IFO–INSTITUT FÜR WIRTSCHAFTSFORSCHUNG MÜNCHEN
AFRIKA–STUDIEN
117

UDO WITULSKI

Macroeconomic Linkages Among Southern African Countries

WELTFORUM VERLAG · MÜNCHEN · KÖLN · LONDON

Die Schriftenreihe ,,Afrika-Studien" wird herausgegeben
vom Ifo-Institut für Wirtschaftsforschung e. V. München

Gesamtredaktion:

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CIP-Titelaufnahme der Deutschen Bibliothek
Witulski, Udo:
Macroeconomic Linkages among Southern African Countries/
by Udo Witulski. IFO-Institut für Wirtschaftsforschung
München, Abteilung Entwicklungsländer-
München; Köln; London: Weltforum-Verl., 1990
(Afrika-Studien; 117)
ISBN 3-8039-0385-8
NE: GT

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by Weltforum Verlag GmbH, Köln; 1990, Marienburgerstr. 22,
5000 Köln 51, Weltforum Verlag London c/o Hurst & Co.
(Publishers) Ltd., 1-2 Henrietta St., London WC2E8PS
Library of Congress Catalog Card Number
© ISBN 3-8039-0385-8

Preface:

Since the end of 1985, both western and African nations have exerted mounting pressure towards a tightening of economic sanctions against the white minority regime in South Africa. More recently, these demands were countered by the South African government's threat of severing economic linkages to the front-line states in case of such sanctions. All except two of the front-line states, namely Angola and Tanzania, maintain strong economic ties with South Africa in the sectors of labour migration, transport connections, commodity trade and scientific exchange: a fact that is often overseen in overseas political calculations. However, all southern African statesmen are well aware of these important linkages and their impact on economic development or sometimes bare economic survival of their nations.

Consequently, this study does not define the southern African economic region according to formal geographical or cultural boundaries but rather to the range of functional economic interactions centred on the economic core region of South Africa. By this definition the southern African economy would also comprise the Cabinda enclave, whose oil exports are crucial for Angola's foreign exchange, the Shaba region of southern Zaire with its transport connections and its economic pattern identical to southern Africa, and the southern part of Tanzania, where the TANZAM railway plays an important potential role in southern African economic integration. By considering these interrelations in trade and transport, a dividing line could be drawn roughly along 6° southern latitude. Madagascar and its surrounding islands represent a certain exception, since they are all remote in geographical, economic, political and linguistic (francophone) terms.

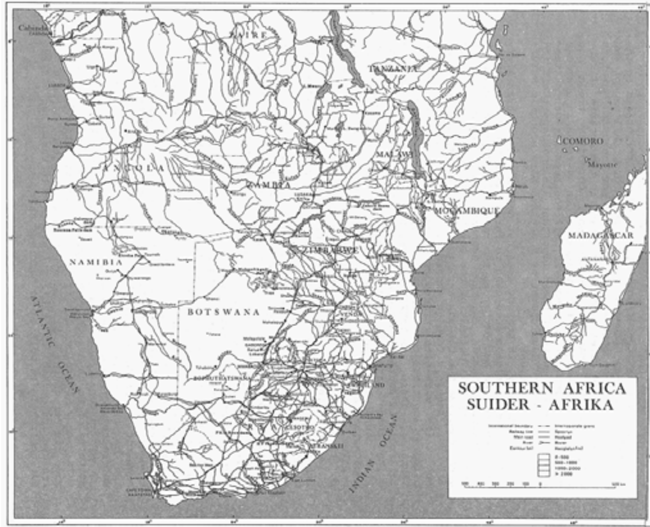
By outlining motives, patterns and effects of these economic interdependencies in southern Africa, this study - under the direction of Prof. B. Hofmeister, Prof. F. Voss and Prof. G. Borchert - sets out to assess the most beneficial economic policies that could be pursued by the governments involved:

In Chapter One the study offers an introduction into basic theories of economic development and integration and their application in present southern Africa. Chapters Two to Four give a detailed insight into southern Africa's economic links with South Africa by following the common division of economic activities into natural, human and capital

resource sectors. Chapter Five lines out development and situation of the present economic groupings in the southern African region and assesses the impacts of a severing of these interactions by South Africa. Finally, Chapter Six gives one possible alternative to the present situation of a - potentially destructive - economic polarisation. A German summary has been added in the end of the study behind the bibliography, while notes and references have been placed behind each subchapter.

My sincere gratitude goes to all members of the Africa Institute of South Africa - whose assistance enabled me to write this study - particularly to its director, Dr. Erich Leistner, and its treasurer, Mr. Barny Fisher, for granting me a research fellowship at the Institute, and to their secretaries for their help in editing my numerous changes.

Figure 0: Physical features of southern Africa



Source: The New Jacaranda Atlas, Brisbane, Revised Edition 1981

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1. Introduction

1.1. The role of regional integration in economic development

The most useful, though very general, description of economic development is given by BAUER and YAMEY as

> *"... the widening of the range of effective choice as the most valuable single objective of economic development as well as the best single criterion of its attainment."* [1]

Correspondingly, 'underdevelopment' may be defined as a condition where the range of effective choice for a given group or country is severely restricted. The Reformist Approach, with its view of self-reliance and self-help a synthesis of the two counterpoles of modernization and dependency paradigms[2], leads to the conclusion that the prerequisite for achieving the widest range of effective choice is the lessening of outside unilateral dependency by enforcing a development of self-reliant growth. DEMAS describes the preconditions for economic development towards this self-reliant growth as

- a sustained increase in per capita production and income,
- an internal generation of sufficient domestic savings to maintain this growth rate, and
- a transformation of the structure of production.[3]

While the first two preconditions may merely be attached to more conservative development strategies of economic growth and employment generation, the concept of transformation also comprises the more recent reformist approaches of income distribution and the satisfaction of basic needs. According to DEMAS, structural transformation of an economy centres in the reduction of the degree of dualism of both the various sectors and regions, in the elimination of surplus labour by drawing it into productive employment, and in a diversification of the economy; hence becoming more flexible and adaptable as a result of underlying political, social and institutional change.

It may be further argued, if in the initial stages of transformation of a national economy both aspects of dualism - the social and the spatial one - are of equal importance.[4]

FRIEDMAN[5], for instance, sees regional disparities as neces- sary and a prerequisite for economic growth in a transitional economy, while MYRDAL, in contrast, stresses what he calls a 'national economic integration'.[6]

It cannot be denied by supporters neither of the dependency nor of the modernization paradigms that this kind of internal integration is essential to full economic transformation. For, development of a national economy means that all sectors and all regions must become technologically progressive, although not necessarily at the same rate. Economic progress, though, may be particularly hindered, where dualisms within economic sectors or geographical regions correspond with social dualisms: when people of identifiable social or ethnic groups are concentrated in underdeveloped sectors, backward regions or low-paid occupations. Therefore, in addition to improvements in incomes and production, development towards internal inte- gration must also involve changes in institutional, social and administrative structures as well as in attitudes and beliefs:[7]

> *"From a social point of view, an integrated national economy is one where all individuals, whatever their ethnic origin or social or economic background, have equal opportunity (legal, educational and economic) to engage in any form of occupation or economic activity they may choose."* [8]

However, integration may be practised both on a national and an international level. While national integration aims towards a balanced sectoral and spatial participation of all population segments in economic development, the objectives of international integration may be viewed according to various levels of intensity.[9] A tightening of interactions in the sectors of natural resources and infrastructure could be described as mere economic cooperation, while a market integration involves the more mobile fields of financial investments, labour migration and commodity trade.

The principal motivation leading less developed countries to coordinate their economies are according to LEISTNER:

- industrial and technological progress
- better use of existing productive capacity
- increase in the capacity to negotiate with third parties,
- improvement of political relations among states.[10]

In contrast, BALASSA describes market integration as taking several forms representing varying degrees of integration:

> *"In a <u>free trade area</u>, tariffs and quantitative restrictions between the participating countries are abolished, but each country retains its own tariffs against non-members.*
>
> *Establishing a <u>customs union</u> involves, beside the suppression of discrimination in the field of commody movements within the union, the equalisation of tariffs in trade with non-member countries.*
>
> *A higher form of economic integration is attained in a <u>common market</u>, where not only trade restrictions but also restrictions on factor movements are abolished.*
>
> *An <u>economic union</u>, as distinct from a common market, combines the suppression of restrictions on commodity and factor movements with some degree of harmonisation of national economic policies.*
>
> *Finally, <u>total economic integration</u> presupposes the unification of monetary, fiscal, social, and countercyclical policies and requires the setting-up of a supra-national authority whose decisions are binding for the member states."* [11]

DEMAS[12] distinguishes 'impulses' for economies to open up towards market integration between 'structural' and 'functional'. In a structurally integrated economy it is the mere fac- tor of size which enforces a large volume of foreign transactions relatively to domestic transactions, while functional integration represents the area of choice left in terms of institutional mechanisms and policy operations. A total functional integration is signified by:

- freedom of movement of labour and capital inputs, consumer and production goods and finances,
- common monetary policy plus individual state measures for specific purposes, and
- common federal fiscal policy plus individual state fiscal policies.[13]

Given the vital dependence of a small economy on expansion of exports, cheap imports, and access to foreign private capital, the question arises as to how far policies of market integration should or could be implemented. There exist three main arguments in favour of market integration: First, it may be argued that low costs of production through increased economies-of-scale are assisted by the absence of high tariffs and trade controls, which keep down the cost of imported raw materials and capital goods, weaken incentives for wage increases by keeping down the cost of imported wage

goods, and stimulate productive efficiency arising from the competition of cheap imports. Second, the inflow of private capital may be facilitated by monetary stability and an absence of exchange controls, which allow the free remission of profits and capital in respect of foreign investment. Third, it may be argued that the absence of restrictions on commercial banks and other financial institutions may result in a large net inflow of foreign funds via such institutions.[14]

On the other hand, the above-mentioned considerations might have no cogency, especially where there is a large pool of structurally unemployed, as is the case with all the southern African countries. The mobilisation of domestic financial resources and the promotion of employment may be adversely affected by such financial institutions and practices:

Firstly, the difficulties of mobilizing domestic savings for capital investment are compounded by the absence of a broadly based capital market in most of these countries. Even if domestic savings were fairly high, most of these savings as a consequence may be invested abroad via local branches of expatriate banks and therefore may not be available for domestic investment.

Secondly and more fundamentally, heavy reliance on foreign funds means that the governments of developing countries have to present the right 'image' to the foreign investor, which may further reduce the possiblity of the country pursuing effective but unattractive policies in order to mobilize domestic financial resources:

> *"The economy becomes open in much more than a technical sense and economic policies considered 'sound' by the foreign investor are pursued, irrespective of their real merits or their adequacy to the given situation."* [15]

Finally, it should be stressed that there exist divergent rates of growth between different parts of the integrated markets. One reason for such divergencies lies in the well-known polarization effects of growth, especially in the modern sector of the economy. Polarization can be explained in terms of the external economics generated by poles of growth in one country of an integrated region: in the southern African context the South African core region. However, it is

> *"... particularly likely to occur in a customs union between underdeveloped countries, where one country has started its industrial development earlier or between an advanced country and an underdeveloped one. Under such circumstances, even if integration leads to a maximation of the rate of growth of the area as a whole, this will be little comfort to those countries which either lag behind (or conceivably retrogress) in manufacturing industry."* [16]

MALAN[17] distinguishes the motives for success or failure of integration as lying between economic, political and administrative factors. While the economic aspects are often dealt with in the relevant literature - and were briefly mentioned above - political and administrative problems also account for many past failures such as the East African Community (EAC). Among the former is the reluctance of most governments to surrender part of their sovereignty to either a supranational institution or to the anonymous market forces, or both.

Other non-economic factors inhibiting economic growth of integrated national markets are given by FÖLSCHER as:[18]

- political instability results in negative influences on donor countries due to changes in economic policies and restricts private investments due to threats of possible nationalisation,
- costly social objectives, especially in low-income countries, and
- differing political and economic systems, for instance Ujamaa in Tanzania against free market forces operating in the former EAC.

Furthermore, conflicting interests between policy-making groups, such as politicians, the military, investors, social or ethnic groups, may have adverse consequences, when national objectives of these groups, for example profit maximization or optimal security, contravene the political objectives of reciprocal economic development and political stability. Often, administrative problems such as cultural and linguistic difficulties, but more important the poor management of African economies in general and of intra-African trade in particular, add to these failures.

Consequently, economic integration which aims at a more equitable distribution of wealth between states of varying levels of economic development requires purposeful policies that allow for a preferential re-allocation of resources in favour of countries at the lower end of the development scale. It may be, for example, that

transfers of income through the fiscal system, the possible creation of industrial growth points in each country, or an agreed withdrawal of (or refrain from increasing) resources that a less advanced country is capable of producing in increasing amounts, might be outweighed by practical considerations, such as the need to adjust to losses of revenue consequent upon the removal of tariffs between the members of the union, or the need to spend possibly large sums on developing regional transport facilities.[19]

Until recently, the establishment of trade linkages usually represented the main objective to integrate alliances, causing a neglect of the other very important aspects of integration. Former black African integration attempts that have been based upon the emphasis of trade liberalization, the most prominent one being the EAC which fell apart in the late 1970s, suggest the rejection of a blind adoption of common union schemata and instead propose a dilligent cooperatin of suitable projects.

Unfortunately, African and western private and public decision-makers do not usually consider the most urgent African problem: the time factor. Gains accruing from economic co-operation are often less obvious and longer-term than its costs and constraints. Development follows its own time, or as Wernher von Braun once said: "You cannot have a baby in one month by making nine women pregnant". While western politicians and private investors urge the termination of apartheid and civil strife, and the black African states, in contrast, hesitate between economic collaboration with, and poliical rejection of, South Africa, the Republic realizes that by hesitating too long it might get stuck right between its two targets of different economic and political clout, viz an outward-orientated strategy versus an inner racial solution suitable to both the government and the various population groups.

1.2. The rise of economic groupings in southern Africa

As British High Commission Territories, the markets of Botswana, Lesotho and Swaziland (hereafter referred to as the BLS- countries) have always been integrated into the South African economy by way of the Southern African Customs Union (SACU). Established in 1910, it represented a free trade area with common tax and tariff barriers. In 1969, after political independence of the BLS-countries

in 1966, a customs union agreement with South Africa was reached, which allowed for compensatory revenue sharing.[20]

Out of this customs union, several political advantages arose for South Africa (RSA). Firstly, SACU represents

> *"... one of the few formalised arrangements that South Africa has with other countries. For this reason, the Customs Union takes on symbolic stature superior to its economic importance. The Customs Union symbolises the extent to which the states of Southern Africa are dependent on South Africa. Moreover, as long as the Customs Union exists, any initiative to completely isolate South Africa from its neighbours remains incomplete."* [21]

Secondly, the RSA tried to use the BLS-countries' dependency to force its objectives of the Constellation of Southern Afri- can States (CONSAS) - especially the recognition of 'independent' homelands[22] - upon the SACU-countries. Since the year 1979, when the South African government proposed its plan to form CONSAS, it treated the four South African 'independent' homelands (Transkei, BophuthaTswana, Venda, Ciskei = TBVC-countries) as 'de facto' members of the SACU on a bilateral basis, without their 'de jure' participation in the multilateral customs-revenue compensation consultations.

However, the South African government failed to outline condensed and well-defined policies of implementation, such as by identifying objectives of strict project cooperation which would have diminished anxiety on the part of the BLS-countries regarding white South African political dominance.[23]

Another major difference between the 'independent' homelands and the BLS-countries exists, in that the latter enjoy a wider range of political action due to international recognition, which facilitates access to a larger scope of economic opportunities and to foreign economic assistance.[24]

By 1988, the CONSAS as a concept to comprise the SACU-member states had been given up by most decision-making officials and was since restricted to the RSA and its homelands - besides the TBVC-countries including six self-governing national states. The South African government also signified this change by renaming the CONSAS into ECOSA (Economic Community of

Southern Africa), thus including only the TBVC-countries into South Africa's policy of a 'New Dispensation'. However, the TBVC-countries' membership in the Customs Union - although on a bilateral basis, which entitles them to the same economic concessions - allows for their inclusion in a comparison of SACU and SADCC.

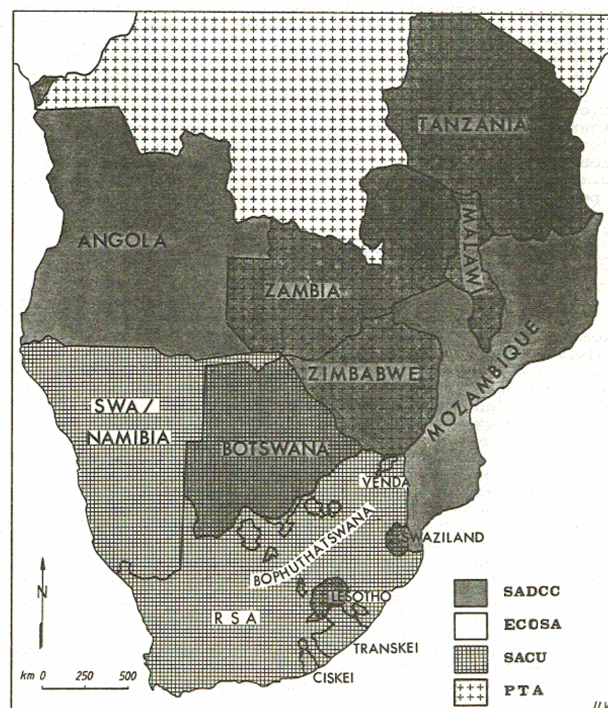
South Africa's preposition of the CONSAS concept to the BLS-countries, however, had the adverse effect that these countries joined into a cooperative union, which was built as a response to CONSAS by the then five front-line states, namely Angola, Botswana, Mozambique, Zambia and Tanzania. These countries met during the final phase of the Zimbabwean liberation war in July 1979 with the objective to extend their political struggle towards economic efforts. After Zimbabwe gained independence, this country together with Malawi, Lesotho and Swaziland put up the alliance with the five front-line states, merging into the Southern African Development Co-ordination Conference (SADCC) which constituted its strategy in Lusaka in April 1980. Its main objectives, namely

- decrease of economic dependency on developed countries,
- concerted actions to secure and facilitate international cooperation, primarily in the field of development aid,
- establishment of transport and communication linkages, in order to further a feasible and equipoised regional integration, and
- mobilization of resources on a regional basis, predominantly in the neglected agricultural field,[25]

were primarily aimed at decreasing dependencies upon the powerful economy of the RSA, which is especially the case with the BLS-countries.

By 1980, therefore, two constellations of differently integrated countries had emerged on the southern African scene (see Figure 1): a highly integrated SACU, centred around the RSA-core economy, and including 'de facto' Namibia, the TBVC-countries and the BLS-countries, opposes the remaining SADCC-member countries, which are trying to resist any polarisation within their alliance by relying solemnly upon a lose sectoral cooperation.

Figure 1: Economic groupings in southern Africa



Source: Africa Institute: South Africa in Southern Africa - Economic Interaction, Pretoria 1988, p 87

1982 then was a decisive year for South Africa's neighbors to the north: the Preferential Trade Area Treaty was signed in Lusaka in the beginning of 1982, and in mid-1984 the Preferential Trade Area of Southern and Eastern African States (PTA) itself was launched as

a counterpart to the SACU. Besides Lesotho and Swaziland, this area comprises another thirteen member states as far north as Ethopia and the Sudan. Not jet a free trade area, the PTA provides for expansion of trade through reduction and eventual elimination of customs and other non-tariff barriers among its envisaged twenty member states of the proposed subregion.

1.3. The varying degree of southern African dependency on the South African economy

The term 'economic dependency' often created some confusion. The facts presented in this chapter will show that there are numerous links between the states of the southern African region. However, none of these links is in a one-way direction only. As regards the nature of interdependency in economic relationships and concomitant distributional effects, the issue of symmetry is crucial. One should be

> *"...careful not to define interdependence entirely in terms of situations of evenly balanced mutual dependence. It is asymmetries in dependence that are most likely to provide sources of influence for actors in their dealings with others."* [26]

TOSTENSEN generally defines asymmetry as disparities in the intensity of involvement or concentration of linkages between actors. In the southern African context the degree of symmetry or asymmetry in national interactions becomes important due to the extremity with which the asymmetries manifest themselves in the dependency relationships between the strong centre and its periphery. First indications of these extreme asymmetries are given by a general comparison of GNP between the southern African economic core and its periphery on Table 1. While in 1988 South Africa's population figure of 37.2 million represented a mere 33 percent of the total southern African population, its 1985 GNP of US$ 65.3 billion amounted to a 74 per cent share, and its per-capita income of US$ 1,760 was ten times that of Malawi.

Another indicator of asymmetric interdependences is given by the size of the southern African countries. Economic opportunities of the developing countries to promote a shift towards self-reliant growth are limited by their size - that is the absolute number of persons living in a national economy - and by their land area. First,

the range of resources in a small country is likely to be narrow, while the composition of domestic demand is more diversified. Second, economies-of-scale reinforce this first disadvantage and often make it necessary to produce for a market wider than the domestic market.

Table 1: Southern Africa - area, population and Gross National Product

Country	Area	Population 1988		Gross National Product		
	'000 km	Total '000	Density per km[2]	Total[1] US$ m	Per Cap-ita US$	Growth Rate %[2]
Transkei	42	3,600	86	1,500	415	3.6
BophuthaTswana	41	2,100	51	1,150	550	0.7
Venda	7	500	71	215	410	6.6
Ciskei	8	1000	121	405	495	5.6
Republic	1,124	30,000	27	62,050	2,070	-0.4
South Africa	1,222	37,200	30	65,320	1,760	0.0
Namibia[3]	823	1,250	2	1,660	1,520	1.1
Lesotho	30	1,650	55	730	480	4.6
Swaziland	17	850	50	490	650	-0.7
Botswana	582	1,200	2	900	840	6.4
Zimbabwe	391	9,300	24	5,450	650	0.0
Mozambique[4]	802	15,000	19	3,500	250	-4.1
Zambia	753	7,400	10	2,620	400	-2.6
Malawi	118	7,700	65	1,160	170	-0.4
Angola[3]	1,247	9,200	2	3,320	470	-9.6
Tanzania	753	24,000	25	5,840	270	-1.6
SADCC	4,885	76,300	16	23,320	332	-

Notes: [1] GNP at 1985 market prices; [2] Real GNP per capita during 1973-85 or parts thereof; [3] GNP 1984; [4] GDP 1985
Source: Africa Insight (Pretoria), Vol.17, No.4, Africa Institute, 1987, pp 30, 33, 36.

The definition of 'small countries' given by DEMAS indicates an upper limit of five million inhabitants and an area of 50,000 km^2 of usable land.[27] Eight out of the fifteen southern African countries presented on Table 1 would not qualify as having a sufficient country size, which Demas argues to be a necessary element for moving away from mere satellitic growth. What destinguishes a self-reliant from a satellite economy? HOSELITZ argues that a self-reliant pattern would be

> *"... exhibited by a country with a fully closed economy, with no need to resort to foreign borrowing for purposes of capital accumulation, and without exports. At the other extreme we would have a society which draws all its capital for development from abroad and which develops*

> *only those branches of production whose output is entirely exported. If we further stipulate that all or the bulk of capital imports come from one source and that all or the bulk of the exports go to one destination, we have the ideal typical case of a country with a satellitic pattern of growth."* [28]

In the southern African context several countries at South Africa's periphery certainly exhibit a high degree of satellitic growth pattern, which renders them very vulnerable[29] to changes in the network of economic interactions. Consequently, such vulnerability is practically the opposite of what is frequently referred to as self-reliant growth.

In an interdependency relationship, costs of vulnerability may be measured in economic, social and political terms. The real problem of calculating the degree of interdependencies arises when one attempts to compare a specific degree of vulnerability in one sphere or sector to that in another. Very often percentages represent the highest acceptable degree of precision, since unreliability of data in general does not justify the use of sophisticated calculations.

Developing countries in general, and the southern African ones in particular, exhibit to a large extent asymmetric dependencies on developed countries with respect to technology, capital goods, budget finance, and so forth, while the developed countries in their turn are becoming less dependent on the less developed countries (LDCs) for raw materials and even less (as in the case of the RSA) on unskilled labour due to extended mechanization and computerization.

The drop in world-market prices for minerals and cash crops is a late consequence of world-wide overproduction and of in- creased efforts on side of the developed countries to substitute these raw materials by either national or other sources (see the debate in the UN Conference on the Law of the Sea). This process has been enforced by rising prices for manufactured goods and energy from the industrialized countries, accompanied by an increased demand by a fast growing population in the developing countries.

The TBVC-countries depend heavily upon South African capital markets for development projects, while mining and marketing of minerals as main branch of production in BophuthaTswana, Botswana and Namibia is conducted entirely by South African or

transnational corporations (TNCs). All the 'de jure' and 'de facto' SACU-member countries receive almost all their imports from South African sources. Due to their preference export agreements with the EEC and the fact that their comparative advantages vis-a-vis South Africa are low, the share of exports to the RSA from the BLS-countries is comparatively low. Remittances from migrant-labour export are considerable, especially for Lesotho (about 50 % of her 1985 GNP), and labour export plays an important role in countering the unemployment pressure in all SACU-states, although in differing degrees. In 1987, for instance, only about 30,000 people were in wage employment in Lesotho itself, compared to more than 150,000 workers employed in the RSA. It is estimated that official figures of foreign employment in the RSA, however, are outnumbered by at least the same number of illegal workers - predominantly Mozambican farm labourers in the Transvaal.

The national economies of the SACU-members are quite vul- nerable in the sense that investment decisions, taken by large South African corporations, profoundly affect not only their momentum of growth, but also the entire growth pattern. On the other hand, it would be very uneconomical for these small countries with their population pressure not to encourage resource development by foreign capital, as long as satisfactory fiscal and other arrangments are secured. On the other hand, any changes in these dependency patterns via economic changes through political decisions by the RSA would severely affect all countries associated to the SACU in these sectors.

While the economic dependency of the SACU-members on South Africa is fairly obvious, the question arises as to what extent the SADCC members other than the BLS-countries depend on the RSA economy. Its function as an outlet for unemployment in Mozambique, and to a lesser degree in Malawi, and as a node for transport and trade linkages represents another strong economic tie. Vulnerability of Zambia and Zimbabwe to any change in trade conditions by RSA is overproportionally high. There is a decreasing amount of trade between Angola and South Africa, and much less in the case of Tanzania which, historically, has been more closely orientated to eastern - rather than southern - Africa.

Most important is southern Africa's vulnerability in its dependency on South Africa's extensive railway and harbour infrastructure. With the exception of Mozambique and Angola, goods from as far north as Zaire's Shaba Province are transported via rail to South Africa's more efficient harbours. However, this vulnerability is artificial to a certain extent, where existing dependencies are cemented and promoted for the reasons of political advantages. Even the South African gov- ernment cannot deny that the near breakdown of communication linkages in Angola and Mocambique benefits South Africa's economic dominance in the region: Not only does it control marxistic infiltration into the conservative South Africa, it also forces the landlocked SADCC- states to transport their overseas exports and imports via South Africa's rails and ports. It stands out of question that this economic dependency entices the South African government to use this advantage for political pressure.

The following three chapters try to highlight the nature of economic interdependencies between the various southern African countries in the fields of natural, human and capital production factor inputs. Their subchapters, after a general description of the concerned productive sector, contrast the economic interdependencies between South Africa on the one side and the SADCC on the other. Interactions are furthermore subdivided between public and private economic agencies. Social, party political and ideological factors greatly influence the process of decision-making in interstate economic cooperation and are considered in each final subchapter giving a short conclusion on the present problems facing the economic development of the southern African countries.

