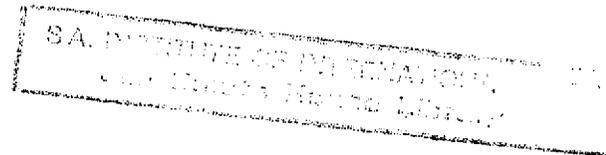




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SOUTH & SOUTHERN AFRICA: LESSONS FROM EMERGING MARKETS

by

Claudia Mutschler



THE SOUTH AFRICAN
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LESSONS FROM EMERGING MARKETS**

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Claudia Mutschler

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PREFACE

The rapidly evolving process of globalisation has posed a number of key economic challenges for South and Southern Africa. Globalisation has resulted in a rapid acceleration of economic activity across borders, where knowledge has become increasingly mobile, and geographic location and time zones no longer prove to be obstacles. In a world characterised by increasing capital mobility and trade and an emerging consensus on a recipe for economic success including deregulation, privatisation, fiscal austerity and currency exchangeability, there has been a new emphasis, too, on regional groupings in Europe, Asia, Latin America as well as Africa.

But in Africa these groupings face unusual challenges. For one, the small size of African economies does not create an imperative for these states to engage with each other when links with developed countries apparently offer access to larger, and potentially more lucrative markets. Moreover, Southern Africa would appear to suffer from unique challenges: the devastation wrought by thirty-something years of conflict coupled with poor post-colonial governance has left behind a difficult legacy. South Africa's relative economic giantism - where its economy is, in GDP terms, four times larger than those of the remaining eleven members of the Southern African Development Community (SADC) lumped together - has had a major influence on Pretoria's official relations with the sub-continent. South African businesses have taken full advantage of their comparative advantage in Africa and the Republic's trade and investment relations with the rest of the continent have increased dramatically since the end of isolation.

Where does this leave formal integration schemes in Southern Africa, and what can these hope to achieve? How can such schemes manage South Africa's regional economic dominance, and what are the areas that they should focus on: the creation of free trade zones, the provision of infrastructure including transport and telecommunications, or the development of regional economic norms and practices such as the harmonisation of tax and foreign exchange regimes and guarantee of property rights?

The conference on *South and Southern Africa: Lessons from Emerging Markets*, on which this Report is based, was designed with these questions in mind. The event sought to bring together specialists on

Africa and the Americas to provide a clear-headed appraisal of what might best be achieved in Southern Africa.

The conference and this **Report** were the result of many able efforts, including those of Laurie Boulden, Caroline de Pelet Abraham, Antoinette Handley, Patricia Jacobs, Anne Katz, Pippa Lange and Claudia Mutschler. The South African Institute of International Affairs (SAIIA) is grateful for financial support for the conference from the Brazilian Embassy, The British Council, Eskom, Friedrich Naumann Stiftung, the Royal Netherlands Embassy, and Standard Bank. Please note, however, that nothing in this **Report** should be taken to represent the views of these bodies, nor of the SAIIA and its members.

Greg Mills
SAIIA National Director
August 1997

REGIONAL INTEGRATION IN AFRICA AND SOUTHERN AFRICA

Three years after South Africa took its place as a full partner in the region, Southern Africa is on the threshold of important decisions which could take the region to much higher levels of co-operation than hitherto. Several of the most important pending decisions and departures lie in the area of trade. The adoption of a Protocol on Trade at the 1996 Southern African Development Community (SADC) summit in Maseru signalled the community's intention to establish a free trade area (FTA) within eight years. This year's summit, which will be held in Malawi in early September, will be faced with important decisions on how to push forward the process of tariff reduction negotiations envisaged in the Protocol. All of this is taking place at a critical moment in the re-negotiation of the Southern African Customs Union (SACU) agreement, which has made only slow progress over the last three years. It is therefore an appropriate moment to reflect on lessons from other 'emerging markets'.

Southern Africa's Strategic Significance

Southern Africa has often been proclaimed as the top priority in South African foreign policy. As Dr. Rob Davies, Chair of the Portfolio Committee of Trade and Industry points out, it is worth reminding ourselves of the reasons for this.

First, it is based on recognition of the reality that South Africa has long been part of a region that has meaning in much more than a mere geographical sense. South Africa may be a newcomer to some of the regional institutions, but not to the region itself. Since the late nineteenth century South Africa has been part of a Southern African regional economy, which is characterised by deep-seated economic ties between most current SADC member states as well as by a significant degree of economic integration among some of them. Involvement in the regional economy, whether as providers or recipients of migrant labour, transport services, hydroelectric power or in trade, has historically been of considerable significance both to South Africa and most other SADC member states. South Africa has, of course, also been a member of a customs union with four neighbouring countries for over a century, as well as part of a monetary union with three of these.

The priority attached to the region is based, *second*, on the fact that the overall regional ambience affects efforts to promote growth and development in a democratic South Africa. It has often been said that South Africa cannot hope to become an island of prosperity in a sea of poverty. What this reflects is the reality of deep-seated negative interdependencies in the region. Migration and unrecorded trade are long-established facts of life in Southern Africa, and crisis and social disintegration in neighbouring countries can, as we have discovered in recent years, become a spur to increased undocumented migration, as well as cross border arms and drugs trafficking.

Third, as a number of studies carried out shortly before the installation of South Africa's first democratic government established, greater involvement in regional trade, sectoral co-operation programmes, joint development of regional resources and infrastructure can make a great contribution to efforts to promote growth and development in both South Africa and the rest of SADC. Southern Africa's strategic significance for South Africa is evident at a number of levels. It can be illustrated by looking at trade patterns. Though the fact is not always recognised, SADC countries constitute South Africa's biggest export market. Moreover, an examination of the composition of these exports indicates a disproportionate significance for South African manufacturing industries. Trade with the region is thus of great importance for precisely those sectors that current industrial policy seeks to prioritise in promoting an export-led contribution to economic growth and employment.

Regional Integration Experiences in Africa

Southern African regionalism is not the first attempt at integration in Africa. Since independence, African states have set up a large number of regional integration schemes. However, as Professor Christopher Clapham of Lancaster University pointed out, the history of economic integration in sub-Saharan Africa has been one of virtually unbroken failure. Almost without exception, the integration attempts have failed to measure up to the high expectations that greeted their foundation. But, as Clapham further pointed out, failure in the past does not necessarily mean that any future attempt at integration must be similarly unsuccessful, if the initiators of the integration project learn from previous experience.

The record of failure contrasts sharply with the almost universal expectation at the time of independence that integration provided an

essential and practical route to economic development. The reasons appeared so obvious as to be virtually incontestable. African states had artificial colonial borders and tiny internal markets. It was a precondition for development that Africa must be put back together again, so that the continent could benefit both from the advantages of internal trade and the provision of a stronger bloc with which to confront the outside world. There was a strong political drive for integration as a step towards African unity; and it was also widely felt that development required African economies to break away from north-south trading patterns derived from colonial exploitation.

