

Trade interregionalism in the South Atlantic

Frank Mattheis (Université Libre de Bruxelles and University of Pretoria)

Abstract

South Atlantic trade interregionalism is a less prominent phenomenon compared to the economically driven linkages between the other Atlantic shores. This is due to the limited authority of regional economic institutions and the lack of economic complementarities. This chapter examines the first interregional trade agreement across the South Atlantic, namely between the Common Market of the South (Mercosur) in South America and the Southern African Customs Union (SACU). The Mercosur-SACU agreement that was negotiated between 2002 and 2009 thus represented a novel type of interregional interaction for the Atlantic basin.

The negotiation of the agreement arose in a context of three regionalisms on both sides of the South Atlantic: Mercosur, SACU and the Southern African Development Community (SADC). All three established features to enable interregional relations as well as developed interests in fostering agreements for political purposes. Despite being a preferential trade agreement, commercial interests in the Atlantic remained limited due to the lack of economic complementarities. The internal and external dynamics of the regional orders on both sides of the South Atlantic produced an oscillation between hybrid and pure forms of interregionalism in which the regional hegemons South Africa and Brazil constituted the driving forces while summitry exercises and regional organisations retained a central position for the negotiation and establishment of a formal agreement. While not seriously challenging the power asymmetries between North and South Atlantic, the Mercosur-SACU agreement set a precedent for a rapprochement that goes beyond bilateral relations.

Introduction

In the Atlantic basin, the external relations of regional organisations follow two main patterns. The first one is to engage within the immediate neighbourhood with adjacent or overlapping regional organisations. The second one is to engage with regional organisations that have a distinct element of autonomy, chiefly the European Union (EU) with whom all the main regional organisations in the Atlantic have established formal links. South Atlantic interregionalism is

a less prominent phenomenon giving the limited capacity and mandate of regional institutions, the absence of interregional development aid flows between the two regions and the lack of economic complementarities. Consequently, this type of interregionalism warrants particular interest when it emerges (Lidsegård and Mattheis 2018). This chapter examines the first interregional trade agreement in the South Atlantic, namely between the Common Market of the South (Mercosur) and the South African Customs Union (SACU).

The first section deals with the historic background for the emergence of interregionalism across the South Atlantic. After that, the three involved regionalisms, Mercosur, SACU and the Southern African Development Community (SADC) are analysed with respect to the interregional capacity and compared. In order to understand the specificity of the prevalent notion of interregionalism, a typology proposed by Gardini and Malamud (2018) based on Hurrell (1995) and Hänggi, Roloff and Rüländ (2006) will categorise the form and function of interregionalism in an Atlantic space that is usually dominated by European external relations (Baert, Scaramagli and Söderbaum 2014). It proposes a distinction between five forms of interregionalism: pure interregionalism between regional groupings, transregionalism driven by individual member states, hybrid or quasi interregionalism between a regional power and a regional grouping, overlapping interregionalism between regional groupings within the same region, and stealth interregionalism with its imperial connotation. The last two forms of interregionalism are largely absent from South Atlantic relations due to the lack of overlaps and imperial links. Transregionalism does exist – for instance in the form of ocean-based cooperation – but does not directly relate to existing regionalisms (Mattheis 2018). Although a direct relationship between interregionalism and regional actorness has been established (Mattheis and Wunderlich 2017) there is still relatively little knowledge about the extent of the reciprocal impact between regionalism and interregionalism.

Subsequently, this chapter will concentrate on the establishment of interregionalism between the three organisations Mercosur, SADC and SACU as an oscillation between hybrid and pure forms of interregionalism before concluding with remarks on the position within the Atlantic basin and the role of summitry.

Historic background

Within the Atlantic space, the South Atlantic link has consistently occupied a comparatively marginal position, although regular interactions have taken place on different levels. Latin

America's involvement in political relations with Africa was shaped by the crisis of the economic model of industrialisation through import substitution after World War II (Ffrench-Davis 1998). The notion of economic dependency established itself as a central discursive and theoretical model, first in Latin America and soon in the newly independent states of Africa (Prebisch 1950). Its blend of progress and emancipation was a fitting match for Pan-Africanism. This brought about a rapprochement of both continents under a common conception of obstacles to its own economic development. The UN provided the structure for formalised collaboration akin to transregionalism, most importantly the United Nations Conference on Trade and Development (UNCTAD) and the United Nations Economic Commissions for Africa (UNECA) as well as CEPAL.

