South African trade hegemony, is the Trade, Development and Cooperation Agreement heading for a BRIC wall?

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Abstract:

South African dominance of trade in Africa was entrenched by the Trade, Development and Cooperation Agreement with the EU in 1998. This strategic partnership helped to establish South African hegemony on trade in the Southern African region, as well as its position as a regional hegemon globally. Recently South Africa attended the 3rd BRIC summit and South African trade policy has shifted towards developing trade and political ties with the BRIC countries. China has also become South Africa's largest single country trading partner, however the EU is still South Africa's largest trade partner. The question arises on whether this new found loyalty makes sense in terms of South Africa's regional position and its trade prospects. Against the background of more intra-industry trade with the EU the new and growing inter-industry trade with the BRIC economies South Africa's trade share of African Trade has been on relative decline. BRIC initiatives in Africa could lead to substantial erosion of South African trade hegemony in the region. This study uses an international political economy framework to analyse South African trade hegemony based on the TDCA and the possible effects of a shift towards BRIC for hegemony, is in the best interest of South Africa. The conclusion is that although the shift towards BRIC can politically be justified, economically it should not be at the expense of the benefits of the more advantageous relationship with the EU.

Keywords: Trade, Development and Cooperation Agreement (TDCA); BRIC; South Africa; European Union; trade hegemony

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1. INTRODUCTION

In 1999 South Africa signed the Trade, Development and Co-operation Agreement (TDCA) with the European Union (EU). This agreement governs 90 percent of trade between South Africa and the EU (EU, 2010a). Strategically it is South Africa's most important bilateral agreement as the EU is South Africa's largest trading partner as well as source of foreign investment (SouthAfrica.info, 2010).

The TDCA represents more than a trade agreement and also provides for economic, development and various other co-operation platforms in health, safety, cultural and social political fields (EU 2010b). One of the key aspects of the agreements is the regional strategic partnership agreement that also flow in to a military and foreign strategic positing for both parties (EU, 2010b).

Although the TDCA affects South Africa's trade with EU members directly it also indirectly affects relations with the rest of Europe, the Americas and Asia. This has a direct impact on South Africa's role in the global political economy, South African foreign policy, trade policy and regional hegemony. The growing interests and increased relationship of China and India, specifically, but also the rest BRIC (Brazil, Russia, India and China) with South Africa augments the relevance of understanding the TDCA and its impacts on South Africa's position in the global order. It is furthermore relevant for South Africa's trade policies in the light of the New Growth Path for South Africa's Development (NGP) and the Industrial Policy Action Plan (IPAP) of the South African government.

In order to study the effect that the TDCA has on South Africa's position in the global political economy one firstly need establish an International Political Economy (IPE) framework in Section 2 to address the question. After this the theoretical foundations of trade agreements and strategic partnerships is discussed in Section 3. In Section 4 the relationship between South Africa and the EU is discussed in the light of a wider historical background and to establish the origin of the TDCA. The structure of South African trade with the EU is investigated in Section 4. In Section 5 the IPE framework is extended to compare South Africa's relationship with and relative position to that of the EU with that of BRIC. In section 6 previous sections are combined to evaluate the impact of the TDCA on South Africa, and its international relationships. This is done in order to establish a picture of the effect that the TDCA have on the position of South Africa in the global political economy.

2. THE INTERNATIONAL POLITICAL ECONOMY FRAMEWORK

In order to study the effect that the TDCA has on South Africa's position in the global political economy a framework for the analysis first needs to be established. On the one hand IPE is a patchwork of interconnected multidisciplinary points of view and on the other a systematic approach to evaluate the basic IPE tools that provides the background and foundation for the multidisciplinary approach (Balaam and Veseth, 2008:4).

According to Balaam and Veseth (2008: 15-18) the IPE tools can be broken down into three distinct groupings. The first grouping is interdisciplinary perspectives and sets of values. This is followed by levels of analysis and lastly four global IPE structures. This approach is also supported by Gilpin (2001, 77 & 102), Ravenhill (2008, 53) and Pretorius (2005, 75-77), who adds that the IPE framework should include the approach that social agents and processes forms the foundation of a multilevel IPE power structure.

Interdisciplinary perspectives and sets of values endeavour to explain why states behave in certain fashions (Balaam and Veseth, 2008:16). Mercantilism relates to the political science realism and focuses on the creation of wealth and power by states. The questions that arise here are what the respective advantages for the EU and South Africa are in their global positioning. Liberalism deals more with the advantage to the individual and the behaviour of markets (if looked at economically). It also pertains to globalisation and the integration of the world into a global entity. Questions that arrive here would be the advantages for businesses, market access by producers and effects on global integration and or regional integration. Lastly structuralism, which is derived from Marxism, attempts to investigate how society is organised. Questions that arise here are more focussed on development, industrialisation and poverty alleviation.

Questions that one might ask from the study of the TDCA are as follows:

- What advantage does South Africa gain in terms of power and wealth through the TDCA?
- What advantage do South African exporters attain through the TDCA?
- What advantage do South African importers attain through the TDCA?
- Does South African business get other market access benefits, like finance?
- Does the TDCA affect South Africa's global responsibilities with institutions like the WTO?
- Does the TDCA affect South Africa's regional agreements with SACU, SADC and the AU?
- How does the TDCA contribute to development, industrial organisation, skills development and poverty alleviation in South Africa?