The regional organisations that were set up took many different forms. Some, like the East African Community, perpetuated former colonial links; others, like the Ghana-Guinea-Mali Union, brought together ideologically like-minded states across the colonial divide. The foundation in 1975 of the Economic Community of West African States (ECOWAS) created the first large regional grouping, while in 1980 the Organisation of African Unity's Lagos Plan of Action sought to establish an African Common Market by the year 2000, a date subsequently put off until 2025. Regardless of the format, however, none of them worked. What went wrong?

The first problem was that the economic benefits to be gained from trade between small primary produce exporters, all of them highly dependent on trade with the industrial world, were slight. This in turn meant that the inevitable disputes between member states within any community were not offset by compensating benefits. Instead, attempts at integration often exacerbated differences between neighbours. In particular, the interests of 'core' states (those which were larger, more developed, and more centrally placed) were inherently at variance with those of 'peripheral' states which lacked these advantages. The benefits of integration flowed overwhelmingly to the core states, as the external investors located themselves in the 'hub' economy. In short, the impact of *trade diversion*, where benefits accrue to some members at the expense of others within the community, outweighed that of *trade creation*, where the development of new productive resources as a result of integration would lead to the accrual of benefits for the grouping as a whole.

Two especially sensitive issues were those of government revenues and labour migration. African states depend heavily on taxes on external trade for their incomes, both directly through customs duties and indirectly through control over their own currencies, and any integration scheme which threatened these revenues was

unacceptable. Migration raised still more difficult issues, both for peripheral states (which saw their most skilled workers moving away to the hub) and for core states (whose citizens saw 'their' jobs taken by foreigners). The boom-slump cycle of African primary exporters sucked in migrate workers during the boom phase, and these were then exposed to the threat of expulsion during the slump.

Secondly, African leaders have often been accused of lacking the 'political will' to pursue integration schemes. High (and sometimes extreme) levels of personalism in African government have considerably enhanced the difficulties of integration. African leaders have often been deeply sensitive about any restriction on their personal powers, and any constraint coming from abroad - whether in the form of rival leaders among their regional colleagues, or still more insidiously, through domestic rivals with potential regional support - has characteristically aroused intense suspicion. However, given the high degree of dependence in integration schemes on successful mediation of differences over contentious issues which inevitably arise, the often prickly personalities of African heads of state can form a significant barrier to conflict resolution.

Where African regional integration schemes have achieved a measure of success, this is because they have contributed to regional (and notably leadership) security rather than any actual or potential economic benefits. In cases where regional organisations have amounted to more than rhetorical creations, this has been because the regional constituted a 'security complex' within which the organisation could serve as a security rather than a development community. In Southern Africa in the era of *apartheid*, the security role was effectively performed through the informal meetings of the heads of the Front Line States, which provided a far more effective decision-making forum than its developmental equivalent, the Southern African Development Co-ordination Conference (SADCC).

Quo Vadis? The Changed International Context

Following this downbeat appraisal of African experiences in regional integration, the question is, Where does Africa go from here? For a start, it has to be recognised that the global and continental setting within which African regional integration has to operate, has changed dramatically. There is now for most purposes only one practical model on offer for economic development: one which accepts (and indeed welcomes) the triumph of global capitalism and seeks to promote

development through the encouragement of external investment and through close integration with global markets.

The international economy has changed in powerful ways in the last fifteen years. According to Professor Jeffrey Herbst of Princeton University, the most dramatic illustration of the economic revolution has been the explosion in the worldwide foreign exchange market. It is estimated that turnover in the largest markets (London, New York and Tokyo) increased threefold just between 1987 and 1993, and now amounts to an astounding one trillion dollars a day. Perhaps even more important are the huge increases in international portfolio investment due to financial liberation in a host of countries, the revolution in computer technology, and the concentration of savings in the hands of institutional investors in Europe and the United States, which has made capital much more mobile.

After the long capital drought and debt crisis of the 1980s, once again loans and equity investment are flowing to the Third World. Capital has, however, not only become more mobile but also more discriminate than ever. Now, proportionately, far less money is invested in fixed projects like mines and much more in services which can be rapidly moved to any country with an expanding economy, all of which reduces the leverage of the host country.

Also, international trade, propelled by unparalleled success in global trade liberalisation, is also growing quite quickly. The World Bank projects that international trade will increase at an average rate of 5.9% annually until the year 2003. To achieve high rates of growth, developing countries will simply have to take advantage of international trade, the most dynamic part of the international economy.

Thus, the implications of the global economic revolution and its consequent shift in power balance between investors and governments, include a shift to greater export orientation, freer markets and a general scepticism concerning the state as an economic actor. We are witness to, if not the end of history, then perhaps the end of geography.

Yet, at the same time, we see a new emphasis on regions as people discover anew the benefits of regionalism. This gives rise to some confusion over whether we live in a single global economy, a world of regions, or a mess of bilateralisms. There is no easy answer to which of these three predominates. It is clear however, as Herbst asserts, that there is a real role for regional organisations in this world - just not the

role that is most commonly associated with such organisations, namely trade integration.

In the light of globalisation, it is a mistake to see regionalism as able to shield African economies from the global economy. Certainly, the history of regional integration attempts in Africa thus far has hardly been an encouraging one. In fact, while the historical and organisational impulses for the seemingly endless variety of African regional organisations are clear, these efforts seem at odds with current trends in the international economy. Why go through the effort to try to have a relatively small number of extraordinarily poor people trade with each other when the world economy is larger, more populous and faster growing? The emphasis on trade is misleading.

What is the role of regional integration, then? As Herbst points out, there are several other important functions that a regional organisation could perform, one of these being the completion of regional infrastructure, systems. The SADC has been (mildly) successful in promoting regional infrastructure, but much more needs to be done. Africans simply must take a more dynamic role in developing telecommunications, electrical and road and rail networks. Regional organisations are in the right position to get the job done.

A second and more important role could be to build credibility for regional economic reform programmes. There is a fragile restoration of growth on the African continent, due in good measure to commodity growth - but also due to economic reforms over the last 15 years. Progress has been made on price reforms: there have been large scale attempts to realign currencies and adjust food prices. However, these reforms have not been particularly difficult to implement.

The reform of parastatals, by contrast, is more difficult and has proceeded more slowly, as have deregulation, controls on government expenditure and broader financial reforms. The administrative capacity necessary to implement such reforms is lacking in many states, but they are also more politically difficult to implement. Again, too little work has been done on agencies of restraint such as expenditure laws and enshrining the independence of central banks.