There was no pure interregionalism between the regions but rather several transregional and global venues that facilitated interregional dialogue and learning. The nascent regional organisations in both regions related directly to this framework and directed their efforts at overcoming the structures of economic dependence. However, the common framework of reference did not deepen the relations between those organisations. Overcoming dependence was a global project but the regional organisations were designed to achieve it as dissociated entities. Thus, the coalition in global arenas did not result in a diversification of external partners but rather in a fragmentation. The UN represented a key meeting point, particularly its technical agencies dealing with the export of raw materials. Yet, the regional organisations were inward looking and generally did not provide for extra-regional relations. Economically, they followed a model of industrialisation that required selective isolation from world markets, at least until key industries would have matured. Politically, regional organisations primarily dealt with armed conflicts in their vicinity – chiefly with Apartheid South Africa and in Central America – and from the mid-1980s on with political transitions in their precincts.

Bilateral relations between individual countries across the Atlantic rarely had sizable regional impacts. Most countries did not engage in bilateral collaboration in the first place and even if they did, it was very limited in time and scope. Specific interests triggered punctual activities without prolonged interaction best described as the phenomenon of “spasmodic relationship” (Lechini 2005: 320). The two major exceptions in terms of interregionalism were the Cuban mission in the war in Angola between 1975 and 1989 as well as the alliances between Apartheid South Africa and military dictatorships in South America. Both relationships qualify as hybrid interregionalism with Cuba and South Africa respectively engaging with the other region in a delineation that corresponds to their own interests.

1989 was a turning point for the various coalitions. They faced a major identity crisis since their rationale had been based on a sense of homogeneity within a bipolar world. National interests and the strategies to achieve them had to be reassessed individually in a multipolar world. Countries in South America and in Africa evidently displayed many commonalities that provided the grounds for a renewal of regional arrangements. All countries feared being once again marginalised in the upcoming world order. They underwent political transitions and they adopted the dominating neoliberal paradigm. The realignments under these paradigms led to the creation or re-creation of new regional organisations, just as it was the case in the rest of the Atlantic space. A more outward-looking type of regionalism emerged across the broader region in the early 1990s and was more prone to insertion into the global economic system. Consequently, extra-continental relations emerged as a valid component. Both Mercosur (1991) and SADC (1994) fell into this new period and enabled the emergence of pure interregionalism as a new element in relations between South America and Africa.

Mercosur and interregionalism

Mercosur has conducted external relations from its very beginning in 1991. Even though it had no legal personality until 1994, it had already started to reach out to third partners and was reciprocally perceived as a bloc by others (Gómez-Mera 2013). The primary outreach of the organisation was twofold.

The first pillar of external relations consisted of overlapping interregionalism and was directed towards Mercosur's neighbours to create a South American region by means of expansion and interaction. Interregionalism materialised in associate membership for the countries of the Andean Pact and through ALADI.

The second pillar of Mercosur's external affairs was largely pure interregionalism that aimed at negotiating agreements with the U.S. and the EC. Africa was initially not a focus, as the ambition was fuelled by the fears of being left behind as the international political economy underwent major changes, which triggered an orientation towards the West. The technocratic elite in charge did not consider Mercosur to be a purpose on its own but rather a means to achieve larger economic benefits. Accordingly, Mercosur fulfilled the purpose of a stepping-stone that would help its members to a level where they could sign FTAs with the U.S., the EC or even both. Mercosur was contemplating the initiative by U.S.-President Bush Senior to form a Pan-American free trade zone. Pure interregionalism was considered the first step towards a

new region. The creation of the NAFTA was a sign for the viability of such a path and the Mercosur states were not keen to be left behind. At the same time, Europe was still the main trading partner and the consolidation of the EU increased the attractiveness of a pure interregional agreement (Bulmer-Thomas 2006).

