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STRATEGIES FOR ECONOMIC CO-OPERATION AND DEVELOPMENT  
IN THE SOUTHERN AFRICAN SUB-CONTINENT<sup>1</sup>: TOWARDS 2000

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Vink N<sup>2</sup>

"Imagine all the people  
living life in peace ...  
no need for greed or hunger ...  
They say I am a dreamer, but I am not the only one  
I hope some day you join us ...  
and the world will be one".

(John Lennon from the song "Imagine").

## 1. Introduction

Paul Johnson, the renowned historian, ends his book "A History of the Modern World" with the following statement: "A prime discovery of modern times is that reason plays little part in our affairs." In analyzing the major events which influenced the course of the 20th century, he illustrates that modern society did not develop in ways that would have been predicted by the generation of 1920's.

This by way of introduction serves to remind us that we should be humble when we try to predict the possible outcome of various forces which, according to our logic, reason and insight, will have major influences on future events.

One way of increasing accuracy is to look to history to assist in identifying these forces. For this reason, the next section of the paper attempts to derive scenario's for the 1990's based on such a historical perspective, i.e. a description of the "historical future" awaiting us in southern Africa.

In section three, possible new forces which could have a major impact on events en route to the early part of the 21st century will be considered. The paper will then end with some speculation on the possible nature of economic events twenty to thirty years from today and possible strategies for South Africa in this regard.

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1. For the purpose of this paper, the following countries are included: Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, South Africa (including the TBVC states), Swaziland, Zambia, Zaire and Zimbabwe.
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## 2. Main features of economic interaction in Southern Africa: a historical perspective

It is not possible to identify all the events of the past which may have a bearing on the future, nor is it necessarily desirable. In this section the approach will rather be directed towards statements and short explanations of a rather subjective view of what is important.

### 2.1 Statement One: The present economic dispensation in the southern African region, is the outcome of "power games" rather than economic logic

The railroad was of great significance in the development of the world economy during the 19th century. The spatial location of rail lines has likewise been important in the southern African economy (see Figure 1). The great gold discovery on the Witwatersrand took place at the time that the main rail link between Cape Town and Kimberley was completed. Economic logic would dictate an immediate extension of the line to Johannesburg yet this was only accomplished in 1892. Political leaders such as John Merriman, fought for these rail links as a precursor to a united South Africa.

They believed that the economic unity resulting from an integrated railway network would lead inevitably to political union. Cecil John Rhodes also fought for the union of the railways, but with other goals in mind. President Paul Kruger allowed the construction of the line from the Vaalriver to the Rand, but also for reasons other than economic logic. Rhodes wanted his Cape to Cairo link, and Kruger needed funds to complete the Beira line. So expediency brought them together: Rhodes, as Prime Minister of the Cape Colony, saw to the funding of both the lines. Kruger, having obtained his rail link to the east coast, and no doubt realizing that Rhodes was not being driven by altruistic economic motives alone, slapped a tariff wall on imports from the Cape. The result differed little from not having a rail line at all. The tariff wars continued until the end of the Boer War, and Rhodes built his rail line to Rhodesia. Control and power considerations therefore directed the spatial layout of what was supposed to be the "Cape to Cairo" rail link. A consequence of this was an economically illogical rail network missing the Transvaal gold fields at first, while linking the then Rhodesia with Cape Town, both British colonies, through Botswana.

In later years Jan Smuts saw the British Commonwealth as a means of ensuring that South Africa could contribute to spreading 'civilization' throughout the world and share in the resulting benefits. To him the British African dominion, stretching from Cape Town and Windhoek right up to Nairobi, would encompass virtually all Africa's mineral wealth outside

the then Belgian Congo, together with the best farming land. Another feature of this plan of course, was a transportation network over which South Africa, as one of the main actors, had maximum control (Johnson 1983).

This Smuts plan, however, never came to fruition, inter alia because Britain lost the will and, with the Second World War, the opportunity to keep this elaborate structure, designed to "turn the entire Indian Ocean into a British lake ... its necklace of mutually supporting naval and air bases from Suez to Perth, from Simonstown to Singapore, from Mombassa to Aden, to Bahrein to Tricomalee to Rangoon." in tact (Johnson 1983:44).

One legacy of these developments was a substantial degree of trade liberalization that reached a pinnacle during the decade of the fifties. The land-locked states of southern Africa (Botswana, Zimbabwe, Zambia, and Malawi) started developing and using the more natural transportation routes through Angola and Mozambique (Table 1). During this period and later, even freight travelling from the Eastern Transvaal used the Maputo Port.

This "natural dispensation" resulted in 80% of trade passing through the Angolan and Mozambique lines with 20% through South Africa during the late 50's. By contrast, about 70% of the region's trade volume, passes through South Africa today (see Table II).

#### /Table II/

The reason for this shift from the natural transport lines to those controlled by South Africa, should be sought partly in the inability of the newly independent states to administer and run the network. A further cause was the fact that South Africa once more realized the strategic value of transportation control. Economically, South Africa stands to gain foreign exchange to gain through freight charges, while monopolizing the southern African hinterland market for its own products.