One of the most difficult elements of a reform process - and most central to its success - is the need to convince the private sector of government's commitment to the process. Such credibility can take years to establish. The contribution that regionalism might make to globalisation (where the real money is) lies mainly in the political area,

especially in promoting credible policies. An important aspect of the global economic revolution depends on what is termed the 'search for credibility'. It is not enough for governments merely to announce that they are going to liberalise policies, favour the private sector or adopt conservative macroeconomic policies. There has been a global search for international mechanisms to lock in the domestic reforms enacted by countries and to convince potential investors that leaders have made a credible commitment to end 'business as usual' practices. A regional arrangement can assist by locking states into a multilateral commitment to certain measures.

According to Herbst there are a number of ways a regional organisation can improve the credibility of individual governments: the first is to set benchmarks for macro-economic policy. By having regional organisations develop such benchmarks, African countries can assert ownership over their own economic reform programmes and put some distance between themselves and the International Monetary Fund (IMF) and World Bank. This would be a natural follow-on from the important technical exchanges that go on in some of Africa's regional organisations - and a relatively low cost way of developing functional regional bureaucracies.

Another valuable step that regional organisations can take is to develop common foreign investment policies. By agreeing on common codes, African countries can assure investors that there will not be sudden changes in government policies that will threaten the viability of their businesses.

Herbst concluded that all of the efforts described here, and the many others that could be implemented, point in the same direction: good bilateral and regional relationships in Africa are no substitute for becoming completely integrated into the global economy. Rather, properly functioning regional organisations can make it possible for individual African countries to enter into global economic exchanges more confidently and, critically, with greater credibility. If, as a result, Africans can also trade more with each other, that is all to the good. However, significant efforts to improve intra-African trade which do not have as their goal promoting full entry into the global economy are a significant diversion of resources from what is actually necessary to help countries on the continent grow more quickly.

The past 35 years in Africa have demonstrated the futility of ambitious regional organisations, dictated from the top down before basic foundations have been laid. Africa's regions now have the opportunity

to create those foundations, in the hope of building more enduring structures in the years to come.

SADCC to SADC

Southern Africa's regional project faces similar obstacles to integration attempts elsewhere on the continent. Globalisation is enforcing some form of integration on its economies and at the same time emphasises the need for development to be linked closely to the global economy. As Clapham points out, the only integration schemes that can work are ones designed to enhance the role of the region in the world as a whole. Any effective integration scheme must accept and indeed encourage the workings of the global market, and - while seeking to regulate its undesirable consequences - work with it rather than against it. Devising forms of integration which meet these demands is the challenge facing southern Africa.

The Southern African Development Community, formerly known as the Southern African Development Co-ordination Conference (SADCC), originally followed a functional approach to co-operation, which gave each member state a stake in the organisation and created accountability to other members for the management of their own sector. Responsibility for particular sectors was allocated to member states according to their competitive advantage in that area. This compelled each country to designate officials who would be specifically responsible for their SADC sector, and meant that they would have to be in contact with their counterparts in other SADC states. However, this mode of operating became more difficult as the activities of the organisation proliferated and the context changed.

A decision was therefore taken in 1992 to reformulate the organisation as SADC. South Africa joined SADC at a time when SADC was moving beyond 'functional integration' to embrace a programme of 'development integration'. Essentially the development integration approach argued that while an integration programme would have to address issues of tariff reduction and the removal of non-tariff regulatory barriers, it could not afford to be indifferent to potential polarisation nor the need to continue to address the barriers to intra-regional trade arising from underdeveloped production structures and inadequate infrastructure. It thus envisaged a regional programme that would combine sectoral co-operation, policy co-ordination and trade regulation in a way that is realistic and feasible under prevailing conditions.

In order to achieve SADC's objectives of a common market by the year 2004, several important building blocks, including infrastructure and institutional arrangements for policy co-ordination and harmonisation, will have to be put in place. As Timothy Thahane, Deputy Governor of the South African Reserve Bank pointed out, one sector which has made significant progress in this regard is the financial sector.

The advent of democracy in South Africa and the formation of the Government of National Unity saw South Africa join SADC and accept responsibility for the Finance and Investment Sector. South Africa began its task by establishing a committee of the Governors of the Reserve Banks.

All SADC countries have embarked on various programmes aimed at economic transformation, liberalisation and deregulation in support of market-based economies in an environment of macro-economic stability. The main objective of the Committee of Central Bank Governors, therefore, is to establish a robust regional financial system, the basis for the proper functioning of the markets. Important factors in achieving such a system are:

- flexibility in the efficient allocation of resources; and
- the resilience to function and effect payments reliably and promptly.

The capacity of the financial system to undertake these tasks requires the existence of good infrastructural building blocks including legal and judicial frameworks, accounting and information systems, payments, clearance and settlement systems and prudential supervisory authorities.

The Governors of the SADC central banks have resolved on a 'bottom up' approach in order to achieve the above, although this does not exclude top level co-operation. The Committee of Governors focuses on:

- closer co-operation between central banks;
- the analysis of differences in organisational and legal structures;
- the development of a centralised data base;
- the exchange of views on monetary policy;

- the examination of the role of central banks in the establishment of sound banking institutions;
- the role of central banks in the development of money and capital markets;
- co-operation in international financial relations;
- the creation/development of structures for the repatriation of bank notes within the SADC region;
- the development of national clearing, payment and settlement arrangements;
- the training and education of personnel in the fields of central banking and financial systems; and
- the development of strategies to combat money laundering and other cross border banking frauds.

In pursuing the above mentioned terms of reference, the Committee of Governors has embarked on seven formal projects.

According to Thahane, SADC has achieved much in regional co-operation since its creation, to the point where the goal of achieving a common market by the year 2004 is within its grasp. Governments, the private sector and all stock holders must now formulate plans which are phased according to the time criterion, and which can be monitored. Equally important is the need to review and rationalise the work methods and processes followed thus far. Formation of an economic community by the expected date will require the building of consensus among all member states on the need to accelerate progress in the reduction of tariffs.

In the financial sector, co-operation in SADC is moving at a fast pace. The Governors' commitment to a robust regional infrastructure is unwavering. It is hoped that the private sector will share their vision of the preconditions for the acceleration of growth and improvement in the living standards of all the peoples of Southern Africa.

THE AMERICAS' EXPERIENCES WITH REGIONAL INTEGRATION

Globalisation and the consequent changes in international context have also had a significant impact on the Americas, from Alaska to Tierra del Fuego. In addition to the spatial reorganisation of production, international trade and the integration of financial markets, the Americas are witness to a shift to regionalisation. This section considers the Americas' experiences of trade liberalisation and regional integration.

The Political Economy of the Chilean Miracle

Chile's economic performance - an average of 6% annual growth from 1984 to 1996 making it the fastest growing economy in the West and the fourth-fastest in the world - has generated significant literature about what a recent article in the *Latin American Research Review* referred to as the 'political economy of the Chilean miracle'. Dr. Jorge Heine, the Chilean Ambassador to South Africa, considered the Chilean transition from Import Substitution Industrialisation (ISI) to open regionalism, and the central role government commitment to an open economy played in moving the country forward through the treacherous waters of the world economy.

