexity of globalisation, self-sufficiency and the military alliance manifest themselves under the defence coordination resulting from the regional integration processes and the rise of a common security awareness. Thus, for the analyst, there is the discomfort of the clash between interdependence and the security dilemma. The notion of a national defence

has expanded to beyond the definitions based on the vital interests of the State, within ideas such as a new constructive phase of collective security.

When considering future scenarios of international security in the South Atlantic, account should be taken not only of the elements of the global system, but also of the intricate development of regional policies. It is this regional landmark that is being regarded by governments as the future of the South Atlantic. In the continental fronts of America and Africa, the model for defining defence founded in self-sufficiency and in the alliance is affected by the regional integration movement, despite the uneasiness of some governments and military chiefs in expanding their strategic theories. In the same way that ZOPACAS may turn into a conveyance centre for the regional system the impact of the developments in the periphery will figure a lot in the possibilities for operations of the security measures.

The Preciousness of the Submarine

If the geography of the South Atlantic does not permit a permanent control of the waters by an armed force, the use of the submarine will be a continued attraction. This attraction will be greater if the tendency to transform the submarines, with its new technologies, into a strategic military reserve of the principal powers in the future is confirmed. Nevertheless, it is very complicated to establish cost-benefit parameters, not only for the use of these platforms by the main powers, but also by the smaller countries. In any case, the attraction for the submarine will make itself felt every time that the operational demands reach the limits of cost and of availability of surface forces.

From the point of view of the smaller countries, the challenge of the military presence, whether dominated by weapons systems on board submarines, or by surface vessels, impose on the present a moment for decision with regard to the ability of their naval forces in the future. The present tendencies are, for political reasons, to reduce the number of units, produce platforms for multiple use and build up systems for coastal missiles, having as a risk the continual "muddling through" in the political area concerning the obsolescence and technological downgrading that characterise the fate of the naval capabilities of the region's countries.

On this side of the Atlantic, the impression gained from the formulation of a new concept of security in the South African Republic

does not differ from this mould, since, whether from the viewpoint of the past or from a vision of the future involving new naval acquisitions, the image does not come to mind of the South Atlantic becoming a zone of major risk as perceived by the South Africans. The shape of the naval force, associated with the questions of the continental plan, indicates a development of a force suited only for coastal activities.

The Presence of Great Britain

No analysis of security in the South Atlantic can avoid considering the factor of British policy, its physical presence, its interests and the potential for the use of the Royal Navy in the area. As pointed out by Eric Grove, the risk of the exclusion of British forces from the analysis framework can distort the possibilities of the political picture. Both the conflict between Great Britain and Argentina over sovereignty of islands in the South Atlantic as well as the very interpretation that Britain's naval tradition gives to its use as a political instrument are relevant.

After 1997, with the sun setting definitely on the British Empire in the Pacific, it would be worth calculating what the role of the British forces would be, either in the scope of European policy or within the historic alliance between London and Washington. A certain distribution of tasks between the Royal Navy and London's allies may result in a preference for a more intensive deployment in the South Atlantic, mainly to the benefit of their own interests. How to deal with this situation?

London possesses some strategically located islands and have begun again to use its naval contacts in Africa to supply logistical support to its ships. The Royal Navy has shown its presence in the islands of the South Atlantic by the stationing in the region of vessels for periods of about three months. In the specific case of the Falklands/Malvinas, although there was no strategic rationale for its retention by Britain, there is still no internal political conditions for it to abdicate control of the islands in favour of Argentina, even if this means an additional operational burden for the Navy. The prospects of oil in the region and the local population's option for British citizenship are factors complicating the transfer, but Argentina has declared that it maintains its pretensions over the islands.

In spite of joint naval exercises of countries of the region, the doctrinal concept of "potential use" is individualised in the nations of the

South Atlantic. Thus there are limits to any forecast over cooperative security, unless it is integrated with the influence of new forces in the continental plans that shape the regional political-strategic system. The attitude over the British presence amongst the region's countries can continue to be defined individually according to what goes on along the perimeter. Some countries may prefer to see the British depart, whilst others may see some advantage in their presence. This is a matter to be watched in the next few years.

The dispute between the Powers

The fate of the South Atlantic's security, as in the case of other seas, is linked to the degree of conflict between the contending powers in the world system as well as to the system of collaboration and disagreements between all nations, big and small. So long as there is a high degree of cooperation between the powers in a new configuration of power, after years of transition following the end of the Cold War, there is nothing to contradict the view that the system of security in the South Atlantic can be conducted smoothly. However, in the case of a confrontation, either between individual powers or power blocs, the region may revive its past and become relegated to peripheral indifference by contenders engaged in serious conflict.

In this context, for politicians and governments the possibility of such a conflict may be discarded because of the optimistic desire for a cooperative future and by a certain feeling of comfort, as part of wishful thinking. For the military planner, there is no such kind of thinking.

Conclusion

The present analysis began with a review of the comments and facts involving the South Atlantic area as a peripheral strategic scenario in world power disputes up to the end of the Cold War. It also outlined the characteristics of the area as a trade pipeline that served mainly as the object of attention of Brazilian thinkers. It explained how the political arrangements in the plans of the continents, of Africa as well as of the Americas, dominated the strategic formulation that preserved the sea in an ancillary role in the disputes between the powers and the routines of the maritime traffic that make the South Atlantic a relevant waterway.

In the eyes of the smaller nations, the South Atlantic may have its own appropriate value. This value is counted less for the risks of regional conflict and general vulnerability than for the will to increase and consolidate the cooperative trans-Atlantic relationships. The rhetorical construction of a system of non-proliferation of weapons and of regional cooperation for the development, peace and environmental preservation under the aegis of the South Atlantic Zone of Peace and Cooperation is a landmark in the post-Cold War era.

Combining all the inertia of the principal tendencies, a strategic vacuum remains in the South Atlantic as evidenced by a timid physical presence and the diffusion of interests and capabilities. All this notwithstanding, the strengthening of the regional cooperation process, the North-South connections between these processes and others in the Northern Hemisphere, and the high costs of economic and social transactions between the two shores of the Atlantic are maintained. The bases for the political coordination of ZOPACAS remain valid, albeit restricted to the fostering of its ideas. Its operational capability is limited to the confluence of national objectives in the various countries of the region, while the continental mechanisms compete in an efficient manner in political and multilateral coordination.

From the military angle, with the existing tendency towards a reduction of the operational capacity of the navies of Brazil, Argentina, South Africa and Nigeria, through obsolescence or deep cuts in military budgets, the military factor disappears from the interactions. The navies take over the roles as a coastal presence, keeping up an operational interchange for purposes that are symbolic and substantially limited. In the absence of a capability to conduct a war or to face up to a naval intimidation, the function of the fleets would be purely diplomatic. The impossibility to reconstruct naval power at short term is a sign of the military withdrawal and keeps alive the vulnerability in face of a naval intimidation by powers engaged in competition for sea resources and in maintaining a hegemonic presence.

From the point of view of a withdrawal of the military capabilities, it may be said that there is a state of peace in this vacuum. The vulnerable nature of the protection of sea traffic, of maritime environment, and of the respective economic zones remains linked to the vagaries of luck and to the whim of the powers. One critical factor would be the decision regarding

the British military presence which, if need be, could transform the South Atlantic into a sea commanded by the Royal Navy.

This calculation is in accordance with historical precedence, the conservatism of strategic concepts, and with present tendencies.

The opportunities for coordination and cooperation, the initiatives of continental plans associated with the proposals of ZOPACAS, and the complexity of ongoing global transformations should allow for a reasonable sense of optimism. The governments and societies of the countries on both sides of the South Atlantic are taking great pains to set up just societies and developed economies in their interior of their countries. Perhaps such a constructive projection can be reproduced on the level of the system of regional security as an instrument of the cooperation itself.

Foreign & Economic Relations:

South Africa-South America and Brazil

Yusuf Saloojee

Introduction

“South Africa for the first time in its long and turbulent history, has a The historic April 27, 1994 elections, followed by the presidential inauguration on May 10, and the installation of a Government of National Unity were indeed milestones and ushered in a period of profound and fundamental change in our country. The anachronistic, unjust, immoral and criminal system of apartheid came to an ignominious end has been replaced by a genuine democracy”.¹

The advent of a non-racial democracy in South Africa has profound effects not only for South Africa and its people but also for the Southern African region and the African continent. It also impacts in a significant way on relations between a former pariah of the world and the international community. The transformation to democracy in this southern tip of the continent has been described as a “miracle”. It was expected that a society term apart by racial hatred and governed by a “criminal system” could only be transformed through violent bloodbath. The peaceful transformation was hailed as a “miracle” by the very world which had applied all sorts of punitive measures against it in the form of sanctions. This political miracle

¹ “Foreign Policy Perspective in a Democratic South Africa.” Published by African National Congress-Department of International Affairs (1994).

will only have real meaning when it is converted into a socio-economic miracle. The potential for this is enormous since South Africa is blessed with an excellent infrastructure, human and natural resources.

On the eve of the emergence of a new democratic South Africa the international playing field had altered substantially. It was made by the demise of the Soviet Union and the soviet block. This eliminated the domination of the world scene by the contending forces of socialism and capitalism. It introduced a new era whose principle contents is, inter-alia, the deepening conflict between an affluent North and an impoverished South. At the same time there is the emergence of new concepts of globalisation and liberalisation which will undoubtedly reshape the world economy.

The dissolution of the cold war has ushered in increased competition for markets and investment funds while at the same time introduced new opportunities for the creation of new economic blocs and partnership. The replacement of GATT by the World Trade Organisation (WTO) is likely to contribute more positively to the promotion of international trade as well as play a constructive role in the resolutions of trade disputes. What is important is to ensure that the "new world order" both in economic and political terms must address the vast distinction in wealth between the North and the South as enunciated by President Mandela:

"The new age will surely demand that democracy must also mean a life of plenty. As the images of life lived anywhere on our globe becomes available to all, so will the contrast between the rich and the poor, within and across frontiers and within and across the continents become a motive force impelling the deprived to demand a better life from the powers that be, whatever the location."²

² Speech delivered by President Nelson Mandela to the United States Congress, in Washington D.C. on 6th October 1994.

South Africa's foreign policy

During the apartheid era South Africa was severely limited in its conduct of international relations. Its diplomatic trade and other ties were limited and restricted. Even those countries that maintained diplomatic and other ties did so with reservations and without exception were in condemnation of its policies of legalised and entrenched racism.

The transformation of South Africa into a non-racial democratic state has thus paved its entry as a welcome and respected citizen of the world. Since the inauguration of Nelson Mandela as president, South Africa has:

- been admitted as a member of the OAU
- resumed its seat at United Nations
- re-activated its role in the specialised agencies of the United Nations
- admitted as a member of the Non-Aligned Movement (NAM)
- re-admitted as a member of the group of 77
- admitted as a member of the Southern African Development Community (SADC)

The principle of a new foreign policy were first outlined at a conference convened by the ANC's Department of International Affairs in September 1993. These are:

- A belief in, and preoccupation with, Human Rights which extends beyond the politics, embracing the economic, social and environment;
- A belief that just and lasting solutions to the problems of human kind can only come through the promotion of Democracy, worldwide.
- A belief that Justice and international law should guide the relations between nations;
- A belief that international peace is the goal to which all nations should strive.
- Where this breaks down, internationally-agreed peaceful mechanisms to solve conflicts should be resorted to;
- A belief that our foreign policy should reflect the interests of the continent of Africa;
- A belief that South Africa's economic development depends on growing regional and international economic cooperation in an independent world;

· A belief that our foreign relations must mirror our deep commitment to the consolidation of a democratic South Africa.³

These principles were endorsed by the Minister of Foreign Affairs, at a conference of South Africa's heads of Missions, in September 1995 in Pretoria.

However since then in several speeches delivered by the Minister, his Deputy, President Mandela and the Deputy President, have added other dimensions:

· "The present policy and execution of policy present a break with the past.

· Foreign policy is an integrated part of government policy aimed at promoting the security and welfare of South Africa's citizens.

· Exercising regular choices between available options in the international arena based on South Africa's interests and means is a part of the foreign policy process.

· South Africa is a democratic country and the formulation of foreign policy should be an open and transparent process. However, South African Actions must be in keeping with international practice, including the need for appropriate confidentiality. Diplomacy is by its very nature "quiet diplomacy" and not diplomacy through the media.

· Officials from the Department of Foreign Affairs and other officials representing South Africa abroad must be fully acquainted with the policies and strategies of domestic departments in order to pursue national interest in all spheres.

· South Africa must strive to be responsible global citizen.

· South Africa supports the global free trade system.

· North-South and South-South cooperation will be promoted.

· South Africa must associate itself with international efforts to develop and implement environmentally friendly policies.

· South Africa adheres to the philosophy of non-alignment and friendly, constructive relations with all nations, that is, universality of relations.

· Multilateral cooperation at all required levels is essential and is supported by South Africa. A holistic approach should be pursued wherever possible.

³ "Foreign Policy Perspective in a Democratic South Africa" Published by ANC-Department of International Affairs (1994)

· The United Nations should be reformed and strengthened to enable it to deal with matters such as global economic and environmental challenges and the achievement of sustainable development.

· Foreign policy objective should seek to promote mutual benefits and mutual respect in bilateral relations.

· South Africa should deal with African partners as equals and avoid all hegemonies ambitions. A narrow, short term approach aimed at promoting self-interest must be avoided.

· Confidence-building and cooperation should be prominent trends of South Africa's African policy. Peace-making and conflict-prevention should receive priority consideration.

· South Africa will all other countries in shaping and defining the new world order and promoting multilateral cooperation in the international community.

· Scientific and technical development and cooperation in Antarctica and globally, will be promoted and environmental protection will be supported.

· As far as South Africa's means allow, all efforts to alleviate the plight of refugees and children in Africa and elsewhere and particularly the work of the UNHCR must be supported.

· South Africa should remain actively engaged in efforts to secure world-wide peace, promote disarmament, prevent genocide, restrict proliferation of nuclear and other arms of mass destruction and achieve a new world security regime.

On September 9th and 10th 1996, South Africa's Departments of Foreign Affairs convened a seminar on Foreign Policy. A wide spectrum of South African civil society was invited to contribute to "South African Foreign Policy: Discussion Document" produced by the Department of Foreign Affairs.

The purpose of this seminar was to further the process of finally formulating a "White Paper" on foreign policy for the consideration and approval of Parliament.

Thus while the new government has adopted some important principles in the conduct of its relations with the international community, it is still in the process of formulating a detailed Foreign policy.

It has, however, committed itself strongly to giving the Southern African region and the continent of Africa as its major priority:

“In Terms of Foreign policy, Africa is clearly to be a priority in the years ahead.”

“The promotion of economic development of the Southern African regions is of paramount importance as the economies of the countries in the regional intertwined to such an extent that, for South Africa to believe that it could enter a prosperous future in isolation without taking neighbouring countries with her, would be unrealistic and hazardous.”

“South Africa will also strive to engage the industrial world in development in Southern Africa with the objective of enhancing the fullest possible development of its human and natural resources by combining foreign capital with our expertise.”

“South Africa exchanges the equivalent of 64 per cent of its GNP with outside world... (and) it follows our broad national interests and governmental policy that the emphasis with all European countries should fall upon economic, technological and scientific cooperation.”

South Africa-Latin America and Brazil

While this priority is only natural, it is important to note that economic reality (Europe as South Africa's major trading partner) dictates that South Africa will remain Eurocentric for some time.

There are many new opportunities in the world for South Africa that had restrictions in the past. Closed doors or limited relations have now opened their doors wide. Latin America, the Far East, India, Asian Nations, and the Middle East are all eager to establish political, economic and trade relations with South Africa.

Due to proximity and historical ties South Africa and most countries in South America (Brazil, Argentina, Paraguay, Uruguay, Chile) have had diplomatic and trade relations for a long time. Despite these relations all of

these countries condemned apartheid except for Chile during the rule of the Pinochet regime.

Brazil in particular was foremost in advocating the isolation of the apartheid regime at international fora. In 1986 the Brazilian government passed a decree that practically severed all relations with South Africa with the exceptions of formal diplomatic relations.

With the inauguration of a new democratic South Africa the scope for formidable relations between South Africa and South American countries is enormous.

The Atlantic Ocean binds South Africa with the countries of Latin America and the Caribbean. We look upon them as our near - neighbours and friends and we have witnessed the recent move towards democracy. With great interest we have watched the courage with which many of the governments of the region have tackled their economic, political and social problems; we believe there is much which South Africa can learn from this determination and sacrifice.

In Southern Africa the South African Customs Union (SACU) and SADC are important vehicles for regional economic co-operation and development. In the same vein the establishment of Mercosul in South America on December 17, 1994 paves the way for regional cooperation and development in South America.

Latin America accounts for 1 1/2% of SACU's exports, most of which (+ R1 billion) is absorbed by Brazil, while Argentina, Venezuela, Colombia and Chile are next in line.

Brazil in South and Southern Africa

SACU's main exports to Brazil are prepared foodstuffs, mineral products and chemicals. Imports of manufactured goods from South Africa into Brazil is also on the increase. South Africa's exports to Brazil are higher than all of Latin America combined. They have also surpassed exports to South Africa's traditional partners, Australia and Canada.

Trade and economic relations between the two countries is expected to rise significantly within the next two to three years. Bi-lateral trade could easily escalate to One Billion US dollars. Currently Brazil is South Africa's 18th largest trader.

Given the willingness of both countries to recognise the importance of each as indicated by President Cardoso in his inaugural speech and reiterated by Brazil's Foreign Minister, Lampreia, the first visit ever official visit by a Brazilian Minister to South Africa. South African Foreign Minister, Alfred Nzo, in his visit to Brazil in October 1995 emphasised the importance of bilateral relations between the two countries.

The military arena too has witnessed increased co-ordination in the positions of both countries multilateral fora. South Africa's admission into the South Atlantic Zone of Peace and Co-operation, was strongly supported by Brazil who is the current chair. Both countries are staunch supporters of the non-nuclear proliferation treaty and both are in favour of disarmament.

Within the context of South-South co-operation the two countries have an enormous contribution to make, both have committed to give South-South relations a priority in a practical and workable manner.

Brazil's foreign relations

Brazil's strategic geographic location, in relation to South America, the Caribbean the USA and close proximity to Africa together with its industrial development, left it no option but to be an active player in the international arena.

Until 1960 Brazilian Foreign Policy focused mainly on relations with the United States.

In 1961 President Janio Quadros introduced an independent foreign policy for Brazil. This was designed to explore the possibilities of establishing relations with other countries other than the United States and the West. Although this independent posture was limited particularly in its implementation, it did have a somewhat positive impact amongst the democratic forces within Brazil as well as internationally.

There was a complete reversal of this stance by the new military government of General Castelo Branco, who placed once again emphasis on exclusive and strong relations with the West especially with the United States.

Progressive policy on international issues came to Brazil from the seventies onwards, after the termination of authoritarian military rule. The

old foreign policy was replaced with one of non-alignment of greater political economic and trade relations with western Europe, Japan, socialist countries and the developing world.

Today Brazil is forcefully committed to the ideals of human rights, environment protection, nuclear free zone, disarmament, democracy and harmonious political, economic and trade relations within Latin America, the Caribbean, Africa, the Middle East and Asia.

Relations with Africa, Southern and South Africa

“The ties between Brazil and African Nations have been strengthened through the initiative of giving structures to the community of Portuguese speaking countries. This new forum shall unite our brothers and sisters in different continents, leading to even greater understanding and Co-operation.”⁴

The political and cultural ties between Brazil and Africa has a special significance. Portuguese Colonial masters shipped thousands of Africans to Brazil as slaves. Today Brazil has the largest black population outside of Africa.

It is because of these ties that Nelson Mandela was welcomed as a hero by the entire Brazilian population in August of 1991.

Angola, like Brazil, was a Portuguese colony. Many black Brazilians know that their ancestors might have come from Angola. Brazil thus holds Angola in particular with special reverence. This has been particularly the case since the independence of Angola from Portuguese colonial rule in 1975. These ties have been concrete. Desperate assistance needed by wartorn Angola, in the form of food, extensive credit, and training programmes, have been forthcoming from Brazil.

President ‘José’ Eduardo dos Santos official state visit to Brazil on 15th August 1995 was an important landmark in relations between these two countries, and Africa and Southern Africa.

Brazil has been acutely interested in the peace process in Angola. It is in this context that it participated in UNAVEM. It must be noted that

⁴ Statement by Ambassador Celso Amorim, Minister of External Relations of the Federative Republic of Brazil at the opening of the general debate of the 49th session of UN General Assembly.

this was Brazil's largest contribution to a UN peacekeeping force in forty years.

Mozambique too has enjoyed the goodwill and friendship of Brazilian policy in Southern Africa. It dispatched a 700 person delegation to Mozambique as part of the UN contingency to assist with peacekeeping and oversee. Brazil also administers an active the elections cultural centre in Maputo.

The establishment of the Commonwealth of Portuguese Speaking Nations, marks an important milestone in the development and expansion of relations significantly by the turn of the century.

For over half a century Brazil maintained a distance in its relations with apartheid South Africa. Ties between the two countries were a mere formality and limited to diplomatic exchange, minimal tourism, air links and trade of about less than half since change in South Africa was ushered in, in 1994.

Brazil has always projected an anti-apartheid stand at the United Nations and other international fora. This was done at times at formidable cost to Brazil, such as large-scale commercial initiatives including the embargo of training planes to the former South African Air Force. The Brazilian government in complying with the UN Arms embargo intervened with the supplier Embraer.

The civic society in Brazil also played an important role in the anti-apartheid movement. Academics, professionals, businessmen and ordinary citizens displayed their active support for the liberation struggle in organised formations.

Thus by the time Nelson Mandela became President of the new South Africa on the 10th May 1994, the potential for a fresh new beginning in the relations between these geographical and culturally linked countries was enormous.

Already trade has substantially increased. Brazil had a high profile at the South African International Trade at Exhibition in 1995, and again at the Rand Easter Show in Johannesburg.

Brazil on the other hand invited and welcomed South Africa's presence at a number of agricultural trade and cultural exposition in Brazil such as EXPOSUL, EXPORTER and FESTA DAS NAÇÕES.

While there have been few bi-lateral agreements between the two countries, some significant developments have been taken place. Brazilian companies have established themselves in Johannesburg for setting up joint ventures in the Southern African region. Anglo-American and De-Beers have established themselves in Brazil.

Conclusion

The driving force in MERCOSUL is Brazil. South Africa is an important player in SADC. The strong relations between these two countries can be later extended to the regional groupings.

Both South Africa and Brazil are important international actors. They share a common vision on many international issues, such as a “New World Order”, the restructuring of the UN Security Council, the world environment, protection of the Maritimes, etc.

Both have dedicated themselves to playing an active economic role on the continent of Africa. Both are developing countries with the potential of attaining the status of a developed nation. Both have an abundance of human and natural resources and relatively and developed infrastructure.

Both have the possibility and should be important role-players in giving real meaning to South-South Co-operation.

The starting point would be to make a contribution to each other.

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South African and Brazilian foreign policies for Southern Africa

Zélia Roelofse-Campbell

Introduction

Brazil is the dominant country of South America. With a population of 160 million people, its GDP in 1994 of US \$ 622 billion was greater than the whole of the rest of South America's put together. Brazil is the tenth largest economy in the world with the eighth largest industrial output (*The Economist Pocket World in Figures* 1995:22,38; *Country Profile* 1995-96:11).

South Africa is also the wealthiest country in Africa. Its GDP of US \$ 106 billion is approximately three times greater than that of the other eleven members of the Southern African Development Community (SADC) combined. The South African economy ranks 31st in the world; the next largest African economy - Algeria's - trails behind at 42nd place, with Nigeria (the next largest Sub-Saharan economy) in 51st place. In terms of industrial output South Africa ranks 25th and has a population of approximately 44 million (*The Economist Pocket World in Figures* 1995:22; Cornwell 1996:90).

Historical ties between Brazil and Africa are of long standing. In 1641 the Dutch seized Luanda. In 1648 it was recaptured - but by a colonial Brazilian force, not one from Portugal (Boxer 1952:263-271). From the 17th to the 19th century, colonial Brazil maintained stronger trade links with Angola, Dahomey, and West Africa than did Portugal itself. In 1844 Imperial Brazil appointed its first honorary consul in Cape Town; in 1855 a consulate was opened in Luanda. In subsequent years another consulate

was established in Lagos and in 1892 a vice-consulate in Mozambique (Rodrigues 1964:205-208).

The historical importance of Angola for Brazil explains that country's prominence in modern Brazil's African policy. In effect, since 1975 Brazil has replaced the former colonial power (Portugal) in Angola in terms of cultural and commercial ties. Brazil was the first Western country to recognize the MPLA government in Angola after independence in 1975.

This was in line with the military government's (1964-1985) conception of national security, which saw good relations with Africa as very important. For Brazil this was a geopolitical concept - (West) Africa's proximity across the Atlantic and the value of secure oil supplies (Nigeria, Angola).

Consequently, Angola is not the sole focus of Brazil's African policy. Brazil has important ties also with a number of West African countries, notably Nigeria.

In recent years, Brazil has expanded this focus from Western Africa to South-Western Africa and now to Southern Africa. This involvement of Brazil in Southern Africa is a matter of great importance to South Africa in particular and to Southern Africa as a whole.

Although Brazil's involvement in Southern Africa has been less dramatic than Cuba's in the recent past, it is nevertheless significant. Brazilian aid, trade and investment are becoming powerful factors in the economic development of Southern Africa. From the initial focus on Angola, Brazilian aid programmes and foreign investments by Brazilian multinationals are spreading to many other countries in the sub-continent, for example Namibia, Mozambique and even South Africa. Brazil has thus the potential to be a major trading partner and source of joint ventures for all countries in Southern Africa.

It is a paradox that South Africa's relations with Africa developed much later than Brazil's. South Africa only became independent a century or so after Brazil. Following African decolonization South Africa was isolated from normal diplomatic intercourse with the rest of the Continent both because of apartheid and the delayed independence of Zimbabwe, Angola and Mozambique.

South Africa's relations with its neighbours were further bedevilled by the wars which raged in Southern Africa in recent times. South Africa

was often accused of destabilizing the region. One of the most important consequences of these wars was to artificially increase South Africa's dominance of the region by severely damaging communications routes other than those passing through South Africa. (Doctrinaire socialist economic policies adopted by a number of Southern African states added to the damage.)

Indeed, before the collapse of the Portuguese Empire in 1974 South Africa was, to a degree, interdependent with the region. Most notably forty per cent of trade from what is now Gauteng and Mpumalanga passed through Lourenço Marques (now Maputo). Today only five per cent does (Morna 1996).

Another problem arose from the fact that South Africa, over the years, looked upon itself as the region's dominant power without earning the respect of her neighbours. But with the beginning of South Africa's own *abertura* at the beginning of the 1990s:

South Africa [had] begun to shed elements of its pariah image, specifically perceptions of a regional ruffian (destabilizing neighbouring states), a colonial power (controlling Namibia) and most importantly a racist oppressor (upholding apartheid). South Africa's signing of the Nuclear Non-Proliferation Treaty (NPT) in 1991 has probably also helped to improve its international image (Geldenhuys 1993:36).

Now, with a democratic government in power, South Africa is still the dominant power of Southern Africa, mainly through its size and wealth. But this dominance has in fact resulted from socialism and war. Would South Africa be so dominant in the region today, had Zimbabwe followed more sound economic policies as Botswana did, which now has a currency (the Pula) stronger than the Rand?

Just as South Africa's foreign policy in the past was an extension of its policies of apartheid, since 'any state's foreign policy is aimed at safeguarding a particular domestic value system' (Geldenhuys 1993:38), so it is equally true that an ANC-SACP government's foreign policy would be imbued with ideological stances in line with domestic expectations, or internal political pressures.

The recent development of Brazilian relations with Southern Africa

Brazil's interest in Southern Africa was confirmed during 1991 when President Collor de Mello visited Angola, Mozambique, Zimbabwe and Namibia. The following year (1992), as a direct result of the trip, two Ministers from Namibia and one from Zimbabwe, as well as a Zimbabwean technical delegation visited Brazil. The aim of these visits was to make first-hand contact with the public and private sectors in Brazil, with a view of entering into joint projects which would be of benefit to the African states' development. Shortly afterwards there was another high profile visit to Brasília - that of the Namibian Minister of Mines and Energy, Toivo ya Toivo, in 1992 (Roelofse-Campbell 1992:8).

Another important visitor was Namibian Defence Minister Peter Mueshinghange, whose aim was to lay the foundation for military and especially naval co-operation with Brazil (Correio Braziliense 1992).

On 7 March 1995 Brazil and Namibia signed an Agreement of Cultural and Educational Co-operation, and a Basic Agreement for Technical Co-operation. The cultural and educational agreement is wide-ranging and promotes practical frameworks facilitating co-operation between institutions in a number of fields, including the production of teaching materials, the mutual recognition of educational qualifications, the exchange of experiences, and the promotion of the Portuguese language and Brazilian culture in Namibia through the creation of a Unit for Brazilian Studies. Sporting ties also fall under this agreement. A Joint Commission between the two countries was established (*Resenha* 1995:308-309). According to the Basic Agreement for Technical Co-operation the parties commit themselves to develop and execute technical co-operation projects, involving the public and private sectors of both countries, as well as universities, research institutions and NGOs. The parties have also agreed on the participation of international organizations in such projects (*Resenha* 1995:310-311). There is also an agreement for agricultural co-operation. Embrapa (Empresa Brasileira de Pesquisa Agropecuária - Agricultural Research Enterprise) is sending technical staff to Namibia to teach Namibians cultivation techniques which have been successfully employed in arid regions of the Brazilian north-east, where the climate is similar to that of Namibia (Netto 1995).

Relations between Brazil and Namibia were further strengthened by a visit to Brazil of Namibian President Sam Nujoma at the beginning of

November 1995. Nujoma declared that he intended to tighten relations between the two countries and vowed to transform the Atlantic into 'an avenue between Africa and Latin America' (*Jornal do Brasil* 4 November 1995).

Nujoma also sought to increase trade between the two countries. Namibia exports mainly copper and diamonds and is purchasing Brazilian ships to patrol its coastline to prevent illegal fishing (*Jornal do Brasil* 4 November 1995). A Brazilian Naval Mission is presently based in Namibia (*Correio Braziliense* 1992).

At the end of his visit the Namibian President declared: 'We are very thankful for Brazil's support during the war of independence and we consider the [Brazilian] co-operation essential for the second phase of our struggle' by which the President meant the struggle towards development (*Jornal do Brasil* 4 November 1995).

In the past few years Brazil and Angola have established close co-operation in the oil sector. Petrobrás (Braspetro in Angola) is one of the corporations exploring in offshore Block 2. Brazil has contributed technical expertise to the Angolan oil industry, and has also been involved in training programmes and human resources development (Roelofse-Campbell 1995:54). The Brazilian private sector is also involved in the oil sector through Tenenge, a subsidiary of Odebrecht (Roelofse-Campbell 1995:55).

A Joint Commission has been created between Brazil and Angola, to deal with matters of common interests in all spheres of relations. The Commission's work was, however, suspended because of the war (Roelofse-Campbell 1995:56).

The Brazilian private sector has been active in a number of major projects in Southern Africa, especially some multinationals of repute in the construction sector. Of note is Odebrecht, which has been involved in the construction of the huge Capanda hydroelectric plant in Angola (construction was, however, suspended owing to the civil war), as well as the Epupa project in Namibia. Another major Brazilian project in Angola (also involving Odebrecht) is the Luzamba diamond project. The scale of this undertaking is such that a subcontract to South Africa's Barlow Rand group amounted to about R70m. This was hailed in the South African press as a major trade breakthrough (Kyserlinck 1992), but one should bear in mind that Barlow Rand only got the contract through Odebrecht (Roelofse-

Campbell 1992:8; Roelofse-Campbell 1995:55).

The fact that in 1995 there was a Brazilian observer at the SADC meeting (Roelofse-Campbell 1995:56) further illustrates the importance Brazil is given by most of the countries of the Southern African region and, conversely, Brazil's interest in the region.

Foreign policy in post apartheid South Africa

The foreign policy of the ANC started with the premise that 'foreign policy belongs to South Africa's people' and, as such, forms an integral part of and is an extension of national interests (van Aardt 1996:114). Such a vision is, to say the least, unrealistic (not as opposed to 'realist' in Morgenthau's definition, but rather imbued with a dream-like 'idealism' which at best relies on a gushing view of political realities). The principles on which foreign policy were based are:

1. a 'belief in and preoccupation with Human Rights;
2. just and lasting solutions to the problems of humankind can only come through the promotion of Democracy world-wide;
3. belief that our foreign policy should effect the interests of the continent of Africa' (van Aardt 1996:114).

Van Aardt identified two problems with this approach:

Firstly, it has to do with the apparent inability to distinguish between State/Government and the ANC as a political organization and with a further inability to balance or reconcile economic interests with moral principles. It would seem that the ANC finds it difficult to base policy on principle when financial matters are involved (van Aardt 1996:114).

Acting as the universal custodian of high moral values, South Africa seemed to forget that 'these ideals [should] be pursued through recognized international channels and fora created for this purpose. A commitment to and active participation in the strengthening of such organizations would be a far more realistic goal' (van Aardt 1996:114).

The second problem mentioned by van Aardt (1996:114) is that, in spite of its idealism, the ANC's foreign policy document leant more towards trade and broader economic policy, as well as the advancement of the Reconstruction and Development Programme (RDP), with a shift of responsibility to the Department of Trade and Industry. Furthermore, foreign

policy seems to be driven rather by the Deputy President, Thabo Mbeki, than by the Foreign Minister, Alfred Nzo (van Aardt 1996:114-115).

So all-pervasive was the Human Rights issue in SA's foreign policy principles when they were first announced by the new ANC government when it came to power in 1994 that, amazingly, Africa was not listed as a priority in the new government's foreign policy. The consequences of this neglect were brought home when the regime of General Sani Abacha in Nigeria executed Ogoni activist Ken Saro-Wiwa. President Nelson Mandela's call at the 1995 Commonwealth summit for sanctions against Nigeria did not receive any backing in Africa. Not even the SADC was willing to support South Africa, as van Aardt (1996:115) points out:

It is significant that at the SADC summit called by President Mandela on 11 December [1995] to discuss SADC policy towards Nigeria, it was decided that the SADC would not take any further steps against Nigeria but would leave this to the Commonwealth. Before the SADC meeting, the possibility of SADC sanctions was strongly mooted. In the event, the topic was not even on the agenda. South Africa was, it would seem, called into line by its peers: solidarity.

Subsequently, following the assassination of Mrs Kudirat Abiola, wife of imprisoned Nigerian leader Moshood Abiola, a representative of the SA Department of Foreign Affairs said: 'We decided at a summit that we would work through the SADC' (Brümmer 1996:26).

This neglect of Africa was paradoxical given that many in the ANC have decried White South Africans and, by implication, the previous government, as being eurocentric. The Nigeria crisis has forced South Africa to start giving relations with Africa the priority it deserves. In June 1996 Foreign Minister Alfred Nzo released a Green Paper (a discussion document) on foreign policy. The Green Paper states that South Africa 'should assume a leadership role in Africa in all areas where a constructive contribution could be made without politically antagonizing the country's African partners' (Cohen 1996:1).

Further, the Green Paper says, given that South Africa contains elements of both First and Third Worlds, this should be emphasized in a 'diplomacy of bridge-building between the north and the south' (Cohen 1996:1). Moreover, the Green Paper states that South African policy should 'constantly endeavour to promote (...) human rights, democracy, global

peace, security and protection of the environment' (Cohen 1996:2). On Nigeria, Nzo said: 'It is important for us to go along with other countries, but principally we have not retracted our call for Nigeria to embark on democracy' (Cohen 1996:2).

In an interview a week later Nzo said he was proud to have moved South Africa away from being 'an appendage of Europe (...) I can recite a litany of what South Africa has done to prove we are here [i.e. in Africa]' (Rohan 1996).

Brazilian foreign policy in the 1990s

Speaking at the Brazilian Army Staff College (Escola Superior de Guerra) in July 1996, Luiz Felipe Lampreia, the Brazilian Foreign Minister, emphasized that the objective of Brazilian Foreign Policy is 'to create a bridge between the internal - from the political, economic and social point of view - and the external, i.e. our presence and role in the regional and international settings' (*O Estado de São Paulo* 7 July 1996).

Boundaries between North and South, East and West have been broken. Countries can no longer boast of self-sufficiency, as globalization imposes itself upon the world. The Minister spoke of the dangers of this globalization: 'marginalization derived from internal social and economic ills and the incapacity to compete becomes a real risk, with material consequences and severe losses for sovereignty'. Foreign policy in Brazil also has to be mindful of the paradox within the country - the dichotomy between the industrialized and developed part of the Nation versus the underdeveloped and poor section (*O Estado de São Paulo* 7 July 1996). Lampreia also warned against a foreign policy based on rhetoric and divorced from reality (*principismo abstrato*). Today, it is important to have access not only to markets, but to decision-making mechanisms, productive investments and, last but not least, state-of-the-art technologies.

Earlier (on 5 April 1995), Minister Lampreia declared that Brazil has also been active in supporting the process of hemispheric integration, 'starting from subregional agreements' as outlined in the Miami Summit of 1994.

A priority in Brazilian foreign policy is 'the process of consolidation of Mercosul, its eventual enlargement with the incorporation of new

partners, its relationship with other economic communities, notably the European Union and NAFTA and its incidence in Brazil's economic stabilization and resumption of growth' (Lampreia 1995^c:119).

But Europe remains of great importance to Brazil, as Lampreia pointed out in his July address:

Eventhough Europe had lost its relative position concerning foreign trade and investments in Brazil, it is still one of the bases of the equilibrium which characterizes our insertion into the world. It is in our own interest to maintain and to reinforce this equilibrium (*O Estado de São Paulo* 7 July 1996).

Europe would be a balancing factor in Brazil's relations with the proposed ALCA (Area de Livre Comércio das Américas - American Free Trade Area, AFTA). Behind this is Brazil's caution in exposing the country to competition from the most advanced ALCA members - US and Canada - which have much more productive economies (*O Estado de São Paulo* 7 July 1996).

The Minister further expounded that, although Brazil's external trade has been evenly divided between the four main groups of countries (EU, NAFTA, Asia/Pacific and Latin America/Mercosul), two new regions of opportunity had opened up for Brazil, namely:

- a) the Pacific Rim, because of accelerated growth of its component economies; and
- b) Africa and the Middle East, because most major conflicts in these regions had ended (Lampreia 1995^c:118).

Lampreia listed the reasons why Africa has been identified as an area of opportunity for Brazil, at the Africa Day celebrations on 25 May 1995:

1. The relative proximity between Brazil and Africa, and the fact that Brazil and a great deal of the African Continent share the South Atlantic. This gives the relationship a physical basis, which also facilitated commercial relations in the past.
2. The second foundation is the African presence in Brazil, the African contribution to the ethnic and social matrix of Brazil (Lampreia 1995^d:202).
3. The condition of developing country which, to varying degrees, Brazil shares with the totality of the African Continent.
4. The complementarity which exists between the Brazilian economy

and the African economies. This complementarity was strong in the past and should be reevaluated in the present.

5. Africa is important as an international partner. With 50 independent countries, diverse cultures and languages and various geographical interfaces - with the Mediterranean, the Middle East, the Iberian Peninsula, the South Atlantic, the Indian Ocean - the Continent has a political weight of its own. This is immediately recognized by the majority of nations which have universal interests and callings - this being Brazil's case. Africa is so extensive and varied that, even with problems, it offers windows of opportunity for partnerships with other developing countries.

6. The great similarity in physical, climatic and social conditions between Brazil and many African countries, and which generates an important 'identity space' in terms of technological development and adaptability of techniques to the various types of tropical environment which Brazil shares with its African partners. (Lampreia 1995^d:203).

Economic reforms in Brazil also had a positive effect in the country's reinsertion into areas of international interest. This translates itself into greater access to technology, productive investments, markets which, in turn, generate wealth and employment.

There are already signs that Brazil's role in Africa, and particularly Southern Africa, is becoming much more tangible and important:

- Angola's pacification is closer to reality; Brazil has played a definite role in this context, participating in the UN's Peace Mission (UNAVEM III) (Lampreia 1995^d:205).

- Mozambique is following the same pattern of pacification and development.

- Namibia is already in a cooperative relationship with Brazil.

- South Africa offers great potential due to its dynamism and growing economy.

- The former Front Line States will possibly benefit from the transformation in South Africa, as part of an axis of development in Southern Africa.

Brazil affirms its interest in Africa by the scale of its representation:

22 resident embassies

23 non-resident

Total: 45 embassies (Lampreia 1995^d:207).

It does seem that Brazil under Cardoso has entered a new phase of pragmatism in its foreign policy (*O Estado de São Paulo* 8 July 1996).

Brazil and Mercosur

Mercosur, is an alliance which, many said, was doomed to failure because of huge disparities between the four founding countries' economies (Argentina, Brazil, Paraguay and Uruguay). It has confounded the sceptics, and became fully operational as a customs' union on 1 January 1995:

Between 1990, the year before Mercosur was created and 1995, the first year its customs union took effect, intra-Mercosur exports increased by an average 26% a year. The region's trade with the entire world increased an average 6% a year. From a collection of four largely closed and ailing economies, Mercosur members have transformed themselves into a single market of 206 million consumers trading mostly freely across once-difficult borders and generating an annual GDP of US \$ 637.1 billion' (Blount 1996:69).

However, Mercosur's success is due to arduous and consistent diplomatic groundwork laid over several years prior to its realization. In 1986 Brazil and Argentina two historical rivals in the region - signed the Protocol for Argentine-Brazilian Integration, which made provision for the selective opening up of their markets while fostering the complementarity of the two economies. Two years later the Treaty of Integration, Co-operation and Development was ratified between the two countries, which aimed at the establishment of a common economic 'space' within ten years. 'In 1990 Brasília and Buenos Aires, being mindful of the exceptional rise in the level of bilateral relations, decided to shorten that term to 31 December 1994' (Barros 1995:421).

So one can argue that Mercosur was only possible because Argentina and Brazil, two largest economies of South America, decided to set aside previous competitive stances in order to achieve a common target to their long term benefit.

Finally, the Treaty of Asunción in 1990 instituted the Common Market of the South, incorporating also Uruguay and Paraguay (Barros 1995:421).

Ambassador Sebastião do Rego Barros, Secretary-General of

Foreign Affairs of Brazil, explained that Mercosur is a national institution, and not only a structure involving the industrialized south of the country:

Mercosul arises out of a political decision which answered to a strategic interest in Brazil as an expression and instrument of political and economic stability in the Southern Cone, Mercosur benefits the entirety of the Brazilian State and society, in a movement which is by definition national. Mercosur does not mean the integration of southern Brazil with the south of the continent, but [an integration] of Brazil - the whole country - with the Southern Cone of South America. This is a reality about which there are no doubts' (Barros 1995:421).

The process of regional integration of Mercosur 'is equal only to the European Union' (Lampreia 1995^b:411). In addition, Mercosur provides the basis for a future South American Free Trade Area (SAFTA) (Barros 1995:423). Chile and Bolivia have already been admitted (Chile's decision is pending on Congressional approval due on 1 October 1996); and negotiations are at an advanced stage for the incorporation of Venezuela and Peru, and possibly the other Andean Pact members.

From the Brazilian point of view, Mercosur is a central instrument of foreign policy, as well as a basis for real-politik within hemispheric parameters.

South Africa and SADC

The Southern African Development Community (SADC) was created by a treaty signed on 17 August 1992. SADC was created out of the previously existing Southern African Development Co-ordinating Conference (SADCC). The SADCC had existed for 12 years but largely failed to make any progress towards its main objectives: to reduce dependence on South Africa and to create genuine and equitable regional integration. However, given the combination of regional conflict and doctrinaire socialist policies in a number of member-states, SADCC perhaps never had a fair chance. What SADCC did do was create a sense of regional identity (Leistner 1992^a:4; Leistner 1992^b).

The SADC comprises Angola, Botswana, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe. South Africa and Mauritius were not founder

members, South Africa joining in 1994 and Mauritius in 1995.

When founded, the SADC committed itself to economic and political integration 'apparently by 2034' (Leistner 1992^b). SADC's original objectives were most ambitious: first the harmonization of the members' macroeconomic policies; second, the creation of a free trade zone; thereafter, the achievement of a customs' union; and finally, the establishment of a full economic union with integrated monetary and fiscal systems and a regional parliament. [These objectives suggest that SADC was inspired by the European Union and not by more relevant examples such as ASEAN and Mercosur]. However, the SADC Treaty was only a declaration of intent. Concrete measures were to be formulated by means of subsequent protocols (Leistner 1992^b).

The first four major protocols were signed at the August 1996 SADC summit in Maseru, Lesotho. The protocols covered: trade and industry; transport and communications; energy; and combatting drugs. The trade and industry protocol aims to liberalize trade in goods and services over a period of eight years. The ultimate goal is a free trade area. This protocol will come into force after being ratified by two thirds of the member-states (Angola did not sign the protocol). It should be noted that the eight-year period is not rigid, as members are allowed extensions of one to two years. The energy protocol is intended to co-ordinate national and regional energy policies in areas of common interest (*Sapa* 22 August 1996; *Sapa-DPA* 23 August 1996; *The Citizen* 3 September 1996).

The scenario of regional co-operation and integration in Southern Africa is confused by the existence of two other, smaller, but more effective frameworks of long-standing. These are the Common Monetary Area (CMA), of South Africa, Lesotho, Namibia and Swaziland, which guarantees free movement of capital between the member countries; and the South African Customs Union (SACU). The SACU, which comprises Botswana, Lesotho, Namibia, South Africa and Swaziland, has been described as 'the only authentic example of economic integration in Southern Africa' (Maasdorp 1994:8-9). (In addition to all these, there is also the Preferential Trade Area [PTA] but as this ineffective grouping also includes East African states, it will be disregarded in this paper. Similarly, space constraints do not allow any scope for analysis of the Commonwealth).

In 1994 Botswanan Vice-President and Minister of Finance F G

Mogae referred to SACU in the following terms:

We ... [recognize] the mutuality of benefits, and of the interdependence that is inherent in this Customs Union international trade which the Customs Union Agreement is meant to encourage is an instrument of expanding economic opportunity. It has clearly been a highly successful instrument in this regard (Maasdorp 1994:8).

The SADC, SACU, and CMA all share one thing in common: they are totally dominated by South Africa. This causes problems for both sides.

Zambia, a SADC country, has strongly criticized South Africa because of high trade barriers, while Zambia has low trade tariffs. Thus South African exports can flow easily into Zambia, but Zambian exports are largely blocked from South Africa. At the moment, South Africa's annual exports to Zambia amount to US \$ 350 million; Zambia's exports to South Africa are a mere US \$ 15 million (*Sapa-DPA* 23 August 1996).

In the past, there was a situation of political and military conflict between apartheid South Africa and the SADC states. But as the country began its democratization process, a new era of co-operation was expected to begin. However, the underlying possibilities for conflict within the region are still enormous, although they could result from these new economic disputes rather than political or racial ones (as in the past) (see Muller 1993:75-76).

Even in a climate of regional co-operation, South Africa would make its national interests prevail; furthermore, it will be seen by other developing nations of the region as the country with predominant economic and military power (Muller 1993:76). The issue of cooperating among unequal members remains a problem (the problem of 'giantism') (Muller 1993:79; *The Citizen* 2 July 1996).

Zone of peace and co-operation in the South Atlantic (ZPCSA)

In 1986, against a background of political conflict and regional destabilization in the Atlantic rim (e.g. the Falklands / Malvinas war, and the conflicts in Southern Africa, Brazil took the initiative regarding the creation a Zone of Peace and Co-operation in the South Atlantic (ZPCSA) in 1986. The Brazilian initiative was debated in the General Assembly of the United Nations and became Resolution 41/11, approved on 27 October

1986 by 124 votes in favour, 8 abstentions (all from industrialized nations) and one negative vote (from the United States) (Santos 1994:46-47). In 1994 Brazil hosted a meeting of the ZPCSA at ministerial level. And in April 1996 a conference and meeting took place in a formal way in South Africa, which now retains chairmanship of the organization until the next conference is held in Argentina, which will then automatically take over the chair.

The underlying principles of the ZPCSA are based on 'four windows for action':

- the environmental window
- a nuclear-free South Atlantic
- sports
- the economic and commercial window (see Santos 1994:48-49).

With South Africa's return to the fold, the ZPCSA now is able to enter its operational phase and transform the South Atlantic in an arena for important multilateral initiatives and become the foundation for a future South Atlantic Rim. South Africa's participation is important because it is the only African country with the potential to participate in the policing of the South Atlantic, if required.

The community of portuguese language countries (CPLP)

Brazil now has another multilateral link with Africa - the CPLP. On 17 July 1996 Brazil and Portugal joined the other Portuguese-speaking countries (Angola, Mozambique, Cape Verde, Guinea Bissau and São Tomé e Príncipe), all in Africa, two in Southern Africa, to form the *Comunidade dos Países de Língua Portuguesa* (CPLP - Community of Portuguese Language Countries). This translates into an organization which embraces 200 million people. Portuguese is the third most spoken language in the Western world (after English and Spanish) and the seventh in the world. A calculation has been made that, out of the 200 million Portuguese speakers, only 50 million would be white. Thus Portuguese has ceased to be the language of the colonizer and oppressor and has become a language transformed by blacks, mestizos, and their descendants in Africa and South America (see Felinto 1996). The countries of the CPLP together cover an area greater than that of the People's Republic of China (Selcher 1974:73). The Community seeks to strengthen ties between, on the one hand, Brazil

and Portugal and, on the other, between these countries and their partners on the African Continent.

The CPLP was created as a response to new trends in political and diplomatic coalitions, which have become a characteristic of the modern world. Portugal, as member of the European Union, and Brazil, as a member of Mercosul, can bring new vigor in economic relations for the participating countries. At the opening summit of the CPLP President Fernando Henrique Cardoso declared that the intention was to create a true community, inspired by values of equality, removed from articulations of hegemony, dedicated to a task of harmonious co-operation - a community that pays homage to our democratic spirit (Cardoso, FH 1996), and that countries now should belong to ordered coalitions, far from cleavages between North and South, East and West. This, the president continued, was the meaning behind Brazil's participation in Mercosul, or of Angola's and Mozambique's participation in the SADC (Cardoso, FH 1996).

He saluted the CPLP for having appointed an Executive Secretary from Angola, and an Adjunct Executive Secretary from São Tomé e Príncipe.

President Cardoso announced that 4 million dollars had been earmarked for Brazilian technical co-operation, for realistic and simple projects (Cardoso, FH 1996).

One of the aims of the CPLP is co-operation for economic and social development, by means of training and human resources development, and the exchange of experiences in fields such as public administration and technological development applied to production. (The other aims relate to political consensus and promotion of the Portuguese language) (Cardoso, FH 1996).

Portuguese is an important language in Southern Africa, being the official language of Angola and Mozambique, one of two official languages of SADC, and classified as a 'community language' in the South African constitution. This grants the language special status in the country, owing to the large number of Portuguese immigrants in South Africa.

Trans-Atlantic paradox

Brazil has a coherent long-term diplomatic strategy in which relations with Southern Africa have a clear place. For Brazil, having such a diplomatic strategy, the only requirement is to implement it. This implementation has been under way for a number of years now. The future of Brazilian / Southern African relations lies in widening and deepening the links already achieved.

The seriousness of Brazil's desire to be a strong and dependable partner for Southern Africa is shown by the country's commitment to regional peace-keeping. Brazil has been more heavily involved in peace-keeping in Southern Africa than in any other part of the world in recent years. In 1989-1990 Brazil supplied military observers and medical teams for the force that verified the Cuban withdrawal from Angola. The commanding General of this force was also Brazilian. Brazilian military observers and medics also participated in the first attempt by the UN to end the Angolan civil war 1991-1993. From 1992 to 1994 Brazil also participated in ONUMOZ in Mozambique, contributing an infantry company (this was the first Brazilian combat unit to serve outside the Americas in many years). In 1995 the country sent a reinforced battalion to join UNAVEM III in Angola (1200 men out of a total of 7 000 peace-keepers) (Siqueira 1996; Cardoso, B 1996:66).

However, Brazil's policies of positive co-operation with Southern Africa, and linguistic and cultural ties with two of its members, do not prevent it from being critical when necessary. A case in point is the recent meeting between the Brazilian government and Angolan President José Eduardo dos Santos. He was told to take more decisive steps regarding the completion of the peace process. The term of the UN participation in the peace process has already been extended twice. 'One cannot expect that UN forces stay there indefinitely', declared Brazilian Foreign Minister Luiz Felipe Lampreia. Lampreia recognized that progress has been made, but was weary that progress in the peace process had not advanced as it should have (*Folha de São Paulo* 17 July 1996).

Unfortunately South Africa does not presently have such a diplomatic strategy for Southern Africa. Too much attention has been focused on a global role for South Africa (see Olivier 1996; Hartley 1996a; Hartley 1996b). But as South Africa is not a global power it cannot fulfil a true global role. As Deon Geldenhuys warned: 'South Africa would have

neither the energy nor the resources to conduct an ambitious foreign policy' (Geldenhuys 1991:34 in Muller 1993:83).

South Africans tend to believe that Southern Africa is South Africa's natural sphere of dominance, and that this state of affairs is unalterable. Actually, South African dominance dates only from the Portuguese coup of 25 April 1974 and the subsequent wars, which wrecked rail routes other than those running through South Africa, and the devastating consequences of socialist policies, which ruined the non-South African ports. If peace is consolidated, and economic reforms likewise, then these alternative routes - rail and ports - will be rehabilitated and perhaps enlarged, reducing the region's dependence on South Africa.

South Africa can maintain its long-term dominance of the region only by integrating the other regional economies into its own. This can only be achieved by making South Africa a major market for their exports. In other words, by turning intention into practice and creating a true free trade area which would service a total population of about 150 million people. South African exports to other SADC countries accounted for some 68 per cent of intra-SADC trade in 1995 (*The Citizen* 3 September 1996). In this context, South Africa would be well advised to seek examples from how Brazil manages its membership of Mercosul.

Conclusion

South Africa needs a diplomatic strategy both for the country's place in SADC and SADC's place in the world. Southern Africa is linked to the world and even to itself by the sea. This means that the importance of the Cape route should not only be re-emphasized, but redefined, not in terms of old notions of strategy, geo-politics or South African security, but as a reality in the era of globalization. The Cape route thus becomes the fulcrum of trade links and co-operation endeavours in the Southern Hemisphere, the highway between the Atlantic and the Indian oceans, and an important instrument of south-south co-operation.

A redefined Cape Route, which would stretch all the way from Angola to Mozambique, would provide the needed diplomatic and economic strategy framework for South Africa.

Brazil has had such a strategy for many years, and is now in the process of consolidating meaningful coalitions; Brazil has surpassed the already obsolete *Weltanschauung* reflecting a North-South polarity, while South Africa (as per the Green Paper of Minister Nzo), still seems to be caught in these concepts. The SADC countries need South Africa, but South Africa also needs the SADC in terms of creating a powerful coalition. From the SADC South Africa would assess its role in other coalitions: the ZPCSA, the Commonwealth, the Indian Ocean Rim, a future Atlantic Ocean Rim. Brazil has already adopted this strategy, placing Mercosul at the centre of its relations with other blocs.

South Africa, as the most developed country of Southern Africa, has a definite pivotal role although this has not always been clearly translated in terms of a well-defined foreign policy for the region. Brazil, on the other hand, has a coherent foreign policy consistently pursuing long-term objectives year in, year out, regardless of changes of government.

Brazil has a definite role in Southern Africa, which could have far-reaching economic, political and social repercussions. It is up to South Africa to recognize that role and endeavour in meaningful co-operation with its gigantic (but friendly) neighbour across the great river (the Atlantic Ocean). This co-operation will grow and grow to their mutual benefit and the general well-being of the people of Brazil and Southern Africa.

The visit of President Cardoso to South Africa, seen against the framework of bilateral visits, will be essential in the process of intensification of relations, and could be a catalyst in the consolidation of ties between the two countries. Needless to say, the President's visits are carefully prepared by a highly professional foreign service, as part of Brazil's long-term diplomatic strategy. The present seminar bears witness to the fact.

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Investments and Brazil - South Africa*

Commerce: Present and Future**

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Introduction

The large distance separating the African and South American continent perhaps explains the fact that Brazil and South Africa are rarely thought of as having something in common. Even in each of these countries, attention is more often given to their own national problems, and the possibilities of partnership within Northern countries, than to increasing the ties between them¹. Nevertheless, in spite of the millions of miles that separate the two countries, a series of similarities bring them together.

As shown in chart 1, Brazil and South Africa have practically the same income per capita, whether it be measured by the traditional methods, or considering the parity of purchasing power. On the other hand, and even if Brazil is seven times the surface and four times the population of that of South Africa, both are rich in natural resources, are regional powers, leaders of commercial blocks in which they participate (Mercosur and SACU respectively), and present a reasonable level of industrialization². The two

* Version by Anne Pinheiro.

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¹ An important exception is Fig (1992).

² As McGowan (1993: 36-37) wrote: "As a semi-peripheral member of the world system and a regional superpower, South Africa has played a role in the international political economy similar to the roles played by Mexico and Brazil in Central and South America."

countries also share less desirable characteristics, with the worst distribution of income in the world within the countries studied by the World Bank (1996), high rates of illiteracy , and infant mortality greater than those of countries with lower income. Not forgetting the average GNP growth rates in Brazil as well as in since 1980.

Two other differences appear in chart 1. On the one hand, South Africa is still a more rural country than Brazil, with half of its population living in the country, as opposed to 23% in Brazil. Another important difference is that, side historically, South Africa succeeded much better in maintaining its domestic macroeconomic balance, as are shown by the inflation rates, lower than in Brazil. Nonetheless, with the Plan Real, and the drop of inflation in Brazil, the two countries became closer also in this way.

Brazil and South Africa have been going through deep changes, with the adoption of democratic political regimes, the macroeconomic stability as a priority, and basis for sustained development, the end of the strategy of industrialization by substitution of importations and the quest for a better distribution of income. In order for these changes to succeed it is necessary for both countries to integrate efficiently the international flow of commerce and investment.