Each of the above questions entails a study on its own. Where applicable, this study that focuses on the affect of the TDCA of South Africa's position in the global political economy will allude to some answers of these questions. The same type of questions can be asked when evaluating South Africa's relationship with BRIC.

The four levels of analysis as described by Balaam and Veseth (2008:16-17) are the man, the state, the international system and the global level. Due to the nature of the study the focus is that of the state within the global environment and international system where relevant.

Four global structures that govern behaviour of states internationally in IPE can be identified and analysed according to Balaam and Veseth (2008:17-18), Ravenhill (2008, 62) and Gilpin (2001, 77-78). They can also be referred to as bargains and they influence patterns of production and exchange in the IPE and therefore also affect the distribution of wealth and power.

Using the Balaam and Veseth (2008:17) approach the first structure is the security structure. This structure refers to the bargain that is struck between actors including states for individual and common protection. The key question that one can ask here is what the security effects are for the EU and South Africa in the TDCA.

The production and trade structure (Balaam and Veseth, 2008:17) refers to the wealth and power generated through production in the world. The TDCA has a direct bearing on this structure as it is pre-eminently a trade agreement that affect the trade structure of South Africa. One can also argue that the affect this agreement has on South Africa's relationship with the WTO and UNCTAD can also be included in this structure.

The third structure indentifies by Balaam and Veseth (2008:17) is the Finance and monetary structure. This deals with the flow of money between nations. Aspects of debt, ODA, FDI and other financial flows will be included in this structure. A country's relationship with global institutions like the IMF and World Bank can also be included under this section.

The last structure that Balaam and Veseth (2008:18) addresses is the knowledge and technology structure. This structure relates to the flow of and access to information and technology. It also implies skills transfer and applicable human capital. The question here will be as to whether South Africa gains in terms of technology, access to knowledge and skill as a result of the TDCA.

From the four global structures the following specific questions can be asked regarding the TDCA's affect on South Africa's global position:

- What are the security implications for South Africa with the EU as a result of the TDCA and how does it affect South Africa's position in the global security network?
- What is South Africa producing for the EU?
- What is South Africa importing from the EU?

- How does the TDCA affect South Africa’s international trade and trade relations?
- Does the TDCA have an impact on fund flows between the EU and South Africa?
- How does the TDCA affect South Africa’s international ability to repay financial obligations?
- Does the TDCA affect South Africa’s relational obligations with International Organisations (IOs)?
- Does the TDCA give South Africa added access to technology, skill and knowledge?

These questions warrant in-depth research that falls outside the scope of this study. Most of them will briefly be addressed but more thorough investigation will however be made to the most significant questions regarding South Africa’s position in the global economy. The same type of questions can be asked to contextualise the rise of BRIC as a dominant force in South Africa’s global position.

All the aspects of interdisciplinary perspectives and sets of values, levels of analysis and global structures will be considered in the course of this study. The research question does however limit the final conclusions to effect that the TDCA have on the state of South Africa and its position within the global structures.

3. THE CONCEPTUAL FOUNDATIONS OF TRADE AGREEMENTS AND STRATEGIC PARTNERSHIPS

A preferential trade agreement (PTA) is an agreement between two or more countries, where the members of this agreement have agreed to lower their respective trade barriers. PTA’s are most common amongst small groups of countries that have some geographical proximity (Manger, 2008). The most prominent PTAs include the North American Free Trade Agreement (NAFTA) and the European Economic Community (EEC), MERCOSUR which is between Argentine Republic, Brazil, Paraguay and Uruguay and The ASEAN which is the association of South East Asian Nations.

Manger (2008) describes a PTA as being a discriminatory arrangement that liberalises trade, but only between member states. According to the General Agreement on Tariffs and Trade (GATT) and the World Trade organisation (WTO), member countries may not discriminate against goods entering their borders based upon the country of origin. However the WTO has through Article XXIV of GATT enables members to enter into preferential trade agreements with each other (Krishna, 2006). PTA increase trade flows between member countries, but PTA's are also usually negotiated without any tariff concessions of transfers to non member countries and often can result in a decrease in welfare for the neighbour countries (Kamihigashi and Zhao, 2008: Markusen *et al*, 1995).

Kamihigashi and Zhao (2008) found that the rest of the world's welfare usually decreased when countries form PTA without any concessions made to neighbouring countries. They found that Article XXIV of the GATT should be implemented more strictly because at present it is a highly unfair process to non-member countries and unless compensation is given, PTAs worsens the welfare of the rest of the world.

Although there is evidence that PTA's can worsen the world's welfare, PTA's have been on the increase since the early 1990's. In 2008 there were more than 250 PTA's between various countries, and the majority of these agreements were agreed upon in the last 10 years. Manger (2008) finds it conspicuous that PTA's are increasing at a time where most-favoured-nation (MFN) tariffs have decreased dramatically and are at historically low levels. Manger (2008) also found that there is an increase in agreements between developed and developing (especially middle income) countries, where their economies differ in size and levels of development. This increase between North and South preferential trade agreement is one of the most important developments in the global trade regime. However even with the surge in North-South PTAs, information regarding their political economy is still limited; this is especially true for the least developed countries (Krishna, 2006).