Heine stressed that in the opening of the economy, the lowering of tariffs, that took place from 1974 onwards has been an important, albeit not the only, component. Contrary to popular wisdom, the process leading up to the present situation has not been driven simply by an ever-diminishing role for the state; in fact, public policies have played a key role in creating and sustaining Chile's present economic condition.

Whatever Chile's virtues in helping create a Latin American manufacturing sector that was largely non-existent until the 1930s, most observers would agree to the proposition that by the 1960s ISI had run its course. In the Chile of 1973, the average tariff was 105%, with the highest being 220%. Over the next six years, the average tariff was lowered to close to 10%, quotas were eliminated and a single exchange rate was set in place. By 1981 Chile was one of the most open economies in the world.

Yet, far from leading to an export boom, this produced a veritable flood of imports - which increased fourfold from 1975 to 1981. The indiscriminate manner in which the lowering of tariff and non-tariff barriers took place, and an exchange policy that led to a severe overvaluation of the *peso* opened the door to heavy external indebtedness and severe difficulties for local producers. The severe 1982 recession, in which Chile's GDP fell by 14%, marked the end of the 'free-for-all' period, and the start of a second period, in which a much more fine-tuned approach to export promotion was used. Tariffs were initially raised to 25% and later even to 35%. As a result of these much more targeted policies, exports reached 30% of GDP by 1986 and Chile's export boom was finally on its way. Over the next ten years, exports grew from US\$4.1 billion in 1986 to US\$16 billion in 1995.

A key element here has been the existence of a uniform tariff, of 15% until 1991, and of 11% since then. A straightforward norm for all products avoids both the 'jostling for position' among different sectors and the possibility of lobbying for preferential treatment from those with special access to the authorities.

Starting in 1990, Chile also embarked on a new approach to international economic policy, embracing one of 'open regionalism', a unique path towards greater integration with the rest of the Americas. By signing a variety of free trade agreements (FTAs) with countries such as Mexico, Venezuela and Colombia; by joining Mercosur as an associate member; and by signing, most recently, an FTA with Canada, Chile has left behind the 'going it alone' policy and has once again put the Americas, and especially Latin America, front and centre in its international economic relations and foreign policy.

Heine pointed out that this reflects not only a deep commitment to the region, but also the fact that a 'new regionalism' has emerged in Latin America in the nineties. The 1991 creation of Mercosur, and its considerable success is, of course, the most significant example of this trend, but this subregional scheme is only part of a much broader trend throughout the Americas.

In this context, the notion that a small economy can thrive solely on the basis of the right economic policies is somewhat misguided. Bilateral FTAs have the advantage of guaranteeing access to a market in a world in which obstacles to trade crowd increasingly into the grey area of 'anti-dumping' mechanisms, compensatory rights and technical norms with protectionist objectives. Chile has opted for FTAs as

opposed to the more cumbersome customs union agreements, because they are more flexible and quicker to implement than the latter, and avoid the intricacies of common external tariffs.

Another significant turnaround in the Chilean economy over the past two decades has been the shift from its traditional foreign-exchange scarcity to what could be described as an over-abundance of it - the country's reserves have reached US\$15 billion, one year's worth of imports. Part of the reason for this has to do with the export boom; another, with foreign investment. The latter has been especially dynamic in the nineties, almost doubling from US\$1.4 billion in 1990 to US\$2.7 billion in 1993, and more than doubling again in 1996, when it reached US\$6.2 billion, 8% of GDP.

The bulk of this investment has been in the mining sector, which over the past decade or so has attracted more than half of all foreign investment. In 1996, though, an interesting change started to take place, with half of all incoming foreign direct investment (FDI) going into services, thus mirroring the changes in the Chilean economy as it modernises and diversifies into the secondary and tertiary sectors.

Concomitantly, there has also been a considerable increase in Chilean investment abroad - US\$12 billion between 1990 and 1996 to 38 different countries - though largely concentrated in South America (especially in Argentina, Peru, Colombia, Brazil and Mexico). This means that Chile invests a larger share of its GDP abroad than either the US or Japan.

Although Chile has an open economy that provides iron-clad guarantees to foreign investors and no barriers to the repatriation of profits, the existence of some controls to discourage short-term, speculative capital inflows has avoided the twin dangers of excessive current appreciation and of financial instability. FDI has by no means been discouraged by these controls.

Heine concluded by saying that the commitment to an open economy, a common thread in the various economic policies that have been applied in Chile over the past 25 years or so, has undoubtedly been central to the remarkable performance of the country's productive structures over the past decade. Lowering tariffs, deregulating many activities and privatising others have been core components of the course towards leaving behind underdevelopment and setting the country on the path to steady, self-sustaining growth. An open economy generates a discipline among economic players that cannot

but have a very potent effect on exports, foreign investment and growth in general. At the same time, while it can be argued that it is in many ways a necessary condition for small economies bent on achieving high growth rates in today's world, it is by no means a sufficient one. It is one thing to open up an economy; it is quite another to get the policy mix right. The two recessions through which Chile went (1975-76 and 1982-83) while in the process of opening up, are a clear reminder of this.

NAFTA in the Real World

Regional integration is occurring throughout the Americas. Reversing 'its historic antagonism toward regional arrangements', the United States negotiated the North American Free Trade Agreement (NAFTA) with Canada and Mexico in 1992 as the first such arrangement between two developed countries and a developing one.

Dr. Cassio Luiselli, the Mexican Ambassador to South Africa, considered the NAFTA from the Mexican perspective, holding that NAFTA is significantly affecting Mexico's economic outlook. He considers NAFTA to be a powerful vehicle for Mexico's economic modernisation and the best way for the country to engage in the increasingly competitive and globalised world economy.

Before NAFTA, Mexico attempted integration with fellow Latin American countries without much success. After independence from Spain and Portugal, most Latin American countries focused on the formation and consolidation of their nation-state rather than integration. Later, starting in the 1960s, Latin America attempted to integrate in a more formal manner. These attempts were not very satisfactory either, as their economies were still immersed in the inward-looking import substitution paradigm.

Following Chile's remarkable economic turnaround, the whole region turned to the free market credo and a strict package of macro-economic measures, known as the Washington Consensus. Mexico too has followed this path. By the mid-1980s Mexico had already attempted not only macro-economic adjustment but deregulation and economic opening. The pace of reform accelerated dramatically during President Carlos Salinas' administration. By the early 1990s, Mexico had one of the most open economies in the world and its privatisation programme was one of the most advanced in Latin America. In this environment, a group of young, US educated technocrats under

Salinas' leadership proposed a whole new economic deal aimed at increasing trade and investment with the US. For Mexico this was a major step away from the Latin American-centred and protective vision. In need of foreign investment and perceiving itself as running the risk of being marginalised by the big trade blocs, Mexico proposed free trade with the US in Spring 1990, thus initiating moves toward NAFTA.