More important, however, is the political leverage which control of these transportation routes gives South Africa. With the land-locked states depending on South African transport facilities for most of their vital supplies, the scene was set for using the transportation network as a political tool. The transportation "weapon" was, according to evidence, often activated through actions ranging from accidental mislaying of railway trucks containing essential imports (as in the case of Rhodesia in 1977), the closing of transportation links (Lesotho in 1986) to the destruction of both the Benguela and Beira railway lines (EIU 1989).

Within this scenario it is thus not surprising that the highest

priority of the states of the southern Africa Development Co-ordination Conference (SADCC) is not in the field of food security, combatting of AIDS or education and health care, but securing alternative transportation routes for their landlocked states. In this respect the opening of the Beira, Nacala and Limpopo routes (in this order of priority) and the maintenance of the Tazara line, are viewed as major actions for the nineties.

One of the central issues which would influence southern Africa's economy, during the 90's and well into the next century, will be to what extent South Africa will "allow" these "normal" routes to be developed. Sections three and four will attempt to answer this question.

## **2.2 Statement 2: The Economic Interdependency of the Region is based on economic Considerations**

The dominant position of the South African economy in this region is evident (Table III). It would, however, be incorrect to argue that South Africa exploit its hinterland without counter benefits to the southern African states. The influential EIU (the Economist Intelligence Unit) in their report "southern Africa: the price of apartheid" (1989), concludes that "despite South Africa's economic strength compared with its regional neighbours individually or even collectively - economic dependence is not a one-way street but an aspect of interdependence". The trade interaction is indicated in Table IV (EIU 1989:13).

### **/Tables III and IV/**

There is no doubt that South Africa, as well as her trading partners enjoys a substantial direct nett benefit from this interaction and could benefit substantially more if trade links could further be stimulated.

It can also be stated, almost by definition, that economic ties do not endure unless loosening or breaking them would entail more immediate costs than benefits. The governments of the region are all sovereign and free to accept an economic cost for a political benefit. The size of the cost, is clearly critical. The magnitude of trade between South Africa and its neighbours indicate material benefits which clearly outstrip the political benefit which trade isolation of South Africa could potentially generate.

From this, it is thus argued that the present linkages exist on economic logic grounds and not so much because of deliberate policies but often in spite of such policies. In fact, the deployment of the transportation weapon is indeed dependant on the economic rationale of utilizing transportation routs!

### 2.3 Statement 3: Some Institutional Relationships in southern Africa are more important than others

History has bequeathed southern Africa with two major economic institutional groupings, namely SADCC and ECOSA. These and other outside interests and pressure groups are discussed in turns below.

#### 3.1 SADCC states

The SADCC grouping consists of Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe (Zaire excluded). This organization was created by a Heads of Government meeting in Lusaka in 1980, as an economic grouping of Front Line states plus Malawi and Tanzania. The aim was to promote economic development in the region within the context of diminished economic dependence on South Africa (whether white or black ruled). It was a vehicle for developing regional rather than national projects and securing finance from multilateral and bilateral aid agencies.

In general the grouping has not played a significant role in alleviating members' dependency on South Africa, with the possible exception of future transportation dependency. Intra-SADCC trade is for example only 4% - 5% of the total trade of the region. Important, however, is the volume of bilateral trade between individual SADCC countries and South Africa as well as for SADCC as a whole with South Africa. These volumes are given in Table IV.

It can in general be concluded that political rhetoric rather than meaningful economic interaction characterizes the SADCC grouping although technical matters in the fields of tourism, health and agriculture etc. are also attended to. (Koester 1985; Van Rooyen 1984). This political orientation is restrictive as the pursuit of political objectives in southern Africa has had the significant effect of severely limiting the options for economic growth, while pushing the region closer to a full scale sanctions war.

#### 3.2 ECOSA states

The Economic Community of southern African States (ECOSA), including South Africa and the TBVC states, can be viewed as the local (South African) option following the failure of John Vorster's initiatives of the late 70's to launch the Constellation of southern African States (CONSAS). This concept was largely a diplomatic offence backed by economic incentives to create a situation of mutual benefit between South Africa and its neighbours. Instead of agreeing to CONSAS, the southern African states formed SADCC as an antithesis.

ECOSA today operates within the concept of the regional Development Policy (RDP) supported by all SATBVC states (1982)

aimed at promoting balanced regional development; privatization, especially supporting emerging entrepreneurs; devolution of decision making to local levels; and regional co-operation.

ECOSA also provides interaction at governmental level through various multilateral and bilateral working groups (the MTC system) as well as liaison between private sector and local governments through the regional liaison committee (RLC) system.

The other main features are regional industrial development incentives, movements towards common policies in the field of tourism development, small business development, agricultural marketing and production, transportation development, urbanization, etc. A system of Joint Financial Control committees between South Africa and the other states, with the Development Bank of southern Africa as secretariat, and the institution of DBSA as prime source of development capital for economic projects through loans are also important ECOSA institutions.

In this respect DBSA plays a role somewhat similar to the IMF and the World Bank in the rest of southern Africa. The aim is to promote the restructuring of the less developed regions in the SATBVC area with particular emphasis on access to support services and opportunities for poor communities, emerging entrepreneurs, businessmen and farmers to compete in the larger South African and international markets.

The issue of economic restructuring can be considered as potentially an important feature for future co-operation in the southern African region inter alia through possible interaction between DBSA, the Work Bank, the IMF and other development agencies.