North-South PTAs are viewed to offer very limited export prospects if they are between developed and developing countries. This has however not had a negative effect on the US, the EU and Japan, who have all aspired towards more agreements with emerging markets. One of the main motivations is that these agreements incorporate various other agreements that are not focused primarily on the liberalization of exports. These agreements often include FDI and development projects that aid the incorporation of these emerging markets into the world economy (Manger, 2008: Krishna, 2006).

The majority of North-South PTAs were as a result of MNEs which invested in emerging markets due to comparative advantage in lower labour unit costs. PTAs are an attractive trade policy for MNEs due to reduction in trade barriers, investment barriers and decreased costs associated with establishment of production facilities in these emerging economies. Risks associated with this type of preferential trade agreement exists, like the risk of opening a backdoor to the developed country's market as many third country firms will try to use the developing country as a platform for exports. To counter act this and in order for this type of agreement to be politically attractive, it must contain non-tariff barriers which will exclude non members from the benefits of the free trade like rules of origin (Manger, 2008).

The TDCA represents a PTA between the EU and South Africa. As stated above, the true nature of PTAs success lies in the non-trade aspects that are also negotiated. In the case of the TDCA it covers an entire political, economic and social relationship and therefore extends to the full scope of PTAs, or even beyond.

4. SOUTH AFRICA'S RELATIONSHIP WITH THE EUROPEAN UNION

Although South Africa's relationship with Europe can be traced back to the first Portuguese sailor to sail around the Cape of Good Hope the aim of this paper is to investigate the modern or current relationship. Therefore it can be argued that the period after the end of apartheid that also saw the European Union emerge from the European Economic Community, until present would cover this relationship. This period also saw the establishment of the WTO and sporadic globalisation and the rise of emerging market economies like the BRIC economies of China, India, Russia and Brazil.

From a social cultural and institutional perspective it should be kept in mind that strong colonial and cultural heritage of European influence exist of South Africa. South African history is dominated by Dutch settlement, which included strong German and French components that was followed with British colonial conquest that subsequently resulted in an Anglophone wave of settlement. Social, political and legal institutions are based primarily on the British system (SouthAfrica.info, 2011a, Ashkanasy, 2002).

During recent history there was also a strong component of European support for the struggle against apartheid, which included funding and training for prominent members of the current government (Fioramonti, 2004, 1-2). In comparison with the new trading partners this becomes more relevant as there is an established natural affinity in South Africa towards the EU.

South Africa is measured by development ranking; the most developed of all African countries and is described as a middle-income emerging market. South Africa is abundant in mineral and other natural resources and has a relatively well developed financial, energy and transport sectors. South Africa's development was brought into question when it experienced an electricity crisis which begun in 2007 and continued throughout 2008 and the influence of the global financial crisis lead to the GDP falling almost 2% in 2009. Another problem that South Africa is facing is an exceptionally high unemployment rate (22, 9%) which forces governments to give social grants to more than a quarter of the population. International commentators agreed that the South African government should thus focus on increasing job growth to enable more people to become self sufficient (CIA, 2010).

Although during apartheid South Africa experienced a decrease in trade due to various sanctions, trade has not only recovered but increased substantially and currently South Africa's international economic relations include various bilateral agreements and multilateral agreements. South Africa played a big role in the establishment of the first General Agreement on Tariffs and Trade (GATT) in 1947 and became a founding member of the World Trade Organization (WTO) in 1995.

South Africa is a member of SACU, the South African Customs Union and SADC, the Southern African Development Community and CMA, the common Monetary Area (Bethlehem, 2008). South Africa has various bi-lateral trade agreements of which the most notable is the TDCA with the EU.

The Trade, Development and Co-operation Agreement (TDCA) is an agreement between the EU and South Africa, which governs trade relations and various development programs. This agreement was signed in 1999 with its main goal to establish a free trade area between the EU and South Africa within 12 years. The TDCA has encouraged trade between the EU and South Africa and trade volume has increased by around 30 % from 2004 to 2008. SA's exports to the EU rose from €15.8 billion in 2004 to almost €22.2 billion in 2008. More than 50% of South Africa's foreign trade is with the EU. The EU is also by far South Africa's most important development partner, providing 70% of all external assistance funds. In 2007 it amounted to approximately €1 billion. The EU is also South Africa's largest source of FDI, with specifically, Germany, the UK and France being the top investors (ITC, 2010).

According to the EU (2010b) South Africa is the most important partner in Africa, while the EU is South Africa's largest trading partner. In 2004 the TDCA and its progress was reviewed as stipulated in the agreement and it was decided to further the depth of the agreement. The SA-EU Strategic Partnership Joint Action Plan was adopted in May of 2007. Further texts were negotiated during 2007 and revision negotiations were launched. Texts that were revised and included are Political Dialogue, Economic Cooperation, Development Cooperation, Other Areas of Cooperation and Financial Aspects of Cooperation. Trade related issues where de-linked from the TDCA to be included in the wider Southern Africa EPA negotiation process. A joint statement read that both the EU and South Africa have a strong relationship based on shared democratic values and common interests. This is augmented by the agreement in a joint commitment to promote liberty, peace, prosperity, security and stability in the global environment, but especially in Africa (Department of Foreign Affairs, 2010).