Initially doubts were raised about integration between countries with significant economic differences. NAFTA is the first integration exercise involving two highly developed economies and a developing economy. At a conceptual level, however, there was little debate among professional economists, since NAFTA's principles are rooted in some of the most enduring laws of economics, including the venerable principle of Comparative Advantage, which argues that each trading partner benefits through specialising in what each does best, comparatively. However, much discussion centred on transition costs, potential trade diversion and possible discrimination against trading nations, producing a deluge of papers and a parade of confusing positions. The negotiations, initially contentious as each country tried to maximise advantages and minimise risks, eventually produced a coherent if lengthy document. However, negotiators soon realised that the real problem would come with the ratification process in the US, as the 1992 election campaign was in full swing. To address concerns about the environment and labour standards, and to appease the protectionist wing of the US Congress, the three governments agreed to sign two parallel agreements on labour and environmental issues. Finally, on 1 January 1994 NAFTA came into effect.

1994 was an *'annus horribilis'* for Mexico. A bungled currency devaluation caused financial panic and a sharp capital flight. The Mexican government had to introduce a strict adjustment package, with the US executive acting as lender of last resort. Since then the economy has recovered well, mostly due to a substantial NAFTA-driven export boom.

Fortunately, NAFTA has not created major institutions and bureaucracies except for simple secretariats in the individual countries' trade ministries. NAFTA is basically a set of well-defined, binding rules. For the foreseeable future NAFTA's aim is to reduce trade barriers only to stimulate trade and investment between Canada, the US and Mexico. It is not expected to advance along the path of deeper integration, as in the EU. To recognise explicitly the different levels of economic development between US, Canada and Mexico, NAFTA has

made various interesting and innovative provisions to accommodate differences.

In spite of the deep recession in 1995, the Mexican export sector has responded spectacularly to the beginning of NAFTA. Mexico is now the largest Latin American exporter and ranks 11th in the world. US-Mexico bilateral trade has grown by 65%, making Mexico the third largest trade partner of the US. The composition of US exports to Mexico is remarkably similar to the composition of Mexican exports to the US, suggesting a strong sectoral integration. Although much more modest, Mexican trade with Canada has also grown rapidly since 1994.

Foreign direct investment (FDI) performance has been remarkable since the inception of NAFTA. Mexico's investment flow ranks second only to China among the emerging economies in the world. While most investment comes from the US and Canada, there is also a significant investment flow from countries of the emerging New South. The FDI is important for Mexico's development, not only because of its significant capital amount but because it usually embodies modernisation and technology.

Luiselli points out that NAFTA is also inducing structural changes, mostly but not only, in Mexico, one of the most important changes being the emergence of the border economy or *La Frontera*. A decade ago the US-Mexico border was a barren land dominated by a sharp socioeconomic divide. But now the US-Mexican border area is changing dramatically. A new economy is emerging. The area stretching from Tijuana-San Diego in the west to Matamoros-Brownsville in the Gulf of Mexico is North America's fastest growing region, experiencing an Asian style economic boom with an expansion of 7.5% during 1996. The Tijuana-San Diego area is perhaps the most dynamic and complex. In addition a very large Asian presence in the Pacific city is transforming it into a node with Asian companies, from Korean *Chaebols* to Japanese *Giagants*, pouring hundreds of millions of dollars into the area.

NAFTA has certainly accelerated the process of Mexico's integration into a wider North American economy. But, according to Luiselli, Mexico and NAFTA represent a paradox which aids the process of open regionalism: no matter how large and successful the trade partnership may become, it will not advance into deep integration. For different reasons the three partners will not agree to merge into a single economy, surrendering monetary, macro-economic or other economic policies to NAFTA institutions. The paradox is in essence the catalyst

to the policies of 'multiple belongings', where Mexico not only maximises the free trade with NAFTA, but also keeps on diversifying and negotiating its way into the global economy.

There are three main directions in which the Mexican economy can advance in its internationalisation: first, to improve and build upon NAFTA foundations, even though NAFTA may never go as far as to produce 'deep' integration; second, to expand its relations within the 'New South'; and third, to maintain an active and broad co-operation policy with the other Latin American partners. The remarkable success of Mercosur is indicative of very encouraging trends in Latin America.

Mercosur: The Regional Integration Success

Comprising Brazil, Argentina, Paraguay and Uruguay, the Common Market of the South (Mercosur) represents the most recent and successful experience of integration in Latin America. José Botafogo Gonçalves, Under-Secretary General for Integration and Economic Affairs in the Brazilian Foreign Ministry, reflected on eleven basic lessons that can be drawn from Mercosur's experience as a regional integration scheme:

- Democracy and trade liberalisation are vital for the success of integration efforts in general. The almost simultaneous return to democracy in the region was fundamental to Mercosur's emergence and has contributed to its sustained development. Integration requires growing confidence among its members and an exercise of mutual concessions that are best favoured within a democratic context. Integration has also played an important role in strengthening democracy in the region, as became evident in the institutional crisis faced by Paraguay in April 1996.

Furthermore, the convergence of liberal economic policies in the region proved imperative for the advent of Mercosur. Without the previous liberalisation of the national trade regimes of the constituent countries, the commitments taken on as a consequence of Mercosur would never have advanced beyond mere rhetoric. Underlying this convergence of policies was a shared perception, both of the challenges imposed by the new reality (growing globalisation and the proliferation of regional agreements) and of the appropriate responses to them (a joint effort to enhance international competitiveness and to open up opportunities for increased trade and investment).

- Even though nurturing an ambitious goal - the formation of a Common Market - Mercosur adopts a flexible and 'step-by-step' approach, in terms of which any advance in the integration process is made only after consolidation of previous conquests.
- Although a necessary reference, the European paradigm should not necessarily be imitated. Regional arrangements should avoid the 'supranational temptation'. The lightness of Mercosur's institutional structure has proven to be very satisfactory, as it allows greater flexibility and speed in accommodating the problems and differences that arise among constituent countries. However, Mercosur does not discard the transition to supranationality, but understands that this will happen when the current structures prove unable to attend to the actual needs of integration.
- As far as the mechanics of trade liberalisation are concerned, two basic lessons may be learned from Mercosur. The automatic and 'across-the-board' approach to the liberalisation programme was adopted to overcome the resistance of the more protectionist industrial sectors, and proved fundamental to its success. And, though the Common External Tariff is not fully in force, it has been defined for the whole range of products and deadlines for convergence have been set. In this way the customs union becomes less vulnerable to protectionist pressures and to political changes that may occur within member states.
- Mercosur shows that regional integration may serve the overall goal of a more open trading system. Despite the impressive intra-regional figures, trade with non-member countries has also risen considerably over the last few years. Furthermore, Mercosur maintains a broad external economic agenda. Mercosur is thus an example of open regionalism in the sense that it is not a stumbling block to the globalisation of world trade.
- One of the most important benefits of integration among developing countries is the increase in their bargaining power, notably in trade negotiations, where power is measured in terms of market size. In the light of Mercosur's experience, to be productive this joint action requires considerable efforts of co-ordination in order to harmonise positions and avoid exposing internal differences to the outside.