The objective of this article is to estimate the state of this integration, and the perspectives of the two countries concerning their insertion in the flow of commerce and investment. In particular, answer two questions. The first, how, in the last few years, foreign trade and investment has evolved in Brazil and South Africa in general, and between the two in particular. The second, which are the tendencies in these areas in both countries, and in what extent the flows of trade and investment can contribute to overcome the difficulties the two countries are facing?

Chart 1: Brazil-South Africa: Basic Data

	Brazil	South Africa
Area (km ²)	8512	1221
Population (1994 - million of inhabitants)	159,1	40,5
Demographic grow rate (%) 1980-90	2,0	2,4
1990-94	1,7	2,2
Urban population ratio (%) 1980	66	48
1994	77	50
Income per capita in dollars (1994)		
American dollar (US\$)	2970	3040
International dollar (PPP \$) ^a	5400	5130
Income per capita considering purchasing power (EUA =100)		
1987	24,2	23,9
1994	20,9	19,8
Income per capita grow rate (%)		
1980-93	0,3	-0,2
1985-94	-0,4	-1,3
Participation of transformation industry in Income per capita (%) 1980	33,0	23,0
1994	25,0	23,0
Average inflation annual rate (Income per capita deflector, %)		
1970-80	38,6	13,0
1980-93	423,4	14,7
1995	67,3	8,7
Competitiveness indicator (rank among 48 countries, 1995)	37	42
Life expectancy at birth (1994, years)	67	64
Illiteracy rate (1995,%)	17	18
Human Development Index (1993)		
Value	0,796	0,649
Ranking position	58	100
Infant mortality (per thousand alive births) 1980	74	67
1994	56	50
Gini index	63,4	58,4

Sources: World Bank (1995,1996), UNDP (1996) and IMD (1995). Data gathered based on purchasing power parity in order to equalize prices level among all countries taken into account World Bank sample.

The next section presents, summed up, the high numbers and debates the recent evolution of Brazilian and South African economies. The third examines the flows of direct investments to and from both countries. Brazil and South Africa's commercial relations with the rest of the world are discussed in section 4. The last section discuss the challenges both countries are facing now, and evaluates the role of foreign trade and investments in overcoming them.

High numbers and macroeconomic background

Brazil

Chart 2 shows how all through the twentieth century Brazil's economic results were quite positive. Until the 1970's the GNP grew to high rates, with significant expansion in the manufacturing industry. The rate of investment also grew up until the mid 1970's, inflation has been kept at levels that, considering the experience over the period 1973-93, could be considered as reasonable.

Chart 2: Macro-economic indicators 1908-95 (%)

Period	Income per capita grow (a)	Transformation Industry grow (a)	Investment rate (% of income per capita))(b,c)	Impliciti deflector of income per percapita(c)
1908-47	4,4	5,9	n.d.	n.d.
1948-55	6,4	8,4	14,2	14,0
1956-64	7,5	9,2	13,6	40,2
1965-73	9,7	11,4	16,1	28,3
1974-79	6,4	6,2	24,2	41,3
1980-92	1,9	-0,5	21,9	554,3
1993	4,2	8,1	20,0	2072,0
1994	5,8	7,7	20,8	2295,0
1995 (d)	4,1	1,6	19,7	67,3

Source: Notes: (a) gathered by square minimal, (b) at present values, (c) arithmetic averages, (d) preliminary.

In 1981-82, however, Brazilian economy stagnated, with inflation accelerating and the GNP growing at an average of 1,3% a year. The industrial sector was specially affected, with its production in 1992 below the level reached in 1980. The manufacturing industry, in particular, showed an average decrease of 0,5% a year, in great contrast with the 8,7% annual average growth experienced in the 70's. As a result, the participation of the manufacturing industry in the GNP declined from 34% in 1980 to 25% in 1992.

Inflation, which had accelerated in the 70's, went almost out of control in 1981-92. In the beginning of this period the high public deficit and the effort to obtain true devaluation of the exchange rate, in an economy which continued sophisticating its methods of indexation for years, caused small raises of the inflation rates. In 1986, Plan Cruzado tried dealing with inflationary inertia by freezing prices. As little was done to eliminate public deficit or manage aggregated demand in a more austere way, inflation soon came back twice as bad. Four other heterodox plans of stabilization were subsequently adopted, two still during the Sarney administration, in 1987 (Plan Bresser) and 1989 (Plan Verão), and two other during Collor's government, in 1990 and 1991. All survived only a short time.

This mixture of low and irregular growth, high and accelerated inflation, frozen prices and contract canceling, high public deficits, the growing public debt and the high interest rates, all contributed to an even greater concentration of fixed capital. Thus, the investment rate measured with 1980 constant prices, went down from an average of 23,3% of the GNP in the 70's, to 18,2% in the 80's and only 14,6% of the GNP in the beginning of the 90's (1990-92). The quality of investments also deteriorated, with a smaller proportion of capital spent on machines and equipment, imported capital goods in particular.

The way out of this disturbed economic situation gradually made form in 1990, when the country initiated a series of structural reforms in order to reduce public intervention in economy and liberalize the markets. Within these policies, commercial openness, deregulation and privatization stand out. These reforms were the foundations upon which began the well succeeded program of stabilization in July 1994, discussed below. Its most important role, however, has been to expand domestic offer, process which began with the significant growth of productivity, reached since 1990. It is still necessary to add a more significant recuperation of

investment, so that the growth of product remains linked to the creation of jobs. Section 4.1. discusses the process of import liberalization in Brazil, while in section 3.1. are shown a few of the deregulation and privatization measures, more directly connected with the attraction of foreign investment. A more detailed description of this process can be found in Moreira e Correia (1996) and Pinheiro (1996).

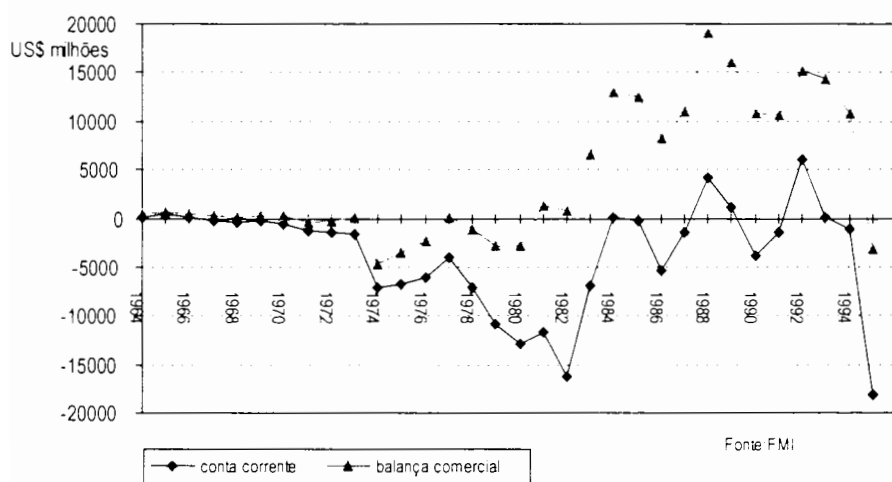
With the process of structural reforms already initiated, the economic deterioration process began giving signs of reversion in 1993. In 1993-95, the GNP grew 15,0% or 10,2% (per capita), with the manufacturing industry experiencing a 19,1% growth. The investment rate also went up, reaching 15,8% of the GNP in 1995. Productivity, which practically stagnated in the 80's, grew significantly during this period - in 1993-95 the labour productivity grew 31,2%. Since the beginning of the Plan Real, in July 1994, the actual improvement of economy was completed with the reduction of inflation and the creation of a new less uncertain macroeconomic situation, with the price system recuperating its functions of allocation of resources, in many ways lost during the period of very high inflation. In 1995, the General Index of Prices - Internal Availability (IGP-DI) calculated by the Getúlio Vargas Foundation, went up only 14,8%, the lowest rate since 1957.

This well succeeded effort of stabilization faced a series of difficulties caused, at the beginning of the Plan, by the significant increase of real salary, consequence of the drop of inflation, linked to the return of credit to the consumer and the appreciation of the exchange rate. The valorization of the "Real" was decisive to maintain the stability of prices of commercial goods. Considering the currency basket of Brazil's most important partners, the "Real" was valorized 28,9% in real terms from 1992 to 1995. These factors gave new impulse to the recuperation began in 1993. In 1994, the GNP's real growth accelerated, going from 4,1%, in the first trimester, up to 5,7% in the second. In the first trimester of 1995 the economy was obviously overheated, with the GNP up 10,1% in relation to the first trimester of 1994. Growth rates of this magnitude were no compatible with the effort of stabilization. Furthermore, the substantial production growth (thanks mainly to the reduction of idle capacity), was not able to follow the growth of absorption. As a consequence of accelerated growth, the appreciation of the exchange rate, and the consolidation of the channels of distribution, which followed with delay the liberalization of imports, began in the late eighties, Brazilian imports rose, in 1993-1995.

In 1994, imports reached a total of US\$33.1 billion, US\$49.6 billion in 1995, 60.70% and 140.8% above the level reached in 1992.

Thus, the high commercial surplus Brazil presented since the early eighties became at the end of 1994 equally high deficits (see chart1). In this way, at the end of 1994, beginning of 1995, Brazil was able to keep the high inflation rate from showing in exchange of a brutal deterioration of its trade balance. The beginning of Mexico's crisis made it clear that it would not be easy for Brazil to finance a large deficit of its account. In March 1995, the government reacted, restraining demand linked to the increase of interests, the contraction of internal credit and the devaluation of the exchange rate (about 8%). The results appeared quickly. The GDP fell respectively 2.7% and 1.2% during the second and third trimesters of 1995 (growth rates corrected for seasonal reasons) and the unemployment rate rose from 4 to 5% (non seasonal rate) during this period. The impact upon the trade balance took a while to appear, but from September on, the monthly deficits on the trade balance, going from US\$4.0 billion in September to a 365 million surplus in May 1996. Given these results, the government gradually began to loosen its monetary policy (second semester 1995), in order to avoid an overshooting in terms of the drop in the level of activity³. The estimate for 1996 is for moderate growth, about 2.8% (IPEA bulletin), below the 4.1% in 1995 but a rate which tends to consolidate the effort of stabilization, particularly concerning foreign trade balance.

Gráfico 1- Balança Comercial e Conta Corrente. Brasil:1964-95



³ The Over-Selic interest rate, set by the Central Bank fell from 4,26% in April 1995, to 2,77% in December. In July 1996 it reached 1,92%. Rates in normal terms.

South Africa

Chart 3 shows how the performance of South Africa's economy since 1919 was also exceptional. From 1919 up to 1970, South Africa's average growth rate was 5.3%. From the mid-seventies on, the GDP growth began to slow down, this process was accentuated in the late seventies. Some authors impute this result to the deterioration of the political conditions and the beginning of international sanctions after the Soweto riots in 1976. In spite of the good results for 1980-81, when the GDP grew at an average of 6% a year, the country entered a recessive cycle in the eighties, from which it has not yet totally recovered.

In a similar way, during 1982-93, the GDP grew at an average of only 0,6% a year. The manufacturing industry which was expanding at a rate much higher than the rest of the economy, was particularly affected-the growth rate of the manufacturing industry fell abruptly from an annual average of 6.3% for the period 1965-80, to little over 1% in the eighties. The peak of the manufacturing production came in 1989, followed by a significant contraction in 1990-93.

Chart 3: Income per capita grow in South Africa, 1919-95

Period	Income per capita grow (%)	Transformation Industry grow rate (%)	Investment rate (% of Income per capita)	Deflator of Income per capita (%)
1919-29	5,0			
1929-39	5,8			
1939-49	5,8			
1950-60	4,4			
1960-65	6,0			
1965-70	5,4	7,4	26,0	4,5
1970-75	4,0	5,9	28,6	11,0
1975-80	2,8	5,6	28,4	13,7
1980-85	1,1	1,3	26,6	15,4
1985-90	1,4	1,2	19,6	15,7
1990	-0,3	-2,3	17,6	15,1
1991	-1,0	-4,5	16,9	13,5
1992	-2,2	-3,2	15,9	12,4
1993	1,1	-0,1	16,0	11,1
1994	2,3	2,6	18,1	10,4
1995	3,3	8,7	19,3	8,7

Note: Income per capita rates at factor costs in 1919-90 and at market prices from 1990 to 1995. Investment, in 1990-94, at constant prices of 1990

Source: McGowan (1993), Economist (1996), IMF.

Unlike Brazil, South Africa is historically a country with quite low inflation. Measured with the GDP implicit deflator, it remained between 2.9% and 7.5% during 1965-71, growing discretely up to 11% in 1972 and 18.3% in 1973, up to 23.6%, in 1980 the highest level all through 1965-95. In spite of the complex political situation and the adverse international circumstances, The South African Reserve Bank (SARB) kept its independence and compromise with the stability of prices, adopting an austere monetary policy after 1989-90, which contributed to reduce inflation from 17.2% in 1989 to 8.7% in 1995, the lowest rate since 1971.

From 1965 to 1985 South Africa's investment rates kept quite high, which surpass by far the numbers concerning Brazil, and explain in many ways the good quality of its infra-structure. With the deterioration of domestic economic conditions, the international sanctions, the raise of interest and the growing political instability, the investment rate fell almost continuously after 1982, in spite of a timid recuperation in 1988-89. In 1992-93, with the investment rate 12,5 points lower than that of the seventies, the investment reached its lowest level since 1965.

A particularly negative aspect of South Africa's economy during this period was the almost stagnation of the levels of productivity in the manufacturing industry. In 1960-72 the labor productivity grew rapidly, while that of capital remained constant. Already in 1972-90 the productivity of capital fell almost 3% a year and the growth of labor fell to 1% a year. Finally, the total productivity of the factors declined during the eighties, coming to an average of only 0.5% a year during 1974-93. [World Bank (1994: 5)]. Thus, in spite of the high investments made during the past thirty years, the productivity in South Africa's agriculture and industry remains relatively low.⁴

After the second semester of 1993 South Africa's economy began a process of recuperation which led to an accumulated growth of 9.5% over the first trimester of 1993 up until the last of 1995. The recuperation was originally caused by the expansion of exports and of the government's consummation, and, later on, sustained by the recuperation of the expenses with investment, which reached 5% in 1994, forced by the high levels of two public privatizations- TELKOM, a telecommunications company, and

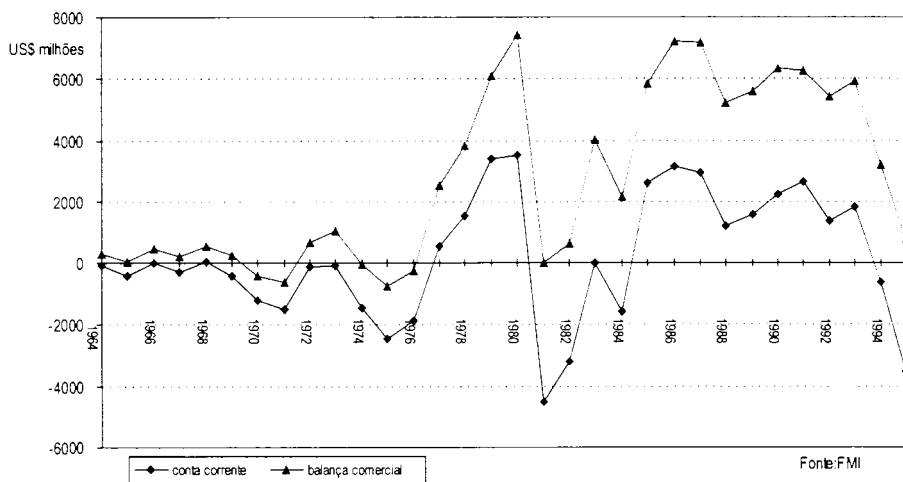
⁴ Brent (1996: 115) mentions, for instance that the workers in the automobile industry are three times more productive in Mexico than in South Africa.

ESKOM, for electricity. The recovery of growth occurred in all industrial areas and services, even if the agricultural and mineral areas showed some retraction in 1995. The manufacturing industry, which in 1993 still showed a drop in its production, grew again in 1994, and in 1995, registered a strong increase, returning to the levels observed in 1989.⁵

The more recent period also registered improvement in public accounts, with a progressive reduction of the deficit at 8.5% of the GDP in 1992-93 to about 5.4% of the GDP in 1995-96, in many ways as a result of fiscal earnings of 25.6% of the GDP in 1992-93 to 26.8% in 1994-95, little below the 27.1% of the GDP in 1989-90 [South Africa(1996)].

Like in Brazil, the economic recuperation and the reduction of barriers to imports brought changes in foreign accounts, with the growth of imports, surpassing by far that of exports⁶. Thus, while exports, which since 1994 stagnated, grew up to 8% in 1995, the imports have been growing at about 16% a year since 1993. The current account deficits registered, since 1994, the first after several years (see chart 2), have been covered by portfolio investments, that grew significantly after the well succeeded presidential elections in April of 1994- South Africa registered a net entrance of a capital of R31billion from 1994 to the end of 1995.

Gráfico 2- Africa do Sul: balança Comercial e Conta Corrente.1964-95



⁵ Nevertheless, the manufacturing industry still showed, in 1995, an accumulated decline of 9,95% in per capita.

⁶ See section 2

Also considering jobs in the formal area of economy the situation in South Africa is very similar to that of Brazil. The recovery of growth, while succeeded for those who have been dislocated by the companies restructuration process. Formal employment in the non agricultural area declined during the whole period 1989-94 and grew in a few more than fifty thousand jobs in 1995 [South Africa(1996)]. As in Brazil, the excess labor has been absorbed by the informal area.

Unemployment remains one of the most important preoccupations in South Africa, reaching 41% of the black population, and even more among the younger age group [Brent (1996)].⁷ Blumenfeld [1995: 176] observed the long and persistent deterioration of South Africa's performance, in spite of the good results in exportations, the wealth in natural resources, all the accumulated wealth, the good infra-structure and in spite of the new middle class within the black population, appeared over the last few years. In spite of all this, unemployment and the level of poverty grew, the standard of living dropped substantially over the last twenty years.

Overmore, three recent events deserve to be underlined. First, the significant devaluation of the rand from the beginning 1996, which reached 19,1% between February and April, without it being possible to stabilize it, the "rand" lost its value in July and August. The "well succeeded" attack against the "rand" shows a certain restlessness of the investors with the South African political and economic situation, but in some analysts "the depreciation will not cause lasting damage to the South African economy"[Morgan Stanley (1996)]. In particular, one can expect the devaluation of the "rand" to give new impulse to the exportation of manufactured goods.

On the other hand, the economy shows new signs of maintaining moderated growth, which in the first trimester of 1996 reached a yearly rate of 3,3%. For the year as a whole, the expectations are that of an increase of about 4%, therefore, above that observed in 1995, with the manufacturing industry and the specially favorable performance of the exporting areas.

Finally, the maintaining of an austere monetary policy and the continuation by the ANC with the fiscal policy seeking the reduction of the deficit have led to new drops in inflation. In May, inflation had reached

⁷ Spence (1996: 11) evaluates the unemployment rate in the formal sector at 43%.

5,9% (twelve months accumulated), showing how the economy has resisted to the inflationary pressures caused by the devaluation of the exchange rate. The high interest rates contributed to this, and, even if still declining, where up to 13,6% in May 1996.

Chart 4 shows how Brazil and South Africa's productive structures are quite similar, even if the later's agricultural sector is less important, and mineral extraction sector much less relevant than in Brazil, even if in South Africa many industrial activities are linked to the transformation of agricultural products. The industrial sector (including industry and manufacturing, electricity /gas / water and civil construction) correspond to equally large fragments in both countries.

Chart 4: Gross National Product by sector (1994)

Sector	South Africa *	Brazil **
Agriculture	5,1	14,3
Extractive Mineral	9,7	1,2
Transformation industry	24,2	22,9
Electricity/Gas/Water	4,8	5,5
Construction	2,9	7,7
Trade	15,0	7,1
Transport and communications	7,9	5,7
Finances/Insurance/Real state	15,3	15,8
Personal Services/Welfare	1,9	(a)
Public Administration	14,4	10,4
Other Producers	2,2	18,3 (a)
Estimate Financial Services	-3,5	-8,8
Income per capita at factor costs	100,0	100,0

* At constant prices of 1990. ** At current values.

(b) Personal services/Welfare included in other producers

Source: Economist (1996) and IBGE.

Another resemblance in Brazilian and South African economies is the important role of public companies. Chart 5 shows how these companies are more important in South Africa, with some estimates at 52% of the national's capital stock [Brent (1996:123)]. It is interesting to note, however,

that in spite greater public presence in South Africa, the privatization has advanced much faster in this country than in Brazil.

Chart 5: Importance of State enterprises in Brazilian and South African economies

	Brazil		South Africa	
	1978-85	1986-91	1978-85	1986-91
Participation in non-agricultural income percapita(%)	5,5	9,5	14,7	15,7
Participation in Gross Domestic Investment (%)	26,3	15,2	21,0	15,5

Source: World Bank, 1995, *Bureaucrats in Business: The Economics and Politics of Government Ownership*.

The flow of investment

Brazil

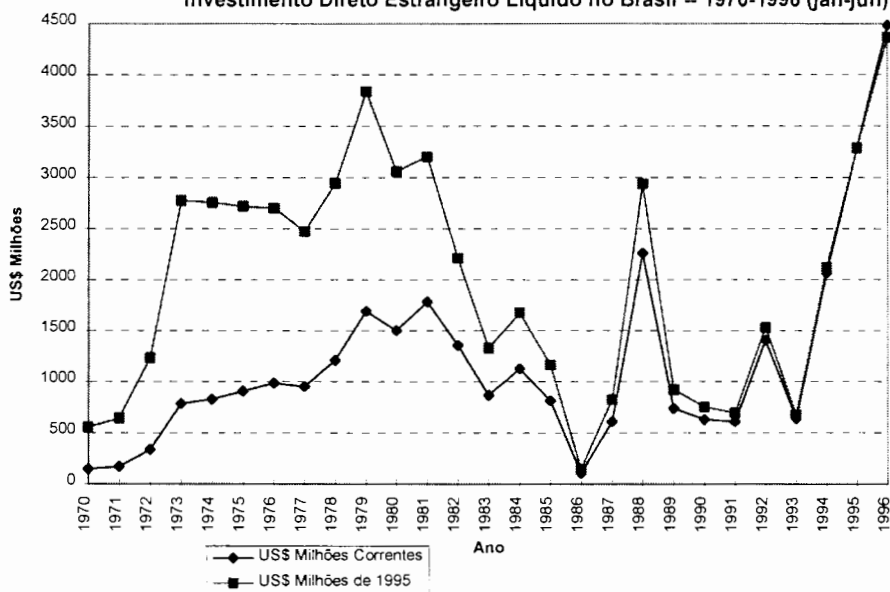
One of the main successes of the process of substitution of importations, previous to the macroeconomic crisis that affected Brazil and South Africa since the beginning of the eighties, was the great capacity of both countries to attract direct foreign investments. In Brazil's case, for instance, the Central Bank estimates the value of foreign capital stock invested in the country at almost ninety billion dollars (not including portfolio applications).

As shown in Chart 1, the direct foreign investments made in Brazil kept themselves high and growing up until the beginning of the eighties, reaching US\$ 1,8 billion in 1981 (US\$3,2 billion at June 1995 prices). With the deceleration of growth and the increase of inflation, the applications of foreign capital dropped significantly, like what occurred with grouped investment. The lowest record reached for the period 1970-96 was in 1986, when the volume of net direct investments in Brazil came

up to only 104,8 million dollars. Since 1994, however, a substantial recuperation of direct foreign investment is observed in Brazil, which in the first semester of 1996 reached US\$4,4 billion, more than during all of 1995 and almost seven times the volume registered in 1993.

The vigorous recovery of foreign investments in Brazil can be explained mainly by the Plan Real over its first two years of existence and by the importance given by the last three governments to liberal reforms, commercial liberalization and privatization for instance. Furthermore, several measures were taken to attract foreign investors including the reduction of income tax paid on the transfer of profits and dividends, the access to credit for exportation, the direct access to the market of Brazilian capital, the authorization to participate in certain sectors previously restricted, and the reduction of the amount and the strict limits to importation of technology. The approval of the Law on Patents, in 1996, also served an old revindication of the foreign investors. The reduction of the national minimum for access for public financing of 85% to 60% was another important step toward the reduction of public intervention in the productive activity rendered the country more attractive to foreign capital.

Gráfico 3
Investimento Direto Estrangeiro Líquido no Brasil – 1970-1996 (jan-jun)



1995 was characterized by the approval of several amendments to the 1988 Constitution, which open many sectors to participation of capital, private in general, and foreign in particular:⁸

The monopoly of Telebras in the telecommunications sector fell; in other words the federal government is no longer restricted to giving out concessions to explore the telecommunication service only to public companies. Concessions for the exploitation of cellular telephones will be auctioned still in 1996, with the organization of several partnerships to participate. Every partnership includes one or more foreign companies.

The State governments are no longer obliged to distribute contained gas directly or through a public company, which now can be done by a private company. Construction has been initiated for a gas pipe-line between Bolivia and the city of Sao Paulo, with a partnership responsible for this enterprise with important participation of foreign investment.

An amendment to paragraph 1, article 177, discontinued public monopoly upon the mineral -oil industry that is, upon the exploration, extraction, refinement, import, export and transportation of oil and gas, permitting private companies to invest in activities still reserved to Petrobras. Several foreign companies which participate for years in the distribution of oil by-products are expected to take part in the rest of the sector's activities.

The difference made between Brazilian companies and Brazilian companies with national capital and the different treatment given to them was also eliminated (paragraph 9, article 170, article 171, sub-paragraph 1, article 176). However, any company created under Brazilian laws, with its base and administration in Brazil, is now considered Brazilian. This way, for instance, all the Brazilian companies have equal rights to research and explore mineral and hydraulic resources. This change will be particularly important to make easier the foreign participation in the privatization of public companies in the mineral-oil and electric energy sector.

The direct foreign investments made in Brazil over the first semester of 1996 already reflects the impact of these measures. From a total of US\$ 4.48 billion invested, 3.58 billion dollars were absorbed by seventy seven major companies, the service sector received the largest part of these big

⁸ For a more detailed discussion on Constitutional reforms see Piccini (1995).

investments (chart 6). The other US\$900 million went to small or medium sized companies.

“The National Privatization Program” (PND) was the main responsible for this significant result during the first semester of 1996 and partly for the sectorial profile of this investment. Thus, the privatization of the “West Sector of Federal Railway” (RFFSA) and of “Light” (Electric Company) gained foreign investments of US\$1.3 billion. This enthusiastic participation of foreign investors in Brazilian privatization is fairly recent. During the first year and a half of the Cardoso government in particular, was observed, for the first time since the beginning of Brazilian privatization, an important participation of foreign capital, corresponding to 41.4% of the total PND collected during that time.

Whereas within the total of sales registered by the PND from 1991 up until the first semester of 1996, totaling US\$12.3 billion, the foreign investors appear in a distant third place, responsible for 15.1% of the results. Several reasons can explain why, after such discrete participation, foreign capital shows renewed interest for Brazilian participation:

Upon until the well succeeded Plan Real, foreign investors showed a justified lack of confidence in Brazil’s macroeconomic management.

Privatization began in Brazil with iron metallurgy and chemical oils, areas in which investors showed little interest, partly because of the difficulties these branches have been facing at an international level, with declining offer and demand, not to mention the more and more frequent and expensive ecological measures taken toward this sector. The Privatization of sectors such as railroads and mainly public services have created greater interest of foreign investors. Curiously, even supposedly less attractive sectors, such as water and health have interested foreign investors.

Up until 1994, foreign participation was little stimulated by the perspectives of foreign banks concerning the negotiations of the foreign debt.

The 25% reduction upon the face value of the foreign debt titles, revoked in 1994, also failed to stimulate foreign participation in Brazil’s privatization.

Also, up until 1995, the privatization program limited to 40% foreign participation in the voting capitals of companies being privatized. This way, foreign investors could not obtain shareholder control over the

companies being sold. Once this rule revoked, foreign investors were able to take over the Sector West of Federal Railway as well as Light.

Another important factor was the discrimination against foreign companies according to article 177 of the 1988 Constitution, revoked in 1995.

At the beginning of the PND, several legal procedures were opened after every privatization auction, leaving some doubt concerning the terms upon which these would be done. This practice lost of its importance with the consolidation of the PND.

Chart 6: Direct Investments in Brazil in the first semester of 1996 (in US\$ million) *

Sector	Ingress
Agriculture (seeds)	18
Extraction of petroleum and natural gas	47
Transformation Industry	1065
Tobacco	250
Metallurgy/Iron Metallurgy	190
Electric-electronics	171
Alimentary products	84
Car parts	73
Chemicals	71
Packages	65
Other Industries (optical and photographic instruments)	58
Textile	46
Transformation of non-metallic minerals	39
Mechanics	10
Pharmaceutical products	10
Services	2444
Electric energy	1177
Holding	615
Banks	272
Trade (Import and Export)	180
Gas distribution	62
Real state trade	51
Other financial institutions	47
Technical services and auditing	18
Insurance	11
Vehicles rent and lease	11
Non-defined activities	16
Total	3590

* Only includes investments in enterprises that received over US\$ 10 million investments.
Source: Banco Central, in Gazeta Mercantil, 7/8/96, p. B1.

Within the seventy seven major transactions already mentioned, the acquisition of Brazilian banks by foreigners proves that with stabilization and the growing integration of Brazilian economy to world economy, including the high volume of financial investments, foreign banks have growing interest in operating in Brazil. Thus, seventeen of these transactions, totaling US\$ 558 million in transactions, were used for taking over, or the participation in non-financial Brazilian companies. The same type of transaction prevailed in the about one thousand three hundred small and medium transactions in which the other US\$ 900 million of foreign applications were invested during the first semester 1996, characterizing a process which shall continue in the years to come.

However, as Chart 7 shows, in spite of the high investments in the services industry over the last few years, the manufacturing industry continued concentrating, in 1995, most part of the stock of foreign capital applied in Brazil, corresponding to two-thirds of this total. The service industry occupied second position with 21,6% of the total, followed by the mining industry, with 2,4% of the stock in July 1995. Nevertheless, this structure should change in the next few years, with the massive participation of foreign investors in the process of privatization of public services.

The United-States, Germany and Japan, in this order, are the countries with the highest stock of investments in Brazil, corresponding to almost half the total of foreign applications in the country (Chart 8). Over the last twenty-five years, however, the U.S. has reduced its participation, whereas Japan and countries from the European Community have increased theirs. Chart 9 shows the participation of the three main countries with investments in Brazil, in each sector, and how profiles are very diversified. Thus, for example, Germany retains an important participation in the metal mechanic complex (metallurgy, mechanics, car parts and vehicles), whereas Japanese participation is relevant in cattle raising, fishing, iron metallurgy, cellulose and paper, textiles and banking. The United States has an important position in practically every sector.

All leads to the conclusion that the recent boom of foreign investments in Brazil will continue in the next few years, that is if the Plan Real and the structural reforms recently initiated are brought to term. Chart 10 shows the value corresponding to intentions of investment by private companies in Brazil, according to the records of the Ministry of Industry, Commerce and Tourism. Altogether, these plans of investment totaling

US\$63 billion for the period 1995-2000, the most important concerns the automobile industry, electronic products, chemicals, metallurgy, mining and the food production sector. The last two columns of chart 10 show how foreign companies probably correspond to a large part of these investments, in general as well as in the main sectors. In particular, foreign companies will correspond to almost the total of investments made in automobile and car part production.

Chart 4 shows the evolution in 1996 of the flow of Brazilian investments abroad, a process which gained in importance in the beginning of the nineties⁹. Some analysts see the expansion of the investments abroad as a second and natural phase to the substantial growth of Brazilian export of manufactured goods, particularly in the eighties. With the installation of subsidiary companies in the effort to consolidate positions won over abroad makes it many times necessary for these countries to establish tariff and non-tariffs barriers against the importation of Brazilian products. In particular the presence upon these markets opens access to information about the consumers necessities and is essential for products requiring technical assistance, repair parts, etc. (e.g. airplanes). Another important factor that has helped the expansion of the exportation of manufactured goods is the establishment abroad of research centers by Brazilian companies. The actual presence in industrialized countries permits the interaction with universities and research centers, the access to human resources, and corner capital, not to mention the possibility of incorporating modern management procedures in the areas of management and marketing.

Chart 7: Stock of Foreign Investments in Brazil in up-to-date historical values, in June 1995

Sector	Invest.	Reinvest.	Total
Agriculture	330675	212703	543378
Cattle Breeding	231340	2352	233692
Fishing	19037	1779	20816
Mineral Extractive Industry	1716894	341767	2058661
Transformation Industry	38913556	19423017	58336573
Non-metallic mineral transformation	702282	682430	1384712

⁹ It is interesting to note, however, that there has been in recent years a drop of this flow of investments.

Cement	333760	145191	478951
Ceramic material construction and cement goods	154122	331175	485297
Glass and Cristal	214399	206064	420463
Metallurgy	4591293	1468682	6059975
Iron Metallurgy	1222114	189428	1411542
Metallurgy	3369178	1279253	4648431
Mechanics	4746415	1457778	6204193
Electronic, electric and commucation material	4806945	2010086	6817031
Transport Material (**)	6955737	2611022	9566759
Car Parts	1136794	649950	1786744
Aircraft Construction	83027	80	83107
Navy Construction	289918	81989	371907
Railroad Material	44299	9280	53579
Vehicles	5401696	1869721	7271417
Wood	521312	257754	779066
Cellulose, paper and cardboard paper	979154	668511	1647665
Rubber	938824	965980	1904804
Chemicals	7180208	4375825	11556033
Chemicals and animal fertilizers	280139	48502	328641
Petroleum processing by-products	1109945	1364797	2474742
Safety mach, tincturc, varnish and Lacas	540710	327820	868530
Safety match, paints and varnishes and basic chemical products	5249414	2634703	7884117
Medical, Pharmaceutical and veterinary products	2532195	1117672	3649867
Textile	843663	525181	1368844
Clothing, footwear and textile goods	432117	158442	590559
Food Produce	1735570	2245942	3981512
Agricultural processing, toasting and milling	115676	362029	477705
Freezers	137072	6971	144043
Varied food produce	1482821	1876941	3359762
Beverages	406364	79671	486035
Tobacco	501608	510780	1012388
Publishing and editing	103559	77196	180755
Others	936302	210056	1146358
Services of public utility	147689	35402	183091
Water supply	5189	1149	6338
Gas production and supply	20519	9373	29892
Sanitary services	3216	0	3216
Air service transport	8715	15	8730
Naval and fluvial transport	51207	19608	70815
Highway transport	58840	5256	64096

Other services	29337492	5766538	35104030
Banks	2652082	833016	3485098
Real estate trade	315377	55825	371202
Trade in general, imports and exports	2827334	615701	3443035
Insurance company	224273	121122	345395
Participation and administration of goods	6119438	3850017	9969455
Others financial institutions	223438	154861	378299
Portfolios	16378337	0	16378337
Technical services and auditing	485938	119961	605899
Tourism	111271	16031	127302
Other activities	1855609	503001	2358610
Total	72552295	26286563	98838859

Source: Central Bank. Obs.: Historical values updated within the USA prices Index to consumer.

Chart 8: Evolution of the stock profile of foreign direct investment in Brazil according to the investing country

Countries	1970	1975	1980	1985	1990	1992	1994
Germany	01.0	01.1	01.3	01.4	01.3	01.3	01.3
United States	03.8	03.5	03.3	03.3	03.3	03.2	03.2
Japan	0.04	01.0	0.09	0.09	0.09	0.09	0.09
Holland	0.04	0.04	0.04	0.05	0.05	0.05	0.05
Great Britain	0.07	0.06	0.06	0.06	0.06	0.06	0.06
France	0.04	0.04	0.05	0.05	0.06	0.06	0.06
Italy	0.04	0.04	0.05	0.05	0.05	0.05	0.05
Switzerland	0.06	0.05	0.05	0.04	0.04	0.04	0.04
Sweden	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Canada	01.0	0.06	0.05	0.05	0.05	0.05	0.05
Others	01.2	01.4	01.3	01.2	01.2	01.3	01.4

Source: Barros (1996), based on Brazil central Bank data

Chart 9: nationality of foreign capital in Brazil by sectors of activities - sector stock (based on stock of December 31, 1994)

Sector	Participation of Main Investors (%)				
	US\$ billion	Germany	USA	Japan	Other countries
Agriculture	0,549	0.02	04.6	0.06	04.6
Cattle Breeding	0,213	0.06	01.0	03.6	04.8
Fishing	0,020	000.	05.7	03.8	0.05
Mineral extractive industry	2,062	01.0	02.1	0.06	06.3
Cement	0,470	0.07	0.02	0.00	09.1
Glass and crystal	0,408	01.1	04.1	000.	04.7
Iron metallurgy	1,382	0.02	0.00	05.1	04.6
Metallurgy	4,537	01.8	02.5	01.5	04.1
Mechanics	60,120	02.3	04.2	01.0	02.6
Electric material	6,591	01.1	04.7	01.1	03.1
Car parts	1,740	05.5	03.2	0.04	0.09
Vehicles	7,128	03.3	02.2	0.05	03.9
Wood	0,741	0.05	05.8	0.08	03.0
Cellulose, paper and cardboard paper	1,585	01.2	05.1	01.7	02.0
Rubber	1,868	0.02	04.7	0.00	05.1
Petroleum processing by-products	2,422	0.02	04.1	0.05	05.2

Basic chemical products	7,803	01.0	03.8	0.01	05.1
General chemical	11,517	0.09	03.6	0.04	05.1
Medical, pharmaceutical and veterinary products	3,394	02.9	05.1	000.	01.9
Textile	1,348	0.03	01.6	03.8	04.3
Clothing, footwear and textile goods	0,566	0.02	04.2	0.06	05.0
Food produce	3,812	0.07	02.9	0.05	05.9
Beverages	0,413	0.03	01.7	0.06	07.4
Tobacco	0,994	0.03	04.0	000.	05.7
Publishing and editing	0,177	0.09	02.2	000	06.9
Other industries	1,093	0.09	04.5	01.5	03.0
Total of transmutation industry	6,740	01.6	03.5	0.09	04.0
Services of public utility	0,178	01.1	01.4	000.	07.5
Banks	3,380	0.08	02.7	02.1	04.3
Trade in general	3,215	0.08	02.8	01.0	05.3
Holdings	9,665	0.02	02.2	0.04	07.2
Total of non-utility services	17,897	0.06	07.6	0.09	0.09
Tourism	0,127	000.	06.6	000.	03.4
Other activities	2,245	0.03	01.3	01.2	07.2
Portfolios	17,338	0.01	05.2	000.	04.7
General total *	79,922	01.3	03.2	0.09	04.6

* Does not include portfolio investments

Source: Banos (1996) based on FIRCE -BACEN data

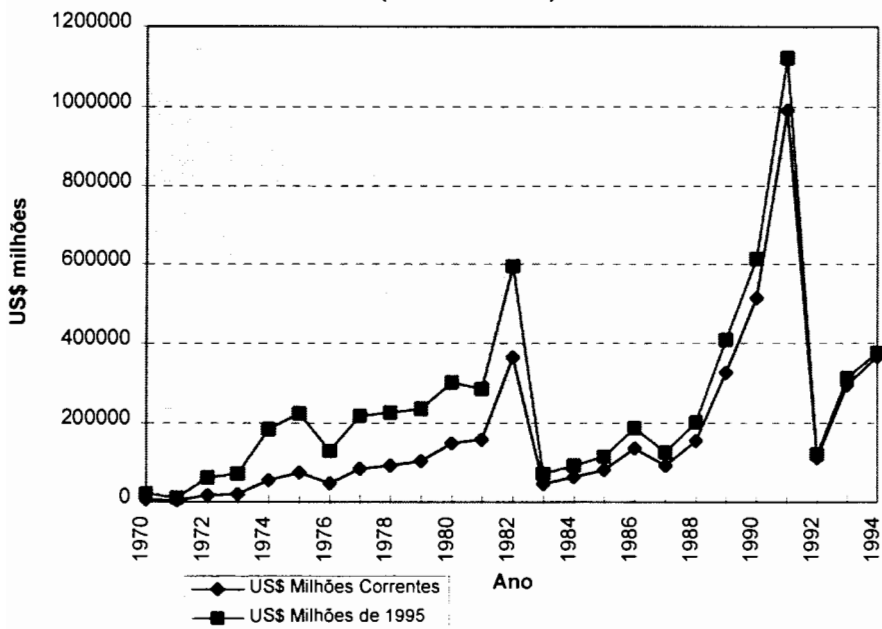
Chart 10: private investment intentions in Brazil

Sector	Total Investment (1995-2000)		Foreign Companies (1995-99)		
	US\$ millions	%	Number of companies	US\$ millions	%
Food	4877,7	7,7	51	1740,0	6,21
Transport material (**)	12033,1	19,2	55	11590,6	41,37
Beverages and tobacco	7145,9	11,3	16	836,6	2,99
Mechanics	842,8	1,3	14	252,5	0,90
Trade	n.d.	n.d.	n.d.	1421,7	5,07
Electronic products	4127,9	6,5	18	2772,5	9,89
Pharmacy and chemicals	10751,5	17,1	75	4359,4	15,56
Metallurgy	6818,0	10,9	30	3044,0	10,86
Paper and cellulose	4150,8	6,6	14	1055,2	3,77
Plastic and rubber	646,0	1,0	8	586,8	2,09
Non-metallic materials	1406,6	2,2	13		
Textile	401,4	0,6	10		
Furniture	120,0	0,2	1		
Publishing and editing	55,0	0,1	2		
Others (*)	9684,6	15,3	18	360,1	1,29
Total	63061,3	100,0	325	28019,4	100,00

(*) Mining, hygiene, cleaning, cosmetics, others (**) automobile (US\$ 10.760,1 million in foreign investment) and car parts (US\$ 920,5 million in foreign investment)

Source: Ministry of Industry, Trade and Tourism (MICT), in Barros (1996) and Gazeta Mercantil of July 15, 1996

Gráfico 4
Investimentos Brasileiros no Exterior -- 1970-94
(US\$ milhões)



Research headed by the Business Research Department of BNDES identifies a few important traces of this movement toward internationalization of Brazilian capital [BNDES (1995)]. The study identified 177 private Brazilian economic groups that maintain 402 subsidiary companies abroad. Most part of these are big groups, of which three fourths (74%) are part of the 300 major private groups in the country. Chart 11 shows that most subsidiary companies are located in South America especially in countries belonging to Mercosur (Argentina in particular), of subsidiary companies in “tax heaven”, explained by tariff reasons and financial secrecy, the pattern of investments abroad illustrate relatively well the conquest of export markets by Brazilian manufacturing companies. Actually, 79% of these 117 groups show in 1991-93 an average participation in exportation profits equal or superior to 10%.

Chart 11: Synthesis of Registration of Brazilian private economic groups with subsidiary companies abroad

Location	Number of subsidiary companies abroad	Number of groups
Europe	73	40
North America	77	49
United States	69	48
Canada	4	2
Mexico	4	4
South America	114	54
Mercosur	75	46
Asia	6	5
Africa	13	7
Tax Reaven	119	67
Total	402	117

Source: BNDES (1995).

Out of these 117 groups, 30 economic groups with 101 subsidiary companies, were studied in detail, leading to the following conclusions:

The average size of Brazilian economic groups with investments abroad has been growing smaller and smaller. Up until the seventies,

investments were only made by companies with turn over of US\$ 500 million. In the eighties, in spite of the lasting monopoly of large firms, the participation of medium size grew until the nineties, now showing an as equivalent importance as that of the big firms.

In 76% of the investments made out of the country, Brazilian groups control the shares of the business.

In 63% of the cases, the investments were made by association or by buying up companies, whereas in the other 37% of the cases new units were created. This pattern reflects the idea that when investing in already existing companies there is a reduction of the cost of entering the market.

During the nineties the proportion of investment in productive units grew, as opposed to the previous tendency of installing subsidiary companies with commercial and financial activities.

Out of the 101 subsidiary companies, fifty were installed between 1990-94, 32 in 1980-89 and eight up until 1979. Fifty-six out of the 101 are productive units. Five were installed in Africa, in Angola, Cameroon, Guinea, Mauritania and Zaire, all productive units.

The installation of productive units prevail in the metallurgy sector, transportation material, chemicals, and construction sectors, whereas commercial establishments are more common within economic groups in sectors such as mining, mechanics, paper and cellulose and food produce.

Chart 12 shows how over half of the Brazilian investments out of the country were concentrated in "other services", specially banking activity, which also occupies an important position within foreign applications in Brazil (does not include portfolio investments). The manufacturing industry comes in second place, corresponding to about one third of the shares of Brazilian investments abroad. In this area stands out the sector of "by-products and oil processing", where are classified the investments of Petrobras abroad.

According to the available data of the Central Bank, South Africa does not occupy an important position with regard to Brazilian investments abroad. Thus, by official statistics, direct investments by Brazil in South Africa totalled until June of 1995 only US\$ 40 thousand. Obviously, as is common in these cases, particularly, in view of the international sanctions on South Africa until 1994, this does not exclude the possibility of Brazilian groups having invested in this country through their subsidiaries abroad. However, as South Africa was not in the past an important target for Brazilian manufactured exports, and taking into account the little value of

official statistics, everything indicates that the Brazilian presence in South Africa in the form of investments, is reduced.

South Africa

The adoption by South Africa, as in Brazil, of an industrialization strategy by substitution of imports was well succeeded in attracting foreign investments, American and British in particular, which made massive applications during the sixties, and the beginning of the seventies, when South Africa's economy went through high rates of growth. Foreign companies concentrated their efforts in areas such as mining, oil refinement, pharmacy, and automobile production, but also invested in many other sectors in South Africa. After 1976, foreign savings continued contributing greatly to finance investments in South Africa, although they became mostly loans.

This situation began to change in the mid eighties, when political instability grew, economy declined slightly, the international community began to impose economic sanctions against the apartheid regime, and, in August 1985, SARB declared a moratorium on foreign debt. From then on, and up until 1994, the country became an exporter of savings, registering repetitive surpluses on current accounts (which in 1985 went up to 6,8% of the GNP).¹⁶

During this period, rather than receiving direct investments, South Africa suffered from an important process of disinvestment. Thus, between 1985 and 1989 the country registered a net exit of direct investments of US\$ 0,5 billion in 1980-84, with several American British and from other countries companies liquidating their investments, and leaving the country [Padayachee (1995)]. With sanctions and the process of disinvestment, foreign presence fell in almost all sectors. Furthermore, in spite of severe prevailing exchange controls, South Africa faced a significant process of capital exit. Kahn's estimates (1991), quoted in Blumenfeld (1995), indicate that exit of capital from South Africa accumulated between 1970 and 1988 remained between US\$ 12 and US\$ 20 billion.

¹⁶ In 1994-1995 South Africa registered current account deficits of , respectively, US\$ 611 and US\$ 3500 million (see graph 2).

**Chart 12: Brazilian Investments Abroad (in thousand \$)
(June 1995)**

Sector	Investment	Gain	Balance
Agriculture	14856	-10606	4250
Cattle Breeding	4946	0	4946
Fishing	4	-1420	-1416
Industry Mineral Extractive	46589	-6474	40115
Industry	2179542	-152330	2027212
Transformation of Non-metallic minerals			
Processing	6784	-274	6510
Cement	2183	0	2183
Building Material Civil, Ceramic and Artef. de			
Cement	4482	-274	4208
Glass and Cristal	119	0	119
Metallurgy	90211	-3090	87121
Iron Metallurgy	19379	-2396	16983
Metallurgy	70832	-693	70139
Mechanics	72476	-7165	65311
Electronic, Electric Communication Material	72726	-1737	70989
Transport Material	97804	0	97804
Car Parts	14419	0	14419
Aircraft Construction	15007	0	15007
Navy Construction	13	0	13
Railroad Material	0	0	0
Vehicles	68363	0	68363
Wood	6093	-55	6038
Cellulose, Paper and Cardboard Paper	7275	0	7275
Rubber	2113	0	2113
Chemicals	1572074	-11105	1560969
Chemical and Animal Fertilizers	4628	-11	4617
Petroleum processing by products	1482812	0	1482812
Fósforos de Segurança, Tintas, Vernizes and Lacas	9571	-215	9356
Produtos Químicos Básicos	75061	-10878	64183
Medical Products Pharmaceutical and Veterinary	6653	-3742	2911
Textile	29108	-124	28984
Clothing, footwear and textile goods	20425	-1500	18925
Food Produce	176568	-123533	53035
Beneficiamento, Torrefação and Moagem	16300	0	16300
Freezers	307	-2	305
Food Produce Others	159960	-123531	36429
Beverages	7438	0	7438

Tobacco	283	0	283
Publishing and Editing	2680	0	2680
Others	8823	0	8823
Services public utility	12072	-214	11858
Supply Water	0	0	0
Production and Supply Gas	0	0	0
Sanitary Services	0	0	0
Air service transport	377	-206	171
Naval and Fluvial Transport	160	0	160
Highway Transportation	11534	-7	11527
Other Services	3367133	-72973	3294160
Banks	2191651	-11415	2180236
Real State trade	22764	-49	22715
Trade in General, Import and Export	372771	-14097	358674
Insurance Company	44781	-19	44762
Cons., Reps, Participation and Adm. of goods	86068	-29836	56232
Other Financial Institutions	596950	-3444	593506
Portfolios	17622	-13150	4472
Technical services and auditing	33424	-961	32463
Tourism	1098	0	1098
Other activities	664439	-18644	645795
TOTAL	6289584	-262664	6026920

Source: Brazil Central Bank.

Only by the end of the decade the country would recuperate some access to direct foreign financement and investment, although only in smaller quantities. This situation only began to change more significantly with the change in the political orientation in the beginning of the nineties and the elections in 1994. The return of the flow of foreign capital occurred at first with portfolio investments and the introduction of bonds in the European market of bonds. Thus, Padayachee (1995) shows how during the third semester of 1993 the liquid purchases of stocks by foreigners in the Johannesburg Stock Exchange reached R 2.74 billion, against a disinvestment of R709 billion in 1992. In 1994, the net entrance of resources in South Africa reached US\$1.4 billion, reversing completely the pattern observed from 1985 up until 1992. South Africa's economy, received, in all, since the April 1994 elections, a liquid flow of foreign capital of about R30 billion, mostly through portfolio applications.

The entrance of direct investments also in 1993-94, although in limited amounts and destined in general to marketing and distribution activities, linked to growing importation, instead of establishing new productive units. This result has frustrated several analysts who faced with optimism the possibility of a substantial entrance of investments, after the approval by the ANC of the compromises with the food macroeconomic management and the adoption of liberalization measures¹¹. Furthermore, several measures directed to attract foreign investors were taken recently, with the reduction of a few exchange controls- with the extinction of foreign "rand" investor's in March 1995-¹² the loosening of restriction on access to domestic credit by foreign investors, and, the end of the 15 % tax upon dividend transfers, in October of 1995 by non-resident stockholders in South Africa.

The lasting atmosphere of political and economic instability, along with the growing violence in recent years remain the main reasons for this timidity of foreign investors. Furthermore, certain analysts point to the short time since the ANC assumed power, and the risk of economic reorientation as factors that have kept foreign capital at a distance. Finally, as Padayachee (1995) observed "foreign companies which disinvested in the 1980's may be reluctant to make the psychological and logistical adjustments, and undertake the strategic calculations, necessary to return again so quickly. Some may in fact be prevented from doing so, in terms of agreements reached with the South African companies which brought them out."

Nevertheless, recent development, suggest that several transitional companies begin to return to South Africa, as insinuates the following passage [Economist (1995:7)].

"Official direct foreign investment figures are not available, though it is known that Ford, Pepsi Co, Sara Lee, Eastman Kodak and CPC International all returned to the country in 1994,

¹¹ Blumenfeld (1995: 176) comments, for instance, "The continuing reluctance of international corporations to commit significant new resources to SA remains a disappointment."

¹² The financial "rand" was a double exchange, available for foreigners, which was negotiated with a discount comparing to commercial exchange, being used for all common transactions of the balance of payments. The object was to protect the country's international reserves from speculative attacks or the exit of capitals for political reasons.

reacquiring some or all of their equity in their former subsidiaries. IBM upped the stake it took in its former subsidiary to become the controlling shareholder. Apple and Reebok entered the country for the first time last year. According to the Washington -based Investor Responsibility Research Center (IRRC), the number of US direct investments in South Africa has risen to 169 by October 1994, up by 30 over the previous 12 months and 62 more than in July 1991. The IRRC said the number of Non-US companies with direct investment or employees in South Africa totaled 604 in October 1994 and that about 20% of these firms had entered the previous 12 months."

Charts 12 and 13 show the distribution of foreign investment stock in South Africa at the end of 1994 according to its sectorial allocation and according to the capital's country of origin. The manufacturing industry was the main destination of foreign capital in the country, corresponding to approximately two fifths of the total, followed by the financial sector (including insurance, realty administration and services, for companies), with little less than one third of the total. In third place comes the commercial sector, food and tourism; and in fourth place mining, with a total of investments of little over half of a billion dollars.

Approximately eighty percent of foreign investments in South Africa are from european companies, mainly England, Germany and Holland, which, together, correspond to more than half the stock of foreign capital in the country. The United States also occupies an. important position, with close to 13% of the total. The low value of Asian investments in South Africa deserves to be taken note of, adding up to only 790 million dollars, out of which only one fifth is of Japanese origin. Brazil, along with other American countries (Chart 14), apparently do not have important investments in the country.

Chart 13: Setorial Distribution of foreign direct investment in South Africa (Position in 12/31/94)

Economic Activity	US\$ million	%
Agriculture, Fishing and forest management	89	0,9
Mining	553	5,4
Manufacturing Industry	4199	41,3
Electricity/ Gas and Water	0	0
Construction	159	1,6
Trade, food and hotels	1889	18,6
Transport and Communications	132	1,3
Finance, Insurances, real state and services to companies	3130	30,8
Personal common and social services	12	0,1
Other activities	0	0
Total	10162	100,0

Source: Data fathered by the Brazilian Embassy in Pretoria - SARB.

Chart 14: Main Countries/Regions with in Investments in South Africa (Position in 12/31/94)

Country	US\$ millions	%
Europe	8142	80,1
Great Britain	3341	32,9
Germany	1338	13,2
Holland	1032	10,2
Switzerland	964	9,5
Luxembourg	618	6,1
Other european countries	849	8,4
Americas	1596	15,7
United States	1346	13,2
Other American countries	250	2,5
Africa	112	1,1
Asia	223	2,2
Oceania	89	0,9
Total	10162	100,0

Source: Data gathered by the Brazilian Embassy in Pretoria - SARB.

Along the same lines, and even before a return of foreign investment, measures were taken to reduce controls on the exit of South African capital out of the country. Even though a complete liberalization should only be expected on a medium-long term and only if circumstances are favorable. Thus, beginning after mid 1995, the permission to use swaps of actions by institutional investors (e.g. insurance companies and pension funds) was applied up to 5% of its actions (limit which will be raised to 10%)¹³. Furthermore, these institutions were authorized to invest freely abroad during 1996 up to 2% of their entrance of net resources in 1995 [Morgan Stanley (1996) and South Africa (1996)].

This gradual liberalization of the capital account represents a break with the most traditional position of South African authorities, which until recent years would try to keep national capital from leaving the country¹⁴. Except for those destined to countries a part of SACU, initially part of the strategy of substitution of importations, and more recently as a consequence of the international sanctions taken against the country. However it is interesting to note that since the 1970's and even during periods where controls upon capital accounts were more intense, such as in 1993, the important South African economic groups (the institutional investors and the groups linked to mining, in particular), have tried to diversify the profitability for their business by applying resources abroad. Recently, for instance, two South African companies made investments abroad of over one billion dollars: SAAPI bought up S.D. Warren, an American subsidiary company of Scott Paper, for US\$ 1.6 billion, while GENCOR bought Billiton, the metal and mining company, belonging to Royal Dutch/Shell for US\$ 1.14 billion [Economist (1995)].

One of the largest and most important cases of South African investments abroad is the Anglo American in Brazil¹⁵. Anglo's original motivation for settling in Brazil was described by Fig (1992:184)

¹³ This is, the institutions can invest a part of its resources abroad, as long as these are compensated with foreign applications of the same value in South Africa.

¹⁴ From 1978 to 1985, South African government also adopted a more oriented policy abroad, opening easy access to currency for investments abroad by creating the African "rand".

¹⁵ The following paragraphs are based on Fig (1992), where a detailed description of the Anglo American Corporation in Brazil's activities can be found.

“The drive for extending global market share, for gaining access to key raw materials, for spreading political risk out of South Africa, and for taking advantage of any competitive edge (for example, in deep-level mining technology), caused the South African firms to seek investments in resource-rich areas of the world. They experienced difficulties into breaking into European, North American, East Asian and Australian markets, where there were propence to sanctions, strict anti-trust legislation, and where the competitive edge was reduced. One region where these factors were not operating was Latin America. (...) The principal destination for such South African capital investment was Brazil.”

Anglo American's initial interest in Brazil came not only from the desire for geographic diversification to reduce the high political risk existing in South Africa, but also from the interest in maintaining a dominant position in the production of diamonds, through De Beers, a company associated with Anglo. Fig(1992) notes that the group had shown interest in diamond mining in Brazil since 1948. However, it was only in 1973 that Anglo settled in Brazil with the creation of the Anglo American Corporation of Brazil-Administration, participation and Commerce in Mining, Business-limited. The first transactions were the acquisition of “Morro Velho”, the main gold mine in the country, and of pieces of land rich in gold in Jacobine, in Bahia, later consolidated in the company Morro Velho. Up until the end of 1988, US\$ 306.8 million were invested in both businesses.

The mining investments in Brazil would serve as a base to a significant diversification of anglo, entering new sectors such as explosives in Brazil as well as investments in other Latin American countries. In 1996 Anglo had already acquired share holding of “Souza Cruz” in Aracruz Cellulose, a US\$ 250 million business. In the mining sector, Anglo today produces eight tons of gold a year, not mentioning its nickel and niobium mines, and other minerals, and the stock holding of Copebras. However, in 1982, Anglo had already become the most important owner of concessions for the exploration of the subsoil in Brazil, after the “Vale do Rio Doce” and Petrobras. The company had invested up until today in Brazil a total of

US\$1 billion¹⁶. Nowadays, the group is inflating a vast plan of expansion in South America, involving investments of US\$ 4.8 billion over the next five years, of which US\$ 1.5 billion are destined to the association with “Vale do Rio Doce” for the exploration of gold and copper in the Salobro mine, in the north of Para.

