

# South Africa and the European Union: 1994 -2014

## Trends, developments and a perspective on the future

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### 1. Historical perspective

The European Union (EU) was established by its original six founders in 1951 as the European Coal and Steel Community (ECSC), which became the European Economic Community (EEC) in 1958. Since then, the European grouping and its successors have grown in size by the accession of new member states but also through the addition of policy areas to its remit. The Maastricht Treaty established the EU under its current name in 1993; the latest major amendment to the constitutional basis of the EU, the Treaty of Lisbon, came into force in 2009.

Formal relations between the EU and South Africa did not exist at the time the Union was founded in 1951 as the six-member ECSC. The ECSC was a purely economic entity conceived notably to bring Germany and France together in an effort to secure peace for the future of Europe. While the process of European integration took root throughout the 1950s and 1960s, the process of decolonisation in Africa gathered momentum as well.

However, relations between the EU and South Africa pre-date the country's move to democracy by decades.

In 1963, the Organisation of African Unity recommended sanctions against South Africa and the Union, by that time known as the EEC, entered into the Yaoundé Convention (the predecessor of today's Cotonou Agreement) with 18 African states. From that time onward European countries became increasingly outspoken in their disapproval of minority rule in South Africa and ever more inclined towards increasing pressure on South Africa. Regarding EU policy towards South Africa, it is noteworthy that it probably is one of the first cases in which the block's Member States succeeded in adopting a common external political position.

The 1976 Soweto riots galvanised this growing pan-European position into action and this resulted in the first EU measure against South Africa – the Code of Conduct that regulated employment practices of Member States' firms with subsidiaries in South Africa.

In 1985 and 1986, two packages of restrictive measures followed, while 1986 also saw the establishment of the (€450 million) EU Programme for the Victims of Apartheid. This programme channelled European resources to NGOs active in education and training, legal aid, as well as to non-governmental humanitarian and social programmes. Across Europe,

activists and politicians mobilised support for organisations, most notably the African National Congress (ANC) and its cause to bring about a non-racial, democratic South Africa.

In February 1990 the world, and the future EU, saw the ANC and other opposition political formations unbanned and Nelson Mandela subsequently released from Victor Verster Prison after 27 years of incarceration. The EEC, to become the EU later that same year after German re-unification, responded by gradually lifting sanctions.

Again the world watched in admiration and fascination in April 1994 when South Africans queued in their millions to cast their votes in the country's first free elections. Nelson Mandela was elected president and world leaders flocked to attend his inauguration. We marvelled at the reconciliatory tone of his messages.

Institutionally, the EU, for the first time since its creation, formalised ties with the South African Government in late 1994, when the partners signed a first Cooperation Agreement that was aligned to South Africa's democratically elected Government's Reconstruction and Development Programme (RDP) and which also facilitated the operations of the European Investment Bank (EIB) in the country.

President Mandela travelled to Europe in late 1994, laying the foundation for the current extensive network of relations between the EU and South Africa.

I speak here today while South Africa and the EU are finalising the Multi Annual Development Programme for the period up to 2020. Also the southern African partners (South Africa Botswana, Lesotho and Swaziland as well as Namibia and Mozambique) have just agreed to conclude an Economic Partnership Agreement with the EU. And in the last week of November we will have a series of major consultations between South Africa and the EU, including on peace and security in the Political and Security Committee (PSC), on development cooperation and related cooperation in the Joint Consultative Council (JCC), on trade in the Trade Consultative Committee (TCC) and on human rights in the second formal Human Rights Dialogue (HRD). In the JCC we will also review more than 25 dialogues covering a wide variety of areas of mutual interest between South Africa and the EU.

In short, this is the time to take a close look at where the EU and South Africa are standing as 2014 gradually draws to a close.

## **2. The EU and South Africa today**

South Africa and the EU significantly deepened their cooperation with the adoption of the SA-EU Strategic Partnership in 2006, followed in early 2007 by a Joint Action Plan. The Strategic Partnership built on the Trade, Development and Cooperation Agreement (TDCA) which, while provisionally applied from 1999, provides the legal basis for all relations between the EU and South Africa since its ratification by all parties in 2004.

Political cooperation and dialogues, trade relations and development cooperation do exist between the EU and South Africa, but also between South Africa and individual Member States of the EU, which greatly enriches this relationship. Most EU Member States have a Bi-National Commission with South Africa in some format or another and visits by Member State representatives to South Africa, including at the highest political levels, are frequent.

Let me at this stage say a few words on the broader African/European context as Africa and Europe have a long shared history both with many dark pages. Europe's own history is one of conflict and warfare, culminating in two world wars and a genocide, the effects of which continue to shape today's world, our 21st century reality.