South Africa and the EU cooperates in various forums, bilaterally, regionally and globally on issues regarding trade, development cooperation, the environment, science and technology, space exploration, energy, transportation, health and migration. Annual summit meetings exist as well as half yearly ministerial troika meetings at the political level (Department of Foreign Affairs, 2010).

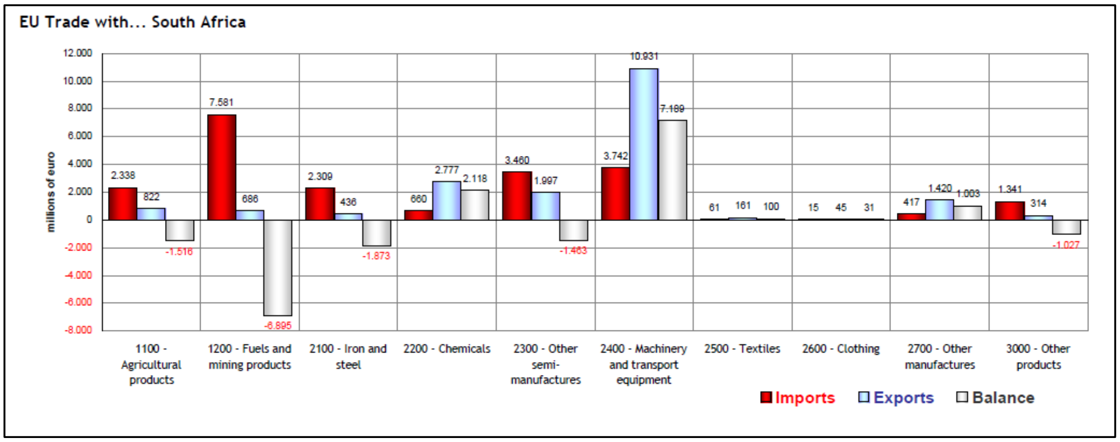
In terms of the rest of Southern Africa the EU realises and supports the key position in SADC that, South Africa plays and the crucial role it has to fulfil in implementing SADC’s Regional Indicative Strategic Development Plan and subsequently regional integration in Southern Africa. South Africa is a founder of, and driving forces of the AU and NEPAD initiative, South Africa has become a principle investor and an active player in regional security in Africa. These fundamentals ensure the continuing close-knit partnership between South Africa and the EU that is aimed to extend to political and diplomatic cooperation on African issues, with special reference to security and peacekeeping (EU, 2010b).

5. TRADE BETWEEN SOUTH AFRICA AND THE EUROPEAN UNION

In the previous section the strength of the trade relationship between the South Africa and the EU was highlighted. In order to answer some of the fundamental questions that arose in the international political economy framework of section two, this section conducts a more detailed analysis of the trade relationship.

Graph 1 shows the summary of trade between South Africa and the EU from the EU perspective i.e. EU exports and Imports from South Africa. The picture that emerges is that of substantial trade in manufactured goods and a dependence of South Africa in the area of fuel products. Any substantial negative trade balance can also be traced to the fuels and mining products category.

Graph 1: Breakdown of EU trade with South Africa



Source: EU (2010c)

The trade data is also summarised in Table 1. This table confirms the dependency of South Africa in fuels but reveals strong bi-directional trade in manufacturing. According to Krugman and Obstfeld (2008:20-24, 133-134) most developed countries specialise in intra-industry trade while trade with developing countries consist of inter-industry trade. This implies that a high level of development is also already present in South African production and the trade pattern is in-line with the endogenous growth theory. This does however pose specific and detrimental problems for a country like South Africa that has a large low skill labour force. Endogenous growth theory suggests that economic growth in the modern world creates employment and wealth in terms of skilled labourers and specialisation (Strydom, 2009). Given the above theoretical implications it can be argued that increase in trade according to the current patterns will not benefit unskilled South African labourers and will only benefit skilled labourers and serve to entrench current wealth patterns.

A positive aspect of the data is that in trade with the EU the usual developing country dependency on primary exports are not as pre-eminent as with South Africa's neighbours. The trade pattern thus also indicates the strategic role that Europe sees in South Africa as it is the only Southern African country with this trade pattern (UNCTAD, 2010). Europe will thus use South Africa as a base for processing primary products from other African countries before re-export to the EU or other countries.