The important presence of Anglo American and other mining groups in Brazil (Billiton, bought up by their own important mineral concessions in Brazil), exploring their technological know-how in deep mining, reflects the fact that, as Fig wrote (1992:233) “Foreign direct investment, more than trade, ephemeral military links, or settlement of communities, has proved the most important element of SA’s relationship with Latin American in the contemporary period.”

Foreign trade

As was mentioned in the introduction, the objective of this section is to analyse the pattern and the performance of commercial exchange with the rest of the world and bilateral between Brazil and South Africa during the last decades. Economic theory shows how pattern- composition and direction - and the commercial performance of a determined country is influenced by variants such as new factors, technology, demand profile and public intervention(industrial, commercial and macroeconomic policy). When examining these variants in Brazil and in the case of South Africa, resemblance are obvious, even if important differences remain.

Years of industrialization by substitution of imports

Both countries began their participation in world commerce as primary- exporter colonies, exploiting comparative advantages in terms of natural resources and labor. During the twentieth century, especially after World War II, both tried to change this pattern through public intervention.

¹⁶ An interview of the vice-president of Anglo-American to the “Jornal do Brasil” (July 19, 1996). This value contrasts with the low levels of South African investments registered by the Central Bank. The reason is that several transactions were made though Anglo’s subsidiary companies in Liberia, Luxemburg and Panama, partly to prevent greater conflicts linked to the sanctions decided against the country after the mid eighties. The company’s interest is not characterized the foreign control of businesses it took place in, linked to the restrictions existing up until recently, also explains the registers complexity of it’s investments in Brazil.

The 'rationale' behind this intervention was also the same. The diagnosis was the unsatisfactory performance and the dark future for primary exportations linked to the inefficiency of the market, would lead to a substantial lap between currencies which, on the other hand, would result in a series of limitations to economic growth. The solution found was the model for industrialization by substitution of imports (SI), which led to the strong public intervention in these economies, bringing to their closing to foreign commerce and to serious allocate distortions. In South Africa's case, the first for a self-sufficient economy was reinforced by the impact of international commercial sanctions, at the second half of the 1970's and during the 1980's, motivated by the worldwide rejection of the apartheid regime. In spite of the allocate inefficiencies generated, the model for industrialization by substitution of imports guaranteed, particularly in Brazil's case, long periods of high growth rates (see section 2) and succeeded in changing substantially the commercial pattern of these two countries. From a primary export's economy, Brazil and South Africa became important exporters of manufactured products, in regional terms as well as worldwide.

This change of commercial pattern happened gradually and reflected the several stages of the process. Changes began with the virtual elimination of non-lasting consuming foods from the imports lists. These products were the first to suffer from tariff and non-tariff walls and the first, however, to be substituted by local production while the substitution of imports advanced, the other items- lasting consuming foods, intermediate food and capital foods- were also affected although at a less extent. The impact of this process varied from one country to the other and depended, among other things, on the disponibility of natural resources and of the size of the domestic market. Brazil, who had a larger domestic market (in 1965 the Brazilian GNP was valued in US\$ 19.5 billion and South Africa's in US\$10.5 billion) was better succeeded in substituting products, intensive in scale, which is the case of the industry of lasting consuming foods (automobiles, for instance) and of capital foods. Whereas, in South Africa the intensive industries in natural resources stood out, particularly in Minerals, including petroleum (mineral extraction, metallurgy, iron metallurgy, chemical oils).¹⁷

¹⁷ For an analysis on the performance of the manufacturing industry in South Africa, see Kaplinsky (1995).

When examining the participation of importations in the GNP over the years, one can say that the model for substitution of imports was better succeeded in Brazil. This is illustrated in Chart 15, which shows the degree of commercial opening of both economies. Whereas, when analysing the income elasticity of importations, measured in actual terms (constant prices), one can say that South Africa went further in reducing the necessities of importation per unit of product. Chart 16 shows that the income elasticity of imports, during the peak of the substitution of imports process (1965-80), was inferior to those of Brazil and countries of average and high income.

Chart 15- Degree of trade opening between openness of Brazil and South Africa 1964-95. (%)

	1964	1970	1980	1990	1995
South Africa					
imp./GNP	25.2	19.2	33.0	23.1	20.9
exp./GNP	23.2	22.0	25.3	18.0	22.9
trade/GNP	48.4	41.2	58.3	41.1	43.7
Brazil					
imp./GNP	4.7	6.7	11.3	5.5	6.9
exp./GNP	4.5	5.6	9.0	7.3	7.9
trade/GNP	9.2	12.2	20.4	12.7	14.8

Source: IMF

Chart 16- Income elasticity of Brazil and South Africa imports (1965-94) %

		1965-80	1980-89	1990-94
(a) imports annual growth rate at constant prices	Brazil	8.2	-1.6	8.5
	South Africa	-0.1	-6.6	5.3
	PRMA*	5.8	1.6	10.4
(b) GNP annual growth rate at constant prices	Brazil	9	3	1.8
	South Africa	4.1	1.5	2.4
	PRMA*	6.8	3.2	3.4
(c) import income- elasticity	Brazil	0.9	-0.5	4.7
(a)/(b)	South Africa	-0.0	-4.4	2.2
	PRMA*	0.8	0.5	3.1

Source: World Bank (1995), DEPEC's elaboration countries with average high income.

Chart 17 shows the contents of the importation of both countries and, therefore, five more elements to evaluate the impact of the substitution of imports process, according to the commercial pattern. In light of past commentaries it is important to note the greater participation of manufactured goods, especially capital goods and lasting consuming goods (transportation material and machinery) in South African imports vis-à-vis of the Brazilian's case. This reflects, on the one hand, a lesser dependency of this country in relation to oil importations¹⁸, although, on the other hand, the limitations imposed to these two industries by the limited size of the market¹⁹. In Brazil's case, one can note the greater participation of the chemical industry, reflecting the obstacles which the relatively rarity of natural raw materials was imposed to the process of industrialization of the sector. It is also worth adding that in both countries the list of importations, when analyzed from the point of view of the categories of use, had at the end of the eighties, the classic profile of an industrialized country under the process of substitution of importations. In 1988, 76.4% of the total of importations of South Africa, and 92% of that of Brazil were importations of capital goods and intermediate goods (Bell 1993 and Bacen).

Chart 17- Import Breakdown by type of merchandise, Brazil and South Africa:1970-1994

	food Prod	agriculture raw- materials	combustibles	others	minerals	manufactured goods (SITC 5 a 8 minus 68)				
						total	chemical	transportation material and machinery. (**)	textiles	metallurgic
South Africa										
1970	5.5	3.7	5.0	2.8	2.6	80.4	7.7	46.4	9.6	7.2
1980	2.9	2.5	0.4	29.9	2.1	62.2	8.6	38.2	3.8	4.7
1990	-	-	-	-	-	-	-	-	-	-
1993	6.2	2.3	0.5	9	1.4	80.7	13.0	44.1	4.6	4.4
1994	-	-	-	-	-	77.2	-	-	-	-
Brazil										
1970	10.9	1.9	12.4	0.6	5.9	68.4	16.6	35.2	1.6	12.8
1980	9.6	1.3	43.1	-	5.1	40.8	13.9	19.5	0.6	6.6
1990	9.4	2.6	26.8	-	4.6	56.7	15.9	27.6	2.3	4.3
1993	9.6	4.2	16.4	-	3.2	66.4	20.1	33.2	4.6	3.8
1994	-	-	-	-	-	62.0	-	-	-	-

Source: UNCTAD 1994

¹⁸ South Africa's data on combustibles should be treated carefully, considering the embargo on its oil imports, and the government tried not to reveal the actual volume imported.

¹⁹ Bell (1993: 98), measuring the indicator of import penetration in industry over the period 1975-85, came to the conclusion that the machinery and transportation sector held the highest levels of the industry.

As for exportations, changes caused by industrialization took more time to occur, linked to the anti-exportation measures implicit in the process of substitution of imports. Since local producers were practically isolated from foreign competition, domestic prices grew higher than international prices, reducing sales incentives for the foreign market. This effect was reinforced by the appreciated actual exchange rate, looked upon as an important instrument to stimulate industrial investments. This state of things only came to a change after several decades of substitution of imports, linked to the continuation of pressure upon the balance of payments, the current transactions account in particular, severely touched by external shocks. The solution found to reduce the anti-exportation tendency was the adoption of subsidies to exportations of manufactured goods associated with the devaluation of the actual exchange rates.

At first Brazil moved in this direction, probably led by the pressures upon the balance of payments. The country did not own a primary product such as gold, which in South Africa acted like a shock absorber to the pressures upon the external balance caused by the process of substitution of imports. In this way, already in the mid sixties, the government introduced generous subsidies to manufactured goods exportation by means of credits and fiscal incentives, while it devaluated the exchange rate and adopted a mechanism of crawling-peg, with the objective of stabilizing the actual exchange rate, after-devaluation. South Africa only adopted a subsidiary system similar to that of Brazil in 1990. Initiatives existed all through the seventies and the beginning of the eighties, but were all modest, practically limited to fiscal exemptions. Not only did the government not create effective subsidies, but it still significantly devaluated the exchange rate, in the mid eighties, according to the drop in the price of gold and the foreign debt crisis that followed²⁰. As already suggested, the gold exportations, which corresponded to about 40% of the total of exports all through the sixties, seventies and eighties (see Chart 18), made it possible for South Africa to put up with the anti-export aspect of the substitution of imports system. In other words, gold led the South African economy to present the symptoms of the "Dutch Disease" keeping the exportation of manufactured goods from assuming an earlier and greater participation and from diversifying themselves.

²⁰ See Bell (1993) for details on subsidies to exports and on exchange policy.

**Chart 18- Gold participation in South Africa total exports:
1965-94 (%)**

1965	1970	1980	1990	1995
42	35	51	30	20

Source: IMF

The elements related to the performance and composition of Brazil and South Africa's exploration shown in Charts 19 and 20, illustrate the items discussed above. Chart 18 shows how Brazil was better succeeded in heightening the participation of manufactured goods in the total of exportation, being able even to export substantially more products whose comparative advantages are not directly linked to natural resources, an transportation equipment and machinery, for instance. Whereas South Africa, not only shows a modest participation of manufactured goods (it is worth noting that the elements in Chart 19 overestimate this participation since they do not include gold exportations), but also concentrate their exports in products linked to the mineral complex (metallurgy).

Concerning performance, Brazil also showed superior results with reference to South Africa, especially in the exportation of manufactured goods. According to the World Organization of Commerce, Brazil occupied, in 1994, the twenty fourth place within the biggest exporters of merchandise in the world, whereas South Africa came in thirty first place. Over the period 1965-80, the growth of Brazil's exportations (9.3%) went beyond that of countries of high-average income (8.5%) while South Africa remained little under this mark (7.8% see Chart 20). In relation to manufactured goods, it was only possible to compare the performance of the two countries for the period after 1975 and , not including the years between 1985-90 when Brazil's economy went through a series of stabilization plans. Brazil showed clearly superior results compared to South Africa. In short, these elements suggest that South Africa's tardiness to correct the anti-export aspect , associated with political sanctions , ended up by keeping the performance and its foreign commercial pattern from being equipped, or even overpass that of Brazil.

Chart 19- Exports Breakdown by type of Merchandise, Brazil and South Africa:1970-1994

South Africa *	food Prod	agriculture raw-material	combustibles	minerals	others	manufactured goods SITC 5 a 8 - 68				
						total	% of total of manufactured total			
							chemical	transportation material and machinery	textile s	metallurgic
1970	21.9	10.0	5.2	22.0	6.6	34.4	12.2	20.6	18.6	50.6
1980	19.6	8.3	6.8	25.9	1.6	37.8	17.7	9.5	9.3	38.6
1990	13.6	9.2	13.9	26.4	2.5	34.4	18.9	10.5	-	-
1993	7.5	3.2	7.9	8.0	45.4	28.1	18.9	28.5	9.6	35.2
1994	-	-	-	-	-	36.1	-	-	-	-
Brazil										
1970	63.3	11.9	0.6	10.1	0.9	13.2	10.6	26.5	64.4	31.1
1980	46.3	4.0	1.8	9.4	1.4	37.2	9.7	45.4	12.9	15.9
1990	27.8	3.5	2.2	13.8	1.2	51.5	11.5	35.1	8.0	33.6
1993	25.3	3.1	1.7	10.6	0.6	58.9	10.5	35.3	6.3	27.8
1994	-	-	-	-	-	54.5	-	-	-	-

Source: UNCTAD 1994 *Exports excluded gold

Chart 20- Export performance by type of merchandise. Brazil and South Africa .1965-95

Brazil		1965-80	1975-80	1980-85	1985-90	1990-93	1994-95
basics		-	2.4	0.1	-1.5	-1.8	6.2
Industrialized		22.1	14.0	16.3	2.6	3.4	7.0
total		9.3	7.5	8.4	1.6	1.9	7.2
South Africa							
basic	Agriculture	-	6.36	-22.68	4.1	12.29	-
	gold	-	19.53	-13.93	-2.23	-2.29	-
	mining, others	-	14.3	-5.81	9.05	6.4	-
Industrialized		-	9.22	-7.66	10.78	-2.6	-
total		7.8	10.9	-4.9	3.5	0.4	5.1

Source: Bell (1993) and World Bank for South Africa and Secex for Brazil.

In order to complete the analysis of the years of substitution of imports, it is necessary to comment on the commercial direction of both countries. Chart 21 gives the data concerning Brazil. The shrinking importance of industrialized countries appears, concerning exportations as well as importations. This movement seems to reflect (not regarding conjuncture factors such as the rise of the prices of petroleum in the beginning of the eighties), the advance of the substitution of imports up until the mid eighties and on the other hand, the growing participation of manufactured goods on the list of exportations. After 1985, another factor became decisive- regional cooperation- which went through a series of

processes and resulted in the creation of Mercosur in 1990 (see ahead). South America's growing participation in exportation and importation is the result of this process.

The role of exports manufactured goods in this change of commercial direction deserves a longer comment. As show in Chart 22, these exportations went mostly to developing countries up until the 1980's, the reason for which one of the factors that explain the greater importance of these countries in Brazilian exportations. The numbers for 1994, however, show the developing countries back as the destiny of over half the exportations of manufactured goods, reflecting the economic recuperation of Latin America as well as the advancement of regional cooperation. The important participation of developing countries in the exportation of Brazilian manufactured goods seems to be linked to the following points: efficiency problems resulting from the substitution of imports regime, which by protecting unconditionally the whole productive chain inflicted loss on the penetration of local products of the competitive and demanding markets of the industrialized countries. As well as the predominance of multinational subsidiary companies in segments concentrating more capital, which , on the one hand, opened faster and easier access to capital and technology, although, on the other hand set up restrictions in terms of the direction of exportations*, dictated by the relationships base- subsidiary company. Finally, the comparative advantages brought from the similarity of the demand structures (the level of income, for example) in Brazil and other developing countries, à la Linder (1961)²¹ .

²¹ According to Linder (1961), more the demand structures are similar (income levels) in two countries, the greater the trade volume. This could be explained by the fact that producers in each country develop products that would suit perfectly the consumers of the trade partner.

Chart 21: Direction of Brazilian Trade. 1970-1995. (%)

	Exports				Imports			
	1970	1980	1990	1995	1970	1980	1990	1995
Industrialized	76.85	52.91	68.07	56.17	76.98	46.56	55.04	59.87
USA	24.69	17.37	24.62	18.92	32.27	18.54	19.84	21.08
Japan	5.29	6.12	7.48	6.67	6.25	4.78	7.10	6.61
European Union	34.93	27.15	33.68	27.07	28.56	15.38	22.50	26.70
Developing	23.15	41.59	30.42	42.86	20.95	53.44	44.46	39.34
Africa	2.20	6.52	2.44	2.51	3.31	4.70	2.85	2.49
Latin America	11.74	20.46	11.57	23.09	12.02	12.52	17.14	20.54
South Africa	0.60	0.51	0.53	0.56	0.08	0.91	0.40	0.67
Others	0.00	5.50	1.51	0.97	2.06	0.00	0.50	0.79
total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: IMF * Includes socialist countries and non-identified exports.

**Chart 22: Direction of Manufactured goods exports: Brazil and South Africa
1970-95 (%)**

South Africa	1970	1980	1990	1992
Industrialized	56.9	66.5	68.3	67.9
USA	9.3	24.8	7.2	6.4
European Union	37.1	26.5	43.5	34.8
Japan	5.3	4.2	5.5	4.2
Developing	43.1	33.5	31.7	32.1
Africa	38.2	19.2	16.7	16.3
America	0.8	6.0	3.6	3.0
Asia	58.4	13.7	10.3	12.7
total	100	100	100	100
Brazil	1970	1980	1990	1994
Industrialized	33.6	37.3	59,7	46,7

USA	-	-	28,5	26,3
European Union	-	-	21,1	14,6
Japan	-	-	4,0	2,4
Developing	66.3	62.7	40,3	53,3
Africa	-	-	-	-
America	-	-	19,4	36,2
Asia	-	-	-	-
total	100	100	100	100

Source: UNCTAD 1994 and U.N. data base.

In South Africa's case, it is to note a similar movement to that of Brazil, in terms of the growing of importance of developing countries, although in smaller intensity (assuming that the designated "others" on the chart is also composed of developing countries). This seems to reflect, first, the relatively modest participation of manufactured goods on the list of exportations. Second, the concentration of exportations of manufactured goods, as already said, in intensive products in natural resources. This seems to be one of the reasons which explain, for instance, the growing participation of industrialized countries in the total exploration of manufactured goods (Chart 22), in spite of the fact that they apply to South Africa, the same growth rates mentioned above for Brazil (inefficiencies of the substitution of imports regime, etc.) Third, South Africa's official foreign commerce statistics, include all countries belonging to the SACU (Southern African Custom Union)²², which leads to underestimating the importance of regional commerce and, therefore, that of developing countries. For instance, according to the South African Department of Industry and Commerce, the total of South Africa's participation in exportations in 1993 grew from 12.8% up to 32.7%, including countries belonging to the SACU (Davies, 1996), these countries are particularly important concerning the participation in the exportation of manufactured goods. According to the same source, countries of the SACU were responsible, in 1994, for over one third of machinery and equipment exports, for over 25% of that of vehicles and for 21% of the chemical products

²² Countries belonging to the SACU are: Botswana, Lesotho, Namibia, Swaziland and South Africa, of course.

exports, only to mention a few important products. Fourth, the statistic problem does not eliminate the fact that the highly interventionist and belligerent South African foreign policy towards the African Continent, in general, and in the south in particular, up until the nineties, did not contribute in any way to develop regional trade.²³

Chart 23: Direction of South Africa Trade 1970-1995. (%)

	Exports				Imports			
	1970	1980	1990	1995	1970	1980	1990	1995
Industrialized	48.04	37.65	45.04	43.55	84.14	63.87	71.13	71.10
U S A	8.42	7.03	7.79	6.61	16.67	13.62	12.49	10.90
Japan	11.81	6.49	7.02	7.27	8.69	8.99	9.67	9.83
European Union	48.16	17.97	26.09	26.52	47.89	34.94	43.64	43.99
Developing	51.96	62.35	13.60	27.30	13.21	36.13	10.39	23.70
Africa	17.19	5.97	6.34	9.35	5.16	2.01	2.64	2.96
Latin America	1.25	1.59	0.78	2.12	0.86	0.90	1.94	2.74
Brazil	0.05	0.72	0.22	0.95	0.48	0.54	0.75	1.03
Others*	0.00	0.00	41.36	29.15	2.65	0.00	18.48	5.20
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: IMF

* Including socialist countries and non-identified exports.

In relation to bilateral trade between Brazil and South Africa, Charts 20 and 22 show that its relative importance for both countries has grown, although it still remains small, at less than 2% of the total of trade of these two countries in 1995. Given the resemblance of patterns of industrialization of both countries, highly protectionists, as well as the similarities in the

²³ See Davies (1996).

adoption of factors, this result is not surprising. It is interesting to note, however, that the position of this trade shows characteristics of intra-industrial commerce (see Chart 24), which can be explained by comparative advantages resulting from the access to natural resources (diamonds, non-iron metals, for example), as well as those resulting from similarities in the structure of demand in both countries.

Chart 24 - Bilateral Trade Brazil - South Africa 1990-94

	1990	1991	1992	1993	1994
Exports Brazil					
minerals	0.3	0.6	0.4	0.7	0.1
agricultural raw-materials	0.5	2.1	2.5	2.5	2.6
food	19.2	10.3	18.2	6.6	14.9
manufactured goods	74.4	85.6	74.5	86.0	81.0
others	5.7	1.4	4.4	4.2	1.4
Total	100.0	100.0	100.0	100.0	100.0
Imports Brazil					
minerals	14.7	6.4	12.5	10.4	-
agricultural raw-materials	1.7	2.3	1.7	4.7	-
food	7.7	5.1	0.1	2.0	-
manufactured goods	58.0	57.0	43.2	45.5	-
others	17.9	29.2	42.6	37.4	-
Total	100.0	100.0	100.0	100.0	100.0

Source: UN data base

Years of liberalization

During the eighties it became more and more obvious that the reasons for the weak performance of Brazilian economy during this period (see section 2) was not limited to the problems of macroeconomic management and external shocks, but also included the system of incentives, created to fomentation industrialization by imports substitution.

This highly intervening system, while the possibilities of substitution of importations ran out, was no longer a promoter, and became an obstacle to economic growth. The excess of public intervention in the allocation of resources, specially through protection and subsidies to local industry, caused a series of distortions of the product markets and factors which ended up having a bad impact upon economic growth. Even though the object of this commentary is Brazilian economy, it is also valid for South Africa's economy, whose growth rate also drastically reduced in the eighties. In this situation, the governments of both countries began to experiment, in the second half of the eighties, trade liberalization movements and the reduction of public intervention in the allocation of resources. These movements, at a smaller or greater extent, ended up causing in the commercial pattern born during the years of imports substitution.

Starting by Brazil, which has progressively abandoned the system of incentives, since 1988, and reduced the protection of domestic products (charts 24 and 25). Two reforms, in 1988 and 1989, reduced the average tariff on imports from 51% down to 35%. Most part of the non-tariff barriers were eliminated in 1990, when the chronogram of gradual reduction and tariff uniformity was announced, reducing the tariff average from 32,2% (with a 19,6% fluctuation pattern) in that year, to 14,9% (with an 8,2% fluctuation pattern) in the second semester of 1993. As a result of the Mercosur²⁴ Agreement and of the success of the effort of stabilization, new reductions of the average tariff were promoted in 1994 and 1995, in order to see it at 11,5% in 2001.

²⁴ Mercosur, as it is today, was established in 1991 by the Asuncion Treaty, brings together Brazil, Argentina, Uruguay and Paraguay. The Treaty established the creation of a common market between these four countries in January 1995, through a trade liberalization program based on progressive reductions, linear and automatic, in and out of the group, the final object was to bring tariffs down to zero. The objective of the common market was not entirely reached in January 1995, leaving the Treaty limited to a free-trade zone and a partial customs union, given the list of exceptions to the External Common Tariff. See Rego (1995).

Chart 25: Average Import tariffs according to category of use (%)

All goods		Consumer goods			Intermediate goods			Capital goods
		Non Lasting		Intermediate e goods	agricultural	basic	others	
		agricul- tural	manu- factured					
1987	51,0	48,0	66,1	91,9	40,6	47,4	59,5	50,7
1988	41,0	25,2	40,9	57,4	22,6	32,2	34,5	44,3
1989	35,5	19,1	40,5	53,4	19,4	23,6	33,3	40,7
1990	32,2	19,1	37,3	64,8	20,4	21,9	28,1	39,7
1991	25,3	12,3	31,1	49,6	12,6	15,6	22,1	33,0
1992	21,2	9,8	25,2	40,7	10,5	13,4	18,2	28,8
1993	16,5	8,7	19,9	31,6	9,1	10,9	15,4	24,0
1994	14,0	8,6	15,8	25,7	7,6	9,9	13,1	21,0
1995	12,5							
2001 ^b	11,5							

Sources: Pinheiro and Almeida (1995) and SECEX. Notes: a/ beginning of the year; b/ based on the Mercosur's Common External Tariff.

Chart 26: Import tariffs - Brazil: 1990-95

Date	Average	Mode	Mediun	Interval	Fluctuation Pattern
1990	32.2	40	30	0-105	19.6
Feb/1991	25.3	20	25	0-85	17.4
Jan/1992	21.2	20	20	0-65	14.2
Oct/1992	16.5	20	20	0-55	10.7
Jul/1993	14.9	20	20	0-40	8.2
Jan/1995	12.1	14	10	0-20	6.1

Source: CNI, in Moreira (1995b).

Concerning the exportations, the trade policy also became more neutral since the mid eighties and specially after 1990, when several subsidies and incentives to exports of manufactured goods were discontinued. As a result, the value of export incentives, which were at an average of 3,1% of the GNP in 1981-84, fell to 1,3% of the GNP in 1990-

91. Since then, the governments continued to seek fiscal exoneration for all exports and to develop vast financements and insurance systems for sales abroad.

The trade liberalization was particularly significant for consuming goods. For lasting goods, tariffs fell 66%. In areas such as textiles, clothing and footwear, real estate and transportation equipment, tariffs dropped from about 100% down to 20% in 1993 (chart 27). However, after the second semester of 1995, the process of liberalization was punctually reverted with growing tariffs and, at first, imposed quotas, for automobile imports²⁵. Tariffs upon electric appliances, and afterwards, footwear textiles and toys were also inflated to quite high levels in 1996.

Not only did Brazil open its market to imports, but it also promoted, over the last few years, several policies in order to liberalize domestic economy. A first series of measures revoking, in 1990-92, 123.372 decrees from the 133.752 made over the last hundred years. In Brazil (1991-92) a complete description of liberalization measures are made, with great emphasis given to the reduction of barriers to competition on the domestic markets. Examples of these initiatives include the end of public monopoly on coffee and sugar exports, and on wheat imports, in 1990. For several other products, such as iron, the government previous approval was no longer necessary for imports and exports. Small companies were authorized to import directly and saw their participation in public auctions, made easier.

²⁵ The quotas were later substituted by tariffs (70%) linked to a program of incentives to exports in the sector; that tolerates importing cars, capital goods and car parts at reduced tariffs (35% for cars, 2% for capital goods and car parts). in change of an export compromise. More recently, the government negotiated with Japan and South Korea, tariff quotas for car exports from these countries.

Chart 27: Average Import tariffs by sector of Activity

	1980	1985	1988a	1988b	1989	1990	1991	Jan92	Oct92	Jul93
Agriculture	53.8	57.3	29.8	16.7	24.0	14.8	9.8	7.8	6.4	5.7
Mineral Extraction	27.0	16.7	13.9	14.6	19.5	6.6	3.9	2.4	1.3	1.0
Non-Metalic minerals	107.5	98.7	54.7	34.6	37.7	24.5	14.5	12.0	8.3	7.5
Metallurgie	54.3	72.8	42.2	35.2	41.4	23.7	18.1	15.2	12.5	9.6
Mechanics	56.3	62.1	49.2	45.1	44.9	39.5	30.4	25.9	21.0	19.7
Electric Material	99.1	100.4	65.7	47.3	50.2	39.6	34.3	30.6	25.9	21.1
Transportation										
Material(**)	101.9	115.9	74.4	51.6	47.3	55.9	42.3	35.5	28.6	25.7
Wood	125.3	101.1	57.4	25.7	28.9	22.5	12.9	11.8	10.9	10.3
Furniture	148.2	169.9	87.6	38.1	38.9	39.2	32.1	24.8	20.0	20.0
Paper and Cellulose	120.2	82.2	56.6	28.0	32.8	23.1	12.9	10.1	8.7	8.5
Deathers	107.3	101.7	77.2	54.6	58.6	49.6	36.1	28.8	21.4	16.2
Chenestry	156.6	135.2	57.6	34.0	44.6	14.3	12.4	11.2	9.9	8.7
Chemical	50.3	34.2	27.3	19.8	37.0	13.4	18.2	8.4	7.4	7.0
Farmaacy	27.9	42.2	46.5	44.9	40.7	26.0	19.6	16.6	13.4	13.3
Perfums Soaps and										
caudles	160.5	184.4	82.1	66.1	73.6	59.2	42.6	29.2	24.4	19.8
Plastics	203.8	164.3	78.8	51.0	56.9	40.0	34.0	28.9	20.0	18.6
Textile	167.8	161.6	83.3	51.4	77.9	38.8	37.6	29.5	24.1	16.6
Clothing and footwear	181.2	192.2	89.6	63.7	78.3	50.0	46.3	36.8	27.1	20.0
Food Prod.	107.8	84.2	57.4	33.0	38.4	27.4	21.3	17.5	15.6	13.9
Drinks	179.0	183.3	88.1	69.4	70.5	75.1	63.7	53.6	34.8	19.8
Tabaco	184.6	204.7	90.3	78.3	85.0	79.6	70.0	60.4	37.5	19.2
Publishing and Editive	85.5	71.1	33.9	19.4	27.8	20.9	11.4	9.8	9.0	8.7
Other industries	87.0	136.5	61.3	50.8	60.4	44.8	36.4	29.7	23.1	17.9

Source: Pinheiro and Alneida(1995)

In South Africa's case the first effective movement toward commercial liberalization was in 1983, when the government adopted a program to reduce non tariff-walls (BNTs)²⁶. In terms of value, the percentage of imports subjected to BNTs fell from 77% in 1983 to 23% in 1985. The removal of BNTs was, however, partly compensated with the raising of tariff-walls. In 1985, the government stopped publishing a "positive list", listing products that could be imported without previous authorization, substituting it by a "negative list", listing the products which could not imported without authorization. This change meant, in practice, greater freedom in trade. In the second half of the decade, the movement of liberalization continued gradually, with the BNTs as a main objective. At the end of 1991, the percentage of imports subjected to BNTs had dropped to 10%. However, as well as during the first half of the decade, profits in terms of BNTs were partly or totally compensated by the raising of tariff-walls, specially after 1988, when a crisis of the balance of payments caused substantial overtaxing across-the-board for imports.

Concerning the exports, the most significant fact occurred in April 1990, and, contrary to what was expected, was not exactly an act of trade liberalization. At this date the government reinforced the system of incentives to exports (Geis-General Export Incentives Scheme), probably still worried in eliminating anti-export tendencies, caused by the protection of the domestic market. Through this system, all products gained automatic access to subsidies, which importance varied according to the local make-up of the product.

After the timid changes over the eighties, the movement of trade liberalization was only actually readopted in 1994, during the Uruguay Round and the new government of "National-Union", "post-apartheid", which assumed power that same year. A tariff reform agreement was then signed, which respected the requirements of the Marrakesh Agreement to reduce one third of tariff protection, over a five year period. The main points of this agreement were:

- reduce the number of tariff positions from 10.000 to 5.000 by the end of five years;

²⁶ A discussão sobre a liberalização comercial na década de 80 se baseia em Bell (1993).

²⁷ Hirsch, A. (1995) and USTR (1996).

- increase the percentage of tariffs consolidated by the WTO from 55 to 88%;

- substitute all the BNTs by *ad valorem* tariffs;

- reduce the 80 tariff levels down to only six levels: 0, 5, 10, 15, 20 and 30%. Raw materials will have tariffs between 0 and 10%, intermediate products and components, between 10% and 15% consuming goods between 20% and 30%. Two exceptions will be made to the chronogram: confections and clothing, which shall have twelve, instead of five years to adapt to the final tariffs between 30% and 45%, and automobiles which will be given eight years, and a final tariff of 50% ;

- eliminate subsidies to exports (GEIS) in three years. Since then, subsidies to manufactured products were reduced from 25% of the FOB value, to 12% in April 1996.

Parallel to the Uruguay Round, the new government tried making an effort to reintegrate the country in the international and regional commercial context. It was able to include the country in the North American program of preferences (GSP, Generalized System of Preferences), as well as the partial entrance to the program of access to the European Community market, ruled by the Lomé Convention.²⁸ Concerning its regional integration, the decision to adhere to the Southern African Development Community, (SADC)²⁹ in August 1994, and the beginning of negotiations for the reform of the SACU, deserve to be noted. The SADC was originally created to promote sectorial cooperation without involving commercial issues. In 1992, the Windhoek Treaty tried to multiply the objectives of the organization, including the promotion of commercial integration and of cooperation concerning security. More recently, in August 1996, with South Africa's participation was announced the goal of creating a free-trade zone between the members of the organization , although without a fixed date. The SACU is already an effective customs union, but with its origins linked to the colonial administration. The four countries involved were administrated from South Africa, and, as Davies (1996:11) wrote: "SACU was, thus, formed not to promote integration as such, but rather to manage trade relations among a group of countries already highly integrated with South Africa in a specific, one sided only way."

²⁸ See Davies (1996).

²⁹ A SADC tem 12 membros: os nove originais: Angola, Botswana, Lesotho, Malawi, Moçambique, Suazilândia, Tanzânia, Zimbábue, mais Namíbia (1990), África do Sul (1994) e Maurício (1995). Barber (1996) e Davies (1996).

The level of integration fell over the years, and finally to labour free-movement and the customs union were abandoned. The reform's objective was mainly to render decisions within the customs union more democratic.

From this simple description of trade liberalization movements in both countries, one can understand how, South Africa, in spite of having been first to change, was left behind, in the beginning of the nineties, in terms of speed and the advancement of reforms. Concerning tariff-walls and non-tariff walls as well as in relation to the regional integration process, Brazil's economy has already reached a stage which South Africa plans to reach within five years. Therefore, changes in Brazil's trade pattern are expected, specially from the nineties on to have been more significant than that of South Africa.

Chart 15 shows how, considering at first, the performance, the degree of openness of South Africa's economy in 1990 was inferior of that in 1980, concerning exports and imports. In 1995 openness increased although thanks to the performance of exports. The imports in relation to the GNP dropped compared to 1990. In Brazil's case, data must be manipulated carefully, according to the appreciated exchange rate after 1990, which grew after 1994. Nevertheless, in spite of the effect of exchange between 1990 and 1995, the openness of economy increased thanks to imports as well as exports. Chart 16 shows elements linked to the income-elasticity of imports. In relation to South Africa, trade liberalization movements in the eighties did not affect the indicator, which seems to vary more according to investment variations (expense plus intensive import). It was only nineties that the elasticity grew, although less when compared to Brazilian economy.

Another important indicator to evaluate the depth of changes is the index of penetration of imports in the manufacturing industry. Chart 28 gives elements concerning Brazil. Between 1991 and 1995 this indicator practically doubled for the total of the industry, specially concerning capital goods and transport-capital goods (automobile and trucks). In South Africa's case, available data does not exceed 1993 and concern the industry total. In spite of these limitations and although the indicator of South Africa's industry in 1980 was higher than that of Brazil in 1990, it remained practically stable up until 1993, dropping slightly, despite measures of trade liberalization. As a result, in 1995, the indicator for Brazil was already

close to that of South Africa in 1993. However, according to elements of the South African Embassy in Washington, that over the period 1994-95, the penetration indicator of South Africa reached 20%.

Chart 28: Index of import penetration¹. Brazil 1991-95 (%)

Category of use	1991	1992	1993	1994	1995
Non-explendable consumption	4.8	3.0	4.2	5.2	7.6
Durable consumption goods	12.9	9.2	11.0	10.8	13.6
Intermediary goods	8.0	6.8	10.0	11.5	15.4
Elaborated intermediate	3.5	2.4	3.4	4.1	7.3
Capital goods	28.1	21.3	27.7	32.7	41.7
Capital goods transports	6.5	5.8	9.3	13.2	18.8
Total	8.6	6.7	9.5	11.3	15.6

Source: Moreira and Correa 1996 ¹ Imports on apparent consumption.

Chart 29: Index of export penetration¹. South Africa 1980-93 (%)

	1980	1985	1990	1993
Manufacturer industry	18,7	16,4	16,8	17,3

Source: Bell and Cattaneo (1996) ¹ imports on apparent consumption.

Considering the composition of trade, more significant changes were to be expected concerning imports, since exports tend to take longer to adjust to relative prices. Anyway, chart 19 shows how in both countries the tendency was toward a greater diversification of exports, specially of manufactured goods. As for imports, to evaluate these changes the ideal would be data on the composition of imports by category of use. This way, it would be possible to verify if the list of imports perform differently from

during the Imports Substitution process. That is, a list composed basically of capital goods and intermediate products. Chart 30 gives elements concerning Brazil. It is worth noting the drop of intermediate goods and capital goods participation and the substantial products in the category of transport capital goods, which is actually a hybrid of capital goods (trucks) and lasting consuming goods (vehicles are the main item). If we were to add this last category to that of lasting consuming goods, we would reach a participation of 20,2%, a significant leap comparing to the 2,9% in 1987 (data not appearing on the chart). Unfortunately, it was not possible to obtain this data for South Africa for the nineties. Information concerning the eighties shows, however, that there were practically no changes made in the list's composition with the participation of consuming goods in 1988 (21,9%) at the same level as in 1971 (21,5%) (Bell, 1993). If considering that trade openness only regained energy in 1994, it is unlikely that changes over the nineties have been substantial.

Chart 30- Sectorial Composition of Brazil Imports by Category of Use:1990-95

Category	1990	%	1991	%	1992	%	1993	%	1994	%	1995	%
Non-Durable consumption	1841.9	14.6	2038.0	15.4	1694.1	13.0	2259.4	13.1	3084.5	13.5	5087.3	14.2
Durable consumption	550.9	7.5	876.2	6.62	720.6	5.5	1010.5	5.8	1175.4	5.2	1860.4	5.2
intermediate	4733.2	37.4	5017.3	37.9	4955.3	38.1	6413.4	37.0	8147.0	35.7	11722.2	32.7
elaborate intermediate	468.7	3.7	500.1	3.78	419.8	3.2	525.3	3.0	681.1	2.9	1460.5	4.1
Intermediary goods	3936.1	31.1	3912.7	29.6	3997.0	30.7	4982.1	28.7	6525.1	28.5	10314.6	28.8
Intermediary elaborated goods	706.4	5.6	892.1	6.7	1236.5	9.5	2142.8	12.4	3259.5	14.2	5387.7	15.0
Total	12637.3	100	13236.4	100	13023.4	100	17333.5	100	22872.6	100	35832.7	100

Source: Moreira and Correa (1996)

Concerning the impact of liberalization upon the destination of trade of these two countries, the advancement of regional integration, specially in Brazil, seem to be the most relevant fact to point out. The success of Mercosur substantially extended South America's participation

in Brazil's trade, in exports as well as imports (Chart 21). Chart 31 gives a more precise idea of the advancement in terms of regional integration favored by the common market.

Chart 31: Commercial flow between Brazil and Mercosur Partners (US\$ billion). 1980-1995

Year	Exports to Mercosur	Imports from Mercosur	Year	Exports to Mercosur	Imports from Mercosur
1980	1.8	1.0	1988	1.6	1.1
1981	1.7	1.0	1989	1.4	2.2
1982	1.1	0.9	1990	1.3	2.3
1983	1.0	0.5	1991	2.3	2.3
1984	1.3	0.7	1992	4.1	2.2
1985	1.0	0.7	1993	5.4	3.4
1986	1.2	1.2	1994	5.9	4.6
1987	1.4	0.9	1995	6.1	6.8

Course: SECEX

In relation to South Africa, even though from a formal point of view, the regional integration is still at its beginning, the first step have already been taken. Chart 23 shows how, between 1990 and 1995, Africa extended significantly its participation in South Africa's exports, and registered a slight advantage over imports. Data from the South African Trade Organization (SAFTO) show that for certain countries, such as Tanzania, Nigeria and the Ivory Coast, South African exports grew over 200% during the first semester of 1995, comparing to the same period the year before. These results suggest that the new government effort for regional reintegration has succeeded, even though without a formal agreement of integration and in spite of the difficulties linked to the differences in income per capita between the countries in the region.

At last, a brief comment on bilateral trade over the years of liberalization. There is no doubt that with trade barriers abolished, the perspectives are that this trade grows in importance, intra-industrial trade

in particular (the most affected by protectionism), which, as already said, was already the most important during the years of Imports Substitution, in spite of the many difficulties. The more recent data seems to confirm this optimism. In 1995, Brazil's exports to South Africa added up to about US\$ 260 million dollars, a growth of 60% in relation to 1990. Concerning imports, data is only available for 1994, when they already reached US\$ 244 million, a growth of 167% in relation to 1990.

Final observations

Brazil and South Africa share many problems and opportunities, and have, there is no doubt about it, a lot to learn one from another³⁰. In both cases, the major challenge is to find the answers to the enormous social demands and to the improvement of income distribution, which will need growing public spending, with the necessity of maintaining public accounts balanced, without which it will not be possible to reduce inflation, extend the investment rate and, at an average/ long term, accelerate product and employment growth.

In this context, the question of unemployment, which has grown in all countries, with the introduction of productive management techniques, economical of labor, appears as a big challenge to Brazil and South Africa³¹. In both countries, this problem will probably become more and more serious in the years to come with the necessity of maintaining growth at moderate levels. With the modernization of economy increasing labor productivity; with the privatization of big public companies, which generally have more employees than necessary; with the reduction of public expenses, through the reduction of public employees; and, in Brazil, the reduction of the financial sector. The question of unemployment, added to the already

³⁰ Brent (1996: 12), for example, notes that " This is not to say that South Africa should not aspire to East Asian success in the long run. But given the very different starting points, East Asia is not likely to be a helpful guide to near-term reform. For that purpose Latin America may be better because it faced many of the obstacles South Africa must overcome, including low savings, inward orientation, low productivity, large public and parastatal sectors, high unemployment, and high inequality."

³¹ This position is defended, for instance, by Leslie Boyd, vice-president of Anglo-American, for who South Africa's main challenge is the high unemployment rate, of 30% of the economically active population, for which it is necessary to increase the GNP growth rate, actually at 3% a year, to 6% a year: "Growth is the only way of generating more jobs." [interview to the Jornal do Brasil (July 19, 1996)].

difficult social situation, will demand great political ability of the governments in both countries, in order to attain macroeconomic balance and the continuation of the process of opening, privatization and deregulation.

Even if both countries show a series of quite similar problems, naturally they have each their own priorities. There is not doubt that for South Africa the greatest challenge is to accomplish the expectations of improvement of social indicators of the large part of the population which suffered from the previous regime and that appeared with new system of the majority. The possibility of answering to this demand is rendered difficult by the necessary fiscal austerity and by the large elasticity of growth, and make it complicated to reduce high unemployment, specially among the black population. The solution at an average term is in the expansion of exports and the greater attraction of foreign investments which, as was shown, remain risky in South Africa, in spite of the good results obtained in the macroeconomic sphere over the past few years.

In Brazil, the consolidation of the Plan Real continues to be the main priority and, for this, economist analysts are almost unanimous to say that it is necessary to reduce significantly public debt. The substantial growth of direct foreign investments over the past three years, has made it possible to sustain a deficit on current account between 2,5% and 3% of the GNP, although the necessity of preventing an explosive trajectory for foreign accounts and of preventing the return of inflation recommend moderate growth rates, about 4% a year, for the GNP in the years to come.

Interestingly, the same measure is recommended for both economies as a way of gaining time while advancing toward more permanent solutions: privatization. Bacha (1996), for instance, defends the idea that privatization be used to finance public debt, while a more structural solution is brought to term. In the same way, Brent (1996: 123) suggests that "One possible solution is privatization. South Africa's publicly owned and parastatal assets are substantial, by one estimate accounting for 52% of the countries capital stock. While economists are wary of using privatization to solve fiscal problems, in South Africa it would make sense to use proceeds of sales of state assets to fund one-time social investments during this critical period."

In Brazil as well as in South Africa governments have given clear signs that in years to come the priority of the economic policy will remain

being the solidification of macroeconomic stability and the implementation of structural reforms³². However, one should expect at only an average term, the actual combination of a relatively loose fiscal policy with a restrictive monetary policy will be reverted, which has resulted in high actual interest and inhibited a more significant recuperation of interest; with this, the GNP will continue to grow at moderate rates for some years still.

At an average term, Brazil and South Africa are well situated to return to their historic trajectories of growth. Both have large domestic markets, diversified and complex industrial foundations and a sophisticated financial sector, are rich in natural resources and, specially in South Africa's case, have a relatively good material infra-structure. The openness of trade both countries have engaged tends to improve efficiency in the allocation of these resources, eliminating distortions created by the substitution of imports strategy, and expanding growth opportunities beyond the limits of the national market. Opportunities which include bilateral trade. For this to be confirmed it is necessary to continue the process of extinguishing trade barriers and to keep the exchange rate from reducing incentives to investment in tradables. The biggest challenges at an average/ long term, however, will be to improve the labor's level of qualification and extend investment rates. In both countries foreign investments are expected to help to accelerate the growth of product. These resources shall contribute in two ways.

On the one hand, foreign investment will be necessary to complete domestic savings, making it possible to expand the economy's rate of formation of capital. Pinheiro (1996: 23-25) estimates that in order to Brazil to grow at 5% a year, investment rates at 1980 constant prices, today at 15,5% of the GNP, must grow up to 20% of the GNP. In South Africa's case, Smit (1991: 22) estimates that kept the net savings rate observed over the past years, will be necessary the entrance of foreign resources

³² As Blumensfeld (1995: 175) observed in September 1994, the Minister of Industry and Commerce, today Minister of Justice, Trevor Manuel, from the ANC: "significantly chose the middle of a car worker strike to announce major reductions in tariffs on imported cars, thus significantly that, despite the political importance of creating jobs in circumstances where total 'formal sector' employment is still contracting, the GNU [Government of National Unity] did not intend to shirk difficult policy decisions."

around 13 to 15 billion dollars a year, in order to the economy to growth 4% a year.³³

Another important role for foreign investment is to finance the significant deficits in current accounts for several years still, in Brazil and South Africa in order to accelerate growth. In fact, recent experience in both countries shows that they continue depend of high imports to guaranty higher growth rates than those registered from the beginning of the eighties up until 1992³⁴. In Brazil, half of the current account deficit in 1996, calculated at about US\$ 16 billion, is expected to be financed with the entrance of direct foreign investment.

In both countries the capacity in maintaining macroeconomic stability will be the condition to attract foreign investments. Obviously, the success in improving social indicators, over come the uncomfortable position of world leaders an bad-distributed income, is another important element to render both countries more attractive to foreign capital, for it improves the countries image in the international community and reduces the risk of political and social instability. Once these conditions are fulfilled, however, both countries bring together a series of characteristics in their favor:

- both have large domestic markets, expanded by the fact of being part of trade blocks;

- both assumed liberal reforms in the past years, along with favorable measures toward foreign capital - such as greater freedom of access to sectors and resources, the liberalization of capital controls, a more favorable fiscal structure, etc. - whose impact upon the flow of investments has not yet been perceived;

- vast labor offer, although investments are still necessary to improve their productivity.

³³ This estimate is quoted in Padayachee (1995: 171-72), where also is discussed in which sectors it would be more interesting for South Africa to receive direct foreign investments.

³⁴ De acordo com o modelo macroeconômico utilizado pela Embaixada da África do Sul em Washington (South Africa 1996:86), "Accelerated investment in the South African economy requires international capital inflows to complement domestic savings and finance increased imports of capital and intermediate goods which accompany faster growth. (...) the current account deficit in periods of high growth might reach 3% of GDP, or perhaps US\$ 5-6 billion. The strategy implies that perhaps 15% of the foreign savings required would be in the form of direct investment mainly in export-oriented manufacturing."

Over the last few years in Brazil, the flow of foreign direct investments grew significantly. With economic stability, and economic openness, this tendency will continue³⁵. Applications by foreign companies are expected at US\$ 28 billion, of which 41% of this total in the automobile and car parts sectors. These numbers do not include the contributions to an entrance gate of foreign direct investments in Brazil, which is to become as or more important than that representing the settling or expansion of industrial plants: privatization, which will include selling the Vale do Rio Doce in 1997, continue in the electric sector, and still under the actual government, concern the telecommunications area. By only selling public companies, and with private investments in other sectors (e.g. cellular phones), foreign investments of dozens of billions of dollars are expected over the next few years.

It is also possible that in South Africa, if the political transition succeeds and the economic policy continues its route, in the next few years greater foreign investments will enter the country. A good sign of this is the return of several multinational companies which had left the country during the years of international sanctions. Furthermore, several of the measures to attract foreign investors are still recent and have not yet therefore had full impact. However, the difficulties promoting elections for local government in Kwazulu-Natal, put off three times because of the risk of political violence, are important signs for foreign investors, showing that violence and political instability are not yet completely overcome. Besides, the effective beginning of a vast privatization program, which would give great impulse to foreign investment, seems to be far from becoming reality.³⁶

Thus, the success in promoting smooth political transition, the new government's compromise with the priority traditionally given in South Africa to macroeconomic stability, must not make forget the fact that not

³⁵ According to the macroeconomic management can be evaluated from the fact that, despite of greater political instability, South Africa is classified by Mood's and by Standard & Poor for sovereign risk several levels ahead of Brazil (Mood's classifies Brazil as B1 and Standard & Poor as B+, for South Africa the ratings are Baa3 and BB+, respectively). South Africa is considered by Moody's as *investment grade*, the other classification are non-investment grade [Salomon Brothers (1996)].

³⁶ The ANC government adopted, theoretically, the privatization of a large part of the public sector, as a policy to be applied. The sales of stock participation in service industries of public utility as well as public joint ventures with private companies have been brought into consideration, but in practice little did privatization advance in South Africa.

all reasons which led foreign investors to leave the country are completely overcome. Thus, several analysts maintain a conservative position concerning the rhythm and the magnitude with which foreign capital must flow to the country. Blumenfeld (1995:176-77), writes for instance:

“[I]t cannot yet be said that the ultimate causes of economic decline — namely high levels of uncertainty among both investors and consumers, coupled with long-standing structural deficiencies — have been overcome. (...) That a pervasive sense of uncertainty still prevails is confirmed by the continuing lack of real commitment by both domestic and foreign investors to the creation of productive capacity. During the apartheid era, this uncertainty was widely assumed to reflect the government’s illegitimacy and the country’s escalating international and political isolation. But a more fundamental explanation was the growing belief that South Africa’s daunting problems conferred, at best, a high probability of instability on any future governmental system. Since this concern did not dissolve with the demise of apartheid, the desire of South Africa wealth-holders to export their capital, and the preference of foreigners for alternative repositories for their wealth, did not diminish.”

Garner and Leape (1991) remind us that a more significant improvement of the flow of foreign capital, whether through loans or investments, will depend on a sustained reduction of the economic and political level of instability³⁷. Besides, it is necessary to reduce violence and contain pressures through fast salary raises.

³⁷ Quoted in Padayachee (1995).

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Regional Co-operation and Integration: South Africa, the Southern African Development Community (SADC) and Mercado Comun del Sur (Mercosur)*

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This paper is divided into three sections. The first discusses some general aspects of regional integration related to SADC and Mercosur; the second examines Mercosur and SADC as regional organisations; and the third investigates South Africa's response to developments in Southern Africa.

Section 1: global regional integration

A growing feature of international relations is vigorous efforts to promote co-operation among neighbouring states leading to regional integration. It is an attempt to gain by joint effort what cannot be achieved separately. President Menem of Argentina, for instance, said that members of Mercosur were 'uniting to compete in a new global market in which the trade blocs had become more important than that of individual countries'. The movement is prompted by both positive and negative aims. Examples of the positive include the expansion of regional trade and the extension of democracy; while the negative includes response to adverse global market conditions, attempts to counter cross border crime, or defend established positions.

* Integration implies more than 'co-operation'. Co-operation is agreement between governments to act jointly for specific ends, and usually does not involve the creation of a regional structure or institutions. Integration implies that governments transfer elements of their sovereignty to a regional organisation. Yet, the boundary between co-operation and integration is blurred, and governments are often reluctant to admit that they are transferring sovereignty.

The strongest advocates of regional integration often present it in ambitious and idealistic terms. They frequently see the current situation as one step on a ladder to higher aspirations. In 1991 at Abuja in Nigeria, the heads of state of the Organisation of African Unity (OAU) supported the ideas of a Pan African Community covering the whole continent. In December 1994 the thirty four participants at the US-Latin America summit at Miami came away speaking of 'The Spirit of Miami', and called on governments to establish by 2005 a free trade area across the Americas - from northern Canada to Tierra del Fuego. In terms of ideals the Southern African Development Co-ordination Conference (SADCC) - formed in 1980 and from which SADC has sprung - was created to challenge apartheid; and today both Mercosur and SADC emphasise their commitment to the ideals of democracy and human development. The point to be made is that although the process of regional integration is often characterised by detailed, often tedious negotiation on such matters as trade quotas and non tariff barriers, behind that process lies a sense of values - whether it be to promote peace, or defend socialism, or overcome poverty or further democracy.

Yet for all the rhetoric and appeals to broad principles governments only support integration if they believe it will serve their interests. There is thus chronic tension between the pursuit of regional common values and aims and the individual interests of each member state. Each government has to be persuaded that its interests are best served by integration, and each sees the situation through the prism of its own interests. These interests reflect government perceptions, because integration tends to be a 'top down' activity, based on the views of government elite, rather than a movement prompted by mass support. However, no government will pool its sovereignty unless integration will further both its sense of values (which tend to be long term) and its interests (which may be short or long term). To succeed regional integration requires a sufficient recognition of shared values and common aims, alongside individual interests. In pursuit of such a combination it may be necessary to overcome entrenched attitudes about the sovereign state by introducing a new sense of community.

Although attempts at regional integration are becoming more common each case has a different history and context. Among Mercosur states the past experience of military rule shapes today's attitudes, and in southern Africa apartheid and its overthrow have been dominant influences. Broadly the thrust towards regional integration falls into three categories - economic, political and security - with considerable overlap between them.

The mixture is different in each case and the emphasis may change over time, so that while initially states may come together for economic reasons, in time their security interests may become equally important. A further distinctive factor is the degree of integration to which a regional group aims. There is, for instance, no sign that the members of Mercosur or SADC are aiming at the degree of political integration which is being discussed in the European Union's (EU) federal debate. In that respect 'co-operation' rather than 'integration' is emphasised. In economic terms four distinct steps can be identified.

- (a) A free trade area, which removes internal barriers;
- (b) A customs union, which as well as lifting internal barriers, introduces a common tariff for external goods;
- (c) A common market, which introduces the free movement of factors of production (labour, capital and enterprise); and
- (d) An economic union, which implies a common market plus unification of all other factors including tax and money.

However, each economic step has political implications.

Because of the need to satisfy such a variety of objectives many attempts at regional integration have failed or fallen far short of their original aims; the rhetoric has been more prominent than the achievements. In South America neither the Latin American Free Trade Area (LAFTA) of 1960, nor the Andean Pact of 1982 prospered. In Africa the old East African community collapsed, the Preferential Trade Area (which stretched across East, Central and parts of Southern Africa) made little progress, and SADCC fell short of its ambitions. The overall record is far from encouraging.

Table I: Mercosur and SADC

Mercosur (1992 figures)

	Population	GNP (US\$)	GNP per capital (US\$)
Argentina	32.6m	93,260	2,800
Brazil	150.4m	414,060	2,700
Paraguay	4.3m	5,260	1,230
Uruguay	3.1m	8,220	2,740
TOTAL	190.4M	520,800	2,600

SADC (1992 figures)

	Population	GNP (US\$)	GNP per capita (US\$)
Angola	9.7m	6,100	650
Botswana	1.4m	3,600	2,600
Lesotho	1.8m	1,080	590
Malawi	9.0m	1,900	210
Mauritius	1.1m	2,960	2,700
Mozambique	16.5m	1,300	70
Namibia	1.5m	2,500	1,600
South Africa	39.7m	106,000	2,670
Swaziland	0.8m	930	1,080
Tanzania	26.0m	2,560	110
Zambia	8.5m	2,580	290
Zimbabwe	10.3m	5,890	570
TOTAL	126.3m	137,400	?

Section 2: Mercosur and SADC

The examination of Mercosur and SADC is divided into four parts: their membership; their organisational structure; their aims and activities; and finally interaction between the two.

Membership:

Mercosur has four members - Argentina, Brazil, Paraguay and Uruguay. Chile has not joined but has requested a close relationship. SADC has twelve members - composed of the original SADCC nine - Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe - plus Namibia (1990), South Africa (1994) and Mauritius (1995). According to SADC's Executive Secretary, Dr Kaire Kbuende, a monatorium has been placed on new members as 'twelve is a complete number'.

Although Mercosur has only four members it is large in population and substantially so in economic strength (See Table I). Neither region is made up of rich states (using the G7 as the benchmark). Brazil has a large economy but is not rich in terms of per capita income. However, in relative terms SADC is much poorer than Mercosur. It contains some of the poorest

states in the world. While measured by total economic activity both Brazil and Argentina are numbered among medium sized economies, in SADC only South Africa falls into that category. Further in terms of income per capita all the Mercosur states achieve more than US\$1,000 whereas only five of the twelve SADC members reach that position.

In both regions there is an imbalance, with one state substantially larger than the others: Brazil in Mercosur and South Africa in SADC. This creates challenges for each member and for the organisation as a whole. Inevitable differences of perception arise between the large state and its fellow members; with the smaller members concerned about the potential dominance of the largest state. What can be seen as a normal transaction by the larger state may be seen as threatening by the smaller. The smaller states are also more dependant on the region's economy. For example in Mercosur internal trade in 1992 accounted for 13% of Brazil's trade and 22% of Argentina's, whereas for Paraguay and Uruguay it was close to 40%. While these characteristics are common to both regions the imbalance is much greater in SADC, where South Africa dominates.