- The continuing political priority given to Mercosur is another essential element for its sustainable development. Presidential involvement was decisive in launching Mercosur and accommodating the technical controversies that emerged during its implementation. On the other hand, political involvement can also transform a minor technical problem into a major political controversy between constituent countries.
- All of the activities carried out in Mercosur's technical bodies are monitored by the Common Market Group and the Council of Mercosur, allowing full and equitable political control over the development of the integration process as a whole.
- Mercosur's experience shows the importance for regional schemes that participant countries be 'global traders', as opposed to 'regional traders', so as to reduce their vulnerability and give them wider scope for action on the international scene.
- It is vital that the integration process provides dynamic balanced gains to its members. The benefits of a decision-making process based on consensus need to be stressed in this context, as such decisions tend to be more solid in the sense that they mirror the four countries' interests better.
- Regional arrangements should ensure the participation of civil society in the process of integration, not only as a democratic imperative, but also as a means of fuelling that integration.

IMPLICATIONS FOR SOUTH AND SOUTHERN AFRICA

Given the dramatic changes in South Africa's international position and the far-reaching developments in the nature of global politics and economics, South Africa too is finding itself in the midst of adjustments to the new reality.

In June 1996 the South African government published the Growth, Employment and Redistribution (GEAR) document, which sets out South Africa's path to global integration by addressing slow growth, severe poverty and extreme inequalities in living standards. These inequalities are also found in the Southern African region. Stephan Malherbe, an independent economist, considered GEAR and Southern Africa in greater detail.

GEAR and Southern Africa

Malherbe started by stressing that it is important for two reasons to recall some of the statistics which highlight the economic plight of Africa and Africans:

- to remind South Africans that our position of relative strength on the continent gives us neighbourly obligations; and
- to point out that those obligations can be properly discharged only if we understand how economies grow.

When approaching the question of growth, it becomes clear that there are two broad schools of thought in this regard: the mystics and the fundamentalists.

Mystics rely on deep-seated characteristics such as religious, linguistic, and climatological differences to account for disparities in growth. The mystical school has been espoused by, among others, Max Weber and Jeffrey Sachs. But the mystical approach may be wrong: culture-specific explanations can amount to covert racism.

Fundamentalists prefer to focus on the proximate requirements of economic performance: the quantity of capital, the quality and quantity of labour and the productivity with which these are used. A

fundamental tenet of this approach is ensuring the maximum degree of competition, usually by opening the economy, because, within a competitive setting, the higher the capital, the higher the growth that results.

In this sense then, GEAR is a fundamentalist document, because of its emphasis on attracting additional capital investment. Its policy stance would be markedly improved, however, if it also advocated increasing labour market flexibility, so that wages could adjust downwards to meet the unit labour costs set internationally.

GEAR is a programme based on the following logic: higher, less volatile returns will lead to better levels of investment, a bigger productive base and ultimately more output, that is, growth. GEAR is based on improving the returns on investment which depend, in turn, on both mobile and rooted factors.

Mobile factors can easily be brought into a country and are therefore not critical in the decision of where to locate investment. Rooted factors are critical, however, and thus form a focus for GEAR. The most important rooted factor may well be labour inputs because, once basic economic and infrastructure policies are in place, a country's economic viability ultimately rests on its human resources.

The pattern of the Asian labour model (also known as the Flying Geese Phenomenon) is evident in every high growth Asian economy. A labour intensive, low wage production path was embarked upon, and in consequence unemployment dropped dramatically, with the population soon reaching full employment. Wages then began to rise and workers started migrating to higher value-added activities, giving rise to growth.

South Africa would like to skip the first, labour-absorbing phase of this growth path. This may, however, not be possible due to:

- the large number of unemployed South Africans who are effectively shut out of formal employment;
- the time gap between current high wages and skills that will only be acquired in the future; and
- the barriers to productivity in the workplace, including an unsuitable labour regime and ineffective management.

The viability of the path South Africa would like to embark on is therefore dubious - but for other African states it is unthinkable. African countries have one major card to play in the global economy: a massively under-utilised labour force. If Africa wishes to attract foreign capital, know-how and market access in areas outside mining and tourism, it has to price its labour surplus attractively.

At first glance, South Africa's decision to focus on high value-added, high-wage activities dovetails with the labour-absorbing policies that African governments should pursue. However, basic contradictions in South Africa's labour policy stance reveal that even our policy makers do not fully believe in this vision. Although according to this model, the rational choice would be for South Africa to open its markets to cheap, labour-intensive goods, Pretoria protects those very industries locally, and is further encouraged to do so by South African trade unions.

Malherbe further argued that unions seeking to increase wages have two 'sites of struggle'. One seeks to appropriate rent by means of collective bargaining. The other seeks to create rents (that is, increase profits) by tariff barriers, reduced competition and sunk cost arbitrage. Unions thus oppose the opening up of trade in any area where other African firms would have a comparative advantage.

For the first time in decades, the sub-Saharan economy is growing faster than its population - but still at an unacceptably low rate. From the fundamentalist perspective, this has two chief causes: low investment and inefficient investment.

Two of the prerequisites for transforming Africa's turnaround into a long-term expansion are therefore:

- ensuring that the inflow of capital from official sources is replaced by sustainable, preferably private sources; and
- shifting the bulk of investment activities to the private sector.

The key to foreign investment is the opportunity to utilise Africa's labour pool - but that utilisation has to start somewhere. Integration through free trade of the African labour pool with South African capital, expertise and market demand is a crucial step in placing Africa on a sustained growth path.

South Africa and the European Union Free Trade Agreement

Shortly after South Africa's transition, negotiations towards a comprehensive long-term agreement on co-operation between the European Union (EU) and South Africa were initiated. These negotiations include the establishment of a SA-EU FTA. For the first time in its trade history, the EU has proposed an FTA to a country as far away as South Africa. Talitha Bertelsmann, SAIIA Standard Bank EU Researcher, considered the SA-EU FTA negotiations in greater detail.

The European proposal can most easily be understood as resting on three pillars:

- Several agreements on co-operation in a number of fields: science and technology, wine and spirits, and fisheries;
- South Africa's partial accession to the Lomé Convention. Lomé governs relations between 70 African, Caribbean and Pacific (ACP) countries and the EU. Apart from development aid, the members of Lomé receive preferential, non-reciprocal access to the European market, with certain quotas being placed on some sensitive products; and
- A Trade and Co-operation Agreement to cover all aspects of the relationship not addressed in Lomé.