### 3.3 Outside Interests and Pressure Groups are of Less Importance for southern Africa's future

For various economic and strategic reasons, Western countries do not have many vital interests in the southern African region. Economically the importance of this area fall well behind that of the EEC, Japan and the developing countries of the far East.

In fact, South African have not received any major capital investment from any Western country since the early 70's. From a military and strategic viewpoint, southern Africa is also not as important as in the past, inter alia in terms of control over the USSR's shipping movements. One area of importance, however, is that of strategic minerals which are indispensable to the West for various industrial and military processes. Trade in these minerals, including chromium, magnesium, platinum, vanadium and cobalt, will therefore not likely ever be cut off. Gold is also important, not as direct source of wealth, but rather through its linkages to financial markets



and its role as a store of wealth in the Middle and Far East countries. Gold trade will therefore remain important.

Within this framework, the threat from sanctions is not unclear. In general the West has no strong economic rationale to withstand Third world pressures, and their rhetoric can "drive everybody to the position of supporting sanctions" (EIU 1989:108). On the other hand, practical considerations and the moral convictions of leading western countries might counter certain of these efforts.

The fact that the West has no real policy on South Africa implies that Western policies are largely a matter of approved posture, which in fact increases the sanctions threat for South Africa. Important on the other hand, is that it is mentioned in Western circles that sanctions should rather move away from penalizing apartheid, *per se* and be directed towards the alleviation of destabilisation activities in southern Africa. The expansion of development aid to SADCC countries is presently also considered as a constructive alternative to sanctions against South Africa.

As to the USSR and Warschau pact states, the "concept of apartheid" provides an unique opportunity for stirring up anti-West feelings. Gorbachev's recently expressed interest in supporting the West to avert chaos in this subcontinent should be viewed as a move towards moderation - "Glasnost" - and a manner in which possible "embarrassing" bilateral relations with African states can be avoided.

Cuba's position, however, is unclear and the present Angolan experiment will test to what extent Cuba's military involvement as part of their declared solidarity with the Third world in their struggle against Western imperialism, can be accommodated.

In summary it can be said that the present institutional arrangements in southern Africa do not provide an appropriate forum for economic co-operation in view of the strong political context of SADCC and also because of the limited economic linkages between the SADCC states. However, it appears as if the present emphasis by the super powers to promote change through negotiations rather than through military conflict, provide an unique opportunity to co-operation in southern Africa. It can also be argued that bilateral action, involving South Africa, provides a more productive form of interaction and liaison (Van Rooyen and Fenyes 1985).

#### 3.4 Statement 4: Something New out of Africa?

"Out of Africa," wrote Pliny, "Always Something New!" Today many people would probably like to change that to "Something Ghastly". Perhaps, just perhaps, they would be wrong. For the

first time in decades there is a little cheer coming from that huge continent" (The Economist, March 4, 1989).

The general opinion of Africa as "the pit of humanity" is well backed up with arguments at both qualitative and quantitative levels: Growth in GDP totalled less than 2% during the period 1980-1987; the real income of the average African is now 10% lower than in 1970; starvation and malnutrition is widespread; Aids has spread further in Africa than anywhere else; the Sahara desert has moved south; and the Kalahari desert north; war rather than votes decides the political fate of countries, and more than 3 000 000 war refugees are the result.

There are, however, other sides to the story, with glimpses of economic progress and growth showing, as well as evidence of people responding to the same sort of incentives, that rational people in other countries also respond to. Examples are many, especially in peasant or smallholder farming, the largest economic sector in most of the southern African states.

Africa's smallholder farmers have for example increased their output by between 4% and 4,5% per year since 1980 after virtual stagnation over the previous two decades. Up to 1980 the peasant farming sector in Zimbabwe struggled to reach subsistence level. Today in response to farmer support programmes they sell more than 400 000 tons of maize. The small business sector has also responded to profitable opportunities, while African businessmen have started setting up companies, and exporting to world markets. (The Economist, March, 4, 1989). The volume of African exports fell by more than 20% between 1970 and 1984, while in the past 4 years it has risen by 10%; the GDP of some countries in sub-Saharan Africa has grown by between 2,6% and 2,8% since 1984 (World Bank/UN Report 1989).

It will be a misrepresentation to conclude that his burst of economic growth has occurred only in recent years. Similar evidence can be cited from earlier times in Africa. An analysis of the Belgian Congo, shows substantial economic growth from 1920-1960; the index of industrial production grew from 118 to 350 between 1948 and 1958.

As a result the Congo, at the time of independence, had for instance a higher ratio of hospital beds to population than any African country and also the highest literacy rate.

Unfortunately, the Belgian pull-out in 1960 signalled the start of the economic "demolition" of colonial Africa. Another good example of economic growth and progress is the Ghana experience. This country was planned by the British to be the model for "slow, sure copybook progress to self rule" and by the time of Uhuru it was economically a well structured state by African standards. This status changed dramatically in the 1960's, leading to eventual bankruptcy (Johnson 1983:511).

The economic history of Nigeria, Ghana's rich neighbour, further proves the point of growth before Uhuru. As a general rule, however, it can be stated that many African countries, after increasingly showing signs of economic success, could not sustain economic growth processes during the Uhuru years, with some states only now emerging to economic positions where their citizens are not getting increasingly poorer.