Although neither region contains 'rich states' both are heavily influenced by and partly dependant on them for trade, investment and aid. For both Mercosur and SADC the US and the EU are the principal external economic powers. There is no doubting their importance. Although Brazil's trade with Mercosur has steadily increased so that it now takes about 15% of her exports, almost 50% go to the US and EU. A similar picture emerges for South Africa. In 1992 while South Africa's total trade with the EU and US was US\$18,000m its trade with all Africa was less than US\$3,000m. Generally the US and EU favour regional integration (including South America and southern Africa) believing that it encourages trade liberalisation, democratisation and sustainable development with some alleviation of poverty. The poverty of many SADC states results in a heavy dependence on international aid and several of the states have turned to the International Monetary Fund (IMF) for support and are subject to Structural Adjustment Programmes.

Also following the crash of the Mexican peso in December 1994 some south American states were obliged to seek international support; as stock markets collapsed and currently came under pressure. In March 1995 a World Bank IMF team negotiated a large loan to see Argentina's economy through the crisis.

One response from both regions to their dependence on the advanced western economies has been to seek to reduce it by building

links with other regions, notably Asia, and perhaps in the future between South America and southern Africa. Another response has been to formalise arrangements with 'the rich'. In June 1991 Mercosur formed a Consultative Council on Trade and Investment with the US. In April 1994 South Africa and the US established a Binational Commission. Millard Arnold of the US Commerce Department stated that the US 'will remain committed to assisting South Africa through redevelopment and beyond'. Even more important for South Africa is trade with the EU, but that relationship sets it apart from other regional members. All the others fall within the EU's Lome convention, designed to aid poor states. South Africa would like to be treated in the same way, but so far the EU has refused because of its relative wealth. In June 1995, opening separate negotiations with the EU, Trevor Manuel (then Minister of Trade and Industry) gave four reasons why South Africa should be granted special treatment. First, he said despite the end of apartheid, traces of the old sanctions still result in trade discrimination against the Republic. Second, the EU has enthusiastically greeted the change to democracy, but 'political stability will have to be underpinned by economic growth and development'. Third, the EU gives support to the rest of southern Africa but the region's future rests on the economic reconstruction of South Africa. Finally, he appealed to EU self interest, saying that South Africa offered great opportunities for trade and investment.

Institutional Structures

Neither region is at an advanced stage of integration in institutional terms. If the EU is taken as a benchmark neither has a regional parliament; nor a court with authority to overrule courts of members states; nor a powerful bureaucracy similar to the European Commission.

Mercosur has the following institutions:

- (a) A Council of the Common Market; composed of Foreign and Economic Ministers, with a rotating President;
- (b) A Common Market Group (CMG) of officials: i.e. an executive organ to implement policies and draw up new programmes;
- (c) A Trade Commission, which assists the CMG and enforces commercial policy; and
- (d) A joint Parliamentary commission drawn from member states, with advisory powers; and an Economic and Social Forum, which acts as a channel for interested groups.

SADC relies on regular summit meetings, a small central secretariat, led by an Executive Secretary, and an arrangement whereby each member state takes the lead in a sector of activity. For example Angola is responsible for Energy Conservation and Development, Tanzania for Industry and Trade, and Swaziland for Manpower Development. This has led to uneven performances. William Lindeke commenting on SADC's inadequate response to recent droughts stated that it 'highlighted one of the biggest difficulties for the SADC. Its practice of decentralised sector co-ordination leaves policy development and implementation at the mercy of the co-ordinating country's interest and capacity (...). The tension between centralisation of power in the Secretariat and decentralised participation must now be faced (...). The fate of the community depends in large measure how the SADC countries resolve this issue'.

Another challenge to SADC is that it does not stand alone in southern Africa. Alongside are other regional organisations:

(a) The Common Market for East and Central Africa (COMESA) which covers a vast area of Africa, from the Sudan in the north to Lesotho in the south. It was founded in 1994 as a revamp of the earlier, moribund PTA. South Africa is not a member and COMESA is so large and cumbersome that it is unlikely to be a serious rival to SADC.

(b) The Southern African Customs Union (SACU), comprising South Africa, Botswana, Lesotho, Namibia and Swaziland (plus the associated Common Monetary Area [CMA] of SACU members minus Botswana). SACU is a smaller organisation, and does not serve the whole region, but it is effective and well established (originally founded in 1910 with a recent reorganisation in 1969). It is of great importance to South Africa's small, immediate neighbours providing 16% of government revenue in Botswana, 56% in Lesotho, 30% in Namibia and 46% for Swaziland. In August 1995, South Africa launched an initiative to develop a common industrial strategy for the Customs Union. There are reports that Angola, Mozambique and Malawi wish to join, but it is improbable that this will happen, because South Africa has been prepared to pay a 'compensation factor' to the small, existing SACU states, which it is unlikely to extend further, because of the costs.

Future options seem to lie between the more inclusive but relatively new, loosely organised SADC, and the confined but effective SACU. Yet neither fully matches the region's needs. SACU is too narrow, and SADC has emerged from an organisation (SADCC) which was designed for a situation which no longer exists, and has a questionable track record. Ideally

it would be best to start again by identifying the immediate functions the member states want the organisation to perform; and then creating a structure best suited to achieve these functions and aims. Out of that might come the full advantages of integration: a single voice in negotiating trade and aid deals, common efforts in technical matters, improved border security, joint efforts in environmental issues, sharing of infrastructure developments and combined responses to crises. That ideal is most unlikely to be realised because of the tenacity of existing structures, regional rivalry and the uncertainty which surrounds the aims of the SADC states.

Mercosur and SADC: Aims and Applications

Both SADC and Mercosur are shaped by their global and regional contexts. In global terms they cannot escape the assumptions and values of the post Cold War political economy (with its emphasis on multi party democracy, market forces, privatisation, reduced tariff and a growing concern for the environment). Despite the economic crisis in South America in late 1994 and early 1995 the governments persisted with improved fiscal management and liberalisation of trade. None imposed currency controls and although Argentina and Brazil raised Tariffs they did not consider abandoning economic liberalism.

Nor can they escape from the past and present of their own regions. In Mercosur's case the end of military rule has played a part. According to the Latin-American Forum Mercosur was 'born out of rapprochement between Brazil and Argentina, although the absorption of Uruguay and Paraguay gave it greater economic emphasis. In southern Africa's case the defining factor has been apartheid and its demise.

Because the global and regional contexts offer broad and often ambiguous messages, and because regional aims are often stated in general (sometimes messianic) terms the purpose of the organisations can be presented in different ways. Thus according to Charles Chatterjee the primary objectives of Mercosur are 'to accelerate the processes of economic development with social justice', to ensure the optimum use of resources while preserving the environment, and to promote scientific and technical development 'with a view to enhancing the living conditions of the population'. Whereas Luigi Manzetti, although not ignoring economic and human development, put greater emphasis on Mercosur's political and security concerns - such as preserving democracy and maintaining peace among member states. He argued that the fall of the military gave security

a new meaning, with a commitment to defend democracy and to use integration as a counter to the 'coup d'état'. Similar diversity exists in SADC. In their 1992 agreement SADC members adopted four principles, which were heavily weighted to political and security concerns - the sovereign equality of members; peace and security; human rights; democracy and the rule of law; the peaceful settlements of disputes - yet, the 'objectives' and 'activities' listed in the treaty tended to concentrate on economic and social issues. Simba Makoni, then Executive Secretary, said that the aim was for more 'people centred' development.

Judgement about progress in the regional organisations is difficult, not only because of the diversity of aims, but because of their short lives. In Mercosur's case, despite continuing strains, there are encouraging signs. Antoinette Handley has written of 'a broad trend towards moderation in politics, viz political parties moving towards the centre, and a sense of convergence on economic policies' because people have 'recoiled from extremism in the face of the devastation which conflictual politics wrought in past decades'. Intra regional trade has expanded and major development projects have been accomplished, such as the Sao Paulo - Buenos Aires Corridor. Further the members' economies are reasonably convergent in terms of per capita income and the region's potential for economic growth is impressive. All that makes further co-operative easier, despite the disparity in the overall size of the economies. The key variable in South America may well be the degree of success in achieving political stability and honest, efficient administration, and not economic potential.

The situation in southern Africa is less encouraging. As already noted, it is poor economically and recent economic progress has been slow and uneven. There is potential for substantial growth in parts of the region, but outside South Africa many of the states lack the infrastructure, technical skills and political stability to exploit their potential. There is little overall economic convergence. In the past the region has been plagued by conflict - the struggle against white minority rule, the apartheid regime's destabilisation policy, and internal conflicts within some black states. That violent inheritance lives on (notably in Angola) and elsewhere the consequences of past conflict are prominent. Of Mozambique, Robin Birchell wrote: It 'had reached the absolute nadir for a sovereign state, with a scant resemblance to a normal government. Mozambique has now only to resurrect many of the physical structures that compromise a state such as roads, railways and sanitation, but it must also reactivate services, eliminate endemic corruption and inspire the citizens to observe the

conceptual norms of civilised society'.

In other states (Zambia and Lesotho) there is chronic political instability. Even in Zimbabwe, the strongest member outside South Africa, the omens are discouraging. It has long suffered from economic ills (part imposed from outside and part self inflicted) and now labours under an IMF Structural Adjustment Programme. Also it has not taken easily to South Africa's entrance into SADC, because its own past leadership role is now overshadowed by Pretoria. At a personal level, President Robert Mugabe resents that. Zimbabwe and South Africa therefore sometimes act as rivals as well as partners. With this background it is easy to understand that a proposal made in March 1995 to establish a political/security arm of SADC - an Association of Southern African States (ASAS) - to deal with conflict management and resolution, ran into difficulties and at the time of writing is still being discussed.

Yet, for all the instability, the poverty and the rivalry the Southern African states realise that they cannot escape each other, that in the end their interests are best served by co-operation. For example, despite its pique at recent developments, the Zimbabwe Government appreciates that its major trading partners are in the region, that its border security depends on co-operation, that its water and power resources are shared with others, and that as a land locked state, it is dependant on others for transport and ports. Moreover it realises that South Africa is the dominant player in all these scenes and to survive and prosper it has to work closely with Pretoria. Therefore, despite all difficulties there is an imperative for co-operation in Southern Africa.

Inter Regional Contacts: Mercosur and SADC

Southern Africa - South America contacts are relatively undeveloped. This is reflected in Table II.

Table II: South Africa - Mercosur Trade and Tourism (1995)

	Imports to South Africa	Exports from South Africa	Tourists to South Africa
Argentina	R 903m	R 409m	8,163
Brazil	R 871m	R 1,053m	7,784
Paraguay	R 10m	-	296
Uruguay	R 15m	-	641

Among the questions which arise for the future are: Can these links be developed and strengthened? Is it in the interests of the SADC and Mercosur members to give this a high priority? In what areas and in what ways would development be most effective? Are Mercosur and SADC potential partners or rivals? In response to such questions some positive steps can be identified. These include important visits, such as those undertaken by President Carlos Menem of Argentina and his Foreign Minister (Guido di Tella) in February 1995, and the forthcoming visit by President Fernando Henrique Cardoso of Brazil, which followed that by the Foreign Minister (Luiz Lampreia) and the Sports Minister (Pele) in May 1995. From the opposite direction South Africa's Foreign Minister (Alfred Nzo) visited Brazil in October 1995, and Aziz Pahad, the Deputy Foreign Minister, paid an extend to South America in August 1996.

On his visit Aziz Pahad was accompanied by Andre Jacque, a Director in the Department of foreign Affairs. When Jacque returned to South Africa he spoke enthusiastically of the prospects of cooperation. He said that South Africa had as much to learn from South American regional groups (Mercosur and the Andean Group) as from the European Union. He emphasised, in particular, the potential for cooperation between South Africa and Brazil. He noted how Brazil had succeeded in improving its economic situation by combining steady growth with relatively low inflation. Brazil is already South Africa's leading trade partner in South America and ranks 18th in the list of world partners. South African mining companies, including Anglo American, have recently shown keen interest in Brazil and made new investments there. Jacques spoke of the lessons that could be drawn from Brazil's privatisation schemes, and pointed to the bilateral agreements on which officials have been working. Already agreement has been reached in combining to fight the drug trade, and other

matters being investigated include investment protection, cooperation in agriculture and science and visa agreements.

Yet, despite Jacques's optimistic report there are obstacles to cooperation. Few well established lines of contact exist, either in physical terms (such as transport) or in political and economic dealings. Also political tensions have arisen over Cuba. South Africa has established links with the Cuban government, much to the ire of Washington and the confusion of Latin America states. President Castro was a prominent guest at the inauguration of the new South African government in April 1994, and since then there have been other contacts - visits exchanged, a solidarity conference held, and Gauteng has been twinned with Havana. Finally, there is the issue of priorities. With so much activity to handle the Southern African states, and South Africa in particular, have so far found it difficult to give great attention to South America. Pretoria faces a problem of overload, as reflected in the long period taken to fill the Ambassador's post to Argentina. However, despite the difficulties, if the political will is there, the opportunity for cooperation is open.

Section 3: South Africa and the Region

The new South Africa, conscious of the damage inflicted in the region by the apartheid state, has declared its intention to be a good neighbour. Before assuming power Nelson Mandela stated that South Africa wanted equality with, not ascendancy over its neighbours. The new government, he said, would avoid domination and 'resist any pressure or temptations to pursue its own interests at the expense of Southern Africa'. The reconstruction of the region would 'be a collective enterprise' in which South Africa would shoulder responsibility 'not in the spirit of paternalism or dominance but with mutual confidence and respect'. After assuming office President Mandela has repeated these views. For example, in March 1995, when receiving the Africa Prize, he said: 'Never again shall South Africa be the fountainhead of conflict in the region'.

These statements have been followed up by action, including entry to SADC in 1994. Pretoria has been active in regional conflict resolution and preventative diplomacy. During 1994/95 it was involved in reconciling disputes in Lesotho and Mozambique, acting with Zimbabwe and Botswana under the wing of SADC. Rusty Evans, Director General of the Foreign Ministry, confirmed that 'South Africa has no intention of getting involved in conflict resolution on its own', and he emphasised that security must be

seen in broad human development terms. 'The notion of peace', he said, 'should not simply be defined as an absence of war and conflict. War and conflict are symptoms of a greater malaise: perhaps at the core of which is a lack of democracy ... accompanied by socio-economic inequality, poverty, social injustice, disregard for human rights and oppression'.

There is no reason to doubt the sincerity of South Africa's attempts to treat its neighbours as equals. However, it will be difficult to implement because of South Africa's giant status in the sub continent. The figures speak for themselves. In 1992 the South African economy accounted for 79% of the region's CNP. It consumed 150,000 kWh of electricity while the other states combined to use 24,00 kWh. It has 21,000 km of the region's 36,000 km paved roads. Its ports handled 111bn tons of goods while only 7bn passed through the rest. It has massive advantage in terms of trade. In 1994 South Africa exported to the region US\$ 6,514m. worth of goods and imported only US\$ 1,371. The question is not therefore whether South Africa will dominate but in what way. It is so much richer, larger and stronger than its neighbours that it has no choice. It cannot avoid being the region's pre-eminent power.

That is recognised globally as well as in the region, with the result that the new South Africa carries on its shoulders a heavy burden of expectation: as the motor for regional economic development, and, following its own political 'miracle', as a political stabilising force. South Africa is certainly eager to be active in the region, but it is sensitive about its position. Outsiders want Pretoria to lead, its neighbours are hesitant, while the South Africans say they want to co-operate, not dominate. Alfred Nzo, the Minister of Foreign Affairs, said that 'we will contribute through mutual benefit and interdependence to regional co-operation and not through power politics'. Yet the importance which outsiders attach to South Africa may load the regional dice further towards its dominance. That is understandable because it is easier to invest in and co-operate with South Africa than the much smaller neighbours; and politically there is advantage and prestige in being associated with the new South Africa and its remarkable President, Nelson Mandela the result is that outside support for the region, whether it is from public or private sources, tends to be channelled to South Africa. Increasingly, therefore, South Africa will become the region's hub.

The new government also faces the dilemma that its domestic interests do not always coincide with regional concerns. Rusty Evans noted that the gap between rich and poor and the rate of population expansion in

South Africa 'have dictated that one of the Department's principal priorities has become the active encouragement of large scale foreign investment'. He hastily added that there was no intention of diverting investment away from the rest of the region, but intention or not that may well be happening. The clash of interests is also seen in the movement of people; refugees from war and poverty, and labour drawn from poorer countries. South Africa has long benefited from immigrant labour, but with its own rapidly increasing population and serious unemployment at home, attitudes have changed. The government has steadily reduced the number of foreign works legally entering the country. That policy is likely to continue, with serious consequences for neighbours especially Mozambique and Lesotho (which supplied 44,000 and 88,000 miners respectively in 1992). A further problem concerns illegal immigrants. Estimates of their number vary widely from two to eight million. Pretoria has taken steps to reduce the flow, but despite its best efforts South Africa will still attract illegal immigrants because of its relative prosperity and order, but that will continue to create controversy because of the search for jobs, housing and education from South Africans themselves. The new government cannot ignore its domestic interests. To maintain its support at home it must preach a 'South Africa first' message.

However, as far as the region is concerned, there is a saving grace. The government realises that its interests are best served by a stable, prosperous southern Africa. Indeed South Africa cannot advance if a region of poverty and conflict is tied around its neck. That may be a difficult message to convey at home but there is no escaping it. President Mandela stated: 'Our concern for national sovereignty and national interests need not prevent us from planning seriously for regional growth and development - indeed they dictate that we move in that direction, because our fortunes are so interdependent. None of us can achieve sustainable growth and development, or peace and stability in isolation'. Alfred Nzo captured it in a nut shell when he said: 'We cannot be an island of prosperity, surrounded by a sea of poverty'.

Regional development has both positive and negative sides for South Africa. On the positive there are opportunities to expand trade, investment, tourism, transport and the provision of power. South Africa's trade with the rest of Africa is steadily expanding and almost 90% of this trade is within the region, and further opportunities could be opened up. Equally the provision of water and power can best be achieved by regional co-operation, and already agreements have been reached with neighbours to that end.

These common interests are well illustrated by two major projects - one which is already well advanced, while the other is at the planning stage. The first is the Highlands water scheme in the Lesotho mountains, which diverts the head waters of the Orange River to meet the demands of Gauteng Province (the most populous and developed part of South Africa) and will supply all Lesotho's energy needs, plus creating an irrigation scheme. It is a huge project, backed by Western capital and demonstrates what can be achieved by regional and international co-operation. The second project (still being planned) is the development of the Maputo Corridor, from South Africa's industrial heartland to the nearest deep sea port - Maputo in Mozambique. As well as the transport link the aim is to encourage development along the route, in Mpumalanga Province. It will bring into play the Cahora Bassa Dam, on the Zambezi in Mozambique. The scale of the project is immense and the South African and Mozambique governments are hunting for investment totalling billions of US\$'s. The thinking behind the Maputo corridor comes not only from other schemes in Africa, but the Sao Paulo and Buenos Aires corridor, involving co-operation between Brazil, Argentina and Uruguay.

On the negative side if the region slides into increasing disorder and poverty South Africa will be in danger of being dragged down with it. The Cahora Bassa dam exemplifies this. It was started on the 1960's, and designed to supply power to South Africa and irrigate a large section of the Zambezi valley. It attracted major international and South African investment and was completed successfully as a major feat of engineering. Yet for decades it was a huge white elephant. It supplied neither power nor irrigation, because of the wars and instability in Mozambique. As well as that disappointment and the problem already noted of refugees and illegal immigration there is a threat that the Republic's borders could be penetrated by dissidents, cattle thieves, disease carriers, and drug and gun runners.

Even with stable governments on the other side of the border it will be difficult to contain these dangers, and there is a strong chance of disorder among some neighbours. The best hope for South Africa is to help sustain stability and co-operate where it can. In that context the head of the Defence Forces (General Meiring) outlined future roles for the armed forces. He said that a conventional military attack was most unlikely, but he stressed the importance of border control to prevent the flow of arms, drugs and illegal immigrants. 'This danger', he said, 'could best be countered with co-operation from neighbouring states, and so South Africa should work with them and enhance their defence capabilities'.

Looking to the future, the easiest option for South Africa might be to reach a series of bilateral agreements with its neighbours. These bilateral links have the advantage that Pretoria can use its resources to target specific ends. They have the further advantage of concentrating on functional arrangements - covering such sectors as power, water and transport - and backed not only by the government but by major companies (including Anglo-American, Escom and multi nationals such as oil companies). Yet, although this 'functional/sectorial' approach has many advantages, it offers only a limited form of integration and tends to emphasise South Africa's power in relation to neighbours rather than its willingness to co-operate.

There is therefore still considerable uncertainty about South Africa's future role in the region. The SADC meeting in August 1995 (the first to be staged in South Africa) disappointed those who favoured rapid progress. Dr Eric Leistner noted South Africa's 'self effacing attitude', which frustrated those who wanted Pretoria to give a positive lead. There was some advance in functional areas (water and power) but not in other fields - including general economic integration, trade patterns with other regions, air transport co-ordination, and the ASAS proposal was referred back for further consideration. In explaining the slow progress Leistner identified 'lack of political will', concern about South Africa's dominance, and 'petty politicking' about the leadership role (should it be Mandela or Mugabe?). Leistner argued that the expectations had been too high, and that time was needed to absorb the new situation, not least in South Africa. In his view the best future option was to establish a regional framework in which governments and private companies could operate together in promoting development. For all the difficulties involved he concluded: 'South Africa cannot afford to play a passive role in SADC for long. In its own interests it must insist on realistic objectives'.

What are those realistic objectives? It would seem reasonable to anticipate that if Pretoria has choice it will seek to promote regional arrangements that are pragmatically based: which provide a forum for consultation; open up opportunities for increased trade and investment; provide joint activities on the borders; and encourage functional developments in such sectors as water, transport and power. It will, however, be much more cautious and sceptical about grand designs, including those that anticipate continental wide schemes, full economic integration, or place too heavy a burden on the new South Africa. Its aim will be to balance its domestic and regional interests.

South Africa and Brazil in the Process of Globalization

Jesmond Blumenfeld

Introduction

Virtually no country in the world can regard itself as immune from the influences of globalization. Furthermore, the very nature of the forces of globalization means that, to some extent, all countries face the same set of challenges. However, whilst the globalization process may appear to be leading to the establishment of a common set of rules, opportunities, constraints and values, such an idealized 'level playing field' is still a long way from realization (Kennedy 1996; Waters 1995). Moreover, in its path towards this ideal-type outcome, every country starts from its own unique - and unequal - position. Although globalization is generally thought likely to be welfare-enhancing from a global perspective, as with any form of social change, the process is not only not frictionless, but it is clearly creating whole new sets of winners and losers, whether at the level of firms, industries, interest groups or nations. At the national level, the net losers may well include some of the richer and more developed countries, but amongst them will surely be many of the world's currently developing countries. Some of these start from such a weak position that the probability of their remaining severely marginalized, at least for the foreseeable future, is uncomfortably large. Others, especially among the so-called middle-income countries, are potential beneficiaries of the process, but may yet lose out because the frictions and externalities it creates will render them unwilling or unable to adapt sufficiently rapidly and extensively to a game in which the rules - and perhaps even the goal posts - are still being defined (Cable 1996b).

If only by virtue of their membership of this middle-income group, Brazil and South Africa afford an interesting opportunity for comparative

analysis of responses to, and lessons from, the globalization challenge. However, the case for comparison is greatly strengthened by the fact that, in terms of their social and economic structures, their domestic and external political constraints, and their relationships with the international economy, both Brazil and South Africa exhibit some striking similarities. This paper thus seeks to examine and assess the respective positions of the two countries in the context of the globalization process.

The nature of globalization

Globalization has manifested itself most obviously and forcefully in the economic sphere. Consequently, it is often defined primarily in terms of economic forces and variables. Thus, globalization has been described as "the growing international integration of markets for goods, services and capital" (Qureshi 1996:30), or as "the international integration of communications and economies" (Cable 1996a:133). The primary forces driving the changes are likewise identified widely as the inter-related thrusts towards the liberalization and deregulation of markets, both nationally and internationally, the internationalization of corporate production processes and decisions, the rapidly accelerating process of inter-country technological transfers, and the reductions in costs of international transportation and communications. In principle, if not always in practise, the impetus ultimately is towards free trade in goods, services, technology and ideas, free movement of capital and labour, common production costs and resource prices, common standards of product and service quality, and of working conditions and environmental impacts.

Implicit both in these definitions and in the identification of the driving forces, however, are major questions about the power of the nation-state and the role of governmental policy in advancing, or - perhaps more importantly - in managing or even holding back, the globalization process. Whether the demise of the nation-state and the virtual elimination of the capacity for independent policy management, especially in the economic sphere, are indeed the logical or inexorable consequences of globalization remains a matter of dispute (Cable 1996a; Waters 1995; Kennedy 1996; Halliday 1995). In this respect, it should be borne in mind that, to date and in practise, the process has proceeded unevenly in different spheres: it is significantly advanced in financial and capital markets, but much less so in both merchandise and services trade, the organization and location of

production, and patterns of fixed investment. It has also been selective, perhaps even contradictory, as demonstrated by the often heightened degrees of regulation of national labour markets and of international labour movements, by the growing tendency towards the formation of regional trade blocs, and by the increasing resort by governments to the threat or reality of non-tariff barriers to trade that have accompanied the progress towards globalization. But even allowing for the exceptions and qualifications, there is no doubt that globalization implies a significant diminution in the sovereignty and effective powers of national governments. Moreover, as the inclusion of 'communications' in Cable's definition underlines, through its ability to create and work through "transnational, but not state-related structures that escape orthodox control" (Halliday 1995:743), globalization affects not only material and financial relationships, but also underlying value systems (Riddell 1996:1358). A particularly effective illustration of this argument is provided by Ritzer's concept of the 'McDonaldization' of global society (Ritzer 1993; Waters 1995:143-5).

From an individual country perspective, therefore, globalization needs to be viewed more broadly. Waters has recently defined it as "a social process in which the constraints of geography on social and cultural arrangements recede and in which people become increasingly aware that they are receding" (Waters 1995:3). According to this conception, the process impacts on three "arenas of social life", namely the economy, the polity and culture. The three are "structurally independent" of each other, but each consists of a set of exchanges which have an evolving relationship with territoriality.

This definition, in turn, permits two propositions: first, that material (i.e. economic) exchanges lead to the localization of social relationships, political exchanges lead to their internationalization, and symbolic (i.e. cultural) exchanges to their globalization; and second, that the economy and the polity become more globalized "to the extent that the exchanges that take place within them are accomplished symbolically" (Waters 1995:9). Thus, in so far as economic exchanges have become increasingly 'cultural' and 'symbolicized' - cf. the rising shares of personal, financial and business 'services' in national output and the increasingly universal dominance of 'Western' or 'American' consumer culture - so the relevance of physical and national boundaries diminishes.

Discussion of the pros and cons of Waters' propositions lies well beyond the scope of this article. None the less, the propositions and their implications serve as a reminder that, whilst the focus of the comparison to be made between Brazil and South Africa will inevitably be on the economic aspects, the issues need to be set and understood in a much broader context.

Common starting points

Both South Africa and Brazil are classified by the World Bank within the so-called upper-middle-income echelon of developing countries, with per capita income levels (in 1994) of between roughly US\$3,000 and US\$8,000. With GNP per capita of \$3,040 and \$2,970 respectively, South Africa and Brazil are at the very bottom of this range (World Bank 1996:Table 1). If countries with very small populations (such as Mauritius, Oman and Uruguay), together with the transitional, formerly centrally-planned economies of Eastern Europe and the former Soviet Union, are excluded, the rest of the upper-middle-income group in fact consists largely of a handful of sizeable and potentially comparable semi-industrialized capitalist economies, such as Argentina, Chile, Malaysia, Mexico and South Korea, in addition to South Africa and Brazil.

Early demonstrations of the structural similarities of this small group of economies and, hence, at least from South Africa's perspective, the value of comparative analyses among them, were provided by Knight (1988) and Moll (1988). Knight noted that this approach constituted "the economist's way of conducting 'natural experiments'" (1988:492). Looking ahead to the then still-distant post-apartheid era, and drawing primarily on data from the World Bank's annual World Development Reports, he argued that any new government in South Africa would face daunting problems, but that the experience and empirical record of the upper-middle-income group pointed to an opportunity to raise the growth rate via "more egalitarian policies on such issues as employment, urbanisation, and human capital formation, along with a degree of direct income and asset redistribution" (1988:493). Moll examined the record of redistributionist policies in Chile, Argentina and Peru to draw lessons about the possibilities for, and likely limits of, similar policies in South Africa.

At best, of course, such comparisons can only be broad-brush in nature. Moreover, turning specifically to South Africa and Brazil, there are some significant differences between them. One difference is in the

sheer size of Brazil by comparison with South Africa: its total GDP is four-and-a-half times larger; its population four times larger; and its land mass seven times larger. Another difference is that they have had very different inflation experiences. Thus, Brazil has had a number of bouts of serious inflation (Little 1982; Sachs and Zini 1996), culminating in worsening hyperinflation over the 15 years from 1978 to 1993. During this period, the annual inflation rate rose - albeit with wild fluctuations - from 40% to 2700%, before falling back to a 'mere' 16% in 1995 (Abreu et al 1996:Table 1; Cardoso 1996:Table 1). In South Africa, by contrast, inflation was not a serious problem before the oil price shocks of the 1970s; even then the annual inflation rate was limited to an increase from 11% in the second half of the 1970s towards 19% in 1986 and it has since been reduced below 10% again. Yet another important aspect in which they differ is in the degree of 'openness' of the two economies. South Africa's is much more 'open', in that the ratios of exports and imports to GDP are each around 25%, compared with only 8% for Brazil (World Bank 1996:Table 13).

Even so, the basic structural similarities between the South African and Brazilian economies are still strikingly strong. This is attested to by the most recent World Bank data on accepted development indicators. Thus, for example:

- Both countries suffered significant declines in per capita income over the past decade, averaging 1.3% and 0.4% p.a. respectively (World Bank:Table 1)

- Their estimated per capita incomes on a 'purchasing power parity' basis were - like their per capita GNP levels - almost identical at 19.8% and 20.9% respectively of the US level in 1994 (Table 1)

- In both, manufacturing output accounts for approximately one-quarter of GDP (Table 12)

- Both have suffered from relative stagnation or decline in industrial output and in real fixed investment over the past 15 years (Table 11)

- In both, disproportionately large shares of resources are pre-empted by the government sector: thus, current government spending accounts for around one-fifth of GDP (Table 13); when interest payments are included, the proportions rise to around one-third (Table 14)

- Gross domestic investment in both countries accounts for approximately one fifth, and gross domestic savings for between one-fifth and one-quarter, of GDP (Table 13)

- Both have experienced relatively stable terms of trade over the past decade (Table 3)

- Both have high - albeit declining - population growth rates (2.2% and 1.7% p.a. respectively in 1990-94) (Table 4)

- Their income distribution profiles are among the most unequal in the world, with Gini indices estimated at 58.4 and 63.4 respectively, and with highly similar shares of income accruing to the different quintiles of their populations (Table 5)

- Both have high infant mortality rates of 50 and 56 per 1,000 live births, compared with weighted averages of 36 both for all upper-middle-income and for all lower-middle-income countries (Table 6)

- In both, almost one in every five adults is illiterate and only one in eight of post-secondary school age youths are in tertiary education (Table 7).

Taken together, these characteristics reveal that, despite their substantial and relatively modern and developed 'First World' industrial sectors, South Africa and Brazil are essentially Third World in respect of their levels of social development and quality of life. The data also reveal that, for all their aspirations to be numbered, if not among "the globe's movers and shakers" (Schneider 1996:204), then at least among the more prosperous and industrialized players of the developing world, their recent economic performances have been unimpressive at best. Indeed, a decade ago, both countries were firmly in the middle of the corresponding upper-middle-income group of countries. Since then, far from achieving sustained development, both appear to have been more at risk of slipping back into the lower-middle-income group and, hence, into relative decline and marginalization.

Common histories

The similarities in development indicators merely indicate the comparable outcomes of past development processes in the two countries. In themselves, they do not explain why these outcomes have been similar. In particular, they do not explain why, most of the other countries that started from much the same position in the early 1980s have achieved substantial improvements in living standards over the past 10-15 years, whereas South Africa and Brazil have stagnated, even declined, over the same period. In fact, however, the similarities also extend to significant

aspects of the two countries' political and economic histories, including the nature of their growth paths, the thrust of their economic policies, and the structural-economic and political constraints on their policy makers.

In the first half of this century, both countries achieved relative success by exporting commodities - gold for South Africa, coffee for Brazil - on a scale sufficient to finance manufactured imports, including machinery and equipment for the establishment of local industries. At least from the onset of World War II, both successfully pursued industrialization policies based predominantly on the promotion of protected indigenous industries and the development of a domestic market (Bacha 1980; Knight and Moran 1981). In the 1960s and 1970s, in a bid to underpin the industrialization effort and achieve greater economic self-sufficiency, both governments engaged in large-scale public sector investments in infrastructure and in 'strategic' industries. Despite the growing import burden and the increasing distortions of relative prices, the returns to these combined strategies of import substitution and promotion of state-owned enterprises were impressive. In Brazil, real GDP per capita grew at an average rate of 2.5% p.a. between 1900 and 1973, and GDP growth itself averaged 7% p.a. in 1940-80 (Abreu et al 1996:241). In South Africa, the annual real output growth rate in 1911-79 averaged 3.8% (Nattrass 1981:24).

By the 1980s, however, there was increasing internal evidence that their capacity to generate sustainable growth had been exhausted. The productivity of capital was declining and the rate of employment creation was lagging further and further behind the growth rate of output (Knight and Moran). Moreover, under the influence of the 'neo-liberal orthodoxy' or 'Washington consensus', there was a growing trend towards market-oriented reforms in much of the rest of the developing world. These intellectual developments naturally permeated the economic policy debates in South Africa and Brazil as well. In South Africa, significant moves towards liberalization and deregulation, especially in financial markets, had occurred by 1983. In particular, the dual exchange rate was abolished, and positive real interest rates emerged. In Brazil, the effect was less immediately evident: perhaps largely because of the preoccupation with hyperinflation and the understandable desire to combat it through 'heterodox', rather than more austere, adjustment policies, the new approaches to achieving macroeconomic balance did not begin to find concrete expression in the various 'stabilization' plans until the 'Bresser' Plan of 1987 (Tavares de Almeida 1996?). Moreover, the 'cushions'

provided by the large domestic market and the greater success in generating exports of manufactures may have helped to delay the impact on policy (Knight and Moran; Gillis 1983: 460-1).

In the event, however, both countries persisted for most of the 1980s with their predominantly 'statist' models of development, and the associated inward-looking resource allocation policy regimes. Indeed, in South Africa, there were quite severe reversals of the trend towards more outward-looking policies, especially with the reintroduction in 1985 of the dual exchange rate and the associated controls over non-resident capital flows.

The failure of the new orthodoxy to take root can be explained by the outcomes of growing conflicts between economic and political imperatives in the two countries. These resulted from escalating economic sanctions in South Africa and from the onset of the foreign debt crisis in Brazil. Both countries faced severe external economic constraints, in the form of large and inescapable net capital outflows. In South Africa, these outflows originated initially from accelerating divestments of foreign portfolio holdings and disinvestments from foreign direct investments. But the constraint was made binding by the international banks' refusal in 1985 to renew South Africa's substantial short-term external debts and by the government's consequent unilateral moratorium on debt repayments. The 'interim understandings' which ensued with the creditor banks effectively precluded access to virtually all new credits, other than for trade purposes. Brazil's excessive accumulated external debt likewise led to limits on its ability to refinance its maturing obligations, let alone raise new funds, until the existing stock of debt had been substantially reduced. The need to finance such substantial and unanticipated capital outflows, in turn, forced both countries to run a current account surplus and, hence, to severely curtail economic growth and their demand for imports.

But the economic adjustments entailed by these external constraints were imposed, in both cases, by governments whose domestic political legitimacy was also diminishing. South Africa's white minority regime was facing both growing internal resistance from the black majority and growing external isolation. Although its residual powers were great, it lacked the capacity to govern with consent and its economic policies and strategies were scarcely less bitterly contested than were their social and political counterparts. Consequently, though structural economic and market-oriented reforms were part of the government's policy agenda, the credibility

and legitimacy needed to implement them was limited. Indeed, in many respects, such reforms were simply politically impractical. In so far as they might have involved greater integration with the global economy, they would have run the risk of affording even more hostages to the pro-sanctions lobby; in so far as they demanded sacrifices from the beneficiaries of existing policies and structures, they constituted challenges to interest groups who still exercised considerable effective political sway; and, in so far as they required sacrifices from the politically disadvantaged, they were rejected on the twin grounds that they lacked democratic consent and that they did not accord with the 'developmentalist' objectives of the regime's opponents.

Brazil's several 'stabilization' programmes of the 1980s suffered from not wholly dissimilar political disabilities. Even President Sarney's civilian administration of 1985-89, which followed the last military regime under Figueiredo, lacked the democratic credentials derived from competitive elections and independent and assertive legislatures and, hence, served more to articulate the interests of the old elites and the beneficiaries of earlier state-led and inward-looking economic development policies (Tavares de Almeida 1996?). Consequently, radical shifts in the frame of reference for structural adjustment policies were slow to materialize. In particular, Brazil's governments continued to employ trade policies - in the form of increasingly complex tariffs, subsidies and administrative controls - in pursuit of macroeconomic stabilization objectives, despite growing evidence from around the world of the diminishing effectiveness of this traditional approach to macroeconomic management (Coes 1994).

Thus, in both countries, most attempts in the 1980s to introduce or impose lasting structural economic reforms, particularly in the economic role of the state, but also in the determination of key prices, including interest rates and exchange rates, largely failed in their own terms. In consequence, and in contrast with South Korea and Malaysia among the South East Asian 'tigers', and Argentina, Mexico and Chile in South and Central America, the new policy 'orthodoxy' failed to take root in South Africa and Brazil, and the vested political interests in maintaining the existing policy regimes remained dominant. The ensuing deterioration in economic performance merely aggravated their respective political and economic crises.

Facing up to the globalization challenge

More recently, of course, both countries have undergone fundamental transitions towards more democratic and inclusive political systems. Both have also embarked on economic reform programmes which explicitly seek accommodations with the forces of globalization. Trade liberalization, deregulation of markets, public sector restructuring and privatization are common objectives; in South Africa's case, there is the additional objective of liberalization of all capital flows. In the process, it is not only the relationships between domestic and international markets that are being restructured, but also the internal state-market nexus. Yet, in both cases, the reform process in practise has generally been slow, hesitant and uncertain, thus raising the possibility of heightened conflict between domestic policies and the imperatives of globalization.

Underlying the ambiguities of both the South African and Brazilian responses to globalization are a number of common elements:

- While democratization has brought greater political legitimacy to government policies, the enhanced need to negotiate changes or build a consensus with different interests and constituencies has reduced the scope for making and implementing timely, decisive and consistent policy choices

- Even within the governing coalitions there is little consensus over broad strategic policy issues. In particular, notwithstanding the broad commitment to closer integration with the global economy, there is deep conflict between continuing adherents of the old statist, developmentalist and populist orthodoxy, some of whom still regard the commitments to redistributive, reconstructionist and people-centred policies as near-sacrosanct, and proponents of more 'pragmatic' or 'realist' policy stances

- The loci of key policy-making decisions remains uncertain and the structures of the effective policy-making institutions are still evolving

- Considerable uncertainty still exists among the new policy-making fraternities over whether the new trade and investment relationships between the domestic economy and the international economy should be forged primarily through direct multilateral or bilateral links or via strengthened regional integration arrangements.

When these elements are combined with the inevitable conflicts between different and urgent policy objectives - such as reducing unemployment and inducing inefficient, protected domestic industries to become internationally competitive - the constraints on the accommodation

and adjustment processes in each of the two countries become readily explicable.

The political economy of globalization: South Africa

The first all-race elections of April 1994 brought to power a Government of National Unity (GNU), with the dominant party - the African National Congress (ANC) - in coalition with the outgoing National Party and the Inkatha Freedom Party. Notwithstanding the fact that for nearly four decades the National Party had pursued a largely statist approach to development, the economic platforms of the two smaller coalition partners were - in broad terms - pro-market in content, with a reliance on economic growth to provide additional resources for social upliftment of the disadvantaged. The NP presented itself as pro-business, calling for privatization of state enterprises, fiscal balance, deregulation and liberalization of markets, liberalization of the trade policy regime and appropriate policies to attract foreign investment. The ANC's formal manifesto, which was grounded largely in its Reconstruction and Development Programme (RDP), was more ambiguous, seeking to reconcile commitment to 'restructuring' of the role of the state with major public sector-led infrastructural development and social upliftment programmes. In practice, there was much common ground over broad objectives, including the overriding need to attract private foreign capital - a need which derives from the fact that output and especially fixed investment in South Africa are highly import-intensive, with the result that economic growth is always accompanied by a deficit on the current account of the balance of payments and, hence, is sustainable only if capital inflows reach the requisite scale. However, there was little definition on either side of explicit policy details.

The reasons for this were three-fold:

The parties were constrained both by the fact that they would have to work together in the new government in the interests of political stability, and by the knowledge that, in practice, the resources available for reconstruction and development were severely limited by existing scale of public sector debt and of the fiscal deficit

As part of the process of confidence building, and especially of affording reassurance to the markets, the 'non-political' white businessman

who had been drafted in as finance minister during the political transition, retained his post, as did the Governor of the Reserve Bank. Both were committed to pursuing 'responsible' fiscal and monetary policies. In addition, the Interim Constitution ensured the independence of the Reserve Bank from political control, thus further limiting the effective scope for autonomous policy actions by government.

A long-running power struggle was still taking place between traditionalists and modernists within the ANC over economic policies and the appropriate role of the state vis-a-vis the market. Since the ANC was a broad 'liberation movement' coalition between returned exiles, internal anti-apartheid activists, former guerrillas, communists and trade unionists, this struggle was both inevitable and necessary. By the time of the election, it was already clear that, at least within the political leadership, the old aspirations for nationalization of the commanding heights of the economy and for largely state-directed development policies had been discarded, and the need for fiscal and monetary 'rectitude' almost universally acknowledged. But, apart from the concern that this perspective might not yet be widely shared either at grass-roots level or by the leadership and members of the powerful Cosatu trade union federation, it was clear that there was still profound resistance to embracing the alternative ideology of neo-liberalism. Consequently, the commitment to privatization of state-owned enterprises, and to deregulation and liberalization of markets, was at best uncertain. Post-election developments did less than might have been hoped to clarify the position unambiguously.

Against this background, a sense of 'policy drift' within the cabinet was created. Even after the appointment in April 1996 of the ANC's own finance minister, Trevor Manuel, and the subsequent withdrawal of the NP from the GNU, consistent and credible policies have been slow to materialize, and the cabinet's willingness and ability to make hard choices has remained in question. This situation, in turn, has had major consequences for South Africa's responses to the forces of globalization across a wide range of policy issues affecting portfolio capital flows, foreign direct investment, privatization and foreign trade relations.

Portfolio capital flows: The abolition (once again) in March 1995 of the dual exchange rate and associated exchange controls on non-residents, represented a significant - if still only partial - step towards South Africa's reintegration into global capital markets. It was made possible by the final resolution of the problems created by the debt repayment moratorium of

1985, and by the post-election increase in foreign exchange reserves which had previously fallen to dangerously low levels. The move was well-received in international markets, where portfolio holdings of South African stock had long been disproportionately low in relation to the market capitalization of the Johannesburg stock exchange. Assisted by modestly favourable verdicts from the main international credit-rating agencies and by high real interest rates, substantial net capital inflows ensued, predominantly for portfolio investment purposes.

Despite a continuing inflation rate well in excess of that of the main trading partners, the net result was a small appreciation, in place of the widely-anticipated depreciation, of the newly-unified rand exchange rate, and a further boost to the reserves. Notwithstanding Mexico's recent (December 1994) sobering experience of a sudden reversal of speculative capital inflows, the warning signs of an overvalued currency combined with a deteriorating trade balance and a lack of long-term fixed capital inflows appeared not to be a source of serious concern for market participants. Indeed, it was arguable that, despite a number of longer-term question marks overhanging South Africa's future development, current economic fundamentals were not noticeably out of line with market expectations.

The rise in the rand, and the associated fall in import prices, was used by the monetary authorities as a convenient mechanism for helping to lower inflationary pressures while allowing the economy to expand at a faster rate. The improved economic outlook also fuelled the debate over the appropriate way to remove the remaining exchange controls (over residents' capital flows) in the light of the globalization of international capital markets. Significant voices within both the domestic and international business communities argued for their early and total abolition, on the grounds that the existence of any exchange controls was a potential deterrent to foreign investment and that any initial net outflow of capital would be quickly reversed as confidence improved. The authorities' view, widely supported by independent observers, was that the risks inherent in this 'big bang' approach - a massive capital outflow necessitating unprecedentedly disruptive adjustment, and no certainty of reversal of capital flows - were too severe to contemplate. Consequently, they opted instead for a step-by-step approach with the timing of each relaxation dependent on the prevailing circumstances. It was recognized that this approach was not without danger, including the possibility that speculators

might seek to turn each step into a one-way bet by driving down the currency in advance of the relaxation. But this increased short-term turbulence was seen as preferable to the risks inherent in the alternative, especially if the latter were to lead to an enforced and highly damaging reimposition of the controls.

By early 1996, several minor relaxations - with a not insignificant cumulative effect - had already been implemented. With capital still flowing in, expectations of further relaxations were growing. In mid-February, however, a series of unconnected market rumours and reports triggered a sharp reversal of the capital flows and the currency weakened. At this stage, foreign investors appear to have undertaken a reappraisal of South Africa's prospects and, aided by some ineptness on the part of the authorities, within 10 weeks the rand's international value had fallen by nearly 20% and the painstakingly rebuilt foreign exchange reserves had again been reduced to dangerously low levels. In addition, interest rates had risen, inflationary pressures had increased and growth prospects had been damaged. In the process, the government had been taught a painful lesson about the importance of credible and consistent economic policies for maintaining capital inflows in a globalized market.

Foreign direct investment (FDI): If South Africa is to achieve the economic regeneration it seeks, it needs FDI for its contribution to new productive capacity, to technology transfer, and to the financing of its foreign exchange and domestic savings gaps. At the time of the election, there was a widespread belief in South Africa that, with a 'legitimate' government in place and the earlier sanctions-related restraints removed, FDI - no less than portfolio capital - would flood into the country to take advantage of the anticipated growth in the domestic market and of the 'gateway' to the wider Southern African region. In retrospect, it can be seen that this belief reflected a serious misunderstanding of the determinants of FDI in the era of globalization. Whilst South Africa's locational potential did indeed attract considerable interest among foreign firms, and the new government continually emphasized its determination to create an 'investor-friendly' environment, the conversion rate into hard investment decisions fell well short of the anticipated scale, even after exchange controls on non-residents were lifted.

The reasons for the hesitancy of foreign firms are manifold. One significant deterrent has been continuing uncertainty about long-term

political stability. This is less a concern about the ANC losing power - which is improbable - than about the populist and statist factions within the ANC regaining the policy initiative. Unfortunately for the ANC, the long, drawn-out process of policy formulation, coupled with the perception that the ANC has ceded too much of a veto over economic policies to its trade union partners in Cosatu, has merely reinforced this fear. Other socio-political considerations have also been in play. The widespread political violence, especially at the time of the 1994 election, and in advance of the more recent local elections in Kwa-Zulu Natal province, fuelled concern that inherited divisions and deprivations may yet call the country's ultimate governability into question. Nor has this fear been stilled by the recent sharp decline in political violence, since the rapidly rising tide of crime - especially of violent and indiscriminate attacks on innocent citizens - raises essentially the same question.

But there are also more specific economic and economic policy-related inhibitions on FDI. For all South Africa's obvious locational advantages - including its functioning infrastructure, and its modern, business-friendly legal and financial systems - its high-cost, low-productivity and skills-deficient labour force provide offsetting disadvantages. Somewhat ironically, the progressive labour-relations system which played a significant role in undermining apartheid policies and structures in the 1980s, is now widely perceived as a liability, creating too much inflexibility in a labour market which, by virtue of its high levels of unemployment, clearly requires greater flexibility. The exceptionally high degree of concentration of corporate ownership in South Africa also makes it difficult for new investors to break into the local market, but the ANC has still to define its competition policy; similarly, there is great uncertainty about future environmental policy and its impact on investment decisions; and the government's continuing prevarication over privatization means that one of the largest potential sources of new FDI - and hence of committed long-term capital inflows - is not being tapped.

Privatization: The evident reluctance to embrace privatization wholeheartedly provides an unfortunate signal to international capital markets in another significant respect. The ANC's willingness and ability to cut substantially the relative size of the fiscal deficit - budgeted at 5.1% of GDP in 1996/97 - and to reduce the stock of public debt - currently nearly 60% of GDP - has come to be regarded as a key index of its commitment to the disciplines of the new globalized environment. For a

variety of technical and political constraints, the target budget deficit/GDP ratio of 3% in 1999/90 is unlikely to be attainable without a major increase in government revenues. Since the only realistic source of new revenues is through privatization, perceptions of the firmness of government's stance on fiscal discipline are being undermined. To the extent that this puts upward pressure on interest rates, the problem threatens to become self-sustaining, since interest payments are the second largest component of current government spending.

Foreign trade: As a legacy of sanctions and import substitution, South Africa has one of the most complex and opaque import tariff and control structures in the world. It also has a relatively inefficient, inflexible and internationally uncompetitive manufacturing base. Although the overall scale of manufactured exports is not insignificant, the majority are sold to Africa rather than in the main world markets for manufactures. Reducing and rationalizing protection, and increasing the competitiveness of domestic industries, are thus major policy priorities. Another priority, if foreign investment is to be attracted, is to create a level playing field for domestic and foreign firms, although the effects here may be ambiguous, given that the availability of protection was a major factor in attracting FDI in the past. Through GATT/WTO, South Africa has committed itself to a timetable for substantial tariff reductions and has begun implementing these, in some cases ahead of schedule. The old general export incentive scheme, widely recognized as ineffectual, has also been phased out. As a result of these changes, some sectors - most notably clothing and textiles - have already been forced into major restructurings, with the loss of many jobs.

Despite this, many uncertainties still remain over trade policy, not least whether priority is to be given to developing trade relations with the EU, hitherto the biggest trading partner, or with its immediate neighbours the Southern African region, or with new trading partners in South-East Asia or the Indian Ocean Rim. The matter is complicated by South Africa's long-standing membership - together with Botswana, Lesotho, Namibia and Swaziland - of the Southern African Customs Union (SACU), and by its recent accession to the wider Southern African Development Community (SADC), whose other members all belong to the ACP group of countries and, hence, receive preferential trade access to - and development assistance from - the EU under the Lome agreement. Expectations of some form of early association agreement with the EU have not been realized. South Africa's expressed preference for accession to the trade preference

arrangements enjoyed by the ACP countries was rejected by the EU. Instead, the EU has offered South Africa a bilateral trade agreement, but its form and content have not been well-received in Pretoria. The EU's own agricultural protectionist lobbies have ensured that the proffered agreement falls short of a full bilateral free trade arrangement. In addition, there is uncertainty about the full implications of the EU proposal for trade relations in the region, where SADC members have recently expressed their own aspirations by adopting a free trade protocol.

Clearly, South Africa urgently needs to forge much closer trade relations with the international economy, especially by expanding manufactured exports. However, it is tied by a variety of multilateral, bilateral and regional commitments and relations, and it remains unclear which route or routes will provide the greatest returns. But, the changes in government and, even more recently, the changes in the bureaucracy, have rendered the whole policy-making structure unclear. Both the Department of Trade and Industry, under minister Alec Erwin, and the Office of the Deputy President (and heir-apparent to President Mandela), Thabo Mbeki are playing prominent roles. The new parliament also has its own scrutiny committees covering all ministerial portfolios, and these have already begun to play an independent and influential role in policy making. In addition, the business community, the labour movements and the government are all represented in the new National Economic Development and Labour Council (Nedlac), through which all policy proposals are meant to be filtered. A further complication is that there is a school of thought - which includes some within the populist wing of the ANC - that considers that, regardless of material interests, South Africa has a moral obligation to assist its neighbours, many of whom made significant sacrifices during the struggle against apartheid, and hence to give priority to regional integration. With the relentless pressures of globalization to be taken into account, the trade policy dilemma is undeniably an acute one.

The political economy of globalization: Brazil

As intimated by the foregoing analysis, South Africa's fundamental policy challenge is how to revive economic growth, finance socio-economic reconstruction, and reintegrate its previously isolated and distorted economy into an increasingly globalized international system, without endangering its relative macroeconomic stability. By contrast, Brazil's challenge is how

to restore macroeconomic stabilization, remove the spectre of renewed hyperinflation, restructure its domestic economy, and distribute the benefits of growth more widely, whilst retaining and increasing the confidence of increasingly globalized markets. Thus, despite the somewhat earlier start to Brazil's political and economic transitions, part of the explanation for the relatively slow pace of economic reform lies in the focus on stabilization. But, as suggested earlier, economic reform has also been held back by some of the features of the democratization process.

At the heart of Brazil's political transition lay the new Constitution adopted in 1988. From the perspective of economic reform, some of the key changes induced by the Constitution were the greater decentralization of political power to state and municipal government structures and the consequent weakening of the power both of federal government structures and of the federal executive. These shifts in the balance of power not only created new political institutions and new interest groups within the bureaucracy, but - in so far as the substantial powers of state largesse were also redistributed - they created significant new corporatist beneficiaries as well. As in South Africa, this greater diversity of interests has complicated the process of formulating and implementing changes in economic policy. The increasing strength of civil society in Brazil in the post-military rule era, and the growth of a strong labour movement, have likewise led to the emergence of new alliances - in addition to the remaining old alliances and interests - with whom proposed policy changes have to be negotiated (Tavares de Almeida 1996?). Added to all this, the federal governing coalition itself comprises four main political parties from very different ideological traditions and, hence, with differing stances on the key issues where globalization is concerned, namely stabilization policy, FDI, privatization and trade policy.

Stabilization policy: Brazil's Real Plan, which has been in place since mid-1994, is the latest in a long series of hitherto unsuccessful attempts to overcome the seemingly intractable problem of hyperinflation. In essence, the Plan envisaged the phased introduction of a new currency pegged to the US dollar, and accompanied by tighter fiscal policy and an ambitious and novel attempt to break the process of indexation of wages, prices and taxes which had exercised such a powerful and self-perpetuating influence on the inflation rate (Sachs and Zini 1996; Cardoso 1996). In practice, in order to maximize the anti-inflationary impact, the authorities engineered an appreciation of the new Real exchange rate. In addition, the Central

Bank maintained very high real interest rates in order to hold back consumption demand which might otherwise have risen sharply as the effects of the former 'inflation tax' were vitiated. However, a side-effect of the high interest rates was to attract large volumes of speculative funds from abroad, which merely served to reinforce the appreciation of the new currency (and, in part, to add to inflationary pressures through their monetary effects).

Although real interest rates have since been reduced significantly, they remain high by international standards and both the overvaluation of the Real and the inflow of funds have persisted. However, a combination of Constitutional provisions, political pressures and higher interest rates has caused fiscal policy to be less restrictive than intended, leading to a rising fiscal deficit and burgeoning public sector debt. In addition, continued economic growth, coupled with the 'cheapening' of imports, has turned the trade balance from surplus into deficit. For these reasons, the sustainability of the Plan has been called into question by some commentators, fearing a 'Mexico-style debacle' in which foreign confidence will evaporate, the tide of capital flows will be reversed, the exchange rate will collapse, the banking system - already weakened by the reduction in inflation - will be plunged into crisis, and only drastic cuts in the fiscal deficit will preclude a return to the old instabilities.

The counter-argument is that, in the new democratic political context, fundamental and potentially painful economic reforms have to be cautiously negotiated, and that the Real Plan's successes to date have provided both the opportunity for consensus-building and the basis from which credible and sustainable reforms can be undertaken. There is also a lingering belief among Brazilian policy-makers that, in contrast with (say) Mexico, and notwithstanding the imperatives of globalized markets, Brazil retains considerable autonomy in determining the nature and pace of its economic reform and adjustment policies. Whether this will prove to be the case remains to be seen. Certainly, unlike South Africa, Brazil has the luxury of very substantial foreign exchange reserves which could cushion the impact of any reversal of capital flows and mitigate concerns about the deteriorating trade balance. Indeed, so strong has been Brazil's attractiveness to foreign capital that the government earlier this year resorted to administrative restrictions on some capital *inflows*. On the other hand, if the lesson of Mexico in 1994 was that international asset-holders are likely to be intolerant of unsustainable fundamentals, the case of South

Africa in 1996 showed them to be no less impatient with protracted policy-making and reform processes. Consequently, if the Brazilian reform process fails to deliver the requisite structural changes, the risk of catastrophe will be greatly increased.

FDI: With the reduction in inflation, Brazil has recently enjoyed substantial and growing amounts of FDI: US\$1 billion in 1993, \$2.2 billion in 1994, \$3.3 billion in 1995 and an anticipated \$6.6 billion in 1996. It would have enjoyed even more FDI were it not for the constitutional and other restrictions on foreign ownership, especially in the mining sector. Other inhibitions include adverse external perceptions concerning the slow pace of structural economic and policy reform, fragility and inadequate transparency in the banking sector, high interest rates, rising unemployment, uncertainty over economic stabilization and social stability prospects, and poor infrastructure, especially in transport. Moreover, as in South Africa, the majority of investments are being financed from the retained profits of existing enterprises, rather than from new capital inflows (Heap 1996). Brazil therefore needs to attract much more FDI, and for much the same reasons as South Africa. Although the restrictions on foreign ownership were eased in 1995, and have already led to a significant upsurge in prospecting expenditures by foreign mining companies, more general growth in FDI is clearly still being held back by ambivalent Brazilian political attitudes towards FDI in general and foreign involvement in privatization in particular.

Privatization: Whereas South Africa needs privatization as much to bolster its foreign exchange reserves as to reduce its budget deficit, in Brazil it is the fiscal requirement that is paramount. Political pressures, coupled with constitutional requirements for wage, pension and social security increases are still inhibiting effective control over the growth in public spending, and - with the local elections looming in October - legislated reform is likely to remain elusive. Consequently, privatization is the only realistic means of reducing the deficit. But, as in South Africa, the appetite within government for privatization - and for the associated losses of patronage and power - is weak. As in South Africa, too, the privatization programme is driven far more by necessity than by conviction and this provides a weak basis for pushing through politically controversial legislation. Despite its revenue-raising potential, therefore, and the growing interest of foreign investors in increased participation in hitherto state-owned or state-dominated enterprises, especially in the telecommunications,

oil, energy, transport and mining sectors, the privatization programme is moving forward only very slowly.