The Second World War was a main contributing factor to the liberation of Africa from the curse of colonialism and it was the main factor in the shaping of the EU, which is nothing less than the clearest expression of Europe's peoples that only a united Europe will bring peace and prosperity.

It is against this background, Africa liberating itself from colonialism and Europe liberating itself from its long history of violence and suffering that the relations between the EU and Africa have developed over the past half century. Africa and Europe are heading towards the future, a new future, the 21st century, a future of cooperation and partnership in a wide variety of fields.

This new relationship is consolidated in the Joint Africa EU Strategy which was adopted at the Second Africa EU Summit in Lisbon in 2007 and further developed in the Tripoli Declaration of the third Summit held in Libya in 2010 and now in the EU Africa Roadmap for the 2014 – 2017 period that is the result of the Fourth Summit, which was concluded last week. The Roadmap focuses on "Investing in People, Prosperity and Peace" and will be concentrated on the following priority areas:

1. Peace and security;
2. Democracy, good governance and human rights;
3. Human development;
4. Sustainable and inclusive development and growth and continental integration;
5. Global and emerging issues

Let me now return to the EU and South Africa and first address our political cooperation.

## **2.1 Political relations**

A key element of our Strategic Partnership is the common commitment to promoting an agenda of peace, security and stability in the world as a whole, including in Africa. South

Africa and the EU share the understanding that security and development are inter-dependent and mutually reinforcing. Therefore, we engage in dialogue in our Political and Security Committee that forms part of our structure of cooperation. While we obviously do not agree with each other's positions on all issues, we talk to each other openly to better understand our positions and to learn from each other's insights. We have for example, through our engagement, come much closer on issues regarding Zimbabwe, Madagascar, Somalia and the Great Lakes. These issues are also discussed in a very straightforward and open way by our parliamentarians, as an inter-parliamentary dialogue is part of the fabric of our close collaboration.

As our former donor-recipient relationship has given way to a partnership of equals, our political relations have taken on increased prominence. The Strategic Partnership that I mentioned earlier is an umbrella structure for all fora of cooperation and dialogue, including the regular Summits at Heads-of-State level, the regular ministerial and for the senior officials meetings, including the Joint Cooperation Council meetings

Since the first EU-SA Summit in 2008, held in Bordeaux, France, we have come together five times in this forum, the most recent and 6th EU-SA Summit having been hosted by South Africa on former president Nelson Mandela's 95th birthday (18 July 2013) in Pretoria. We consider this to have been a great honour symbolic of the road we have travelled together since 1994.

A further element of our political relations that I mentioned and would want to underline here once more is the inter-parliamentary dialogue with meetings convened twice a year between members of the European Parliament and of the South African Parliament.

## **2.2 Dialogues**

We currently have 25 dialogues including Science and Technology, which continues to be a flagship of our successful bilateral cooperation, Trade, Development, Environment, Migration, Health, Space, Energy, ICT, Maritime Transport and Security, and Human Rights, the latter formally launched on 27 May 2013 with a meeting presided over by DIRCO's Director-General Ambassador Jerry Matjila and the EU Special Representative for Human Rights, Stavros Lambrinidis.

## **2.3 Development cooperation**

The EU's support to South Africa since 1994 has been focussed on the reduction of poverty. The EU programme of cooperation with South Africa addresses the country's challenges in innovative and creative ways. Programmes embedded in the South Africa–EU Strategic Partnership are designed to promote socio-economic and political progress.

Between 1995 and 2006, €1.5 billion has been committed to projects in South Africa in the fields of governance, education and training, health urban development, water and sanitation, and small and medium sized enterprise development. This was followed by a seven year support programme (2007-2013) of €980 million. The 2007-2013 programme with its strong commitment to the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action has brought greater alignment with South Africa's development priorities and is largely implemented through budget support, thus greatly reducing the costs of implementation.

Even though South Africa today is an upper-middle income country, it has many of the same challenges faced by developing countries. South Africa has a GDP of some R3.465 trillion with public expenditure of R1.149 trillion projected in the 2014 financial year. Poverty levels are around 40% and official unemployment is around 25%, but much higher among the youth. With a gini coefficient of close to 0.7, South Africa has one of the most unequal societies in the world with a spatial pattern still reflecting the apartheid period.

EU support to assist South Africa in meeting its challenges is measured not by the size of the funding envelope for the country but by the value EU resources add through innovative and catalytic projects, pilot programmes, capacity development initiatives and the sharing of skills and knowledge.