This way of dividing different fields and actors of interactions was chosen in order to achieve a certain lucidity in such a vast topic, even by running the risk that existing linkages between certain fields may be underemphasized.

Interrelations of these various fields may best be described by the following quotation:

> *"The greatest challenge facing the southern African grouping is to achieve optimum utilisation of its natural resource assets (agricultural and mineral) in conjunction with its human resources, through the application of know-how and capital."* [30]

Notes and References:

1 Bauer and Yamay: "The Economics of Underdeveloped Countries", 2nd Edition, London 1970; cit.in: Leistner, G M E: Towards a new order in southern Africa, Africa Institute, Pretoria 1979, p 2

2 Fair, T J D: South Africa: Spatial Frameworks for Development. Institute of Social and Economic Research, University of Durban-Westville, Cape Town 1982, pp 5-40.

3 Demas, W G: Economics of Development in Small Countries - with special reference to the Carribbean. Montreal 1965, pp 19-20

4 Bhatt, V: "Theories of Balanced and Unbalanced Growth"; in: Spiegelglas S & C J Welsch (eds): Economic Development - Challenge and Promise. New Jersey 1970, pp 104-113 for instance has many contributions to the topic

5 Friedman, J: Regional development policy. MIT Press, Cambridge 1966,p 36

6 Myrdal, G: Economic Theory and Underdeveloped Regions. London, 1957

7 Development Bank of Southern Africa: Development Strategies in Less Developed Countries: A Position Paper. DBSA Research and Strategic Planning Division, First Draft, Sandton 1985, p 61

8 Demas, W G, op.cit., p 15

9 Vaitsos,C V: "Crisis in Regional Economic Cooperation (Integration) among Developing Countries: A Survey"; in: World Development, Vol.6, Great Britain 1978, p 720, even distinguishes four approaches to international integration

10 Leistner, G M E: Towards a new order in southern Africa. Africa Institute, Pretoria 1979, p 21

11 Balassa, B: The Theory of Economic Integration. London, 1961, p 2

12 Demas, W G, op.cit., p 62

13 Fölscher, G C K: "Some economic policy issues related to economic cooperation in Southern Africa"; in: Inaugural Lectures, University of Durban-Westville, Durban 1981, p 23

14 Demas, W G, op.cit., p 63

15 Loc.cit., pp 64-65. This quotation reflects the actual 'New Dispensation' policy via decentralisation incentives, which are pursued by the 'independent' homelands, particularly the Ciskei, and which as a consequence force the BLS-countries into a certain degree of competition with the mighty South African economy.

16 Loc.cit., pp 89-90

17 Malan, T: "Regional economic co-operation in southern Africa"; in: Africa Insight

(Pretoria), Vol.13, No.1, Africa Institute, 1983, pp 44-45

18 Fölscher, G C K, op.cit., p 27

19 Demas, W G, op.cit., p 90

20 In 1974, Botswana left the Rand Monetary Union which was created parallel to SACU in order to allow free circulation of the South African currency.

21 Haworth, G R: "The Southern African Customs Union: A Legal and Political Analysis"; in: Alternative Structures for Southern Africa Interaction. Africa Institute, Pretoria 1982, p 14.

22 The Transkei reached 'independence' in 1976, BophuthaTswana in 1977, Venda in 1979 and the Ciskei as late as 1981

23 Uys, S: "The short and unhappy life of CONSAS"; in: South Africa International (Johannesburg), Vol.18, No.4, April 1988, pp 243-248, gives a comprehensive summary of the reasons for CONSAS's failure

24 Adams J: "Economic Development in the Small Economies of Southern Africa: Contrasting Currents in the BLS Countries and the Homelands"; in: Journal of Asian and African Studies (Los Angeles), Vol.XIII, July-October 1978, No.3-4, p 250

25 Meyns, P: "Regionale Zusammenarbeit statt wirtschaftlicher Abhängigkeit. Bemühungen der Konferenz zur Koordinierung der Entwicklung im südlichen Afrika (SADCC)"; in: Europa Archiv (Bonn), No.10, May 25, 1982, Deutsche Gesellschaft für Auswärtige Politik, p 308

26 Tostensen, A: Dependence and Collective Self-Reliance in Southern Africa - The Case of the Southern African Development Co-ordination Conference (SADCC). Research Report, No.62, The Scandinavian Institute of African Studies, Uppsala 1982, p 16

27 Demas, W G, op.cit., p 22

28 Hoselitz, B: "Patterns of Economic Growth"; in: Canadian Journal of Economics and Political Science (Toronto), No.XXI, 1955, pp 420-421

29 Keohane, R O & J S Nye: Power and Interdependence: World Politics in Transition. Boston, Toronto, 1977, pp 12-13, even make a further distinction between two dimensions - sensitivity and vulnerability - in the concepts of interdependency.

30 Human, G J F: "Over the border development in southern Africa"; in: Growth (Pretoria), Vol.5, No.1, Summer 1985, pp 15-16.

2. Interdependencies in the natural resources sector

Interactions in the natural-resources sector - that is in the fields of agricultural, mineral and water resources - take place either through government cooperation in public projects or by foreign transnational corporations (TNCs), which are firmly established in the southern African countries with national investments bound into their operations.

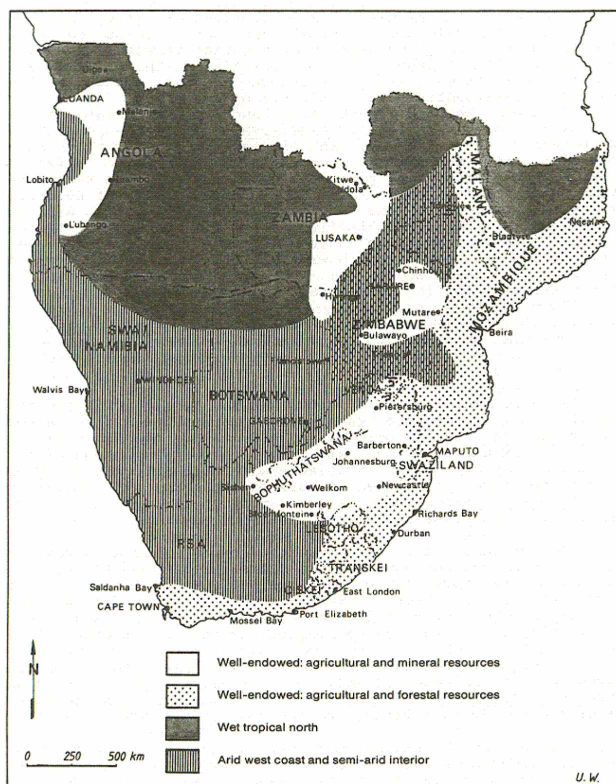
Sanctions between South Africa and the SADCC-states could therefore hurt a mutually beneficial and agreed-upon public cooperation in technology and investment transfer. Such transfer into the African countries must be used to assist in the economic transition of a developing country from the first stages of primary production to higher levels of natural-resources processing and manufacturing. Since most African countries are still at this first stage during economic transition, natural-resource production represents the vital prerequisite for economic growth within a self-reliant economy; in contrast to open economies, where it does not constitute a basic precondition for development:

> *"The possession of natural resources is not a prerequisite for the economic development of a region, as acquisition through international trade can be substituted for regional ownership. This is particularly true in the case of international trade. Japan's steel industry is a case in point."* [1]

However, as long as a region has not developed beyond its first stage of economic transition, international trade cannot be a 'natural' market-oriented substitute for the ownership of natural resources, to the same extent. The disadvantage of not having these resources available within an integrated region could be more pronounced because of the ease, with which the other participating factors can move out of such a region without restrictions to capital or labour movements.

In contrast, the net result of owning natural resources might then be that - unless there are other competing factors such as transport advantages, availability of labour, or the availability of other infrastructure - manufacturing will centre at the source of the natural resource, which would help to develop the economic viability of the particular country.

Figure 2: Natural resource regions of southern Africa



Source: *Africa Institute of South Africa, Pretoria, 1988*

The objective of natural-resource development has to be the creation of self-sufficiency in the first place, while an eventual

spillover has to generate the foreign-exchange earnings much needed by all LDCs to pay for their imports.

However, as the situation appears at present, most foreign-exchange earnings are generated by the introduction of cash crops and minerals into the changing terms-of-trade of a highly volatile world market, while a self-reliant agricultural and mineral production is still being neglected in many southern African countries.

2.1. Production of food and cash crops

Priority on food production would be highly justified regarding, for instance, the enormous decrease of Africa's per capita food production since the end of the 1960s.

Table 2: The position of the agricultural sector in southern Africa

Country	Percentage arable land (1984)	Agricultural contribution to GDP (1983-85) %	1985 per capita food production (index 1980=100)	Calorie supply per capita per day 1985 (in calories)	People occupied in agriculture 1983-85 (%)
Transkei	20	24.8			76
BophuthaTswana	6	5.8			47
Venda	9	19.8			85
Ciskei	15	8.3			8
South Africa	11[1]	5.3	81.3	2,926	
Namibia	1	6.2	83.7	2,212	38
Lesotho	10	23.5	97.4	2,299	24[2]
Swaziland	8	60.5	104.9	2,562	34
Botswana	2	6.0	83.8	2,159	49[3]
Mozambique	4	46.1	84.4	1,617	70[3]
Zimbabwe	7	11.4	98.8	2,144	27
Malawi	25	37.3	94.2	2,415	51
Zambia	7	17.4	93.4	2,126	10
Angola	3	48.9[3]	88.3	1,926	57[3]
Tanzania	6	53.8	81.4	2,316	19

Notes: [1] including the TBVC and national states [2] 1976 [3] 1981

Sources: *South Africa, Department of Agriculture of: Abstract of agricultural statistics.*
Food and Agricultural Organization: FAO Production Yearbook 1985, Rome 1986
Africa Insight (Pretoria), Vol.17, No.4, 1987, pp 16 & 79
Statistisches Bundesamt: Statistik des Auslands - Länderkurzberichte, Wiesbaden, 1984-89

Differentiated by countries, above Table 2 indicates both the

contribution of the southern African countries to the region's agricultural production and the low GDP generated by the drought-striken agriculture of the southern African nations.

On the one hand, subsistence agriculture is more susceptible to natural hazards, especially droughts, than other sectors. Conservative estimates put SADCC's direct losses of the 1982/83 agricultural season to more than US$ 1.5 billion.[2] This figure does not take into account the losses incurred by the commercial and industrial sectors, which are dependent on agriculture.

During the period 1974-1980 the total surface area in Leso- tho planted with major food crops diminished by one third; and hardest hit were Mozambique, Angola, Botswana and Zambia.[3]

On the other hand, the agricultural potential of the southern African countries (especially of the TBVC-countries) differ significantly according to the position of the individual territories to the centres of consumption, which consequently affect their marketing conditions.

With the exception of South Africa, Botswana, Zimbabwe and Zambia - all countries emphasizing mineral production - the TBVC-countries do not reach the same level of agricultural contribution to GDP as the southern African countries. Venda and Transkei, both countries holding a higher percentage of available land than BophuthaTswana, are located in large distance from the South African major industrial areas of the PWV, Durban or Port Elizabeth. These distances inhibit both economical cash crop production and any incentives for extend- ed food crop production geared toward larger consumer markets.

In 1982, capital-intensive white agriculture in the RSA pro- duced an output of some R1,300 per head, and R120 per hectare cultivated, in comparison to R65 and R34 respectively for the black subsistence agriculture in South Africa as a whole.[4] Even considering the inaccuracies of this comparison, due to the fact that much of what is produced and exchanged by smallholders cannot be registered for official measurements, these discrepancies in food production between the white and black producers cannot only be the result of differing natural assets such as soil fertility and rainfall distribution.

The most salient reasons have to be looked for in socio-economic determinants, which again were influenced over the course of history. The economic situation, to a large extent, had been created artificially to the advantage of white colonial farmers' interests.

2.1.1. Historical development of socio-economic determinants

BUNDY[5] for instance states that, for a brief period in the 1870s, the Xhosas' smallholder production experienced a boom due to high producer prices generated by the increased demand of a growing mining society, and was at least as sufficient as the white settlers' production at the time. But, as more and more peasants began farming crops for trade with the settlers in direct competition with white farmers, the colonial authorities began to counter this situation. Subsequently, stiff taxes on peasants, livestock and huts were imposed from 1890 onwards. Droughts, diseases and internal cattle wars, such as among the Xhosas in 1880, and subsequent relocations of considerable parts of the population, contributed to an increased level of peasant proletarianization. This landless class was very much needed to improve notorious labour-shortages on white farms. But the development of wage-labor dependencies was not restricted to the South African economy itself,

> *"...for economic pressures and social transformation carry no passports and easily cross political boundaries. A striking feature of the rise and fall of the South African peasantry is the way in which the process was subsequently replicated throughout much of Southern and Central Africa".*[6]

FAIR, for instance, agrees with WRIGHT in citing him that

> *"... the Rhodesian capitalists, by deliberate, non-market political and economic pressure, "proletarianized" the African peasants (transformed them into wage-earners), destroyed their economic independence, and forced them to serve as migratory labour for European mines and farms."*[7]

The same procedures were basically followed in Kenya, North-Rhodesia and - to a lesser extent - in Nyassaland by banning land sales, prohibiting tenancies and share-cropping and restricting forms of labour tenancy; facilitated by South African legislation, which was the

> *"... exemplar to be adapted to local needs and circumstances."*[8]

Labour migration from southern African countries to the white man's mines and farms represented an aggravating factor in the backwardness of agriculture in the countries of origin, because it deprived agriculture of manpower who alone may have taken decisions on production. Its psychological effects were even longer-lasting and were even aggravated after political independence.

Wage labour in 'white' areas, on the other hand, had a major impact on the social status of agricultural performance. Over the course of time it became accepted that agriculture was inferior to wage employment in urban areas. The attraction of urban life is preferred by many, mainly younger black labourers when compared to a more stable, but economically poorer environment on the smallholding. Smallholding agriculture, as such, has perhaps never been subsistent, because some additional contributions had to be made to the household income by the production and selling of small handicrafts, by 'ganyu' (day) labour, petty trade, beer brewing and so on. But these additional incomes were insignificant compared to the cash wages, however low, in the white areas, which furthermore enabled the migrant to spend money on consumer goods that had never been needed before and that created a totally different consumption pattern amongst urban blacks.

Another important problem was the inability of most policy makers - both white politicians during pre-independence and past-independence black rulers - to comprehend the economies of smallholder agriculture from the perspective of a family living close to the poverty datum line; resulting in ineffective agricultural policies and planning mechanisms. White politicians' conception of traditional 'Bantu' agricultural practice was best reflected in the Report of the Tomlinson Commission (1955), which maintained that

> *"... everyone robbed the soil, and where this parasitic system of land usage became difficult owing to pressure of population, wars of aggression, instead of efficient agricultural practices, were resorted to ..."* [9]*, and that*

> *"... the male Bantu has never been an arable or livestock farmer in the Western meaning of the word, and because of the historical development of this country, he has never been obliged to become a farmer. He apparently prefers to be an employee of the European rather than a real farmer and tiller of the soil."* [10]

The economical and social values of cattle ownership and land tenure system were virtually overseen. It was not realized

> *"... that stock also represents one of the few practicable means of capital accumulation for reserve inhabitants and that in impoverished societies where only a minority can afford to hire tractors, oxen are still extensively used for ploughing. Similarly, the goal of reserve farming must necessarily be to ensure physical survival, and anything but tried and trusted methods may be correctly viewed as threats to security."* [11]

Thus the reason for low crop production lies in the fact that smallholding plots represent the main source of insurance, with the consequence that family members of absent migrants still hold tight to communal land rights of usage even if they are incapable of crop production on their plots.[12] However, more and more families are unable to receive rights of land usage and often break their rural linkages by moving to towns thereby reinforcing the existing number of unemployed there.

Increasing landlessness and low agricultural output have thus accelerated the process of migrational trends. But the southern African core economies cannot possibly employ all of these potential migrants - a factor which has led to the creation of the nations' massive post-independence unemployment problems. In order to counter this situation, at least within its own territorial boundaries, the South African government recently acknowledged the urgent need of an enforced coordinated agricultural development.

2.1.2. Agricultural cooperation in the public sector

The emphasis on agricultural development in multilateral co-operation among the SATBVC-countries is indicated by the large number of permanent working groups within the Multilateral Technical Committee on Agriculture and Environment Affairs (MTC/AGEN), which cover extremely wide and specialised areas of interest.[13]

The most important functions of MTC/AGEN are among others to:

- advise on all relevant matters covered by their working groups,
- submit reports with appropriate resolutions for action,
- exchange scientific/technical/economic information, and
- undertake practical projects on a cooperative basis.

In the field of animal health and production, efforts are being made to develop a uniform approach regarding aspects such as: animal-disease prevention and control, registration of veterinary surgeons and health regulations of abattoirs. The Forestry Working Group was initiated by the need for an overall regional forestry guide plan to cover a forty-year period. Such a long-term plan would enable participating states to implement short-term plans and create investor confidence in the future, since the setting up of timber factories is a costly undertaking. Other matters discussed include fire prevention, eradication of plant invaders, and the establishment of woodlots for firewood. The Environmental Conservation Working Group was set up to coordinate nature and wildlife conservation among the SATBVC-Countries, including: the National Parks Board, the four Provincial Administrations and the Departments of Forestry, of Agriculture, and of Cooperation and Development.[14] Emphasis is placed on introducing the TBVC-states to research efforts on grain crops, and existing research facilities and resources of the RSA. The need to harmonize legislation on plant and seed control, and plant breeders' rights, were also agreed upon. The necessity of an incentive system for grain-crop production in the TBVC-states was also expressed and agreed upon.[15]

In addition, more than R23 million had been budgeted for agricultural development projects in the TBVC-countries by the Development Bank of South Africa, since this important vehicle for development became operational on 7 February 1984.[16] For instance, in July 1985, the DBSA granted three loans totalling almost R3.7 million to the Government of BophuthaTswana and its Agricultural Development Corporation (Agricor) for the fifth phase of the Taung Irrigation Project.[17]

In contrast to multilateral cooperation, certain financial and technical aid in agricultural production is also provided by the South African Department of Agriculture respectively the Department of Foreign Affairs on a bilateral level. The Engineering Section of the Department of Agriculture, for instance, recently offered technical assistance with the construction of eleven dams within the Ciskei. Recipients of development aid from the Department of Foreign Affairs are the Agricultural Development Corporations of the various TBVC-countries. For instance in 1983, the Department of Foreign

Affairs distributed additional drought-relief aid to Transkei's Tracor (R6.75 million), to Agriven in Venda (R6 million) and to the Ciskei National Development Corporation's (CNDC) Agricultural Division (R7.05 million), while a loan of R9.6 million was negotiated for BophuthaTswana's Agricor.

Furthermore, in 1982 for example, the then Department of Co-operation and Development rendered extension services and training to Ciskei and Venda. During 1982/83 the Agricultural Division of the Corporation for Economic Development (CED) invested in ten projects in BophuthaTswana and one in the Transkei, creating for both workers and farmers 3,500 and 2,700 respectively employment opportunities. The policy of the CED's Agricultural Division is to lease land from a tribal authority, identify suitable production methods and crops, and enter into a partnership with the tribal authority to set up commercial farming projects. Profits are shared with theauthority, which appoints members of the tribe to operate an economical unit of land around the main commercial project. Unsuccessful farmers are replaced while successful farmers acquire the right to use more than one unit.[18]

Public-sector interaction and cooperation in the field of technical aid to agricultural production between the RSA and the SADCC-countries is limited to a few cases.[19] Between 1980 and 1983 a cooperative maize production project was established between the RSA and Lesotho, involving the South African Agricultural Union, the Department of Foreign Affairs and South African Cooperatives. Aid by the Department of Foreign Affairs entails the secondment of technical and planning experts, technical assistance, and financial support to various projects in many southern African countries. Other examples are two stud farms in Lesotho for Merino sheep that had been developed from funds allocated by the South African Wool Board; the agricultural officers are also trained in sheep and wool science. In absence of diplomatic representations between the RSA and Lesotho, an Intergovernmental Liaison Committee has cooperated, since 1982, in the field of agricultural/ technical matters and conservation issues.

Most interactions in the field of agricultural management, however, are conducted by the South African Regional Council for the

Conservation and Utilization of Soil (SARCCUS), whose membership comprises all SADCC-countries, with the exception of Tanzania. SARCCUS promotes closer technical cooperation in matters relating to the control and prevention of soil erosion, and the conservation, protection, improvement and optional utilization of water supply. It is the intention of SARCCUS to formulate policy recommendations and ensure that these recommendations are implemented by the respective governments of the member countries.

The Onderstepoort Veterinary Research Institute (OVRI) plays an active role in the Office International de Epizootics (OIE) which also has members from other African States. The OIE has nominated the OVRI as the World Reference Center for horse sickness and blue tongue. Almost 3.3 million doses of vaccine were sent to member states in the region. The Institute also helped in the diagnosis of veterinary diseases and more than 1,200 samples were received from SADCC-countries during 1983.

Other cooperation in the field of disease and pest control comprises South Africa's membership in the International Foot and Mouth Advisory Committee, of which Malawi, Zimbabwe, Lesotho, Botswana, Swaziland and Mozambique are also members. South Africa also participates in actions of the International Red Locust Control Organization for central and southern Africa, such as a remedial poisoning action in coordination with the Swaziland Department of Agriculture in June 1984.

The basic philosophy behind this technical and scientific cooperation is the clear intention to prevent or defend diseases beyond South African territories, in order to avoid the higher costs of inland containment.

Food self-sufficiency for the SADCC region, despite its emphasis via agricultural research and drought resistance projects in the Food Security Programme, will be hard to achieve under the present ppulation growth in the short or medium term. Thus, cooperation of the public sector in the field of agricultural production and marketing marks a pertinent feature for present and future interactions between the South African and the SADCC-governments.

Even more important will be interactions in the sector of land usage

and ecology, for instance through cooperation in land use and regional planning, farming techniques, and regional monitoring systems. ERSKINE[20] proposes a comprehensive list of institutions and programmes, such as natural resources data banks, research institutions for small-scale agriculture and land usage, and environmental-impact assessment programs.

However, while these interactions take place on a controlled cooperative level, interdependencies in the private sector, in contrast, represent a more entangled network of tight economic interactions.

2.1.3. Market relations in the parastatal and private sectors

In addition to direct multilateral and bilateral contacts between governments, the SATBVC-countries also gave substance to the concept of regional development at a local level. For this purpose, interstate Regional Liaison Committees (RLC's) were formed, taking the initiative in the development of regions (see Figure 15 in Chapter 4.2.2.) as demarcated by the Regional Development Plan (Good Hope Plan) of 1980. In the agricultural field, matters relating to incentives to production, joint ventures and training facilities are discussed by representatives from both public and private sectors.[21]

Of interest is the fact that the regions, and therefore also the private sector, in 1983 and 1984 formally and directly advised and influenced their governments on many major issues which affect their region.[22] An example is the proposal by Region E (Natal/kwaZulu and northern Transkei) to make concessions to agricultural industries, to create production packages to assist various category farmers, and to get into cooperative arrangements supporting small farmer development.[23]

The South African Agricultural Union (SAAU) is involved in various actions, such as rendering advice on the formation of farmers' unions and on the set-up of cooperatives in Transkei, Venda and BophuthaTswana. The SAAU does not give financial assistance, but offers know-how, connections and marketing channels mainly through the homelands' various agricultural corporations.

BophuthaTswana's Agricor also holds 30 per cent of the shares in an agricultural distribution company called Temon Vet, which was

formed to procure farming requisites for Temisano ('Farming Together') projects. 50 per cent of the shares are held by Vetsak, a South African agricultural cooperative, with the remaining 20 per cent being split among two BophuthaTswana cooperatives.[24] South African Noord Wes Co-operative (NWK) acts as management agent for Agricor on the 'Sheila' dryland maize project. Northern Transvaal Co-operative (NTK) is involved in the 'Moretel' project in BophuthaTswana, providing technical and planning aid. 'Levobo' Cooperative shares with Agriven in Venda in a nut factory and various other actions.

Companies such as Inter Science-Loxton Venn and Measured Farming are also actively involved as project management agents and technical advisors to agricultural projects, while the Agricultural Co-operation Action Trust performs valuable services in the field of subsistence agricultural development and production.[25]

Agricultural farming in Ciskei and Transkei is planned to be transformed into a market economy type, given the recent permission granted by the Ciskei government to allow foreign freehold titles within the Ciskei territory;[26] while the Transkei is prepared to accept any South African farmers within agreed boundaries on transferred SADT-land. These farmers will be given security of tenure and their land will not be nationalized.[27]

In contrast, interactions via direct farmer involvement, such as South African cattle farmers or karakul rangers in Botswana and Namibia, or via private cooperatives in agricultural production between the RSA and the SACU/SADCC-countries, are very difficultly to follow, since statistical figures normally are not published. Except for the BLS-countries, dependency structures of the SADCC-states point more towards their former colonial states, since agro-economic patterns were laid down back in the initial phases of the colonial era. But even the BLS-countries are, in agricultural trading, firmly interlinked with the EEC-countries, firstly due to their former British Protectorate status and secondly since these countries, together with Zambia, have been associated to the EEC through the Lome-Treaty ten years after political independence.

British investment in, and establishment of, agricultural TNCs in

South Africa was even more active before 1961. So nowadays, investment flows occuring between the former colony and its colonial metropolis still interlink the RSA with the black southern African states via the British home-base as a third party; even more so since South Africa's economy is heavily dependent on TNCs.[28] Swaziland, for instance, strongly reflects colonial relationships: sugarcane production there is in the hands of the Commonwealth Development Corporation (CDC) of which the RSA was a member until 1961 through the Commonwealth Sugar Agreement (CSA). Originally the Swazi sugar production was initiated through economic impulses from South African enterprises and firmly established between 1960 and 1965, when

> *"... the production of sugar in Swaziland suited the needs of the South African sugar industry at a time when an increase in production was urgently needed,"*[29]

and the South African Sugar Association handed over a part of its sugar contingent to Swaziland.

But there also exists much South African direct involvement in private agro-economic links to the southern African count- ries. In addition, the Lonrho Sugar Corporation (a subsidiary of the British Lonrho group), which is incorporated in Swaziland but operates from South Africa, grows and processes sugar in Mauritius, Malawi (21 subsidiaries), Swaziland (13 subsidiaries) and the RSA. The Anglo-South African Rothman and the South African Rupert Tobacco Corporation grow and process tobacco; the Tiger Oats and National Milling Company (a subsidiary of Barlow Rand, which again is controlled by the Old Mutual (30 per cent) and Anglo American (12 per cent), processes wheat flour with subsidiaries in Lesotho, Zaire, Zambia and Zimbabwe; and the Hulett group manages food crop production in Zambia and sugarcane production in Zimbabwe.[30]

In general, transnationals in agribusiness increasingly tend to avoid major investments and turn to mere management and consultant functions in order to share benefits from the governments' growing need to produce for national consumption; which leaves corporations such as HVA International, the Imperial Group or the Booker Group[31] more flexible and adaptable in both geographical and monetary terms, and even allows an accelerated spread and control of what is grown where.