However, one area in which private capital in general, and foreign capital in particular, may be able to play a more substantial, but less politically sensitive role, is in infrastructure development, where funding is increasingly being channelled via the stock market. The deterioration of the transport infrastructure over the past twenty years means that large-scale new investments are needed and the fiscally-stretched public authorities have neither the funds themselves nor the capacity to raise them directly elsewhere. However, the willingness of private capital to fund such developments will depend crucially on the terms offered by the government and on the associated regulatory framework. An excessively 'nationalistic' approach could prove counterproductive.

Trade policy: As part of its inflation strategy, the Brazilian government has been reducing tariffs on imports. In conjunction with the overvalued exchange rate, and increased consumption demand, this has led to a surge in imports. In consequence, domestic industries have been forced to adjust to heightened competitive pressures, severely adverse consequences for output and employment in some sectors. Although, as a result, the productivity of Brazilian manufacturing industries has reportedly increased significantly, the rising trade deficit has raised fears about the sustainability of the policy. In addition, some domestic producers not unnaturally have resorted to intensive lobbying for a return to more protectionist policies. Somewhat controversially, the government has recently yielded to these pressures in a number of industries, most notably motor vehicles and a range of consumer goods. Nonetheless, because the government comprises a broad coalition of parties with sometimes conflicting interests, as in South Africa, a definitive long-term trade policy has yet to emerge. Meanwhile, the ad hoc responses to competitive pressures are likely to generate complaints from trading partners and, possibly, formal challenges within the WTO framework.

By contrast with South Africa, however, Brazil's regional policy is much more clearly developed. Although Brazil's trade with its neighbours suffered during the debt crisis years, the advent of the Mercosul common market has not only increased mutual trade between the member countries, but has also begun to have significant impacts on regional industrial and production structures. One of the most notable examples of this is in the

motor industry, where Brazil's manufacturers are increasingly organizing their production on an integrated regional basis, and where Brazilian plants are likely to concentrate increasingly on production for the small-car mass market, whilst Argentina's producers concentrate more on medium-sized units.

Nonetheless, tensions remain between Brazil's links with its regional partners and with other trading partners around the world. Given the historical difficulties surrounding US-Brazilian relations, it is unsurprising that Brazil has concentrated on developing closer links with the other major industrial markets in the EU and Japan (Schneider 1996). These links may be threatened by perceptions abroad that Mercosul could be a vehicle for increasing regional protectionism. At the same time, Brazil is anxious to extend its trade and investment with other, non-traditional trading partners, such as India where there is also considerable scope for mutual technology transfers. Thus, whether Brazil's long-term interests are best served by concentrating on its regional role, and using that context as the primary vehicle for developing its trade and investment links with the rest of the world, remains an open question.

Conclusion

Both Brazil and South Africa are confronting the forces of globalization from a position of relative weakness. By virtue of their poor economic performances and their unwillingness or inability to jettison their inward-looking development strategies, they were unable to fully exploit the newly-emerging global opportunities in trade and investment in the 1980s and early 1990s, and they were left behind in the increasingly intensive competition to attract foreign resources.

More recently, both have committed themselves to undertake extensive internal restructurings and external reorientations of their economies in an effort to strengthen their competitive positions and to profit from the opportunities afforded by the globalization process. However, accommodating the forces of globalization also involves extensive risks. These risks derive partly from the fact that, from the perspective of individual countries and governments, the 'neo-liberal' rules and criteria by which the rationales and outcomes of policy decisions of individual countries are judged are increasingly being set exogenously.

But they also derive from the fact that, particularly in the area of trade policy, the playing field remains far from level, and the more powerful participants are prone to ignore the rules when it suits them.

For South Africa and Brazil, the risks are exacerbated by the fact that economic reform is now taking place in domestic political contexts which militate against rapid and decisive decision-making. Policy formulation now has to take account not only of the vested interests of the old elites, whose effective economic power still gives them considerable political influence, but also of the growing and potentially powerful interests of the emerging new elites. It also has to take account of the continuing evolution of new and diverse domestic policy-making institutions, and the increasing need to negotiate compromises in a variety of different forums. Indeed, in both countries, it is arguably still too early to discern clearly how, and through whom, these sometimes coincidental, sometimes widely conflicting, interests are being articulated and incorporated into economic policies. In important respects, therefore, the criticisms levelled against the new South African and Brazilian administrations, for the slow pace of their policy development, are unfair. Moreover, it is probable that the policies that emerge from this process will prove to be more enduring. But, in many important policy areas, the forces of globalization are ruthless and aspirant participants in the process can expect - and will receive - no quarter.

More generally, along with most other countries, South Africa and Brazil are being forced by globalization into fundamental restructurings of their state-market relationships. However, whether in respect of exchange controls, trade policy, controls over FDI, privatization or the scale of the fiscal deficit, governments everywhere now operate with fewer degrees of freedom. The difficulty for South Africa and Brazil (among others) is that their domestic socio-economic policy objectives and priorities are not always consistent - at least in the relatively short term - with the requirements of the neo-liberal 'consensus'. The problem is complicated by the fact that, in both countries, political support for the demands posed by globalization tends to be pragmatic, rather than ideological. As expressed by one commentator on Brazil, "there is a consensus (among domestic policy elites) that Brazil must internationalize its economy but that this should stop short of the neo-liberal model as implemented in the Asian tigers. Predominantly they are neither advocates of doctrinaire privatization nor ideologically wedded to statism but range across the spectrum between these two extremes" (Schneider 1996:217). Despite the lingering influence of some

interventionist hardliners, these observations could equally well be made of South Africa's policy-makers.

For both countries, therefore, the challenge of globalization raises painfully difficult questions about their relationships with the international economy, about the trade-off between the constraints on domestic and international policy objectives, and about the effective autonomy of the state in guiding and moderating the outcomes of market forces in resource allocation decisions. In both cases, moreover, the issues at stake are no less than the future stability of the political system and the prosperity of the majority of the population. Although neither country is yet secure from the threat of further marginalization, on the evidence to date, both are committed to the fullest possible participation in the globalization process and to developing pragmatic and effective responses to the challenges it poses.

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Brazil and South Africa in a Globalising World

Jim Jones

Earlier this year, addressing a session of the World Economic Forum (WEF) in Switzerland, South African deputy president Thabo Mbeki expressed reservations about the effects of increasing globalisation. They were reservations to be addressed and worked through, not reservations that would alter any of his country's intentions to play a full part in world economic development. Despite opposition from groups such as organised labour that were crucial to the African National Congress's 1994 election victory, Mbeki and South Africa's ruling party accept that globalisation is an opportunity as well as an inescapable fact of life for South Africa.

Their argument is that no country can remove itself from the tide of globalisation if it wants to participate in the world's economic growth. As a corollary, a country must accept globalisation and its implications if it does not want other countries with more-open economies to impose trade or investment sanctions against it.

Apart from the tangible advantages of rising trade flows, Brazil and South Africa have much to learn from each other on the economic and social processes necessary to create winning nations in an increasingly competitive world where barriers to trade, capital, skills, information and technology are rapidly falling. In several respects South Africa lags Brazil in this process, this was perhaps inevitable given the country's pariah status during the apartheid years and given the time needed by the new, though comparatively inexperienced, government to come to grips with the complexities of running a highly diverse country.

South Africa's new government shows every sign of caution. It does not propose rushing into economic strategies that might prove inappropriate and that can be avoided with a little forethought. The

government's macroeconomic plan, unveiled mid-1996, envisages an annual real GDP growth rate of 6% by the year 2000 based on fixed capital investment equal to 26% of GDP against about 18% at present and foreign investment rising to 4% of GDP from something over 2% at present. By way of comparison, Brazil's domestic savings were running at about 20% of GDP in early-1996 against 25% in the 1960s and 1970s when annual real GDP growth was averaging 7%.

Before the mid-1980s and before the politically-driven and highly-publicised foreign divestment of the subsequent years, foreign investment averaged about 5.5% of GDP.

According to the IMF's most recent staff report, achieving this projected growth rate will involve fiscal measures such as: cutting business and farming subsidies, which accounted for 1% of GDP in fiscal 1995/96; improving the efficiency of government spending by redirecting funding away from universities towards primary and secondary education; and government not attempting to reduce its present dissaving equivalent to 2.7% of GDP by increasing taxes. Government net savings, the IMF suggests, should be boosted to 1.2% of GDP by the year 2000. At the same time domestic savings would have to be raised to 22.1% of GDP against the present 15.5%.

But to revert to the World Economic Forum's analysis in its 1996 Global Competitiveness Report that analyses the international competitiveness of the world's 49 most-important economies, neither Brazil nor South Africa ranks among the leaders. The competitiveness rating is designed to measure how each country's current economic conditions and its institutions position it to sustain medium-term economic growth. On the WEF's competitiveness index, which is based on the subjective perceptions of domestic business people as well as on objective and measurable criteria, Brazil ranks 48th of the 49 countries surveyed (ahead of Russia), while South Africa is logged at 43rd.

Essentially, Brazil and South Africa exhibit all the characteristics of developing countries: populations characterised by great wealth, skills and educational disparities; unevenly distributed infrastructure; low spending on social welfare; backlogs to be addressed; and hopes of shifting economic emphasis away from reliance on unprocessed and semi-processed products towards manufacturing. Globalisation offers the opportunity, if it can be seized.

Backlash against globalisation

Opposition to globalisation generally comes from groups or individuals who find the transition uncomfortable. We have seen the result in the former Communist bloc where electorates have shifted support back to communist parties or their successors under whom life was sparse but predictable. Similar considerations influence organised labour in industries that were able to grow complacent and inefficient behind the protective barriers now being dismantled in the name of competitiveness.

Political opposition is another matter. Globalisation leads to a progressive diminution of national self-determination. If a country's economy is open, as Brazil's largely is and South Africa's in many respects is less so, the activities of government and business are increasingly determined by external influences. National and international economic strategies are forced to converge. If not, the market inflicts its own corrective measures.

Deputy president Mbeki's concern was that globalisation could confirm or entrench disparities between nations. And as one South African businessman put it: "The future is already with us. It is just a pity that it is so unevenly distributed."

Privatisation

Though privatisation can be interpreted as principally a domestic issue, its vigorous pursuit and promotion would appear to be crucial to any developing country's success in a global environment. Brazil has travelled further than South Africa along the privatisation road, with obvious benefits to its economic performance, even if it made some mistakes along the way.

And while Brazil's government has occasionally felt it necessary to call out troops to contain popular protests against privatisation, South Africa's government is unlikely to do so.

The word privatisation has been something of a dirty word in South Africa, understandably so given the fact that the ANC enjoys considerable support from the South African Communist Party, that many ANC leaders are Communist party members and as the ANC counts the country's unions among its allies. Partly as a result, the word "restructuring" is used instead

of “privatisation” by the government when discussing state-owned enterprises. And while this might appear at first glance to be a mere question of semantics, “restructuring” implies more than “privatisation”, particularly when it comes to finding strategic partners with the skills and technology needed to improve the competitiveness of stodgy parastatals.

Opposition to privatisation in South Africa would appear to be more over form than over principle. Unionised workers who fear their jobs might disappear as privatised parastatals are forced to become competitive and efficient, have demonstrated in the streets against government’s privatisation plans. But, again, just as popular demonstrations have not deflected Brazil’s government from its privatisation programme, demonstrations will neither deflect South Africa’s government from taking the privatisation route nor from accepting that economic efficiency has uncomfortable short-term costs.

In August this year the government appointed the London-based HSBC Investment Bank (formerly Hong Kong and Shanghai Bank) as its principal adviser on privatisation. And the adviser is expected to present government with a preliminary evaluation of the restructuring of state assets before the year’s end. As government’s adviser, HSBC is debarred from participating in the privatisation of specific parastatals.

South Africa has never experienced nationalisation of its industries and does not own major or diversified industrial or mining enterprises such as Brazil’s Companhia Vale do Rio Doce (CVRD). Though the state has interests in various manufacturing or service industries that are best located in the private sector, those industries were developed in pursuit of autarky. For decades the apartheid government based its economic policies on a perceived need for self-sufficiency in the face of a hostile world.

Sasol is one of these ventures and was established shortly after the second world war to make gasoline from coal as South Africa’s coal resources are large and its oil and gas insignificant. Sasol’s process was not economic and could not produce gasoline to compete with that derived from imported crude oil, but years of government funding through subsidies helped give rise to a synfuels company that currently provides about one third of South Africa’s liquid fuels. The original German technology has been improved and extended steadily, leaving the company as one of the world’s leading technologists in the field.

Gasoline-from-coal on its own cannot compete financially with crude oil refineries, but subsidies on liquid fuels allowed Sasol to diversify into petrochemicals that made the chemicals-from-coal venture highly profitable as an integrated operation. Government gradually sold the physical infrastructure of this venture more than a decade ago (that is long before the advent of the ANC government or, for that matter, long before the freeing of Nelson Mandela or the un-banning of democratic parties) to a private sector firm with subsidy guarantees that allowed the private-sector company to plan expansion and new developments with some security.

Sasol's effective privatisation did not include sales to unions, employees or black economic empowerment groups. This, though, was not the case in the late-1980s when the state-owned steel producer Iscor was privatised by the former government. Iscor's privatisation was opposed by its black unions, and attempts were made to allay this opposition by distributing shares in the privatised company cheaply to employees and the unions. In the event these two groups largely sold the shares they received, but organised labour now works effectively with Iscor and its management.

As yet, government has still to decide how, when and what other state assets will be privatised. Telkom, the state-owned monopoly telecommunications company is likely to be among the first, but the aim is to find a foreign strategic partner and to guarantee continuation of the monopoly for several years after a portion of the telecoms parastatal is sold to a private investor. It is argued that monopoly protection is necessary as there is a need to install new lines in remote and therefore uneconomic rural areas. Permitting competition would simply result in emphasis on providing profitable value-added telecoms services to businesses and in high-density urban areas. Contrast this with the Brazilian approach in which a number of operating companies are licensed to provide services under the Telebras holding company.

Another thread running through the privatisation debate inside South Africa's ruling party is whether attempts should be made to convert loss-making parastatals to profitability before privatisation. The alternative, of selling loss-makers to be better run by private sector owners is not particularly favoured.

Other major parastatals earmarked for privatisation range through Eskom the monopoly electricity generation and distribution utility, South

African Airways, Transnet the rail and road haulage conglomerate, Portnet which runs the country's sea ports, the Airports Company that manages the air ports and which is seeking foreign partners, Mossagas, which operates a small synfuels plant based on limited reserve of off-shore gas, and state-owned forestry plantations.

Government is highly sensitive to political demand for redress for the years when apartheid deprived black South Africans in favour of whites. This, too, will be a factor in privatisation decisions, so that foreign strategic investors will be expected to take on black partners and, just as is the case with government contracts, favourable terms will be given to those who do.

Trade competition

Brazil's recent decisions to apply World Trade Organisation procedures to impose import quotas and to increase tariffs sharply on a range of goods highlights a dilemma facing countries that are opening their economies after years of protection. In this respect, Brazil and South Africa have much in common.

Cutting tariffs and opening an economy to imported competition may cause pain to some inefficient manufacturers, but handled sensibly it can become a spur to greater production efficiencies. And these enforced efficiency improvements, in turn, can allow manufacturers themselves to become internationally competitive.

The Brazilian government's introduction of quotas on motor vehicle imports and the increase in tariffs from 32% to 70% has aroused ire at the WTO, but is justified by the government as being a device to stimulate investment in Brazil's motor vehicle industry. In contrast, countries that export to Brazil and whose trade has been affected argue that new tariffs are discriminatory and that they were put in place as a hasty response to Brazil's recent trade deficit after several years of surpluses.

The argument becomes circular and is complicated by the counter-argument of trade and industry minister Francisco Dornelles that Brazilian exports are affected by import barriers on, amongst other products, items such as orange juice, tobacco, steel, footwear and textiles imposed by the USA and barriers against beef, sugar, chicken and instant coffee imposed by the EU.

However, South Africans understand this. Two years ago, on a

visit to South Africa, French President François Mitterand made several promises about access to European markets for South African products. In the event, South African expectations were dashed when France exerted pressure inside the EU to exclude 39% of South Africa's agricultural products in negotiations over a free-trade agreement between South Africa and the EU. Criticism of France's apparent volte face in the South African media received sharp official French rebukes. Nevertheless, public criticism may have had a positive effect on South Africa's ability to win trade concessions from the EU.

If Brazil and South Africa are to promote and benefit from globalisation, co-operation in pushing for an opening of international markets would seem to be a sound starting point.

Two-way trade between Brazil and South Africa remained largely stagnant in the region of US\$200 million to US\$250 million with the balance largely in Brazil's favour until 1993. In 1995 trade in both directions totalled US\$ 535 million with a balance of US\$ 50 million in South Africa's favour.

Globalisation, that appears to develop into the creation of regional trading blocks, also appears to result in the strengthening of trade barriers. South Africa suffers from this as much as Brazil. Nonetheless, the impression has recently been created that Brazil's longer-term commitment to opening its economy is subservient to short-term considerations of the balance of payments. And the impression has grown that Brazil might lead developing countries in resisting calls for acceleration of trade liberalisation when the first WTO ministerial meeting takes place in Singapore in December 1996.

South Africa's former Trade Minister Trevor Manuel committed his country to an accelerated reduction in tariffs and is committed in terms of the Uruguay Round to maximum tariffs ranging from 15% to 30%. In 1995 the country committed itself to reducing ad valorem duties by one third over five years, while new lower tariffs on automobiles and textiles were introduced in September 1995. Customs duties on imported cars were to be cut from their present 40% to 20% by the year 2000, the rate applying to household textiles will drop from 55% to 30% and on clothing from 90% to 40%. The rand's decline against other currencies leaves room to accelerate these tariff cuts and the government's economic blueprint made public in June 1996 proposed that tariff cuts on motor vehicles, textiles and clothing be advanced by two years.

Tariff cuts have obviously been criticised by vested interests in affected industries, but the underlying idea behind tariff cuts is that they will compel comparatively inefficient manufacturing industries to become competitive or go out of business. Tariff cuts, too, are designed to allow South African firms to globalise through agreements with foreigners on importing or exporting components rather than completed products. This is particularly so in the motor vehicles industry, which is increasingly trading components in both directions with non-traditional countries such as Brazil.

Inflation

South Africa has never suffered from the levels of inflation that have affected Brazil. It has never resorted to the indexation or currency reforms that were forced on Brazil and its fight against inflation is conventional and managed largely through monetary policy managed by the South African Reserve Bank. At present South Africa's annual inflation rate is in the region of 7%, and its direction is uncertain over the next year.

The reason for this uncertainty is that the South African Reserve Bank is concerned that conventional interest rate increases might nip the country's nascent economic growth in the bud. There is also considerable pressure from organised labour for interest rates increases to be restrained, pressure that the Reserve Bank finds difficult to resist.

Exchange controls

Unlike Brazil, which used the removal of exchange controls as one means of facilitating the stabilisation of its currency, South Africa clings to stringent restrictions and convertibility of its currency. And though government and the central bank's monetary authorities are regularly pressed to specify a timetable for removal or relaxation of controls, there is a steadfast refusal to do so.

The South African Reserve Bank endorses a gradual approach to the removal of controls, and its advice is largely heeded by government. The Reserve Bank is concerned that an overnight removal of exchange controls would lead to a massive outflow of funds as the pent-up demand by South Africans to invest abroad is released.

One result of this foot dragging over removing exchange controls

is that government's commitment to monetary and fiscal discipline is not wholly believed by prospective foreign investors, simply because government has not accepted the external discipline of a free exchange market. Partly as a result, the South African rand has been in steady decline for several years though with no obvious competitive benefits to the country's principal exporters of raw and semi-processed materials whose prices are largely dollar-denominated.

There are no restrictions on the entry of foreign capital into South Africa, but exchange controls that limit South Africans' ability to externalise their investments is a drawback. The resultant and persistent weakness of the rand discourages foreign investors from buying bonds or equities for fear of capital losses expressed in hard currencies. Earlier this year a major run on the rand highlighted to foreign investors just why nominal yields on South African investments were comparatively high - as compensation for the currency risk.

For many years, foreign investment in South Africa was officially encouraged by the so-called financial rand system. Foreigners could buy and sell South African investments in financial rands which were generally cheaper in dollars than the commercial rands used for trade and non-investment transactions as well as the payment of interest or dividends. The result was that foreigners received higher returns on their South African investments than South African investors. Essentially, however, the financial rand system meant that foreign purchases or sales of South African investments did not affect the current account of the balance of payments. Investments traded in financial rands were, to all intents and purposes, isolated in a separate investment pool.

The system gradually became counter-productive as the financial rand's exchange rate became increasingly volatile and uncertain. The system was scrapped in 1995 with none of the feared effects on investment flows and exchange rates.

There has been no official suggestion that a similar system but in reverse might be introduced to allow South Africans to invest abroad, at exchange rates that are less favourable than those applying to the commercial rand. The system would be much the same as the dollar pool arrangement that applied to British investment abroad before Britain abolished exchange controls in the 1970s. But it bears repeating that this is an unofficial suggestion, though a suggestion that has been considered by

the finance ministry and South African Reserve Bank.

Exchange controls restrict South African corporations' ability to invest abroad, though some insurance companies and other investment houses have been given permission to transact strictly-limited asset swaps. One possible upshot is that South African mining groups will feel constrained from bidding, for example, for part or parts of a privatised CVRD in Brazil.

One of the results of decades of South African exchange controls has been the emergence of a few large conglomerates that straddle and dominate the economy. Anglo American Corporation (mining, industry, finance and services), Rembrandt (tobacco, liquor, mining, and television), Anglovaal (mining and industry), Old Mutual (life assurance), Sanlam (life assurance and Liberty Life (life assurance) together control over two thirds of the companies quoted on the Johannesburg stock exchange.

It can be argued that this concentration of economic power developed because exchange controls blocked foreign investment. Local investors had little choice but to invest in a comparatively limited range of equities on the Johannesburg Stock Exchange. As a result, once investments are made, they are rarely relinquished, with obvious implications for the liquidity of the stock exchange and its usefulness as a vehicle for raising new investment capital. And one result of this concentration of economic power is that foreign firms find it very difficult to invest in manufacturing operations in South Africa and compete effectively with long-established and dominant South African firms.

When apartheid was at its peak, many foreign companies divested from South Africa because of pressures from anti-apartheid activist shareholders in their home countries or in protest at the South African government's racial policies. Some are now returning, repurchasing business interests that were warehoused with South African investors as a temporary expedient. But this does not necessarily mean that new technologies will be introduced on favourable terms into South Africa - to a large extent they remained readily available despite divestment.

Financial sectors

South Africa's financial services sector is among the world's leaders, in its depth and breadth and despite the years of exchange controls

that have restricted the country's financial interaction with the rest of the world.

Legislation permits the establishment of more than one stock exchange, but the Johannesburg Stock Exchange (JSE) is the only one in operation trading equities in private companies, gilts and semi-gilts. Until 1996 trading on the Johannesburg Stock Exchange was by open-outcry on the floor of the exchange. This was phased out over a few months mid-1996 and trading is now exclusively through a computerised system that precisely matches buying and selling orders at appropriate prices.

This JSE's new system is based on that of the Chicago Stock Exchange.

Until 1996 stockbrokers were only allowed to trade as agents for their clients, and corporate membership of the exchange was not permitted. This changes in 1996, allowing stockbrokerages to be owned by financial institutions and to trade as agents. In other words, stockbrokerages could trade in equities as principals. Several foreign financial institutions and banks entered the market by acquiring interests in local stockbroking firms. and the principal linkages established were:

South African Brokerage	Foreign Counterpart	Country
Fleming Martin	Robert Fleming	United Kingdom
Simpson McKie	Hong Kong & Shanghai Bank	United Kingdom
Smith Borkum Hare	Merrill Lynch	USA
Ivor Jones Roy	Deutsche Morgan Grenfell	Germany/UK
Frankel Pollack	None	
Ed Hern	BOE Natwest	SA/UK

In recent years futures trading has begun, trading commodities futures on a different exchange from the JSE.

Unlike Brazil, where state-owned banks have only recently been privatised, South Africa's financial system has always been in the private sector. The South African Reserve Bank performs the normal tasks of

managing monetary policy and being the lender of last resort to the private banking sector as well as acting as a regulator of the banking industry. Over the past decade or so, the Reserve Bank has felt it necessary to support faltering banks, but it has always done so in secret, without disclosing the extent or characteristics of its support. The normal means is by providing a troubled bank with loans at a nominal interest of 1% or so, on condition that the assisted bank re-deposits the amount with the Reserve Bank to earn interest at normal commercial rates that are significantly higher.

And unlike Brazil, where the commercial banks have only been allowed the status of "banco multiplo", South Africa's commercial banks have always been free to provide several banking services. With the recent alterations to the rules governing how stockbrokers do business on the Johannesburg Stock Exchange, domestic and foreign banks are now permitted to acquire interests in stockbrokerages and deal in equities and gilt investments as principals and agents. The result is a high degree of integration in the financial services sector, the equal of that in other, developed economies.

However, unlike, for example, the United States, the deposits in South African banks are not guaranteed by central government.

Until some five years ago, the South African government raised cheap finance by compelling life assurers to invest a specified portion of their funds in "prescribed assets", government or parastatal stock at relatively low interest rates. This regulation has been abolished for the past five years and, unlike many other countries employees are not obliged to invest part of their income in state-owned insurances.

Principal Domestic Banking Groups

	Total Assets (Rand millions)	Taxed income (Rand billions)
Amalgamated Banks of SA	115.1	1,104
Standard Bank Investment Corp	101.1	1,147
First National Bank	77.3	883
Nedcor	72.8	782

Principal Domestic Life Assurers

	Total Assets (Rand billions)	Total income Rand (millions)
Old Mutual	133,6	28.4
Sanlam	139,5	
Liberty Life	69,8	13,9

South africa's tequila effect

Between January and August 1996 South Africa's currency, the rand, fell by almost 25% against the dollar and, by late-August, the decline showed no signs of reversing. Essentially the currency is under pressure from speculative traders who do not believe the South African Reserve Bank has sufficient foreign reserves or international credit lines to protect the currency. Furthermore, speculative pressures are widely expected to increase while South Africa maintains its extensive system of exchange controls.

The reasons for this year's rand decline may be found in the fact that the South African currency had strengthened by some 7% against the dollar in 1995 as the partial relaxation of exchange controls (the financial rand was scrapped) and international interest in the majority-governed country spurred inward investment. However, this year's abrupt and unexpected resignation of former finance minister Chris Liebenberg and his replacement with ANC appointee Trevor Manuel affected confidence.

Government's foot dragging over the now internationally conventional policy of privatisation has also affected confidence in government's economic strategies, while foreign confidence is being eroded by South Africa's apparent and widely-reported slide into criminal anarchy.

Brazil's decision to free its currency from restraints and to maintain its value in a narrow band against the dollar has influenced confidence in the Real. South Africa could benefit from Brazil's experience.

Regional trade pacts

At risk of appearing totally cynical, the regional trade pacts of which South Africa is a member offer few opportunities for export or import growth to the country. South Africa's exports to Zimbabwe, Zambia and Malawi total 40% of those countries' imports, and it is difficult to envisage any significant increase in the percentage given the trading partners relative underdevelopment.

At the same time, only 17% of Zimbabwe's exports go to South Africa, 2% of Zambia's and 13% of Malawi's. And it is difficult to envisage percentages increasing as the countries involved are largely exporters of primary products that South Africa produces itself.

While Brazil could join with its relatively populous and developed neighbours to form Mercosur, the comparative underdevelopment and sparse population of South Africa's neighbours would seem to be a major drawback in creating an effective regional market.

As it is, the Southern African Customs Union, which is supposed to facilitate intra-regional trade and establish a common external tariff structure, is moribund. And partners in the Southern African Development Community spend more time squabbling over South Africa's domination of the regional economy than on devising economic strategies that will promote regional development. Zimbabwe, in particular, is concerned that South African imports will local manufacturing industries that have enjoyed considerable protection for years. Africa's relative unimportance is underscored by 1995's trade figures.

In 1995 South Africa's exports totalled Rands 101 billion of which 30,5% went to Europe, 7.6% to the Americas, 19.6% to Asia, 1,5% to Oceania, 12,9% to Africa and 27,9% (largely gold, precious metals and gems) were unclassified by destination.

In 1995 imports totalled Rands 98.0 bn of which 48.6% were from Europe, 29.9% from Asia, 15.4% from the Americas, 2.9% from Africa, 8% from Oceania and 1,4% were unclassified.

The region's limited attraction is clear from the fact that Mozambique's economy has been all-but destroyed by civil war, Angola's civil war still persists, Zambia's economy is weak though privatisation of some broken-down state assets is under way, Lesotho, Swaziland, Namibia and Botswana each have populations that are only in the region of one

million. The net result is a region which, apart from South Africa, has little spending power and therefore little propensity to import. While Brazil might feel an affinity to Angola and Mozambique because of a shared language and a share though remote Portuguese heritage, trade opportunities with those two largely destroyed economies are restricted.

In South Africa itself, the debate over whether the country should seek entry to the EU in terms of the Lomé Convention has died. South Africa is far too developed an economy to qualify for Lomé preferences.

South Africa's transition to majority government has not been an unmixed blessing as administration of the country's customs and excise has faltered because of a shortage of trained customs officers. It has been estimated that more than 90% of containers entering South Africa through the port of Durban are not examined. Evasion of customs duties is rife and the country is increasingly viewed as a market and "entrepôt" for international drugs traffickers.

People migration - internal and international

Two factors characterise South Africa's migration patterns. The country is home to an estimated 5 million or more illegal immigrants from neighbouring countries, and most are largely unskilled. At the same time, South Africa's own skills base has been eroded over the past few decades by an emigration of skilled people who feared for their security in an increasingly lawless society or who were leaving to avoid feared implications of black majority rule. Internally, urbanisation is proceeding apace after years of apartheid prevented rural people from seeking homes and jobs in the cities. The strains on social infrastructure is increasingly apparent.

Emigration of skilled or professional (largely white) people is continuing at a greater rate than might be apparent from official statistics. In round figures the skilled South African Diaspora totals 100,000 or more. And while there has been some redress with skilled political "émigrés" returning with the advent of multi-party democracy, the country is continuing to suffer a drain of skilled manpower.

The conventional argument is that South Africa should play a part in developing the economies of its neighbours as a means of persuading those countries' poorly-skilled citizens to stay and work at home. South

Africa's capacity to do so is limited by its own need to mobilise domestic and foreign capital for its own economic development. Small neighbouring countries frequently express the erroneous view that South Africa is rich and will be the springboard for their development. It is difficult to agree with this concept, though there might be opportunities for other countries to invest in the region.

Corruption/Drugs/Crime etc.

Since the start of events that led to the country's 1994 election of a majority government, South Africa has been under the international microscope, arguably to a greater extent than any other country. As a result its handling of the social problems it shares with Brazil and other developing countries - high levels of violent crime, street children, housing shortages, high unemployment and a poorly-educated overall workforce are examples - have greater international media coverage than do other countries.

Crime, at risk of appearing facetious, is the world's fastest growing industry and the industry that is globalising at a greater rate than any other.

To a great extent, South Africa's year's of political isolation kept the international drugs problem at bay. Increasing openness is changing this, and there are regular media reports of drug barons operating with impunity in poorer residential areas. Police corruption and incompetence that results in criminals not being apprehended or being released with no charges being brought against them are leading to a public backlash. And just as Brazil has police vigilante groups, South Africa is seeing the development of private vigilante groups that take the law into their own hands.

South Africa's new government came to power amid promises of openness and incorruptibility. The previous government had often been accused of sleaze, accusations that all too often proved to be correct. In recent months, allegations of corruption or general incompetence levelled at ANC government ministers have been met with attacks on the people making allegations. The ANC appears to be having difficulty making the transition from being a liberation movement which accepted members of widely-differing views to a political party. The result is a demand by the party leadership of public conformity. Ministers are not dismissed for incompetence, but for criticising the party or its leadership.

Crime, particularly car hijacking and theft, is becoming increasingly violent or deadly and spreading out of the teeming black townships into formerly all-white wealthier suburbs. The result is that international firms are expressing reluctance to send executives or skilled people to South Africa, a country they view as inherently unsafe even if its crime levels are no worse than, say, Brazil's. The rising tide of crime is also adding to the fears of skilled or qualified professionals who are contemplating emigration to countries perceived as less dangerous.

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Trade and Investment Between South Africa and Brazil: Present and Future

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Introduction

At the beginning of this century, in a world of economic tortoises - in which developing countries were stagnating or growing very slowly - South Africa and Brazil were both hares. Endowed with fabulous natural resources, vast areas of agricultural extraction, with a seemingly empty hinterland beckoning settlement, they sucked up foreign capital and grew very speedily.

Odd then, that four years before the end of this century, both countries are many times poorer on a per capita basis than what were then some of the tortoises - countries, such as Korea and Formosa (Taiwan), which, with far more modest natural endowments, seemed destined for slow growth. And, although very different, South Africa and Brazil now have broadly the same challenges: externally, how to catch up with the industrialised nations; internally, for the poorer parts of the population to catch up to the standard of living of the wealthier part. These challenges can be described as the challenges of internal and external convergence.

Convergence internal and external

Two salient features are shared by the economies of South Africa and Brazil. Firstly, inside each country, the wealthy have incomes many times that of the poor. Indeed, these two countries are regularly quoted as

having the most unequal distributions of income in the world, as measured by the Gini coefficient. In both countries, this internal challenge is complicated by the fact that there is a racial component to the division between wealthy and the poor. Secondly, taken on average, the output per citizen of both countries (at around US\$ 3,000 per capita) is less than one-seventh that of the wealthiest nations in the world.

These features raise two critical questions for the destinies of our lands: Can the well-being of citizens be made to converge upward, so that poverty is eliminated and the society in each case become more equal (internal convergence) - or is there something in the structure of society or culture that will prevent this from occurring, leaving some groups for ever worse off than others? Secondly, can the overall well-being, or productivity, of both nations be made to converge upwards, so that the poorer nations, such as ours, will eventually catch up with the wealthier nations (external or international convergence)? Or are there, as Rudiger Dornbusch once speculated, some factors that will consign some societies forever to the international poorhouse?

External convergence and free trade

There are a number of economic theories that suggest that at least external convergence may be unlikely. These posit a so-called "path-dependency": if a country stays poor, or persists with the wrong policies long enough, one can never entirely recover and is stuck on that lower "path". The leading theorist of non-convergence is Paul Romer. Romer¹ believes that accumulation of knowledge is at the core of an economy's ability to increase its output. But countries with much intellectual prowess will simply build on their base of learning at a rate which never allows poorer countries to catch up, these technological laggards then staying behind, and remaining forever poorer. In short, Romer blames (at least a part of) the relative stagnation of so many countries on the view that they simply cannot catch up with the ever-increasing sophistication of the wealthy nations.

Alexander Gershenkron in contrast showed that during the spread of the industrial revolution across Europe during the 19th century, once the late starters got going, they grew *faster* than the richer pioneer countries,

¹ See Romer (1994).

such as Britain. Gershchenkron ascribed this ability to catch up to the fact that proven technologies and management approaches were available for immediate application by the poorer countries.

The implication for poor countries is positive: if one is open to international learning and product expertise, and the right incentives are in place, over time poor countries would not only grow richer, but start catching up with the rich countries. As evidence there is in recent decades a gallery of catcher-uppers: Japan, Italy, South Korea, Taiwan, Thailand; and, latterly, Chile, Malaysia and Indonesia. But all is not well with the simpler versions of the catching-up hypothesis. Africa is a veritable graveyard of countries confounding Gershchenkron's hypothesis, and during the 1970s and 1980s parts of Latin America seemed to be in a similar slump.

Moreover, a flurry of evidence about convergence within particular sub-sets of countries contradicts Romer's pessimism. Evidence of catch-up has been found *within* the following groups; post-war OECD countries: poorer OECD countries are growing faster than the richer ones;² states within the United States;³ prefectures in Japan;⁴ countries within the European Union (EU);⁵ countries within the European Free Trade Area (EFTA).⁶

Analysts have tried to account, however, for the fact that only a limited number of countries seem to converge - i. e., they have recognised that there seems to be a "convergence club" - and have tried to determine what the entrance qualifications for the club are. For countries like South Africa and Brazil that wish to belong to this club of catcher-uppers, this is the crucial question. There are a number of different candidates:

A FREE TRADE REGIME - Sachs and Warner have argued that what successful areas share a very high degree of free trade amongst the members of the particular group. This observation gives rise to a stunning hypothesis: the accumulated technological and other learning of rich countries is available to make poor countries grow fast, but that learning is efficiently

² Dowrick and Nguyen (1989).

³ Barro and Sala-I-Martin (1991).

⁴ Barro and Sala-I-Martin (1991).

⁵ Ben-David (1993).

⁶ Ben-David (1993).

transferred and used only where free trade enforces such efficiency. Thus free trade is an essential precondition to external convergence.

· **AN ADEQUATE INITIAL LEVEL OF HUMAN CAPITAL** - Baumol and others⁷ have suggested that unless a country has a basic level of skills which enables it to absorb learning from the front-runner countries, it will not be able to start catching up;

· **THE RIGHT DOMESTIC POLICIES AND INCENTIVES** - Mancur Olson claimed in an influential recent article⁸ that the large differences between the per capita output performances of different countries are not adequately explained by differences in the quality of human capital or land or the availability of domestic capital. Instead what remains different in these countries is their economic policies and institutions, which together create a particular set of incentives or disincentives for either success or failure;

· **THE RIGHT POLITICAL INSTITUTIONS** - The experience of structural adjustment in Africa suggests that in the absence of the right political regime - i.e., one that encourages open and accountable government, ensures public safety, regulates in a rational way, taxes wisely and efficiently, and underwrites a dependable system of commercial and private law - growth cannot be sustained, no matter what degree of openness to the rest of the world is maintained;

· **THRIFT: HIGH RATES OF SAVINGS AND INVESTMENT** - Alwyn Young⁹ has pointed out that a large part of the growth of East Asian nations can be ascribed to unusually high rates of savings and investment, rather than to large gains in productivity. As Paul Krugman has put it, the growth is due "to perspiration rather than inspiration".

In summary, then, other international evidence tells us that countries like South Africa and Brazil can become sustained catcher-uppers only if they create the right incentives for their citizens to take advantage of global learning, capital and market access. This requires that our countries: engage in free trade; maintain and expand a solid base of human expertise; have the right market-friendly policies; have political institutions that are free, open, and effective in fulfilling the basic functions of government, and; set aside sufficient resources for investment into future productive capacity. This primer for being a successful country in the global economy is borne

⁷ Baumol, Nelson and Wolff (1994)

⁸ Olson (1996).

⁹ Young (1995).

out by much of the economic history of the two countries, and of the global marketplace.

South Africa and Brazil: global veterans

The world in which the modern South African and Brazilian economies were formed around the turn of the century was characterised by a dramatic integration of world markets in many goods; certainty of convertibility and ease of movement of capital across borders; and extra-jurisdictional business activities fortified by European legal rules (admittedly often through the agency of “unequal treaties” and colonialism). In South Africa and Brazil during that period, foreign capital inflows (as well as technology and expertise) were vast; and exports and GDP grew very rapidly.

The very foundations of our economies were laid in a time of global economic integration, with the assistance of global markets for our goods, and foreign capital for our investment needs. In the case of South Africa, the country absorbed 318 million pounds sterling of capital from Britain between 1865 and 1914.¹⁰ The capital for the very company that I work for, Anglo American, was sourced in the capital markets of Europe and the United States, starting in 1917.¹¹ With that capital we built up large sections of South Africa’s mining and industrial sectors.

The experience of Brazil and South Africa during the heyday of the first global market points to a larger claim, one foreshadowed in the earlier sections: that during this period of unprecedented free trade, countries and colonies on the periphery grew very fast indeed, and that there was considerable catch-up by these poorer regions with the wealthy north.

From openness to autarky: 1914 - 1970s

And then this era of unprecedented international growth came to an end. World War I and a decade later the Great Depression led to the abandonment of the Gold Standard, and the imposition of high barriers to both trade and capital flows.

¹⁰ Latham (1978) 59-60.

¹¹ Gregory (1962) 75-90.

The ideological tide shifted. During the 1930s, countries around the world noted the apparent success of the Soviet model and the huge production gains made under national socialism and its *dirigiste* derivatives in Germany, Italy and Japan. In an atmosphere where the supposedly self-correcting mechanisms of the market had clearly failed to fully utilise production capacity during the Great Depression, government-led growth became the model of choice. South Africa and Brazil were exemplars of the new development paradigm: both turned inward, promoting import substituting activity behind high tariff barriers. In the case of South Africa, protection, government-led industrial development, capital controls and other forms of enterprise regulation and inflexible labour market institutions started in the 1920's following a period of social unrest. The dismantling of those structures began in the 1980s, but is still incomplete today.

There are clear parallels in Brazil where, following social unrest in the 1920s, the economic crisis of 1930 resulted in a major revolt, led by Dr. Getúlio Vargas, who was installed as president. Both this regime, and its successors, maintained what by now was the autarkic orthodoxy: high tariff barriers and capital controls encouraged import-substituting industrialisation.

Post-War boom, followed by slowdown and stagnation

It is important to note that in the first decades after World War II the inward- looking policy delivered high growth rates to both countries. Between 1948 and 1973, Brazil achieved average annual growth in GDP of 7.9 per cent, and South Africa a figure of 5 per cent. (It is interesting to speculate on the fact that during that period South Africa consistently achieved almost three percentage points annual growth *less* than Brazil. It seems reasonable to assume that that was the cost imposed by apartheid on the South African economy being more the misallocation of resources than the cost of sanctions which only gathered steam in the 1980s.) Similar Cycles

Brazil and South Africa's Growth Performance 1948-1995

	Brazil	South Africa
Post-War Boom		
1948-1973	7.9%	5%
Slower Seventies		
1974-1979	6.4%	2.9%
Boomlet Bubble		
1980	9.2%	6.7%
The Lost Decade		
1981-1992	1.2%	0.4%
Back in the World		
1992-1995	4.6%	2.3%

Average Annual GDP Growth During Each of the Five Periods

The first test of the inward-looking policy attitude came in the early 1970s when three important structural changes transformed the global economy: firstly, the Bretton Woods system of fixed exchange rates broke down; this was followed by an increase in the amount of cross-border capital flows, as OECD countries started to lift capital controls; and thirdly, a dramatic increase in the price of crude oil tested the ability of economies to deal with massive price shocks - and created further huge cross-border capital flows in the form of petro-dollars. Within a couple of years, prices in the global economy became much more unstable, thus testing the ability of economies to adjust to such sudden changes; and capital flows across borders vastly increased the benefits of investor-friendly policies and the costs of poor policies.

Suddenly our two economies, and the rest of the developing world, found themselves in a far more testing environment. Old policies of high tariff barriers, high budget deficits and easy money - and, in fact, anything that retarded the ability of economies to adjust - became very costly. In the new global environment, market inflexibilities led to *both* slower growth *and* inflationary pressures. In both Brazil and South Africa, post-1973

growth slowed markedly, sliding (after a brief 1980-boomlet) into the utter stagnation that characterised the 1980s in both countries. Between 1981 and 1992, Brazil grew at a paltry 1.2% a year, and South Africa virtually stood still for the entire 12 year period.

At the same time, price instability became endemic: In Brazil, inflation shot up after 1973, averaging 41.3% during 1974-1979 and reached an incredible 2 295% in 1994. South African price stability followed a similar pattern, if at far less dramatic levels: the average inflation according to the GDP deflator was a historically unprecedented 12.1 per cent during 1974-1979, and during the lost decade of 1981 - 1992 it averaged 14.1 per cent. In both countries, no doubt, political developments contributed to the dramatic down-turn. Particularly in the case of South Africa, the successful imposition of financial sanctions in the mid-1980s starved the country of capital. But there is no denying that high-tariff, high-consumption policies in both countries played a major role - note the success during the same period of another pariah state, Taiwan.

The restoration of the global market: the late 20th century

Like the global market of the late nineteenth century, the global market of the late twentieth century has been precipitated by changes in technology and institutions that facilitate the flow of goods, services and resources across national boundaries. Steady technological improvements in transport, accompanied by dramatic decreases in the cost of communication, are playing an important role. But without policy changes and new institutions the effects would have been muted. Convertible currencies have become the norm, allowing for vast markets in currencies and derivative instruments; trade barriers have come down unilaterally, as well as through multilateral initiatives such as the General Agreement on Trade and Tariffs (GATT) and regional trade accords and cross border investment has risen to levels last seen before World War I.

After the disastrous 1980s, South Africa and Brazil were clearly looking to turn over a new leaf in their economies, as well as in their politics. In such circumstances there was going to be re-evaluation not only of the political system in each country, but also of the economic policies underlying it. The political developments in both these young democracies over the last ten years are well known. On the economic front, there are also remarkable parallels: both have instituted - or are planning to implement

soon - policies which reflect the realities of this second global era. Those policies, inevitably, reflect what has been learnt about the prerequisites for catching up, as reported earlier in this paper. Hence it is no surprise that the pillars of policy thinking in both countries are:

- MONETARY STABILITY AND MARKET COMPETITION - to create the right incentives;

- A FREE TRADE REGIME - tariff barriers have been dropped dramatically, and regional and other trade initiatives are being developed;

- INVESTMENT IN HUMAN CAPITAL - in both countries, vast sections of the population are not receiving the kind of education and training they require to compete in the world economy;

- THE RIGHT POLITICAL INSTITUTIONS - both countries are now democratic states with a free press and unfettered exchange of ideas. And in both, eliminating high levels of crime and disorder is a priority;

- THRIFT: HIGH RATES OF SAVINGS AND INVESTMENT - In both countries, lower budget deficits, and even surpluses, are a priority, as are other ways to increase domestic savings.

All these areas have received a great deal of attention in local and international writings. The focus of this paper is on emerging trade and investment environments in South Africa and Brazil, shared lessons and future linkages.

A closer look at the South African trade environment

The trade environment in South Africa prior to the 1990s, to which I have already referred, will be a very familiar scene to Brazilians. The anti-export bias inherent in this protective regime was offset - though only in part - by export subsidies and duty draw-backs and rebates. The administrative costs were naturally substantial, and the heavy burden placed on the customs and excise service pushed the authorities to partially dismantle and simplify the system over the last decade, but the essential protectionist and complex nature of the structure remained.

The momentum for trade reform came with South Africa's transition to democracy in the 1990s and re-acceptance into the world economy. There was broad consensus that the existing trade regime was stifling growth and employment by protecting inefficient industries, promoting inward-orientated capital intensive investment and discouraging non-traditional exports owing to internationally uncompetitive input costs.

Negotiations began with the Uruguay round of the General Agreement on Trade and Tariffs (GATT)/World Trade Organisation (WTO), culminating with an agreement that South Africa would be accepted as an 'economy in transition' and therefore eligible for the Generalised System of Preferences despite its classification as a 'developed' country. South Africa's commitments on the industrial front are as follows¹² ;

- All quantitative restrictions and formula duties would be replaced by equivalent tariffs;

- The average of all bound tariff rates would fall by one-third over five years;

- Tariff rates would be standardised at six levels with a 30 per cent ceiling, except for 'sensitive' industries i.e. clothing, textiles and motor vehicles, and;

- The number of tariff lines, would be substantially reduced and simplified; rebates and duty drawback schemes would be retained.

Notwithstanding these broad commitments, which by and large apply from 1999 onwards, the South Africa government has proceeded to detail the phasing of tariff reduction for each individual tariff line to ensure firms have time to adjust. Some schedules and targets go beyond WTO requirements in cases where it was felt that speedier lifting of protection would be more conducive to becoming internationally competitive (a move not received lightly by those affected). Alterations of these schedules are at the discretion of the authorities and recent policy proposals, to which I will return, have suggested that a more speedy reduction would be the appropriate response to recent exchange rate depreciation.

Brazil of course embarked on this path a number of years ago, with a five-step schedule to reduce duty rates, such that its average duty rate came down from 37% in 1989 to 14% in 1994¹³. The transitional balancing act will therefore be familiar, that of providing enough scope for firms to adjust to the new liberalised environment, with the risk that too much scope will create a disincentive to make appropriate structural changes and open the door to lurking protectionist pressures and too little will result in unnecessary failure of firms. Paralleling the liberalisation process, the

¹² IMF, 1996: 'Selected Economic Issues' It is notable that this commitment was a joint one by Government, business and labour arrived at in the National Economic Forum.

¹³ Brazil Now, Foreign Investors Group: 1996

South African government along with key stakeholders has been developing and implementing supply-side strategies, including the promotion of human capital development through training; the development of small, medium and micro enterprises, and regional industrial development and programmes to address the social consequences of industrial restructuring, especially in sensitive industries.

A further feature of South African trade policy has been the development of bilateral and regional relationships. Negotiations on a free trade area (FTA), for example, are at an advanced stage with the European Union (EU), noting that the EU is South Africa's main trading partner, accounting for 45% of South Africa's non-gold exports and over half of its imports.

The main Southern African regional initiatives are the Southern African Customs Union¹⁴ (SACU) formed in 1910 and the Southern African Development Community¹⁵ (SADC) formed in 1980. SACU allows the free movement of goods and the right of transit among members and imposes a common external tariff. SADC, initially a politically motivated arrangement directed at countering apartheid, now focuses on regional economic co-operation, and a decision to establish a free trade area by the year 2000 was taken in 1995, with the aim of ridding the region of its high levels of trade control.

These bilateral and regional negotiations are dynamic and complex, often giving rise to tensions of various sorts, both in terms of the negotiations themselves (as South Africa is experiencing with the proposed EU FTA), but also with respect to the implicit impact one arrangement has on another. There is a sensitive balancing act, for example, with respect to the different Southern African regional arrangements, with their different memberships and perceived conflict and interests. Furthermore, each arrangement gives rise to specific dynamics. For example, South Africa accounts for some 80 per cent of the GNP of SADC, resulting in concerns from our regional partners regarding maintenance of national sovereignty. For South Africa it has created tensions in the labour market including inflows of illegal

¹⁴ Comprising South Africa, Botswana, Lesotho, Namibia and Swaziland.

¹⁵ Currently, the SADC has twelve members, comprising South Africa, Angola, Botswana, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe.

work seekers and union protests regarding the downward pressure on wages. More generally there are concerns about the potential for trade diversion as a result of the various other trade arrangements on the table, and related to this, the underlying threats of industry re-location. The motivation for South Africa to continue strengthening the Southern African region, includes both the political debt which the country owes to its neighbours for their support during the struggle against apartheid, but also the economic imperative to develop the region not only to create a larger market but also to promote stability, thereby minimising potential conflict. But South Africa must continue exploring other important liaisons in the interests of its own development (and implicitly, its ability to play an effective role in the region).

Once again Brazil is further down the same path, signing the Asuncion Treaty in January 1995 after a four year harmonisation period, to create a customs union in the 'Southern Cone' - Mercosul¹⁶ .

Patterns of trade

The World: South Africa's has moved increasingly away from trading in primary commodities into manufactures, which now account for more than 50 per cent of non-gold exports and some 40 per cent of total exports.

¹⁶ Comprising Brazil, Argentina, Paraguay and Uruguay

South Africa: Composition of non-gold Exports to the World 1970 - 94 %

	1970-74	1975-79	1980-84	1985-89	1990-4
Agricultural products	30.7	21.4	16.0	13.2	14.0
Crude material and mineral fuels	32.8	30.4	36.6	34.1	31.7
Basic manufactures	29.0	36.5	31.6	40.2	38.2
Other manufactures	6.5	11.1	14.1	10.7	13.9
Not classified	0.8	0.7	1.4	1.7	2.2
TOTAL	100.0	100.0	100.0	100.0	100.0

This traces the path that Brazil followed, and perhaps indicates where South Africa is heading. Brazil, like South Africa well endowed with natural resources, travelled through numerous export cycles in the first century of its independence, beginning with sugar, to be followed by gold and mining, then coffee and finally soya beans. Although primary commodities still hold an important share of exports, the 1960s saw Brazil emerge as a major world industrial power. In 1971, Brazilian exports consisted of 29 per cent industrialised products and 71 per cent primary products; the profile of export mix had changed to 64 per cent industrialised products and 36 per cent primary products by 1994¹⁷.

South Africa has undergone similar changes, in part enforced by declining gold production and the weaker US\$ gold price since the halcyon days of the early 1980s. As the table above indicates, much of these manufactured exports are of a relatively basic nature. This is not surprising for, like Brazil, South African manufactured exports have focused initially on linkages to the primary product sector, especially iron and steel and agricultural products. The challenge now is to move further down the value added chain - to turn steel into machinery, stainless steel into pots and pans. Progress is being made, but South Africa still has some way to go

¹⁷ Brazil Now, op cit.

before it will reflect the current breadth and export-orientation of the manufacturing sector in Brazil.

Trade between South Africa and Brazil

Trade between South Africa and Brazil jumped from \$224 million in 1981 to \$535 million in 1995. The main sectors are as follows:-

Main Brazilian Exports to SouthMain		South Africa Exports to	
Africa 1995		Brazil 1995	
Chemicals	22.5%	Mineral Products	32.7%
Machinery	19.8%	Prep, Food, Bev, %Tobacco	17.1%
Base Metals	8.4%	Chemicals	14.1%
Plastic & Rubber	8.2%	Base Metals	11.0%
Pre.Food, Bev.& Tobacco	8.1%	Pulp & Paper	8.0%
Transport	8.0%	Rest	17.1%
Rest	25.0%		
Total	100%	Total	100%

Source: "A presentation of South Africa's Foreign Trade" ABSA Bank, 1996 & WEFA Southern Africa.

This however, represents less than 1 per cent of both South Africa's total exports or imports, suggesting that there could be significant room for improvement. A detailed and comparable break-down of data on imports and exports between Brazil and South Africa in relation to the rest of the world is still difficult to come by and would provide the ability to strategically assess where potential trading opportunities lie.

The South African investment environment: A Snapshot

Paralleling the political developments of the early 1990s, an intense debate between the government-in-waiting and key stakeholders occurred

on the nature of economic policies best suited to a post-apartheid South Africa. The outcome of the discourse was a commitment by the Government of National Unity to policies conducive to both domestic and foreign investment; that is, a package in keeping with the pillars of policy thinking which were outlined in the introduction for this paper.

In June this year, the government presented detailed guidelines on a macro-economic strategy for the country, in a document entitled *Growth, Employment and Redistribution* (GEAR) which included making tougher commitments on fiscal deficit reduction; a strategically planned privatisation programme; a credible anti-crime and violence campaign; a time-frame towards implementation of a more effective competition policy appropriate to South Africa's circumstances (bearing in mind the firm commitment to tariff reduction already underway); adjustments to the labour market to ensure greater flexibility; a restated commitment to a gradualist approach to dismantling foreign exchange controls on residents (building on the measures already underway, namely abolition of the dual exchange rate and the ability for institutional fund holders to construct asset swaps with foreign companies); and, specifically, the almost immediate application of incentive measures to encourage fixed investment, namely accelerated depreciation for all new investments in manufacturing available for three years. Also a tax holiday has been introduced for new projects in targeted and labour intensive industries.

Will the government's strategy work? The goals are ambitious but indications thus far suggest that government is committed to meeting the challenge. Domestic investors have reacted positively but unfortunately many foreign investors have adopted an attitude of wait and see.

A new path forward for economic relations between South Africa and Brazil?

So our two countries have similar economic histories and have shared similar socio-political woes. But should this be reason enough or even relevant enough to explore gains that can be made through mutual trade and investment? Indeed, one can argue that our similar profiles lead us to compete for investment and similar trading clients.

The alternative way of viewing the relationship is that the common social and economic structure of Brazil and South Africa gives the two

countries a head-start in understanding the dynamics and under-currents in our respective economies. In both countries, this internal challenge is complicated by the fact that there is a racial component to the division between wealthy and the poor. It may be an intangible 'comparative advantage' over others, but in today's global economy having an edge can be critical.

Furthermore, the synergies can lead us to exchanging expertise and pooling our resources both in terms of technological innovation and more generally towards setting up joint-ventures, as will be illustrated below with respect to my own company's investment in Brazil. Furthermore, there will be scope for trading in products related to our similar industries. In this regard one notes again the diversified nature of Brazil's manufacturing sector and its catering for a primary sector very similar to ours.

For the very near future at least, South Africans wanting to invest abroad are limited by the continued existence of exchange controls on residents. But opportunities are mushrooming in our region. And in a world where new markets are far and few between, the potential African market should not be dismissed. The South African government is in the advanced stages of putting together an infrastructural development blueprint with substantial potential for local and regional growth. The programme is to maximise private sector involvement on strictly commercial terms. Estimates indicate expenditure of R170bn over 5 to 10 years. An example already at the bidding stage is the Maputo Corridor - the creation of a modern road and rail link between the South African industrial heartland around Pretoria and Johannesburg with the Mozambique port of Maputo to the east.

In the manufacturing sector, South Africa not only provides opportunities for the regional market but also serves as an export platform. One of my own group companies, Anglo American Industrial Corporation, has already become involved with a number of joint ventures with foreign companies e.g. a controlling 50% stake in motor manufacturer Samcor was purchased by Ford, a joint venture between Daewoo and Amic to distribute and manufacture consumer white and brown goods is listed on the Johannesburg Stock Exchange and recently a joint venture capital fund was established between Amic and Mitsubishi with the purpose of acquiring stakes in emerging small and medium sized businesses with export potential.

As mentioned above, the fact that South Africa and Brazil are

markets for less than 1 per cent of each other's total exports suggests there are trading opportunities to be gained. There is a need for a systematic evaluation of whether South Africa can supply what Brazil imports and vice-versa and, implicitly, the developments of a readily accessible database. It is of course important to stress that South Africa should not be viewed on its own, but rather as a springboard for the entire Southern Africa sub-continent. Likewise, Brazil, through Mercosul, can be viewed as the springboard to South and North America.