In sum, Mercosur's external relations were torn between trying to establish and consolidate South America as a region as well as seeking close partnership with the U.S. and the EC at the same time. The twofold aims have resulted in a very flexible structure within the institution. It combines seemingly opposing elements of regional governance and would provide the framework for all interregional interactions to come, including those with Africa.

In principle, external relations are guided by a fundamental supranational element. The power to negotiate and sign international agreements is vested into the leading body of Mercosur, the CMC. Concerning trade, which initially constituted the core area of Mercosur, individual states cannot sign individual treaties. In practice however, the competence over international agreements is delegated to an intergovernmental organ, the Group of the Common Market. This means that in fact, agreements are signed by representatives of the individual member countries and not by a common Mercosur body (Gardini 2010). The intergovernmental element is further reflected in the negotiations where the delegations consist of national functionaries that remain part of their respective ministries. Negotiation groups can be set up ad hoc while long-term interests are institutionalised within de facto permanent structures. This institutional set-up suggests that the form of pure interregionalism contains strong functional elements of transregionalism.

This pattern stayed in place for most of the first decade of Mercosur's existence before undergoing two fundamental shifts that facilitated the emergence of Africa as an interregional partner. Firstly, the financial and economic crises that hit the region between 1998 and 2001 altered the foreign alignments. Chiefly, Argentina abruptly stopped being an acclaimed implementer of policies of the IMF. Debt cancellations and nationalisations obstructed relations with the global economic centres. The shift of paradigm brought socialist presidents into power in all Mercosur states. These presidents, in particular Brazil's Lula da Silva, put more emphasis in partnerships with other developing countries, notably in Africa. Taking advantage of the rotating presidency of the Mercosur, Brazil could push for opening negotiations with new partners. Secondly, the negotiations with the EU and the U.S. did not move forward, neither interregionally nor in the WTO. The juxtaposed defensive and offensive interests in agriculture, industry and services did not allow any significant progress. The WTO

negotiations effectively stalled in 2003 and severely encumbered pure interregionalism. Meanwhile, the Eastern enlargement and 9/11 imposed new priorities for the EU and the U.S. These shifts reshaped the structure of Mercosur's foreign outreach and paved the way for interregional cooperation with Africa.

The first pillar of overlapping interregionalism expanded and solidified with the geopolitical shifts in the region. Mercosur turned into the unrivalled regional organisation in South America and consolidated its expansion with the full membership of Venezuela. Though the Andean Pact did not entirely vanish, it was notably consumed by the interregional relationship. The stand-alone position of Mercosur allowed the organisation to speak on behalf of its region vis-à-vis external partners

The second pillar of pure interregionalism with the EU and the U.S. experienced a breakdown (Gratius 2008). The Mercosur had turned into a vehicle that served its new leaders to emancipate themselves against the U.S. The plans for a FTAA effectively collapsed in 2005 due to the Mercosur opposition leading the U.S. to pursue a bilateral approach within the region. Likewise, the negotiations with the EU got caught up in countless rounds trying to revive the process but these attempts could not overcome the evermore diverging economic interests and political priorities. At the same time both Mercosur and the EU had to deal with an increasing discrepancy within their region, which made a common position difficult to attain. The prospect of a meaningful agreement between the two regions continuously grew fainter.

The consolidation of Mercosur within South America enabled the organisation to expand hybrid and pure interregionalism in other fields. The substantial impediments to relations with the traditional partners in the North imposed an unprecedented diversification of those relations. The shifting world order had amplified the scope of potential economic partners and political allies and Mercosur was now on the verge of exploring new waters. The hitherto largely feeble links to other regions of the South did not allow for a grounded anticipation of where increased interaction could unfold. Therefore, Mercosur initiated talks with numerous potential partners. The result was the initiation of hybrid interregional dialogues with a variety of emerging countries such as India, Egypt and South Korea but also pure interregionalism with regional groupings such as the Gulf Cooperation Council (GCC) and SACU. The main commercial interest was to tap into new markets for Mercosur's competitive agricultural industry, such as the meat industry. In addition, there were opportunities for the automotive industry. Some dialogues turned into trade negotiations that led to actual agreements.