An examination of some reasons for this phenomenon is important. Africa's Uhuru process was directed by the political philosophy of African nationalism based upon two false and fundamentally misleading premisses: (a) that social and economic development of Africa will come only within the political kingdom, not the other way around" (Nkruma 1985 according to Johnson 1983); and (b) that "colonialism did not merely hold back economic advance, but actually subjected the colony to a deliberate process of underdevelopment" (Economist, 4 March 1989:16 and Johnson 1985).

The major problems with these two false premisses was that it gave justification to the politicizing of economies, rapidly eliminating all economic surpluses in favour of political causes. This, at the same time placed the charismatic political leaders of the Uhuru period under tremendous strain as they could not deliver the goods they promised to "their friends and to their nation". In most cases the economic systems broke under the strain of political posturing. Military men, who generally did not support the cause of economic discipline, then took over, resulting in further stagnation and increasing foreign debts. Expenditure on the military contributed much towards this state of affairs. The resulting tyranny of Africa is well documented.

A third reason for the collapse of African economies during the Uhuru period can also be isolated. The economic growth process in most colonial countries was never broad based. Plantation style agriculture projects using the local population as workers characterized an "island" type agriculture and rural economy. Another example show that despite the Belgian Congo's rapid economic growth in the first half of the century, the country had no Congolese doctor, engineer or senior administrator or even a single African military or police officer when the Belgians left.

Similarly, sub-Saharan Africa (excluding South Africa) today has 9 agricultural research officers per 100 000 cropped hectares compared to 18 in southern Asia (Lipton 1988). Such figures do not even begin to address the question of research quality and relevance. Only 15% of Kenya's research scientists had any post graduate qualifications in 1978.

These features of the decolonialisation process left Africa's true resource base-ordinary men making economic rational decisions in response to market signals - without any support

and access to operate in market processes. In this respect, Goran Hyden (1980) spoke about the only truly "uncaptured class" of the latter half of the 20th century - the rural peasantry of Africa. To them economic production was directed at subsistence needs. There was thus no incentive to produce in excess of these needs, and thereby creating the economic surpluses and wealth developing countries so dearly required. The further problem with this situation was that it had a reduction in food production, leaving millions of African starved or underfed.

A fourth feature of this period should also be mentioned. The politics of African states lacked fundamentals such as a sense of nationhood, an acceptance of the legitimacy of government, sound administration, legal rights to private property and common law. This and the above features further lead to a situation where guns, the natural tool of military men, rather than constitutional norms, ruled a nation. South Africa's military involvement in the subcontinent during the 70's and 80's should also be related to this feature of the southern African region.

Why then the current glimmer of hope? The basic reasons for the recent positive economic growth trends is clearly highlighted by the findings of a recent World Bank/United Nations report (1989). This report compares the performance of two types of sub-Saharan countries excluding South Africa, viz reforming and non-reforming countries (Table IV). Reforming countries are classified as those who had pushed their economies through a process of structural adjustment with the support of the IMF and the World Bank.

This process entailed features such as incentives and support to farmers, small business entrepreneurs and contractors; ensuring that interest rates are above the rate of inflation; keeping the exchange rate market related; keeping budget deficits low; applying tight financial controls over state enterprises; the introduction of sound managerial processes in public sector institutions; and the support and promotion of privatization actions in the field production and service supply. According to this study, Africa's reformers have had three years of growth averaging 3,75% per annum compared with 1,5% for non-reformers. Countries in the southern African context which were classified as strong reformers are the Congo, Zaire and Malawi. None or weak reformers are Zambia and Zimbabwe with Mozambique and Angola excluded from this study.

Zimbabwe's agricultural support to peasant farmers and recent movements by the Mozambique government in support of the revival of small-scale farming enterprises (the "family sector"), however, can be included as reform measures which have resulted in substantial productivity increases. The present indications in South Africa are that similar "stories" of a "smallholder economic revolution" can be ruled across a

broad front in the fields of agriculture and small business in the formal and informal sectors (Annual Reports of the DBSA).

**Something New out of Africa?** Perhaps. In 1980 the African heads of state in Lagos claimed that their economic plight stemmed from "the political constraints caused by colonial and racist domination and exploitation". By contrast, in 1986 the African group of the UN stated that Africa has taken the main responsibility for its own development. This attitude with a strong commitment to applying sound economic policies, especially towards broad base supporting of small scale entrepreneurs, could be the key to unlock southern Africa's potential to the benefit of all states with South Africa potentially playing a crucial role in this process.

#### **4. Options for the 1990's (The "Historical" Future)**

##### **4.1 Historical Forces in the 1990's**

The main forces which will shape the southern African environment through the 1990's can readily be derived from those which created the present day situation. In this sense, the course of the immediate future has already been set through certain historical events and trends, related to (a) the "power play" in southern Africa; (b) the reality of economically beneficial interdependency in the region; (c) the establishment of more or less effective institutional groupings; and finally (d) the fact that economic progress and productivity can be obtained in Africa through the support of market processes on local, national and international levels.

In proposing a range of options or scenarios' facing southern Africa, we should also recognize the central role of South Africa in creating economic linkages or causing destabilisation through the deployment of instruments such as the transportation weapon or military forces.