South Africa has no objections to the first pillar. The first agreement between the two parties, on science and technology co-operation, was signed in December 1996.

However, South Africa rejected the last two pillars, as it pursued full participation in all of the institutions of Lomé. This approach was contentious from the start, as South Africa's economy exhibits a high degree of duality. The South African economy displays a relatively high GDP per capita, but continues to exhibit large inequalities of income; a diversified production base, but one that is still highly dependent on mining (50% of export earnings); an infrastructure base better than any other country in sub-Saharan Africa, but an industrial sector which is uncompetitive in many areas after years of protection; and an acute shortage of skilled labour alongside burgeoning unemployment.

Due in part to South Africa's persistent request for full Lomé participation and the EU's refusal to classify South Africa as a developing economy, the Lomé negotiations were de-linked from the

overall trade and co-operation talks. In April 1997 South Africa's partial Lomé accession was finalised. Minimal economic gains await South Africa within Lomé and the accession should therefore be seen as political rather than economic. The Convention is also set to expire at the turn of the century, which further reduces the potential benefits for South Africa. SADC should, however, be able to gain from South Africa's accession: within Lomé tenders it will be able to tap into South Africa's technological expertise and benefit from South Africa's negotiating skills during the renegotiation of the Convention.

As 'diplomats in the service of development', South African negotiators could not but reject the European proposal on future trade relations within a FTA, basing its objections on:

- the 39% exclusion of South African agricultural products from the agreement,
- the lower current European tariffs,
- the short proposed time frame, and
- the impact the agreement might have on SADC and SACU.

Instead the South African government proposed a Trade and Development Agreement, after a series of consultations with various sectors in the country. The proposal focuses on a strategy for sustainable development in South Africa and the region, and proposes a phasing-in period that is asymmetrical in both content and time.

The lengthy nature of the EU-SA negotiations can be explained partially by South Africa's current multi-faceted approach to its trade relations with the world and the region. To harmonise trade with the region South Africa is negotiating a regional FTA, renegotiating the SACU formula, and participating, although only partially, in Lomé. To increase its participation in the global market and to develop a tariff regime attractive to foreign direct investment, South Africa is participating as a full member of the World Trade Organisation. Although these negotiations do not have to follow one another, they have to proceed concurrently. Whereas the EU would like to finalise all of the negotiations, South Africa first needs clarity on the SACU and SADC negotiations before it can make a final offer to Europe.

Bertelsmann concluded that the negotiations demonstrate that the EU's strength lies in its numbers. It has repeatedly stated that it cannot deviate from its mandate, drawn up by the 15 member states, as any deviation would require re-discussion and re-negotiation among all the members. It seems that South Africa is emulating the European

negotiating approach, as it is turning towards its neighbours for similar support. However, it remains a debatable issue whether South Africa's position is strengthened or weakened by this approach. Safety could lie in numbers, but when these numbers include some of the least developed countries in the world, it might not strengthen a country's position in a highly competitive trading world.

CLOSING REMARKS

Antoinette Handley, SAIIA Director of Studies, noted that it may be useful to recall those factors which are quoted in the literature on regional integration as important contributors to the success of any attempt at regional economic integration.

Factors which Facilitate Successful Regional Initiatives

The most common tension in any regional or multilateral initiative is the age-old tension between the regional dynamic and a stress on national sovereignty. This tension is almost invariably present, but appears to be more manageable under certain circumstances.

Regional integration theory tells us that a regional integration project is most likely to succeed when:

- the greater the proportion of goods imports from the region and from member states in particular, and the smaller the proportion bought from outside this area;
- the larger the internal market;
- the greater the diversity of production structures among member states; and
- the lower the costs of transport among states.

Beyond these factors, however, there are a number of more explicitly political considerations. Prime among these may be the necessity to contain a hegemonic power. Some analysts argue, for example, that the perceived need to contain the large, powerful German state in the aftermath of two World Wars impelled Europe on the process that ultimately led to the EU. The economic size and political stature of South Africa within Southern Africa have complicated our relations with our region, and this dilemma is mirrored by the position of Brazil in Mercosur and the US in NAFTA. These political dynamics can spill over into political rivalries. Consensus on basic political and economic values, such as democracy and the importance of trade liberalisation

(as in Mercosur), can ease some of these tensions, but they are likely to persist.

At bottom, tensions may relate to regional inequities of power between small and large states. Small states frequently feel threatened by their larger neighbours, while larger states are unlikely to accept being dictated to by small states. Central to the resolution of this problem is the distribution of regional risks, costs and benefits - and perceptions of how 'fair' this distribution is. It is, therefore, in the distribution of costs and benefits that regional organisations must labour to win legitimacy - and they can do so only by treading the fine line between a collective increase in benefits and a not-too-burdensome distribution of costs.

The importance of the structure of an organisation, and the size and functioning of its secretariat also became evident during the course of the conference. Several of the contributors argued for modesty in the size and ambitions of regional initiatives. Certainly, the lesson from Mercosur seems to be to start small and build on your successes; let the organisational structure follow, rather than having your programme dictated by a pre-determined structure.

Are These Factors Evident in Southern Africa?

Sadly, it appears that many of the factors which are apparently necessary for successful regional integration are absent in Southern Africa. The region exhibits the following general characteristics:

- a shortage of value-added products tradeable between states;
- a low level of industrialisation;
- a heavy dependency on imports and foreign trade, in particular with advanced industrial countries;
- a relatively low level of trade within the region; and
- small economies, both in terms of population size and GDP.

Yet as Thahane pointed out international competitiveness will compel us to look to our regional markets. The frequently made argument that it will little benefit South Africa to develop as an island of wealth in a sea of poverty provides an additional set of imperatives. What, then,

must we bear in mind when trying to move towards a successful and dynamic region?

The Setting for Regionalism has Changed

It is evident that not only the content, but appropriately also the designated functions and structure of regionalism for developing countries have assumed a very different face in the global economy of the 1990s. Any analyst of the international economic environment will swiftly discern that the environment for regional initiatives has changed profoundly in the last 20 years. The closed regionalism of the 1970s, intended to assist the South to develop by protecting it from interaction with the North, has been replaced with a more open model aimed specifically at better integration of emerging markets with the world economy. This has circumscribed the options available to regions - and to states. Clapham's analysis of the history of regional integration in Africa demonstrated much that was wrong with the old regional model, despite the considerable benefits won by the application of a model of import substitution industrialisation.

These considerations should be seen alongside Heine's salutary reminder that is not always enough for small states simply to get their own economic house in order; that the unilateral lowering of tariffs, while it is important, cannot guarantee that state access to the markets of others. In this sense, regionalism can still play a role.