But beyond the clinical calculations that underlie feasibility studies lie the opportunities thrown up by the human element and historical circumstances. I shall digress to explore a case in point:

Investment between Brazil and South Africa

Outward investment from South Africa has been severely constrained by the existence, almost uninterrupted, of exchange controls since World War II. To this were added steadily growing political barriers, thrown up by the world community's abhorrence of apartheid, culminating in the 1980s, South Africa's "lost decade", which saw the imposition of widespread trade and investment sanctions, disinvestment of multinationals (mainly US based) from South Africa and financial sanctions, including the calling in of loans and withdrawal of financial facilities.

A few South African companies have developed international interests despite these barriers, in part because of long-standing links to countries of the North: the name of my company Anglo American signifies the origin of its major founding capital in 1917, although the company itself was the first South African based mining house formed to develop deep level gold mines on the Witwatersrand Basin, discovered on the site of Johannesburg in 1886.

The company has grown to be the largest mining based group of companies in the world with a market capitalisation of US\$15 billion. The group, which includes sister companies De Beers and Minorco, is now the world's largest producer of Gold, Diamonds and Platinum and has major interests in coal and copper mining. It's industrial arm includes substantial steel, pulp and paper, chemical and other interests.

Despite the great centrifugal pull of London and New York for historical and cultural reasons, Brazil's attractions as a well mineralised

developing economy of great potential caught the notice of South African mining companies relatively early in the process of internationalisation, constrained as it may well have been by the factors mentioned above. It is worth detailing the origins of Anglo American's now extensive investments in Brazil to see the complex interaction of general factors such as these, and the particular role of historical circumstances and individual leadership.

The Brazil of the 1970s was an awakening giant. In the mining sector many international companies and the government itself were exploring vigorously. Amidst the wide range of minerals and metals being looked at, however, gold received slight attention.

In January 1972 the late Dr Mario Ferreira, then MD of Anglo American Portugal which looked after Anglo's interests in Mozambique, Angola and Portugal, was invited to participate in an official Portuguese trade mission to Brazil. He was quickly convinced that Anglo American should take advantage of the considerable potential offered by the unlocking of Brazil's mineral riches. A visit shortly after this by Brazil's leading mining entrepreneur, Dr Augusto Antunes to South Africa to tie up a diamond exploration joint venture with De Beers in Brazil, led him to identify Anglo American as a desirable partner for general mineral exploration activities. At the same time Anglo American's gold division had concluded a number of desk top studies which found that the most attractive geological environments with characteristics similar to the Witwatersrand Basin were in Brazil.

Quite fortuitously at the same time, the nationalisation of Anglo American's Zambian copper mines, (which the company had founded in the 1920s and developed and managed since then) by President Kaunda resulted in a substantial inflow of funds which were retained offshore for group development in the company now known as Minorco.

By mid-1972 Anglo decided that a top-level management team should conduct an in-country investigation. The team was headed by the current Chairman of Anglo American, Julian Ogilvie Thompson, who, during the brief reconnaissance developed an enthusiasm for the business potential of Brazil which over the subsequent two decades has not only strengthened but expanded to a growing number of Latin American countries. Ogilvie Thompson continues to take a personal interest in the group's South American arm, Amsa.

As a result of these investigations, Anglo formed Anglo American of Brazil, Ambras, and opened an office in Rio de Janeiro in 1973, the initial activity focusing on exploration in partnership with Dr Antunes. Indeed partnership has been an enduring theme of the approach of Anglo to its interests in Brazil - the belief that it needed local knowledge and expertise to help run its operations and to help navigate the often difficult conditions which were a feature of Brazilian business, particularly in the 1980s.

So it was that Mario Ferreira advised that Anglo should gain early operational experience by buying into Brazil's oldest gold mine, Morro Velho in Minas Gerais. After almost 140 years of production, the mine by the mid-1970s needed rehabilitation and modernisation and its owner, Dr Walter Morreira Salles, was willing to sell a major interest of 49 per cent with technical control to Anglo American in March 1975.

From this time, Anglo believed that it could only establish a stable and permanent presence in South America by using and developing the skills and talents of local staff and has since given this feeling expression by the appointment of local managers at all of its operations. A second vital partnership was that between Anglo and the Bozano Simonsen (a group of companies engaged in banking, finance, real estate and farming). Ferreira was a close friend of both Julio Bozano, the Chairman, and Mario Simonsen, a professor at Rio University, Minister of Finance in the government of General Geisel and a founder partner of the firm. This partnership which helped provide Anglo with acceptance and credibility endured for almost 20 years, and whilst an excellent relationship between the two groups continues, a recent exchange of assets has allowed each group to concentrate more fully on its core businesses as they expand.

A third partnership of great significance was that with the Hochschild Group, beginning in 1977 when Anglo acquired 34 per cent of a new ferro nickel project under consideration near Niquelandia in the state of Goias in central Brazil. The Group was controlled by a trust set up by the late Mauricio Hochschild. Towards the end of the 1970s the senior trustees felt that new blood was needed and therefore offered Anglo, with whom the Niquelandia relationship had progressed, the opportunity to acquire an interest in their South American assets. These consisted of nickel, tungsten, niobium, phosphate, petrochemical and industrial operations and plants in Brazil; the Mantos Blancos copper mine and industrial trading

interests in Chile; petrochemical interests in Argentina and other minor interests in Peru and Ecuador.

Not only did this offer provide the opportunity to expand into other Latin American countries where Anglo's presence was still only at the level of exploration offices, but also to grow its Brazilian interests and so in December 1981 Ambras acquired 40 per cent of Empresas Consolidadas Sudamericanas SA (the holding company which held the Hochschild Group's South American interests). Less than two years later, the trustees of the Mauricio Hochschild Trust offered Ambras the remaining 60 per cent of the company and Anglo increased its stake to 100 per cent. ECS absorbed Anglo's existing South American assets and the name of the company was changed to the "Anglo American Corporation of South America SA" which has since become known as Amsa.

During the 1980s Anglo's Brazilian gold mining interests held by Ambras, were expanded by the opening of the Jacobina mine in November 1982 the Crixas mine which was formally commissioned in 1988, and the development of Cuiaba, a new resource 20km from Morro Velho linked to a new metallurgical plant at Queiroz. In 1992, gold production had more than doubled to 12.4 tons from the amount produced a decade earlier at Morro Velho, making the group the single largest commercial gold producer in Brazil.

The 1990s produced another significant potential partnership. Anglo had been looking to complement its core gold mining activities with a greater exposure to base metals (remembering that copper prior to the nationalisation of the Zambian copper mines had accounted for up to a third of Anglo's profits). Companhia Vale do Rio Doce (CVRD) was the holder of the undeveloped Salobo copper/gold deposit, a major resource holding in excess of 250 million tons of copper ore. Having had no experience in copper mining, CVRD wished to secure an experienced partner and Amsa's sound record in South America, together with Anglo's copper expertise, were fundamental in negotiating a deal in early 1993 whereby Amsa and CVRD would conduct a feasibility study of the project with a view to developing it jointly. In addition to this interest in Salobo, in the early 1990's Amsa acquired interests in several other significant base metal mining projects in Chile, Peru and Venezuela. Through its own prospecting activities an exciting gold mining prospect was also discovered in Argentina. These ventures envisaged a capex programme of over US\$4 billion during the next decade.

In late 1993, Anglo American and De Beers reorganised their international holdings and effected an asset exchange with their offshore international resource company, Minorco. A feature of this transaction was the consolidation of 100 per cent of Amsa into Minorco, whose strong balance sheet and substantial cash resources provided a sound base for funding the substantial capital expenditure programme planned for the South American region. Though independently managed, Minorco is an integral part of the wider Anglo American family of companies, being held 46 per cent by Anglo American and 23 per cent by De Beers.

Today, Amsa, under the wing of Minorco, mirrors Anglo American in being a successful and diversified mining finance house which employs approximately 9 000 people and has a capital employed in excess of US\$1,5 billion. Headquartered in São Paulo, since the late 1980s, Amsa can probably claim to be the largest diversified private mining company in South America, firmly relying on the development of local managerial and technical expertise to run its operations, though having the benefit of the world class technical skills of the Anglo American Corporation in Johannesburg on a consultancy basis.

Operations include the Mantos Blancos copper operation in Chile and in Brazil the Morro Velho and Crixas gold mines, the Codemin and Morro do Niquel nickel and Catalao niobium mine and the Copebras industrial operation. Amsa has recently increased production at the Mantos Blancos operation in Chile from 75 000 to 120 000 tonnes of copper per annum with the commissioning of the new Manto Verde mine and the Santa Barbara super pit and related SX/EW facility. At the Brazil gold division, despite the sale of Jacobina, and the rationalisation of certain Morro Velho operations, gold production is expected to be 12 tonnes in 1996.

New projects include the US\$1,7 billion Collahuasi joint venture in Chile, currently under construction, the Cerro Vanguardia gold project in Argentina, the Loma de Niquel nickel project in Venezuela, the Quellaveco copper project in Peru and the Salobo copper/gold joint venture in Brazil, as already mentioned. Clearly, the group views Brazil and the continent in general as having significant long term growth opportunities.

The success of the Real plan in Brazil has positively influenced the international investment community's view of support for capital investment projects in this country, and its continued success will facilitate

the raising of foreign capital at attractive rates for investment in both green field and existing businesses. Economic stability in Brazil coincides with the acceptance of South Africa by the international community. The circumstances for cementing business relationships and furthering bilateral trade between the two regions is therefore conducive.

Indeed a new chapter in the Anglo group's investment relationship with Brazil was opened this year. Following the February 1990 changes initiated by ex President De Klerk, Anglo American Industrial Corporation (Amic, the group's industrial arm), began a determined drive to seek joint ventures with multinationals at home and abroad. As a core part of Amic, Mondi the group's paper pulp and packaging firm, acted on the opportunity presented early in 1996 to acquire a 28 per cent voting stake in Aracruz, the world's largest and lowest cost producer of bleached eucalyptus pulp, located in the State of Espirito Santo at a cost of US\$250 million. This may well prove to be the harbinger of further industrial investment in Brazil.

The lessons from our successful experience in Brazil are therefore, firstly, that joint ventures with local partners and local expertise are essential to success. Secondly, similar economic strengths may be an advantage not a weakness. Anglo American was able to use its core mining expertise in support of, rather than in competition with, Brazilian expertise and resources. I would like to suggest that South Africa and Brazil could benefit similarly from Brazilian investment into South Africa.

Regional co-operation

Much furore has surrounded the significance of the development of regional economic blocs. Do these threaten to retard the globalisation process? Will regionalisation lead to competing trading blocs, each focusing on a regional agenda and by-passing global responsibilities - each potentially inward-looking and, therefore, detrimental to the wider multilateral trading system? The key theoretical objections are that they lead to trade diversion when a regional trading arrangement causes substitution of inefficient regional suppliers for efficient suppliers from non-member countries. The World Bank in a publication this year emphasised how little trade analysts know about the actual impact of integration into the global economy of developing countries.

What is clear is that integration into the global economy must be

managed if it is to be successful. There will be winners and losers - and there are always lurking protectionist pressures. The issue is what the breadth and depth of trade reform should be and its pace and sequencing. Arguably, the political economy of trade liberalisation in individual countries rests heavily on parallel liberalisation in partner countries. Thus regional associations could be considered as a stepping-stone towards attaining the broader global objective.

Indeed, observations suggest that regional groupings are bolder in adopting totally free trade, a goal not achieved by multilateral negotiations thus far. Key to trade negotiations is the establishment of what is a 'fair contribution' by each country.

Arguably, the process of working out mutually agreeable arrangements with a select few countries is less complicated than broader world-level attempts.

Certainly, the negotiations during the Uruguay Rounds and presently at the World Trade Organisation are conceptually and technically more difficult to engage in. But also, countries with similar economic and political imperatives are likely to be on the same wave-length during deliberations. It is against this background that we should look at Brazil/South Africa co-operation prospects.

South - South co-operation

Since South Africa's return to the international community, we have joined or been re-admitted to a plethora of multilateral organisations. These include, amongst others, the Commonwealth, the United Nations, the G77, the OAU, SADC, and the non-Aligned Movement (NAM). Our participation in these organisations is often justified *inter alia*, by the perceived need to integrate our economy into the so-called global village. The formation of blocs may well be a precursor to the establishment of a global economy, but the rules for such an economy will ultimately be dictated by those who exert the most influence. Three regional blocs - NAFTA, the EU and APEC - currently incorporate almost 60 per cent of world trade. There is little doubt that in recent developments such as the lowering of trade tariffs and barriers the benefits have been weighted towards those with the most influence. The formation of an influential South bloc is thus of paramount importance if we are to play a role in

defining future developments in the world economy, and avoid the risk of being marginalised.

The nature and composition of regional South-South co-operation agreements will require a careful assessment of the potential for mutual gain. But the process must begin, and it is perhaps apt that dialogue should begin between Brazil and South Africa, both of whom are regional superpowers on their respective continents. This paper does not attempt to delve into the technical detail of agreements covering trade and the promotion and protection of investments. Instead, various avenues for extending South-South co-operation are briefly explored, with the intention of stimulating further discussion. The formation of a bloc comprising Mercosul and the SADC would represent an extremely logical and attractive grouping. It would be consistent with the principle of regional upliftment, and could ultimately represent an important world trading bloc. Many similarities exist between the constituent countries, and close links already exist between some, such as South Africa, Brazil and Argentina, or Brazil, Angola and Mozambique. It would be premature to take this proposal any further however, until such time as the SADC is structurally or organisationally prepared to enter into negotiations of this sort.

The question then arises whether South Africa can afford to wait until the SADC has its house in order before steps are taken to unite the two regions into a common market. South African exporters are already finding the Mercosul market more difficult to enter than before, and the increase in trade between SADC countries is not sufficient to boost South Africa's economic growth.

In the short term it may be preferable to explore an arrangement whereby South Africa entered into some form of a free trade agreement with Mercosul, with the ultimate aim of extending this agreement to the entire SADC. An inherent danger in adopting this approach is that it might exacerbate wealth differentials within the region and inflame regional tensions in Southern Africa.

An appropriate starting point for either of the two scenarios outlined above may be the establishment of a bilateral trade and investment agreement between Brazil and South Africa. Agreements of this kind are

¹⁸ I am indebted to Lyall (op cit.) for this account.

being increasingly frowned upon by the WTO, but it is still the most readily implementable option.

Finally, it may well be worth examining the establishment of an entirely new bloc which would bring together the key role players in the South. This could include countries such as Brazil, Argentina, South Africa, Australia and Malaysia. Ambitious? Perhaps. But this may be the type of thinking that is necessary if Brazil and South Africa are to catch up with the high performers, and rejuvenate their respective regions.

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Brazil and South Africa in the World Economy: "Circumstances and Economic Strategies of Brazil and South Africa in the Next Few Yars"

Moss L. Leoka

To most South Africans, Brazil is a country commonly known for its pulsating Samba music, its elegant soccer playing style, the Amazon Forest and of course the annual carnival in Rio. There is little appreciation of the fact that Brazil is a huge importer of manufactured and semi-manufactured goods, that its foreign trade is the largest in volume and value in all Latin America (\$77 billion in 1994) and that in the past three years South African exports to Brazil grew by more than 200% (around \$400 million 1995). I suspect that in general, Brazilians equally know very little about South Africa.

This mutual ignorance of each other's countries is hardly surprising given the fact that the old apartheid South Africa was rejected by most of the world. Few countries had contact with it. Brazil was no exception. Through the "Sarney Decree" of 1988, Brazil virtually froze all relations between the two countries. And although through this decree Brazil sacrificed a great deal of business and cultural opportunities, today a free South Africa can proudly count this great country among those of its friends that helped liberate it from apartheid.

The warm manner in which Brazil responded to the new South Africa did not go unnoticed back home. President Cardoso eulogised the South African "miracle" in his inaugural speech and identified the improvement of relations with Pretoria as one of the foreign policy priorities of his government. Foreign Minister Lampreia undertook the first official visit ever by a Brazilian minister to South Africa in May 1995. The South

African Foreign Minister, Alfred Nzo, reciprocated during October of the same year and was warmly received in Brazil.

Bilateral relations have improved dramatically over the past two years. During this short period, two-way trade has more than doubled and this year South African exports to Brazil are expected to exceed R1 billion for the first time, while tourism from Brazil to South Africa shows a steep increase. Military relations have been normalised with the exchange of military attaches and several joint naval exercises have taken place with the emphasis on safeguarding the South Atlantic.

There is increased co-ordination of, our positions in multilateral fora. Brazil actively supported South Africa's entry into the fold of the South Atlantic Zone of Peace and Co-operation. We currently chair this body and it provides a most useful vehicle to further regional co-operation.

Brazil is without any doubt a major player in the emerging world and a very important partner in South-South co-operation. In President Fernando Henrique Cardoso, the country has a very able and popular leader, much respected for his commitment to democracy and the pursuit of human rights and social justice. His visit to South Africa later this year will further solidify the growing and very important relationship between two regional powers and important role players in the Southern Hemisphere.

Mutual ignorance of each other's countries notwithstanding, no country outside Africa has more similarities to South Africa than Brazil. To start with, Brazil has the largest black population outside Africa, while South Africa's Portuguese immigrant population is the largest in the world. Despite recent democratisation processes, both countries have not completely rid themselves of potential racial tensions, as can be seen by racial differences in life expectancies, mortality rates and school dropout rates as a result of the marginal roles that blacks still play in the two economies. There are also still large regional differences in the economic well-being and private incomes of people and inordinate income differentials between the rich and the poor. However, despite these challenges both countries populations make them truly "rainbow nations" that could arguably be regarded as paragons of racial and ethnic co-existence.

Since the similarities between our two countries present us with the ideal potential for increased economic relations, I would like to dwell a bit more on these and indicate potential areas of economic co-operation.

Economic reform

Both Brazil and South Africa are classified "Upper-Middle-Income" countries by the World Bank. Both have more or less identical per capita incomes of around \$3000. Both emerged from autocratic regimes that traumatised not only people's lives but also led to economic stagnation. Both used to have the most closed economies in the capitalist world, and today both are in the grips of economic adjustments aimed at bringing their economies in line with the global economy. While Brazil's economic reform programme started much earlier, in the late 70's in fact, South Africa's was only introduced in June of this year, when our Minister of Finance announced the new macro-economic strategy titled "GROWTH, EMPLOYMENT AND REDISTRIBUTION".

Brazil's REAL PLAN seeks to confront issues such as foreign debt management, the depleting foreign reserves, hyper-inflation, huge budget deficits, negative public and private savings, tariff reforms and high interest rates. The fact that these initiatives are taking place under a populist government do not help the process much, as popular governments tend to succumb to strong public resistance to change.

South Africa's story is not different. We also emerged in 1994 from a repressive undemocratic regime to a new democracy. Our new government, consisting as it does of former freedom fighters and anti-apartheid activists, is also by definition a populist government, with the labour movement particularly influential in deciding the direction of economic policy.

As with Brazil, our country is faced with the daunting challenge of reforming an economy that is in many ways at odds with many progressive world economies. South Africa is also confronted with the problem of debt management (although a large part of our debt is local and very little is owed to foreign institutions), and low foreign reserves. Although in the last two years we managed to bring the inflation rate to single digits (8%), we are still faced with the problems of low public and private savings, tariff reform and high interest rates. The scope of our new macro-economic strategy has been widely accepted as the right medicine to turn our economy around. It is investor friendly and has given business much hope that, at long last, the government is prepared to abandon populism in the interest of economic growth and the welfare of the whole country. In broad terms, the macro-economic strategy seeks to achieve the following:

- a target of real GDP growth of 6% per annum by the year 2000, as well as the creation of over 350 000 new jobs, mainly in the formal sector, from 1996 to the turn of the century;
- redoubled commitment to macro-economic discipline, including a commitment to reducing the budget deficit to 4% by 1998, coupled with a commitment to reducing real interest rates to 3% by 1999;
- proposals for various incentive packages to investors, including fixed period tax holidays, subject to labour absorption and other criteria. The aim is to increase direct foreign investment by a factor of five to some \$800 billion by 2000, and to increase the growth in private investment to 9% as soon as the current year;
- in pursuit of international competitiveness, an undertaking to speed up the process of liberalising exchange markets and tariff protection as well as modest concessions to local finance houses to invest offshore, up to a maximum of 10% of total assets (up from 5%);
- a commitment to facilitating a social pact in the economy to achieve wage (and price) moderation, to find alternatives to a national minimum wage, to reduce wage costs at entry levels in the labour market and associated training provisions and to ensure that labour market flexibility is increased and that wage rises will not exceed inflation and productivity gains;
- a reconfirmation of a commitment to the judicious “restructuring” of state assets - a euphemism for privatisation;
- additional support for small and medium-sized businesses;
- undertakings to deal more urgently with crime and other factors which discourage investors.

The two economies are clearly on a path to reform. What needs to happen now is for political will and leadership to prevail so that the focus on economic growth is not lost. The similarities that exist between the two countries in economic reform as well as in areas such as climate, mining, agricultural and socio-economic conditions provide the ideal platform for co-operation.

Trade and investment

Where there was little trade to talk about between Brazil and South Africa before 1994, the past three years have seen South African exports to Brazil increase by a whopping 270%. This has resulted in South Africa

becoming one of a few countries in the world to have a positive trade balance with Latin America. Brazilian exports to South Africa also grew correspondingly over this period. Since 1994, Brazil has become a bigger export market for South African products than our traditional trading partners like Australia and Canada. Today South Africa's exports to Brazil exceed our exports to all of Latin America combined.

Over a very short period of time Brazil has become one of South Africa's most important export markets and enjoys priority classification among our trading partners. Yet the potential for further trade expansion is so enormous that a figure of \$2 billion in exports in three years time is considered not inconceivable by many South Africans. Much of this growth in trade happened without much promotional support. A lot more trade could be triggered if both countries took the trouble to inform each other's people and the investing public about prospects in their respective countries.

In this regard the role of cultural and other social contacts in promoting sustainable trade should not be under-estimated. It is a well-known fact that countries that have close socio-cultural relations tend to trade more with each other. The potential for cultural connections between Brazil and South Africa therefore, needs to be nurtured and developed more vigorously.

In the area of investment the potential is equally vast. The more or less similar climates lend themselves to co-operation in a whole range of agro-products, while South Africa's renowned expertise in mining technology could help unleash the potential of Brazil's large quantity and variety of mineral resources. Already a number of South African mining companies have established significant interests in the rich Brazilian mining industry.

Like Brazil, South Africa is faced with a serious challenge of providing affordable housing and shelter for the poorer section of its community. We need to build 500 000 houses per year if we are to end the housing backlog by the year 2000. This says nothing of the more than 250 000 new home seekers that join the queue every year. By sharing technological know-how and other expertise, South Africa and Brazil could contribute towards the delivery of affordable housing to the poor masses of our countries.

A related challenge is the delivery of basic health facilities to the

poor, such as adequate sanitation, clean water and clinics. The majority of South Africa's 45 million people do not have access to adequate health facilities. Here again we can learn from the Brazilian experience in health reform, in how to involve the private sector in the delivery of health services, in fighting mass poverty and in reducing inequalities.

The South African Government has identified privatisation as a key component of its macro-economic reform programme. After initially equivocating on this subject, the Government has finally decided to sell off, in part or completely, its many business enterprises in order to improve their competitiveness, but mainly to release much needed funds to finance social development programmes and to reduce the more than R350 billion public debt. A number of parastatals like Telkom, SA Forestry Co, Airports Company and others have already been given the green light to come up with privatisation proposals and to look for strategic foreign partners.

In a surprise move, the powerful Congress of South African Trade Unions (COSATU) provided a further fillip to the privatisation programme when it endorsed Government's plans to privatise some parastatals. This positive change of attitude by labour is likely to give the Government the confidence to move with even more speed. This could see industries in the telecommunications, transportation, electronic media, forestry and power generation sectors and many others, come under the hammer. For South African and Brazilian companies, investment opportunities are enormous beyond belief. Like their counterparts from North America, Europe and the Far East, Brazilian companies should move with speed to seek strategic alliances with South African companies. In the new South Africa the ideal joint ventures are those involving black South Africans (the previously disadvantaged) or even tripartite arrangements that consist of a black controlled company, a white controlled company and a foreign investor.

Earlier I referred to the fact that South Africa has the largest Portuguese immigrant population in the world. This means that, at least from a cultural and linguistic point of view, we have a connection with Brazil that has yet to be fully exploited to the benefit of both countries. In addition, South Africa has as its neighbours and traditional trading partners the large Lusophone countries of Angola and Mozambique. Both these countries have only recently seen the end of years of civil wars that caused extreme devastation to their economies. Now that peace prevails once again, they are keen to attract foreign investment in order to turn their economies

around. Brazil and South Africa have a natural role to play here, through joint ventures in sectors like mining, agriculture, tourism, road construction, telecommunications and energy resources.

Perhaps the best opportunity for investment co-operation between Brazil and South Africa lies in the recently announced Maputo Corridor Development between South Africa's rich Gauteng Province and Mozambique's port city of Maputo. This project is set to unleash the biggest foreign investment seen in Southern Africa in recent years.

It is expected that the project will result in the creation of some 100 000 jobs and in excess of \$6 billion of investment funds have been committed to various projects by mostly South African companies. These range from:

- upgrading the telecommunications system between Mozambique and South Africa and the establishment of a cellular telephone network;
- upgrading of essential transport infrastructure projects such as a toll road that would rehabilitate 380 km of existing road between Maputo and the South African city of Witbank, and the building of a 50km new road in Mozambique. \$170 million will be spent on upgrading the port of Maputo and \$20 million spent on upgrading the 90km rail link between Maputo and the South African border;
- \$700 million private sector gas pipeline project;
- \$250 million for surveying the development potential of building material resources in Maputo Province;
- the \$300 million Red River mining project near the South African town of Tzaneen;
- a \$300 million heavy minerals project adjoining Red River;
- estimated investments of \$1,45 billion for the development of petrochemical and stainless steel clusters on the South Africa side of the Corridor;
- \$37 million on agro-industrial projects in the South African province of Mpumalanga;
- investment opportunities in Mozambique's fishing, forestry and tourism sectors a \$10 million hotel development is already being planned for Maputo;
- a \$1 billion Maputo-based aluminium plant by the South African industrial giant Alusaf;
- a proposed forestry project by South African Pulp and Paper Industries (SAPPI);

- a US private sector funded eco-tourism project on Maputo's south coast.

There is no reason why Brazilian companies should not be part of this exciting project in a region where peace now prevails and the investment climate is generally friendly.

Tourism

Although tourism is today globally recognised as the biggest single industry in the world employing millions of people, the South African tourism industry is, for historical and other reasons, not developed to its full potential. Yet when it comes to tourist attractions, we can compete with the best. From the rich, diverse and well-managed game reserves and abundant wildlife, affordable accommodation and transport to the legendary Western Cape with Table Mountain and the winelands. On the other hand Brazil is also endowed with a variety of natural beauty and well established tourist activities, and its tourist industry is much more developed than that of South Africa. We can only benefit from the Brazilian experience.

A potentially powerful tool for promoting bilateral tourism is the twinning of cities or provinces. Twinning is common between countries through such institutions as universities, towns, cities and chambers of commerce. The unfortunate thing though is that such twinings are often reduced to mere symbolic gestures and not based on firm and strategic commitment to co-operation. The possible benefits of twinning the city of Durban - a popular holiday destination for South Africans because of its idyllic beaches and warm Indian Ocean, with Rio de Janeiro - with its well established reputation for tourism, are enormous, while the industrial cities of Sao Paulo and Johannesburg could be twinned to promote trade and investment. This could be extended to twinning regions or provinces, such as the province of Gauteng and the state of São Paulo.

Twinning can be successfully used to promote business between cities and countries, provided they are based on strategic objectives like promoting trade, investment or even cultural exchange and not confined to symbolic "memoranda of understanding" as is so often the case.

Conclusion

The potential of co-operation in cultural activities and sport, as a way of promoting sustainable trade and investment, should not be underestimated. Already Brazil and South Africa are middle-income economic super powers in their respective continents. Co-operation between the two could further enhance their growing stature in the world as leading emerging markets.

Our two countries have many things in common that could be exploited to produce synergy for co-operation. South Africa, with its large Portuguese speaking population and its Portuguese speaking regional neighbours of Angola and Mozambique, provide a natural partner for Brazil. Such an alliance could, if properly exploited, lead to business co-operation and joint ventures in various sectors.

Globalization: What is it all about?*

Paul Singer

The positive and the negative

Financial, economic and cultural internationalization has been happening at least since Marco Polo's trip to the Far East. There were occasional interruptions and retrogressions but nothing that could make internationalization disappear for a long time. Even in the two centuries before the great navigation, commercial links between the great Empires of Asia and the European periphery became more intense with the consequent prosperity and political and financial hegemony of the republics of the North of Italy. When the Portuguese and Spanish started the transoceanic navigations, from the XV century on, Africa and the Americas were integrated into the world economic system that was already at full work. During the following century, integration reached Oceania and several archipelagos of the Pacific Ocean. Internationalization is taking place for more than five centuries and our present world is its result.

Globalization intends to be a qualitative change of internationalization, to the extent that great progress in communication and transportation materially and culturally approximated in an even closer way all peoples of the world. Another important fact that promoted globalization was the long period of peace that followed the Second World War which was not affected by local wars fought mainly in Asia and Africa. Internationalization suffered its great retrocess due to the two world wars and the crisis of the 30's. Therefore, the absence of new and widespread conflicts was decisive to permit internationalization to give the qualitative jump to become globalization. In summary, we should accept the hypothesis that aviation and satellite communications together with universal peace during the last fifty years moved financial, economic and cultural integration to a higher level.

We should immediately notice a time lag between globalization at the economic and cultural level and globalization in the political sphere.

* Version by Samuel Guimarães.

Trade and communications uniformized consumption patterns in the majority of countries. The Chinese public gets emotional with Brazilian serials and Brazilian kids play passionately with Japanese videogames. However, progress in the creation of international governmental institutions has been scarce. The great movement during the Second World War that gave rise to a wide and diversified complex of institutions around the United Nations extinguished itself during the seventies. From that time to now the best that we may notice is the creation of the European Parliament and of the pan-European institutions headquartered in Brussels. Those institutions comprise only a small part of the world.

Politically, globalization has been an essentially negative process. Its advance is due to deregulation, elimination of restrictions and controls that affected commercial and financial international transactions. The objective of those restrictions and controls was to submit transactions between residents in different countries to the collective interests of agents whose activities constitute the national economy. Protection of "infant" industries (recently built industries) against the competition of imports from countries with well established industries is the classical example. When customs tariffs are lowered, imports increase, which is counted as an advance of globalization. But this advance is negative to the extent that it is caused by the removal of a barrier and that the greater imports takes the place of less competitive national production. All this without the creation at the political-institutional level of an organism responsible for the defense of the national interest or for the definition of procedures for the international re-division of labor that would guarantee the fair distribution of benefits and costs between all the countries involved in globalization.

Enthusiasts of globalization point all the time to the gain obtained with the removal of political obstacles to international transactions and it is theoretically correct to presume that such economic gains do exist. Those enthusiasts do not discuss however who gets the benefits and who suffers the losses. In the country that opens its domestic market the supposed beneficiaries are the consumers that now have access to imported and cheaper or better products. The losers that face the costs are the businessmen that lose markets and the workers that lose jobs. Since businessmen and workers are also consumers it is possible to say that everybody gains in one aspect and loses in the other. This is not exactly true because the workers that become unemployed are no more consumers.

For the liberals this is a false problem, because there should have never been protection to infant industries or any restriction to international transactions. If this liberal thesis had prevailed since last century, Great Britain would be today the only industrial power of the world. For good reasons it did not happen like that. Some nations that are more involved in promoting globalization (the USA as a leader) systematically implemented protectionist policies and controlled the international movements of capital until the end of the Second World War. The fascination with the autonomy of markets is a recent fashion. Better, it is the rediscovery of a fashion of the last quarter of the XIX century. It is necessary to discuss this fashion to understand the meaning of globalization in the form that it is being promoted in the last quarter of this century.

Widening of Markets as the basis for economic progress

Internationalization and its more recent form globalization are no more than manifestations of a more fundamental phenomenon of market widening. This takes place molecularly every time the products of an specialized activity are bought by non-specialized agents. These agents to be able to continue to consume those products are forced to specialize in some different production that will serve to pay for the products bought from others. When they specialize they gain and they lose. They gain in productivity, being now able to increase, through exchange, their level of consumption. They lose autonomy because when they were non-specialized, or less specialized, they were self-sufficient. While they consumed only what they produced they were poor but did not depend on other societies to survive. Once they participate in the market their local, regional, national or international place in the division of labor is permanently under the risk of being taken by a new competitor. The expansion of the market brings at same time prosperity and insecurity. Prosperity is desired by everybody but insecurity no one wants for himself. For this reason, the widening of the markets had never been a process purely economical, promoted only by the self-interest of the agents. Historically, the widening of the markets was promoted by the Nation-State that created in this way the basis for its formation. In Europe, the cradle of the market economy, the widening of the markets was a result of deliberate policies of elimination of the obstacles to the free movement of merchants and merchandises in the local markets of the territory subjected to the same sovereign, at that time a dynastic

sovereign. The doctrine that inspired these policies (from the XV to the XVIII century) was mercantilism. This period was also one of economic internationalization and as a matter of fact during these four centuries the world market for a limited number of products was formed. At the same time unified national markets were constituted in Great Britain, France, Spain, Holland. Corporativism was dominant that is to say as a form of regulation that tried deliberately to reconcile the benefits of competition in markets increasingly wider and the security resulting from the protection against free competition, that is to say, not subjected to extra-market rules and controls.

Last century the widening of markets proceeded with renewed impetus in the new nations founded in the Americas and Central, Southern and Eastern Europe. At the same time the Industrial Revolution conferred upon Great Britain an overwhelming competitive superiority as Britain assumed the role of "world shop". It was not per chance that Britain became together with France the birthplace of liberalism. Liberalism argues that market competition is the spring of progress and insecurity resulting from the widening of markets will always be overcome by new opportunities offered by the ininterrupt growth of the market economy. In summary, liberal doctrine sustained that workers displaced by the expansion of the market will always be able to find a job in the social division of labor because according to the law discovered by Say (and for this reason has his name) each additional offer creates simultaneously its own demand.

This law, duly incorporated by David Ricardo into scientific orthodoxy, was deducted from barter market in which merchandises are exchanged for merchandises. Each exchange represents at the same time two sales and two acquisitions. Mary exchanged a chicken for a textile woven by John. Mary sold a chicken and bought a piece of cloth: an acquisition and a sale; John sold a piece of cloth and bought a chicken: a sale and an acquisition. It is clear that if a new person comes with a product, say Anne with bag of potatoes, her chances of exchanging (to buy and to sell) as good as the one of Mary and John. According to Say's Law, the new offer (potatoes) will bring about the desire to obtain them through exchange. This is called additional demand for equal value. In a barter market each new agent that arrives brings a new offer and a new demand. When Anne accepts a pair of shoes for her potatoes she is at the same time a new buyer and a new seller. We may conclude that this type of market

can expand without limits, never running the risk of generalized overproduction.

Say's Law admits that overproduction of a specific merchandise may happen. Anne may not find an "exchanger" for her potatoes because everybody that wants to buy that product already bought it. It is the "obligation" of Anne, Mary and John to bring to the market goods that will arise the desire of the other agents. That which usually happens in capitalist markets, a the fact that suddenly part of the goods for sale do not find a buyer (a part of all goods is superfluous), is simply impossible in a free competition market. This is the conclusion of the classical political economy that was duly incorporated by neo-classical economics. This historical debate is the center of the discussion of negative globalization, that is to say the one that is produced by the simple abolition of restrictions that worked as safeguards for certain market agents.

Marx as well as other critics of Say's Law observed that the capitalist market is not one of barter but one of buying and selling made possible by the use of money. Anne will sell her potatoes for money and then will look for shoes that will fit and please her for the same value or for less value. But, if she does not find them she will happily take home the money obtained. The more difficult she already did, that is to say to exchange an specific value for a value that has general acceptance, that is money. Thanks to the use of money it is possible to sell without buying and if many people do that there will be general overproduction and a part of the goods will not find a buyer. Ricardo and other supporters of Say's Law answered that money does not change anything because it is no more than a veil hiding the necessary connection of selling and buying. Anne only sold potatoes because she wanted shoes. For her, potatoes are a means, the shoes the finality. It is absurd to think that she will keep the money obtained with the selling of her product transforming a means into an end in itself.

The answer of Marx in the last century and that of Keynes in this century is that the capitalist market is not made up of Marys and Annes, that is to say of individual producers that sell to obtain consumption means (even if this type of agent may still exist). It is the capitalist enterprise that prevails today. For this agent it is the profit not the consumption that is the goal. The company distributes part of its profits to the legal owners and retains the rest for investment. But investment is always risky because no

one can guarantee that the additional production obtained by capacity expansion will find buyers able and willing to pay prices that will cover all costs and will leave an “adequate” margin of profit. Therefore, in certain circumstances a large part of the reserves for investment are not utilized which causes a general overproduction of capital goods which later propagates to the rest of the economy. There is no need to continue the evocation of the historical debate. The interest is how the question presents itself today. Nowadays, effective demand inside each country is partially controlled by economic authorities in particular the Monetary Authority that controls the money supply. The economic authorities have instruments that permit to increase effective demand in such a way that the economy grows enough to reach a full employment. Everybody that wishes to participate in social production have the opportunity to do so. The only problem is that at full employment inflation tends to overshoot the limits acceptable by public opinion. This was the experience in the majority of capitalist democratic countries in the seventies and eighties. The need to fight resistant inflation that in the First World reached two digits provoked long and painful recessions crowned by financial crisis. This is the historical experience of economic regulation in the majority of countries. This experience also inspired the stabilizing adjustment doctrine that the intergovernmental agencies preach to the Second and Third World countries.

Contrary to the reasoning of neo-liberal orthodoxy, negative globalization has produced in the last 23 years mediocre rates of growth and exceptional levels of unemployment. The benefits appear as price stabilization and inflation went back to the level previous to the first oil shock. But there was no improvement in the standard of living. These results of globalization are not fatal as we shall see. Its cause may be found in a specific historical evolution that we will examine in the next section. After that, we will be ready to discuss alternatives to negative globalization and the economic and political options that have countries of incomplete industrialization such as Brazil (and South Africa).

Displacements caused by economic progress

The process of market widening had a great impulse with the First Industrial Revolution thanks to the railroad construction, the steam ship and the installation of modern means of communication such as the telegraph and the telephone. During the XIX century these technical

advances had globalizing effects much bigger than the development of aviation and of satellite communications in the XX century. The cheapening and acceleration of transportation and communication was much greater with the passage from the wagon and the sailboat to the train and the steamboat than the present transition from the diesel ship, the railroad train and the truck to the airplane. In Britain the technological revolution of transportation and communication integrated the British industry into the world markets a fact that inevitably hurt British agriculture. Client countries could only pay for British manufactures with raw materials and food that they could sell. It was vital for the British industry to open the domestic market to Russian and American wheat, to Brazilian and Cuban sugar, to American, Asian and African cotton, to German and Danish butter etc.

Eric Hobsbawm (1968) characterized the collapse of British Agriculture in the second half of last century: In 1851 (agriculture) employed three times more people than the textile industry (it employed as a matter of fact one fourth of economically active population) and as late as 1891 still employed more people than any other industrial sector. In 1901 the complex of transportation and metal processing industry had overcome it in employment. Even then between 1811 and 1851 its contribution to national gross income fell from 1/3 to 1/5 and in 1891 represent only 1/13. At the beginning of the 30's, agriculture became a very secondary sector. it employed around 5% of active population and contributed with less than 4% for the national income"(p. 181) This was one of the most dramatic displacements ever produced by internationalization. This cannot be understood only in economic terms.

As says Hobsbawm "the political and social structure of Britain was controlled by the landowners (p. 182). Land aristocracy, at the end of the Napoleonic wars, had approved the Corn Laws to protect itself from the debacle that reached her half a century later. This legislation divided the country between, on one side, the supporters of agrarian protectionism and of established interests, and on the other the liberals whose doctrine served perfectly well to the interests of ascending industrial capitalism. After almost three decades of scientific polemics in which the logical genius of David Ricardo was outstanding, and of political fight, the Corn Laws were repealed. In this period the relative importance of agricultural activities for the British social product had fallen by half. The landowner class that governed the country and dominated agriculture was fusing with the industrial bourgeoisie and started to understand that manufacturing

investment was much more profitable than the renting out of land.

Says Hobsbawm (1968) that "is interesting to note that it was a Conservative government led by Disraeli that won the leadership party due to its opposition to free trade that took the crucial decision of not protecting British agriculture during those years (1878-80) of agrarian troubles in Britain and in the continent (. . .) If agriculture collapsed, too bad for her. The great landowners were not willing to make more than a formal protest because if their income was not already diversified through investments in urban real estate, mining, industry and finance they could easily be "saved" in this way"(p. 184 and 185). The landowner class saved itself from collapse but the workers that were expelled from their traditional activities by the victorious competition of imported grains did not "save" themselves.

"Another point that is not discussed is that the standard of living of other classes got worse. This was the fate of agricultural workers (around one million in 1851) at least the ones from the South and East of England, and of the small owners and farmers of the Celtic region of Scotland and Wales. (The eight and half million of Irishmen, mostly agricultural laborers, were incredibly impoverished. It was not less than one million the number of deaths during the 1846-47 famine, the greatest human catastrophe of the XIX century in the whole world)" (Hobsbawm, 1968, p. 86 and 87) The accelerated half-destruction of British agriculture in the last decades of the XIX century freed an enormous contingent of non qualified labor that entered the urban industrial reserve army or went overseas to try their luck migrating to the United States, Canada, Australia etc.

Structural adjustment of British agriculture resulted in a negative globalization similar to the one that characterizes the end of the XX century. The crucial decision in the words of Hobsbawm was not to protect British agriculture from the overwhelming competition from American and Russian grain. There was no preoccupation with the social consequences of the accelerated productive re-organization. The most interesting fact is that the British example was not followed by other countries except the Netherlands. On the contrary. The displacements caused by irrestrict internationalization made other countries to abandon free trade precisely in the seventies of last century. This turnaround resulted from two changes in the decade of 1870 that shook the economies of Western Europe. One was the invasion of cheap grain from America and Russia, made available

by the railroad builders. The other was the depression of 1873-79, the worst and longest business stagnation that the world went through. (Ellsworth, 1950, p. 351)

As mentioned by Ellsworth, simply it is not true that the developed world practiced free trade until the First World War. Bismarck, after German unification, accepted the demands of the agrarian interests and in 1880 adopted a new tariff with high and protectionist levels on grain imports. In 1902 a new tariff revision increased the levels on the imports of iron and a high minimum level for food products was established. In France “the growing competition of foreign grain strengthened farmers protectionism and they united forces with the supporters of tariff protection for industry (. . .) Their efforts were rewarded by the 1892 Customs Law (. . .) Tariffs on many agricultural products were restored to previous high levels and the tariffs on manufactures were very much increased “(Ellsworth, 1950, p. 355) In the United States the increase in tariffs had the initial objective of raising revenue. But in 1888 the elections were won by the Republicans that had turned overtly protectionists. In 1890, the McKinley Tariff was adopted and it raised the average tariff to 50%. In 1894 Democrats returned to power and adopted a tariff that reduced the protectionist impact. But the following elections were won by the Republicans that adopted in 1897 the Dingley Tariff which was considerably more protectionist, raising the average level of the tariff to 57%.

Protectionism was generalized during the last decades of the XIX century. “With the exceptions of Britain and the Netherlands, European countries followed the lead of France and Germany and adopted protectionist tariffs. (Ellsworth, 1950, p. 359) And in Latin America the same thing happened. All this does not mean that internationalization stopped or was reversed as was going to happen during the thirties. In reality international trade continued to grow and international division of labor was been deepened. Between 1876-80 and 1911-13, world industrial production grew by 280%. This corresponds to an average yearly growth rate of 4, 1%. World trade in industrial products grew 203% with an average yearly rate of 3, 4%. Primary production between 1886-1900 and 1911-13 increased by an average of 1, 4% a year. World trade in primary products grew by 3, 2% a year. (Maizels, 1965, p. 80) These data show that industrial expansion took place mainly by import substitution while agricultural production expansion was led by international trade.

In Britain, industrial capital could only gain with free trade. Its hegemony expressed itself by what we call negative globalization, i. e. an economic internationalization entirely conducted by the interests of private capital. The only function for the State was to maintain order and implement the rules of the free market economy. In relation to Britain, all other countries were latecomers and a policy of *laissez faire* would only consolidate their relative industrial inferiority, condemning them to the role of suppliers of goods of smaller added value. For this reason, German industrial capital, French and American capital were not free traders. They asked for the support of their respective States to overcome their industrial backwardness. Industrialization in the three or four decades before the First World War was directed towards the domestic markets and only secondarily towards the world market. However, as the second generation of industrial powers continued to become more and more internationalized, we may call this process "positive globalization".

Positive globalization, as it happened during this period in the United States, Germany, France and Japan also provoked displacements. In all these countries and in all others that passed through this process called "late industrialization" agriculture lost relative weight in the national economy and the agricultural labor force diminished quickly. The difference in relation to the British model is that a series of policies were adopted to compensate the losses that agricultural contraction caused. Cooperatives were organized, which permitted to place part of the agricultural production under the control of farmers and cattle raisers; subsidies of different types were given to farmers and later (during the 30's) buffer stocks were formed, minimum prices were guaranteed credits were given in favorable conditions. Until today policies of agricultural support are still applied in the developed countries in spite of the reduction of the relative and absolute number of people that lives from agriculture

Agricultural policy is only an example of a much wider process that took place with ebbs and flows from the seventies of the XIX century to the seventies of the XX century. Positive globalization had as its axis economic development based on the domestic market. For this reason the national State could control and command the development process and this was done, through different means, in all countries that industrialized during the last 100 years. The classic cases of the second generation of industrial countries are the United States, Germany and Japan.

United States development was essentially towards the domestic market until the Second World War. The result of this conflict gave the United States undisputed hegemony over the world capitalist economy and *ipso facto* converted its ruling elites into free traders. Transition took place during the war when isolationism was definitely overcome and the dollar became the key currency of the new international system of payments instituted in 1944 at the Bretton Woods conference. We should not forget that, until the end of the thirties the American industry developed behind high protectionist walls and that, until today, the United States government utilizes its enormous military, diplomatic and financial power to defend rights and privileges of companies controlled by American citizens all over the world.

The development of Germany and of Japan was ostensibly commanded by the State. The State promoted and sustained the formation of cartels and conglomerates with the capacity to become competitive in the world market. The positive globalization in these two countries protected and organized the national market as a basis for the German and Japanese companies to conquer positions in the international market. The Japanese experience after the Second World War illustrates well this process. "During the period of high rates of growth the Japanese bureaucracy had access to a wide array of policy tools to implement the industrial policy. Laws approved in 1949 and during the fifties offered the bureaucracy wide control over the capital markets (markets were strictly segmented and the rates of interest were administered according to each market) and effectively isolated the national capital markets from the international capital market. (. . .) Among other controls, Government could fix the interest rates of long term loans and deposit rates of interest at levels below the levels they would reach if they were not administered. This policy stimulated an excess demand for loans at controlled rates of interest and this permitted the Finance Ministry to ration and to direct the flow of credit to the large companies that were adopting new technologies and in this way stimulating productivity and exports. During the decades of rapid growth when big companies were innovating and competitively expanding capacity the control of the Finance Ministry over credit became a powerful tool of industrial policy.

"(. . .) the range of indirect instruments of the Japanese Government to influence of investment decisions was at its height during the period of rapid growth. The main categories of policy instruments (. . .) were tariffs (even if their influence had declined during large part of this period); import

quotas (that were not yet being strongly criticized by trade partners); direct and indirect subsidies (important for some industries); and a budget situation extremely favorable (which permitted the use of subsidies and fiscal incentives without problems) (. . .) As Japan was technologically quite behind in relation to other industrialized countries, it was important the capacity of the Government to help and influence industry in capturing a large stock of foreign technology and in utilizing it. Thanks to the law of Foreign Exchange, in place until 1964, MITI (Ministry for International Trade and Industry) had the capacity to allocate foreign exchange (dollars) selectively and the MITI effectively utilized this power as a "stick and carrot" (retaining allocations) to influence business decisions. As the largest part of Japanese companies depended on imported raw material and on foreign technology, the Ministry exercised this power to orient companies in their decisions on the increase of capacity and to influence the rhythm, composition and allocation of the flow of new technology essential for the competitive success of every Japanese company in a process of rapid innovation. "(Eads and Yamamura, 1987, p. 431 and 432).

The policy of accelerated development in practice by Japan (and other countries) was one of the causes of the enormous advance of globalization between the end of the forties and the beginning of the seventies. As in this period the role of national States as leader of the development process was crucial there is a tendency to forget that the present globalization process took impulse during that period. The mistake consists in identifying globalization with the practice of (neo) liberal policies i. e. with the withdrawal of the national State from the economic scene. The highly ideological version, much propagated today, sustains that until the beginning of the seventies protectionism isolated the national economies and that State intervention restricted internationalization by limiting trade and the international flows of capital. In truth, the economies that effectively developed during this period increased their participation in the international market and multiplied their direct investments in third countries.

The reduction of the role of the State in orienting the economy did not accelerate globalization but gave to it different characteristics.

Politically oriented globalization and globalization conducted by private competition

After the Second World War the international economy had to be institutionally re-invented. The previous international payments system (the gold standard) failed after the First World War to re-establish balanced international economic relations. It had to be abandoned when capitalism sunk into its worst international crisis during the thirties. The "re-invention" was presided over by the United States that recognized, when they proposed the creation of the United Nations and its specialized Agencies, that the world capitalist economy had to be regulated not by private economic agents but by sovereign nations, by the national States. The new international payments system was directed by three intergovernmental institutions: the International Monetary Fund, the World Bank and the World Trade Organization (foreseen since 1945 but only created definitely in 1994).

Under the umbrella of the United Nations appeared an embryonic world government. It is necessary to recognize that this proto-government met with some success. It promoted the almost total emancipation of colonies giving rise to more than one hundred of new States immediately admitted into the United Nations and its Agencies. It offered space for the negotiation of a series of multilateral treaties that effectively led to a limited but significant convertibility of several national currencies and to successive liberalization's of trade and of capital transfers over national frontiers. In this way world markets for goods and capital were re-established, but not the free flow of labor since international migrations continue to be strictly and severely controlled. The re-establishment of world markets may be translated into effective globalization, which manifests itself in the expansion of world trade, of foreign direct investment, in the multiplication of multinational companies and in the development of international mass media.

What characterizes this globalization is that it was politically conducted. It is a two way process. On the one hand, we have the national sovereign States with active roles, even if with a different nature from the one they had in the promotion of economic development inside their respective countries, as the description of Japanese experience by Eads and Yamamura illustrates.

The Japanese, Brazilian, American, Hindu States are constantly negotiating foreign exchange rule, issue of international currency like the

special drawing rights (SDR) of the IMF, reduction of tariffs, patents, external debt consolidation, labor conventions at the ILO and many other questions. On the other hand we have a profusion of private capital, organized in general as companies of different sizes that compete in different markets, make alliances with others, merge and separate, having as criteria the interests of their controllers and equal expectations.

Governments and companies have an interest in globalization. The governments of the Great Powers want to reinforce links with smaller and dependent countries and the last ones ask for material help and market access from the Great Powers. Capitalist companies look abroad for markets for their products, cheaper inputs, investment opportunities and eventually new capitals. There is not an opposition of interests between governments and companies while the economies are growing, inflation is low and the balance of payments is in equilibrium. But when there is recession, inflationary surges or exchange crisis, the government activate instruments of economic policy that almost inevitably collide with the interests and prejudices of some business groups. It is in this moment that appears the political management of globalization. In some moments, the interest of the majority of the population represented by a government democratically elected has to prevail.

Perhaps the more complete example of international integration politically managed is the European Union, an experience that has already 45 years and deserves a more detailed analysis. The origin of the Union is the Steel and Coal European Community, formed after several disputes between the supporters of economic and political unification of Europe and their adversaries.

In 1948, the Marshall Plan promoted by the United States led to the formation of the Organization for Economic European Cooperation, with the goal of allocating between European countries the resources of that Plan. France suggested that the new organization should be supranational i. e. that his direction could take decisions even if it was not supported by all member States. Britain opposed this idea. Her role as head of the Commonwealth made her reluctant to participate in European integration initiatives. European unification counted with the support of the United States but the British position prevailed. In May 1948, the European Congress met in the Hague with the participation of the most important political leaders of the continent. "Congress adopted a resolution

that contemplate renunciation of parcel of national sovereignty previous to the constitution of the economic and political union of Europe. Immediately after, the French and Belgian governments proposed the creation of European parliament in which decisions would be taken by majority of votes. "(Swann, 1973, p. 18). Opposition of the United Kingdom prevented the approval of the proposal.

Europeans took the offensive two years later when the French Premier Robert Schuman presented a plan for the creation of a steel and coal European common market. The plan had the "supranationalism" as an essential feature, and its explicit goal was to permit the reconstruction of heavy German industry without exposing Europe to the risk of a new conflict caused by French-German rivalry, that was at the origin of the two world wars. The proposal had the support of other countries of the Continent but not of Great Britain. Britain did not participate in the Steel and Coal European Community formed in 1951 by France, Germany, Italy, Belgium, Netherlands and Luxembourg. These nations constituted from them on the so-called Group of Six. At the head of the new Community was a High Authority with powers to take decisions independently of the approval of the Council of Ministers of the member States.

The Steel and Coal European Community was successful in the context of the rapid recovery of the countries that had been destroyed by the Second World War. In 1955 the countries of the BENELUX Customs Union (Belgium, Netherlands and Luxembourg) proposed the creation of a general common market and specific action in the fields of transportation and energy. The idea behind the proposal was that the widest economic integration would open the way for political unification, a plan that was considered impossible to be implemented directly.

The Six accepted the proposal and formed an intergovernmental committee, chaired by Paul Henry Spaak to develop the project. Britain was invited to take part in the negotiations. It became clear that there were great divergence between itself and the Six. Britain favored a negative integration consisting in the removal of trade barriers between the member countries, that would form a Free Trade Area, without need for regulating organisms. The Six however wanted to form a Common Market as the starting point for a more complete economic union. What distinguishes a common market from a free trade area is that the first unifies the tariffs of the members into a common external tariff which makes necessary the

creation of at least one organism to direct the relations of the common market with the rest of the world. The members of a Free Trade Area had full freedom to separately determine their trade relations with the rest of the world. In November 1955 Britain left the Spaak Committee.

In 1956, the Committee presented its proposals to the Six and despite the differences of opinion among its members, it was possible to conclude for the formation of a economic Community and of an atomic energy Community. In March 25, 1957, in Rome, two treaties were signed, one creating the European Economic Community and the other one creating the European Atomic Community (EURATOM) (Swann 1973, p. 23 to 25). The EEC started to function in 1958 and the member countries had to eliminate tariffs and import quotas affecting the trade among them in a transition period of twelve years, finishing 1969. This goal was reached in 1968, one year and half before the deadline.

Meanwhile, Britain formed with six small countries (Denmark, Norway, Sweden, Austria, Switzerland and later Portugal) the EFTA (European Free Trade Area) dividing Europe into two economic rival blocks. The Stockholm Treaty was signed in 1960. EFTA was restricted to the liberalization of trade in industrial products without liberalizing trade in agricultural products. This was a convenient situation for Britain that had substituted imports of food and cheap raw material from the United States and Russia and later from the Commonwealth countries for her domestic production. The goal of Britain was to preserve the Commonwealth, offering in exchange her internal market as the center of economic integration.

This goal was destined to fail. In 1961, the British Government was already convinced that it had been a mistake not to participate in the European process of economic integration. In 1961 Britain presented a request for admission into the EEC almost at the same time as Ireland and Denmark. Meanwhile, the EEC was creating not only the common market but had also developed a common agricultural policy that would continue with the protection for European farmers against external competition.

The European Economic Community guarantees minimum prices, annually adjusted, to the food producers and with the common external tariff EEC protects them against the exporters from the rest of the world. Britain intended a reformulation of the Treaty of Rome to conciliate its links and engagements with the Commonwealth members with the

obligations emanating from the participation in the EEC. Negotiations proceeded very slowly until President de Gaulle, that did not want the admission of Britain into the EEC, forced its postponement *sine die*, in 1963. There was again a new British request for admission presented in 1967 that gave place to new negotiations. This time Britain had greatly reduced her demands to the Six but this did not prevent a new de Gaulle veto and the examination of the request was again postponed.

The EEC was only capable to expand after the de Gaulle left the French government. In 1973, the Community of Six became the Community of Nine with the admission of Britain, Ireland and Denmark. A new expansion would only take place eight years later with the admission of Greece (1981) and of Portugal and Spain in 1986. In eighteen years the number of members of EEC doubled. Since last year, the Community changed its name to European Union¹ and admitted Finland, Austria and Sweden. With the fall of the pseudo-communist regimes of Eastern Europe not only increased the number of sovereign countries in this part of the Continent but several of them had the explicit goal of being admitted into the Community. There is an intense discussion about the prospect of increasing the number of members to around thirty in the next few years and in several candidates the democracy and market economy are still in experimental stages.

The success of the European Union contrast with the failure of more timid and limited attempts at economic integration.

This success is due to a great extent to the "supranationalism" of the European Union in the period after 1974 when rapid economic growth and full employment were replaced by repeated recessions, inflationary surges and high chronic unemployment. The fact that the European Union was directed by an organism independent from the member States was vital to assure that it did not become sterilized or fragmented by the shock

¹ The change of designation results from the new treaties celebrated in the meeting of the European Council at Maastricht (Netherlands) December 1991. They determined important advances in the process of European political and economic integration. Until 1999, the complete economic and monetary unification of Europe should take place in a process that the Treaty calls "irreversible". Political unification becomes another target justifying the change of designation to European Union. The citizens of each member State become European citizens, acquiring the right to vote in the municipal elections of the country where they live, even if it is not their own country of nationality. Foreign policy will be not only coordinated as before but will be a common foreign policy. The same should happen to the defence policy. The powers of the European Parliament were enlarged and so on. (Europa Archiv, 1992).

of national interests exacerbated by the deterioration of the economic situation.