The governing structure of Mercosur is characterised by a temporary presidency that rotates twice a year. Negotiations with third parties are thus led and organised by the respective foreign office in charge. The imperative of a consensus notwithstanding, one country is thus able to specify the priorities for six months. This entails a lack of continuity that results in many pending negotiations that may pursue entirely different purposes reflecting specific national interests (Dabène 2009). Brazil under Lula da Silva took advantage of this position to open or accelerate negotiations with partners of strategic interest. Some negotiations had a clear economic focus, such as the promotion of agricultural exports that was very discernible with Egypt and Morocco. Others were mainly an expression of political will, such as the agreements with Israel and SACU.

Current political developments in the main Mercosur states Argentina and Brazil have brought governments into power that are less engaged in fostering relations with Africa and eager to pursue trade agreements with Western countries, specifically the EU. The South-South orientation is thus likely to stay on the back burner for the time being, although existing agreements with Africa are not being questioned.

In sum, the initial pillars focussing on overlapping regionalism and pure interregionalism with North America and Europe have been complemented and partly even replaced by pure and hybrid interregionalism with other parts of the world.

SADC and Interregionalism

SADC had a similar initial external pattern as Mercosur although the logics at play were different. Legal personality had been established in 1992 with its creation. Like Mercosur, it engaged in external relations both with its neighbours and foreign powers from the beginning. Unlike Mercosur, SADC accredits foreign ambassadors and high commissioners, who are almost all African and European and thus reflect the twofold rationale: a continental perspective of overlapping interregionalism and a donor-driven outreach of pure and stealth interregionalism.

Overlapping interregionalism within Africa essentially meant membership expansion to legitimise and establish the organisation. The internalisation of the Congo conflict with the accession of the DRC brought this strategy to its limits. In 1998, a war broke out in the country and the adjacent Great Lakes region. SADC members were divided over how the organisation should act in the DRC conflict. One group led by South Africa called for an international

peacekeeping mission instead of a SADC intervention. Angola and Zimbabwe led the other group that had already proceeded to follow the DRC's President Kabila's call for intervention. To legitimise their national economic and security interests, they sought SADC's permission afterwards. Being faced with a *fait accompli*, South Africa quickly joined and even took the lead of the mission. The use of preponderant force brought about a military stalemate securing Kinshasa and the Congolese government (Francis 2006). The subsequent political negotiations accompanied by the deployment of UN troops further consolidated SADC in its respacing and distribution of power (Nathan 2012).

Europe was the other focus of interregionalism, as it constituted the main donor of development aid to build the organisation. The D in SADC does not only indicate the desire to development its own countries but also needs be understood as a commitment to the development idea of Northern donors (Tjønneland 2008). The EU has been very active from the start to provide financial and technical assistance to the organisation and this relationship has shaped most of SADC's extra-continental outreach (Mattheis 2010). The personnel at the secretariat are extensively engaged in interacting with the EU. Many functionaries devote much of their working time to attending training, reporting to donors or participating in official visits. The dependence on foreign aid fosters a form of stealth interregionalism that restricts the capacity and the interest to engage in external relations with non-donors.

On the commercial side, SADC has been concerned with establishing a free trade area among its members. This process has been characterised by a lack of performance due to the divergent trade interest of member states and the importance of tariff revenues for national budgets. External trade agreements have been hampered by the same constraints. The main interregional negotiations were the Economic Partnership Agreements with the EU and SADC proved to be incapable of negotiating as a full bloc. Only a smaller group of SADC members with vested interests signed an interregional trade agreement.

SACU and Interregionalism

SACU overlaps with SADC but is a regional organisation in its own right. Contrary to SADC it is rarely covered in depth. It is usually praised as the oldest custom union in the world but seems to be known for little else (Jovanović 2006; Gibb and Treasure 2011). Even its 100-year anniversary in 2010 did not bring about any significant coverage or appraisal. Its core area is tariffs and all other regional issues such as development, security and energy are being dealt

with in SADC. The latter also claims to be the sole representative for the integration architecture within the AU. High-level politics thus takes place within SADC while SACU is more specialised and dominated by ministerial technicians. SADC might be far away from a customs union, but declarations do exist and should they be followed, SACU would become *de facto* redundant.