##### **4.2 Scenario's**

Within the above-mentioned context, an attempt will now be made to derive alternative options or scenario's using differing levels of co-operation and trade between South Africa and the other southern African states as the basic framework of reference. This approach is based on a matrix covering various options within four major scenario's (See Figure 1):

Figure 1: Options for the 1990's

		CO-OPERATION	
		LOW	HIGH
TRADE	LOW	STAGLATION	ALL DRESSED UP BUT NOWHERE TO GO
	HIGH	ENSLAVEMENT	GOOD NEIGHBOURS

(a) "Staglotion" (Stagnation and Isolation)

This scenario describes limited co-operation between South Africa and the other southern African states, with movement towards minimized trade linkages. This situation will lead to stagnation in diplomatic, political and economic relations isolating South Africa from any influence in this subcontinent.

(b) "Enslavement"

This scenario describes the present day situation of necessary albeit unwilling level of co-operation, as dictated by trade interaction. The high dependency of southern African states on the South African transport network relates this scenario to a form of enslavement, but with definite mutual benefits to both parties.

(c) "All dressed up but nowhere to go"

A high co-operation low/trade linkage scenario describing the present day SADCC scene with much political rhetoric and little economic substance.

(d) "Good Neighbours"

This scenario describes the best case for regional stability and economic growth through optimal co-operation and trade policies between southern African neighbours.

#### 4.3 Assumptions

In order to select the most likely scenario's and possible options within a scenario, it is necessary to establish a set of assumptions on interaction in the early 90's in southern Africa:

- (i) South Africa will continue to play a dominant role in the subcontinent, especially through bilateral trade and diplomatic and political actions.

- (ii) The main volume of intra-regional trade will still be directed through the South African transportation system.
- (iii) Through SADCC efforts and foreign aid, transportation systems alternative to the South African system, will be developed, opening up the Beira and Ncala routes, and later on the Limpopo route to Maputo.
- (iv) South Africa's internal situation will move towards a society operating under rules of greater equitable access to opportunities and resources as well as political decision making. This will, inter alia result in a growing domestic market for food and consumables. Increased urbanization will provide further economic opportunities, but must also generate pressures and favour progressive ("Mass democratic") liberalization movements.
- (v) The present level of military action and deployment of the transportation weapon will be maintained in order to contain ANC-type activities launched from neighbouring states. Military activities are thus not expected to escalate and the transportation weapon will only be used as a retaliatory measure.
- (vi) A mild escalation in sanctions against South Africa depending on progress with an internal settlement can be expected. Recent developments in respect of Namibia and Angola will, however, strongly deter major moves against South Africa while SADCC states will rather be supported through increased levels of development aid from Western countries.

In essence these assumptions implies a switch of the sanctions focus on "apartheid punishment" to aid towards economic restructuring and reducing dependance of SADCC states on South Africa.

#### 4.4 A Most Likely Option

From the above assumptions it can be expected that the present level of economic linkages and interdependency of southern African states will at least continue into the early 90's. Restructuring in South Africa's neighbouring economies is likely to increase rather than decrease these economic interlinkages. Despite political consideration, eg. the liberation struggle and the emotiveness of the apartheid theme, resulting in a trend towards low level co-operation, strong trade linkages renders the Stagnation (stagnation and isolation) scenario most unlikely.

The All dressed up but nowhere to go (high co-operation low trade) scenario can be viewed as irrelevant for the southern

African situation. It should also be evident that the very best case for regional progress (Good neighbours) for the immediate future is off the political agenda. This leaves the basic present day situation as the most likely outcome of the near future.

The exact position within the enslavement scenario would critically depend on a continuation and even increase of bilateral actions between South Africa and on the one hand acceptance from southern African states of the shift in emphasis from sanctions against apartheid to aid for restructuring. The public rhetoric against South Africa will most likely continue, but should almost at all costs be countered by open line private communication between heads of state.

A very important prerequisite for the enslavement option will be restraint by South African authorities in the use of military action and the deployment of the transportation weapon. As such actions could easily force individual and group positions within the enslavement scenario towards the stagflation scenario.

On the other hand establishment of markets in southern Africa, will strengthen trade linkages and co-operation towards, but not reaching the good neighbours scenario.

The most likely position within the Enslavement scenario, depends largely on the regional governments themselves. A workable stable position requires "cool heads" on all sides, calculating self interest rather than emotional reaction.

From the above analysis, it is also clear that the enslavement scenario in itself does not have enough stability to develop as a long term option. The decade of the 90's will be critical for all the players in the southern African subcontinent, determining whether long term movement will be towards the stagflation or good neighbours scenario.

##### 5. Shaping the future

In the discussion so far, certain trends and forces were described which shaped the southern African environment as we know it today and probably will experience during at least the early part of the next decade. A prognosis of economic co-operation and development through to the early part of the 21st century, require a decision as to whether these historical forces will continue to influence the situation in a linear manner or whether new forces will increasingly shape the future. The likely influence of such new forces is speculated upon below.



## 5.1 "Freeing the Markets"

Indications are strong that the emphasis towards support and incentives to small businessmen, farmer, contractors, etc. will further continue world wide as a strong theme. World Bank/IMF supported restructuring programmes in southern Africa will also increasingly follow this line.