TABLE 1: SITC Breakdown of EU trade with South Africa

EU Trade With South Africa				
European Union, Imports from South Africa 2008				
SITC Codes	SITC Sections	Value (Millions of euro)	Share of Total (%)	Share of total EU flow
	TOTAL	22.245	100,0%	1,4%
SITC 6	Manufactured goods classified chiefly by material	7.755 3	4,9%	4,4%
SITC 7	Machinery and transport equipment	3.742	16,8%	0,9%
SITC 3	Mineral fuels, lubricants and related materials	3.482	15,7%	0,8%
SITC 2	Crude materials, inedible, except fuels	2.473	11,1%	3,7%
SITC 0	Food and live animals	1.58	7,1%	2,2%
SITC 9	Commodities and transactions n.c.e.	1.333	6,0%	3,7%
SITC 5	Chemicals and related prod, n.e.s.	660	3,0%	0,5%
SITC 8	Miscellaneous manufactured articles	441	2,0%	0,2%
SITC 1	Beverages and tobacco	437	2,0%	6,9%
SITC 4	Animal and vegetable oils, fats and waxes	21	0,1%	0,3%
European Union, Exports to South Africa 2008				
	TOTAL	20.228	100,0%	1,5%
SITC 7	Machinery and transport equipment	10.931	54,0%	1,9%
SITC 5	Chemicals and related prod, n.e.s.	2.777	13,7%	1,4%
SITC 6	Manufactured goods classified chiefly by material	2.751	13,6%	1,5%
SITC 8	Miscellaneous manufactured articles	1.48	7,3%	1,1%
SITC 3	Mineral fuels, lubricants and related materials	501	2,5%	0,6%
SITC 1	Beverages and tobacco	342	1,7%	1,8%
SITC 0	Food and live animals	340	1,7%	0,7%
SITC 9	Commodities and transactions n.c.e.	302	1,5%	0,8%
SITC 2	Crude materials, inedible, except fuels	158	0,8%	0,5%
SITC 4	Animal and vegetable oils, fats and waxes	40	0,2%	1,3%

Source: EU (2010c)

Table 2 that provides statistics on investments flows and trade in services continues to point in the above direction.

Table 2: Further EU South Africa flows

Further EU South Africa Flows 2007	
Trade in services	
EU services exports to South Africa	€5,704 million
EU services imports from South Africa	€4,321 million
Foreign Direct Investment and Portfolio Investment	
EU investment flows to South Africa	€3.5 billion
South Africa investment flows to EU	€2.6 billion
EU investment stocks in South Africa	€44 billion
South Africa investment stocks in EU	€7.6 billion

Source: EU (2010b)

Trade in services between South Africa is almost on par, slightly stacked in favour of the EU. This reflects strong intra-industry trade with its accompanying support services. Services are also an indicator of skilled labour requirement in trade. FDI flows between the EU and South Africa are also in marginally the same and a strong MNE global production networks are implied by this bidirectional flows. Foreign portfolio investment (FPI) shows a complete different picture with a 90% advantage to the EU. This implies strong short term profit seeking speculation from large European fund managers that can lead to instability in South African financial, large exchange rate fluctuations and subsequent inflationary and debt related problems.

The overall picture that is achieved when investigating EU South African trade is that of mutual partners rather than dependency. Trade advantage seems to be in favour of skilled labour that implies trade will not necessarily translate in to growth or more equitable wealth distribution.

6. SOUTH AFRICA'S RELATIONSHIP WITH THE BRIC COUNTRIES

In December 2010 South Africa was formally invited by Chinese president Hu Jintao to attend the BRIC summit on 14 April 2011. This is the first time Brazil, Russia, India and China has invited another developing market country to their annual meeting. Support amongst BRIC members was unanimous according to Russian president

Dmitry Medvedev (Bloomberg, 2010). South Africa is already a member of IBSA that is a formal trilateral arrangement between India, Brazil and South Africa for influencing the global governance structure (IBSA, 2011).

South Africa's position in BRIC has lead to mixed reactions globally. Jim O'Neill of Goldman Sachs who originally coined the BRIC concept contends that South Africa does not fulfil any of the criteria used to derive the original BRIC grouping (Bloomberg, 2010). He contends that Nigeria should be included not South Africa. BRIC presidents all consider the option a logical step in the enhancement of BRIC to become a dominant global force for change of the current global architecture and governance system (BBC, 2011). From the developing world the largest criticism came from Nigeria who felt they should have been considered (The Nigerian Voice, 2010).

South Africa is dwarfed by the other BRIC members in population size, economic size and global influence (BBC, 2011). South Africa is however the largest economy in Africa, with a leading financial market. South African institutional quality is of the highest in Africa, especially compared to Nigeria. This institutional foundation linked to the access to the African continent via the financial markets is viewed as the main driver of the BRIC expansion to BRICS (BBC, 2011; Bloomberg, 2011).

South Africa's role in IBSA becomes the most significant part of understanding the BRIC expansion. Brazil, India and South Africa are multi ethnic liberal democracies with market orientated economies. All three also have large income disparities and they therefore represent the democratic forces within BRIC and the inner working of global governance change (IBSA, 2011).

Compared to the other BRIC countries South Africa only has close historical and cultural ties to India through the Indian Diaspora in South Africa, the legacy of Ghandi and the common language through the British colonial history (Southafrica.info, 2011).

The BRIC expansion therefore has to be considered in the light of growing trade and investment flows as well as participation in global governance forums. Russia is still negotiating to join the World Trade Organisation (WTO, 2011); all the BRIC members are part of the G20 that aims to ensure the transformation of the International Monetary Fund and the World Bank (G20, 2011). South Africa is the only African member of the G20. China and Russia are United Nations Security Council members with both Brazil and India lobbying for permanent seats. South Africa is also considered to be in the running for a permanent seat (Economics News Paper, 2011).

A further point that is overlooked in many BRIC South Africa discussions is the geopolitical, security issues and powerbase in the Indian Ocean. The traditional hegemony lies with the USA and UK who has dominated this region. With growing Chinese and Indian military might and support from the Russian military industrial complex the inclusion of South Africa in BRICS can shift the entire security structure of the Indian Ocean area. With BRIC encircling the Indian Ocean BRIC will control the major east west shipping lanes, and more importantly petrochemical flows (Van Rooyen, 2011).