A customs union on a severely marginalised continent in the global economy did not generate much interest outside of the region. Private foreign businesses generally concentrated on the South African market and public donors had priorities that coincided with SADC's agenda.

In 2002, a reform of the SACU was concluded to even out some of the inequalities in the treaty in force that still dated from 1969 and reflected the geopolitical landscape of that era (Kirk and Stern 2005). After overcoming the bane of Apartheid, South Africa had regained credibility as an international partner and as such it was able to sign a comprehensive Trade, Development and Cooperation Agreement (TDCA) with the EU in 1999 (Gantz 2009). Though this seems like a clear example of hybrid interregionalism the agreement had considerable effects on the grouping of SACU as a whole, specifically concerning tariff revenues and competition as goods from a third party start to enter free of duty. Such effects are exacerbated in the case of a large economic partner such as the EU. For the other SACU members, the TDCA corresponded to declining revenues and the increase in competitive EU imports to South Africa would make their way – often through informal channels – to the rest of the region. Though SACU was not party to the TDCA, it was affected by it as if it were pure interregionalism. Consequently, the other SACU members pushed for a reform to prevent further unilateral actions. Besides the creation of institutions and a recalculation of the revenue sharing, the member states were obliged to conduct negotiations with third parties as a bloc. South Africa was most affected by such a reform but agreed for three main reasons. The ANC government was eager to show benevolence with its neighbours in the aftermath of Apartheid. Additionally, there was less at stake for South Africa as it had just sealed the deal with its main trade partner, the EC (Council of the European Union 1999). Finally and most importantly, South Africa made sure that it remained in a dominant if not hegemonic position.

On paper, SACU ceased to be a body administrated by the South African government. Nevertheless, the latter *de facto* did not give up any sovereignty concerning negotiations with third parties. South Africa as a hegemon determined the choice of interlocutors and remained in charge of conducting the talks and negotiations. The set-up might be intergovernmental, as it requires trade delegations to be composed of delegates from all member countries. However,

hegemonic practices remained in place under the formally consensual umbrella (Mattheis 2014). As a result, interregionalism involving South Africa will invariably involve the SACU region as a whole.

Interregionalism compared

In both regions, member states have generally dismissed the introduction of supranationalism in their organisation. Institutionalisation has largely been limited to facilitate collaboration. Potential supranational bodies such as the regional parliaments or the secretariats have yet to be vested with substantial powers.

The structures for external relations have a high degree of institutional flexibility but follow the rationale of the main actors: behaving as a joint actor without conceding too much national sovereignty. The set-up is thus best described as target-oriented while its emergence corresponds to neo-functionalist logic. It is thus not clearly classifiable according to traditional divisions of supranationality and intergovernmentalism.

This is particularly visible in interregionalism. The desire to conduct external relations as a bloc established a consistent and progressing policy field. Albeit based on intergovernmental mechanisms, external ties have expanded considerably in scope as joint negotiation and working groups are fulfilling the role of main interlocutor in this area.

While not free from frictions, external relations still have less potential for conflict than internal issues such as common economic policy. Generally, the national benefits of common external negotiations are perceived as more substantial than the potential loss of sovereignty that consensus building entails. Even though the member states have not given up bilateral relations, negotiations via regional alliances are increasingly superseding in a range of commercial and security issues. Overlapping interregionalism is particularly relevant to position the regional organisations vis-à-vis its neighbourhood and project its ambitions. At the same time, pure interregionalism with other parts of the world, especially North America and Europe, remain of vital concern. The governing bodies of both organisations have the power to negotiate the full gamut of interregional agreements. Yet, any agreement is ultimately signed by the individual member countries and not by a common institution. Any interregional relationship thus carries an element of transregional interregionalism.