The overwhelming successes of such strategies in Japan, Taiwan, Singapore, Hong Kong, South Korea, Chile, India, Poland, Hungary and many other countries was and is the direct effect of economic policies which led to the withdrawal by the state from huge areas of decision making in favour of individuals and local options. It can readily be expected that similar policies will increasingly be introduced to southern Africa with resultant increases in productivity and economic growth.

The interlinkages of economic and political processes and a general movement towards freeing markets has also led to the erosion of centralized political power in many of these countries. A democratization process can therefore be considered as likely to follow market liberalizing programmes. This process might create strain on existing institutions, but in general it can be expected that the huge benefits both economically and financially of these broad based policies will enjoy substantial support.

The movement towards providing access to market opportunities at "grass roots" production level is also complimented by movements towards liberalizing world trade in agricultural commodities, for example through the Uruguay Round of the GATT discussions (Warley 1988; Siamwalla 1988; Brookins 1989).

Recent observations on business activities holds increasing evidence of a movement towards smaller units of decision making, networking between both big and small business on a world wide basis, through electronic media communication. (Economist, March 4, 1989). It can thus be expected that trade opportunities offered by South African businessmen in this field will increasingly be exploited.

This, in fact, could change the structure of co-operation from multilateral land/or bilateral governmental action to a freer association of businessmen both small and big, with government parastatals and smallholders/entrepreneurs.

In conclusion indications are that events over the next 20/30 years will be guided by a continuous movement towards individual freedom and the "freeing of markets" away from "big" government and state management actions. This will be in strong contrast with the social engineering actions ("revolution from above") and collectivistic models which controlled the lives of individuals during the past 20 years and in general turned economic surpluses in deficits (Johnson 1983:705). It is

strongly argued that the "age of small economic men" will arrive during the nineties and remain into the next century.

## 5.2 Settling for Local Options

The failure of markets to solve allocation problems on an equitable basis is well known. This problem is specially pertinent in the areas of common resources, public goods, and ecological and environmental considerations.

In most southern African countries, huge grazing areas fall under some form of tribal community tenure. The implications of degrading the natural resource base through overstocking is well known, threatening the entire ecological life cycle and eventually the basis of subsistence of many millions of people.

Another area of concern refers to pollution and related natural resource degrading activities. The internalizing of such external costs in general is quite complicated. Interstate occurrences of pollution and ecological degrading activities further complicates the issue of just compensation and responsibility in this regard.

Recent approaches towards problem solving in these areas emphasize local options, acting in co-operation with authorities, where affected parties determine the "rules of the game" as well as criteria for compensation (Vink 1986; Livingstone and Von Witzke 1988). The link-up between economic liberalization and political freedom will in all likelihood encourage governments to allow "local option" solutions to local problems.

## 5.3 The Food Security Battle and the Hunger Equation

"At independence in 1960, sub-Saharan Africa was a net exporter of food. Today, despite the vast natural potential, this area is importing around 8 million tons of food each year and around 100 million people do not get enough to eat" (Eicher 1988). To compound these problems, the population of this region is expected to double and reach a billion in 20 to 25 years.

Donors appear confused on how to assist in solving the imminent crisis. Food aid programmes are at best ineffective while not attending to a sustainable long term solution.

A fundamental assessment of the food security issue in southern Africa reveals growing empirical support for two premises about linkages between food availability, poverty and access to food. The first premise is that increasing food production, storage and trade can ensure food availability.

Food availability will, however, not automatically end hunger and ensure that people have enough to eat. The second premise is that because poverty is a central cause of hunger and

malnutrition, special efforts are needed to support the poor to gain and increase their access to food.

From the above the Hunger Equation can be formulated, emphasizing the need to tackle the hunger problem from both sides simultaneously vis food supply and food access. On the food supply side the critical role of small producer access to market signals and support systems can be argued with, as evidence also clearly points to the importance of increased human capacity and institutional development as the prime movers (Eicher 1988).

On the demand side access to food seems dependent on securing or guaranteeing food entitlement (or the ability to command food) (Sen 1985). This approach clearly steers away from short term food aid situations, although these might still be important to relieve immediate needs, to longrun strategy where the hunger problem is solved through policy measures in support of broad based access to employment and income generating strategies again favouring small scale enterprises in developing areas.

These strategies can confidently be assumed to be followed as a substantial decline in enthusiasm for collective farming models and big projects can be expected in view of increasing successes by small farmer support approaches.

With this perspective, it can thus be concluded that the "Hunger Equation" and consequently food supply and demand issues will be high on the southern African agenda. It can also be expected that funding and technical assistance by institutions such as the World Bank and the IMF will support broad based employment and income producing actions as well as emphasizing institutional development and the increase of human capacity at local levels. This approach can have substantial benefits and opportunities in store for South Africa.

## 6. Towards 2000 - Strategies for economic co-operation and development

South African strategies should attempt to steer the "enslavement" scenario of the 90's towards a more stable position closer to the "good neighbour" scenario. The new forces discussed in the previous section, vis the "freeing of markets", settling for local options and balancing the Hunger Equation will, if exploited appropriately, support a movement towards this ideal position. Two basic strategic approaches will be required in this respect.