Trade between South Africa and BRIC is discussed in the next section. It should however be noted that there is strong speculation that the Southern African Development Community (SADC), especially South Africa and Botswana's change of stance on integration with the East African Community (EAC) and Common Market for Eastern and Southern Africa (COMESA) could be attributed to pressure from BRIC, especially China. The creation of a General Free Trade Area (GFTA) would give China's manufacturers unparalleled access to the entire Eastern half of Africa as well as easier access to its resources (Trade Mark Southern Africa, 2011; COMESA, 2011).

The picture that emerges when investigating South Africa's relationship with BRIC is one of South Africa becoming more influential in global affairs, and governance forums as an African leader, through its alliance with the major emerging markets. BRIC seems to be interested in more that than South Africa. Their focus is the entire

African continent. It is this synergy of joint interests and strategic goals between BRIC and South Africa that has lead to the expansion of BRIC to BRICS.

7. COMPARISON OF TRADE BETWEEN SOUTH AFRICA'S TRADE WITH THE EU AND BRIC

In 2009 China became South Africa's largest trading partner (Reuters, 2009). This section investigates the trade relationship between South Africa and BRIC on the one side but in context of its trade with the EU.

TABLE 3: Comparison of South Africa's trade with the EU and BRIC

Summary of South African trade with the EU and BRIC 2010			
Country/Region	Percentage of Trade	Country/Region	Percentage of Trade
Export			
EU (Total)	27.6%	**BRIC**	19.3%
Germany	8.7%	China	13.7%
United Kingdom	4.2%	India	4.4%
France	1.4%	Brazil	0.9%
Italy	1.7%	Russia	0.3%
Spain	1.7%		
Belgium	2.2%		
Netherlands	4.5%		
Import			
EU (Total)	33.5%	**BRIC**	19.6%
Germany	10.6%	China	14.8%
United Kingdom	4.3%	India	3.3%
France	4.4%	Brazil	1.4%
Italy	2.7%	Russia	0.1%
Spain	1.7%		
Belgium	1.5%		
Netherlands	1.6%		

Source: Author's own compilation based on DTI (2011) data

In Table 3 it is shown that South Africa's Trade with BRIC is largely with China and India in a distant second. BRIC takes up 19.5 percent of South Africa's trade with China making up around 14 percent. Commentators will be quick to point out that this is an increasing relationship without taking into account that there is only so much room for growth in this relationship.

The EU still commands around 33 percent of South Africa's trade with the strongest relationship with Germany and the UK. The EU may not be considered as a single country competitor like China, but do represent a single market. This is also reflected in the general equal distribution of South Africa's trade between other EU members.

The trade balance with the Netherlands and Belgium is a positive like that with India Russia. Large negative balances exist with China, Germany and France. Italy, the UK, Spain and Brazil has smaller deficits but substantial (DTI, 2010).

TABLE 4: Harmonised System Breakdown of EU trade with South Africa

HS Code	Exports	Value in Million Rand
26	ORES, SLAG AND ASH	5581
72	IRON AND STEEL	2312
27	MINERAL FUELS,MINERAL OILS AND PRODUCTS OF THEIR DISTILLATION:BITUMINOUS SUBSTANCES;MINERAL WAXES	1958
76	ALUMINIUM AND ARTICLES THEREOF	666
74	COPPER AND ARTICLES THEREOF	481
75	NICKEL AND ARTICLES THEREOF	422
29	ORGANIC CHEMICALS	387
84	NUCLEAR REACTORS,BOILERS,MACHINERY AND MECHANICAL APPLIANCES;PARTS THEREOF	320
51	WOOL,FINE OR COARSE ANIMAL HAIR;HORSEHAIR YARN AND WOVEN FABRIC	309
71	NATURAL OR CULTURED PEARLS,PRECIOUS OR SEMI-PREC IOUS STONES,PRECIOUS METALS,METALS CLAD ETC	192
HS Code	Imports	
84	NUCLEAR REACTORS,BOILERS,MACHINERY AND MECHANICAL APPLIANCES;PARTS THEREOF	9873
85	ELECTRICAL MACHINERY AND EQUIPMENT & PARTS THERE- OF;SOUND RECORDERS AND REPRODUCERS,TELEVISION ETC	8644

62	ARTICLES OF APPAREL AND CLOTHING ACCESSORIES,NOT KNITTED OR CROCHETED	3127
64	FOOTWEAR,GAITERS AND THE LIKE;PARTS OF SUCH ARTICLES	2847
61	ARTICLES OF APPAREL AND CLOTHING ACCESSORIES, KNITTED OR CROCHETED	2289
90	OPTICAL PHOTOGRAPHIC,CINEMATOGRAPHIC,MEASURING, CHECKING,PRECISION,MEDICAL OR SURGICAL INSTRUMENT	1592
94	FURNITURE;BEDDING,MATTRESSES,MATTRESS SUPPORTS, CUSHIONS AND SIMILAR STUFFED FURNISHING;LAMPS ETC	1529
95	TOYS,GAMES AND SPORTS REQUISITES;PARTS AND ACCESSORIES THEREOF	1394
73	ARTICLES OF IRON OR STEEL	1173
87	VEHICLES (EXCLUDING RAILWAY OR TRAMWAY ROLLING- STOCK)AND PARTS AND ACCESSORIES THEREOF.	1166

Source: Author's own compilation based on DTI (2011) data

Table 4 gives a disambiguation of South Africa's trade with China. The pattern that emerges from the table is that South African exports are mostly minerals and resources, while its imports are mostly manufactured goods. Other BRIC countries show similar patterns. This highlights the inter-industry trade versus intra-industry debate and the political economy of both, as the main pattern for South Africa's trade with BRIC is inter-industry trade, but for the EU it is intra-industry trade.