Table 3: South African transnational corporations in agribusiness and their southern African affiliates, 1985

Name of South African TNC	Ultimate controller	Location and number of subsidiaries	Main agribusiness sector
Cape Wine & Distillers	Rembrandt Group	Transkei (2), Swaziland (1), Namibia (3), Zimbabwe (1)	Production, Distribution
Delta Corporation (Zimb)	Anglo American	Zimbabwe (10)	Processing, Distribution
Fedfood Beperk	Sanlam	BophuthaTswana (2), Botswana(2), Namibia (7), Swaziland (1)	Processing, Distribution
Gubbs and Triggs Ltd	Stucken Wool Share	Lesotho (1)	Production
Hippo Valley Est. (Zimb)	Anglo American	Zimbabwe (1)	Production
Imperial Cold Storage & Supply Company	Old Mutual (via Barlow Rand)	BophuthaTswana (1), Zimbabwe (1), Namibia (1)	Processing, Distribution
Irvin and Johnson Ltd (Refrigerating)	Hersow & Menell	Transkei (1), Swaziland (1), Zimbabwe (1)	Processing, Distribution
Kaap-Kunene Beleggings	SA directors	Namibia (25)	Production
National Foods Holding	SA directors	Zimbabwe (9)	Processing
Oceana Fishing Group Ltd	Old Mutual	Namibia (2)	Production
Premier Group Holdings	Anglo American	Zambia (1), Lesotho (1), Namibia (1), Transkei (1)	Production inputs
Mazoc Citrus Estates	Anglo American	Zimbabwe (1)	Production
S.A. Breweries Ltd	Anglo American	Namibia (2), Transkei (2)	Prduction
Rhodesian Timber Holdings	K & L Timbers	Swaziland (1), Zimbabwe (1) BophuthaTswana (1),	Production, Distribution
Sea Products (Namibia)	Old Mutual	Namibia (6)	Production
C.B. Smith Foods Ltd	Old Mutual	Ciskei (1), Transkei (1), BophuthaTswana (1), Zimbabwe (7)	Production, Distribution
SWA Fishing Industries	Old Mutual	Namibia (4)	Production
Tongaat Hulett Group Ltd	Anglo American	Zambia (3), Zimbabwe (5)	Production
Triangle Ltd	Hulett Corporation	Zimbabwe (1)	Production
Triomf Fertilizer Investments Ltd	Luyt family	Swaziland (1)	Production inputs

Note: Table is incomplete since the source does not mark affiliation of all subsidiaries by country
Source: McGregor, R.: Investor's Handbook - incorporating Who owns whom? Cape Town, 1986, pp 28-623

2.1.4. Major effects of agro-economic interactions in southern Africa

There exist some major differences in South Africa's agricultural involvement (of both public and private sectors) with the homelands on the one hand, and with the SADCC-countries on the other. Public cooperation with SADCC members is mainly restricted to research and disease control, while South Africa is interested in diminishing existing unbalances in agricultural production between its economic core and its underdeveloped periphery. Everywhere in southern Africa control of land by white farmers and the agricultural investments of private firms have led to a sector composed of larger modern units on the one hand and a mainly subsistence sector on the other (see Table 4). This alienation of farm land, in return, led to the spatial domination of a modern agricultural sector using skilled techniques like irrigation and dry farming and the growing of commercial crops on estates.

Table 4: Land holdings of white estate farmers in southern Africa, 1974 (as percentage of total farm area)

Country:	Angola	Malawi	Mozambique	Namibia	Swaziland	Zimbabwe	Botswana	Zambia
No. of farms:	8,000	3,600	4,500	6,500	790	6,680	-	700
Percentage of area:	-	-	50	98	46	47	15	10[1]

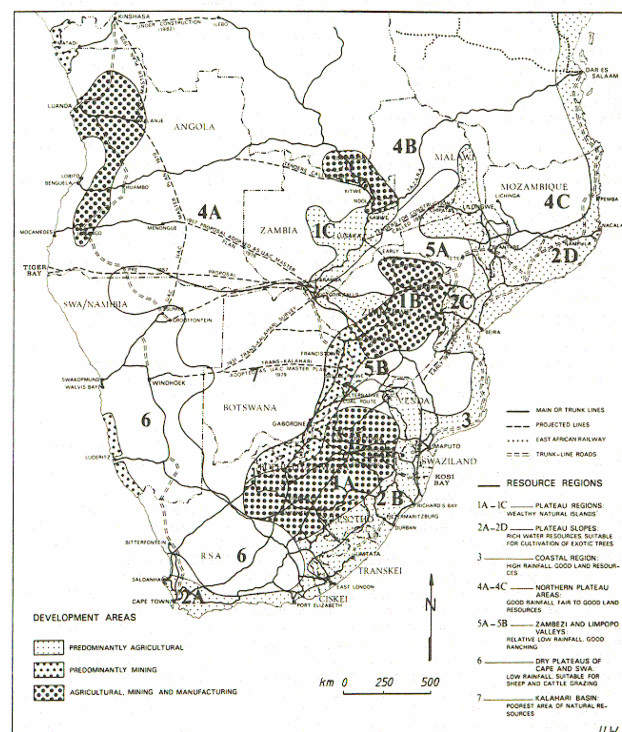
Note: [1] Twenty miles on both sides of railways
Source: USAID: Development Needs and Opportunities for Cooperation in South Africa. Washington 1979; cit in: Seidman, A. : Outposts of Monopoly capitalism. London 1980, p 237.

However, during the last ten years since political independence of Mocambique, Angola and Zimbabwe, some changes occured in the intensity of modern-sector agriculture.[32] For the first time since independence, the bulk of Zimbabwe's small-scale production came from the approximately 800,000 individual peasant farmers in the communal areas, although these communal lands represent only half the agricultural area and contain the poorest soils.[33]

In contrast, the marketable production of small-scale peasants in Zambia is very low. It is the approximately 500-600 large-scale commercial farms (half of which are European-owned and situated along the North-South 'line-of-rail' on leasehold land), which produce one-half to two-thirds of the marketed output of maize, as staple food, for the urban and mining centres. The situation is totally different again in Malawi, where small farmers predominate, while the estate sector produces most of the cash crops, primarily tea and

tobacco. In Swaziland about 70 per cent of the population lives on mainly subsistence farms, covering about half the land area. The other half is occupied by modern-sector cash crop farms, a large proportion of which are owned by foreigners and private companies.

Figure 3: Resources and development areas in southern Africa



Source: Jorgensen, AA; in: Africa Insight (Pretoria), Vol.13, No.1, 1983, p 38

Lesotho's and Botswana's agricultural production is comparatively negligible, and due to factors such as topographic respectively climatic restrictions, large-scale cattle breeding, owned predominantly by Europeans, contributed between ten and twenty per cent to Botswana's foreign-exchange earnings. Mozambique and Angola are exceptional due to the political policies of their governments. A broad subsistence sector still exists but the former Portuguese commercial farms (primarily small and medium-sized) have been consolidated into state farms, along with some of the old plantations. In Mozambique some 4,000 farms cover nearly 50 per cent of the farmland,[34] while in Angola the coffee production, the formerly most exported cash crop, is down to almost zero. In genera, the important role of European farming is indicated by the high share of a few cash crops in the foreign-exchange earning of most of the southern African countries:

Table 5: Southern Africa's dependency on cash crops and primary produce, 1985 (in %)

Country:	Swaziland	Lesotho	Botswana	Zimbabwe	Mozambique	Namibia	Zambia	Malawi	Angola	Tanzania
Main cash crop:	Sugar	Wool	Beef	Tobaccco	Prawns	Wool	Tobacco	Tobacco	Coffee	Coffee
% of exports:	36	50	12	21	43	6	2	42	7	40

Source: Europa Publications: Africa South of the Sahara 1988, London, 1987

The trend across Africa towards increasing privatisation of commercial lands, growing concentration of land ownership, and fragmentation of holdings, aggravates rural poverty, since improved agricultural techniques do not necessitate additional labour. In some countries, lands traditionally available to all tribal members are being appropriated by government officials or foreign firms; and where agricultural production is increased, most of the impoverished rural population does not have the financial means to actually acquire additional foodstuff. But, too often these large schemes, displacing and pauperising peasant communities, require enormous amounts of foreign exchange, and usually fail to meet production targets. Schemes developed by agribusinesses reveal an excessive and unnecessary dependence on foreign sources of supplies, technology, management and expertise, as long as the resources are not available within the country.

Through management and consultancies, agribusiness retains control of technological capabilities and, in certain circumstances,

even of the product demand through service or supply agreements. It is in these fields where government cooperation should be retained or even be promoted on a selective basis. Appropriate technology for production, and proper management for marketing methods, could widen both the limited scope of crops and the narrow range of consumer markets. A self-reliant development in the agricultural sector would still need the production of cash crops to pay for these services. However, appropriate production technology and proper marketing management could immensely decrease southern Africa's unilateral dependency on volatile foreign markets.

Notes and References:

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11 Southall, R: SouthAfrica's Transkei - The Political Economy of an 'Independent' Bantustan. London, Nairobi, Ibadan, 1982, p 223

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18 Randall, P. (ed): Survey of Race Relations in South Africa, 1983. Vol.37, South African Institute of Race Relations, Johannesburg 1984, p 375

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20 Erskine, J M, "Ecology and land usage"; in: South Africa in Southern Africa - Economic Interaction, Africa Institute, Pretoria, 1988, pp 178-189

21 Van Rooyen, op.cit., p 29

22 South Africa, Department of Foreign Affairs of, op.cit., 1984, p 16

23 Van Rooyen, J, op.cit., p 30

24 Randall, P, op.cit., p 376

25 Van Rooyen, J, op.cit., p 36

26 Growth (Pretoria), Summer 85, p 30

27 Digest of Multilateral Activities (Pretoria), Vol.2, No.8, SECOSAF, May 1985 (First Half), p 10

28 The Star (Johannesburg), June 17 1885, p 3, calculates that more than 75% of the firms traded on the Johannesburg Stock Exchange are ultimately controlled by the 3 big TNCs Anglo American (50%), SANLAM (12,5%) and Old Mutual (12,5%)

29 Cit.in: Jeske, J: Botswana - Lesotho - Swaziland: Agrargeographische Struktur und wirtschaftliche Verflechtung im südlichen Africa. Weltforum Verlag, München 1977, p 136

30 Dinham, B & C Hines: Agribusiness in Africa - A study of the impact of big business on Africa's food and agricultural production. Earth Resources Research Ltd, London 1983, p 37

31 Ibid, pp 80-81

32 Turner, S: "Zimbabwe - the first five years. Special Report"; in: Africa Economic Digest (London), April 1985, pp 17-21

33 Africa Research Bulletin (London), April 1985, p 7600: South Africa also feels the effects of farmer exodus on its borders. In order to stem the drift of white farmers from its borders with Botswana and Zimbabwe, South Africa broadens its 'designated area' from five to more than thirty miles. This area is a strip of territory along the border in which white farmers are given financial aid to stay on or settle.

34 Dinham, B, op.cit., pp 145-146

2.2. Mining and quarrying

At present, most African countries generally depend on investments, technology and management from developed countries in two ways: Some southern African countries such as Malawi, Mozambique, Swaziland and Lesotho have not yet discovered important mineral reserves, which could offer employment to the national labour-force, and send many migrant workers into South Africa's and Zimbabwe's mines and quarries.

On the other hand, southern African countries that possess recoverable mineral occurrences such as Namibia, Angola, Botswana and Zimbabwe have much of their mineral wealth exploited by western or South African transnational companies (TNCs).

While the first above-mentioned situation will be discussed as labour migration in a later chapter, the following chapter outlines how the southern African countries can use existing interactions to contribute to economic transition and thereby decrease their economic dependencies on South Africa since

> *"... mineral resources are non-renewable and mining may therefore be regarded as a wasting asset in the sense that ore reserves, no matter how large these appear to be, will eventually be depleted. It is therefore essential to optimize the contribution of mining to the national economy and to ensure that mining results in industrial and other development of a more permanent nature."* [1]

2.2.1. Unfavourable distribution of mineral deposits

As a whole, the southern African region is blessed with a multitude of mineral resources. Hence, the major force which provided the impetus for the development of South Africa to become the southern African powerhouse were her large reserves of gold and diamonds, additionally located within easy transport range of her urban centres and ports. Consequently, South Africa developed her economic supremacy through her strong attraction for European capital.

Additionally, substantial unexploited reserves of energy sources exist; for example, very large low-grade coal reserves in Botswana, coking coal and natural gas in Mozambique, and some 50 billion m^3 of natural gas reserves in Angola.[2] A natural gas field, which South Africa intents to exploit, is the 'Kudu Field' offshore the Oranje

estuary, two miles within Namibia's territorial waters. However, South Africa has also developed oil and gas fields in her own territories, namely an offshore oil field near Mossel Bay.

Table 6: Southern African countries containing one percent or more of estimated world mineral reserves (%)

Mineral	Antimony	Cobalt	Chromium	Diamonds	Coal	Copper	Gold	Iron	Petroleum	Uranium	Manganese	Platinum	Vanadium	Phosphate
Year	1982	1983	1984	1985	1982	1985	1984	1984	1982	1982	1983	1982	1981	1982
South A.[1]	18		33	15	5	2	47	5		15	31	41	44	3
Namibia		1				1				10				
Botswana		1		19										
Angola				1					1					
Zambia		12				6								
Zimbabwe			5				1							
Zaire		27		29		6								

Note: [1] including 'independent' homelands
Sources: South Africa in Southern Africa. Africa Institute, Pretoria 1988, pp 250-251
Africa Insight (Pretoria), Vol.17, No.4, 1987, p 82

However, beyond the South African border, some reserves are still not fully explored. For instance it is estimated that the metallurgical-grade chrome ore in Zimbabwe represents about 60 per cent of the world reserves[3], and that the known natural uranium reserves within Namibia far exceed the so far explored 100,000 tons.[4]

Naturally, these variances in the ownership of committed mineral reserves are primarily the result of unbalanced resource distribution. The difference between potential and committed reserves lies in the necessary production costs involved in relation to the mineral's market price. Low-value minerals must preferably occur as a compact block, as conveniently situated as possible with respect to large water sup- plies, to a power transmission grid and to transport networks. Only then can these low-grade mineral reserves be valuable for export, since they have favourable mining conditions to ensure low production costs.

Table 7 indicates the overwhelming importance of mineral exports for foreign-exchange generation of some southern African nations. The economic dependency and vulnerability of the national economies on the export of these minerals becomes clearly evident for both SACU- and SADCC-countries. Zambia and Zaire (as a non-SADCC-member) - and Angola (in the case of crude oil) - regarding such vulnerability, range even before the Customs Union members Namibia, Botswana, South Africa and BophuthaTswana -

the latter being the only mineral exporting 'independent' homeland.

Table 7: Percentage contribution of mining to GNP and to total exports, 1985

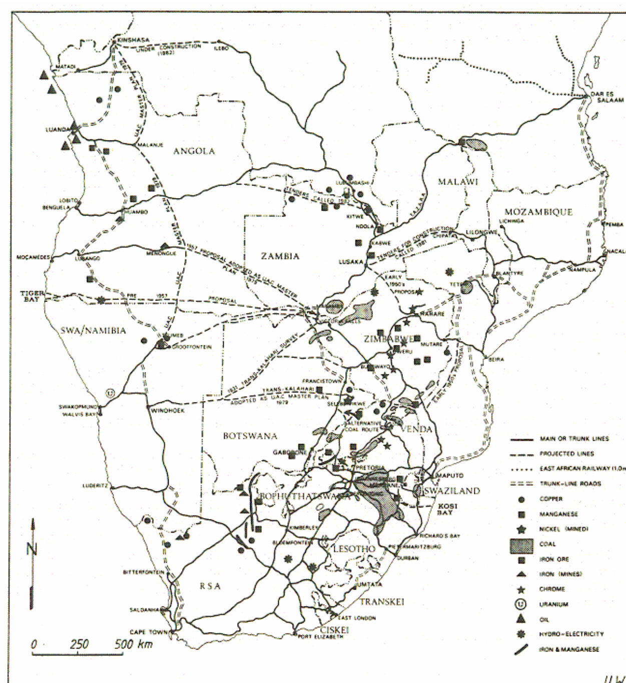
Country	% of GNP	% of total exports
South Africa[1]	17	54
Namibia	59	81
Botswana	60	75
Lesotho	5	30
Swaziland	3	5
Angola	38	90
Malawi	1	-
Mozambique	1	-
Zambia	30	95
Zimbabwe	9	46
Tanzania	2	5
Zaire	25	84

Note: [1] including 'independent' homelands
Source: *Europa Publications: Africa South of the Sahara 1988, London, 1987*
Africa Insight (Pretoria), Vol.17, No.4, 1987, pp 74-75

Structurally the economies of Namibia, Botswana and Zambia, as well as to a certain extent the ones of Angola and Zaire, have all the characteristics of other underdeveloped mining economies. Firstly a heavy export orientation, which is highly vulnerable to fluctuating world metal markets for a large pro- portion of government revenue, and secondly large payments go- ing abroad to the mining companies and international agencies, hand over economic control of these southern African countries to external economic forces, particularly to Anglo American in Johannesburg, AMAX in New York and Rio Tinto Zinc in London.

Although mining commands such an important place in the South African economy, public cooperation between South Africa and the TBVC-countriesis restricted to the functions of a single 'Subcommittee on Mining and Mineral Affairs' within the Multilateral Technical Committee on Industries, Commerce and Tourism.[5] There could be no better proof demonstrating that it is general policy to leave high-value metallic mineral mining almost entirely to the private sector - in the South African context mainly represented by half a dozen of TNCs.

Figure 4: Railways and minerals in southern Africa



Source: Jorgensen, AA; in: *Africa Insight* (Pretoria), Vol.13, No.1, 1983, p 39

2.2.2. Transnational relations of South African corporations

Only in the case of Namibia did two state corporations keep important investments in the Namibian mining industry[6]: 'Uis Tin Mining Company (SWA) Ltd' and 'Imcor Zinc Ltd' perform metal mining in Namibia as subsidiaries of South African state-owned Industrial Steel Corporation (ISCOR), while the South African

'Industrial Development Corporation' (IDC) had an important share (3.3 per cent in 1982)[7] in Namibian uranium mining.

While an unlisted Gold Fields subsidiary, Kiln Products, owns the SWA Company Ltd,[8] which in turn exploits metallic minerals in Namibia, the national corporations of the western countries continue to operate in Namibia in spite of repeated calls from the United Nations that, as such operations were illegal, they should be ceased. As in April 1983, there were 224 foreign TNCs operating in Namibia. Major economies were the US with 75 companies, UK with 68, West Germany with 25, South Africa and France with twelve each, and Canada with ten companies.[9] These deal in every conceivable field of commerce, industry, agriculture, banking, insurance, petroleum, construction, engineering and, of course, mining.

The US subsidiary Etosha Petroleum, since the mid-1960s, holds exclusive exploration rights for a prospective location of commercially viable oil deposits in Ovamboland.[10]

However, Namibia's mineral resources, while being large, are not infinite, and various estimates put the life of the major deposits at no more than twenty years. CDM internal documents indicate that the Oranjemund diamond mine is virtually exhausted after intensive overmining, especially during the 1970s.[12]

> *"This rapid rate of mining and the impending exhaustion of established mineral resources will cripple the prospects of development for the economy of an independent Namibia in the future."* [11]

In 1974 the Kudu gas field, which is just 2.8 km inside the Namibian border and 120 km offshore, was discovered and capped by Chevron/US. But the discovery was kept secret for 10 years because further exploration was blocked due to the reluctance of oil majors to carry out drilling in violation of UN policy. Only in January 1985 came confirmation of large gas reserves off the Namibian coast. South African newspapers hailed this discovery as a find for the Republic, with little mention of Namibia. Estimates stated that, together with SASOL output and production from offshore Mossel Bay, this oilfield could make South Africa independent from overseas fuel supplies. Conse- quently, in March 1985 Pretoria changed its view of the political risks involved and approved a final evaluation of the field's potential. Although the Department of

Foreign Affairs declared that the reservoir would not be exploited for South Africa's benefit but that all revenue would go to Namibia, the whole operation is firmly in South African hands.[13]

The operating company - Swakor - is a private group control- ling all oil and gas exploration in the territory. In 1985 Swakor was 'namibianized' and assumed control of concessions for the Kudu gasfields. But the chairman of Swakor also heads Soekor, the South African equivalent, which apparently bought-off Chevron in 1974 and took over the concession for the Kudu field. Furthermore a stockbroker's report proposed piping the gas to a liquidation plant to be built, of course, in South Africa, probably 850 kilometres away at the much smaller Mossel Bay field.[14]

Namibia has received a 50.04 per cent block of voting shares in Rössing Uranium, the world's biggest uranium mine, which entitles it to appoint one director. These shares were owned by the IDC and represent a 3.5 per cent commercial interest in the mine, and a veto right rather than a dictating interest.[15] Rio Tinto Zinc retains 51.2 per cent of the shares and therefore still nominates the majority of the ten directors, while the remainder of the shares are split as follows:

Namibia Government	3.5%	Minatome (FR)	10%
IDC	10 %	Urangesellschaft	5%
GenCor	2.3%	unnamed investors	18%

ISCOR also has an exploration coal mine in Venda; but the TBVC-countries' economies are so closely interlinked with South Africa, anyway, that the state interests of the one are usually identical with those of the other. Therefore Namibia and the TBVC-countries represent exceptional cases, in that the South African public sector has invested across borders.

In Botswana feasibility studies were conducted for a mining operation to unearth soda ash, potash and salt beneath the surface of the dry Sua Pan Lake. South Africa would like to offer financialsupport for this project.[16] And 'Roberts Construction', a subsidiary of the Murray & Roberts company, starts to utilize high-grade clay deposits 80 km southeast of Manzini/Swaziland near Mpaka for producing 65 million paving bricks per year, where a railhead was completed in July 1984, allowing economical shipments to Natal and Mozambique.[17]

Western (that is European and American) and South African interests are very difficult to distinguish between, since these TNCs are firmly linked through capital investments and mutual exchange of board directors. Ultimate control of a subsidiary company or even a corporation does not exclude investments from other corporations.

In the southern African region the British 'Lonrho Corpor- ation' and 'Rio Tinto Zinc' are closely interlinked with major South African corporations, namely Hersow & Menell, Anglovaal, Barlow Rand, Gold Fields of SA, General Mining & Finance Corporation, Anglo American, and so on.[18]

Table 8: South African mining TNCs and their southern African affiliates, 1985

Name of South African TNC	Ultimate controller	Location and number of subsidiaries	Type of mineral
Anglo American Coal Corp.	Anglo American	Transkei (1), Zimbabwe (2), Lesotho (1)	magnesite, coal
Anglo American Corp. of SA	Anglo American	Lesotho (1), Zimbabwe (13), Botswana (1) Swaziland (1), Zambia (3)	iron, nickel, copper, chrome
Associated Ore & Metal Corp.	SA directors	Namibia (1), Zimbabwe (2)	manganese, chrome
Consolidated Gold Fields	Anglo American	Namibia (2)	gold
Coronation Syndicate SA	Lonrho	Zambia (1), Zimbabwe (1)	copper, gold
De Beers Consolidated Mines	Anglo American	Namibia (7), Zimbabwe (1), Lesotho (2), Botswana (2), Zaire (1)	diamonds
E.L.Batemann	SA directors	Namibia (2), Botswana (1)	
Falconbridge Ltd	SA directors	Namibia (1), Zimbabwe (1), Botswana (1)	metals
Fraser Alexander	SA directors	BophuthaTswana (2)	granite
Gencor Investment	Sanlam	BophuthaTswana (1)	platinum
Griqualand Explorat. & Finance	Sanlam	Botswana (1), Zimbabwe (1)	asbestos
Gypsum Industries	BPB Industries	Zambia (1)	gypsum
Samangan	SA Manganese	Zimbabwe (1)	copper,manganese
Shangani Mining	JCI	Zimbabwe (1)	nickel
SA Manganese Amcor	Sanlam	Namibia (2)	manganese
Swaziland Colliey	Anglo American	Swaziland (1)	coal
Zambia Copper Investments	De Beers	Zambia (1)	copper
Zimbabwe Alloys	Anglo American	Zimbabwe (1)	chromite

Note: Table is incomplete since sources do not list affiliation of all subsidiaries by country

Sources: *McGregor, R: Investor's Handbook - incorporating Who owns whom?, Cape Town 1986, pp 28-623*
Financial Times: Mining 1985, International Year Book, Longman Group Ltd, Britain 1986, pp 1-422

PILLAY[19] calculates that in 1983 approximately 25 per cent of the shares issued by South African finance or mining TNCs were owned by British and American stockholders. The scale of these TNCs ranges from 'small-size' private companies to the well-known international corporations: On the one hand, the Sunday Times[20] claimed that a 'private Transvaaler' was to develop a promising gold mine in the Odi 2 district of BophuthaTswana through an initial investment of some R40 million; and that the Trans Hex Company of South Africa, in July 1985, was granted an exclusive licence to prospect for diamonds and other precious stones in Swaziland.

On the other hand, Anglo American, one of the largest conglo- merates with its main interests invested in the mining indus- try, has over half of its shares held in the USA and in Britain.[21] Anglo shares directors with top international mining companies, including the British Rio Tinto Zinc, which manages the South African Phalaborwa coppermine and has a substantial share in the Rössing Uranium mine in Namibia, and in nickel exploitation in Zimbabwe.[22]

Above Table 8 indicates corporations, most of whose ultimate controllers are identified as South African, but does not consider their interests via additional shareholdings in foreign corporations.

One Anglo affiliate is De Beers Consolidated Mines Ltd, which was acquired in the 1920s. This company controls almost the total international production and sale of rough diamonds in South Africa, Namibia, Lesotho and Botswana, and buys them from Zaire, Ghana, the CAR and Sierra Leone. In Namibia, De Beers controls the richest of its mines, the Consolidated Diamond Mines. In Zaire - the largest producer of industrial diamonds - De Beers has investments in the government diamond companies. De Beers has a 50 per cent stake in the world's largest diamond mine at Orapa in Botswana. New mines at Letlhakane and Jwaneng will make Botswana the third largest diamond-producing country in the world. In Angola the bulk of the country's production is provided by the DIAMANG company: following the civil war De Beers lost control and was left with a mere one-third stake. De Beers has a 19 per cent interest in SIBEKA, the Belgian mining company, which manages the Miba diamond mine in Zaire and which has a 20 per cent stake in the mine. In addition, De Beers has investments in diamond mines in Guinea, Liberia, the

Ivory Coast and Tanzania.[23]

Another Anglo affiliate together with AMAX (American Metal Climax) controlled the huge Zambian copper mines, until in the late 1960s Zambia took over 51 per cent of its big mines' shares. At roughly the same time, Zaire's Government actually acquired 100 per cent of its shareholdings in the country.

With the capital received in compensation these TNCs devel- oped the Selebi-Pikwe copper mine in Botswana and, together with a number of other companies, the Tsumeb copper mine in Namibia. Anglo became the largest foreign investor in former South-Rhodesia with interests reaching far beyond mere mining activities. In the early 1960s, Anglo acquired 50 per cent shares in the 'Johannesburg Consolidated Investment' (JCI) [24] and substantial shares in the UK-owned 'Gold Fields of SA' and South Africa's 'General Mining&Finance Corporation' (GenCor).

GenCor is controlled by the Afrikaaner 'Federale Mynbou" and shares directors with South African parastatals such as ISCOR and SASOL. It owned almost a third of the former independent 'Union Corporation' (and controlled it in 1985), in which Barlow Rand and the Anglo associate, Charter Consolidated, also held interests. Each group eld shares in gold mines control- led by others and together they invested in platinum, copper and other mines throughout southern Africa, such as the Impala platinum and palladium mine in BophuthaTswana.