Wide ranging development programmes and projects under the South Africa-EU Strategic Partnership from 2007-2013 covered actions in five main areas: employment creation; capacity building for social cohesion and service delivery; governance; pan-African cooperation; and support for implementation of the TDCA.

The programme for the 2014-2020 period is much reduced in size in close consultation with the South African Government and is focussed on three areas: education, employment and assisting in strengthening the capable state.

## **Education**

In the area of Primary Education the EU contributes to the Government's efforts to improve learner performance in literacy and numeracy at primary school level. In this regard, the EU has made available a €122 million programme which has helped the South African Government to increase the number of public universities involved in the training of teachers for foundation phase, of students enrolled in such programmes, and of children enrolled in pre-school classes (Grade R) attached to public schools. The programme has also helped to develop and provide public primary schools with important resources for improved implementation of the curriculum (such as revised curriculum and assessment policy statements, workbooks for learners and a national catalogue of approved textbooks) and to undertake large-scale assessments of learning outcomes in key subjects.

The EU has established a number of programmes that provide opportunities for international cooperation in higher education, the most notable of which is the Erasmus

Mundus Programme. This programme provides scholarships and mobility grants to South African masters and doctoral students as well as to university staff to study or engage in research within the EU.

Since 2011, 537 masters and doctoral students and staff members selected on a competitive basis from higher education institutions in South Africa, have received scholarships through this programme. This year, 148 post-graduate students and university staff from South Africa have benefited from this programme. Of these, 80 are masters and 43 doctoral candidates as well as 25 university staff. About €22 million (R308 million) have been allocated to South African beneficiaries of Erasmus Mundus to date. In addition, already this year, 25 European students and staff have already been awarded scholarships to come to South Africa. For the period 2014 to 2020, the EU has allocated a further €36.5 million (R510 million) under the new Erasmus+ Programme.

### **Employment Creation**

Employment creation is one of the greatest challenges facing both Europe and South Africa at the moment, especially for young people. We share with South Africa the European strategies to promote job creation, notably the European Council's comprehensive approach to combat youth unemployment, the Youth Employment Initiative which was approved last June. However, while Government can create the conditions conducive to job creation and growth, it rarely creates jobs themselves. Investment and businesses are key factors to job creation. In South Africa, at least 2,000 European companies have invested over R60 billion (Foreign Direct Investment Stock) in the country and have created over 350,000 direct jobs. This is where we should work together to create an environment conducive to more European investment into South Africa to create jobs and ultimately economic growth.

In recent years we have also implemented a number of programmes related to job creation through our development cooperation, mostly aimed at allowing the South African Government to test new ideas or riskier but more catalytic approaches. For instance, over 12,000 jobs and 60,000 livelihoods have been supported through the EU Risk Capital Facility (RCF) providing support for 136 small and medium enterprises. This facility of €70 million also promoted further investment, enabling a total investment value of €266 million. It has further assisted in the creation of new development funds at the level of the implementing bank, the Industrial Development Corporation (IDC) and its Development Funds Department is now managing a large number of EU supported funds.

Over 7,000 jobs have also been created through Local Economic Development (LED) Programmes in Kwa-Zulu Natal, the Eastern Cape and Limpopo, in support of marginalised communities, increasing local competitiveness, strengthening local government and promoting private sector investment. In addition, more than 4, 000 people received training in areas ranging from community development and business skills to agricultural and other sector-specific skills. The provincial governments of KwaZulu-Natal and the Eastern Cape have expanded the LED programmes by making their own contributions.

The EU has also supported the implementation of the South African Government's Community Works Programme and well as its Expanded Public Works Programme through a sector budget support programme of €100 million to the South African Government. And to support the South African Government's infrastructure development programme, an innovative €100 million EU instrument, the Infrastructure Investment Programme for South Africa (IIPSA), has been put in place. If successful, the IIPSA model has the potential to be replicated with South African Government resources.

### **The Capable and Developmental State**

Since the establishment of democracy in South Africa, 20 years have gone by. Key challenges have been raised by the need to expand services to the majority of the population under a new constitutional architecture with different spheres and arms of government. Successive visions and policies have emerged over time with the National Development Plan 2030 as the most recent one. But issues of capacities have limited their full translation into action and reality. The National Development Plan 2030 is very clear on the need to address this capacity issue and will be the basis of our support towards a capable and developmental State.

## **2.4 EU-SA Trade and Investment**

### **Trade**

The EU remains South Africa's largest trade partner. South Africa's exports to the EU make up some 25% of its total exports (R382.28 billion or 24.61%). Imports from the EU into South Africa are largely composed of durable capital goods, thus contributing to a solid basis for South Africa's future economic development.