Firstly, economic interaction should strengthen the "new" focus. It would also be of vital importance for South Africa to achieve meaningful progress towards a balanced growth situation within the ECOSA states. The principles of the RDP can accommodate the "new" focus and do provide the basic

guidelines for economic development to be structured towards comparative advantage positions and local option solutions.

Secondly, it is likely that South Africa will enter the next century as the dominating economic force in southern Africa, although the degree of enslavement between southern African states and South Africa could be substantially reduced.

Provided South Africa can progress with an internal solution of equal access to economic and political process, it can emerge to a completely new role as leader of the sub-continent where South Africa actively directs its attention towards economic development and especially the stimulation and creation of markets. Specific strategies by South Africa in the various fields of economic activity should center on the following:

**(i) Agricultural Development**

Agriculture remains one of the biggest economic sectors in most southern African states. It is proposed that agricultural activity be promoted through the provision of access to small farmers to compete in markets, the transfer of appropriate technology, know how, and access to support services in the fields of information, finances and marketing. (Van Rooyen, Vink and Christodoulou 1987). A common agricultural marketing strategy, supplemented by a production strategy, both along the line of "freeing markets", should be pursued by means of bilateral treaty's and declarations.

Agricultural Development should be considered as a major strategy as it is well known that agriculture in general creates multipliers and forward and backward linkages in excess of most of the other economic sectors. The investment of R1 in agriculture in general creates far more employment opportunities and income linkages throughout the economy than the investment of R1 in most other sectors of the economy (Van Zyl and Vink 1988).

The basic argument behind the proposed agricultural strategy is, that broad based agriculture production increases will lead to income and employment increases across a broad front, amongst especially the poorer group in the subcontinent, generating purchasing power and therefore create markets for both agricultural inputs and consumables. Important, of course, would be to create opportunities and incentives for such inputs and consumption articles to be locally produced (within the southern African context) in order to further stimulate economic activity.

The special significance of agriculture is therefore not creating income and employment within the agriculture sector per se, but to "set the process in motion" through linkages and multipliers with the rest of the economy.

## (ii) Inwards Industrialization

A second strategy, linked to the previous one, refers to the type of industrialization strategy to exploit market opportunities created through increased agricultural investment. In this respect, the concept of Inwards Industrialization should be encouraged throughout the southern African subcontinent. Such an approach could eventually stimulate intra-regional specialization as the most efficient basis to supply local markets.

## (iii) Small Business Development

A third strategy would relate to support for small scale entrepreneurs enabling them to exploit the multiple opportunities created by the above-mentioned two pronged approach of agriculture and industrial development.

## (iv) Infrastructural Development

The development of a network of cost effective transportation routes, should as far as possible be encouraged by south Africa and if necessary supported by investments. Instead of using transportation as a weapon of destabilisation, it is suggested that the transportation network be developed to link the southern African potential through the most cost-effective transportation linkages to local and international markets.

An obvious linkage that should be exploited, refers to the importation of energy by south Africa from its neighbouring African states. Especially hydro-electrical power from the big southern African rivers provides opportunities to be exploited. South Africa, should as far as possible encourage and even invest in the development of infra-structural development as proper structured investments providing for the use of local and small scale contractors, where appropriate, could generate substantial spin-offs.

## (v) Urbanization

Urbanization strategies, are inherently linked to the process of economic development. Decreasing real urban wages have a depressing effect on all economic sectors, especially food production and small business development. Increasing real urban wages on the other hand will stimulate multipliers and linkages across a broad front.

In this respect the promotion of the informal and small business sectors, small scale contractor activities and small scale food production programmes in urban context will be in line with the basic economic development model as proposed.

(vi) Institutional Development Strategies

The absence of appropriate institutional development actions caused the downfall of most southern African economies during the Uhuru period and thereafter. In the strategies proposed appropriate institutional development assistance forms a vital ingredient.

These approaches would require a departure from conventional institution building approaches which concentrate on increasing formal organizational capacities towards emphasizing institution development at "grass roots" and local levels, eg. farmers associations, rural co-operations, village committees. Following from this the appropriate structuring of support institutions (both government and parastatals) and institutional development, should be attended to.

(vii) Financial and Technical Assistance

South Africa should attempt to establish itself as a center through which development aid can be administered and professionally supported. In this respect, recent experiences at technical levels of interaction and the apparent linkages between South Africa, the Development Bank, the World Bank, IMF and other Western international donor organizations, should be encouraged building on recent tentative moves along these lines (DBSA Annual reports). The ability for the Development Bank to promote itself as an independent Regional Bank and not as an organization to further South Africa's foreign policy must, however, be viewed as important in this respect.

It is also important to recognize South Africa's restrictions specifically referring to limited manpower, technical support and financial resources. In summation, South Africa do have a major responsibility towards its internal needs. Normalization of financial relationships with the international banking community, the possibility to joint funding arrangements should thus actively be promoted if a meaningful impact is to be achieved through financial and technical assistance.

7. Concluding remarks

How realistic is it to propose this rather optimistic scenario emerging for economic co-operation and development in southern Africa? The logic behind this proposal is based on certain realities:

- (a) The food security issue is real and will remain so for the next 30 years. The "Hunger Equation" must be solved.