One major difference between SADC and Mercosur is the former's focus on development aid that enables a kind of stealth interregionalism less present in the latter. While both give special

attention to the North in their extra-regional relations, their outreach follows a different pattern. SADC continues to heavily depend on foreign funds and even trade negotiations chiefly revolve around the issue of economic partnership agreements with the EU. The material contribution of the EU to Mercosur is comparatively limited. By contrast, SADC continues to primarily look at development agencies to the North as well as to the sub-continental organisations under the umbrella of the AU.

Interregionalism across the South Atlantic: Mercosur, SADC and SACU

The beginning of pure interregionalism between South America and Southern Africa was a consequence of Brazil's partial retreat from Africa in the 1990s. The own region and specifically Mercosur became the priority and the strategy to engage with the whole continent was abandoned in favour of identifying strategic partners, chiefly South Africa, Angola, Mozambique, and Nigeria. The rapprochement with SADC was thus mainly an expression of Brazil's interest to rationalise its main interests in the region.

Relations with South Africa had been reinstated during the transition process from Apartheid and were improving at a fast pace on both political and economic terms. Relations with Angola and Mozambique were motivated by growing cultural and economic ties while Nigeria constituted an important source of oil and therefore the main trade partner in Africa. In addition, Namibia was considered as a potential new partner.

Since these countries except Nigeria were members of the SADC and Brazil was in the process of rationalising its relations with Africa, engaging in condensing interregional relations promised more efficiency. On the South American side, Mercosur already bound the member states to act commonly. From Brazil's perspective, negotiating a free trade agreement with SADC would be a first test whether Mercosur could effectively improve the position of its member countries in the global world order.

Starting in 1995 mutual high-level visits between Brazil and South Africa took place frequently and after identifying common interests various bilateral accords were signed, eventually giving way to a Joint Commission Agreement in 2000. During that time, Nelson Mandela also participated at a Mercosur summit in 1998 as the first President outside of the region.

Political commitment was thus clearly visible on both sides but engaging in pure interregionalism turned out to be complicated in practice. Firstly, the institutional setting did not facilitate interregional agreements. None of the secretariats had the capacity to conduct

external relations on their own, let alone an external representation. South Americans officials were as rare to find in Gaborone as Africans in Montevideo. Secondly, trade between most countries was modest and concentrated in a few volatile natural resources dependent on world market prices. Lastly, except for South Africa SADC members simply did not have resources for such an endeavour. The scarce personnel capable of negotiating such an agreement would have to be spared from the WTO rounds or SADC itself (Stahl 2000).

In contrast, relations with South Africa on its own looked more promising and the country by now offered an entry point into the whole region. In the 1990s, the increase of South Africa's trade with Argentina and Brazil was impressive and underpinned the economic opportunities of an agreement (Molate and van Ernst Seventer 2003). The private sectors of South Africa, Brazil and Argentina also manifested some interest and in particular the automotive industries formulated explicit demands (White 2003; Automotive Industry Export Council 2007).

Eventually, Mercosur opted to start negotiating a free trade agreement with South Africa in 2000. An expansion to SADC stayed desirable and relations between SADC and Mercosur were maintained over time but pure interregionalism was effectively given up in favour of hybrid interregionalism.

South Africa's interest in Mercosur can mainly be attributed to the priorities of the post-Apartheid government. On the global level, it strived to overcome the decades of isolation, particularly in multinational forums. Former opponents had turned into potential allies. South Africa's Department of Trade and Industry (DTI) developed the so-called "trade butterfly" strategy (Erwin 1999). In addition to the traditional ties with Africa, Europe and the U.S., South Africa should spread out its wings to Latin America and Asia. Mercosur being the most innovative and successful grouping on its continent at the time, it cropped up as the natural partner. South Africa was also interested in the experiences of South America in dealing with issues of reconciliation after the military dictatorships.