We would do well, however, to consider Herbst's warning about the diminishing importance of trade concessions. In a world in which there is considerable pressure from the GATT to lower tariffs regardless of bilateral and multilateral agreements, South Africans should consider the impact of such long-term trends for our negotiations with the EU and with SADC over the FTA, and in thinking about what should replace Lomé in the next century.

New Roles for Regionalism

As suggested by Herbst and others at this conference, the value of regional initiatives in the global economy of the 1990s may not lie principally or exclusively with the traditional concerns about trade, although for small economies who seek to escape their dependency on the whim of other states such initiatives can serve to secure their access to larger economies.

What regional co-operation can realistically achieve is a rejuvenation of the regional infrastructure, in particular the transport and information technology infrastructure. Thahane's address demonstrated, for example, the importance of a regional monetary/financial data base. Speaking more broadly, regional co-operation can make a contribution to the building of solid political and social institutions through the development of a regional consensus on norms and priorities.

Regional co-ordination can assist, as outlined by Luiselli, in the rejuvenation of particular industries. The precise nature of this rejuvenation will differ from country to country and industry to industry.

Most crucially perhaps, regional organisations, which are built on an outward-looking model, can serve to build credibility for domestic economic reform programmes. This function is closely linked to a further potential role for regional agreement, namely assisting the region as a whole to come to terms with the 'market' and with the strategies that are necessary to lay the basis for export-driven growth. Some of the experiences of Chile, as outlined by Ambassador Heine, speak of the dangers of excessive, unilateral tariff lowering, but the country as a whole also demonstrates the benefits to be had from a considered integration with the world and regional economies.

Finally, and less easy to pin down, is the role that regional organisations can play as a voice for their regions. Africa and Southern Africa urgently need a clear, coherent voice in the world. One hopes that SADC is able to be that voice.

In conclusion, it is important to recall that the demand for international competitiveness frequently leaves very little room for the evening out of regional disparities - and that these disparities can ultimately cause the downfall of any attempt at regional co-operation. We need, therefore, to consider ways to compensate peripheral states and to draw them into the regional process as potential beneficiaries and stakeholders. One way to do this may be to allow labour from these markets access to the bigger economies.

The movement of people is central to any discussion about regionalism, and labour mobility is undoubtedly here to stay. One can engage in academic discussions about the potential comparative advantage for the region (excluding South Africa) of their lower labour costs and the response to this of the trade union movement regionally. Ultimately

however, as Luiselli pointed out, the point of regional integration is surely to export more goods and fewer people.

South Africans frequently view this emotive debate through the lens of fears about the loss of jobs. It is instructive here to consider the experience of NAFTA and concerns about the 'great sucking sound' of jobs being lost to the poorer South which failed, ultimately, to materialise. In a region which often worries excessively about the impact of market-driven integration, it may be useful to hold before us Ambassador Luiselli's image of *La Frontera*. Rather than dwelling on the nightmare scenarios we hear outlined so frequently at present - of floods of jobless people and of the smuggling of guns and drugs - it may be worthwhile to look anew at the underpinnings of our regional integration process, concentrating instead on the potential in our own region for a dynamic, thriving border area.

PROGRAMME

SOUTH AND SOUTHERN AFRICA: LESSONS FROM EMERGING MARKETS

The South African Institute of International Affairs
16-17 July 1997, Jan Smuts House

PROGRAMME

DAY ONE: WEDNESDAY 16 JULY 1997

SESSION ONE

Chair: Dr. Conrad Strauss, SAIIA National Chairman

South Africa and Southern Africa

Dr. Rob Davies, Chair: Parliamentary Portfolio Committee, Trade & Industry

Regional Integration in Africa: Lessons and Experiences

Professor Christopher Clapham, Lancaster University

Developing Nations and Global Integration: Between Bilateralism, Regionalism and Globalisation

Professor Jeffrey Herbst, Princeton University

Financial Sector Co-operation in Southern Africa

Timothy Thahane, Deputy Governor, South African Reserve Bank

The Benefits of Tariff Liberalisation: The Chilean Experience

HE Dr. Jorge Heine, Chilean Ambassador to South Africa

SESSION TWO

Chair: Dr. Greg Mills, SAIIA National Director

Coping with the Regional Hegemon: Mexico's NAFTA Experience

HE Dr. Cassio Luiselli, Mexican Ambassador to South Africa

Mercosur: Its Lessons for Southern Africa

HE Ambassador José Botafogo Gonçalves, Under-Secretary General for Integration and Economic Affairs, Brazilian Foreign Ministry

GEAR and Southern Africa
Stephan Malherbe, Economist

The EU-FTA and Southern Africa
Talitha Bertelsmann, SAIIA Standard Bank EU Researcher

Closing Remarks
Antoinette Handley, Director of Studies, SAIIA

DAY TWO: THURSDAY 17 JULY 1997
SESSION THREE

Informal discussion with conference participants

Panel One

*African Regional Integration
Attempts: The Way Forward
in South Africa*
Chair: Professor Christopher
Clapham

Panel Two

*Africa and the International
Trading Environment*
Chair: Professor Jeffrey Herbst

ABOUT THE SAIIA

The origins of the South African Institute of International Affairs (SAIIA) date back to the Paris Peace Conference of 1919. In this fragile post-war atmosphere many delegates expressed a strongly-felt need for the establishment of independent, non-governmental institutions to address relations between states on an ongoing basis.

Founded in Cape Town in 1934, in 1960 the Institute's National Office and Library, containing arguably the most comprehensive collection on Southern African international relations, were established at Jan Smuts House on the campus of the University of the Witwatersrand. SAIIA's six branches countrywide are run by locally-elected committees. The current National Chairman is Dr. Conrad Strauss and the National Director is Dr. Greg Mills. The SAIIA produces a wide range of publications including *The South African Yearbook of International Affairs*, *The South African Journal of International Affairs*, *International Policy Update*, the *Occasional Paper* and *Bibliographical series*, as well as a number of specialised book projects.

The Institute has established a proud record of independence, which has enabled it to forge important links with leaders of all shades of opinion, both within South Africa and outside. It is widely respected for its integrity. The information, analysis and opinions emanating from its programmes often exercise an important influence on strategic decision-making in the corporate and political spheres.

SAIIA's independence is enshrined in its constitution, which does not permit the Institute itself to take a public position on any issue within its field of work. However, it actively encourages the expression of a diversity of views at its conferences, meetings and in its publications. Its independence is also assured by the fact that it is privately sponsored by its members - corporate and individual.

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In November 1996, she was appointed Anglo-American and De Beers Chairman's Fund Latin America Research Fellow at the *South African Institute of International Affairs* (SAIIA). Her work focuses on globalisation and regional integration in Latin America and extracting from this lessons for South and Southern Africa. She has published on these and related subjects, including journal articles and book chapters, presented papers at both international and local conferences, and contributes regularly to the local media. She has travelled in South America as part of her research.



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