But the GenCor group does not deal entirely with metallic mineral mining. Through one of its companies, for instance, it took over the management and operation of an existing colliery at Mpaka/Swaziland in January 1985. This company was also granted exclusive rights to prospect for coal in the surround- ing area.[25]

Another important British corporation with a major stake in South African mining is the Lonrho group. Ultimate control of 115 subsidiary companies in South Africa, on the one hand, and of 51 subsidiaries in Zimbabwe, 60 in Zambia, 21 in Malawi, 13 in Swaziland, two in Zaire, two in Mozambique and one in Tanz- ania on the other, make this transnational a major bridge-head between the RSA and its black neighbours.[26] Besides agricultural cash-crop production, as mentioned before, this group directs mining

investments mainly into copper mining (Zambia, Zaire, Zimbabwe) and bauxite prospecting (Malawi).[27]

Another bridge-head is the American transnational giant, 'Union Carbide', which has huge chromium investments in both Zimbabwe and South Africa.[28]

These South African as well as foreign transnationals alike are considered to be the vehicles for economic development through their allocation of much-needed foreign exchange. But what are the prospectives of decreasing this, often sensitive, dependency on external sources of technology and investment?

2.2.3. Economic development through dependency on foreign mining corporations?

The low level of economic development in Africa and its dependency on foreign economic forces prevents most countries from establishing their own mines, not to speak of processing industrial plants, which can use the metal produced by the mines. This is not surprising, since the mines were established and their scale determined by the needs of the industrial- ized nations of Europe and America. Nowhere in Africa, except in Zimbabwe and the diamond-producing countries of West Africa, is there even a proliferation of small mines alongside the large-scale export sector.

However. orthodox economic theories argue that

> *"...by participating in international trade and selling their agricultural products and minerals in the expanding world market the poor nations can generate sufficient capital to build up their own economic structures and invest in a growing range of industries, producing manufactured goods for the home and international market. African countries with rich mineral deposits should encourage foreign capital to develop mines and export minerals to the industrialized world."* [29]

Further, these theories argue that mineral resources are turned into income-producing assets, that foreign exchange earnings as well as local employment opportunities increase, and that the multiplier effect of the mining companies' expenditure on local labour and stores expands the domestic economy. In short, for orthodox theorists Africa invariably gains by its exploitation of minerals through foreign capital.

But the experience of African mineral-producing countries has been somewhat different. Planning for economic development is difficult, because fluctuating prices, as in the case of Zambian and Zairean copper, and the long-term trend for raw- material prices to fall relative to prices of manufactured goods, combined with a unilateral orientation on export of only a few minerals, create an excessively vulnerable depend- ency on these mineral earnings and consequently on capital-holding corporations. Control of mineral exploitation and exports is firmly in the hands of foreign mining companies, which exploit the mineral resources at a rate and in a manner which is inconsistent with the interests of the host nation.

The Odendaal Report, for example, urged the rapid economic development of Namibia's known and determinable resources. Major beneficiaries of this rapid exploitation are, first, the mining companies and, second, the South African state through the collection of company and corporation taxes.

Usually the multiplier effect of large mines is very small. They are not major purchasers of local goods and services, and all their capital equipment and services are imported. Mine stores and consumer goods also tend to be imported from overseas, along the same route as the minerals are exported. The only local supplies usually consumed by these large mines are energy and water.

In order to increase internal efficiency and economy, inter- national companies standardize production techniques around the globe, so that their investment in the periphery tends to be highly capital-intensive and the applied technology of a sophisticated standard. The technologies utilized on the big mines are far too complex and expensive for individual potential African entrepreneurs to take over. Modern techniques of large-scale production require specialized machines, which have to be imported from the industrialized nations. In addition to revenues from company taxes and profit sharing, government revenue is provided through taxation of the employment income generated by the project and through customs, excise, and sales duty.

The promised benefits from mining on employment are reduced by the trend towards massive open-cast mines, as is the case with both the Rössing Uranium Mine and the CDM fields at Oranjemund.

Smaller unit-production costs and increased capital intensity often result in the restriction of employment to local unskilled and semi-skilled labour, and predominantly during the construction stage. Even where the employment rate is higher, development in the rest of the country is normally affected by the loss of manpower, as young men are attracted to the mine in search of work that will not be available.

Government investments are often larger than they need to be, when low-interest or interest-free foreign loans are tied to the purchase of capital goods, even if this equipment could be bought cheaper elsewhere.

Such was the case at Botswana's Selebi-Pikwe mine: to raise the comparativel large amount necessary, the Botswana govern- ment was forced to pledge government revenues for 25 years to pay for the infrastructure needed by the mines.[30]

The reliance on imported capital goods reduces investments in the capital-goods sector of the African economy, postponing the development of an indigenous capital-goods industry and the growth of the local labour market. Additionally, African governments shared both the financing and the risks:

> *"They often helped obtain essential funds to meet the heavy costs of infrastructure - roads, ports, bridges - needed to ship out crude minerals ... Sometimes, they even provided part of the initial capital, although for the most part they paid for their shares out of future profits so they received minimal returns until the shares were paid for."* [31]

Not infrequently African governments bought shares of owner- ship in the already established local subsidiaries of the transnational mining companies. The mining conglomerates became increasingly willing to sell such shares, even a majority of them, to the African governments. In the late 1960s, for instance, both Zaire and Zambia took over the majority of the shares of their big mines. As a result, the tendency was to

> *"... maintain at all costs the operation and profitability of the mines. Furthermore, the establishment of a mineral export industry focuses the country's attention and energies to an unwarranted degree on the export sector of the economy, with a consequent neglect and even abandonment of the internal economy."* [32]

Typically, they reduced corporation taxes to make their acquisition of shares more attractive to the foreign partner. Another reason to accept reduced tax revenues and current incomes is the effort to stimulate greater future output and foreign-exchange earnings.

Local governments also typically ensure favourable condit- ions for their transnational corporate partners by enforcing labour 'discipline' and low wages. But even with these low wages the unskilled miners' influence might be very damaging to the economy, in that consumption patterns of the highly-paid expatriate staff are copied. This 'imitation effect' is partly responsible for the high-import, high-wage and high-cost structure of the Zambian economy.

So it may be argued, that at least direct revenues make mineral mining by transnational corporations worthwhile for the southern African economies. But as the mines are invaria- bly established with foreign capital, the bulk of the profits is also paid overseas, except of course for the taxes and duties levied by the government. An international mining company is in a much better position to transfer the surplus generated in the periphery to the metropolitan centre, because this transfer is conducted within the company and therefore much less open to government scrutiny than a similar transfer by an indigenous company would be.

In a growing number of cases, transnational firms even dis- guised their acquisition of investable surpluses as managerial and licensing fees, or compensation paid by African govern- ments for purchases of shares in the business.[33]

Interest charges on outstanding loans are deductible and represent more of the mines' surplus which escapes government taxation. Dividends are usually freely remittable to share- holders outside the developing countries in their respective currencies. This represents an additional drain on foreign exchange. The same applies to the mineral-exploiting southern African countries: foreign mining cor- porations, firmly established in the national mining sector, are pre- pared to shift vast amounts of investment capital from the metro- politan centres towards potentially profitable mining undertakings.

For instance, it is estimated that 75 per cent of Botrest's gross profit on the Botswanian Selebi-Pikwe mine is deductible before tax.[34] Tax arrangements at this mine are designed to give the

government 50 per cent of total revenue after allowances for capital repayments. This is not as high as Zambia's effective rate of 73 per cent of mine profits, but Zambia's mines are already built and in operation.

In late 1984, Namibia raised its special diamond-income tax from 50 per cent to 55 per cent which was claimed to bring the overall tax rate of CDM's profits to 75 per cent. However, although CDM additionally pays a 10 per cent diamond export tax on the gross proceeds of diamond exports, royalty refunds from Windhoek add up to 22.5 per cent of the total income tax and export duty paid, which renders the claimed 75 per cent grossly exaggerated.

Anyway, until May 1985 it was the South African government, via its Administrator General of Namibia, which increased taxes in its own national interests and left some mining- industry sources in Namibia conceding that

> *"... they might be little worse off under a Swapo government."* [35]

These claims of the transnational mining corporations on the investable surplus make it impossible for locally-originated industrial development to occur, or agricultural productivity to increase at least not at a rate sufficient to generate self-sustaining economic development.

Furthermore, the actual investible surplus that accrues to the national economy is mostly being entirely misused in rein- forcing and extending the power and patronage of the government machine, and to provide the tools and pay the salaries for an expanding civil service and army. Only if funds increa- se sharply or are large enough to be noticeable, are mining revenues credited to a development fund.

Botswana and BophuthaTswana actually represent the only two southern African countries, which profit from transnational mining activities to a higher extent. However, even here some qualifications have to be made, when one takes a closer look at the offical figures: Botswana's GDP grew spectacularly as a result of Selebi-Pikwe and the Orapa diamond mine. But these figures are misleading, because high level of payments abroad means that the effect on the GNP is half of that on the GDP.[36]

Botswana's previous trade deficit was turned into a surplus, but at the cost of creating an unbalanced economy. The same applies to BophuthaTswana, where mining and quarrying contributed more than 52 per cent to GDP, already in 1980.[37] Although the physical volume of mining production rose by some 27 per cent from 1983 to 1984, these figures were still about 20 per cent below the 1980 output.[38]

Namibia, Botswana, BophuthaTswana and, to a large extent, South Africa are in the advantageous position of possessing transport-cost insensitive minerals, whose terms-of-trade, as in the case of diamonds, can be controlled via oligopolistic supply structures. On the other hand, the fluctuation of gold prices on the world market has grave effects on the stability of the South African economy. The same holds true, although to a lesser degree, for all precious and semi-precious metals.

In contrast, Zambia, and to a certain extent Zaire, are landlocked countries, which depend very much on foreign trade. Shipping goods to and from harbors in neighboring countries, in addition to overseas shipment expenses, results in high expenditures. These costs represent an additional strain on their currency reserves due to rising petrol prices.

However, as soon as the exploitation of manganese nodules on the seabed will be started by the western countries, terms-of-trade of these two countries for manganese, copper and cobalt minerals will drop sharply (and will also affect South Africa's production), which warrants the present rigorous exploitation of these minerals to a certain extent.

In contrast to minerals geared towards the world market - which are signified by high capital inputs for production, high value and consequently less sensitivity to transport and labour costs - there exists a whole spectrum of low-value, labour- and transport-cost sensitive minerals, most of which are construction materials such as limestone, gravel, granite and clay. Other low-value materials comprise coal deposits and salt pockets, or processed lime for agricultural purposes.

Within this low-value mineral category three general influences exist, which might make local small-scale quarrying more efficient

than large-scale mining:

- Locational influences: where minerals are dispersed and require smaller plant sizes due to transport distances. Here transport costs for shifting instrumental implements and for housing labour would prevent an establishment of larger plants.
- Market influences: where markets are small or different- iated. Potential for the quarrying and processing of construction materials also depends on the increase in local income.
- Process influences: where economies-of-scale are not significant or production is too labour-intensive for large-scale mining.

This last point rarely applies to quarrying in economies close to the South African industrial core. For example in 1980, BophuthaTswana produced only an estimated 1.6 per cent of its mineral values in the form of construction materials: namely, granite and limestone.

On the other hand, quarrying for construction and related materials is one of the few sectors where National Development Plans and international cooperation could make an effective stand against private corporative competition.

Malawi and Lesotho, for example, being land-locked have to rely primarily on internal demand. Government construction schemes and increasingly available private income, accompanied by a trend towards brick construction, have resulted in a boom in the Malawian construction business in the past few years; this had a positive effect on local quarrying to produce the materials required. The same holds true for lime and coal quarrying, following agricultural extens- ion programmes and energy schemes for fuelwood conservation.

However, the production and processing of low-value materials will, at least in the short to medium-term future, remain 'small fry', both in terms of employment and GDP-generation: the profit margin is very low, and competition for the 'inde- pendent' homelands situated within the South African economic orbit (where mineral quarrying can be performed more profitably on a capital-intensive base) is very fierce.

Namibia's non-metallics, such as salt, lime, and so on, showed a serious decrease in the value of sales of 27 per cent[39] in 1984, after

investments declined in the construction sector.

The fact, that even quarrying requires a fairly high amount of initial investment, prevents many potential reserves from being exploited, especially where they lie in economic peripheries, which are not reached by large private capital.

Coal mining in general and in South Africa in particular means capital intensity - in the case of Venda's ISCOR mine a capital/labour ratio of R70,000 - and only negligible effects on local income generation.[40]

Therefore, quarrying of non-metallic minerals can never play an important role as a foreign-exchange earner, although under certain locational and market influences it may reach some significance in terms of the local employment situation and income distribution.

Consequently, public cooperation in the field of training and technology would constitute the first precondition for decreasing production costs, in order to reach a higher stage of economic development in the southern African countries. Their lacking management abilities and insufficient investments will, otherwise, perpetuate dependency on foreign TNCs, which have to put their economic interests first, with little else to share but a small proportion of profits.

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1 Potgieter, F J: Developing Bophuthatswana - Suggestions for a National Plan. Institute for Regional Planning, Potchefstroom 1977, p 64

2 Olivier, B J: The Strategic Significance of Angola. Institute for Strategic Studies, No.19, Pretoria 1984, p 31

3 Nyangoni, WW: The O.E.C.D. and Western Mining Corporations in the Republic of South Africa. University Press of America, Washington 1982, p 106

4 Ibid, p 130

5 South Africa, Department of Foreign Affairs of, op. cit., 1984, p 10

6 UN International Conference on Namibia: List of Transnational Corporations and other foreign economic interests operating in Namibia. New York April 1983, pp 14-15

7 Nyangoni, W W, op.cit., p 131

8 Lanning, G, op.cit., p 527

9 Botswana Daily News (Gaborone), September 10, 1984, p 5

10 Africa Now (London), March 1985, p 56

11 Lanning, G, op.cit., pp 475-476

12 Financial Mail (Johannesburg), July 27, 1984, p 45, claims that a 1977 document reported that overmining on grade in 1976 was 70%, in 1977 69%, and that forecasts for 1978 were 60% and for 1979 63% overmining on grade. According to CDM estimates at that time the mine was to run into losses in 1985. Also, the Windhoek Observer (Windhoek), July 7, 1984, p 33, reported that the Thirion Commission, investigating on activities of the SWA Diamond Board, hypothetically considered a possible loss of R549 million in taxable revenue from CDM-mining to the Treasury of SWA over the period 1980-81

13 Financial Mail (Johannesburg), March 8, 1985, p 45

14 African Business (London), March 1985, p 16

15 On Record (Windhoek), May 1, 1985 - May 18, 1985, p 4

16 Los Angeles Times (Los Angeles), April 5, 1984, p 8

17 Business Day (Johannesburg), May 10, 1984, p 2

18 Nyangoni, W W, op.cit., pp 36-44

19 Pillay, V: "Transnationals in South Africa"; in: Journal of African Marxists (London), Issue 3, January 1983, pp 94-104, estimated, for the end of 1980, the number of foreign-owned companies operating in the RSA as between 2500 and 3000 (2086 in September 1985), owning between 30% and 35% of the country's aggregate real fixed capital stock and accounting for almost 50% of aggregate manufacturing and mining production.

20 Sunday Times (Johannesburg), March 24, 1985, p 5

21 Pillay, V, op.cit., p 150, writes that the western world has a total 70 per cent of shares in Anglo American

22 Seidman, A & N Seidman-Makgetla: Outposts of Monopoly Capitalism: Southern Africa in the Changing Global Economy, Zed Press, London 1980, pp 95-99, explain how Anglo was founded just after World War I by a South African diamond magnate, Ernest Oppenheimer, in collaboration with US capital and the National Bank of South Africa. They also divided Anglo American's interests, for 1978, as follows: 43% gold, 19% diamonds, 1% copper, 2% platinum, 3% other mining ventures, 6% coal, 1% oil and gas, 17% industrial finance, 7% finance and 1% property.

23 Nyangoni, W W, op.cit., pp 62-63, claims that, in 1977, the company produced over 11.8 million carats a year, deriving 22 per cent of its group pre-tax earnings from Namibia and 29 per cent from the RSA.

24 Ibid, p 25

25 The Citizen (Pretoria), January 15, 1985, p 21

26 McGregor, R: Investors' Handbook - incorporating Who owns whom?, Cape Town 1986, pp 28-623

27 Nyangoni, W W, op.cit., p 29

28 Loc.cit., p 116

29 Lanning, G, op.cit., p 485

30 Lanning, G, op.cit., p 350, argues that the direct fiscal benefits to the government merely offset recurrent expenditure on health, education and administration, and that indirect benefits are low in relation to those which would be obtained by a labour-intensive manufacturing investment of comparable size.

31 Seidman A & N Seidman-Makgetla, op.cit., p 47

32 Lanning, G, op.cit., p 492

33 Loc.cit., p 49

34 Financial Mail (Johannesburg), May 17, 1984, p 65

35 African Business (London), September 1984, p 52

36 GDP differs from GNP as it includes the income of non-residents, but excludes local residents' income earned abroad

37 South Africa, Department of Foreign Affairs of: Five Years of Independence - Republic of BophuthaTswana. Mafikeng 1982, p 25

38 South Africa, Department of Foreign Affairs of: BophuthaTswana. Mafikeng, 1985, p 11

39 South Africa, Department of Finance of: Economic Review 1984 (prelimin.), Windhoek 1985, p 4

40 Regional Investment (Randburg), August 1984, p 2

2.3. Hydrological resources

The third, and perhaps most important natural resource, represents a very integrative element in that its use may also be extended to the infrastructural fields of energy and transport. As a basic necessity for human and economic survival its permanent provision is the most basic prerequisite for development and transitional growth. Therefore, in contrast to the mining sector, where mainly private national and transnational interests perform in the exploration and exploitation of resources, it is predominantly the public sector which is interested in the development of hydrological resources. Limited water resources in fact represent the major constraint to a balanced economic development in the southern African and, even more so, in the dry South African region.

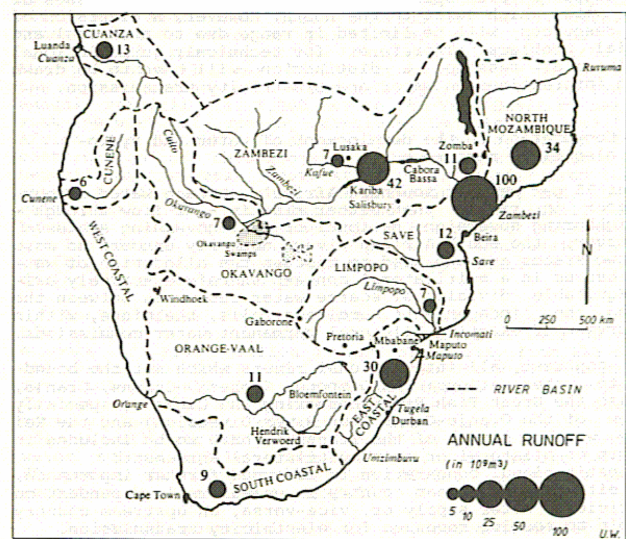
2.3.1. Spatial divergencies of water resources and water usage

Southern Africa can be divided into a wet north that is richly endowed with water resources and a dry south that is poorly endowed. About 65 per cent of South Africa receives less than 500 mm of rain per year; consequently, in total no more than ten per cent of the land can be cultivated under dry land conditions.[1]

Southern Africa is mostly drained by four river systems, namely the Zambezi and Limpopo, flowing to the Indian Ocean, and the Orange and Cunene flowing to the Atlantic Ocean. If the great internal drainage system of the Okavango is viewed as part of the Zambezi system, these four river systems accounted for the drainage of 84 per cent of the subcontinental area. The remaining 16 per cent is drained by relatively short and steeply-graded rivers originating at the escarpment - the edge of the interior plateau of the shield-shaped subcontinental land mass - of which a large proportion flows to the east coast. The distribution of surface water resources between the east-coast rivers Ruvuma, Save, Incomati, Maputo, Tugela and Mzimbuvu and the single west-coast Cuanza River are indicated on Figure 5 below. As may be seen, the Zambezi system dominates the pattern and the north is clearly much more richly endowed with water than the south. The lack of surface water flows, in the large dry basins between Oranje, Vaal, Limpopo, Okavango and Cunene, results in the sparcely populated territories

of Namibia and Botswana. Groundwater sources make up for this lack to a certain extent, particularly in the Western Transvaal, in eastern Botswana, northern Namibia and the Northern Cape Province, where important 'eyes' are being explored and are used quite extensively.[2] However, the water provision of South African rivers is not balanced at all, neither spatially nor over the course of the years; only the eastern and southern regions benefit from a perennial surface-water supply.

Figure 5: Annual runoff for individual basins of southern Africa (in 10^9 cubic metres)



Source: Midgley, DC: "Water resources - The southern African Picture"; in: Baker, G (edit): Resources of southern Africa - Today and Tomorrow. Johannesburg 1976, p. 256

This maldistribution becomes even graver when actual and future water demands are taken into consideration. The problem of

suficient provision of water reserves to the concentration points of population to the southern part of the subcontinent, and especially to the Witwatersrand area, represents the major future constraint for economic development, even more so since demand is not restricted to human consumption alone.

Domestic water consumption in a developed economy like the RSA stands in fierce competition with primary activities such as agriculture, namely irrigation, stock and forestry schemes and mining and secondary economic performances in the industrial and energy fields. Out of the total flow of South African rivers, which averages 50,000 million m^3 per annum, some 12,000 million m^3 were required in 1984 and, following geometrical projections, the total runoff will theoretically be consumed by the year 2030[3]. If the RSA helped its neighbours to the north to build hydro-electric schemes, for which they have such great potential, South Africa could import power and save up to 700 million m^3 per annum (2,000 megalitres a day)[4] of water that would otherwise have to be evaporated for electricity generation in coalfired thermal stations. The major customer's - the Greater Reef complex - shortfall may rise to 8,000 million m^3 per annum by the year 2020[5]. This anticipated shortfall will not be balanced by water savings through electric transmission alone, but will have to be counteracted by a transnational diversion of excess surface water. While much of a national South African water grid has been developed during the past 20 years by diverting much of the short south or east directed flows - such as by the diversion of some of the Oranje flows into the Fish and Sunday rivers or, more recently, of waters of the Tugela into the Vaal System - these water supplies are sparse compared to the huge masses of unused water which exist to the north. However, a diversion of water resources will be limited in range due to technical and financial problems. Therefore, for technical, jurisdictional and financial reasons, a distinction will have to be drawn between interactions in water and electricity transmission.

2.3.2. Cooperation in the development of water and hydro-electrical resources

About 75 per cent of southern Africa's surface water resources occur in rivers that either rise in - or flow through - its neighboring

sovereign, national or self-governing states.

However, the South African rivers normally concern no more than two states and the need to discuss the allocation of water resources in a multilateral context therefore scarcely arises. Equitable division of scarce water resources between the RSA and the 'independent' homelands falls, therefore, within the purview of existing bilateral permanent water commissions.

In contrast, all international rivers which set the boundaries to other nations: the Limpopo, Zambesi, Cunene, Oranje, but also the Great Fish River bordering the Ciskei (especially in view of the Oranje-Great Fish River Diversion) and the Kei on the western border of the Transkei, have to be included in some sort of bilateral or even multilateral agreement.

Such institutional cooperation is afforded further importance, where either a downstream country is unilaterally dependent on a sufficient water supply or, vice-versa, an upstream country is liable to receive revenues for electricity transmission.

Accordingly, shortly after South Africa and Mozambique signed the Nkomati-Accord in 1984, a draft agreemen was drawn up between South Africa, Zimbabwe, Mozambique and Botswana to provide for measures to alleviate short-term water shortages in the Limpopo Basin during periods of drought. The four countries, in June 1988, joined in a technical committee, the Limpopo Basin Permanent Technical Committee, to cooperate on the conservation and abstraction of the Limpopo River's waters. Although the exploitation factor is as high as 60 per cent, about 25 per cent of the water is lost annually through evaporation.[6] This means, for example, that irrigation in Mozambique is a difficult task, as the river frequently stops flowing beyond Beit Bridge.

Early 1988, South Africa, Botswana and BophuthaTswana signed a commercial agreement that will enable the latter two countries to use water from the Molatedi Dam in South African territory. Swaziland and South Africa also have an agreement on the joint use of water resources. The rivers concerned, the Lusuthswana and the Komati, are being dealt with in one sub-committee of the Swaziland-South African Intergovernmental Liaison Committee, which was established in 1985.[7]

In order to provide the Pretoria-Witwatersrand-Vereeniging (PWV) area - which accounts for approximately 70 per cent of South Africa's GDP and 31 per cent of her total population - with an additional 1,000 million m^3 of industrial and domestic water reserves per annum, some of the abundant hydrological reserves of the Lesotho highlands will be tapped. The project will divert 70,000 litres of water per second from the upper reaches of the Senqu-Oranje River system (where the annual rainfall is 1,000 mm) to the Vaal Basin by means of a vast network of pumping stations, tunnels and dams.[8] South Africa and Lesotho finally signed the agreement for the construction of this project in October 1986, after a 30-year negociation process. South Africa will benefit from the clean water flowing from the dams gravitationally and, therefore, gain some power potential. Moreover, theoretically Lesotho's benefits would be immense, since the project will open up to tourism large areas which are presently inaccessible to motor traffic, and will create employment opportunities - especially during the construction phase.

Beside these less calculable benefits, Lesotho would earn R30 million a year by 1996, rising thereafter over 30 years to a peak of R100 million a year, as royalty from the sales of the water to South Africa.[9] The project will also make Lesotho totally self-sufficient in electrical energy by providing it with a 120 MW hydroelectric power station, rendering the country independent of South Africa's power supplies and saving it well over R20 million annually. The construction of the water scheme will be undertaken in four phases stretching over 30 years, bringing an initial 19,000 litres of water per second to the Vaal Dam in 1995.[10]

A second potential project proposed a diversion of unused water resources from the Okavango Swamps, additionally boosted by waters from the Zambezi - since with an annual supply of 1,000 million m^3 the Okavango alone could not meet current estimates of the water shortfall predicted for the year 2020. For fear of upsetting the ecology of the swamps one would hesitate to extract more than this 10 per cent of the total regular inflow, which amounts to an enormous 11,500 million m^3 per annum at the delta of the Okavango River.[11] On average only two per cent of this amount emerges from the delta into the Botletle River, while the remaining 98 per cent is lost by evapotranspiration from the swamps. It was planned that the

diversion of water reserves into South Africa would be via a 1,000 kilometre long barge canal to the Hartebeespoort Dam near Pretoria. This canal would result in opening up Botswana and providing water transport facilities for movement of agricultural produce from the swamp area, and would only necessitate a bilateral agreement between Botswana and the RSA to avoid future competition for water resources. It was estimated that, making allowances for water that would be needed to develop Botswana's vast coal reserves, potential demand for Okavango water in Botswana could reach 500 million m^3 per year by 2020.[12]

Since the 1970s, mining settlements around the diamond mines of Orapa, Lehtlhakane and Jwaneng have been provided with a hydrological and hydro-energy infrastructure south of the Botletle River, which connects the basis of the Okavango Delta to a reservoir lake in a former salt-pan near Mopipi.[13] A slight enlargement of the canal crossing Botswana would enable that country to channel water from the Okavango Delta to these mineral-rich eastern parts of the country at a very much lower unit cost than would apply if a relatively small canal had to be built solely to meet local demands. Furthermore, much of the required pumping power could be generated en route in the Botswana coalfields, thus giving that country the opportunity to enjoy the low unit energy costs associated with large-scale power development.[14]

However, two constraints to this diversion scheme exist: First, evaporation has been calculated to be exceedingly high in an open barge canal to warrant this project. Second, another 2,000 million m^3 per annum would have to come from the Zambezi River in order to meet PWV's estimated water demand of 3,000 million m^3 per year between 2011 and 2020. This water would have to be pumped from the Zambezi on the border between Zambia and Namibia, into a canal which would cross the Caprivi Strip to discharge into the Botletle River near Maun. Although the quantity represents no more than 7 per cent[15] of the Zambezi's total flow at this point (42,000 million m^3 per year) and could be accomplished without having to provide storage in the Zambezi, the project would require multipartite negotiations between Zambia, Zimbabwe and Mozambique on the one side and the RSA, respectively Namibia and Botswana on the other, since this project could affect the level of the Zambezi at the

Kariba Dam and hydro-electric power station.