Brazil and South Africa both shared the idea of exploring possibilities for South-South agreements with potential allies. But while Mercosur formally constrained Brazil to negotiate trade agreements as a regional group, South Africa was able to start the negotiations on its own terms, as its regional framework was less constraining. SADC and SACU members were hitherto free to sign individual FTAs. After South Africa unilaterally completed a FTA with the EU in 1999, the SACU members, who would bear its consequences without having been involved in the negotiations, called for a revision of the rules. The subsequent reform in 2002

did not reverse the hegemonic structure for that matter but it changed enough to become relevant for the South Atlantic realm.

SACU members were now required to sign new trade agreements as a single entity – much like within Mercosur. The negotiations Mercosur had so far undertaken with South Africa were consequently being transformed into a SACU issue. Hybrid interregionalism transformed back into pure interregionalism, albeit with a different partner, namely SACU instead of SADC. Mercosur states feared having suddenly to negotiate with four additional countries, making a potential agreement more difficult to reach. However, Mercosur's fears were unfounded, as South Africa hegemonic role in SACU translated into the country being the sole negotiator. Though formally framed by pure interregionalism the negotiations in fact continued to be a hybrid interregionalism between South Africa and Mercosur.

Despite a profound economic crisis that hit Mercosur, conditions for interregionalism improved significantly between 2001 and 2003. Lula Da Silva became President of Brazil and not only continued to pursue the Brazilian interests in South-South relations initiated by his predecessor Cardoso but intensified concrete engagements. By extension the foreign policy of Mercosur adopted a similar logic as commercial linkages with less traditional partners were being sought after (Nutenko 2006). Mercosur was the natural channel to transform political South-South initiatives such as the India-Brazil-South-Africa Dialogue Forum (IBSA) into substantial economic agreements. In addition, the WTO negotiations experienced a collapse that led to a languishing of multilateral trade. A group of developing countries led among others by South Africa and Brazil brought the WTO talks to a standstill. Their interests in agricultural goods as well as services and investment were directly opposed to those of EU and the U.S. The adamant stance against the countries of the North was further pursued by Mercosur with the stalling of negotiations with the U.S. on a Pan-American free trade zone as well as with the EU on a bilateral agreement. The rationale for Mercosur to persist as a vital trade bloc in the global economy was to use its capacities to extend to other Southern countries.

Consequently, Brazil firmly occupied the driver's seat of the SACU-Mercosur talks. This position corresponded to its idea of leading the emerging South-South relations that would overturn the international political economy to its favour. Mercosur's role by now went far beyond being an organisation focusing on internal economic integration. It became a convenient instrument for Brazil to gain influence and prestige in the world while ensuring the cohesion of its own regional grouping. Brazil thus engaged in convincing the other Mercosur countries to pursue a preferential trade agreement (PTA).

As a result, the SACU-Mercosur negotiations were as much about political strategy as they were about tariffs (Roberts 2004). At the end of the day technocrats still had to come up with categories, quotas and timelines. But the decision to conclude an agreement as well as its design arose from the political project of South-South cooperation. In doing so, both sides showed a considerable degree of flexibility. A perfect customs union with a common access to external goods was clearly not a priority. South Africa and Brazil acknowledged the internal asymmetries of their groupings and as a result different concessions were made to the smaller countries.

Within two years relations assumed a more formalised stage and a preferential trade agreement was agreed and signed by both parties in 2004. However, it was a very simple agreement that left central issues such as customs jurisdiction unresolved. It included about 1900 tariff lines but excluded most crucial export goods such as agricultural and automotive products. Due to its limitations, the PTA was not considered ripe for ratification and negotiations towards an improved trade agreement started. Eventually, after twelve lengthy rounds of negotiations concerned with technical details, a new PTA was signed in 2008 and 2009. About 300 tariff lines had been added and parts of the initial agreement were further developed but crucial parts such as the automotive sector were again postponed as they faced major opposition in South Africa. Overall substantial changes were lacking. The SACU countries enjoyed preferential trade schemes with the EU and the U.S. proved and feared that competitive goods of the Mercosur would benefit on their expenses from free trade access (Maihold 2007).

The agreement was a disappointment, especially to the small countries that had been dragged into lengthy negotiations that occupied their scarce resources. Rounds of negotiations for over nine years (including four years of revising an initial agreement) were a considerable effort to be invested to achieve an agreement giving preferential access to a very limited amount of goods.