On 15 July 2014 after almost a decade of discussion, our respective trade negotiators – the EU's and our Southern African partners' – were able to conclude the Southern African Economic Partnership Agreement (EPA) talks. Party to the conclusion were Botswana, Lesotho, Mozambique, Namibia, South Africa and Swaziland (with Angola having the option to join the agreement in future) and of course the EU. The EPA is so much more than a mere trade agreement – it is an agreement for economic development in Southern Africa. The main elements of the EPA are:

- i. Improved opportunities for trade in goods;
- ii. The fact that it is development-oriented;
- iii. Its focus on regional partnership
- iv. Its attention to agriculture and fisheries; and
- v. Its emphasis on sustainable development.

Finding common ground on the EPA comes at an important time and we trust that the EPA will significantly enhance regional cooperation, increase economies of scale and so position

South Africa and its regional trading partners more favourably vis-à-vis their most substantial trading partner. It is important to note at this point that the South African export to the EU consists of roughly 50% of manufactured goods and thus underpins one of the South Africa's most pressing needs – that of job-creation. The EPA will further boost South African exports to EU, notably with regards to wine, fruits, fisheries and sugar.

In its effort to support trade, the EU has developed and maintains an electronic export tool, the EU Export Helpdesk, which is an interactive electronic tool that is accessible to anyone who has internet access and which, amongst other things, provides information on EU tariffs, requirements, preferential arrangements, quotas and statistics affecting business in developing countries. The EU Export Helpdesk also provides comprehensive information for developing countries on how to access the EU market and benefit from preferential trade agreements.

### **Investment**

But trade is not the only element in SA/EU relations, investment is also a critical component driving economic growth. The EU countries are also the source of some 80% of foreign direct investment (FDI) stock in South Africa. According to the United Nations Conference on Trade Development's (UNCTAD) annual survey of investment trends, FDI into SA fell by 24% from U\$6-billion in 2011 to U\$4.6-billion in 2012. The good news is that UNCTAD's figures for 2013 show an increase of FDI into SA, mostly through infrastructure projects. However, the country requires increased levels of FDI in order to fund the South African Government's infrastructure plan, to help the economy grow, and to be able to tackle comparatively high levels of unemployment. After the termination of most bilateral investment treaties with EU Member States, the EU, while acknowledging South Africa's sovereign right to pursue economic and social objectives, believes that adequate protections are key to attract investments. We therefore look forward to a new regime which may have positive results in this respect.

### **2.5 Other areas of cooperation**

Much of the cooperation in other fields between South Africa and the EU is covered by the dialogues to which I made reference earlier on.

At the sixth SA-EU Summit in July 2013, we signed an agreement between the European Atomic Energy Community (EURATOM) and South Africa on the peaceful use of nuclear energy, which will enable common work between South Africa and the EU on nuclear safety in the context of implementing the African Nuclear Weapon Free Zone Treaty – the Treaty of Pelindaba, on non-proliferation issues, and on the peaceful uses of nuclear science and technology.



### **3. South Africa and the EU; a partnership for the 21<sup>st</sup> century**

As is the case with the African continent as a whole, South Africa and Europe share a long history. While the Africa continent liberated itself from colonialism, exploitation and oppression, South Africa continued to be dominated by the Apartheid system and it was only on the day that Nelson Mandela walked out of the Victor Verster Prison as a free man on Sunday 11 February 1990, that South Africa had a real perspective on a better future. Yet, it took many lives to consolidate democracy and for many in South Africa and in the wider world it was the violent death of Chris Hani on 11 April 1993 in Dawn Park in Boksburg that finally confirmed the convincing evidence that only Madiba could restore peace, calm and governance in South Africa, thereby laying the foundations for the South Africa we know it today: free, democratic, economically developing, but with many challenges and problems to overcome.

It is against this background that we are determined to further develop our relations. As I mentioned at the onset of this introduction, South Africa and the EU are finalising the Multi Annual Development Programme for the period until 2020, we have just agreed on an Economic Partnership Agreement and over the coming weeks, we will have a series of major consultations on peace and security, development cooperation and related cooperation, trade and human rights, while we will also review our more than 25 dialogues covering a wide variety of areas of mutual interest between South Africa and the EU.

The relationship between the EU and South Africa is therefore ready for the 21st century; it is broad, deep and well structured, from the levels desk officers all the way up to our Presidents.

Our trade relations are being developed and, if you like, modernised, our development programme is fully aligned to the National Development Plan Vision 2030 and our political relations are intense as there are many issues to consult on and many discussions to be held. While the EU and South Africa do not necessarily agree on all international issues, our consultations are constructive and forward looking and our cooperation can yield spectacular successes, an example of which was the outcome of COP 17 in Durban in 2012.