And it is precisely this point that is creating a bottleneck in the project. The Zimbabwean Minister of Energy, Water Resources and Development stated in May 1985 that, acording to the Helsinki Rules, South Africa was not entitled to a share of the Zambezi River water[16], even if the Pretoria Government was attempting to use the Botswana Government in its bid to acquire Zambezi water.

One reason for this rejection could be that the two major dams further downstream, the Kariba and the Cahora Bassa dams, may be adversely affected in the event of extended droughts. Since 1977, and until the current disruptions, the RSA imported power (1,400 megawatt at the end of 1979) from Cahora Bassa, and returned some of this power, after transformation to lower voltage, back to Maputo. Additional power from its 2,075 MW capacity was being used in Zimbabwe and for mineral development in Mozambique itself. However, flood control and irrigation schemes downstream of Tete, which had been planned by the Portuguese as part of the Cahora Bassa Project, have been realized only to a negligible extent. Electricity and water resources for the exploitation of bauxite reserves in the Mulanje mountains of Malawi, and of coal, copper, vanadium, manganese, nickel, chrome and asbestos reserves at the lower course of the Zambezi, could contribute development impulses to this relatively undeveloped northern part ofMozambique.[17] The company owning and operating the Cahora Bassa is shared between Portugal (75 per cent) and Mozambique (25 per cent).[18] In September 1987, an agreement was concluded between South Africa and Mozambique, in terms of which South Africa guaranteed a loan of R35 million to the Mozambican government for repairs to the power line. An Italian firm will erect more than 400 power pylons, South Africa will provide the pylons and cables, and Mozambique will be responsible for the protection of the power line within Mozambique (with non-lethal aid being provided by the South African Defence Force). Apart from the fact that the agreement opens up the way for Portugal to be able to finance her initial investment, Mozambique will derive direct financial benefits from the sale of electricity, while South Africa's `Electricity Supply Commission` (ESCOM) will purchase energy (equalling eight per cent of total demand in South Africa) at a price less than half that

of the average cost of generating electricity in coal-fired power stations in South Africa.[19]

Empirically the rentability of water barrages can be roused to a high extent by an inclusion of usage for electricity generations. Although South Africa's coal reserves ensure a further important supplement of thermal energy generation, although South Africa disposes of rich deposits for nuclear power stations, and although it possesses a series of coal liquefying plants (SASOL), it has initiated large interregional water and energy projects and contributed high amounts to their financing. As a result, it has opened up water and energy reserves and additional sources of revenue for the neighbouring countries. As Dr. van Eck put it already in 1969:

> *"We can make electricity the most important interlinking factor in Africa. If we really want to help our neighbours these are the lines along which we must direct our thinking. We can help them to overcome one of the greatest problems that baulk economic growth of less developed countries, namely the fact, that without the price advantage of large-scale production they cannot take off."* [20]

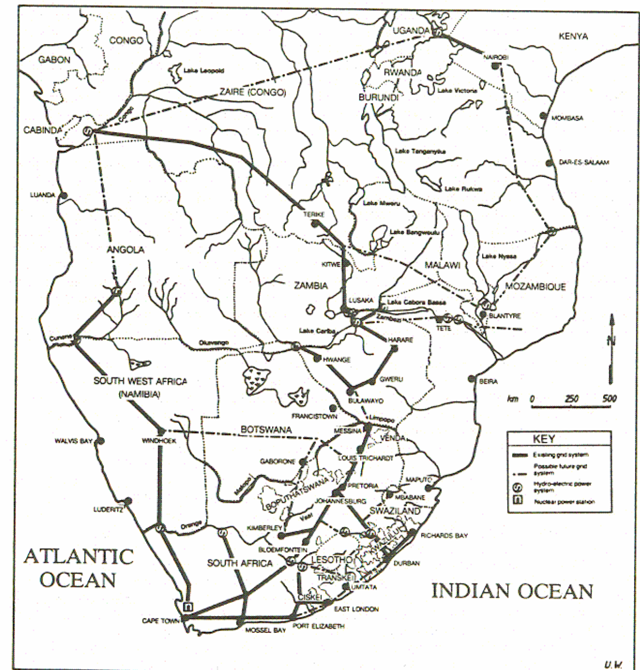
In fact, in 1985 ESCOM provided 100 per cent of Lesotho's energy needs, 44 per cent of Mozambique's, 42 per cent of Swaziland's, 35 per cent of Botswana's, 19 per cent of Namibia's, but only 0.15 per cent of Zimbabwe's energy needs.[21]

For, the Kariba Dam, located at the border of Zambia and Zimbabwe (see Figure 6), sends most of its generated 650MW[22] to Zimbabwe. The initial consumer was the Zambian copper industry, but since its recession and the building of the northern Kariba (900 MW), the Kafue (600 MW) and the Victoria Falls (108 MW) hydro-stations[23], the main consumption of Kariba's power has switched to Mozambique's immediate neighbor. Zambia, with a total hydro-electric power generation of 1,600 MW[24] in 1981, exported power to neighbours. Zimbabwe, using the Kariba South Bank, also had ample electric power, particularly since Zambia completed the Kariba North Bank and no longer imports significant power. Malawi and Tanzania, as other immediate neighbours, are also developing their own hydro-electric projects in line with their requirements.

Malawi is relying heavily on Shire Valley hydro-power develop- ment (140 MW), with clear implications for flood control and navigation projects on the lower reaches of the Zambezi. The Ruvuma River's

power, fisheries, navigation and irrigation potential is being surveyed by a Mozambique-Tanzania Permanent Commission for Co-operation, while the Kagera Basin Scheme (power, irrigation, flood control, mining development) affects only Tanzania within the region, but involves close cooperation with Ruanda and Burundi.[25]

Figure 6: Southern Africa's hydro-electrical power grid system



Source: Midgley, D G: "Water and Power: Safety in many sources, widely spread"; in: Energos, No. 10, Braamfontein 1984, p 57.

Angola's energy potential also exceeds demand at present. This energy is largely of hydro-electrical origin. The industries in the Luanda district receive power from a dam on the Cuanza River, while the Lobito-Benguela complex is supplied by hydro-electric power plants on the Catumbela River and the Matala Dam at the Cunene River supplies Lubango, Moçamedes and Cassinga.[26]

Similar to the Cahora Bassa, electricity transmission from this Cunene project has been impeded repeatedly by acts of sabotage. This project, which consists of three dams and the Ruacana Falls, could potentially contribute 1,000 MW, divided between Luanda in north Angola and Walvis Bay, via the South African transmission grid[27] and would additionally create an agricultural existence for half a million inhabitants of Ovamboland and southern Angola.[28] In August 1985, the Ruacana Falls finally delivered a mere 150 MW into the ESCOM grid after production of hydro-electric power had effectively been interrupted for a long period. After Namibia's political independence, the way will be open for a multilateral agree- ment between Angola, Namibia and South Africa, since the latter country contributed most of the capital investments.

However, even if all these projects could be carried out to their full potential, long-term shortfall in South African water resources will necessitate even further co-operation. In comparison to Angola's (64 TWh/year) and Mozambique's (46 TWh/ year) water resources, Zaire's resources of 621 TWh/year seem to be enormous and could theoretically alone meet a high percentage of southern Africa's electrical energy needs by importation of up to 60 per cent in the year 2020.[29] The 'Grand Inga' project at the lower reaches of the Congo River could, in theory, have a power station twice the size of all South African coal-fired stations put together - about 43,750 MW.[30]

> *"If it were built in stages we could absorb the whole of that output over two decades, whereas Zaire could use only a fraction of that output and the scheme could never be justified without the participation of South Africa."* [31]

Presently, only 20 per cent of Inga's present capacity of 1,750 MW is being used. A 1,800 km power line, the longest in the world, connects Inga with Kolwezi in the Shaba mining region. Although this 500 MW tension line can at present be utilized to only one-third

of its capacity, and although most of the area between Inga and Kolwezi is without electricity, the direct current line can only be tapped by building costly transformer sub-stations.[32] Power lines connecting Inga with Namibia would cross through Angola, picking up more hydropower at stations on its big rivers. The distance to the nearest ESCOM grid would be about the same as from Cahora Bassa to Pretoria (see Figure 6). The connection of this power source with the national South African 400 MW transmission grid over a length of 8,000 km, could supposedly form the

> *"... corner stone of energy and water interdependence in southern Africa to the mutual benefit of all concerned."* [33]

However, could a real mutual dependency be created at all, and will 'all concerned' also benefit from these economic interdependencies, viz. how would the benefits be distributed?

2.3.3. Obstacles to economic cooperation in water and energy transfer

In order to avoid unilateral dependency on one source of electrical power, ESCOM is disinclined to import more than 7 per cent of total demand from any one country or more than 12 per cent of total capacity all together.[34] For that reason cooperation in hydro-electrical power supply to the extent of 40,000 MW such as the Inga project would be politically undesirable from a national security point of view. Even in the case of the Lesotho Highlands Project, South Africa was reluctant to place herself in a situation where her

> *"... economic heartland would be vulnerable to sabotage or hostile government decisions in a neighbouring country."* [35]

Parallels were often drawn from the misfunction of both the Cunene and Cahora Bassa hydro-electric schemes as a result of armed conflict.

On the other hand, the SADCC tries to decrease the dependency of its member countries upon South Africa for the same reason.

It is a sad fact that (among others) Mozambique is totally de- pendent on revenues from hydro-electric power exports for re- payment of its international credits. Compared to Mozambique, South Africa has always been in a stronger position, because ESCOM had been careful to make contingency plans to allow for

any sudden and complete loss of power from Cahora Bassa and because it was only the cheapness of Mozambique's power generation and, therefore, its competiveness to South African power generation, which strengthened Mozambique's negotiating position.[36] Consequently, the Corumana hydro-electric project on the Sabi River, northwest of Maputo and scheduled for completion in 1990, is aimed at diminishing reliance on South Africa, which is currently the sole source of electricity for Maputo.

Already in early 1988, an electricity link-up was opened across the Zambezi River between Zambia, Botswana and Zimbabwe to provide power to north-western Zimbabwe and northern Botswana. And there is a rival plan under way within SADCC for rehabilitation of the Cahora Bassa hydro-electric project.

However, cooperation in the supply of water and hydro-electric energy must be viewed as one of the most feasible fields of international interaction, since, in the long run, it provides the southern African developing countries with much-needed foreign exchange and technological know-how. Cooperation might become problematic, however, if, for example, water utilization by one country far exceeds its rightful share and threatens the water supply of the downstream neighbouring country. The Helsinki Rules are mutually acceptable as guidelines, so for instance to South Africa; but for Swaziland and Mozambique, which share the water resources of both th Incomati and Maputo basins, these rules are, in general, too loose and leave room for a variety of interpretations. According to these rules, states can enter into bilateral agreements regarding the sharing of water from international drainage basins. Each basin state would be entitled, within its territory, to a reasonable and equitable share in the beneficial uses of waters of the international drainage basin. Consequently and inevitably,

> *"...agreement even on the basic issue of international water rights will depend to a large degree on mutual goodwill coupled with willingness to compromise and to adopt a general spirit of good neighbourliness."* [36]

This general spirit of good neighbourliness will indeed be very necessary, since Article VII of the Helsinki Rules reads:

> *"A basin state may not be denied the present reasonable use of the waters of an international drainage basin to reserve for a co-basin state a future use of such waters."*

This article seems to imply that there is nothing in the Helsinki Rules to prevent South Africa, as the more developed state, from using an inequitably large share of the water, as long as the less-developed countries, Swaziland and Mozambique, have less need for it. Until 1984, apart from the treaty between Portugal (as the former ruler of Angola) and South Africa in respect of the Cunene River, there were anyway no existing fixed and general agreements, as such, between South Africa and other states in southern Africa. Agreements on water utilization had to be reached in regional isolation.

However, a working cooperation in legislature and management between South Africa and the four 'independent' South African homelands might set the stage to demonstrate to the black southern African states, that something like a mutual interdependence could greatly benefit all those involved. However, it will take the southern African governments serious efforts to achieve these goals. An attempt of diminishing existing, rather balanced, interdependencies between the southern African economies may, on the other hand, only increase SADCC's financial and managerial dependency on overseas imports of inappropriate technologies.

Competition for water utilization may develop during the realization of a water project. The quantity of available water might increase naturally, but will probably only be relevant for industrial utilization. Or, if the quality of water resources deteriorates, there might be a resultant decrease in the amount of water available for domestic use: bilharzia, malaria, river-blindness and sleeping-sickness can develop at an amazing rate where sanitary systems are not efficient in preventing their proliferation. The poorer sections of the population usually bear the brunt of such developments, because it is they who do not have access to healthy sanitation systems; and it is they who are the last ones to profit from increased government revenues anyway:

> *"The natural resources of southern Africa - particularly those that are vital to the modern technological age - are so abundant that rapid growth is inevitable. But will the processes of growth benefit the majority of the indigenous peoples or merely enrich foreign exploiters? To bring lasting benefits to many, and to avoid the misfortunes of fickle markets, it is essential for governments to invest in infrastructure - that is, communications, housing, power and water*

> *networks, and facilities for good production - as well as in people, through education and training."* [38]

Notes and References:

1 "Co-operation in Southern Africa on Water Resources"; in: Southern African Facts Sheet (Sandton), No.113, November 1988, p 1

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3 Stephenson, D: "Planning for optimal use of South Africa's limited water resources"; in: Forethought (Sandton), Vol.2, No.1, July 1984, p 35

4 Midgley, D C: "Management of water resources in South Africa: Long range options"; in: Forethought (Sandton), Vol.2, No.1, July 1984, pp 42-43

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6 South African Digest (Pretoria), April 13, 1984, pp 8-9

7 Southern African Facts Sheet (Sandton), November 1988, p 5

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10 Leistner, E: "Overview of interaction in Africa"; in: Bulletin (Pretoria), Vol.27, No.9, Africa Institute, 1987, p 158

11 Van der Riet, P: Co-operative water resources development in Southern Africa. Report No.5/80, Hydrological Research Unit, Johannesburg 1980,p 104

12 Ibid, p 105

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18 Centre of African Studies: Mozambique. University of Edinburgh 1978, p 153

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26 Olivier, B J,: The Strategic Significance of Angola. Institute for Stategic Studies, No.19, Pretoria 1984, p 31

27 Ibid, p 164

28 Rädel, F E, op.cit., p 23

29 Van der Riet, P, op.cit., p 199

30 Financial Times Survey (Johannesburg), Section III, July 9, 1985, p V

31 Midgley, D C, op.cit., p 47

32 Loc.cit.

33 Olivier, A: "Interdependence in Energy and Water"; cit.in: Rädel, F E, op.cit., p 25

34 Borchert, G & HD Ortlieb: Wasser - Leben für Afrika. HWWA, Hamburg 1982, p 96

35 Leistner, G M E, op.cit., 1984, p 113

36 Centre of African Studies, op.cit., p 154

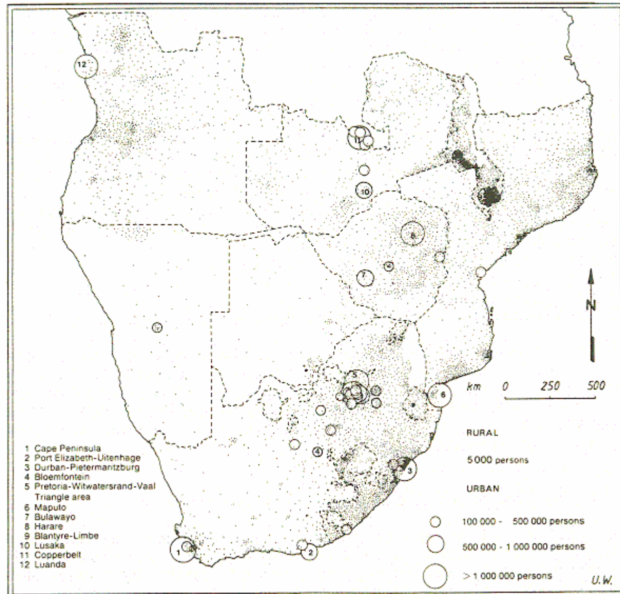
37 Van der Riet, P, op.cit., p 126

38 Midgley, D C, op.cit., p 252

3. Interdependencies in the human resources sector

Human resources as input factors in the process of transitional development show a much greater flexibility for market integration than their physical environment (supply of nutrition, building materials, water and energy).

Figure 7: Population distribution in southern Africa, 1985



Source: Africa Institute of South Africa, Pretoria, 1989

The following chapter therefore tries to distinguish between direct dependencies in labour transactions and the more sublime interdependencies in the allocation of housing and community

services as precondition for the development of human resources. While sanctions with some impact on South Africa's economy can be applied and enforced in the field of labour migration, a decline of cooperation in the field of basic services would have serious consequences for SADCC's national economies. Finally, a severing of economic ties would have most negative effects in the field of information and technology flows, which South Africa maintains to her northern neighbors through both public institutions and private investments.

3.1. Housing and Communal Services

When approaching human development in terms of self-reliance most emphasis, after the satisfaction of basic needs such as nutrition, water and energy, would be laid upon the provision of housing; which in this context should not be understood only as a roof for shelter, but to comprise the whole infrastructure for community life.

The scope of strategies for community development is wider and not restricted to material equipment. In order to achieve

> *"... the process by which the efforts of the people themselves are united with those of governmental authorities to improve the economic, social and cultural conditions of communities, to integrate these communities into the life of the nation, and to enable them to contribute fully to national progress,"* [1]

strategies such as integrated rural development, small-scale industrial development, womens' and youth activities development, agriculture, cooperatives, and land-tenure reform or urban community development have to be followed.

These strategies can be classified into five areas as applied to a completely balanced system of human settlements, namely

- basic (housing, health, education),
- productive (primary, secondary, tertiary),
- social (recreation, cultural, religion),
- service (infrastructure, commerce), and
- political-administrative (order, sustenance, decision).[2]

However, in contrast to the almost unlimited scope of strategies,

official cooperation and actual interaction is very limited, due to the self-reliant nature of community development. Therefore this subchapter will basically be restricted to interactions in the field of housing and communal services as described by EYGELAAR above.

3.1.1. The situation of local community services

The problem of governmental provision of communal services is related to the question of existing demand. Undercapacities of infrastructural services are caused both by over- and underpopulation: where demand for such services outgrows the possible extent of provision in densely populated areas respectively where economies-of-scale do not justify the establishment of communal services. This holds especially true for primary educational services, which are both visitor- and capital-intensive, but yet have to be established within a reasonable distance of the individual schoolgoing child.

Table 9: Provision of basic needs in southern African countries

Country	Calorie supply per capita per day (1985)	Pupils per teacher (primary) 1983-85	Wood energy as % of total 1984[1]	Literacy 1985 (%)[2]	Live expectancy no of years at birth (1985)	Infant mortality per 1000 life births 1985
South Africa	2,926	31	4.2	86	63	78
Namibia	2,212[3]	32	50	116		
Lesotho	2,299	51	78.5	74	54	106
Swaziland	2,562	33	60.0	68	54	129
Botswana	2,159	32	56.1	71	57	71
Mozambique	1,617	62	89.1	38	47	153
Zimbabwe	2,144	39	52.0	74	57	77
Zambia	2,126	50		76	52	101
Malawi	2,415	64	94.3	41	45	156
Angola	1,926	32	77.3	41	44	160[4]
Tanzania	2,316	41		79[5]	52	110
Zaire	2,151	30[6]		61	51	107

Notes: [1] Bhagavan, 1984 [3] 1966 [4] 1980 [5] 1981 [6] 1979
[2] Southern African Editional Services: Independant States of Africa south of the equator, 1984

Sources: Africa Insight (Pretoria), Vol.17, No.4, 1987, pp 79, 89, 93
Statistisches Bundesamt: Statisti des Auslands - Länderkurzberichte, Wiesbaden, 1984-89

The Physical Quality of Life Index (PQLI) for instance adopts a basic needs approach[3], to determine the viciousness of the circulus virtuosus comprising the fields of nutrition - health -

labour-performance - crop production - income - nutrition.

Using some of these determinants[4], the PQLI (see Table 9 for formal figures) compared most southern African countries quite favourably for the period 1980-82 on a worldwide 1-100 rating scale: Then Botswana ranges behind five other African counties with 67 points, followed by BophuthaTswana with 65, Zimbabwe 65, Namibia 64, Ciskei 64, Tanzania 62, Transkei 61, Lesotho 60, Swaziland 57, Venda 57, Zambia 54, Mozambique 45, Malawi 34, and finishing off with Angola's 29 points, placing it eighth-last of all African countries.

3.1.2. Government cooperation in the provision of urban housing and community services

Cooperation in this infrastructural field is restricted due to the existence of territorial self-reliance. In the South African region this is mainly generated by the Government's policy of separate development and its vested interest in providing housing to resettled black South Africans. In the urban areas the South African government has assisted the 'independent' homelands with housing and township development through the South African Development Trust (SADT) and the Economic Co-operation Promotion Loan Fund. In 1983/84, the SADT planned to construct 13 townships and 665 dwelling units, while four townships and 157 dwelling units were to be developed through the Loan Fund. The Minister of Co-operation and Development claimed that, between 1971 and 1984, the administration boards had built 6,228 houses in the 'independent' homelands.[5]

According to an agreement between Pretoria and the Ciskei, 10,000 houses, 40 schools, a sewerage-disposal facility, and other infrastructural amenities were to be developed in Mdantsane following 'independence'. In 1981/82, some 1,300 houses were built, and in 1982 1400 new sites were made available for people who had been resettled from the East London area. The Department of Co-operation and Development erected 50 temporary houses and lavatories at the Seymour resettlement camp.[6]

Moreover, other South African organizations are involved as well. By 1978, the Department of Agriculture had established 24 so-called

'chief towns' in Venda, accommodating 58,000 resettled inhabitants who did not hold any right to agricultural land.[7]

The Committee for Economic and Development Co-operation in southern Africa (KEOSSA) financed some infrastructural projects in Venda, including: the construction of the Vondo Dam and supply pipeline, extensions to the water purifications works, the Vuwani pipeline, severage-purification works and water distribution between settlements.[8] But local water and electricity are in even more short supply in Bophutha- Tswana: five of the 13 modern towns of BophuthaTswana in 1977 depended on outside sources for their water supply, such as the South African Rand Water Board. The same problems apply to the provision of electricity; consequently most towns in BophuthaTswana depend on the ESCOM power grid for their supply.[9]

This dependence on ESCOM for electricity is repeated in Ciskei and Transkei. With the exception of coastal villages, a large proportion of Ciskei is served only by ESCOM power lines. In Transkei, with its abundant water resources, plans are underway to decrease this dependence on external energy supply by generating indigenous hydro-electric power through Tescor projects. Multilateral contact within the MTC on Posts and Telecommunications, mainly involving technical and management problems, is supported by continuous bilateral contacts at the technical level. For instance, Ciskei's postal and telephone services are managed by its Department of Posts and Telegraphs, with much work being carried out on an agency basis by the South African Department of Posts and Telecommunications.[10]

On the governmental and departmental level, bilateral and multilateral cooperation is being implemented in the fields of institutional, technological and legislative health regulations. A National Health Service Plan, nutritional problems, legislation governing practioners, welfare and administration, nursing services and a planned cholera programme, were the main issues dealt with prior to the establishment of an MTC on Health and Welfare. The MTC's further involvement in social pension and welfare problems increased existing cooperation between nursing authorities, health-service facilities and community health centres, aspects of

community-development programmes, social-welfare services and administration of social pension grants and allowances. The establishment, in 1983, of unemployment insurance funds in Transkei, Venda and Ciskei, to complement those of the RSA and BophuthaTswana, was a major step taken by the MTC on Manpower and Education.

This MTC devoted much time to the importance of non-formal education and its support of formal education. Quality of education, educational standards and related educational issues received ongoing attention from its Subcommittee on Education and Training.[11] On the same lines, Transkei's increased spendings for social services and 'People Projects', from 20 per cent (1978-83) to 28 per cent (1983-88), will predominantly benefit primary education, primary health care and rural development.[12] In contrast, all regions of BophuthaTswana are reasonably well supplied with health services. In 1980, the Community Development Section of the Department of Agriculture in Mafeking, in cooperation with the Department of Health and Welfare and the Department of Education, promoted health campaigns. These campaigns were launched with the cooperation of local-clinic nurses, agricultural extension officers, health inspectors, school teachers and with the professional guidance of medical doctors and a veterinary surgeon, in order to prevent diseases and malnutrition, and to improve sanitation.[13]

Public health services, among other issues, have also been discussed outside the level of the SATBVC-countries' multilateral cooperation, by the RSA-Lesotho Intergovernmental Liaison Committee since 1982. This formal body tries to meet twice a year in order to maintain contact between the two countries in the absence of diplomatic representation.[14] The South African contribution also extends into the field of personal assistance by their sending temporary delegations of experts and officials to support southern African governments in, among others, health management. Swazi patients, for instance, if requiring specialized treatment not available locally, can be treated by specialists who visit Swaziland monthly. Emergency cases that cannot be treated locally can be referred to hospitals in South Africa.[15]

But, in general, the field of community development is char-

acterized by a low degree of formal co-operation, since no direct beneficial returns can be expected. On the other hand, good political behaviour (in South African terms) is being rewarded - such as by South Africa financing the construction of the new capital of Lilongwe, or by a special K 40,000 grant to build Malawi's second main rehabilitation centre for the handicapped.[16]

3.1.3. Private sector investments in urban housing

Where private companies succeed in tapping new sources of funds, their investments are normally centred in urban areas, since prospects of capital repay are higher. Such was the case with Codia Company, which in August 1984 commenced the first phase of Transkei's biggest-ever housing project completely funded by the private sector.[17] However, this project is geared entirely towards the construction of middle- and upper-income houses. The ranskei Development Corporation transferred its construction division to the Transkeian branch of Murray & Roberts Construction, and took a 50 per cent stake in the new group. Its projects, such as a R6.5 million addition to the University of Transkei, or a shopping and office complex in Umtata, have an advantage over the competition, since tenders for government work coming from Transkeian contractors are given preference of up to 10 per cent of their quotation.[18] Other contracts awarded to this construction company by the Transkeian Government comprised building executive homes for the Transkei Development Corporation, renovating Umtata's Barclays Bank, constructing a R1 million old age home and six staff houses at Ikhwezi, and installing a new R340,000 telephone exchange in Butterworth.[19]

An extension of the South African LTA Construction completed the Venda College of Nursing near Thohoyandou at the end of 1982. This R2 million contract was completed in two phases, and the project included roads and infrastructure. The company completed projects valued at R22 million between 1978 and 1983: these included the Vondo Dam, the Thohoyandou Hotel, a prison, residences for the President and Chief Justice, duplex flats, fourty houses, a minister's residence and extensions to the National Force Base.[20]

Table 10: Southern Africa's affiliates of South African TNCs in construction and property businesses, 1985

Subsidiary	Location	Mother company	Controlled by
Ellerines Estates	Swaziland	Ellerine Holdings	Sanlam
RAL Properties	Zimbabwe	RAL Holding	Anglo
Rennies Properties	Botswana	Rennies Consolidated HoldingsMutual	
GrinakerSwaziland	Grinaker Holdings	Hersow & Menell	
Precast	Swaziland		
S. Hilton-Barber	Swaziland		
Building Services	Botswana, Malawi		
LTA construction	Swaziland, Ciskei, Botswana, Lesotho	LTA Ltd	Anglo American
James Thompson	Zimbabwe		
LTA Building Earthworks	Namibia		
Barrend Earthworks	Namibia		
LTA	Namibia , Transkei, Botswana, BophuthaTswana		
Spencer	Zimbabwe		
Murray & Roberts Holdings	Ciskei, Transkei, BophuthaTswana	Murray Family	Sanlam
Williams Properties	Zimbabwe	Williams Hunt SA	Waicor
Kingstons Properties	Zimbabwe	Argus & Premier	Anglo American
Lenbern Properties	Zimbabwe		
Mafeking Mills Properties	BophuthaTswana	Fedfood Beperk	Sanlam
Kaap-Kunene Constructions	Namibia	Kaap-Kunene BPK	SA directors
Sanso Prop. Salisbury	Zimbabwe	AA Corporatin	Anglo American
CDM Properties	Namibia	De Beers	Anglo American

Note: Table is incomplete since source does not indicate all affiliates by country.
Source: *McGregor, R: Investor's Handbook - incorporating Who owns whom? Cape Town 1986, pp 28-623*

Also, large South African corporations often plough back some of their profits to various social projects. Mining companies (as the major beneficiaries of Transkeian labour), such as Anglo American

Consolidated and De Beers, allocated donations to clinics, hospitals, special schools and self-help projects through their Chairman's Fund. The Douglas Murray Trust of the M&R Group provided a donation for the construction of an old-age home, and Rustenburg Platinum built three health care clinics in Transkei's rural areas.[21]

Naturally these transnational corporations are already firmly established in the big construction and property business. Table 10 above indicates as ultimate controlling companies only familiar names. It also shows that their operational subsidiaries are concentrated in Swaziland and Zimbabwe. Connections with Zambia, Mozambique and further north could not be detected.