The difference between trade patterns with the EU and BRIC places South Africa in a trade dilemma. Inter-industry trade does leads to job creation for low skilled workers in resource industries. It however also leads to skewed wealth distributions and entrenching the power elite. Intra-industry trade requires skilled labour but does lead to growth and even wealth distribution.

BRIC is neither a supranational organisation nor a treaty. No official agreement exists between the members other than cooperative consent (Bloomberg, 2011). Lack of clear treaty amongst BRICS members and very high prevailing trade barriers, especially non-tariff barriers also limit the prospects of long term trade growth between members. This is especially true for intra-industry trade (IMF, 2011).

A similar comparison with investments and services between South Africa and BRIC is not possible due to a lack of data. Trade Mark Southern Africa (2011b) shows that investment data between South Africa and China is a contentious issue, since no one set of accurate data exists. What is clear is growing trends in bi-directional FDI flows that are skewed towards China. Chinese investments in South Africa are mostly in infrastructure and construction, with fewer in mining, manufacturing and services. South African multinationals like SAB Miller and Naspers has also made substantial investments in China. Investments from other BRIC countries are not possible due to inadequate information.

The trade and capital flows between South Africa and BRIC have increased significantly in recent years. BRIC has undoubtedly shifted the South African trade and investment climate and prospects. There is however concerns on the type of trade and investment flows based on the South Africa's unique needs in terms of job creation, skills development and infrastructure development.

8. A TRADE OF DUE TO THE TRADE, DEVELOPMENT AND CO-OPERATION AGREEMENT AND A NEW BRIC FOCUS ON SOUTH AFRICA'S INTERNATIONAL POLITICAL AND TRADE RELATIONSHIPS

The TDCA exist as a bi-lateral agreement between South Africa and the EU. Both these parties do however not function in a vacuum. South Africa is part of regional political and economic bodies like SACU and SADC. It has substantial trade with the USA and Japan and has become part of the middle income "*revolution*" with burgeoning trade with China and India among the BRIC countries. Strategic partnerships with Brazil and India through the IBSA forum as well as Nigeria and other of the more prominent developing countries in the G20 are also being negotiated (CIA, 2011).

The TDCA gives South Africa prominence as a natural ally to the EU in many international affairs; it however does not directly affect South Africa's position and status in IOs like the UN, IMF and World Bank. EU members have substantial influence in these organisations and it can be said that it reflects in South African debt ratings when compared with its neighbours. The EU (2010d), confirms that South Africa and the EU has agreed to take a common stance in the June 2010 G20 meeting in Toronto Canada. The OECD (2010) affirms that South Africa is one of the prominent non-OECD countries that has strategic importance for the OECD. This is significant as the most OECD members are also EU members and it can therefore be argued that the EU South African relationship has led to this increase in international standing.

According to Grant (2006) the EPAs that the EU has signed with the East African group and Southern African group of countries was aimed at increasing regional integration in Southern Africa. South Africa on the other hand has opted out rather relying on the further development in the TDCA. According to the EPA agreements South Africa will not receive the full benefits of its SACU partners as it is substantially more developed. The separate agreements with East and Southern African countries also undermine the unity within SADC. South Africa has undertaken to resolve the issues through negation and some progress was achieved with the May 2010 ministerial meeting, but as yet it remains unresolved.

With relation to the entire African continent the EU South African relationship has also led to the EU (2010d) confirming the importance of South Africa as a vessel of, and partner to the EU, in African development and major player in security and stability issues throughout the continent and internationally.

In relation with countries the strong EU South Africa relation has mixed implications. South Africa has strong bi-lateral relations with the USA and Japan and these are not in conflict with the EU. The EU (2010d) indicates a common understanding between South Africa and the EU on the peace process in the Middle East and this does indicate a conflict with the position of the USA.

South Africa's increasing relations with India, Brazil and China can lead to friction with the EU as the current South African government has already given pre-eminence to the new relationships. A tri-lateral forum like the IBSA forum underscores this commitment. The Doha round of the WTO was one of the victims of the developing nations differing with developed nations on the trade structure of the world and the subsequent formation of the G20 and failure of the Doha negotiations (Kerr, 2007:457-469, Krugman and Obstfeld, 2008:236-238).

South Africa has received prominence in global politics through various bi-lateral and multilateral agreement of which the TDCA is one of the most significant. South Africa has become the most prominent African country and a significant player in the Global South. Relations are however changing and the South African government will need to balance institutionalised relationships like the TDCA that is a foundation of current wealth and new ventures that might, or might not affect the future in significant ways.