- (b) The movement towards "freeing markets" by primarily supporting and structuring access in favour of small scale entrepreneurial activities are a world wide phenomena supported from Moscow to Washington, from Harare to Budapest. It can also readily be assumed that Africa's experimentation with the collectivistic models of the 60's and 70's reached the end of the line.
- (c) Economic linkages in southern Africa is based on economic rational considerations and all indications are that southern African markets will further develop and increasingly be linked through transportation networks, and bilateral actions. Increased trade and henceforth co-operation appears to be a reality.
- (d) The international movement towards negotiation for peaceful solutions and constitutional processes of change.

South Africa's strategy to exploit these forces and create opportunities to structure it's role in southern Africa should proceed through two phases: The first phase should mainly entail "getting things right" within South Africa (the ECOSA grouping) to ensure a broad based democratic society while at the same time, through selected financial and technical support, bilateral communication and trade, create the environment during the 90's to enable South Africa to play a leading role in the next phase.

The attainment of a sound platform for increased South African interaction will also depend critically on the manner and frequency with which the transportation "weapon" is used and to what extent financial and technical co-operation can be achieved with the international development aid community.

The second phase will entail the broad based stimulation of economic linkages through the seven mentioned strategies, inter alia through the creation of local capacities with technical support from South Africa and institutions such as the World Bank, IMF, etc.

Did this paper propose realistic, logic expectations of economic co-operation and development for the 21st century? Does it really matter? What is important in this regard is whether the people of southern Africa really want to move towards being "good neighbours"!

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TABLE I : TRANSPORT ROUTES IN SOUTHERN AFRICA

	"NATURAL ROUTES	ROUTES USED, MID 1987
Botswana	South Africa Zimbabwe/Mozambique	South Africa
Lesotho	South Africa	South Africa
Malawi	Mozambique Tanzania	Zambia/Zimbabwe/South Africa Mozambique/Zimbabwe/South Africa Mozambique/Zimbabwe/Mozambique Tanzania Mozambique
Swaziland	Mozambique South Africa	Mozambique South Africa
Zambia	Tanzania Angola Zimbabwe/Mozambique	Tanzania Zimbabwe/Mozambique Zimbabwe/South Africa
Zimbabwe	Mozambique	South Africa Botswana/South Africa Mozambique
Zaire (eastern provinces)	Angola Vole nationale Tanzania	Zambia/Zimbabwe/Botswana/South Africa Tanzania Zambia/Tanzania

SOURCE: EIU, 1989



TABLE II : TRANSPORT DEPENDENCE ON SOUTH AFRICA

	Road & rail freight volume	Road & rail via SA	%	Tanzania	Beira	Other	Pipelines:	
							Tanzania	Beira
Botswana	750	750	100	-	-	-	-	-
Lesotho			100	-	-	-	-	-
Malawi	687	636	93	40	11	-	-	-
Swaziland	790	320	40	-	-	450	-	-
Zaire (eastern provinces)	900	500	55	90	-	310	-	-
Zambia	1,200	180	15	960	60	-	500	-
Zimbabwe	4,000	3,400	85	-	600	-	-	700
Total	8,327	5,786	69	1,090	671	760		

SOURCES: EIU, 1989

TABLE III : REGIONAL TRADE IN SOUTHERN AFRICA

	EXPORTS					IMPORTS				
	Total \$ mn	To SADCC \$ mn	%	To SA \$ mn	%	Total \$ mn	From SADCC \$ mn	%	From SA \$ mn	%
Angola	2,061	-	-	-	-	1,018	2	-	-	-
Botswana	674	27	4	59	9	706	62	9	552	78
Lesotho	24	-	-	8	33	498	1	-	370	74
Malawi	314	27	9	23	9	270	30	11	109	40
Mozambique	180	21	12	8	4	549	28	5	64	12
Swaziland	270	4	2	100	37	350	1	-	315	90
Tanzania	377	7	2	-	-	847	9	1	-	-
Zambia	678	28	4	5	1	608	45	7	129	21
Zimbabwe	1,156	131	11	212	18	955	67	7	184	19
Total SADCC of which:	5,734	245	4	415	7	5,801	245	4	1,723	30
land-locked	3,116			407	13	3,387			1,659	49
South Africa	18,030	1,723	10	-	-	15,042	415	3	-	-

SOURCE : S R Lewis, Institute of Development Studies, Paper 232, according to the EIU, 1989.

TABLE IV : PERFORMANCES OF REFORMING AND LARGELY NON-REFORMING COUNTRIES IN SOUTHERN AFRICA

Indicator (average annual % change)		All Countries		Countries not affected by strong shocks	
		With strong reform programmes	With weak or no reform programmes	With strong reform programmes	With Weak or no reform programmes
Growth of GDP (constant 1980 prices)	1980-84	1.4	1.1	1.2	0.7
	1985-87	2.8	2.6	3.8	1.5
Growth of export volume	1980-84	-1.3	-3.1	-0.7	-5.7
	1985-87	4.2	0.2	4.9	-3.3
Growth of real domestic investment	1980-84	-8.1	-3.7	-3.5	-7.1
	1985-87	-0.9	-7.0	1.9	-4.8
Growth of real per capita consumption	1980-84	-2.3	-1.1	-2.4	-1.5
	1985-87	-0.4	-0.5	0.7	-0.9

SOURCE: World Bank and UNDP (1989)

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