The only major contract between South Africa and Mozambique to come out of the Nkomati peace agreement collapsed, when the South African subsidiary of the West German transnational, Krupp, cancelled the contract for a US$20 million rehabilitation of the water and sewerage systems in Beira.[22] However, about the same amount (R30 million) was easily provided by the Old Mutual insurance company to finance low-cost housing in Zimbabwe between 1982 and 1985.[23] Established financial networks are obviously still highly operational even with a socialist country, since this loan was secured by the Ministry of Finance, Economic Planning and Development, and channelled through the National Housing Fund to the local authorities in Zimbabwe.

After scrutinizing public and private interactions, a macroscopic survey of southern African settlements might identify some of the major forces generating spatial polarisations, which will probably not be substantially improved even by increased public and private regional cooperation.

3.1.4. Community services to improve low-income housing

Without any integrating linkages, human settlements would theoretically follow the pattern of suitable topography, hydrology and land-use potential. That this pattern certainly does not apply to the southern African context is the result of tensions created by economic interactions within both the highly integrated SATBVC-countries as well as in the less integrated or even disintegrated SADCC-countries.

Apart from rapid population growth, these polarisations within the Customs Union towards the South African economy can be blamed for the most serious housing problems within the black townships, national states and 'independent' TBVC-countries. While the black South African townships were, originally and intentionally, established on the fringe of 'white' urban areas, human settlements within the black homelands have, nevertheless, been drawn into the orbit of economic activities in the white commercial and industrial areas, which offer employment opportunities and consequently often the entire available cash income. The metropolitan areas of PWV, East London, Durban and Richards Bay are responsile for the highest population densities existing across the homeland borders of BophuthaTswana, Ciskei and KwaZulu respectively. Here, very often, squatter settlements without any sanitational facilities stretch for miles along the border fences, providing shelter for uncountable numbers of commuting labourers. Total population figures for these commuter towns outstrip most of the black satellite townships within the 'white' areas, with the exception of Soweto and four or fife others. Beside these commuter towns, such as GaRankuwa in eastern BophuthaTswana 40 km north of Pretoria, or Mdantsane in Ciskei on the outskirts of East London, two other types of a black city can be distinguished: capital cities such as Mmabatho (BophuthaTswana) or Umtata (Transkei), and industrial growth points in the inner parts of the black homelands such as Butterworth (Transkei), Middledrift (Ciskei) or Babelegi (BophuthaTswana). But while outdated statistics indicate a fair population share between all three city types, recent estimates show an accelerated growth of commuter dormitory towns, which are inhabited mainly by the growing number of landless peasants and relocated urban and rural blacks. Gross overcrowding is evident in all these dormitory towns, especially in southern Ciskei and eastern BophuthaTswana, the two 'independent' homelands most closely located to the white economic heartland.

South Africa is concentrating mainly on formal urban devel-opment, seeking to house both the swelling number of commuters in the dormitory towns as well as workers and key personal in the various growth points. Formality, in this respect, is being extended to the extreme limit, where different categories of key-finished housing

units are being constructed. However, the obstacle of project finance still exists - and an almost zero rate-of-return from housing development has discouraged any involvement by the private-sector developer (whether large or small) in urban development, thereby drastically limiting the supply of housing. Despite the fact, that, for example, Mdantsane in southern Ciskei has grown into the second largest township in South Africa, only 700 houses could be provided there per year. Furthermore, in spite of enormous subsidies paid by SADT, 30 per cent of the households on the waiting list, even in such an advanced community as Mdantsane, would need to spend more than 25 per cent of their household incomes in order to rent such formal-sector dwellings, which means that households at the lower end of the income scale are excluded from the benefits of the current housing strategy.[24] The effect of government subsidisation is that high standard housing has been provided on a non-economic basis, with little regard to the households' income and ability to afford such accommodation.

Another problem which has contributed to the shortage of housing in the homelands' border areas is the scarcity of land suitable for residential development. Non-tribal land is fast being used up, and financial difficulties have een experienced in appropriating additional land. In the case of industrial growth points, the shortage of low-cost dwellings has also been identified as a major barrier to industrialisation.

Winterveld, which is situated 40 km north of Pretoria, in BophuthaTswana, caters for a population estimated at well above 100,000. Such settlements through their inhabitants, a high share of which are underemployed, are feared by the individual governments not only for the sanitation and health problems they create, but even more as a source of unrest, of political innovations and even of revolutionary upheavals.

But the same pattern can be found in all SADCC-countries: Gaborone is the fastest growing town in southern Africa. The growth is generated overwhelmingly by inflowing workseekers, whose squatter camps cover vast areas. Around all primate cities, squatters settle at a faster rate than could ever be resettled. While the relatively rich economy of Zimbabwe only managed to establish

some 13,000 houses in Harare between 1980 and 1985,[25] Zambia's shortfall of about 80,000 new houses will never be eliminated by the minimal budget of an allocated 46 million kwacha, almost half of which is to be directed towards large urban areas, mainly Lusaka. On the other hand, more than 100 million kwacha are spent annually[26] on subsidising housing for civil servants and employees of parastatal organisations and private companies. The result is that every worker strives to occupy a government or company house. In Mozambique, the Government assumed control over substantial amounts of urban property previously held by land speculators, and nationalized rented apartments. This resulted in a decrease in rents of, on average, 20 to 30 per cent, and a maximum expenditure of 10 to 20 per cent of total income for the poorest segments of the population.[27] At the same time the state made a concerted effort to repair and upgrade existing housing facilities.

Table 11: Urbanization in southern Africa, 1960 to 1985

Country	Urban population as percentage of total population		Annual growth rate of urban population		Percentage in cities with over 500000 inhabitants	
	1960	1985	1970-80	1986-90	1960	1985
Africa	18	32	5.3	5.0	-	-
Southern Africa	13	30	7.8	5.4		
South Africa	47	52	3.3	3.8	44	55
Namibia	23	26	5.7	4.8	-	-
Lesotho	2	6	7.9	7.1	-	-
Swaziland	4	10	10.3	5.8	-	-
Botswana	4	16	10.1	7.9	-	-
Mozambique	4	11	13.1	6.7	-	84
Zimbabwe	13	27	6.0	6.2	-	52
Zambia	23	47	6.6	5.3	-	36
Angola	10	23	6.8	5.7	-	67
Tanzania	5	15	9.0	7.3	-	51

Source: World Bank: World Development Report 1987, Washington 1988

The situation could be similar in South Africa: observations in the Seymour location in Ciskei, for instance, have shown that the inhabitants have been able to construct their own dwellings from locally available resources and scrap material. This had been a spontaneous reaction to their needs and to the fact that sites provided were accompanied by rudimentary services such as water in stand-pipes and a pail sanitary system. Certainly the absence of building controls further facilitated the process.[28]

Public cooperation in the provision of certain services could have the same positive effects, particularly for the BLS-countries and Namibia, where closeness to the South African core economy has effects in the same spatial polarization. South Africa's assistance in manpower training and provision of small equipment for primary health care, sanitation, alternative energy, storages and marketing facilities, would have beneficial effects even beyond the borders of its SACU-members. This is the field of potential cooperation, which the South African government should emphasize, while leaving the construction market entirely to private businesses. Although provision of such community services does not generate great amounts of direct financial returns, indirect benefits will certainly accrue to South Africa, if only in the form of 'winning hands and heards' of her neighbors.

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2 Eygelaar, J: Rural housing policy in Mozambique. University of Nairobi, October 1975, p 12

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6 Loc.cit., p 408

7 Krüger, G: Entwicklungsplanung in Vendaland unter besonderer Berücksichtigung der Landwirtschaft, sowie der Wachstumszentren und Dienstleistungsorte. Christian-Albrechts-Universität, Kiel 1983, p 7

8 Randall, P, op.cit., p 412

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10 Bridgeman, D: Co-operation and interdependency between South Africa and the Ciskei. Draft of Lecture delivered at Potchefstroom, March 1983, p 14

11 South Africa, Department of Foreign Affairs of, op.cit., 1984, pp 13-14

12 Business Day (Johannesburg), April 30, 1984, p 13

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14 The Citizen (Pretoria), July 24, 1985, p 8

15 Swaziland, Government of: Third National Development Plan 1978/79-1982/83 Mbabane 1978, p 214

16 Daily Times (Blantyre), July 22, 1985, p 1

17 Business Day (Johannesburg), April 30, 1984, p 9

18 Ibid, p 10

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20 Loc.cit., p 412

21 Business Day (Johannesburg), April 30, 1984, p 11

22 African Business (London), May 1985, p 7, claims that approval was never given by the South African Reserve Bank to finance a project which should have been funded through a complex currency deal with Krupp as a leader. The firm hoped to establish itself as first major foreign company through this contract, and then to gain more lucrative contracts for rehabilitating the ports, cement and fishing industry.

23 The Citizen (Pretoria), December 2, 1982, p 14

24 Financial Mail (Johannesburg), April 19, 1985, p 67

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26 Bamberger, M, Sanyal B & N Valverde: Evaluation of Sites and Services Projects - The Experience from Lusaka, Zambia. World Bank Staff Working Papers, No.548, Washington 1982, p 37

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28 Page D: Strategy and Guidelines for the Physical Development of the Republic of Ciskei. University of Stellenbosch, 1982, pp 235-236

3.2. Labor relations

In all African countries, strong contrasts exist between the spatial and social pattern of traditional self-sufficient job occupations and the formal job market. On one side is an indigenous labour-intensive farming and informal sector, which is based predominantly on a peripheral barter economy; and on the other is a formal wage-employment sector, that is capital-intensive, spatially concentrated and based mainly on the metropolitan cash economy.

> *"Ordinarily it is labour which has to move to the localities of rising demand and there make the difficult effort of adjustment to the different ways and values of an expanding society ... All history shows that the cheap and often docile labour of under-developed regions does not usually attract industry."* [1]

Interactions through labor relations have always been centred around the provision of sufficient labour for the major economic performances - farming, mining, industrial and domestic - in the concentrated cash economies. For various reasons, however, the South African economy, until about 1977, could not attract indigenous workers and had to offer contracts to a large number of foreign black laborers.

Table 12: Number of SADCC-migrants employed in South Africa, by country of origin from 1975 to 1986 ('000)[1]

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Angola	0.6	0.9	1.5	0.3	0.3	0.3	0.1	0.1	0.1	0.0	0.0	0.0
Botswana	37.8	43.2	43.5	34.5	32.5	23.2	29.2	26.3	26.0	26.4	27.8	28.2
Lesotho	152.2	168.6	173.9	155.6	152.2	148.4	150.2	148.1	145.9	138.4	139.8	138.2
Malawi	39.4	12.8	12.4	38.5	35.8	32.3	30.6	27.6	29.6	29.3	30.1	31.4
Mozambique	158.7	111.3	68.2	49.2	61.6	56.4	59.4	52.3	61.2	60.4	68.7	73.2
Swaziland	16.4	28.8	18.2	14.9	13.0	19.9	13.4	13.7	16.8	16.8	22.3	21.9
Zambia	0.9	0.8	0.7	0.8	0.8	0.9	0.7	0.8	0.7	1.3	0.8	2.4
Zimbabwe	8.9	32.7	37.9	27.5	21.5	10.4	17.0	11.3	7.7	7.5	7.4	7.3
Other[2]	8.5	7.2	1.8	6.4	9.2	3.1	1.0	2.5	70.1	71.1	74.0	75.4
Total	414.6	398.8	357.4	327.9	326.7	287.2	301.8	282.3	358.0	351.3	371.0	378.1

Notes: Excluding foreign workers illegally in the RSA, [2] Including Namibia
Source: National Manpower Commission: Annual Report, Pretoria 1985, p 320
Africa Institute: South Africa in Southern Africa - Economic Interaction, Pretoria 1988, p 123

In the southern African context the flood of would-be migrant workers trying to evade a hopeless unemployment situation can no longer be contained by administratively-enforced influx controls. This problem of migration constitutes the major obstacle standing in the

way of political and economic development in both the source (push) and destination (pull) regions. Spatial over- and undersupplies of labor resources forced all governments on the southern African sub-continent to take action. However, the methods and objectives of the individual countries in overcoming these problems differ significantly.

3.2.1. Push and pull factors of 'black' labor migration

Attempts to 'employ' indigenous labor in white economic activities date back as far as three years after the arrival of the first colonialists in the Cape in 1652. But experiments to use Khoisan and San people as field slaves proved totally unsuccessful. From the beginning of the 18th century, slave imports - mainly from Madagascar, India and the East Indies - increased the number of these first 'migrant laborers' from 1,147 to about 18,000 between 1708 and 1795.[2]

However, after the British occupants abolished slavery in 1807 and emancipated the former slaves in 1834, Cape farmers had to search for a cheap labor substitute. Consequently, the British dis-emancipated the black immigrants again only twenty years later in 1855, by enacting the 'Masters and Servants Laws', which enforced labour discipline, controlled payment regulations and regulated interdependences between blacks and whites. Enaction of these laws coincided with the Xhosa cattle killing two years later, when for the first time high numbers of African farmers were expulsed from their traditional subsistence territories in search of other means of survival. Subsequently in 1857, the first 33,000 Africans were apprenticed to farmers in the eastern Cape.[3]

In the Transvaal and the Oranje Free State (which had been ceded to the 'Trekboere' in 1852 and 1854 respectively), agriculture, as in the whole of South Africa, was still at a primitive stage and, therefore, labor intensive. Most of the 'Boere' were cattle farmers, who required large amounts of cheap labor. Furthermore, their pressure on traditional land and the consequent congestion of cattle areas soon caused the first reverse influx of Africans into recently occupied white territories. As early as 1844, there were a number of Botswanian tribesmen serving on European farms in the Cape Colony, and from 1861 onwards, many Basothos travelled to work at the same destination.[4]

The expansion of mineral producion and the increased demand for food meant a rise in the demand for labour in both agriculture and mining. The first minerals were discovered in the Cape Colony in 1867, and about 10,000 Africans arrived with the first diamond rush at the Kimberley mines.[5] By 1877 their number had already doubled, facilitated by the mining companies' evasion of pass regulations. So, for instance, almost 27,000 Africans passed through the mines during the first three months of 1892, but only 9,400 passes were issued.[6]

From 1875, when Natal entered into a formal agreement with the governors of Mozambique for contract laborers for the sugar estates, Africans were imported into the Cape as farm and railway workers, and then to Griqualand West and Barberton for work in diamond and gold mining respectively:

> *"By 1887, half the able-bodied male population of Maputo were estimated to be working at any given period in the Transvaal, Natal or Kimberley."* [7]

At Delgoa Bay, within a radius of 150 miles, one million persons were at the disposal of the Chamber.

In addition, the Mozambique authorities had already imposed a hut tax on 100,000 homesteads in the area, which helped the Chamber to secure a steady flow of labour for the industry.[8] Added to the expedience of obtaining labor from other territories, the South African mine owners also experienced the advantages of longer contractual periods and differential wage rates. Economies-of-scale decreased transport costs and a certain supply of laborers effected average reductions in the wage rates as, for example, in October 1896.

Although the labor force expanded rapidly after 1890 - with nearly 100,000 African labourers at the end of the century[9] - the mining industry's need for labour was seldom satisfied.

For one thing, distances between the Rand and the rural regions as main labor-supply areas were formidable, with traveller distances of up to 500 miles not being uncommon. But what most threatened a constant supply of black labor was the ability of the Africans to subsist on the land. Consequently, serious resistance to recruitment was encountered by the mine owners, and there was a high level of desertion by those migrants who reached the mines.

> *"The mine-owners' response to this was to press the state to introduce extra-economic measures such as increased taxation to force the labour supply to the mines. The continued access of Africans to productive land occupied the attention of the mine-owners from the 1890s until 1913 when a general solution to labour shortages was found in the Land Act of that year."* [10]

3.2.2. Administrative regulations for a secure labor supply

Basically, the southern African authorities had two different administrative means available in order to enforce an accelerated ('liberalizing') labor recruitment:

The first method commonly used in colonial Africa was to force labour - and military recruitment into labor forces - by quota systems, either providing a certain number of person-days per year or on an ad hoc basis.[11]

However, until the beginning of the 20th century, there was no organized system of farm or mine-labor recruitment either within South Africa or outside. Traders received commissions from white farmers and mining companies for offering cash for taxes or food to Africans.

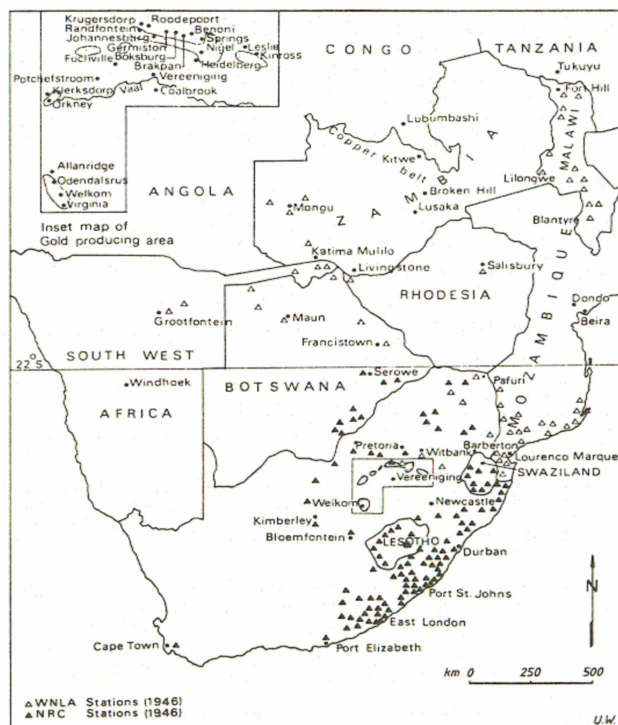
However, with South African blacks unwilling to work on the mines as long as they could remain or even extend their subsistence standards, and the British government still unwilling to introduce stiff tax and quota systems as in the Portuguese and German colonies, the serious labour shortage after the Anglo-Boer war years necessitated the recruitment of labour on a coordinated basis.

Consequently, the so-called Witwatersrand Native Labour Association (Wenela) was formed in 1902 as the central recruiting organization for the Chamber of Mines on a non-profit basis. Before being given permission to recruit labour in Nyassaland in 1936, Wenela's activities were limited to Mozambique which, around the turn of the century, provided 60 per cent of all mine workers under the Miller Agreement. But this package deal between South Africa and the colonial government of Mozambique did not alleviate the shortage of labor in the mines.

A similar organisation, the Native Recruiting Corporation (NRC), had to be established ten years later with more or less the same

objectives. The NRC activities, however, were focused mainly within the borders of South Africa and the BLS-countries, whereas Wenela recruited unskilled black workers entirely from outside the South Africa borders:[12]

Figure 8: Distribution of WNLA and NRC stations until 1946



Source: Kowet, D K: Land, labour migration and politics in Southern Africa. Uppsala, 1978, p 95

With a series of acts - for example, the 1923 Natives (Urban Areas) Act as forerunner of the Group Areas Act - pushing even more black peasants into already congested reserves, and with 'push' factors such as taxation and overcrowding, recruitment by the NRC in the late 1920s also bore fruit in South Africa. By 1935 the number of South African mine workers had increased by more than 50 per cent, with the expansion of the labour force manned largely from the Transkei, Ciskei and Lesotho.[13] From the outset, the South African recruitment organisations were established with the support of the colonial government. The development of the mining, agriculture and manufacturing industries (since the First World War) in South Africa was considered by the British as a desirable source of income in these countries, especially to finance the administration, which during this early period was dominated by police expenditure.[14]

During the war serious labour shortages effected important wage increases: in this manufacturing industry white/black wage ratio declined from 5.5:1 to 3.7:1 between 1935 and 1946. However, the mining industry was never prepared to adjust its labour wages; on the contrary, the corresponding ratio even increased, although minimally, from 10.6:1 to 11.1:1 respectively.[15] The Chamber of Mines simply went further outside South Africa to find its labour force, rather than competing with the secondary and tertiary sectors for domestic black labour. Between 1936 and 1973 the proportion of South African blacks in the gold-mining industry declined from 52 per cent to 20 per cent of the total number employed after the chamber had begun recruiting 'tropical' Africans.[16]

Table 13: Distribution of foreign black workers employed in South Africa, by economic sector from 1964 (in %)

Sector	1964	1970	1975	1980	1981	1982	1983	1984	1985	1986
Mining	58.1	77.4	89.8	77.3	79.1	77.3	83.2	83.5	82.5	83.9
Agiculture	29.8	9.9	2.3	5.8	5.3	5.3	4.2	3.4	4.6	3.7
Manufacturing	4.7	2.6	1.9	3.1	3.0	3.2	3.1	2.7	2.8	2.4
Construction	0.8	1.3	1.4	2.3	2.3	3.2	2.5	1.7	2.1	2.4
Commerce	0.6	1.1	0.7	1.4	1.3	1.4	1.1	1.3	1.1	1.2
Government services	1.4	2.2	1.5	2.3	2.1	2.5	1.7	1.0	-[1]	-[1]
Domestic services	1.7	4.6	1.5	5.1	4.6	4.6	2.8	3.8	3.4	3.1
Other services	2.9	0.9	0.9	2.7	2.3	2.5	1.4	1.6	3.5	3.3

Note: [1] Included with "Other services"
Source: *Central Statistical Services: South African Labour Statistics, Pretoria, 1986.*

Table 13 above clearly indicates a basic trend: between 1964 and 1977, the concentration of foreign Africans in mining employment increased by more than 20 per cent, while a large decline occurred in all non-mining employment, which was not due only to losses in agricultural occupations:

Moreover, from 1956 onwards, South African entrepreneurs could employ Mozambican labour. Recruitment, however, still remained in the hands of the Wenela agents. In this way the South African Chamber of Mines was always able to draw from a large stock of quite experienced mine workers - without taking over any obligations in terms of welfare - until 1974, when the two major supply countries began to change their policies. Fortunately, the time gap between the cease of Malawian labour exports in 1975, on the one hand, and of Mozambican ones in 1977, on the other, gave the Chamber enough time to open up new sources. Before 1975, by agreement the Chamber had not been allowed to recruit labour from Southern Rhodesia. In 1975, this position was reversed, with a consequent rapid increase in the number of Africans from that country, until in 1981 Zimbabwe refused to renew recruiting licences. Furthermore, at the end of 1977 the Chamber arrived at an agreement with the Malawian Government, which permitted it once again to obtain about 18,000 men. These political decisions of the supply countries have been in line with the South African government's plans to reduce its dependency on external labour sources and to put more emphasis on the employment of the growing indigenous labour supply. Already in 1962 Tanzania, and Zambia in 1966, had decided to cease labour export to South Africa, since this contradicted their national policies of self-reliance. A shift towards homeland labour employment, however, only really became an urgent issue in 1974, when, following a plane crash which killed 74 Malawian migrant labourers, the Malawian Government decided to suspend the supplying of labour to South African recruitment organisations. In the following year Mozambique began to slow down its labour outflow to South Africa and after a retardation of three years the official Mozambican migrant-labour force in the RSA decreased by more than 66 per cent. Consequently, Lesotho emerged as the main foreign source of migrants, consistently releasing about 150,000 labourers into the South African economy per year.

However, these supplements could not possibly make up for the losses incurred, and the mining industry was virtually forced to recruit South African blacks. Necessary wage incentives were facilitated by incredibly large rises in the price of gold in 1974. Malawian and Mozambican policy decisions to reduce their migrant labour export, therefore, came in line with South Africa's decision to replace an insecure foreign labour supply by indigenous labour. And by 1975, for the first time in South African history a labour deficiency had been converted into a labour surplus.

One contribution factor was a downturn in the building industry due to the world-wide recession following the 1973 oil price explosion.[17] But more important proved to be the decline in commercial agricultural employment. In the Western Transvaal, for instance, between 1968 and 1981 the average number of permanent workers per 1,000 hectars declined by 50 per cent, while the decline in seasonal workers even reached almost 70 per cent.[18] Not only that, the average period of employment fell noticeably from about 10 to 8.5 weeks per farm. The period of sharpest decline occurred in the mid-1970s between 1973 and 1977.

The rising unemployment in the agricultural sector was beginning to do for the mining industry what the 1972-1974 wage increase could not fully achieve: the number of South African blacks taking up this least-desired occupation in South Africa, increased to such an extent that the Chamber began to turn away able-bodied, but 'novice', South African blacks.

On the other hand, most mines naturally preferred experienced workers, who still had to be drawn from abroad. For this purpose, in the mid-1970s Wenela and the NRC were consolidated into 'The Employment Bureau of Africa Limited' (TEBA), which has since been responsible for the engagement of black labour for the platinum, gold and coal mines in the RSA. In 1982, TEBA's recruitments totalled more than 90 per cent of all mine workers from outside South Africa. Within the RSA, Ciskei and Lesotho, the proportion of TEBA recruitment still lies around 60 per cent. Since total numbers of 'tropical' mine labour de- clined in 1975, TEBA was able to substitute these losses with Transkeian migrants following 'independence' only one year later. After the economic recession of

1980, which hit South Africa and its neighbours with some delay, TEBA could easily recruit sufficient workers to bring their strength up to 800,000 if needed, such was the demand for places.[19]

Given such a demand, the question of job distribution between particular countries and the homelands became a crucial one. On the one side, after the signing of the Nkomati Accord in March 1984, Mozambique requested that more places on the mines be found for its labourers. Subsequently two technical committees - for the mining and agricultural sectors - were established after a meeting in Maputo on November 5 1984.[20] Their objective is to renegotiate outdated agreements: Labour flows between South Africa and Mozambique are still covered by an agreement signed with colonial Portugal in 1965, while Mozambican mineworkers employed in South Africa are presently governed by an agreement signed one year earlier.[21] However, the setting up of these two committees is one of the very few concrete results of the Nkomati non-aggression pact.

On the other side of the coin is the possibility that the political dispute between South Afica and Lesotho over the signing of a pact similar to Nkomati could lead to disruptions in the supply of Lesotho mineworkers, for example through increased border checks.