Since its foundation the Community is directed by a Commission, composed by Commissaries indicated by member States. The Commission has the privilege of being the only organism of the Community that has the power of proposing rules or measures, subject to the approval of the Council of Ministers and the European Parliament. The Parliament since 1979 is elected by the direct vote of the citizens of the member States. Each member State has a number of seats proportional to its population. The members of Parliament do not seat by national groups but according to parties : Christian democrats, social democrats, liberals etc. The Commission, the Council and the Parliament form what may be called the government of the European Union.

The Commission corresponds to the Executive power and commands a staff of around 10. 000 officers. When the Community had twelve members, the Commission had 17 Commissaries, designated by member States. The five (Germany, France, Britain, Italy and Spain) designated 2 and each one of the others, one commissary. The important aspect is that the Commissaries do not represent the countries that designated them but the Community as a whole. They have a four-year mandate and the member States cannot dismiss them and replace them during the period. The Commission is responsible to the Parliament that may replace the Commission as a whole but this has never happened. Each Commissary is responsible for one or more of the 22 General Directions into which is divided the administration of the European Union. Each Direction is responsible for one area, similar to a Ministry. The Commission directs the Union and takes the measures necessary for the implementation of the decisions of the Union by the member States. The Commission participates of the negotiations with the Council of Ministers and amends her own proposals to make them acceptable by the member states and negotiates in the name of the Union with third countries. It has powers to administer the regulations of the Union as for instance to detail the application of the Common Agricultural policy. The Commission has also the monopoly of initiative in all fields of policy and submits its proposals for the decision of the Parliament and the Council of Ministers. (Hitiris, 1992, p. 39 and 40; Molle, 1990, p. 62 to 64)

The European Parliament and the Council of Ministers form the

legislative power of the Union. The Parliament is the low chamber in which the people are directly represented and the Council is the upper chamber in which are represented the member States. The powers of Parliament are limited. It considers the proposals of the Commission and formulates suggestions that are not obligatory but that in general are incorporated into the resolutions, "The European Parliament has the power to organize its own agenda and to debate any question that it considers relevant. As a consequence, it gradually became more influential in the formulation of policies and in foreign relations, beyond the limits formally fixed by the treaties. (Hitiris, 1992, p. 42). The Maastricht Summit reinforced the powers of the European Parliament. In the future, the mandates of the Commission and of the Parliament will coincide. The Commission will be confirmed by the parliament. The control of the Commission by the Parliament will be more effective with the right of the last one to initiate investigations. The Parliament will have greater participation in the legislative elaboration of the Union in matters such as internal market, consumer protection, environment, and trans-European networks of communications, energy and transportation.

The Council of Ministers is the most important decisory organism of the Union. The States are represented in the Council by their respective Ministers of Foreign Affairs and depending on the matter by specific Ministers (agriculture, transportation etc). It is the Council that takes the final decisions about the proposals of the Commission after submitted to the consideration of the Parliament and in certain cases of the Social and Economic Council, in which are represented employers, workers and other organized interests. The voting rules of the Council are numerous, varying according to the question being examined. Some proposals may be approved by a simple majority, other by qualified majorities and other questions only by consensus. Despite the increase of influence of Parliament, important decisions continue to depend on the approval of the Governments. This approval is given by the Council of Ministers or by the European Council that meets less frequently and is composed by the Heads of State or government and by the President of the Commission.

Economic integration in Europe under the direction of the Union is marked by the presence of State, Community and national entities. These entities permanently negotiate the continuous changes of rules that make economic integration to move forward, with the preoccupation to distribute benefits and costs in acceptable ways for everybody.

Regardless of the result of these negotiations, this way of integrating or globalizing is different from the mere removal of controls and restrictions to trade and exchanges, that we called negative globalization. This last form of globalization attributes the distribution of benefits and losses to the impersonal working of the markets. The fact that the Community attracted practically the totality of all members of EFTA permits to presume that positive globalization is superior to negative globalization.

The European Community facing the dislocations caused by integration

The most important and controversial example of protecting and compensatory policy of the Community (previous to the change to European Union) is the Common Agricultural Policy (CAP) determined by the Treaty of Rome. This policy does not differ essentially from the policies implemented by other developed countries such as the United States and Japan. The motivation of all these policies was that globalization threw into the international markets agricultural commodities produced by developing countries at prices with which the farmers of developed countries could not compete. The reason is the cost of labor, due to the enormous difference in standards of living between the First and Third World. The prices at which the African, Asian and Latin American farmers placed on the market grains, sugar, meat, etc do not cover the cost of living of farmers in the countries of the North. To make viable their agricultural sectors, the only alternative they have is to guarantee high prices in a protected internal market.

The Common Agricultural Policy of the Community has two parts; market control and structural policy. The control of the market obeys to three principles: unity of the European market, priority to the Community products in the common market, and financial solidarity among member-States. The unity of the market assures the free circulation of agricultural products in the countries and the use of the same instruments of market intervention in all countries in such a way that the price of each product is the same in all countries. One of these instruments is protection against imports and the other is the fixation of guarantee prices for the selling of important products. The unity of the market also implies the mutual agreement by all members about health control, veterinarian care etc. and the supervision to prevent the emergence of national measures that distort competition (Molle, 1990, p. 252).

Priority to the Community products means that there will only be imports of agricultural products if domestic production is insufficient. If the world price is greater than the minimum price of guarantee of the Community, imports will be subsidized and exports taxed so to prevent internal price to rise. Financial solidarity among the members materializes in the EAGGF- European Agricultural Guidance and Guarantee Fund - to which go all the revenues and from which are paid all the subsidies of the policy of market control. The guarantee prices fixed by the Commission are in general twice as high as the world market prices and the exports have to be subsidized. The CAP runs a deficit and the EAGGF has to be fed with budget resources of the Community. Budget expenditures of the Community with agricultural guarantee prices represented 64, 3% of total expenditures in 1980/84 and 65, 3% from 1985/89 (Hitiris, 1992, p. 83)

The effect of the Common Agricultural Policy are controversial. As the guarantee prices are high they tend to stimulate a volume of supply greater than the demand of the market and that requires subsidized exports. These exports naturally provoke complaints and conflicts with other agricultural exporting countries. However, the European Common Market is the only segment of the world market in which effectively there is a free trade market for agricultural products. In other respects, the agricultural policies of other developed countries are also protectionists but on a national basis. "In 1989 subsidies represented in relation to the value of agricultural production 75% in Norway and Switzerland, 72% in Finland, and Japan, 57% in Sweden and in Austria, 35% in Canada, 27% in the United States and 38 % in the EEC. (Hitiris 1992, p. 328 and 329). For the EEC as for other developed countries the protectionist agricultural policy has a clear redistributive meaning because farmers are on the average poorer than the urban consumers of their products. But since the Community of 12 was heterogeneous having as non-developed members countries with poor farmers (Greece, Portugal, Spain and Ireland) we may conclude that the CAP has a larger distributive impact than the corresponding policies at the national level.

The apparent generosity of the PAC with the farmers did not prevent them from gradually leave the activity. In the GDP of the Community of Twelve (EEC-12) the share of agriculture fell from 8% in 1960 to 3% in 1985 and in total employment of the EEC-12 the share of agriculture fell from 21% in 1960 to 9% in 1985 (Molle, 1990, p. 255). The agricultural policy of the Community therefore did not preserve agriculture at all costs

but permitted the rural population to adjust to the reality of globalization in a gradual way and certainly more human way. The structural policy of the EEC and of the member States made the number of agricultural units to decline about 40% in the last 25 years but "in recent years the decline desaccelerated due among other factors the worsening of prospects for employment outside agriculture". This observation shows how it is important to have compensatory policies for the dislocations caused by globalization.

The Common Agricultural Policy is the object of controversy inside the European Community. There is pressure from the free traders asking for substantial reductions in the coming years of the support value for agriculture. To these pressures are added the ones by the United States and by other exporters of agricultural products. Pressures and counter-pressures make a scenario in which decisions do not depend exclusively on microeconomics rationality of market forces but also on the number of people affected positively and negatively by the different policy alternatives. At the end no one doubts that un-economic activities will have to be discontinued. But the rhythm to reach this goal matters and the democratic decision making structure of the European Union guarantees a result superior to the one that would be obtained by a globalization merely negative. Another area of compensatory policies of the EEC is regional development. It was in discussion since the Messina Conference of 1956. The Commission suggested in 1969 a Compensation Fund which was only accepted in 1975, when the European Fund for Regional Development was created. Even inside the EEC -9 there was considerable regional disequilibria an the recessions post-1974 had disastrous repercussions on areas of older industries. For this reason, the creation of the Fund was important to complement national support policies and rehabilitation of those areas, to subsidize investment and to developing the infrastructure. The EEC budget assigns to the Fund for the period 1975/84 12 billion ECU².

After the admission into the European Community of Greece, Spain and Portugal the need of resources for regional development increased. The budget of the European Development Fund increased to 3 billion of ECU from 1987 on. 66% of the resources of the Fund are destined to the countries of Southern Europe: Greece, Italy, Spain and Portugal. The

² ECU is the account currency of the Community. The European Currency Unit has the value of an weighted average of the currencies of member states. In 1990 one ECU exchanged for 0, 7 pound, for two Deutch Mark 6, 9 French francs, etc (Hitiris, 1992, p. 141)

regional disparity inside the EEC diminished decade after decade between 1950 to 1985. Molle (1990, p. 422) points three causes for the reduction: the transfer of industries from the central areas to the peripheric areas, migration of workers from the peripheric areas to the central ones and the installation of social services (schools, hospitals, social security) in the poor areas. The first and third factor may have been influenced by the regional development policy of the Community.

Another important area of redistributive policy of the EEC is social policy. All members had to a certain extent Welfare States but their dimensions varied considerably. In 1987 for instance the expenditures with social security represented 31, 3% of GDP in the Netherlands; a little more than 28% in Belgium, France and Germany, but only 17, 7% in Spain and 16, 3% in Portugal (Hitiris, 1992, p. 253). This disparity could not but affect the competitiveness of companies when the formation of the common market would have been completed. The EEC had an obligation to harmonize the social expenditures in the member countries, as determined by article 117 of the Treaty of Rome.

There was a current of opinion that this harmonization should be left to the working of the common market itself, under the assumption that workers and capitalist would choose the countries that they would consider more convenient. The adversaries of this opinion agreed that competition in the common market would make social policies to converge but in a downward direction. This would happen because capital would move to countries with smaller social contributions and this would make the other countries reduce their expenditures with social security. "Therefore only a previous harmonization could preserve the social rights conquered by the workers of the more advanced countries of the Community (Hitiris, 1992, p. 253).

In practice, prevailed the opinion contrary to the harmonization of social policies of the members of the Community probably because it is easier to oppose a policy than to impose it. In compensation in the area of employment the EEC action was very positive. With the fall in the level of employment the Commission formulated proposals of "agreed reorganization of working schedules". In 1979 the Council approved the proposals and this permitted the Commission to start a series of initiatives with the goal of "increasing the offer of work positions through agreed reduction and reorganization of current volume of working time and a

systematic limitation of extra-time “(Hitiris, 1992, p. 261). In 1982, the Council of Ministers adopted recommendations about flexible retirement and an orientation of the Commission to protect and offer minimum guarantees to people engaged in temporary jobs or part time jobs. Before that in 1975, the Commission sent to the member states a recommendation for the adoption of a 40 hour-week with four vacation weeks to all full time workers. And at the end of the seventies the 40 hour week was in force for almost all industrial workers of the EEC-9.

The prospect of the common market, to be completed in 1992, gave rise to a new trade union offensive against the threat that capitals would abandon the countries with high social standards. They proposed that the Community should have powers to harmonize national regimes of work and social security. The adversaries reacted demanding that conditions of infra-structure, labor productivity and exchange rate should be also harmonized. The Commission pressured by the European Parliament, by the member States and by the unions suggested a conciliatory proposal a “Community Charter of Fundamental Social Rights” the so-called Social Charter of the EEC. It was adopted by 11 members. The dissenting voice was Britain.

The Charter re-affirms among other things the right to the improvement of living and working conditions, as a result of the Common Market, freedom to exercise all activities in identical conditions to the citizens of the host-country; to a fair remuneration (fair understood as the sufficient to guarantee the subsistence of the worker and his family in any job); to adequate social protection; to the freedom to organize, to associate and to collective bargaining; to vocational training during the whole active life of the worker; to equal opportunities to men and women; to information, consultation and participation of the worker, particularly in certain companies located in several member States, to health protection and to safety in the workplace etc.

The Charter is a declaration of non-obligatory principles to be followed by a program for their implementation (Hitiris, 1992, p. 269). This will happen through national legislation and agreements between employers and trade unions in the member States. It is far from being a concrete victory. However, its ideological and political importance was big enough to make the British government ostensibly refuse to sign it. The argument of John Major is that the rights enshrined in the Charter

would make the European Common Market not competitive in the dispute for transnational capital.

This analysis is far from exhaustive and perhaps did not even touch the more significative areas of intervention of the European Union. Even then it shows the potentialities of 'managed policies for international economic integration. Sometimes these potentialities do not materialize and frequently even their partial concretization may require years of fight and negotiation. The existence of channels for negotiating and formulating interventionist, compensatory and redistributive policies do not guarantee that they would come into being and, when they exist, that they would be successful. Even then the historical experience of the European Community shows that it is very important to build such institutions. The argument is the same used for the defense of formal democracy: the existence of democratic procedural rules do not guarantee the production of free and equalitarian social conditions. Everything depends on the use that the citizens make of these rules. The same applies to positive globalization. If globalization is produced by a combination of negative, deregulating, and positive, with the purpose of corrective intervention in the results of the markets it can mould a society in which free enterprise and social solidarity do not exclude one another. Negative as well as positive policies have to be conquered overcoming the opposition of concrete interests and ideological principles.

Brazil in face of globalization

Brazil faces a dilemma: Brazil may give priority to integrate its economy in a regional group, Mercosur, or it may prefer unilateral internationalization i.e., a negative globalization. Both processes are taking place now. The treaty that created Mercosur is in force and regional economic integration is moving forward to the point of attracting new partners like Chile in the region. It is not absurd to dream with a Mercosur that would repeat in South America the experience of the European Community of effectively unifying in a common market and in a federation of states all the national economies of the continent. On the other hand there is also another process of world liberalization of trade and finance. And in principle, to the extent that this second process goes forward, it reduces the importance of regional blocks.

This happens because the common external tariff of each market cannot be much higher than the tariffs of the member states. If these are systematically reduced by successive negotiations organized until recently by GATT and nowadays by the WTO, the common external tariffs of common markets in process of formation will be increasingly lower. This happened to EEC that initially adopted a common external tariff with an average of 11%. Due to tariff round of negotiations Dillon (1960-62), Kennedy (1964-67) and Tokyo 1973-79) the common external tariff was reduced to an average of 6%. The Uruguay Round (1986- 1994) reduced even more this average not only on industrial products but also on services and agricultural products.

Protection given by the common external tariff is becoming less significative except in relation to agricultural products. We could expect that there would be a diminution of interest to enter the European Union, but that is not the case. There is a line of candidates at the door of the Union: Hungary, Tchec Republic, Slovakia, Poland Estonia, Latvia, Lithuania, Cyprus, Malta, Turkey and other countries. The interest in being admitted to the European Union can not be to have access to the common market increasingly less protected. It may be explained by the advantages that positive globalization offers through the insertion in an increasingly wider federation of States.

Throw has a similar vision: (1996, p. 122) “free trade areas establish a low common level for salaries and falling prices. While common markets establish higher common level utilizing social inversions investments to increase the level. For many, free trade is painful. Their companies and jobs disappear. It is not surprising that they fight vigorously against free trade. The beneficiaries of free trade are more numerous but their gains are generally smaller in relation to their total income. Therefore they do not constitute a significative political force, even if they are more numerous.

It is important for governments that are trying to persued their voters to submit themselves to painful restructurations to be able to show great benefits. These benefit may be social investments that are tangible, certain and that occur regularly. In the European Community the Spanish had to face German competition and allow their companies to become German but in exchange they obtained from the Germans funds for great investments in infrastructures. It is interesting to note that those investments were financed from Community funds, originating from the Community budgets

for which Spain and Germany contributed, the last more than the former. It makes a difference to receive money from another country or from a common fund for which one has also contributed.

For small and incompletely developed countries, the alternative to negative globalization tends to transform them into puppets of great transnational private capitalist conglomerates. To gain competitiveness and to grow economically outwards using exports as an arrow head, these countries have to attract direct investments of transnational corporations that will bring technology and access to international markets. This need experienced by great number of countries created a cut throat competition for such investments with growing benefits from multinational corporations in detriment of the competing countries.

The dilemma is not fundamentally different for large countries such as Brazil and South Africa. To deliver themselves isolated and passively to negative globalization implies to permit that the new way of insertion of their economies in international division of labor is going to be returned by transnational private capital. The importance of the national markets may offer some possibility of bargain that not always is used by ideological liberal governments. The only possibility to make globalization positive for them is to increase their bargaining power through building new forms of federative governments capable to confront the great transnationalizing capital with unified economies of world expression.

Is the European option reproducible in other parts of the world such as the Southern Cone of Latin America or Southern Africa? The essential requirement seems to be the political will of significative parts of national societies. Nowadays the debate about globalization, its desirability or even its inevitability, its cause and consequences and above all how the benefits and costs shared tend to deepen in all countries. On one side the liberals make an effort to prize the real or imaginary benefit brought by globalization, always identified as negative globalization and resulting of the simple elimination of exchanges restrictions and of controls. On the other side socialists, nationalists, populists or several ideological preferences, that identify the growing social and economic exclusion caused by globalization, continue not being able to find a feasible alternative to globalization, since closing the national economy and detaching it from the rest of the world do not seem possible.

Actually, being globalization a desirable phenomenon, the alternative cannot be national. It tends to be at the same time political and international. It depends on the international solidarity of classes and groups, that tend to be victimized by negative globalization, from which is born the political will favorable to the unification with neighboring countries in order to transform regional economic integration blocs into projects of full economic and political unification. Mercosur may be considered project of this type, in an embryonic stage. Its conception is inevitably inspired in the European Union. An ultra-superficial research on the literature about for Mercosur came across two comparative studies based on the experience of the European common Market (Almeida 1994 and Pereira, 1996). But Mercosur to follow the way that leads for to the European Union, it is necessary the diffusion of a "Latin American" feeling among the people of the continent, that is capable to force the government of the region to programme the gradual unification of their economies and States.

"Europeism" was rooted there from a long history of dynastic, religious and national wars. The great argument in favor of the European unification was to guarantee peace. So the great number of deaths and devastation caused by the Second World War naturally reinforced pacifism, which in Europe took the form of European federalism. All the economic arguments in favor of market integration was just an enforcement to a political ideal with great popular support. Fortunately the Latin American historical experience is less tragic in terms of wars between the countries of the continent. The idea of "Latin Americanism" has to come from the feeling of impotence and surrender to which a globalized world condemns ourselves. If the "national" nationalism is not feasible and the "regional" nationalism has the possibility to restore us our sovereignty, feelings and interests would help the last one replace the first.

Conclusions

The idea to oppose to globalization seems foolish for anyone that knows Brazilian history. Brazil was built in the process of internationalization, of which it was an object and product during the colonial period and the first decades after independence. We may say that after 1844, when we put an end to British tutelage, Brazil entered the path of autonomous participation in the world economy, in an effort to erect a

State able to fixlines of action or perhaps manage the implementation of national goals, the interchange of the residents in Brazil with the rest of the world. Obviously the efforts were not always successful. However, this is the historical tradition, and the level of development reached by Brazil has resulted from a positive globalization, built since Rui Barbosa until the challenge of opposing Mercosur to the appeal of Nafta.

For the first time in our history we face a situation in wich the traditional policies of imports substitution and State directioning of the pattern of the investments do not work. The challenge that we have to face is how to reformulate the positive globalization, and the analysis that we present here shows that the new positive globalization has to be international. The current analysis of globalization show that it provokes the crisis of the national States. To liberalism, which never liked the expansion of the modern state into the fields of economic production, of provision of public services, of financial intermediation and of redistribution of property and income, the crisis of the national State is just an welcome opportunity to privatize the productive public sector and bring back the State to its original role of responsible for maintaining domestic internal and external order. For those that impute to the democratic States, as representative of the collective will, the functions of regulation and control the of the market mechanisms and of systematic correction of its distributive results, the crisis of the State, resulting from globalization, makes it necessary to invent a new strategy.

The non liberal answer to the crisis of the State is the construction of a worldly State. This construction is logical but premature: globalization is still running its course and it is away from its end, which would be global world economy. The enlargement of the economic spaces moves forward, as it has been done for more than five centuries, but there is still an long way to go for one single world economic space. Therefore, the worldly State is only an utopia. But not the regional State, which corresponds to the constitution of the economic regionally integrated spaces. At this historical moment, a program of positive globalization, i. e. politically managed, becomes feasible under the form of regional integration that is oriented towards a total political and economic unification. At the same time, the new federal economies promote their reciprocal integration, but in appositive way, negotiated and conducted through the World Trade Organization and its sister organizations originated from Bretton Woods.

International Insertion of Brazil and South Africa*

Renato Baumann

Introduction

Brazil has traditionally adopted an attitude of global trader in its international economic relations. Its international commitments have been characterized by not limiting themselves to specific geographic areas. Its external policies have systematically emphasized the need to diversify the composition of its trade flows.

As a consequence, the foreign relations of the country present some peculiarities. The trade flows are comparatively less dependent on the American market than the great majority of the other Latin American countries. On the other hand, there were efforts, during the seventies, to intensify economic links with other countries, members of LAIA and with some African countries. This last movement was in large part hampered by the foreign debt crisis, which reduced the necessary financial liquidity for the increase in trade among less developed countries.

More recently, Brazil's economic relations has intensified in the area of Mercosur. This came about without harm to the Brazilian global approach, as indicated by several simultaneous movements. Brazil participates in the negotiations of the Western Hemisphere Free Trade Area, in the negotiations of the South American Free Trade Area, in parallel negotiations between Mercosur and the European Union, for reciprocal trade preferences and finally, there are Brazilian initiatives to increase relations with Asian and African countries.

Therefore, it is perfectly consistent with its traditional approach that Brazil should seek to intensify economic links with new regions.

Due to its relative weight in the regional market, to the traditionally low level of trade with Brazil, to its capacity to invest, and due to its new

* Version by Susan Guimarães.

internal political situation, South Africa is a natural candidate for closer links with Brazil.

The potential of the Brazilian internal market, the role of Brazil in the regional market, and South Africa's search for greater international links, make Brazil a natural candidate for expanded economic relations.

The two countries have several points in common but also an expressive set of differences in their history, geography and relationship with neighbouring countries which explain their links with the rest of the world.

In this article the basic objective is to show some of those similarities and differences and from that point on to explain the main implications for the process of construction of closer economic links between the two countries.

A brief comparison between the two countries

A comparative evaluation of the historical, geographic and economic characteristics of Brazil and of South Africa shows some similarities and substantial differences between the two countries, with implications for the participation of the two countries in international trade.

Brazil has borders with ten countries and has a long coastline on the Atlantic Ocean. Brazil has one of the largest remaining forest in the world and a great wealth of water resources. The majority of its population lives in a narrow landstrip along the coast. This circumstance brought about a geographic concentration of productive activities and an historical inclination towards transatlantic trade.

South Africa, to the contrary, has its territory surrounded on three sides by the Atlantic and the Indian Ocean. It has few permanent rivers and only 20% of its territory constitutes arable land. This fact however did not prevent the development of the primary sector. With the exception of wheat and coffee South Africa is self sufficient and a food exporting country (sugar, corn, fruits, canned vegetables, fish and shellfish)

Brazil's territory is eight times larger than the South African one. It has a population almost five times bigger and a higher degree of urbanization. According to the UN (1995) in 1995 the percentage of urban

Brazilian population was 78% while the South African corresponding figure was 51 %.

Brazil and South Africa occupy a position of importance in their own regions in terms of geographical dimensions, and particularly in terms of population and production.

The Brazilian population is almost four times the sum of the population of the three other members of Mercosur. Brazil's GNP is five times that of Argentina. South Africa has 14% of the population and 63% of the GDP of the southern and eastern regions of Africa. (Schweickert, 1996). This fact has important consequences for regional integration processes, a theme that will be considered in the following sections of this paper.

Both countries are frequently included among the great emerging markets, a group that includes the ASEAN countries, Argentina, the Chinese area of influence (which includes Hong Kong and Taiwan) India, Mexico, Poland, South Korea and Turkey.

In spite of those similarities, differences between South Africa and Brazil are also important, starting from their respective historical evolution.

South African interaction with the economies of neighboring countries is a characteristic dated at least from last century (Davies, 1996). These countries have been important consumers of South African products as well as suppliers of labor and natural resources to South Africa.¹

These links become even more important when one considers the prospective scenarios about South Africa which have a tendency to emphasize a growing dependence with relation to neighbouring countries for the supply of natural products, as important as water, due to the lack of an adequate domestic water supply. (Leistner, 1995).

The Brazilian case is distinct. Being the only country of Portuguese colonization on the American continent Brazil had a markedly different evolution in relation to the countries of Spanish America. Brazilian colonization was centered in agricultural exploitation, while the

¹ Recently this interaction also includes a flow of fiscal resources derived from the processes of subregional integration. For some countries transfers of taxes derived from the South African Customs Union (SACU) represent important fractions of total Government funds.

neighbouring countries colonization was based on mining activities. The process of independence had different characteristics. Different from the other South American countries, Brazil became the capital of the Portuguese kingdom during sometime before independence, with important consequences for the institutions and for the political evolution of the country. (Donghi, 1985).

In the case of Brazil, economic relations with neighbouring countries have been, until recently, more a result of a political decision than a consequence of spontaneous actions of economic agents, with local exceptions in the extreme South and in the West of the country. Geographical characteristics, as the Amazon forest in the North made communications and the transportation of goods very difficult. The concentration of the largest part of the population and of productive activities on the coast brought about more intense trade relations with Europe and North America than with South American countries.

Brazilian GDP is four times South African's GDP, but in terms of GDP per capita dimensions are similar for the two economies, being a figure close to \$3,000. Several other social development indicators are similar for both countries.

South African economy is more open to international trade than the Brazilian economy. According to *The Economist*, (1996), joint participation of exports and imports of goods in the South African GDP in 1994 amounted to 38%, while in Brazil this participation was below 12%. These numbers explain, in part, the difference in relation to some macroeconomic indicators typical of Latin American countries. While in South Africa consumer prices increased by 70% from 1990 to 1995, in Brazil those prices were multiplied by a factor of 7, during the same period.

The productive structures of the two countries also present significant differences. In South Africa and in Brazil the manufacturing sector represented in 1994, approximately 23% of GDP.² Meanwhile, in South Africa, the mining sector corresponded to 10% of GDP and in Brazil represented only 1,2% of GDP.

This situation affects the composition of trade flows. For both

² In the case of South Africa with a less than bright evolution. According to Europa (1995) the rate of growth of the South African manufacturing sector was negative:-0.2% a year as an average during the period 1980-1992.

economies, this composition corresponds to comparative advantages typically based on natural resources availability, but with different types of products.

For South Africa, the mining sector is responsible for 60% of export earnings³ while the agribusiness corresponds to 30%. Machinery and transportation equipment represented 45% of imports (The Economist, 1996).

In Brazil, the export of mining products are relatively unimportant (little more than 10%) while the majority (55%) of the value of exports corresponds to manufactures. 38% of imports are capital goods and 35% primary products.

In both cases, therefore, the structure of trade may be considered as a result of comparative advantages in natural resources products which are exported to be able to import capital goods and intermediary goods. The basic difference is that in the case of Brazil, exports have a strong agricultural or agroindustrial component while South African exports are mainly mining products. The literature about economic development emphasizes the differences between these two types of economic systems. Each one creates different links with the other sectors of the economy and this may partially explain the different percentages of urban population in each country.

Another important difference between Brazil and South Africa, with important implications for the insertion of each country in the international system is the role of foreign capital.

Since the 50's, Brazil has been one of the countries with greater exposure to international productive capital. As a result of the attractiveness of Brazil for risk capital during several decades UNCTAD (1995) estimates that the stock of foreign direct investment in the country was in 1995 about US\$ 42 billion, which may be compared with the figure of US\$ 17,5 billion for 1980. Figures for South Africa show a very different situation. In the year of 1980 the stock of foreign capital in both countries was very similar (US\$ 16,5 billion in South Africa) but there has been a substantial decrease and the estimate for 1994 did not reach more than US\$ 11 billion.

³ South Africa has the largest world reserves of minerals such as gold (62%), platinum (94%) vanadium (72%) chrome (77%) manganese (92%), besides a relative abundance of nickel, phosphate, copper, zinc, lead, antimony, and several other minerals.

A good part of the explanation for this result is associated with the departure of foreign investors during the last decades due to restrictive policies adopted by several countries against the apartheid regime.⁴ This affected the investment rate in the economy which was reduced from an average level of 26% in 1981-85 to less than 15% in 1993 (the rate of investment in Brazil was 18% in both periods). The indicator suggests that everything being equal, the Brazilian would be able to profit from the dynamism of foreign companies but at the same time would be more vulnerable to their decisions.

There are other differences in relation to the flow of risk capital.

A recent phenomenon in Latin America has been the appearance of companies with investments in third countries. In the case of Brazil, this movement (UNCTAD, 1995) corresponds to an increase in the stock of capital invested abroad from US\$ 650 million (1980) to US\$ 5,5 billion (1994). South African experience equally shows the intensification of the activities of subsidiaries operating abroad but at a slower rate of increase; from an estimated stock of US\$ 5,7 billion in 1980 to a stock of US\$ 7,6 billion in 1994. The South African investment capacity is one of the aspects that stimulates closer links between the two economies.

When one considers those aspects, it is not surprising that bilateral trade between Brazil and South Africa was kept at such low levels, representing (IMF, 1996) approximately 1% of total South African exports and imports and around 0,6% of total Brazilian trade.

International insertion of Brazil and South Africa

The international insertion of virtually any Latin American country during the period after 1985 was characterized by increasingly visible efforts to intensify its regional ties. In spite of a good part of the attempts at a wider regional integration date from the beginning of the sixties⁵ and in

⁴ "A commonly claimed example of the successful use of trade sanctions is those used against South Africa to force its government to abandon apartheid" (Srinivasan, 1996). However, the evolution of trade between 1989 and 1995 is very much favorable to South Africa. South Africa total exports increased by 74% (current values) more than double of the increase of Brazilian total exports (35%). The Brazilian policy of opening trade increased total imports by 170% (1989-1995) while total South African imports increased by 128 %.

⁵ The Montevideo Treaty which created LAFTA, a forerunner of LAIA, was signed in 1960.

spite of a greater number of countries being for some time associated with some type of subregional grouping, this process has become more intense in the last ten years, with a proliferation of bilateral and trilateral agreements, as well as the merging efforts of different groups of countries.⁶ In this way, an analysis of Brazilian insertion into the international market should necessarily consider this recent intensification of regionalism.

In the case of South Africa as well, the regional aspect is inevitable. However, the characteristics are greatly distinct, given that the country is a predominant member of the Southern African Customs Union (SACU) for some time now and this connection has components very distinct- as a common monetary area- from the exercises in integration found on the American continent.

A comparative discussion of the international insertion of Brazil and South Africa requires, however, separate considerations with regard to intensification of regional ties and with regard to relations with the rest of the world.

Regional Integration

The Brazilian experience of regional integration took its beginning in the sixties, with the creation of LAFTA- Latin American Free trade Association. This was a pioneer experience, strongly influenced by the Treaty of Rome of 1957 which gave origin to the European Community. And by the diagnosis that postulates the necessity to increase the dimensions of the internal markets of the countries of a region as a way of allowing a minimum productive scale for new sectors (particularly industrial manufacturing); which enables the structure of commerce to be altered and reduces the vulnerability of economies to fluctuations in prices of primary products.

LAFTA was reasonably successful in its first years of existence, in providing an increase in the volume of intra-regional commerce. However, it became clear in the seventies, of the necessity to substitute it for more flexible instruments of negotiation. Its basic principle of a more favoured nation (based on GATT) led to the belief that concessions should be negotiated with the totality of its members.

⁶ For a description of this process, see UN ECLAC (1994).

This instrument was replaced by LAIA- the Latin American Association for Integration⁷, with varied innovative aspects in relation to the past. Perhaps the most significant of these was the possibility of bilateral negotiations with an extension of preferences to the other member countries.

The importance of these considerations is in that a good part of the exercises in integration that became so intense in the last few years in Latin America, have among its basic characteristics the fact that the agreements reached took place in the context of LAIA. In other words, it is implicit a signalization to other countries in the region that at some future moment they could be included in the negotiated preferential treatment. This is the case, for example, of Mercosur, a move which permitted an intensification of Brazilian relations with Argentina, Paraguay and Uruguay and others recently celebrated agreements in the region.

This faculty permitted the establishment of negotiations, for example, for the admission of new countries into Mercosur (Chile, beginning in October of this year, and Bolivia starting in January of 1997), as well as joint negotiations between groups of countries, for instance, Mercosul and the Andean Group⁸, with a future view of creating a South American Area of Free Commerce, as proposed by Mercosur.

The volume of regional trade has grown at significant rates, as a result of the intensification of forces in a reasonably outlined direction. In the case of Brazil, exports by the countries of Mercosur represented 13% of total exports in 1995, compared with no more than 4% in 1990- an unprecedented performance.

Another outcome, perhaps even more important than the commercial flow, is the increase in bilateral investments. In the specific case of Mercosur, until the end of the eighties, investments were concentrated in the service sector particularly in the banking sector. As a consequence of the new agreements, a large number of initiatives have arisen connected to the real production sector, especially joint ventures (particularly Brazilian and Argentinean businessmen), which tends to consolidate the process and increase the growing potential of intra-zone commerce.

⁷ The eleven members of LAIA are Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Perou, Uruguay and Venezuela.

⁸ Bolivia, Colombia, Ecuador, Perou and Venezuela.

In other words, the history of Latin American regional integration- and in particular the Brazilian participation in this process- is a history of comparative successes, but of positive growing perspectives.

In the case of South Africa the scenario is very different.

The country is a founding member of SACU (Southern African Custom Union)⁹ - with antecedents that go back to the last century (Leistner, 1995) and considered (Schweickert, 1996) a successful experiment in integration. In August of 1994 became a member of SADC (Southern African Development Community),¹⁰ which ironically had been founded in 1980 as a reaction to the policy adopted by the South African Government of apartheid. The country equally participates in OAU (Organization of African Unity), proposed in 1991, with the perspective to include the whole African continent.

The relationship of South Africa with its partners in SACU is very distinct from the Brazilian experience with its regional partners.

In the first place, the country maintains with Namibia, Lesotho and Swaziland a monetary union, with the currencies of these three countries linked to the South African rand and with the controls of the exchange rates defined by the South African Reserve Bank.

Second, for some time the five members of SACU maintain a common market, with tariff exemptions on the flow of goods between them and a common external tariff incident on products of third countries. With the flux of commerce passing through the ports of South Africa, it befits South Africa to charge a common external tariff and to distribute the current customs revenues.

Two aspects merit attention in the relationship intra-SACU. First, the fact that South Africa has a systematic commercial surplus with its partners. Africa (Leistner, 1996). A second aspect is the dependency - consolidated over a period of time- of the partners of SACU in relation to the custom resources transferred by South Africa: in some cases, as with Lesotho and Swaziland, these resources correspond to half or more of total tax collection (Barber, 1996).

⁹ Botswana, Lesotho, Namibia, Swaziland and South Africa.

¹⁰ Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Tanzania, Zambia, Zimbabwe and South Africa.

A third important dimension in relation to South Africa with its partners is connected to the flow of manpower. Traditionally the South African productive process operated as a source of work opportunities- due to better salaries and better working conditions- for the workers of the region. The process of migration is an important topic for the very process of integration (Hirsch, 1995): on the one side, the discrepancy in conditions on the South African market and the other countries hamper an integration of the work markets, at the same time that the issue can not be ignored, due to the possibility of heavy migrations (Leistner, 1995), especially in the context of significant unemployment (one third of the work force in 1994, according to Keesing's, 1996).

In the forth place, but not less important, the relation of South Africa with its neighbours has a decisive role in relation to foreign capital. Because of its better conditions of infra-structure and services the country has systematically functioned as a base of operation for foreign investors interested in neighbouring markets. Besides this (Leistner, 1995), international organizations such as the World Bank and other sources like the European Union, have given specific support, contingent on South African cooperation with its partners.

Compared with the Brazilian experience of regional integration, the relations of South Africa with its partners has at least three important points in common.

The first is the differential of relative size, and thus the role which both countries can potentially fulfill in the groups to which they belong. Seen from a transatlantic perspective, for one country just as for the other an intensification of bilateral ties could actually mean access to an enlarged market at a sub-regional level.

The second point is associated with the simultaneousness among exercises of intensification of the sub-regional integration, efforts to amplify preferences on a continental level and multilateral opening. In both cases this question is clearly present. Brazil as well as South Africa have guided their recent actions in a non excluding nature, although perhaps one could say that the sub-regional and multilateral options are clearer than a continental variant for both countries.¹¹

¹¹ Brazil and South Africa seem to favor a slower integration process while the smaller economies, in America as well as in Africa, are favorable to a faster integration process.

The third point in common has to do with the benefits derived from exportation of products with greater added value and regional relations. In both cases a significant proportion of export manufactured products is destined for regional markets. In the case of South Africa 25% of exportation of these products are destined for other members of SACU, while in the case of Brazil,(1994) almost 40% of manufactured exports were destined for Latin America. The importance of this point is that- as discussed in the UN/ECLAC (1994)- there is a "learning effect" by which the national exporter initiates its involvement in the foreign market by exploring regional markets, less sophisticated; and only later risks selling on the main markets, where consumer demands and conditions of competition are more stringent. In this sense, apparently Brazil as well as South Africa benefit from the opportunities created by differential access to the regional markets.

This aspect is particularly relevant for considerations with respect to international insertion of the two countries.

Multilateral

As was already mentioned above, Brazil as well as South Africa find themselves in a period of definition of their strategies for international insertion with options of deepening the regional initiatives of which they play a part, intensify the concessions in the continental sphere, or adopt a multilateralist position of an open economy to commerce in a large sense.

For both countries The European Union and the United States hold an important weight in international commerce. For Brazil these two markets absorb approximately one half of its exportations and provide a similar percentage of its importations; while for South Africa, in 1995, these proportions were approximately 45% and 60% respectively.

In the case of South Africa, the principal final markets for their products are (1993) Switzerland(10%), followed by the United Kingdom, the United States and Japan. The main export products (almost 40%) are comprised of metals, metallic products, precious and semi-precious stones, diverse mineral and chemical products.

The list of importations is more concentrated, with machines, mechanical and electric equipment, material for transportation and chemical products representing almost half of the total. The main suppliers of these products are Germany, the United Kingdom, the United States and Japan.

The Brazilian structure has in common with South Africa the relative importance of the European Union and the United States and a relatively larger concentration of its list of imports. Among the main export products are found primary goods such as iron ore and coffee, semi-processed products such as soy bean complex and fruit juices (especially orange) but also manufactured products such as boilers and mechanical equipment, transportation material, machines and electronic appliances and footwear. The composition of the imports includes transportation material, machines and electrical appliances, combustibles and lubricant, chemical products and foodstuff.

However, the structure of Brazilian commerce differs from that of South Africa by showing itself to be- in a growing way- the main final markets and to be among the most important suppliers of the partner countries in Mercosur, without the commercial imbalance so pronounced in the negotiations between South Africa and its neighbours.

For economies such as that of Brazil, -with a diversified production structure and a growing commerce characterized by its regional watershed- a discussion that places a regionalist position in comparison with that of multilateralism seems out of focus. There exist various market conditions for distinct products that should be explored. If, for example, the complex of American markets (Latin America and the United States) systematically absorb two thirds of Brazilian exports of manufactured goods¹², the exportation of primary and semi-processed goods have as a main consumer Europe and the Asiatic countries.

This result is possible due to the potential and the basic conditions found among the other countries of the region. A position of open regionalism seems to be a natural alternative, given the different degrees of integration¹³ and a game of positive addition. This position of regionalism in which the negotiations between groups of countries are carried out in a manner compatible with the negotiations of other groups of countries in the region, and consistent with the exercises in open multilateralism.

¹² For the other countries of the region, this percentage is much higher.

¹³ It is interesting to compare the relative flexibility of negotiations in Mercosur, where the question of institutions is secondary, with the experience of integration in Central America where there are well defined subregional institutions.

In the case of South Africa, a dichotomy between regionalism and multilateralism seems more appropriate. A large number of the countries on the African continent find themselves in a group of countries of low income, with scarcity of credit and a reduced capacity from profiting from the benefits reaped during the better periods of trade relations. The option of regionalism thus finds strong limitations. At the same time, notwithstanding, it cannot be ignored due to the arguments presented in the previous section.

With this perspective, there are those that advocate (Schweickert, 1996), that the option for an open regionalism- distinct rates in the intensification of commerce among diverse groups of countries- appears to be a solution for South Africa. This is not so due to the reasons pointed out above for the American continent (to make possible a positive convergence), but because,- given the weakness of the other experiments in regional integration in Africa- will lead to a predominance of groupings (SACU) of which South Africa is a part, "making SADC (Southern African Development Community) obsolete and bringing COMESA (Common Market for Eastern and Southern Africa) to be reduced to a group of Eastern African countries.

The topic of international insertion covers not only decisions as to commercial flows and their geographic distribution. It is equally implicit the need to identify the cost and benefits of following the established rules beginning with multilateral negotiations. Above all because some of the signed agreements as a result of the Uruguay Round negotiations, have direct consequences on the developing countries, and not only Brazil but also South Africa will be affected.

Among other aspects, temporary exceptions and longer periods for the implementation of obligations were granted to the developing countries; longer deadlines, more favorable for meeting certain obligations were given; provisions were granted by which developed countries should favour the interests and rights of countries in development through, for example, the transference of technology); it was accorded that the procedures and practices of GATT with relation to these countries would be more flexible and technical assistance would be offered to them in areas to commerce, sanitary measures and others.

In what was referred to as direct consequences of the Uruguay Round for Brazil, according to Machado (1994) in negotiations for access

to markets, the country obtained a global tariff reduction in the order of 35%, which should positively affect the competitive position for footwear, textiles, paper and cellulose, steel, and wood and ceramic products. In the field of agriculture, the resulting tariffs should be reduced by an average of 36% for developed countries and 24% for developing countries; and the contracting parties should still reduce, within a six year period of time, the value of the direct subsidies to exportation and the volume of subsidized exportation.

The textile and garment sector will benefit from the gradual dismantling of the Multifiber Agreement and trade in these goods will be regulated by the general GATT dispositions.

The revisions of the antidumping, subsidies and countervailing duties codes will be particularly beneficial for Brazil if one considers recent experience. Other topics that may have important consequences for Brazil are the investments agreement, intellectual property and the rules for trade in services. Finally, Brazil should benefit from the expansion of international trade estimate at 1% a year for the next ten years that will result from the agreements reached at the Uruguay Round.

It is important to note that for Brazil the results of these negotiations are complementary to a domestic process of opening up the foreign trade sector that started in 1990 that resulted in a reduction of the average import tariff:⁴ from 38,5 % in 1988 to 14 % in 1995, besides the elimination of several non-tariff barriers that had been erected in recent decades.

In relation to South Africa (The Economist, 1995) Uruguay Round results should particularly affect textiles, garment, vehicles, steel, Tv sets and durable consumer goods. This will result from the need to dismantle subsidies schemes besides the reduction of tariff protection.

South Africa agreed to establish a maximum tariff level of 30 % for the greater part of products, to simplify tariff structure (reducing the number of tariff items from 12000 to 1000) to consolidate up to 98 % of tariff items, to convert quotas into their tariff equivalents, and to eliminate tariffs on products that pay up to 5% (agricultural goods).

Positive effects (Hirsch, 1995) are expected for South Africa as a result of the disciplines imposed by the agreed rules on investments,

⁴ Simple average.

subsidies, antidumping measures, intellectual property rights and on other areas.

South African average import tariff is about 23% (The Economist, 1995), slightly superior to the Brazilian average tariff. However, in the case of sensitive sectors that may have difficulties to adapt to a competitive scenario, tariffs are quite high when compared with international averages. For textiles and clothes the country will have a period of 12 years starting 1995 to cut in half existing levels which sometimes are higher than 100 %. For automobiles the present levels of 80% will have to be reduced to 50 % in 8 years.

Another set of topics which are related to the regulations that resulted from the Uruguay Round deal with sensitive and not well defined areas such as labor questions. Brazil and South Africa as exporters of commodities and abundant labor may suffer impositions from trade partners on the basis of accusations of social dumping.

The two economies are characterized by highly regressive income distribution structures. The index of Gini in the two cases is above 0.6 indicating that the South African and Brazilian societies are among the most unequal on earth. The level of unemployment in the two countries has been recently increasing but the percentage of unemployed workers in South Africa is four times greater than the unemployment figures in the Brazilian economy.

South Africa became a member of the International Labour Organization only from 1994 on. This explains the difference between the two countries regarding the number of ILO conventions that they have ratified. Until 1995 Brazil had ratified 71 conventions compared with 12 ratified by South Africa (Rodrik, 1996). However, despite the more formal Brazilian commitments it is known the occurrence of several infringements like in the case of child labor.

Both economies are therefore clearly vulnerable to the imposition of protectionist barriers on the basis of arguments related to working conditions.

This article has described in a systematic fashion the similarities and differences between Brazil and South Africa and they are in both cases numerous and diverse. It is time now to examine the possibilities of building closer relations between the two economies.

Consequences for the bilateral relations

International trade theory tells us that a given volume of trade is always more beneficial than the absence of international exchanges due to the several positive effects that derive from the contact with other productive structures. From this general point of view, therefore, the intensification of exchanges between any two economies brings in principle several benefits. We may infer that starting from the traditionally low level of exchanges between Brazil and South Africa there would be clear gains derived from closer relations between the two countries.

However, something else should be said in relation to those links.

Geographical distance makes necessary for the success of the process of bringing closer the two economies a strong component of political will. The de facto situations created by the spontaneous action of economic agents would not be sufficient as it is in economic areas common to two or more countries.

Secondly, there seems to be no intention of the two countries to establish a preferential trade area of significance. Certainly not to the extent of affecting the commitments that both countries have with their respective older partners.

Thirdly, Brazilian recent experience has shown that tariff preferences have been and will continue to be negotiated in the Mercosul.

After these preliminary comments, we may consider the possibilities of greater bilateral exchanges between Brazil and South Africa.

This question may be examined from three different points of view.

From the purely trade point of view, the indicators presented in this article suggest a reasonable potential of complementarity. More categorical statements require a more detailed analysis at the product level which cannot be done in this article. However even at a higher level of aggregation it is possible to foresee that the reduction of South African tariff barriers due to Uruguay Round negotiations and future negotiation of specific bilateral concessions and the opening of the Brazilian economy will create more business opportunities than the examination of the available statistics suggest.

South Africa and Brazil have markets in which potential demand of higher income groups is similar to demand in countries of high per capita

income. But at the same time both countries also have large sections of their population at very low levels of consumption. The Brazilian productive sector has several examples of productive efficient units to attend both types of demand. Once imported goods have access to the markets (after reduction of existing barriers there should be no greater obstacles besides transportation costs and mutual lack of knowledge about market conditions) for the increase of bilateral trade.

During the seventies, Brazilian foreign policy looked for an approximation with African countries on the basis of several reasons ranging from the trade potential with oil producers, a very important motivation at that time, to the need to develop the Brazilian weapons industry. This effort resulted in some increase in trade flows that was significantly reduced after the second oil shock and specially after the debt crisis.

The present situation is quite different from the one described above. Trade re-approximation with Africa takes place in an environment of greater trade openness, not with the previous mercantilist preoccupations to maximize trade surplus at practically any cost but in the framework of a global strategy not limited to trade.

There are also important possibilities of increasing the flow of direct investments between the two countries.

Due to richness of its mineral resources South Africa has some of the largest mining companies in the world. Brazil has also developed its mining industries in the last few decades but a significant part of the dynamism in this sector is due to the presence of State companies. The development of mining activities has been specially important for the expansion of technical capabilities and for the stimulus provided to the Brazilian capital goods producers.

The dynamism of sectors where the presence of the State is important may be compromised in periods of re-definition of activities and of re-orientation of public expenditure and in many countries there has been a tendency to demobilize State assets.

The Brazilian privatization program has attracted less foreign capital than it was the case in other countries such as Argentina and Mexico. Brazilian pension funds and consortia of investors have bought most of the public assets for sale due perhaps to the type of sectors included in the privatization program.

This will not happen when the privatization program will include sectors such as telecommunications, energy plants, coastal shipping companies and others where foreign interest seems to be greater.

The same situation happens with the mining sector. The mere possibility of the sale of a company such as the Vale do Rio Doce is attractive enough to stimulate manifestations of interest by several business groups. And this is certainly the case for some South African investors, with mining interests.

In other words, the potential for economic relations is not limited solely to the trade sector but has also a very promising component in the area of investments opportunity.

Economic theory is of great help in those two cases of trade and of real resources flow. It has however very little to say about some collateral aspects that qualify an eventual intensification of links between Brazil and South Africa.

Since 1994 South Africa has been free from the stigma of apartheid that caused so many costs. Now, the political structure and the power structure of the country reflects more adequately the ethnic composition of the country. Brazil on the other hand is the non-African country with the largest black population.

We are suggesting that eventual cultural affinities may be an additional factor facilitating economic relations. We are not saying that South Africa is the African country with largest affinities with Brazil. Other countries such as the Portuguese speaking African countries and countries on the Western coast of Africa have clearly stronger cultural and historical links with Brazil. They lack however economic capacity : South Africa has a considerable economic potential and to this potential another factor of identification between the two countries has been added. This new element may well have important influence on economic results.

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MERCOSUR-SADC: Prospects for a South-South Cooperation*

Ricardo A. Markwald

Introduction

During the 80's, the possibility of closer links between Brazil and Africa was understood as a reference to Portuguese-speaking Africa. Portugal, Brazil and Portuguese-speaking African countries were the natural basis for the development of Brazilian business strategies for the African continent. Portugal played the role of a necessary and functional intermediary¹.

However, reality contradicted these expectations and recent years commercial flows show a greater participation of other countries. It is the case of South Africa that alternates with Nigeria in the position of main export market for Brazil in Africa, and also the main supplier, if African oil-exporting countries are not considered.²

The role of South Africa in the international scene should increase significantly in the near future as a consequence of the end of the apartheid regime, buried by the 1994 elections. Nelson Mandelas's leadership is an additional factor to contribute to this change. The recent incorporation of South Africa into SADC (Southern Africa Development Community), an integration scheme created in the beginning of the 80's to reduce the dependence of member countries in relation to the South African economy and to contribute to de-stabilize Pretoria, is an example, however paradoxical, of the importance of these changes.

* Version by Samuel Guimarães.

¹ The following quotation represents well this vision: The success of Portuguese-Brazilian joint-ventures is the basic requirement for business convergence in the seven Portuguese-speaking countries... Only after the stage of greater cooperation and reciprocal trust the Portuguese-Brazilian partners will feel confident enough to incorporate the African dimension in their partnership, investing together, mainly in Southern Africa.

² The ranking of countries changes with the definition of "Middle East countries". The IMF (Direction of Trade Statistics) includes Egypt and Lybia in the Middle East group of countries, while Brazilian statistics consider the two countries as "African".

The possibility of closer links between SADC and MERCOSUR will be an important item in the Brazil-South Africa agenda. This paper explores this possibility. The two following sections summarily describe the recent evolution of the two integration schemes, with emphasis in the trade pattern that characterizes the position of the two schemes in the world economy. The third and last section shows the present stage of trade links between the two groups of countries and points towards the prospects for cooperation in the near future.

Southern Cone Integration

Brief Historical Update

Historical reasons and political factors, more than the absence of complementarities or real trade opportunities, explain the until recently fragile links between Southern Cone economies. It is an old mismatch that started five centuries ago at the beginning of colonization process as a consequence of territorial disputes between the Kingdoms of Spain and Portugal. These disputes were never solved in spite of the 1454 Treaty of Tordesillas. The rivalry continued with the disputes between the two Iberic powers for hegemony in the Rio de la Plata Basin during the XVI and XVII centuries. The rivalry continued last century even after the independence of Uruguay, the rupture of colonial links between Spain and Argentina, and the foundation of the Brazilian Empire. The rivalry was present during the greater part of the XX Century when the two economies moved from a primary exporting model to a import substitution model, facing different opposing directions. (Ferrer, 1996).

The beginning of the thaw in Brazil-Argentina diplomatic relations dates from the signature of the Treaty between Argentina, Brazil and Paraguay, at the end of 1979. The agreement put an end to a dispute for the use of hydroelectric resources that had seriously threatened bilateral relations during the 70's. Redemocratization of both countries accelerated the process of improving relations which culminated with the Program for Economic Integration and Cooperation in the middle of 1986. (Kume and Markwald, 1994).

The Program's strategy emphasized intra-industry integration in key sectors such as capital goods industry, energy, biotechnology, steel,

transportation and finance (Ferrer, 1996) . In 1988, the two countries signed the Treaty for Integration, Cooperation and Development with the goal of building a common market in a ten year period.

However, the beginning of 1990 two facts decisively changed at the direction and speed of the integration process: (i) the inclusion of Uruguay and Paraguay into the project, making the integration proposal wider and more ambitious and (ii) the abandonment of the sectorial approach and the option for a linear and automatic scheme for tariff reductions, through biennial reductions of tariffs on intra-regional trade. The Treaty of Assunção, signed by the four countries in March 1991, consolidated those changes and established December 31, 1994 as the deadline for the beginning of the Customs Union between the four countries. The automatism introduced by the calendar of tariff reductions was fundamental for the success of the process. It made possible to overcome resistance and pressures of the more protectionist industrial sectors. On the other hand , the pragmatism developed by the negotiators added to the remarkable political will showed by the Presidents of the four countries contributed to the adequate solution of conflicts that emerged during the transition period. The final result was the formation of a customs union from January 1995 on, a scheme that the analysts called “imperfect” or “flexible”.

The “imperfect” customs union combines characteristics of an incomplete free trade area with a common external tariff for a fraction of the universe of goods (Machado 1995) . The incomplete character of the free trade area derives from the temporary existence of tariff barriers that affect the intra-area flows of some goods for which, in the evaluation of each country, the transition process was insufficient to face the competition from trade partners. On the other hand, the imperfect or flexible character of the customs union derives from the adoption by each of the member countries of differential tariffs affecting the extra area imports of two groups of goods: (a) capital goods and informatics and telecommunications products in relation to which national tariffs were very asymmetric and (b) specific goods defined by each country in virtue of diverse reasons associated in general to policies to protect or to restructure certain industries. In all cases calendars were defined either for the reduction and later elimination of intra-area tariffs or for the convergence of national tariffs to the common external tariff. The deadlines were established between the year 2000 and 2006.

There are in Argentina and Brazil specific and different automotive industry regimes. From 1999 on a common regime should be in force for all Mercosur countries.

The common external tariff will be fully in force at the end of the convergence period. It will have an average level of 12%, a range from 0% to 20%. Levels of the tariff will be different according to the degree of processing along the productive chain. The tariffs for inputs vary between 0% and 12%; for capital goods from 12% to 16% and for consumer goods between 18 and 20% (Kume, 1995)

After the constitution of the customs union, the countries of Mercosur decided to maintain the same forms of organization that were in force during the transition period. Therefore, Mercosur has intergovernmental structures and organisms at different decisory levels that meet periodically to discuss and determine the directions of the integration process. There is also a permanent secretariat with headquarters in Montevideo, Uruguay.

The Mercosur agenda, during the first and half year since the formation of the Customs Union, has been occupied almost exclusively with the negotiations of a free trade agreement with Chile. Negotiations ended by mid-1996 and the agreement, that will have important exceptions for sensitive products, will enter into force in October 1st 1996. Negotiations with Bolivia and Venezuela are also in an advanced stage.

Evaluation of the integration experience

Despite some initial sceptic forecasts³ Mercosur is nowadays considered a reasonably successful integration experience. The main indicator of success is the explosive expansion of intra-zone exports participation in the total exports of the block. Intra-zone exports increase

³ The abstract of a conference organized by the World Bank in 1992 with the objective of making an appraisal of regional integration schemes in different parts of the world, included a section about South-South integration in Africa and Latin America: a mistake not worth repeating" that after a reference to Mercosur, reaches the following conclusion: "It is difficult to imagine that these schemes, if implemented, will by themselves produce big positive gains for the participating countries. One can only derive comfort in the fact that most Latin American countries are more industrialized than Sub-Saharan African countries and that they have more liberal trade regimes. Because Latin

from 5, 5% in 1985 to 8, 5% in 1990 and reaches 22% of total exports of the block in 1995⁴.

Mercosur was very efficient in removing barriers to trade, revealing opportunities and transforming mental habits. Nowadays, the surprising and difficult fact to be explained is not the speed of expansion of trade relations between the four partners, specially between Brazil and Argentina, but the previous low degree of interdependence of the four economies that even before the constitution of the common market had all the attributes to become natural partners. The rapid emergence of the natural block expresses therefore the predominance of "geographic reasons" over "historical reasons" (Markwald and Machado, 1996).

Analysis of other indicators permits a positive evaluation of the process of regional integration in the Southern Cone. The ratio between imports "from the rest of the world" and GDP has increased during the first half of the nineties for all countries, except Argentina. This evolution suggests that the increase of Mercosur imports happened without significative trade diversion (Kume, 1995). The evolution of intra-industry trade between Brazil and Argentina is less positive. This indicator remains stable between 1990 and 1994 showing that there has not been relevant qualitative change as a consequence of sub-regional integration. (Lucangeli, 1995). In addition, the increase of intra-regional flows of trade is much more significative for Brazil and Argentina than for Uruguay and Paraguay. However, the two relative smaller economies showed from the beginning much higher levels of participation in the intra-regional trade than the corresponding levels for Brazil and Argentina.