For South Africa and Brazil the immediate impact on trade was less relevant. Political elites in charge visibly gave priority to the South Atlantic negotiations even though substantial economic benefits are meagre. There is little evidence of active demand from the private sector or third parties. The PTA was not pushed as a pure trade agreement but as a political instrument for South-South cooperation that would include increased trade interdependence among other aspects. The PTA would serve larger goals as by paving the way for an upcoming IBSA-based cooperation and a trilateral trade agreement between SACU, Mercosur and India.

The negotiations do not reflect major economic interests as trade effects are expected to be rather low due to a lack of complementarities and protective industrialising interests in many countries. However, there has been a persistent political will to promote the agreement over many negotiation rounds, even though actual results might be limited. It has been one of the few agreements signed by Mercosur and the first one by SACU. As such, it enhances the strategic options of its members in dealing with the political and economic world order. This is particularly important for countries with an explicit global agenda, such as Brazil and South Africa. In sum, despite being an agreement of pure interregionalism, this undertaking resembled more to hybrid interregionalism on both ends. South Africa and Brazil were both constrained to include their neighbours into the regional power approach (Soares de Lima and Hirst 2006).

Concluding remarks: interregionalism and summitry

The southern link of the Atlantic basin is the weakest regarding trade, but this has not prevented trade interregionalism to emerge. The South Atlantic trade interregionalism discussed in this chapter primarily refers to the negotiations between formalised organisations, namely Mercosur on the one side and SADC or SACU on the other one. These relations oscillate between hybrid and pure interregionalism, depending on whether the regional powers or the regional grouping carry more weight. Brazil and South Africa, the two hegemonic powers in the respective regions, thus play a central role in shaping interregionalism. This is a pattern that is recurrent in other interregional encounters in the Atlantic space. Where their interests coincide – such as in the reform of the WTO, market access to Europe or technology exchange – they can act as facilitators of interregionalism but if similarities in their economic structures – such as commodities or manufactures – put them in a competing position, interregionalism will face severe obstacles.

Although summitry has emerged as a common way to organise interregional relations in the Atlantic space (from AU-EU summits to Africa-South America summits), this is not the main modus operandi for trade interregionalism in the South Atlantic. Although meetings of heads of state have been crucial in triggering interregionalism, the negotiations were carried out in continuation by task managers from various ministries. In this context, summits have a clear role to play, namely to provide a mandate and a sense of strategic priority to those actors. Negotiations can subsequently carry on autonomously for some time, but summits again

become necessary to resolve diverging agendas and to sustain commitment. Mercosur relations with SADC and SACU are not only about summitry but given the weak external actorness of these regional organisations interregionalism easily falls by the wayside without summitry. This was evident at the end of the PTA negotiations, when the agreement was not signed during a common ceremony of an interregional summit. Rather both regional groupings signed the agreement separately at one of their regular regional meetings. Falling out of the usual Atlantic pattern thus risks lowering the priority of the conclusion and implementation of trade agreements.

Relations between Mercosur and SADC/SACU have not been sustained by summits, not least because competent venues have emerged. For instance, IBSA and BRICS summits have provided South Africa and Brazil with additional alternatives. On an interregional level, additional frameworks exist in the context of South Atlantic relations. The Zone of Peace and Cooperation in the South Atlantic (ZOPACAS) and the Africa-South America (ASA) summits represent the main venues for transregionalism and are primarily characterised by summitry in the form of intended regular meetings of ministers and heads of states (Abdenur, Mattheis and Seabra 2016). These summits are covering both sides of the Atlantic and thus encompass two regions but have not had any relevant impact on the pure and hybrid interregionalisms between Mercosur and SADC/SACU.

The South Atlantic retains its marginal position in the Atlantic with respect to its interregionalist standing. The regionalisms of Southern Africa and South America have only created selective spaces of interaction outside the EU-centred interregionalism that predominates in the Atlantic space. However, South Atlantic interregionalism has also served as a laboratory for the Atlantic by using trade negotiations to primarily advance non-economic interregionalism.

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