The SADCC-countries responded to this labour-export decrease and vulnerability by forming, in 1980, the Southern African Labour Supply Commission (SALC) in order to coordinate policies, with the aim of reducing and later eliminating the supply of migrant labour to South Africa.[22]

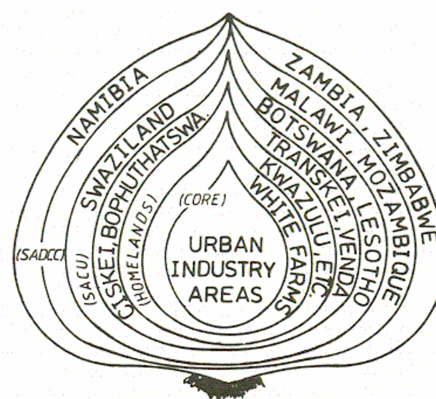
In the meantime, South Africa already substituted workers from the 'independent' homelands of Transkei, BophuthaTswana and Ciskei for the losses not only of 'tropical' mining migrants, but also of labourers in the manufacturing and related industries. Since 1976, it started to be the 'independent' homelands which have increasingly taken over the role of the southern African countries as suppliers of cheap mine labour.

3.2.3. Southern Africa's present labor force movements

During the period 1965 to 1985 the main sources of black labour supply, when taking the modell of the'labour onion' below, shifted

from the two outer rings and from the South African core region (urban areas and white farms) into the two middle rings representing South Africa's 'independent' homelands and the SACU-members.:

Figure 9: The labour 'onion' of southern Africa's migrants



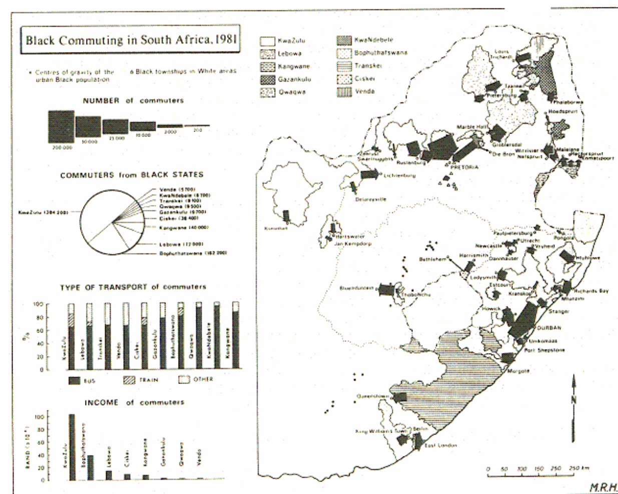
Source: Zingel, J: The geopolitics of labour supply, Johannesburg 1985, p 2

As a result a dramatic shift in labour transport and duration occured from seasonal migration to daily or weekly commuting. Commuting between residence and workplace to the highest extent naturally concerns South African township residents.[23] Train, bus and combi taxi transport in 1986 catered for about 1.5 million township commuters per day as compared to 500,000 cross border commuters. Above Figure 10 indicates the amount, source and direction of commuting and the modes of transport.

Nevertheless, ever-increasing numbers of commuting labourers emerge from these national states and 'independent' homelands. Of the 'independent' homelands, BophuthaTswana with more than 75 per cent of all TBVC-commuters (139,161), in 1986, had the majority of the 506,617 total South African commuters, followed by the Ciskei with about 20 per cent. Transkei and Venda in contrast are

insignificant as sources of commuting labourers. This pattern fits perfectly into the picture of the homelands' spatial distribution in relation to South Africa's economic core regions. The Pretoria-Witwatersrand-Vereeniging, Durban/ Pietermaritzburg, East London/King-Williams Town and Port Elizabeth areas, which cater for most of the cross-border commuters' daily destinations, are all outside of daily commuting distance from the homelands of Venda, Gazankulu, Lebowa, KaNgwane, QwaQwa and Transkei. This is even more the case for Lesotho, where, beside the disadvantage of its peripheral location, its official borders impede the daily flow of labourers to adjoining industrial cities such as Bethlehem or Bloemfontein.

Figure 10: Commuter flows within South Africa, 1981



Source: Witulski, U.: Black commuters in South Africa; in: Africa Insight (Pretoria), Vol.16, 1986, p 12

The second category of labour movements is applicable to more areas, since it embraces the Customs Union member states as well as some of the external SADCC-countries. Migrant labour in this context is defined as labour movements from beyond South Africa's national territory (the four outermost rings of the labour 'onion') and therefore in this study excludes the national states. Latest migrant labour figures for all ten hoelands, in 1986, indicated that a total of 1,705,495 migrants worked within the RSA economy.[24] The four 'independent' states provided less than half of this number, while Lesotho together with the Transkei catered for the highest number of contract workers migrating to South Africa for longer periods. Assuming the activity rate of the 'de facto' homeland population (about 50% of all 'de jure' citizens) to be the same as that for the black population as a whole in that year, then the migrant labour force represented about 32 per cent of the total homeland labour force.[25] These proportions are only equalled by Lesotho, where absent migrant labour constituted about one-third of the total potential labour force already in 1977; however, this decreased to less than one-fourth in 1986.

Table 14: Registered black foreign workers in South Africa, by country and economic sector in mid-1986

From	Agriculture and fishing	Mining and quarrying	Manufacturing	Construction	Domestic	Other Services	Total
BophuthaTswana	31,584	72,581	49,339	24,879	70,061	99,922	348,365
Transkei	35,716	164,740	21,855	33,866	28,395	63,262	338,834
Ciskei	5,141	21,955	17,884	13,126	20,082	26,186	104,374
Venda	8,677	5,103	6,085	6,192	5,776	23,562	55,395
TBVC Total	81,118	264,379	95,163	78,063	124,314	142,870	846,968
Botswana	1,511	21,686	1,064	661	1,107	2,215	28,244
Lesotho	1,960	116,147	4,595	6,540	2,206	6,745	138,193
Malawi	2,419	23,507	798	373	2,132	2,182	31,411
Mozambique	5,935	63,707	595	797	847	1,305	73,186
Swaziland	1,132	16,629	1,342	166	1,364	1,281	21,914
Zambia	125	1,743	72	38	186	257	2,421
Zimbabwe	705	114	356	234	3,670	2,225	7,304
Angola	2	-	1		5	10	22
SADCC Total	13,789	243,533	8,823	8,813	11,517	15,837	302,695
Other	60	73,948	205	143	383	1,074	75,430
Total	91,990	561,089	130,582	8,956	136,214	159,781	1157,203

Source: South African Institute of Race Relations: Race Relations Survey 1987/88, Johannesburg 1988, p 312

Since 1977, migrant labor from beyond South Africa has been increasingly substituted by labour imports from the TBVC-countries: the number of registered SADCC-citizens working in South Africa dropped by 30 per cent between 1975 and 1982. On the other hand, labour supply from the TBVC-countries increased by 30 per cent during roughly the same period. How far labor substitution had progressed by 1986, can be seen on Table 14 above.

In this respect Lesotho is outnumbered only by the huge amount of migrant labourers contracted in the 'independent' homelands of Transkei and BophuthaTswana, which together in 1983, provided more than half of the official total southern African migrant labor supply to South Africa.

3.2.4. The economics of wage remittances from migrant labor

However, real figures of foreign migrant-labor, if including illegal immigrants, may at least equal the huge number of TBVC-migrants. The major streams of clandestine migrants are: from Lesotho to the Oranje Free State and Natal, from Mozambique to the Eastern Transvaal lowveld and northern Natal, from Zimbabwe to the Northern Transvaal, and from Botswana to the maize triangle west of the PWV-area.[26]

These illegal immigrants are employed mainly as cheap farm labourers, where government control is hardly exercisable. There are also many homeland blacks working illegally in 'white' areas, often in unpopular jobs and for extremely low wages. Their number increased in the 1970's - partly owing to some relaxation in influx control - and many of the illegal as well as the legal migrants managed to take their families with them as lodgers in township houses, in squatter camps or - in the case of domestic servants - on the premises of white employers.[27]

The majority of the official foreign migrants were recruited into South Africa's gold and coal mines, especially those from Lesotho and Mozambique who made up for the decreased numbers of Malawian miners, but here as well the trend went towards recruiting more and more Transkeians for unskilled labor.

Gencor's policy, for example, is to source 70 per cent of its labor from the homelands and 'independent' states such as Transkei and

Ciskei, on the basis that "charity begins at home".[28] Gold Fields of South Africa's labor breakdown is 50 per cent South African and 50 per cent foreign workers. Since 1974 the group's policy has been to obtain labor from as many sources as possible in order to minimize dependency on one source. Rand Mines' policy is to employ mineworkers from sources closest to the respective mines in order to allow workers to get home over weekends and consequently cut down some of the negative aspects of the migrant labor system.

Table 15: Black workers employed in mining and quarrying, by country of origin from 1975 to 1987 (in '000)

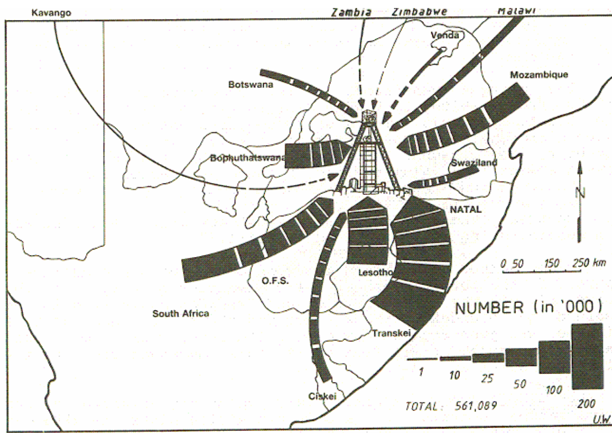
	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1987[1]
Lesotho	122.0	129.5	146.2	130.7	128.8	115.1	129.2	119.2	123.3	118.8	116.3
Botswana	28.3	35.3	35.7	27.5	25.7	22.8	22.5	18.9	19.3	19.8	19.8
Swaziland	13.0	16.6	14.5	11.0	10.1	9.2	10.7	10.8	13.6	12.5	17.2
Mocambique	144.4	103.7	61.4	42.3	53.8	50.8	51.7	51.0	53.8	52.7	50.0
Malawi	29.5	2.2	2.2	27.4	24.6	19.3	19.7	17.0	19.5	19.6	21.0
Zimbabwe	1.9	22.1	26.4	16.3	10.2	8.1	4.8	0.6	0.2	0.3	0.0
Zambia	0.9	0.8	0.7	0.8	0.8	0.9	0.7	0.8	0.7	1.3	0.0
Angola	0.6	0.8	1.5	0.3	0.3	0.3	0.1	0.1	0.1	0.0	0.0
Other	8.9	7.8	1.5	2.8	2.2	1.8	0.1	0.4	0.2	0.0	0.0
SADCC Total	348.1	317.1	287.8	255.8	255.3	227.6	221.1	218.8	230.0	225.0	224.3
Transkei	-	-	-	-	-	177.8	183.7	177.2	181.3	180.0	104.9
Ciskei	-	-	-	-	-	-	-	-	20.9	21.6	14.8
Venda	-	-	-	-	-	7.7	7.5	6.8	5.3	5.2	2.6
BophuthaTswana	-	-	-	-	-	75.1	74.6	68.5	57.0	60.8	8.0
TBVC Total	-	-	-	-	-	260.6	265.8	252.5	264.5	267.6	206.3
RSA	162.0	383.2	467.9	434.9	460.0	140.1	197.4	170.1	193.6	191.4	153.3
Total	510.1	700.3	755.7	692.9	715.3	628.3	684.3	640.4	688.1	682.5	583.9

Note: [1] Only in mines as members of the South African Chamber of Mines
Source: National Manpower Commission: Annual Report, Pretoria 1985, p 321
South African Institute of Race Relations: Race Relations Survey 1987/88, Johannesburg 1988, p 335

The Anglo American Corporation follows a similar policy to Rand Mines. On its OFS gold mines which are situated close to Lesotho about 30 per cent of its 120,000 mineworkers is made up of Lesotho workers.

On many mines more than 80 per cent, and in some cases more than 90 per cent, of the indigenous migrant black workforce return to the same mine every year after short holiday breaks.[29] This was achieved through improving accommodation standards, competitive wages, bonuses for returning within a specified time, and the issue of guarantees to workers that - provided they return within a specified period - they will get the same job back.

Figure 11: Origin of mineworkers in South Africa, 1986



Source: Chamber of Mines: TEBA 1983, Johannesburg 1983, p 37; Own calculations

The reduction of wage differentials through wage increases in the mining sector (which started on the eve of the scramble to secure indigenous labor in 1974), was started by the Anglo-American Corporation, whose

> *"... concern about its reputation and enlightened view of company interests were themselves contributory factors in the changing situation."* [30]

The changes continued, if less dramatically, in the late 1970s from a white/black wage differential of 12.5 : 1, in 1974, to 6.5 : 1, in 1979. This still compared unfavourably with a wage differential in manufacturing of 4.2 : 1, in 1979.

However, the chamber of Mines, since 1985, had not published average wages according to race, because they argue that

> *"... the mining industry now almost universally applies a non-discriminatory wage policy."* [31]

In contrast, the wage differential between whites and Africans in

manufacturing still amounted to 3.5 : 1.[32]

Income earned by migrant laborers constitutes a significant part of the total income of their countries of origin. In the case of both the TBVC-countries and Lesotho, aggregated income earned by migrant workers exceeded their GDPs. Most of this income was generated in the mining industry, where remittances always exceeded those from agriculture, manufacturing and related occupations.

Table 16: Estimates of deferred pay and remittances accruing to neighboring states from employment of their nationals in South Africa, by country 1980 to 1987 (in million Rand)

	1980[1]	1983[1]	1986[2]	1987[2]
Botswana	32.0	47.6	20.8	20.1
Lesotho	153.3	280.6	240.1	276.6
Swaziland	13.2	32.1	12.2	12.4
Mozambique	66.6	116.8	83.5	106.5
Malawi	30.7	51.3	36.9	2.5
Zimbabwe	15.4	8.7	-	-
Zambia	0.6	1.0	-	-
Angola	0.1	0.1	-	-
Other	3.5	139.6[3]	-	-
SADCC Total	315.4	677.8	393.5	418.1
Transkei	-	630.1	60.2	19.1
BophuthaTswana	-	341.7	16.4	14.2
Venda	-	70.1	0.6	0.2
Ciskei	-	93.4	2.3	0.5
TBVC Total	-	1135.3	81.5	34.0
Total	-	1813.1	475.0	453.1

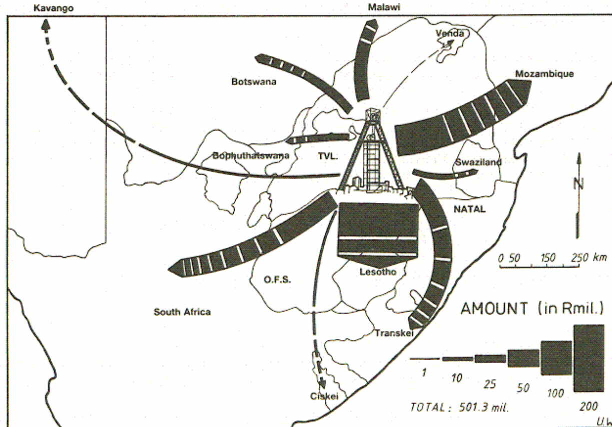
Notes: [1] It was assumed that two-thirds of the cash earnings in mining and manufacturing were remitted, and one-third of the cash earnings in other sectors
[2] Includes only traceable amounts (about half of estimated total amounts)
[3] Including Namibia.

Sources: Africa Institute: South Africa in Southern Africa - Economic Interaction, Pretoria 1988, p 126
South African Institiue of Race Relations: Race Relations Survey 1987/88, Johannesburg 1988, p 338

However, TEBA's compulsory and voluntary deferred pay and remittances accruing to its South Africa miners in 1983 did not even reach 50 per cent of the sum of TEBA's remittances to all SADCC states. Total income from all sectors of migrant labor plays a most

important role in the Transkei, where remittances in 1982 were estimated to reach almost the total of remittances paid to all SADCC-states:

Figure 12: Deferred pay and remittances from South Africa 1986



Source: Chamber of Mines: TEBA 1983, Johannesburg 1983, p 37; Own calculations

In the mining sector, average monthly earnings of underground workers amounted to R284 in December 1982, while surface workers received R251 per month. Free monthly services were estimated by TEBA as R96 for the same year. Transkeian contract workers, for instance, in 1982 sent home about the same total amount of remittances as Mozambican migrants, but constituted about three times the number. These remittances differed widely according to the migrants' 'nationalities' within the South African territory:

Table 17: Deferred pay and remittances paid home by TEBA, per head and year in 1986 (in South African Rand)

South Africa	National States	Transkei	BophuthaTswana	Venda	Ciskei	Lesotho	Mozambique	Swaziland	Namibia	Botswana	Malawi
200	480	440	350	230	150	1160	1140	870	1200	1090	1180

Source: Chamber of Mines: TEBA 1983, Johannesburg 1983, p 37; Own calculations

Deferred pay which is sent home monthly to the migrants' residential banks makes up the greatest proportion of these differences in overall transferred remittances. 60 per cent of the labor wages of migrants from beyond the South African borders - with the exception of Swaziland - constitutes a valuable working capital fund used by the individual governments for budgetary and development purposes. Before 1977, Mozambique's economy was highly reliant on these deferred payments. But the South African Government's decision in 1977 to make the individual mines, rather than the pooled resources of the Central Bank, responsible for the gold to be transferred to Mozambique, contributed to the Chamber's reduced demand for Mozambican labor:

> *"This became an obvious disincentive for employing Mozambicans until the special gold agreement was ended altogether in 1977."* [33]

But even taking into consideration these differences in deferred pay transfer - due to different labour agreements - it becomes obvious that Mozambican and Lesotho migrant laborers as a traditionally stable and experienced class of mining workers receive higher salaries.

Notes and References:

1 Myrdal, G, op.cit., p 31

2 Magubane, B: "Imperialism and the Making of the South African Working Class"; in: Contemporary Marxism (San Franzisco), January 1983, p 23

3 Ibid, p 24

4 Kowet, D K: Land, Labour Migration and Politics in Southern Africa; Botswana, Lesotho and Swaziland. Scandinavian Institute of African Studies, Uppsala 1978, p 87

5 Magubane, B, op.cit., p 24

6 Levy, N: The foundations of the South African cheap labour system. International Library for Sociology, London, Boston, Melbourne, 1982, p 34, states that already around 1890, local labour had been heavily supplemented by Portuguese East African labour. The South African Chamber of Mines reported for that year the presence of approximately 70000 Africans drawn from the Portuguese territories. Tsonga men from Maputoland - the backbone of the mine labour force on the Rand from the earliest years of mining - together with 40,000 Africans from the northern Transvaal represented over three-fourths of the African labour force.

7 Ibid, p 61

8 Ibid, p 69. Many labourers who were classified as 'special' employees, and whose wage rate exceeded the average, were drawn from this source.

9 Ibid

10 Ibid, p 35. The 1913 Land Act laid the basis for regional segregation by defining the homelands on 6.9 per cent of South Africa's total area.

11 Gregory, J W & V Piche: "African Return Migration: Past, Present and Future"; in: Contemporary Marxism (San Franzisco), No.7, Fall 1983, p 172

12 Malan, T: "Migrant labour in southern Africa"; in: Africa Insight (Pretoria), Vol.15, No.2, 1985, p 104

13 Wilson, F: "Mineral wealth, rural poverty"; in: Optima (London), Vol.33, No.1, March 15, 1985, p 24

14 Kowet, D K, op.cit., pp 96-97

15 Loc.cit., p 93

16 Malan, T, op.cit., 1985, p 104

17 Wilson, F, op.cit., p 27

18 De Klerk, M: "Maize Farm Employment"; in: South African Labour Bulletin

(Braamfontein), Vol.9, No.2, November 1983, p 30

19 Business Day (Johannesburg), May 1, 1984, p 12

20 Financial Mail (Johannesburg), May 24, 1985, p 58

21 Ibid

22 Zingel, J: "The Geopolitics of labour supply - redefining migrant boundaries in southern Africa"; in: Indicator South Africa (Johannesburg), Vol.3,No.1, Winter 1985, pp 3-4

23 Africa Institute, op.cit., 1988, p 127, claims that among the six national states, kwaZulu emits about 75 per cent of all national commuters, followed by Lebowa and kaNgwane, while, in 1982, QwaQwa, kwaNdebele and Gazankulu were still the most unimportant sources of commuters.

24 Loc.cit.

25 Malan, T, op.cit., 1985, p 104

26 Lemon, A: "Migrant labour and frontier commuters: reorganizing South Africa's black labour supply"; in: Smith, D M (ed): Living under Apartheid - Aspects of urbanization and social change in south Africa. London 1982, p 71

27 Ibid, p 71

28 Business Day (Johannesburg), May 1, 1984, p 12

29 Ibid

30 Lemon, A, op.cit., p 72

31 South African Institute of Race Relations: Race Relations Survey 1987/88, Johannesburg 1988, p 337

32 Ibid, p 332

33 Stahl, C W: "Migrant labour supplies, past, present, and future; with special reference to the gold mining industry"; in: Boehning, W R (ed): Black migration in South Africa, ILO, Geneva 1981, p 36

3.3. Technological and managerial expertise

> *"The shortage of skilled manpower at practically all levels is probably the main factor limiting the rate of economic growth and development in Southern Africa."* [1]

Skilled manpower at the highest level is responsible for both management functions and the dissemination of technological expertise.

However, developing countries such as those in southern Africa, which are going through the early transformation stages of economic development, have invariably developed a pattern of predominantly consumption-oriented basic needs. These needs could either be fulfilled through

- outright import of the commodity in question,
- import of machinery and equipment (and possibly manpower or managerial know-how) that would make the manufacturing of these goods feasible, or
- development of indigenous technology to the extent of building the productive machinery and satisfying the desired need.[2]

In all southern African countries, excluding South Africa itself, the first solution is usually followed, meaning continued disadvantages for economic transformation. However, highest priority should be given to progress in technology and management expertise in all the development plans.

3.3.1. Indigenous African training for appropriate technology

Technology may be considered appropriate when it is adapted to its environment, that is when application of input factors - soil, labour, capital, know-how - in general is proportional to the existence and availability of these factors within the particular national economy. Slight variations may occur due to different production processes. However, output per person, known as labor productivity, is determined by usage of capital resources and know-how.

One major reason, among others, for southern Africa's low average productivity is the abundance of natural and human resources. Whenever an entrepreneur or manager wanted to expand activities, the natural way was to employ more cheap labour and buy more raw

materials, energy, and so on. The alternative - increased productivity through emphasized technology input - was seldom considered. The result was that, unlike countries such as Switzerland where these resources are scarce, 'unproductiveness' became a way of life and was difficult to change.

A second reason is the low average level of job education of the economically active population. Particularly South Africa's economy grew by adding more unskilled workers, rather than educating people, into the work process. While education has the function of expanding the mind, developing the personality and providing the person with certain skills, training aids the person in focusing these skills on a particular problem and enables him to do a job of work effectively.

> *"Training is a different process from education, yet without education training is not possible."* [3]

This education naturally has to start at primary and secondary school level. South African census figures for 1980 indicated that 40 per cent of the total population (and 48 per cent of all Blacks) had no education at all, while a further 34 per cent (38 per cent of Blacks) had left school before achieving functional literacy.[4] This leaves a mere 14 per cent of the total South African black population as a sound base for advanced job training. But this figure, according to South African political understanding, does not even include the population of the TBVC-countries. Furthermore, gaps in the technical fields often relate back to an inadequate mathematics grounding at primary level; even today numeracy remains more elusive than literacy among the southern African population. However, the ability to read, write and do arithmetics does not necessarily produce a more productive or skilled worker. Nor is the increasing number of university degrees the answer to combat low productivity.

Consequently, the third major reason for low productivity is the lack of appropriately trained managers and supervisors. Comparison of the technical manpower, expressed as a number per thousand of the population, indicates that Africa with an average of 1.7 scientists and engineers and 0.4 technicians per thousand of the population, is by far in the worst position, even when compared with South America and Asia.

In the non-agricultural sector, South Africa has forty-two workers as compared to USA's six workers per executive.[5] Training priorities are determined by senior management, which has to analyse manpower needs - at least on an industrial basis - for the short to medium-term future. In South Africa that takes the form of the 1975-formed Employers' Consultative Committee on Labour Affairs, a body which speaks with the authority of the top ten employer bodies in South Africa.

Second, it is the specialists providing management services - such as organization and management (O and M) specialists, ccountants and administrative consultants - whose training is either neglected in the average company budget or whose abilities are under-utilized.

A third area of neglect in southern African business is the inadequate training of personnel and instruction specialists towards effective management and training of people. Finally the training of the first-line supervisor makes a major contribution to the maintenance of harmonious industrial relations in southern Africa.[6]

According to the De Lange Report, a sustained 4.5 per cent growth rate of the South African economy would require an additional 23,000 skilled workers and 9,500 foremen per year, while at present only 10,000 and 2,000 respectively, join the labour force annually. Since a highly-skilled person is assessed to provide work for eight semi-skilled people, these numbers of trained personel would have to be drastically increased beyond the present requirement levels in order to cater for an estimated increase of the working population by 7.1 million people before the end of the century.[7] These shortages increase the salaries of skilled manpower and induce rapid turnover of manpower at practically all levels and in virtually all fields.

However, skilled low-level personnel are badly selected, trained, informed, paid and managed throughout the whole southern African subcontinent. Calculated on a supra-national level, an analysis of research and development (R&D) expenditure indicates that Africa's contribution constitutes only 0.58 per cent of the world expenditure.

Consequently many African countries do not possess manpower capable of scanning the world literature to extract knowledge of specific interest.

In the social sciences, for example, African universities produce technicians and technocrats with highly-specialized knowledge, but with little or no comprehension of socio-economic development as a comprehensive process.

> *"Such individuals do not contribute as much as they might to the development of their society."* [8]

A second factor contributing to the 'relevance problem' is the fact that universities usually concentrate on imparting theory which is seldom related to the practical problems of the society and consequently perpetuated, even if it does not contribute to development. Only very recently some African universities have begun to give attention to the developmental and educational potential of activities other than lectures, seminars, and so on.[9]

In contrast to a university education, non-formal education is highly applicable to the real needs of developing countries, because it is cheap, fast and practicable. This non-formal education, as far as it exists in southern Africa, is overwhelmingly provided by private initiative or the private sector as on-the-job-training. Its responsiveness and flexibility, however, should be complemented by formal vocational training in order to widen the otherwise restricted scope of technical and managerial abilities.

The South African institution of technikons may be one organization which could provide a solution to achieving this objective; if continuously and practically applying knowledge and skills acquired during the training process.

Most of South African technology and management expertise can be used by the southern African states as an indigenous and already adapted way of training the majority of the labour force towards self-reliant managerial and appropriate technological expertise.

3.3.2. South Africa's transfer of training and technology

Public as well as private cooperation in this field is, naturally, a somewhat one-sided interaction on the southern African subcontinent. Only South Africa disseminates expertise and technology through training courses, grants and loans for development, delegation of teachers, consultants and other experts

and multilateral research agencies. Since dissemination is so unilaterally restricted to South Africa, its range only reaches as far as South African interests are involved, in other words, it is restricted mainly to the Customs Union members, and is particularly intensive in the TBVC-countries.