South Africa also finds itself at a crossroads internally with the current government focussing on shifting relations to BRIC. Externally South Africa can remain at a pivotal point of international relations where the different economic hegemons can interact with the African continent but also one another.

9. SUMMARY OF INTERNATIONAL POLITICAL ECONOMY FRAME WORK

In summary the findings of the investigation can be stated as follows:

The international security structure

The TDCA provided South Africa with the status and prominence to be the “foothold” for the EU in Africa and the Indian Ocean region. BRICS now provides the same role for South Africa with the grouping of most influential developing markets.
This places South Africa as the international security gateway to Africa and Indian Ocean region. A delicate balance now exists between the different permanent UN Security Council member groupings as well as their main aspiring allies. South Africa could play a major facilitation role between these groupings if it chooses to give the same level of importance to both factions.

The global production and trade structure

The TDCA gives South Africa unparalleled access to EU markets as well as the ability to function as a trade hub for Southern and Eastern Africa in their relations with the EU. This formed the corner stone of the dominance of the TRIAD in Africa. South Africa’s inclusion in BRICS opens the same possibilities with BRIC, but the process is still in its infancy. Therefore the BRICS inclusion helps South Africa to adapt to the change that is occurring in international trade flows.

In terms of production South Africa may be the African centre for multinationals, but both the relationship with the EU and BRIC poses severe problems for the economic problems that face South Africa. Therefore South Africa is an African favourite in the Global Production Networks, but it has to overcome its limitations to stay in this position.

The global finance and monetary structure

Through its activity in the G20 South Africa plays a major role in developments in the global financial infrastructure. In this instance South Africa had a preferential relationship the current system of the IMF and World Bank through its relationship with especially the EU. The G20 acts as a change agent driven by BRIC for a more inclusive and equal distribution of power in the global structure. This places South Africa at appositive position from both perspectives and in turn this gives South Africa prominent facilitation opportunities.

South Africa also has the most advanced financial systems in the world and the largest and most influential financial market in Africa. South Africa therefore acts as a major financial hub for Africa as well as the possibility for it to do similar in North-South and South-South financial flows.

In ODA flows South Africa has also become the African headquarters for most of the global NGO’s and IO’s that deal with poverty alleviation and crisis management. This is also a flow of the strong relationship that South Africa has fostered with, especially the EU. BRIC will undoubtedly change the ODA landscape and South Africa is in unique position to benefit from this re-alignment.

The global knowledge and technology structure

The TDCA as a trade and cooperation agreement provided South Africa with strong cultural and information exchanges. In can be argued that South Africa has become dependent on EU technology in many instances. It is not clear how BRIC will influence this. India and South Africa is already active in cultural and information exchanges and there is an escalation of Chinese activity in South Africa.
The conclusion is that South Africa finds itself at a unique position in global politics. As a relative small country, with a relative small economy, its history and geographical location has placed it at the centre of the shifting global structures of political economy. This represents the most significant opportunity for a developing country in the world and if it is handled correctly South Africa can reap enormous benefits.

10. CONCLUSION

The aim of this study is to investigate the influence that the TDCA has on South Africa in the global political economy. The TDCA dominates the South African trade and diplomatic landscape as the EU is South Africa's most important source of foreign revenue. The investigation is done in the context of the growing influence of BRIC as well as South Africa's inclusion in BRICS.

The international political economy framework dictates that to study the affect of the TDCA questions must be asked on the benefits for the country in terms of status and power, individual benefits and the influence of the TDCA on the structure of society. The TDCA's influence on South Africa's position in the global security structure, economic structure, monetary and finance structure as well as knowledge and technology structure is to be determined.

Being predominately a preferential trade agreement most of the direct benefits of the TDCA lies in better trade opportunities for South Africa and South African business. South Africa therefore gains pre-eminence in African trade with the EU as well as a go-between between the continent and the EU. Trade between South Africa and the EU is structured as intra-industry trade that indicates a higher level of development than South Africa's neighbours. Investment flows and Trade in Services supports this.

The emergence of BRIC has significantly changed the global political economy. South Africa has achieved a unique position between the traditional powers and the emerging powers. South Africa should focus on maximising the beneficial opportunities that both offer rather than a single sided approach.

The TDCA leads to South Africa gaining substantial influence in the global security structure as strategic ally to the EU. South Africa is also allowed to extend its economic activities and forms the dominant African economy. All African countries are in essence forced to consider trading through South Africa to the EU or get funding from the EU through South Africa. South Africa has also gained status in the OECD group of countries as well as the G20 and the IMF. Its strategic partnership with the EU has played a role in this positioning in the global finance and monetary structure. South Africa has also gained positioning in the global knowledge and technology structure through easier access to European developments and skills transfer associated with FDI.

The advantages offered by BRICS membership in the global structures is undeniable and South Africa should optimise its position, but not at the expense of its traditional ties. The EU will remain a dominant force in the global arena and history has proven that it is better foster positive relations with them in global structures. South Africa has received prominence in global politics through various bi-lateral and multilateral agreement of which the TDCA is one of the most significant. South Africa has become the most prominent African country and a significant player in the Global South. The TDCA is one of the most prominent cornerstones of South African international relations. Inclusion in BRICS can only strengthen this if applied correctly.

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