American countries depend on tariffs for revenue much less than African countries do, and because the intellectual climate there was far more sympathetic to liberalization, they were able to go much further toward liberal trade regimes - and with greater credibility - than were their African counterparts. This means that the discriminatory impact of regional integration in this region will be less than in Africa, and that the risk of turning integration schemes into vehicles for import-substituting industrialization is lower. But this is not enough to make a case for more South-South regional integration" (Melo e Panagariya, 1992, pág. 21).

During the same conference, Max Corden comments: "The plain fact is that such free trade areas (or preferential areas) would not make a great deal of difference and have not in the past...It is far better for Argentina to go for the world market - i.e. to liberalize unilaterally and in a nondiscriminatory fashion, as she has been doing - than just to go for the Brazilian market. Brazil has the largest economy in the Third World, and yet it is smaller than Canada's (as measured by dollar value of GDP). And this applies even more to Brazil" (Melo e Panagariya, 1992, pág. 24).

⁴ One should note, however, that, in 1995, intra-zone trade was at an exceptionnally low level. The average of the 80's is closer to the value registered in 1990.

In summary, the evaluation of the integration process is clearly positive specially when we look at the greater density of bilateral trade flows between Argentina and Brazil and at the growing interdependence of the four economies of the Southern Cone. On the other hand, the demonstration effect of Mercosur success seems to have contributed to the process of trade liberalization as well as to revive other integration schemes in other parts of the continent.

Mercosur Insertion in the World Economy

The four Mercosur partners have a population of 200 million and a GDP of around 700 billion dollars occupying an area larger than 11, 8 million km². There are major and minor partners. Argentina and Brazil are the economies of greater relative size, having 97% of GDP and 96% of the population.

UNCTAD includes the four Mercosur economies in the category of "middle income developing economies". Asymmetries, however, are significative and the relation between the higher (Argentina) and lower (Paraguay) per capita income is 4:1 (table 2.1).

Table 2.1.

Mercosur, Chile, Bolivia an Venezuela : selected indicators

countries	GDP	GDP per capita	Area	Population	Urbanization	IDH	illiteracy
MERCOSUR	692,6	3.889	11.863	200.9	...	-	...
Brazil	468.2	3.340	8.512	159.0	81.1	0.796 (58°)	20
Argentina	206.0	6.768	2.767	33.9	88.5	0.885 (30°)	6
Uruguay	11.5	4.050	177	3.2	87.7	0.883 (32°)	5
Paraguay	6.9	1.615	407	4.8	48.7	0.704 (85°)	13
Demais	108.5	2.565	2.768	42.3	...	-	...
Chile	40.2	3.196	757	14.0	85.1	0.882 (33°)	6
Bolivia	6.8	1.040	1.099	7.2	61.6	0.584. (111°)	20
Venezuela	61.5	3.255	912	21.1	91.1	0.858 (44°)	10

Sources: IMF (IFS,1996) (Idb) Progreso Socio Economico en A. Latina ,1996) UNDP (1996) and UNCTAD (1996).

Note: Data for GDP, Per capita GDP and total population are for 1994. Urbanization rate are for 1993. The indicator of human development (IHD) are for 1993. Illiteracy rates are fr several years different.

Chile, Bolivia and Venezuela have negotiated with Mercosur (Chile) or are about to negotiate free trade agreements (Bolivia and Venezuela). They have together a GDP slightly higher than US\$ 100 billion and a population of around 40 million.

The three countries are also "developing middle income countries". The group formed by the seven countries may be divided into three sub-groups, according to the relative size of their economies: (i) Argentina and Brazil, as major partners, (ii) Chile and Venezuela, as intermediary economies and (iii) Uruguay, Paraguay and Bolivia, as minor partners.

The volume of Mercosur trade reaches US\$ 150 billion. The inclusion of Chile, Bolivia and Venezuela would increase this figure to US\$ 200 billion. This last figure, however significant, corresponds to only 11% of NAFTA total trade, 5% of EU trade and 2% of world trade. (WTO, 1996)

According to their trade volume, the seven countries may be classified into three groups: (i) Brazil, with a trade of US\$ 100 billion (ii) Argentina, Chile and Venezuela with a volume of trade in the range from US\$ 25 to 45 billion and (iii) Uruguay, Bolivia and Paraguay with total trade inferior to US\$ 5 billion. The up-grading of Chile and Venezuela in this classification shows that the degree of opening of these economies is significantly higher than the degree of opening of the Argentinean and Brazilian economies.

In 1995 Mercosur exports reached more than US\$ 70 billion while Chile, Bolivia and Venezuela exported together US\$ 35 billion. (Table 2. 2) The average rate of growth of Mercosur exports was 8, 6% during 1990-95. In the last two years Mercosur exports expanded significantly at a rate of 13, 9% a year. In this last period the growth of exports was led by Argentina whose exports increased at the rate of 26, 4% a year.

Exports of Chile, Bolivia and Venezuela summed little more than US\$ 35 billion in 1995, half the exports of Mercosur. Chilean exports have expanded at a good rate, mainly in the two last years, while the exports of Venezuela did not reach the level attained in 1990⁵.

⁵ Data for 1995 are from International Financial Statistics and for previous years from Direction of Trade Statistics. Both are IMF publications but the second one corrects the data furnished by member countries on the basis of statistics of third countries. Therefore, the data for 1995 may be biased.

Mercosur imports reached almost US\$ 80 billion in 1995, CIF values (Table 2. 3) . Imports of Chile, Bolivia and Venezuela were, in the same year, only 35% of that value.

Import expansion in the period 1990-95 is truly impressive. Imports multiplied by five in the case of Argentina, more than doubled in the case of Brazil, Uruguay, Uruguay and Chile, doubled in the case of Bolivia and increased by around 80% for Venezuela. The average growth rate for imports in the same period is little less than 22% for Mercosur and around 15% for the other three countries .

These rates give a rather precise measure of the speed and depth of the process of trade liberalization experienced by a good number of Latin American economies in the first half of the nineties.

Table 2.2

Exports of Mercosul, Chile, Bolivia and Venezuela:(1990/95)

in US 10⁶ FOB

Countries	Years					Participation	
	90	91	92	93	94	95	(average 92-94)
MERCOSUR	46.544	45.959	51.594	54.321	62.371	70.466	100.00 %
Brazil	31.414	31.620	37.046	38.783	44.530	46.506	71.5 %
Argentina	12.353	11.975	12.234	13.118	15.108	20.967	24.0 %
Uruguay	1.730	1.588	1.620	1.657	1.913	2.117	3.1 %
Paraguay	1.047	776	694	763	820	876 ^(e)	1.4 %
Demais	29.589	27.957	26.783	26.589	29.129	35.464	-
Chile	8.651	9.056	10.155	8.505	11.658	16.039	-
Bolivia	923	652	798	804	1.123	1.101	-
Venezuela	20.015	18.249	15.830	16.280	16.348	18.324	-

Source: DOTS (Directions of Trade Statistics , IMF, 1995 Data for 1995 are from IFS (IMF) July, 1996.

Note: (e) estimate.

Table 2.3

Imports of Mercosul, Chile, Bolivia, Venezuela: 1990-95

in US 10⁶ CIF

Countries	Year					Participation	
	90	91	92	93	94	95	(average 92-94)
MERCOSUR	29.318	34.381	38.692	48.775	63.729	79.623	100.0 %
Brazil	22.707	23.210	20.554	28.168	36.741	53.783	56.5 %
Argentina	4.078	8.304	14.862	16.773	21.199	20.123	35.0 %
Uruguay	1.317	1.552	2.010	2.332	2.773	2.867	4.7 %
Paraguay ^(*)	1.216	1.315	1.266	1.502	3.016	2.850 ^(e)	3.8 %
Demais	14.112	18.795	23.306	23.331	21.876	28.129	-
Chile	7.301	7.707	9.769	10.806	11.319	15.914	-
Bolivia	700	994	1.137	1.205	1.207	1.424	-
Venezuela ^(*)	6.111	10.094	12.400	11.320	9.350	10.791	-

Source: DOTS (Directions of Trade Statistics) IMF, 1995. Data for 1995 are from IFS (IMF) July 1996

Notes: *FoB

(e)estimate

In 1994 intra-regional exports corresponded to 18, 2% of total Mercosur exports. Inclusion of Chile, Bolivia and Venezuela not increase this percentage. On the contrary, it declines marginally to 18, 1%. The exclusion of Venezuela , a country that has a smaller relation of interdependence with the economies of Mercosur , Chile and Bolivia would increase the share of intra-zone exports to 20, 2%.

The destination of Mercosur exports to different blocks/countries shows the importance of the EU (27, 9%) for the Southern Cone economies

followed by NAFTA (18, 1%) and Asian countries (10, 0%) . The inclusion of Japan (5, 5%) in the category of Asian countries raises the share of the group closer to the one of NAFTA. ⁶ African participation is of small importance.

In the group of Chile, Bolivia and Venezuela, NAFTA (37, 5%) is the most important destination, followed by "other" Latin American countries (20, 2%) and the EU (15, 7%) . The difference between Mercosur and this group of countries is entirely explained by the pattern of trade of Venezuela. Chile extra-regional export trade pattern is very similar to the Mercosur pattern. Venezuela, however, exports more than 50% to NAFTA and around 30% to "other" Latin American countries specially Colombia⁷ . The share of Japan and other countries from Asia (14, 9%) is similar to the corresponding share of Mercosur. The share of Asian countries is due to Chile exports, more than 30% of which is directed to Japan and other countries of Asia.

Intra-Mercosur imports represented, in 1994, 16, 7% of total imports of the block. The inclusion of Chile, Bolivia and Venezuela in the group increases the share to around 19 %. The exclusion of Venezuela increases this percentage even more: 19, 4%.

⁶ In all cases, percentages indicate the share in total exports.

⁷ One should note exports to "other" Latin American countries without specification of destination. These flows represented more than US\$ 1,3 billion in 1994, a figure bigger than exports to Colombia which were a little more than US\$ 900 billion.

Table 2. 4

Mercosur, Chile, Bolivia and Venezuela: Trade according to blocks of destination (1994)
in US 10⁶ FOB

Block/ Country	Destination									
Source	Mercosur	Chile- Bolivia- Venezuela	Others America	NAFTA (1)	EU (2)	Japan	Asia	Africa	More	Total
Mercosur	11.342 (18.2 %)	2.809 (4.5 %)	3.732 (6.0 %)	11.280 (18.1 %)	17.427 (27.9 %)	3.414 (5.5 %)	6.203 (10.0 %)	1.329 (2.1 %)	4.835 (7.7 %)	62.371 (100.00 %)
Brazil	5.914	1.488	2.707	9.161	12.813	2.969	4.992	966	3.520	44.530
Argentina	4.209	1.224	921	1.894	4.043	397	1.021	355	1.044	15.108
Uruguay	898	45	97	167	398	21	176	4	127	1.913
Paraguay	321	52	7	78	173	27	14	4	144	820
More	1.973 (6.8 %)	404 (1.4 %)	5.878 (20.2 %)	10.920 (37.5 %)	4.568 (15.7 %)	2.293 (7.9 %)	2.039 (7.0 %)	135 (0.4 %)	919 (3.1 %)	29.129 (100.00 %)
Chile	1.353	245	845	2.082	2.831	1.976	1.810	96	420	11.658
Bolivia	185	20	208	305	291	2	7	-	105	1.123
Venezuela	435	139	4.825	8.533	1.446	315	222	39	394	16.348

Source: DOTS (Directions of Trade Statistics) IMF 1995

Footnote: (1) USA and Canada (2) as in 01 01 95 (15 countries)

Table 2. 5

Mercosur, Chile, Bolivia and Venezuela: Import according to blocks and countries of
origin: (1994)

in US 10⁶ CIF

Block/ Country	Source									
Destination	Mercosu r	Chile+ Bolivia+ Venezuela	Others America	NAFTA (1)	EU (2)	Japan	Asia	Africa	More	Total
Mercosur	10.656 (16.7 %)	2.137 (3.3 %)	1.738 (2.7 %)	15.855 (24.9 %)	17.288 (27.1 %)	3.060 (4.8 %)	6.412 (10.1 %)	1.449 (2.3 %)	5.135 (8.1 %)	63.729 (100.00 %)
Brazil	4.059	1.117	1.065	9.696	9.823	2.069	3.600	1.253	4.059	36.741
Argentina	4.572	902	525	5.066	6.599	740	2.065	129	601	21.199
Uruguay	1.372	55	75	283	563	79	200	11	135	2.773
Paraguay	653	63	73	810	303	172	547	56	340	3.016
More	3.016 (13.8 %)	344 (1.6 %)	1.956 (8.9 %)	7.538 (34.5 %)	4.576 (20.9 %)	1.598 (7.3 %)	1.494 (6.8 %)	349 (1.6 %)	1.005 (4.6 %)	21.876 (100.00 %)
Chile	2.055	165	723	2.903	2.325	1.007	1.089	315	737	11.319
Bolivia	299	105	127	251	181	174	44	1	25	2.207
Venezuela	662	74	1.106	4.384	2.070	417	361	33	243	9.350

Source: DOTS (Directions of Trade Statistics) IMF 1995

Notes: (1) USA and Canada (2) As from 01 01 1995 (15 countries)

(*) FOB data

Mercosur extra-regional imports show the predominance of the EU (27, 1%) and of NAFTA (24, 9%) as main suppliers of the block. Asian countries (10, 1%) and Japan (4, 8%) follow.

The two main suppliers of the group formed by Chile, Bolivia and Venezuela are also NAFTA (34, 5%) and the EU (20, 9%) followed by the "other" countries of America (8, 9%) , Japan (7, 3%) and other Asian countries (6, 8%) . The imports of Chile and Venezuela from "other" countries of America are bigger than imports from these countries made by Brazil and Argentina. Chilean imports from Mexico, Ecuador, Colombia and Peru explain the importance of "other" Latin American countries as suppliers of Chile. Extra-Mercosur -Chile -Bolivia suppliers of Venezuela are Colombia and to a lesser extent Mexico.

Exports and imports structure, divided into large category of products, as well as main export products of each country are shown in Tables 2. 6, 2. 7 and 2. 8 respectively.

The natural resources basis occupies a place of honor as responsible for the exports of all countries with the exception of Brazil. For Argentina, Paraguay and Uruguay this based is essentially on agriculture and cattle. Food products and agricultural commodities are responsible for 57%, 83% and 57 % of total exports of these countries respectively⁸.

Argentinean exports of oil products (9, 5%) are also important. In Chile and Bolivia mining products occupy an important place among exports (more than 40% in both cases) . Agricultural products are also important corresponding to 40% of Chilean exports and 25% of Bolivian exports. Bolivia also exports oil products (14%) , natural gas. Crude oil and oil products are responsible for almost 80% of total Venezuelan exports. Manufactured products (59%) are responsible for the largest part of Brazilian exports.

Import structure is reasonable similar for all the countries examined. Manufactured products imports represent between 66% (Brazil) and 88% (Argentina) of total imports.

⁸ Argentinian exports of fishery products have been growing quickly. Those exports are included under the category "food".

Table 2. 6
Mercosur, Chile, Bolivia, and Venezuela: Exports according to main products (*)
(1993) in %

Countries	Food	Agricultural commodities	fuel	minerals and metals	Chemical manufactures	machinery and transportation equipment	other manufactures	other products	total
Brazil	25.3	3.1	1.7	10.6	6.2	20.8	31.9	0.4	100.0
Argentina	55.3	2.1	9.5	1.2	5.3	11.0	15.6	-	100.0
Paraguay	54.9	28.0	0.2	0.2	2.0	0.6	14.1	-	100.0
Uruguay	40.7	16.2	-	0.4	5.4	8.1	28.8	0.4	100.0
Chile	28.0	10.3	0.2	43.1	4.0	2.7	9.8	1.9	100.0
Bolivia	16.5	8.8	14.0	41.9	0.8	2.2	15.7	0.1	100.0
Venezuela	2.8	0.2	79.4	4.1	3.2	2.8	7.5	-	100.0

Source : Handbook of International Trade and Development Statistics, 1994, UNCTAD, 1995

Note (*) SITC, two digits

Table 2. 7
Mercosur, Chile, Bolivia and Venezuela: Imports according to main categories of products
(1993) in %

Countries	Food	Agricultural commodities	fuel	minerals and metals	Chemical manufactures	machinery and transportation equipment	other manufactures	other products	total
Brazil	9.6	4.2	16.4	3.2	20.1	33.2	13.1	0.2	100.0
Argentina	5.4	1.9	2.4	2.0	14.1	49.5	24.5	0.2	100.0
Paraguay	11.4	0.1	12.2	1.0	10.8	40.1	24.3	0.1	100.0
Uruguay	8.2	2.3	8.7	1.2	13.7	40.4	25.5	0.1	100.0
Chile	6.0	1.8	10.0	1.3	11.2	43.1	24.9	1.7	100.0
Bolivia	9.4	1.6	4.9	2.2	11.0	47.6	23.0	0.3	100.0
Venezuela	11.4	2.4	1.0	2.8	12.3	50.3	19.8	-	100.0

Source: Handbook of International Trade and Development Statistics -1994 UNCTAD 1995

Note: (*) SITC, two digits

Table 2. 8
Mercosur , Chile, Bolivia and Venezuela Share of main export products (average 1991/92)

Brazil	Argentina	Paraguay	Uruguay	Chile	Bolivia	Venezuela
Iron Ore 7%	Animal food 11%	Cotton 57%	Meat 11%	Copper 31%	Basic metals 24%	Crude oil 50%
Steel 5%	Vegetable oils 9%	Oil seeds 21%	Wool 10%	Basic metals 11%	Natural gas 22%	Oil products 29%
Animal food 5%	Oil Seeds 8%	Meat 7%	Textile fibers 7%	Fruits and nut 8%	Tin 10%	Aluminum 5%
Coffee 4%	Wheat 5%	Animal food 7%	Rice 7%	Animal food 6%	Precious minerals 7%	Iron ore 2%
Shoes 4%	Oil products 5%	Wood 5%	Leather 7%	Fish 5%	Wood 5%	Iron and steel 1%
Aluminum 3%	Corn 4%	Leather 5%	Fish 6%	Cellulose 4%	Sugar and honey 3%	Organic chemical products 1%

Source : Handbook of International Trade and Development Statistics - 1994 , UNCTAD 1995

Note: (*) SITC , two digits

Southern and Eastern Africa Integration

Brief Historical Introduction

There are four integration proposals in the Southern and Eastern Africa region. Two of those proposals come from the colonial period. Two others were presented in the beginning of the eighties when the decolonization process was approaching its end. Participation in different integration schemes is not excluding and several countries have adhered to two, three and even four of those initiatives simultaneously.

They cover a wide range of goals from regional cooperation to development and monetary union.

South Africa has a central position in the two initiatives that come from the colonial period. It adhered recently to another one in which it will probably become the leader country.

South Africa's and neighboring countries' participation in these regional integration schemes is one of the many circumstances of their insertion in the international economy. A brief historical review of these integration schemes may contribute to an adequate evaluation of the possibility of cooperation between Mercosur and the countries of Southern and Eastern Africa.

PTA. (Preferential Trade Area for Eastern and Southern Africa).

PTA was created in 1981 under the stimulus of the Economic Commission for Africa. It had the objective of promoting trade integration of its members through the complete elimination of tariff and non-tariff barriers in a period of ten years⁹. The ultimate goal of the PTA was the formation of a wider market to make feasible import substitution industrialization. The preferential area was therefore the first step towards the goal of regional integration.

Initially the PTA members defined a list of more than 200 products for preferential tariff treatment. The idea was to include in the list the totality

⁹ The PTA had 18 members at its creation: Angola, Burundi, Cameroon, Djibouti, Ethiopia, Kenya, Lesotho, Malawi, Mauritius, Mozambique, Rwanda, Swaziland, Somalia, Sudan, Tanzania, Uganda, Zambia, Zimbabwe.

of goods produced and traded inside the area. Products included in the list would follow a calendar of tariff reduction of 25% a year. Complete elimination of tariffs would take place in 1992. Problems with the definition of the lists, with rules of origin, and with the mechanisms for compensation of fiscal losses slowed down the process. The goal of total liberalization was postponed to the year 2000.

At the end of 1994 the PTA became the COMESA (Common Market for Eastern and Southern Africa). The goal of COMESA is the formation of a common market by the year 2000. Twenty three countries of Southern and Eastern Africa, including all the SADC members with exception of Botswana and South Africa are members of COMESA¹⁰.

SACU (South African Customs Union)

Its beginning may be found in 1889, during the colonial period and its creation coincides with the independence of South Africa as a republic in 1910. Until 1990, the customs union was integrated by Botswana, Lesotho and Swaziland, and South Africa. In 1990, Namibia became a member just after independence. Its main characteristic is the absolute pre-eminence of South Africa that has 94% of GDP and 88% of the population of the area.

Inside SACU, there is a complete integration of the market for goods, i. e. a complete absence of tariff and non-tariff barriers on the intra-area flows of trade. There is an external common tariff and the collected taxes go to a Fund (Consolidated Revenue Fund) administered by the Reserve Bank of South Africa. The resources of the Fund are yearly distributed among the members of the customs union. The distribution of the resources among the members is proportional to the participation of member countries in imports as well as in the production and consumption of products subject to specific taxes (excise taxes). The four small economies (the BLNS countries) benefit also from a compensation scheme that increases their shares in 42% besides a stabilization mechanism destined to avoid undesirable fluctuations in the amount of resources destined to them.

The compensation scheme for the smaller countries is justified by the fact that BLNS countries delegate to South Africa the exercise of fiscal and taxation policies, specially the definition of the external common tariff,

¹⁰ COMESA members are the 18 mentioned in footnote (9) plus Eritrea, Madagascar, Namibia, Seychelles and Zaire.

the quantitative restrictions to imports, the level of the specific taxes. In spite of the fact there are dispositions to protect the economy of the BLNS countries from imports that compete with local production the definition of the common external tariff meets the interests of the economy and industry of South Africa . As a consequence, besides the loss of fiscal autonomy, BLNS countries pay the costs of protection of the South African industry and also face the loss caused by the unavoidable trend of investments concentration and polarization in South African industrial areas.

Resources from the common fund are vital for the BLNS countries. For Lesotho they represent more than 50% of all fiscal resources . For Botswana , Namibia and Swaziland this participation fluctuates between 20 and 40% (Africa Institute of South Africa, 1994) . It is not surprising that the sharing formula is the object of frequent controversy.

The basis of a new agreement among the members of the customs union is being discussed at the present moment. Negotiations have begun in 1994 and are still proceeding. The agenda includes the redefinition of the common external tariff and the formula for resources sharing. The new tariff should reflect more adequately the needs of BLNS countries. In relation to the compensation scheme South Africa argues that it has been subsidizing its partners. BLNS countries consider that they are paying a very high price to protect the South African industry. Namibia and Botswana have been considering the possibility of leaving the customs union. (EIU, 1996)

CMA (Common Monetary Area) .

The old rand area is made up by the same countries that constitute SACU, with the exception of Botswana that left the CMA in 1976. Its origins are also in the colonial period. The monetary area works according to the agreement signed in 1992 (Multilateral Monetary Agreement) immediately after the incorporation of Namibia. The agreement establishes the free flow of capital and a common capital market. Each country issues its own currency and the exchange rate with the South African rand is fixed.

LNS countries may in principle unilaterally fix their respective exchange rates. There are however certain advantages in maintaining the parity with the rand. Markedly the backing of the Reserve Bank of South Africa and a better acceptance of their currencies in the international

financial system. Costs, however, are not negligible. LNS countries are in practice subordinated to the monetary and exchange policy of South Africa and they are affected by the inflation rate of that country. In fact the fluctuations of the rand/dollar exchange rate the potential of their exports, affect the cost of extra-zone imports and affect also the cost of external financial obligations of those countries. Additionally, the eventual adoption of a policy of high interest rates in South Africa tends to discourage the formation of capital in LNS countries and to inhibit their growth (Africa Institute of South Africa, 1994) .

The South African rand lost its condition of legal tender in the economies of Lesotho and Swaziland but it continues to circulate freely in both countries. In Namibia, the rand still has the status of legal tender currency even after the introduction and issuance of a new national currency in 1993. The circulation of the South African currency should stop in two or three years (EIU, 1996) .

SADC (Southern African Development Community) .

Set up in 1980 in Lusaka (Zambia) the former SADCC (Southern African Development Coordination Conference) counted on the initial participation of nine countries: Angola, Botswana, Mozambique, Tanzania, Zambia, Zimbabwe, Lesotho, Malawi, and Swaziland. In 1990, after independence, Namibia was accepted into the Community. SADCC rejected from the beginning any suggestion to form a free trade area or a customs union and decided to emphasize regional cooperation for development. The goal was to reduce dependence of member countries on South Africa and to destabilize the Pretoria regime. The SADCC adopted a light structure, with a coordination secretariat and sectorial committees chaired by the different member states .

SADCC had the merit of generating cohesion among its members and of obtaining international support for the development of important infrastructure projects specially in the areas of transportation and communication . Until 1988, SADCC had mobilized resources to an amount superior to US\$ 3 billion for the financing of projects in which local counterpart resources never exceeded 10% of total costs. The Beira Corridor that links the Mozambican coast to the hinterlands of Zimbabwe with an extension of 300 km was financed by these resources. The project contributed to reduce the dependence of Zimbabwe economy on South African seaports.

In 1992, SADCC became SADC after the signature of a new treaty in Windhoek, capital of Namibia. In January 1993, SADC refused a proposal of merging with COMESA and opted for its own proposal towards the creation of a subregional common market. Its initial objectives of cooperation for integration and development through a sectorial approach were enlarged. In August 1994, SADC suggested the division of COMESA into two blocks, one formed by countries SADC and the other by countries Eastern African. The initiative was not well received and the relationship between the two organizations deteriorated into rivalry¹¹ (EIU, 1996) .

After the end of apartheid, South Africa decided to join SADC refusing a formal invitation of COMESA. The choice of South Africa seemed to be determined by two reasons: (i) the greater relative weight of the South African economy in association with a small number of members and (ii) the greater flexibility of objectives and instruments of SADC.

In August 1995 Mauritius asked to join SADC and that increased the number of members of the community to twelve.

Appraisal of the Integration Experiences

The appraisal of the integration experiences carried on in the Southeast of Africa is mixed but the general balance is not positive. PTA/COMESA is considered a clear example of failure. The measure of this failure is given by the small share of intra-zone exports in relation to the total exports of member countries. In the case of PTA/COMESA this indicator is not only low but falling. In 1975, before the constitution of PTA, this share was of 9, 3%. In 1980, some time before the constitution of the preferential area, intra-regional exports had fallen to 7, 6 %. Ten years after, in 1990, the indicator showed a participation of only 5, 9% (Foroutan, 1992) . Estimates of other authors differ from the above figures but the trend is the same. The share of intra-area exports declines between 1980 and 1990, and stays always below the two digits (Panagariya, 1992)

Reasons that explain this failure are simple. Countries of low income, with an economic structure characterized by the production of a restricted number of goods derived from the exploitation of natural

¹¹ The SADC countries did not ratify formally the treaty that created COMESA.

resources, have very limited potential for inter or intra-industry trade (Foroutan, 1992) . This is the case of PTA member countries with the exception of Namibia, Botswana and Mauritius, considered as “low-middle income”. Economies based on their weight in the economic group is however very small. Econometric tests developed gravitational models show that potential intra-regional exports (i. e. the ones predicted by the models) do not differ significantly from the real flows (Foroutan and Pritchett, 1991) . In other words, member countries PTA do not constitute a “natural block”.

It was reasonable to expect in spite of these considerations that the integration initiative if well conducted would somehow foster intra-regional trade. This did not happen. Failure should therefore be explained by inadequate strategies and/or instruments integration process. Explanations differ: (i) countries national import substitution strategies. Used in the insisted on adopting and preferred to promote and protect the same type of industries the tariff reductions calendar; (ii) regional institutions never had sufficient power to impose the reduction of non-tariff barriers nor to guarantee the effective increase of margins of preference; (iii) the shortage of foreign exchange result of currency overvaluation policies contributed to effectively restrict intra-regional trade due to currency rationing and utilization to acquire essential goods almost always imported from OECD countries; (iv) the concession of tariff preferences also face fiscal restrictions due to the fact that for the great majority of these countries import taxation contributes decisively for the provision of budget resources; (v) asymmetry in the level of development among member countries disproportionately favored the more industrialized countries of the group. The participation of these countries in intra-regional exports was higher, a phenomenon that to be counterbalanced would demand complex schemes or compensatory mechanisms never effectively implemented¹² (Foroutan , 1992) ; Schweickert, 1996) .

¹² Disequilibria are important. Foroutan (1992) has an index that measures disequilibria (or asymmetry) between intra-regional exports and imports of PTA members as well as a weighted average for the area as a whole. The index varies from zero (minimum disequilibrium) to 100 (maximum disequilibrium). Kenya and Zimbabwe have a high disequilibrium index because they are responsible for 60% of exports intra-PTA and they absorb only 22% of intra-regional imports. For the PTA as whole the index is 47, a value that compares unfavorably with the corresponding indexes for other regional blocks such as L.A.I.A (=17), N.A.F.T.A (=5) and E.E.C (=8)(1990 data). In relation to per capita income, the intra-PTA differential is also very high. Income per capita of member countries vary from a minimum of US\$ 80 and a maximum of US\$ 1.950 (1989 data).

Evaluation of SACU is less unfavorable. In this case intra-regional trade is very high. Davies (1996) quotes data the Trade and Industry Department of South Africa that show that South African exports to gathered by BLNS countries are about US\$ 4, 5 billion, much superior to the exports of South Africa to the USA or Asia.

The main problem is, however, asymmetries of both size and level of development that characterize the economies of that customs union. Disproportion is flagrant and challenges Johnson's understanding (1965) that is necessary for a certain degree of uniformity in the stage of development of the partners integration to be beneficial and lasting. It is not surprising therefore that South Africa tends to concentrate the investments and to transform itself into an accumulation pole while the neighboring countries represent subsidiary roles as labor reserves, market for South African products, suppliers of certain services (transportation) or as suppliers of resources (such as water, hydro-electricity and certain commodities) at convenient prices (Davies, 1996) .

The long renegotiation process of the common external tariff and of the compensation mechanism as well as the signs that Namibia and Botswana were thinking about leaving the customs union are evidences of dissatisfaction minor partners.

The balance of SADC is, for certain authors, reasonably positive. The relative success of this integration scheme does not lie on the intensity of intra-regional trade flows nor on the reduction of asymmetries¹³ . Its objectives until recently did not include trade integration but regional cooperation. And in this respect the experience may be considered as successful. SADC was successful in gaining international support for the financing of infrastructure projects and generated a desirable degree of cohesion among its member countries. It is a positive however modest result for a thirty years old project.

Insertion in the world economy.

SADC has twelve member countries and five of them are also SACU members. The distinction between the two sub-groups is not merely

¹³ In 1990, intra-regional exports represented less than 5% of total exports of SADC. The trade disequilibrium index was higher than the corresponding PTA index while per capita income differentials were approximately the same as for PTA (Foroutan, 1992).

formal. Countries of SACU have higher per capita income and better indicators of human development (table 3. 1) .

There are exceptions in each subgroup. Lesotho is per capita income is much inferior to the income of other members of SACU. Mauritius's per capita income and IHD indicators are comparable or superior to South Africa.

Table 3. 1
SADC: Selected indicators

Discrimination	GDP	GDP per capita	Area	Population	Rate of Urban population	IHD	illiteracy
SACU	125. 2	2. 770	2. 674	45. 2	...	-	...
South Africa	117. 2	2. 956	1. 221	39. 6	60. 8	0. 649 (100°)	24
Botswana	3. 8	2. 722	582	1. 4	29. 4	0. 741 (71°)	...
Lesotho	0. 7	380	30	1. 9	22. 5	0. 464 (130°)	...
Namibia	2. 5	1. 716	824	1. 5	32. 3	0. 573 (116°)	...
Swaziland	1. 0	1. 285	17	0. 8	39. 7	0. 586 (110°)	33
More	23. 0	272	4. 258	84. 6	...	-	...
Angola	4. 8	468	1. 247	10. 3	33. 1	0. 283 (165°)	59
Malawi	2. 0	192	118	10. 5	14. 9	0. 321 (157°)	52
Mauritius	3. 1	2. 853	2	1. 1	47. 3	0. 825 (54°)	20
Mozambique	1. 4	93	802	15. 1	34. 4	0. 261 (0. 167°)	73
Tanzania	2. 4	85	945	28. 0	36. 8	0. 364 (144°)	54
Zambia	3. 7	412	753	8. 9	59. 5	0. 411 (136°)	47
Zimbabwe	5. 6	518	391	10. 7	33. 6	0. 534 (124°)	22
SADC	148. 2	1. 142	6. 932	129. 8	...	-	...

Source: Handbook of International Trade and Development Statistics -1994, UNCTAD 1996 and UNDP (1996)

Note: data for GDP, per capita GDP, population and rate of urban population are for 1993. The indicator of Human development (IHD) refers to 1993. Data for illiteracy are for different years.

The biggest asymmetry results from the comparison of the relative size of the economies of SADC measured in terms of GDP. The predominance of South Africa is in this case absolute. South African economy is responsible for 80% of GDP of the Community and its GDP is 20 times superior to the Zimbabwe GDP, the second largest economy in SADC. It is therefore understandable that SADC members delegate to South Africa the role of "growth engine" for the whole region and at the same time fear an excessive dependency on the larger partner or fear an inevitable tendency to the concentration of investments in the South African economy.

For the sake of comparison, we may note that GDP SADC corresponds to 1/5 of GDP Mercosur, the income per capita is inferior by 1/3 and the population is 70% of total population Mercosur.

SADC volume of trade is about US\$ 65 billion corresponding to about 40% of Mercosur total trade. This ratio is double the ratio between the two GDP which shows that SADC economies are reasonably more open than Mercosur economies.

SACU countries are responsible for more than 75 % of exports and for 70% of imports of SADC. South Africa, Angola, Zimbabwe and Mauritius have significant trade flows (Table 3. 2. and 3. 3) .

SAC exports did not grow during the period 1990-94 (they only increased by 1%) while imports increased by 15%. Analysis of SACU countries and non-SACU countries exports shows some differences. SACU countries exports expanded 3% while non-SACU countries exports diminished by 3%. This result is due to the strong decline of Angolan exports and, to a lesser extent, to the reduction of Mozambican exports. Other non-SACU countries showed a positive expansion of exports.

In the case of SADC imports, its growth is explained by the increase of external acquisitions of SACU countries at the end of the period. It is a trend that should continue because it reflects the end of sanctions and restrictions imposed on South African economy during the apartheid era and to a more liberal attitude of the new authorities. The prospects are that the trade volume of South Africa will rapidly increase in special imports and that the trade surplus will disappear (EIU, 1996) .

Imports of non-SACU countries were stagnated or falling during the period 1990-94. This situation resulted from the strong contraction of Zambian and Angolan imports.

The analysis of geographical exports distribution is more difficult due to the presence of important flows without specified destination. This distortion is due to South African statistics. In fact the non-declared exports of weapons and the restrictions and sanctions that affected the South African foreign trade until recently explain the scarce transparency of those statistics. We should notice the small participation of intra-area exports, inferior to 8%.¹⁴ More than 90% of intra-zone exports come from SACU (i. e. South Africa) and from Zimbabwe.

Table 3.2

SADC : Evolution of Exports (1990/94)

in US \$ 10⁶ FOB

Discrimination	year					participation
	90	91	92	93	94	(92-94)
SADC	<u>32.778</u>	<u>35.628</u>	<u>38.145</u>	<u>32.271</u>	<u>33.120</u>	<u>100.0 %</u>
<u>SACU^(*)</u>	<u>24.685</u>	<u>27.744</u>	<u>30.169</u>	<u>24.748</u>	<u>25.411</u>	<u>76.7 %</u>
<u>More</u>	8.093	7.884	7.976	7.523	7.709	23.3 %
Angola	3.744	3.097	3.511	2.978	2.864	8.6 %
Malawi	317	448	447	353	386	1.2 %
Maurício	1.202	1.195	1.301	1.303	1.254	3.8 %
Moçambique	383	395	266	199	224	0.7 %
Tanzânia	412	385	442	459	494	1.5 %
Zambia	544	1.076	752	904	758	2.3 %
Zimbabwe	1.491	1.288	1.257	1.327	1.729	5.2 %

Source: DOTS (Directions of Trade Statistics) IMF, 1996.

Note: (*) exports of SACU (Southern African Customs Union). The data include the exports of South Africa, Botswana, Lesotho, Namibia and Swaziland.

¹⁴ this share does not consider intra-SACU flows that are very important. 20% of South Africa exports go to the other members of SACU. If the intra-SACU flows are included the trade volume (imports plus exports) of SADC would increase considerably.

Table 3.3**SADC: Evolution of imports (1990/94)**in US\$ 10⁶ CIF

Discrimination	year				participation	
	90	91	92	93	94	(average 92-94)
SADC	26.276	26.220	28.689	26.343	30.251	100.0 %
<u>SACU</u> ^{(*)(**)}	<u>17.417</u>	<u>17.571</u>	<u>18.776</u>	<u>18.026</u>	<u>21.838</u>	<u>68.8 %</u>
<u>Demais</u>	<u>8.859</u>	<u>8.649</u>	<u>9.913</u>	<u>8.317</u>	<u>8.413</u>	<u>31.2 %</u>
Angola	1.723	1.846	2.488	1.427	1.299	6.1 %
Malawi	541	565	615	453	467	1.8 %
Mauritius	1.620	1.558	1.624	1.718	1.908	6.2 %
Mocambique	926	856	926	1.053	1.132	3.6 %
Tanzania	1.150	1.156	1.420	1.315	1.330	4.8 %
Zambia	1.218	811	837	702	455	2.3 %
Zimbabwe ^(**)	1.681	1.857	2.003	1.649	1.822	6.4 %

Source: DOTS (Directions of Trade Statistics) IMF, 1996

Notes: (*) imports of SACU (Southern African Customs Union) integrated by South Africa, Botswana, Lesotho, Namibia and Swaziland.

(**) FOB data

SADC Extra-regional exports show the following characteristics:

(i) the EU is the market for 37% of non-SACU countries exports and EU is share in the exports of SACU (taking into account its probable share in flows without specific destination) should be similar¹⁵; (ii) the importance of Angolan oil exports to NAFTA which are responsible for more than

¹⁵ European Union share should be bigger. On the other hand, Switzerland absorbs 7% of South African exports. The majority of these exports are diamonds acquired by De Beers that re-export them to London (EIU, 1996).

50% of SADC exports to NAFTA; (iii) the share of Asian countries (Japan, China, and "Asian tigers" is equally important for SACU and other members of SADC; (iv) the low importance of exports to other African countries. Its share of 2% is similar to that of exports to America (Western Hemisphere less NAFTA).

Intra-area import flows, excluding intra-SACU flows, are characterized by: (i) small participation of other SADC members as exporters to SACU. This contrasts with the importance of these countries as markets for SACU exports countries¹⁶ and (ii) the importance of Zimbabwe in intra-regional trade as an exporter and importer (table 2. 5)

Table 3. 4
SADC: exports according to blocks of destination (1990-94)

		in US\$ 10 ⁶ FOB							
Block/country		Destination							
Source	SADC	Africa	NAFTA ⁽¹⁾	EU ⁽²⁾	Japan	Asia	America	More	Total
SADC	2. 632 (7. 9 %)	717 (2. 2 %)	3. 835 (11. 6 %)	8. 334 (25. 2 %)	1. 539 (4. 6 %)	3. 105 (9. 4 %)	687 (2. 1 %)	12. 269 (37. 0 %)	33. 120 (100. 0 %)
SACU ⁽³⁾	1. 882 ^(*) (7. 4 %)	523 (2. 1 %)	1. 381 (5. 4 %)	5. 485 (21. 6 %)	1. 171 (1. 3 %)	2. 478 (9. 7 %)	552 (2. 2 %)	11. 939 ^(**) (47. 0 %)	25. 411 (100. 0 %)
More	750 (9. 7 %)	194 (2. 5 %)	2. 454 (31. 8 %)	2. 850 (37. 0 %)	368 (4. 8 %)	627 (8. 1 %)	135 (1. 8 %)	330 (4. 3 %)	7. 709 (100. 0 %)
Angola	2	7	2. 013	668	7	55	100	10	2. 864
Malawi	85	8	59	156	45	5	...	28	386
Mauritius	12	44	220	912	5	23	5	33	1. 254
Mozambique	31	6	15	90	24	37	5	16	224
Tanzania	7	55	16	219	45	126	3	23	494
Zambia	54	38	5	180	105	285	-	91	758
Zimbabwe	559	36	126	626	135	96	22	129	1. 729

Source: DOTS (Directions of Trade Statistics) IMF, 1995

Notes: (1) USA and Canada

(2) 15 countries

(3) exports of SACU (Southern African Customs Union)

(*) does not include intra-SACU flows

(**) including US\$ 8. 663 of exports without specific destination

¹⁶ The ratio exports/imports is favorable to SACU in the proportion of 5:1. This disequilibrium reveals the importance of neighbouring countries as clients for South Africa manufactured products as well as the limited capacity of the South African economy to generate demand for the products of the other members of SADC. This shows that the possibility of South Africa to become the "engine of growth" of SADC is doubtful.

Table 3. 5
SADC: Imports according to blocks of origin

in US\$ 10 ⁶ CIF									
Block/country	Destination								
Source	SADC	Africa	NAFTA (1)	EU ⁽²⁾	Japan	Asia	America	More	Total
SADC	2. 565 (8. 5 %)	421 (1. 4 %)	4. 340 (14. 4 %)	12. 838 (42. 4 %)	2. 605 (8. 6 %)	3. 372 (11. 2 %)	648 (2. 1 %)	3. 462 (11. 4 %)	30. 251 (100. 0 %)
SACU ^{(3)(*)}	406 (**) (1. 9 %)	200 (0. 9 %)	3. 825 (17. 5 %)	9. 862 (45. 1 %)	2. 223 (10. 2 %)	2. 221 (10. 2 %)	498 (2. 3 %)	2. 593 (***) (11. 9 %)	21. 838 (100. 0 %)
More	2. 159 (25. 7 %)	221 (2. 6 %)	505 (6. 0 %)	2. 976 (35. 4 %)	382 (4. 5 %)	1. 151 (13. 7 %)	150 (1. 8 %)	869 (10. 3 %)	8. 413 (100. 0 %)
Angola	101	26	226	717	18	41	62	108	1. 299
Malawi	261	3	21	103	32	42	1	4	467
Mauritius	180	30	28	864	79	556	21	150	1. 908
Mozambique	530	31	56	252	41	91	14	118	1. 132
Tanzania	74	124	59	451	90	307	7	218	1. 330
Zambia	224	3	17	139	28	30	2	12	455
Zimbabwe	789	4	98	450	94	84	43	260	1. 822

Source : DOTS (Directions of Trade Statistics) IMF, 1995

Notes: (1) USA and Canada

(2) 15 countries

(3) imports of SACU (Southern African Customs Union)

(*) FOB

(**) not including intra-SACU trade

(***) including US\$ 1303 million of imports without specific origin

In what regards extra-regional import flows, the main exporter to SADC are the European Union, NAFTA countries Japan and other Asian countries. America's share is of 2, 1% and the share of other African countries is insignificant.

Exports are and imports structure divided into main category of products, as well as the main export list of main SADC member countries are shown in tables 3. 6, 3. 7 and 3. 8 respectively.

In the case of exports, the correspondence between the composition of external sales and the basis of natural resources of the different countries. Is clear mining products dominate the exports of South Africa (gold) , Zambia (copper) and Angola (oil) . Agriculture and agro-industry products

are most important for Malawi (tobacco) , Tanzania (coffee, cotton and fruits) and Zimbabwe (tobacco) . Manufactured goods important for only three countries: South Africa (diamonds, steel and iron and transportation material), Zimbabwe (iron, textiles and clothes) and Mauritius (clothes)¹⁷ .

Imports of South Africa, Zimbabwe and Mauritius correspond to about 80% of total SADC imports. Imports of capital goods, transportation material and manufactured intermediary goods are equivalent of 67 to 80% of the imports of these three countries.

Relations SADC-Mercosur: Present Situation and Prospects

Bilateral flows of trade Mercosur-SADC

Trade volume between SADC countries and Mercosur reached US\$ 600 million in 1990, increased to US\$ 650 million in 1993 and jumped to little more than US\$ 1. 250 million in 1995.

Trade between the two blocks takes place among a small number of countries. Among Mercosur member countries only Brazil and Argentina maintain trade links with SADC countries while trade of Uruguay and Paraguay with Southern and Eastern Africa countries is non-existent.¹⁸

On the SADC side, only South Africa, Angola and more recently Mauritius may be considered as commercial partners of Brazil and Argentina. Mozambique and Zimbabwe are sporadic markets for exports of Brazil and Argentina.

South Africa was responsible in 1995 for about 85% of the trade volume (about US\$ 1, 05 billion) with Argentina and Brazil. See table 4. 1 and 4. 2.

¹⁷ Mauritius is considered an example of an economy "created" by the restrictive trade policy of developed countries. Mauritian exports of sugar and clothes expanded under the "umbrella" of EEC non-tariff barriers (quotas) that foreign investors were able to utilize (Page , 1994).

¹⁸ The same happens to Bolivia and Venezuela. Chile, however, presents relatively stable exports to South Africa., to the amount of US\$ 60 to US\$ 80 million and imports from Angola and South Africa to the amount of US\$ 80 to US\$ 100 million.

Table 3. 6.

SADC (selected countries) Exports according to main categories of products (1993)

Countries	Food (excluding tobacco)	Agricultural commodities	fuel	minerals and metals	chemicals	manufactures, machinery and transportation material	other manufactures	other products	in %
									Total
South Africa	7.5	3.2	7.9	8.0	5.3	8.0	14.8	45.3	100.0
Angola	0.3	-	94.7	5.0	-	-	-	-	100.0
Malawi	87.8	4.0	-	-	-	0.3	6.1	1.8	100.0
Mauritius	29.1	0.6	-	0.1	1.0	1.2	67.8	0.2	100.0
Tanzania	46.5	27.7	0.5	7.8	-	3.6	14.0	-	100.0
Zambia	3.6	0.9	-	86.5	-	0.3	8.7	-	100.0
Zimbabwe	424	62	06	124	29	30	320	05	100.0

Source: Handbook of International Trade and Development Statistics -1994, UNCTAD, 1995

Notes: (1) SITC two digits

(**) including gold

(***) 1992 data

Table 3. 7

SADC (selected countries) Imports according to main categories of products - 1993

Countries	Food (excluding tobacco)	Agricultural commodities	fuel	minerals and metals	chemicals	manufactures, machinery and transportation material	other manufactures	other products	in %
									Total
South Africa	6.2	2.3	0.5	1.4	13.0	44.1	23.5	9.0	100.0
Mauritius	13.9	2.9	7.0	0.8	7.2	22.2	45.9	0.1	100.0
Zimbabwe	11.2	2.1	14.7	3.2	13.8	35.1	18.2	1.6	100.0

Source: Source: Handbook of International Trade and Development Statistics-1994, UNCTAD, 1995

Notes: (1) SITC two digits

Table 3. 8

SADC: (Selected countries) share of main export products (average 1991-92)

South Africa	Angola	Malawi	Mauritius	Tanzania	Zambia	Zimbabwe
special transactions	59% oil	92% tobacco	74% sugar and honey	28% coffee	20% copper	81% tobacco non-processed
semiprecious stones	9% abrasive products	2% tea	8% lingerie	22% cotton	18% nonferrous metals	1% iron
coal	6% refined oil	2% Sugar and honey	6% men clothes	7% copper	8% semiprecious stones	1% nickel
basic metals	3% natural gas	1% coffee	2% women clothes	4% fruits and nuts	9% tobacco	2% other minerals
fruits and nuts	2%	textiles	2% gold, silver	2% tea	6% zinc	9% cotton
iron	2%	cotton	2%	special transactions	5%	steel

Source: Handbook of International Trade and Development Statistics -1994, UNCTAD, 1995

Notes: (1) SITC three digits

In the case of Brazilian exports to South Africa manufactured products play an important sale. The five main categories of exports are

manufactured goods. Brazilian exports are reasonably diversified. Only 28 products have a share superior to 1% . These 28 products correspond to 50, 2% of total exports and only five of them, around 12% of exports, may be considered as commodities.

Brazilian imports from South Africa are very concentrated. 15 products with shares superior to 1% correspond to 75% of total Brazilian imports. One carburentant ethyl alcohol product, correspond to 38% of all Brazilian imports from South Africa.

Trade pattern between Argentina and South Africa is completely different. Argentina exports a small number of agricultural products, specially oil seeds and its by-products. Oil seeds and grains correspond to more than 72% of Argentinean exports.

Argentinean imports from South Africa are more diversified than Brazilian imports. Argentina imports a larger number of manufactured products (machinery, electric material, steel products and combustibles) from South Africa than Brazil does.

Table 4.1.

Argentina and Brazil exports to SADC countries, 1995

in US\$ 10⁶ FOB

Destination	Source			
	Argentina	Brazil	Total	
South Africa	337.7	260.9	59.8	82.8 %
Botswana	2.1	0.2	2.3	0.3 %
Lesotho	-	-	-	-
Namibia	0.1	0.5	0.6	0.1
Swazilandia	-	0.3	0.3	0.0 %
Angola	19.8	20.7	40.5	5.6 %
Malawi	0.0	0.2	0.2	0.0 %
Mauricio	14.2	16.1	30.3	4.2 %
Mocambique	16.8	4.9	21.7	3.0 %
Tanzania	4.5	6.1	10.6	1.5 %
Zambia	0.1	0.5	0.6	0.1 %
Zimbabwe	4.2	13.2	17.4	2.4 %
SADC	389.5	323.6	723.1	100.0 %

Source: SECEX (Brazil) and INDEC (Argentina)

Table 4.2

Argentina and Brazil imports from SADC countries 1995

in US\$ 10⁶ FOB

Source	Destination			
	Argentina	Brazil	Total	
South Africa	124.	333.1	457.6	87.8 %
Botswana	-	-	-	-
Lesotho	0.0	-	0.0	0.0 %
Namibia	0.1	0.0	0.1	0.0 %
Swazilandia	-	7.3	7.3	1.4 %
Angola	5.8	39.2	45.0	8.6 %
Malawi	1.4	-	1.4	0.3 %
Mauricio	0.3	0.0	0.3	0.1 %
Mocambique	0.0	-	0.0	0.0 %
Tanzania	-	0.1	0.1	0.0 %
Zambia	0.0	0.0	0.0	0.0 %
Zimbabwe	2.1	7.3	9.4	1.8 %
SADC	134.2	387.9	521.2	100.0 %

Source: SECEX (Brazil) and INDEC (Argentina)

MERCOSUR-SADC: Prospects for a South-South Cooperation

The main obstacle to the development of economic relations between SADC and Mercosur is the lack of definition about the participation of South Africa in its own regional integration schemes. More than 80% of trade between the two blocks occurs with the participation of South Africa. This country is therefore the true if not the only potential partner for the Mercosur countries.

Participation of South Africa in SADC is recent and fragile. In that country it is now under discussion which is the best alternative to promote economic integration with neighboring countries without compromising the real possibilities of economic dialogue of South Africa with other blocks or countries specially the developed countries. The decision of Mercosur countries to organize their external economic relations as a group, on the basis of the format "4+1", does not exist in the case of South Africa. At present, South Africa is conducting negotiations with the EU to establish a

free trade area¹⁹. These negotiations are taking place without the participation of SADC countries and may hurt their interests.²⁰

Speculation about cooperation between the two blocks will depend on the definition by South Africa about the “building block” on which that country will build its scheme of regional integration. SADC is only one of several possibilities. Some analysts consider that SACU is a better, more adequate and already tested platform to launch the integration process in Southern Africa. Official documents mention that SACU should constitute the nucleus of an integration scheme of “variable geometry” with engagements and speed different for different partners. According to this approach South Africa should adopt the following strategy: (i) establish an economic union with Lesotho, the least developed country of SACU; (ii) create a common market between this union and Swaziland and Namibia; (iii) establish a free trade area between SACU and Zimbabwe, a country that has an expressive participation in regional trade; (iv) establish an area of preferential trade with this last mentioned free trade area and the other neighboring countries (Leistnber, 1995) .

If the agenda of South Africa seems crowded in terms of regional integration, situation in Mercosur is not different. Negotiations with Chile consumed the energies of the economic diplomacies of the Southern Cone during almost one year and that paralyzed. The discussion of several questions of great importance, such as the management of the commercial policy, the harmonization of technical standards, the definition of a competition policy, the planning of a better transportation system and other controversial issues such as the institutions of Mercosur, the common market for services or the reformulation of the mechanism of dispute settlement.

¹⁹ The constitution of a free trade area was the counter-proposal of the European Union to South Africa request to be admitted as a full member of the Lome Convention. The request was denied under the argument that South Africa is a developed economy. Some of the difficulties faced by South Africa in the on-going negotiations to form a free trade area with the EU anticipate similar obstacles for Mercosur in its attempt to negotiate a free trade area with the EU.

²⁰ (20) Concerns of South Africa's neighbours are double. On the one hand, they fear that free access of South Africa to the EU market would erode the advantages they enjoy for their exports as members of the Lome Convention in relation to products that compete with South African exports to the same EU market. On the other hand, they fear the competition of European products in the South African market.

The external agenda of Mercosur is also crowded. Negotiations are taking place with Bolivia and Venezuela, to create a free trade area, negotiations with other LAIA countries about the so called "historical patrimony", the discussions about AFTA (American Free Trade Area) , negotiations with the European Union in the framework of the agreement signed in 1995, besides the dialogue with the ANZERTA (Australia/New Zealand Closer Economic Relations Trade Agreement) .

After mentioning the difficulties, we should point to the promising aspects of closer economic relations between Mercosur and Southern and Eastern Africa countries specially South Africa.

Mercosur has been showing that with a policy of "open regionalism" countries in South of Ecuador may benefit from the organization of subregional integration schemes. This is true specially for countries that have reasonably diversified economic structures. The thesis has yet not been proved but the experience of the first years of Mercosur does not deny it. On the contrary, there is sufficient evidence to point to Mercosur as a case of reasonable success.

Proposals and initiatives for South-South cooperation face general skepticism. However, the small trade that takes place between South Africa and the two large economies of Mercosur has characteristics that indicate the possibility of becoming a "mature" trade, based not only inter-industry flows but also on intra-industry flows. Recent evolution of Brazil-South Africa trade points to this possibility. The opening of both regions to foreign direct investment may contribute to create this more mature pattern of trade

Angola and Mozambique, two Portuguese-speaking countries, are members of SADC. Brazil tried in the past, without success, to develop a more intense economic relationship with these two countries. Economic links between Brazil and each one of these two countries still exist and may constitute another element for a closer relationship between SADC and Mercosur.

We have to note finally that Mercosur has initiated negotiations with ANZERTA , an integration scheme formed by Australia and New Zealand, two countries with which it is possible to establish diversified trade flows. Space for South-South cooperation between economies of compatible relative size, reasonably diversified productive structures and similar levels of development may constitute a very concrete possibility.

Annex

Table A.1
Brazil exports to SADC countries
(main chapters and products)

destination/chapters	value (US\$ 10)	Part. %	main products
South Africa			
organic chemical products	38,2	14,7	isocianate, propilen oxyde, octanol
Boilers machineri and mechenical instruments	34,3	13,1	compressors, rings for engines etc
automotive vehicles	30,5	11,7	Chassis, eixos, wheels, rings, tractors,
plastics	15,8	6,0	polytylen, polycarbonate,
machinery and electric mat.	14,0	5,4	Engines, electromechanic equipment
ANGOLA			
sugar products and confectionnery	9,3	44,9	crystal sugar , bonbon, candy without cocoa
automotive vehicles	2,3	11,1	trucks, buses, vans
MAURITIUS			
boats, floating structures ship	11,8	73,4	Vessel up great drant
ZIMBABWE			
plastics	6,0	45,7	PVC, polythylen, toluen,
aluminum	2,8	20,9	polypropilenic ropes and aluminum cables

Source: SECEX

Table A.2
Brazilian imports from SADC countries (1995)
(main chapters and products)

origin /chapters	value (US\$ 10)	Part. (%)	Main products
ÁFRICA DO SUL:			
Liquor, alcoholic beverages	149,7	45,0	ethyl alcohol carburant
Combustibles, mineral oil	39,6	11,9	Coal, anthracite
inorganic chemical products	23,2	7,0	orthofosforic acid
iron and steel	21,1	6,0	plan laminate rion and manges mixturee
Paper, carton etc	21,0	6,0	paper for journal paper, printing paper for boxes
ANGOLA			
combustibles, mineral oils	39,2	100,0	crude oil , propane butane

Source: SECEX

Table A.3
Argentine exports to SADC countries 1995
(main products and chapters)

origin /chapters	value (US\$ 10)	Part. (%)	Main products
South Africa:			
vegetable oils, fat	185,0	54,8	crude oils of sunflower , soybeans etc
residues of food industries	31,0	9,2	sunflower and soybean pie
grains	29,9	8,8	corn
oilseeds and fruits	26,3	7,8	soybean peeled peanut
combustibles and mineral oils	14,4	4,3	crude oil
ANGOLA			
magazines, newspapers and engravings	12,0	60,7	paper money stamps
grains	4,0	20,3	rice, corn
MOZAMBIQUE			
grains	6,6	39,3	wheat
oilseeds and fruits	5,7	33,8	soybeans
residues of food industries	3,6	21,4	soybean pie
MAURITIUS			
vegetable oils, fat	8,7	61,5	soybean crude oil sunflower crude oil

source :INDEC

Table A.4.
Argentinian imports from SADC countries (1995)
(main chapters and products)

origin /chapters	value (US\$ 10)	Part. (%)	Main products
South Africa:			
boilers, mechanical machinery	28,4	22,8	machinery for to cargo transport, and clinch for lifting and others machines
Paper, carton printing paper	20,5	16,5	coal,
combustibles and mineral oils	20,5	16,5	Hulha, crude oil.
iron, forged iron and steel	11,6	9,3	ferro manganese alloy, flat steel
machinery and electrical material	7,2	5,8	machinery and welding sideboard for electric distribution
ANGOLA			
combustibles mineral oils	5,8	100,0	crude oil

Source:INDEC

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