While in 1972 a limited number of secondments were made to neighboring states (26 public servants to Lesotho, three to Swaziland, one to Mozambique and Botswana each, and 22 to Malawi), ten years later more than 2,200 experts were on secondments in the TBVC-coutries.[10]

The South African government is mainly involved in manpower training through its Department of Education and Training. One section deals with adult education to improve the literacy and qualifications of adult blacks. By the end of 1977, there were twenty registered state adult education centres and 52 decentralized centres at which more than 15,000 adults received tuition, guidance and assistance from almost 800 teachers.[11] Several technikons have also been started by this department, such as the Mabopane East Technikon in Soshanguwe near Pretoria in 1980.[12] Their National Diploma in commerce, for in- stance, aims at providing students with a comprehensive training in the fields of commerce and management and is taken over a three-year period.

The National Training Board has also embarked on a thorough and scientific investigation into all aspects of apprentice and artisan training. In 1973, the government started to establish in-service training centres to provide for the training needs of industry. Training schemes for unemployed workseekers were subsequently added and a service established to find jobs for those who have completed basic training, after which their in-service training was to continue.[13]

Six state industrial schools, such as the Mdantsane Textile School in the Ciskei, specialize in the training of operators who do not possess the qualifications required for admission to a technical college. With the relaxation of job restrictions in the 'white'areas, technical and artisanal training centres mushroomed in these areas. Whereas in 1977 only two out of 21 technical institutes were located in the 'white' areas, by 1982 they had increased to 17 compared to 25 in the homelands.[14]

These technical high schools, technikons, trade and industrial schools and in-service training centres must produce the skilled workers and artisans, while the universities' objective must be to produce the technicians, technologists and engineers. VISTA recently established four campuses in the metropolitan centres, mostly located in larger adjacent townships. Practically all South African universities - as well as those in the TBVC-countries - provide training facilities that can be used by TBVC-citizens and foreign nationals. However, this opportunity has been used only to a certain extent by black African students (see Table 18). Furthermore, all South African universities stand in partnership with an individual homeland - the University of Port Elizabeth for instance has chosen the Ciskei - and send in students for research and teaching purposes. Job advancement courses are also offered by most of them.

Table 18: Foreign students enrolled at South African institutions for higher education, 1979 to 1985

Mozambique	Zimbabwe	Zambia	Malawi	Botswana	Lesotho	Swaziland	Other African states	Total Africa
5,888	11,817[1]	890	2,668	323	1,062	624	514	23,700

Source: *Leistner, G M E: Sanctions against South Africa in regional perspective, Pretoria 1985, p 33*

Potchefstroom University has a small Business Advisory Bureau and offers courses, from time to time, at various centres throughout the country, mostly in the Western Transvaal (BophuthaTswana).[15] The Centre for Developing Business at Witwatersrand University developed programmes to train black businessmen, started a counselling service and offers a managerial advancement programme-course designed for middle management. This service is provided by the Centre in the areas of retail, manufacturing and building contracting. Counselling and classroom training is provided for the whole Rand, and even includes Ga-Rankuwa across the BophuthaTswana border.[16]

The University of the North runs an advisory bureau for black businessmen, particularly for the Northern Transvaal areas (Venda). They assist with consulting and after-care services and compile and present lectures to both businessmen and students. The University of Zululand set up an Institute of Entrepreneurship and Management for assisting black businessmen in Natal and KwaZulu.[17] A

well-established centre for entrepreneurship and small business management is also run by Stellenbosch University. Training programmes are being given in the Western Province, Ciskei and Transkei. The School of Business Leadership within UNISA has run its small business-management programme for several years. It also offers a management programme as well as an advanced executive programme.[18] And, of course, UNISA at Pretoria is the best-known correspondence university offering access to students all over the world. Universities in the RSA also provide training in agricultural development. Research projects and development plans are undertaken by various research institutions and universities: the Institute for Natural Resources (INR) at the University of Natal, and the Agricultural and Rural Development Research Institute (ARDRI) at Fort Hare University are a few examples.[19]

The Medical University of South Africa (Medunsa) is sited near the BophuthaTswana border close to Ga-Rankuwa and caters for a 2000-bed hospital. Right from its start in 1978, the importance of community health, preventive medicine and primary health care were emphasized to its black medicine students.[20]

Finally the University of BophuthaTswana developed a three-tier structure for technical education consisting of certificate diploma and degree stages. Students willing to take a university degree in engineering go outside BophuthaTswana, for example to Witwatersrand University or the University of Cape Town. In cooperation with the Ministry of Education, the University of BophuthaTswana assists technical schools and colleges. Its school of health science and social work was staffed by UCT with key personnel, to provide a nucleus for an honours course in social work, in 1981.[21]

Considering the need for vocational and in-service training opportunities, the BLS-countries are in an even worse position than the 'independent' homelands. The major difference is politically founded, in that most of the latters' facilities had been established around or after 'independence' as a South African contribution to prove the viability of these tiny enclaves, while in contrast many of the training structures and institutions of the former date back to pre-independence years.

Naturally, during the post-colonial period many linkages both to South Africa and the former colonial powers were either deliberately or negligently broken off. Persistent relations with SACU-member countries exist in mining-related interests. With the help of the Gold Mines Association and other donor agencies, the Lesotho National Development Corporation established the Lesotho Skills Training Grant Fund in 1980 to assist industrialists in the country in the operation of their factories.[22] South Africa must obviously be interested in this fund, since it can also be used in the long run to provide incentives for present or future surplus Basotho working in South African mines and industries, to return home to work in factories in their own country.[23]

One of the few ties which are left in the educational field between South Africa and the SADCC-states is UNISA (University of South Africa). UNISA offers all usual and regular university courses via correspondence. Examinations can be taken in ExamCentres, which are established - in varying numbers - in all southern African countries except Mozambique and Angola. Test papers are then sent to UNISA for correction. Another correspondence training institution, which is far less known but very important in the field of technical and management training, is the Technikon RSA at Johannesburg. This unique correspondence technikon offers courses in accounting, marketing, engineering, mathematics and biology to all countries, where a South African consulate or embassy is established. Details concerning training and examination procedures are supplied, and exam paper are handed in, at the consulates.

The Human Sciences Research Council (HSRC) in Pretoria is a parastatal research body, which is involved in education and development of management abilities of the southern African population, and in qualification test procedures.[24]

A similar organisation - founded before the HSRC and other such bodies like the Council for Minerals and Technology or the Medical Research Council after the second World War - is the Council for Scientific and Industrial Research (CSIR) in Pretoria, which places its research results and institutions - especially in the field of labour research - in the hands of political and economic decision-making

organisations.[25] In the 1950s the CSIR cooperated actively in the southern African subcontinent through the 'Scientific Council for Africa South of the Sahara', which was associated with the 'Commission for Technical Co-operation in Africa South of the Sahara'. In 1982 26 per cent of the CSIR's personnel was of foreign nationality - many of them from other southern African states - who in turn later disseminated their acquired expertise in their home countries.[26] Its National Institute of Water Research and its National Committee for Environmental Sciences do valuable work in the field of the conservation of natural resources throughout the region, while its National Building Research Institute provides research results on urbanisation problems and the development of appropriate construction techniques across South Africa's borders.

Some other institutes within the CSIR's 45 units, which are involved in the development of management and appropriate technology for third-world countries, are the National Development and Management Foundation, the Centre for Scientific and Technical Information, the Foundation for Research Development, the National Institute for Transport and Road Research, the National Food Research Institute and the Appropriate Technology Information Centre.

The Centre for Appropriate Technology of UPE, envisages an analysis and publication of existing successful appropriate technology projects to promote this technology in southern African countries.[27] Considerable help is also given by other semi-official bodies such as the South African Broad- casting Corporation (SABC), which has seconded officials to Malawi and Lesotho. Also, in 1978, the South African Weather Bureau issued forecasts for the BLS-countries. It ran twenty weather stations in Lesotho and 38 in Swaziland, and participated in an international project to collect data from selected stations in South Africa, Namibia, Zimbabwe, Angola, Mozambique, Zaire, Zambia, various islands and the Antarctica.

The services of the South African Bureau of Standards (SABS) include almost as many countries. The SABS is in the forefront of standardization in southern Africa, especially in the field of quality control. South African standards have been drawn up to suit local climatic conditions, which do not vary excessively among all

southern African countries. SABS specifications and standard regulation have been provided to all southern African countries (except Angola and Mozambique), saving them time, effort and money due to the ease with which small adaptions can be made for local requirements.[28]

Also in the field of agricultural and environmental research SARCCUS (see Chapter 2.1.2.), which was founded as far back as 1910 and whose membership comprises all southern African countries, exchanges experiences regularly through its ten expert commissions. SARCCUS has often been called a model of international cooperation, particularly so since it operates across the narrow political arena. Although this council is not a decision-making body, a fast and efficient implementation of agreements is guaranteed by the fact that, as a rule, members of the commissions represent prominent officers in the agen- cies of member states.

Finally, there exists a last means of official cooperation in the form of government loans and grants. Not considering budgetary assistance to the TBVC-countries, which might, to a certain extent, result in an improvement of administrative and managerial skills, this form of development assistance is mostly geared towards specific sectors of the southern African economies. One exception was the granting of more than Kwacha 0.6 million to the Malawian Government for South African provision of trade testing equipment to facilitate proper grading and certification of skilled artisans and technicians in Malawi.[29] However, part of the grant was also to be used to establish a training programme, under which Malawians would go to South Africa to be trained as technicians.

For Malawi, among others, its participation in SADCC's efforts to develop its regional manpower might prove essential. The decision to give Swaziland the responsibility of chairing the Regional Training Council was also influenced by the fact that Swaziland locates, among others, the Mananga Agricultural Management Centre (MAMC). Mananga was built in 1972 by the Commonwealth Development Corporation (CDC) - of which the RSA was a member until 1961 and still has important interests in - to provide trained managers for large-scale agricultural projects.[30]

3.3.3. Private investments in technology and management

Private-sector cooperation beyond the South African borders takes place almost entirely in the field of technology.

Numerous private enterprises are the most important mediators of this technological expertise. This mediation can take place in three forms:

The management agreement is usually an understanding in documentary form between the third world firm and a foreign partner to let this partner undertake specific managerial functions or technological processes. Consultancy agreements are the second mode of technology transfer. These agreements usually specify a given type of service that the public or private third world firm requires and a parallel undertaking on the part of the foreign firms to deliver that service. Services could range from screening of managerial effectiveness of an enterprise to the recommendation of a course of action and the implementation of that recommendation.[31]

The last possibilityof technology transfer is through enterprise to enterprise links. This is often associated with direct foreign investment. Subsidiaries are usually provided with technological and managerial-expertise packages by the parent company. These packages could be as comprehensive as to include plant location, lay-out, manufacturing, processes, costing methods, sales approach, operational and strategic planning mechanism and even payroll recording machinery.[32]

In the case of key projects, this expertise may be transfer- red either through licensing and patent agreements on medium levels or under government to government agreements on higher levels. Rural Industries Promotion is one of the very few institutions, which disseminate technological expertise abroad parallel to private enterprises. In Botswana for instance, it runs a windmill project to pump water efficiently at low wind speeds.[33] While the Transkei Appropriate Technology Unit is conducting research only in this particular homeland, the Development Society of Southern Africa is a private institution which has branches in various parts of southern Africa.[34]

A regional equivalent of this development society are the Regional Development Associations, which extend their services across

South Africa's borders. The East Transvaal Section is also involved in technical projects cross-border to southern Mozambique.

Industrial expertise on lower levels is usually disseminated by in-service training, which is either conducted by South African subsidiaries established in the various southern African states (as described in Chapter 4.2.) or by firms stationed within the South African territory, including the TBVC-countries. The number of organisations offering training opportunities beyond South Africa's borders, however, is limited to institutions which started their programmes before independence of the individual countries.

Since the mid-1950s, for instance, the before-mentioned CDC provides - via sugar-cane and rice development and processing - research and training in ranch-management, management and financial control, smallholder-scheme development, irrigation and drainage systems and plantation and annual crop operations.[35] Another form of in-service training was started in 1965 by the South African national, Patrick van Rensburg, in an effort to re-orientate Botswana's secondary schools and the educated elite towards the needs of rural communities and the provision of low-cost post-primary education to larger numbers of school leavers.[36] His 'brigades' during the following ten years expanded without any support from the government to some 1,000 members, who are mainly trained in farming or production (such as building, carpentry and mechanics) and who then take the government trade tests and get jobs in the towns.

Since the promulgation of the Black Employees' In-Service Training Act No. 86 in 1976 - following recommendations of the interdepartmental Van Zyl Committee - the training of South African black workers began to expand through establishment of private in-service industrial training schemes in 'white' areas. Individual employers whose training schemes were recognized by the Department of Education and Training, qualified for an income tax concession of 100 per cent of running costs in 'white' areas and 125 per cent of such costs in economic development areas.[37] The Manpower Training Act No. 56 of 1981, which opened these concessions to trainees of all races, was a result of recommendations of the Wiehahn and Riekert Commissions on the

utilisation of available manpower in South Africa. Beside tax concessions and cash grants, the government then also established a manpower development fund, from which the private sector can borrow money for the establishment of training facilities.

The increase in training was accordingly: whereas only 90,000 South Africans were trained in 1976, this number multi- plied to approximately 0.5 million persons in 1981,[38] among them many labourers commuting from the 'independent' and self- governing homelands. In 1982, 150,000 workers commuting from all homelands went through 3,722 approved in-house in-service training courses run by their employers and 7,700 workers attended private training centres.[39]

Educational and industrial training by private organisations has an even older record in South Africa than public training. Illiteracy as one major reason for low productivity began to be fought by 'Operation Upgrade of Southern Africa' that started in October 1968. This non-profit making body was formed by several individuals using a newly-devised teaching method, and funded by several industrial groups. Activities were extended into the TBVC-homelands from 1973 onwards through literacy and teacher-training programmes.

This process was carried on by Mobil Southern Africa in more or less the same way. Since 1981, Mobil has sponsored a tuition programme, which coaches 3,000 students every weekend throughout the academic year. Another 150 students throughout South Africa benefit from a social-bursary programme, which puts people into pragmatic disciplines like engineering or accountancy. The Winter School in Johannesburg teaching 1,200 students in seven major subjects over the three-week vacations, reading laboratories at nine universities, two technikons and thirty black teacher-training colleges, and contribut-ons to various projects rounded up Mobil's R665,000 education scheme in 1983.[40]

The National African Federated Chamber of Commerce (NAFCOC), which was formed in 1964, reacted most sensitively to the incentives offered through the Training Act of 1976. After consultations with the Government, the first of eight Group Training Centres was opened in April 1977. These centres, mainly geared towards training the employees of small industrialists, are managed

by a board representing various industrialist organisations.[41] NAFCOC also coordinates business schools for retailers and manufacturers - organized all over South Africa and Namibia - and for associated member institutions and organisations, which offer some form of training programmes for black businessmen. Norton Company, Unilevers, Barlows, Shell Oil, the National Development Management Foundation and several voluneer groups such as Jaycees, Round Table and Rotary, run assistance programmes to improve the management and technological capabilities of black traders and manufacturers.

Other companies such as Metro Management Wholesalers, or Barclays and Standard Bank give assistance to their clients, while Sached Trust offers correspondence programmes on a regular basis.[42] NAFCOC in 1980 took over the South African side of the 'Careers Development Project' from the United States - South Africa Leaders Exchange Project. Through this project, grants and institution places are made available to people wanting to improve their professional and leadership skills, through business and management studies.[43]

Management training by private bodies dates back to at least 1966, when the South African National Development and Management Foundation (NDMF) - a leading businessmens' organization at that time - began to conduct courses in accounting, office administration, personnel practice, and so on, for Swaziland government officials and private businessmen. These activities were further itensified after the Swaziland Management Development Group was formed in 1969.[44] The Urban Foundation of South Africa initiated courses for black business people at the following institutions:

The Institute of Personnel Management (IPM), a non-profit professional body assists companies in making better use of their manpower, by providing them with a wide range of information and training services. In 1974, IPM had 13 branches throughout South Africa and Rhodesia, training employees of all races from over 800 companies and well over 2,000 individual members.[45] Production Management Institute of South Africa offers courses designed for first level supervisor staff. Their programmes are undertaken in the form of in-house training under the guidance of the Institute.

The Foundation for Business Studies offers a certificate and a diploma course in business studies, which aim to provide a grassroots business education in a job-orientated mode.[46]

The aim of the South African Society for Training and Development is to ensure the improvement of trainers' professionalism by disseminating insider expertise at monthly meetings.[47]

The dissemination of technological and managerial expertise mostly by parastatal institutions and private enterprises on the one hand, and of labour and business skills by public training centres on the other, should result in only positive effects on the transformation processes of economic national development. However, this transformation takes place only in the long run, while negative effects on social and, more important, spatial disparities might occur long before that, as for example, in the form of the infamous 'brain-drain'.

3.3.4. Southern Africa's disparities and dependencies in the provision of exogenous expertise

'Brain-drain' might be defined as a unilateral international transfer of resources in the form of human capital that, although relevant to the process of national economic development, is not recorded in any official balance-of-payments statistics.[48]

However, in the southern African subcontinent, skilled labour emigration into South Africa has reached appreciable proportions. Government agencies in BophuthaTswana openly complain about the growing brain-drain to the central South African economy. They reckon that they are becoming "training institutions for 'white' South Africa",[49] pointing to their inability to retain the qualified and skilled labour force because of their uncompetitive salary structure. It is a known fact that South African contractors operating in BophuthaTswa- na still have to bring their own artisans along, since hardly any local artisans can be found.[50] Similarly, a large number of skilled workers continuously leave Lesotho, denuding the country of the critical manpower needed for its own development. A study conducted in LTI (Lerotholi Technical Institute) in 1977, established that of its total number of trainees, since 1973, about 75 per cent were not working in Lesotho.[51]

These transfers, however, vary in that they may be either temporary or permanent. While a permanent emigration of middle- or high-level skills clearly constitutes a financial loss to the national economy due to the capital expenditures incurred to reach this level, some authors argue that a temporary transfer might not necessarily be a loss, since the emigrant, often unable to find an adequate job in his home country, returns home after having acquired additional expertise.

However, although the desire to acquire additional knowledge or a higher remuneration constitutes an important pull factor, it is mostly the employment situation in his home country, which is responsible for pressure on emigration.

Under-utilized labour resources, in the sense of people involuntarily producing less than they are capable of with the resources at hand, create an unemployment situation, in which low incomes in money or kind from work are inadequate in terms of the basis needs of individuals or their households.

Furthermore, intense frustrations among many young and educated job seekers, unable to find work of the type and for the remuneration that they want, or which they feel they can expect, are also created by the way of life of university staff members. Many of these have been brought in, and share the values of the rich western countries, and consequently influence values and attitudes of at least some of those studying at the university. Since universities are the most important institutions providing high-level manpower for the southern African countries, the repercussions from these undesirable attitudes may be considerable.

Finally, the prevailing status and income structure for the intellectual professional is extremely unequal in relation to the rest of the economy.

> *"As a consequence, there is a mad scramble for university education and more education, the ultimate of which is a scramble for going abroad for supposed advanced training."* [52]

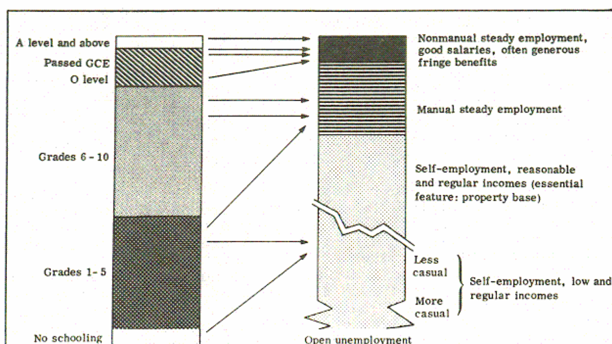
This is particularly valid in the light of imbalances between job aspirations and employment opportunities, which often leave temporary or permanent emigration as the final outlet for educated unemployment. Figure 13 shows in its left column the actual

educational structure of the labour force, and on the right the required educational structure of work opportunities (the arrows indicating the direction of aspirations).

These structural imbalances between skills, education, experience and aspirations on the one side, and occupational and other characteristics on the other, although not mutually exclusive, sometimes exceed the overall imbalances between total number of persons wanting work and total number of work opportunities, in that they constitute a disallocation of optimal human resource utilization.

This optimal human-resource allocation is also often hampered by the present socio-political situation prevailing in many developing countries, in that nepotism, tribal chauvinism and similar attitudes exert a great disincentive or sap the energy of otherwise brilliant scholars and finally push them out. However, the most appreciable disallocation was created during colonial times due to socio-economic reasons.

Figure 13: The imbalance in aspirations and opportunities



Source: *International Labour Office: "Matching Employment Opportunities and Expectations: A Programme of Action for Ceylon", Geneva, 1971, p 38; in: Damachi, UG & VP Diejomaoh, 1978, p 176.*

The white settlers' ideological conception of the 'native' as a person incapable of attaining the same level of education as a white person

led to the realization of blacks, that even vocational skills, when acquired by blacks, had a status on the labour market hardly better than any other 'unskilled' or 'semi-skilled' workers. In addition the white colonialist view of black education to be accorded mainly to inculcate them a 'respect' for manual, agricultural, and industrial work so as to make them more productive, resulted in a persistent African attitude of bias against the 'manual' education and of a turn towards formal education, which at that time offered more prospects in a decisively anti-African society.[53]

Consequently, within an industrializing economy, which has to put more emphasis on employment of technicians and engineers, the capacity of the developing country's economy to absorb an expanding number of secondary-school leavers and academics holding no practical expertise, appears limited on the one side, while on the other employers still continue to complain about skill shortages. According to them, unemployment of school leavers was linked to the poor quality and inadequate content of schooling which they critisize for being too academic and unrelated to the requirements of industry and commerce.

At present, the infinitely small proportion of 0.8 per cent of African pupils in the Transvaal chose the technical stream at secondary school level, as compared to 14 per cent of white secondary pupils.[54] However, 50 to 80 per cent of children between Standard 5 and 8 receiving vocational education would be in line with the manpower needs of South Africa.

The same holds true for the black southern African states. In Swaziland, the ratio of science and mathematics students to humanities students in 1978, for instance, was around 30 : 70, against a requirement of at least 50 : 50, with a consequent overproduction of arts graduates and underproduction of science graduates.[55] Consequently, entrance to manpower requirements had to be restricted at senior secondary school levels in order to assure that the output is closely geared to employment opportunities and does not end in costly under- or unemployment.[56]

Similarly, the rapid modern-sector growth in Botswana has outstripped the capacity of even a greatly expanded vocational education system to supply qualified recruits.

In Zambia, on the other hand, it was the dominance and technical complexity of copper mining which largely accounted for the continued presence and even a 50 per cent increase of non-citizen workers since independence.[57]

Each of these countries has compiled at least one manpower plan since independence, but in most cases these plans only emphasized the role of schools in forming required skills, and underplayed the crucial importance of various forms of formal and non-formal training. The development plans of Swaziland (1978), Botswana (1973) and Zambia (1966) attempted to quantify the need for training, but only the latter expressed caution about the desirability of further secondary school expansion, and gave significant importance to means of promoting employment-linked training schemes for the formal sector.

Continued preference of black academics for humanities subjects and a persistent brain-drain towards South African and Western core economies perpetuate the situation of technological dependence. Enterprises in the developing countries cannot develop indigenous technology even if they want to. This chronic shortage of technological research-oriented individuals and institutions, together with unusually low rates of return, a dramatic lack of invstment funds and an absolute lack of monetary and moral stimulants puts foreign sources of funds into the position where they can dictate the level of the contemplated technological input.

> *"And instead of technology being - in a certain sense - an independent variable,it becomes dependent upon the limitations of finance, the will to transfer technology and the price set for technology by the donor or lender of funds."*[58]

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4. Interdependencies in the capital-resources sector

Market integration in the field of capital resources is most densely developed due to the high mobility of transport vehicles, trade commodities and financial investments. Both private companies and public institutions are very flexible in their decisions to channel or to divert the flows of capital resources, be it by using different modes of transport, rerouting through third countries or establishing new affiliates and subsidiaries.

Economic sanctions are tradionally incepted in the field of capital resources, since commodities can be easily substituted. However, economic sanctions are doomed to fail, where mutual national interests prohibit a decline of economic sanctions and where restrictions can be short-circuited.

It is in the fields of industrial investments and trade connections, where South African companies have vested most interests. Consequently, any South African-imposed countersanctions would have some negative repercussions onto the South African economy. On the other hand, it is in the sector of transport communications and trade connections, where the SADCC-states are most dependent upon South Africa.

Following chapter therefore gives an account of the histori- cal genesis and present functional pattern of these capital-resources interactions between South Africa and the SADCC-countries, differentiated by their increasing factor mobility into the fields of communications, industries, trade and budgets.

4.1. Transport and communication

The term 'transportation' usually implies a restriction to road, rail, air and probably sea-going traffic. However, these forms of traffic, consisting of both fixed infrastructure and traffic vessels, although very important, only represent one aspect of transportation. Beside these means of transporting passengers and goods, material infrastructure must also include the transportation of liquids via pipelines and of informa- tions or innovations via cable or satellite. Telephone, radio and TV are the most important applications of (tele)communication. However, visual communication via screen

texts and images has gained importance during recent years. The whole material side of transportation can be categorized into: formal patterns (describing the fixed systems of infrastructure) and functional patterns (expressing actual usage patterns).

All that remains, therefore, are the institutional aspects of transportation - which can constitute a serious inhibition to the development of more integrated cooperation, when, for example, the differing legal and administrative procedures of the interacting countries are not adjusted to facilitate the various transportation systems linking the countries.

Establishment of transport infrastructure as such, represents neither an advantage nor disadvantage, but enforces already existing trends of interactions. Certainly, negative effects may be counteracted by border regulations, such as customs, influx controls and alike, but these regulations will create both financial and social additional costs, lowering also the efficiency of infrastructure. Investments in transport are a necessary but not a sufficient condition to induce economic growth. Roads were frequently an important causal factor although in some cases they were in fact a response to forces that would have led to new development anyway. It is not possible to isolate a single prime mover of economic growth out of a whole set of conditions and ascribe all else to it alone. Consequently, development depends on two factors:

- creation of economic opportunity, which depends largely on the quality and quantity of resources in the particular area, on the climatic position of this area and finally its position to large traffic connections, for example, the ocean; and
- response to economic opportunity, which depends on the awareness of opportunity and the attitude of organisations towards economic change.

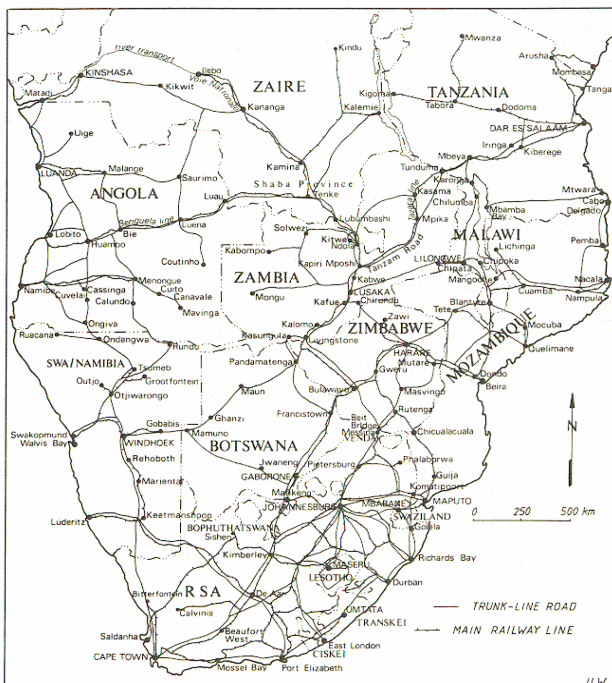
4.1.1. The role of transport and communication in economic development

Above concepts did not determine whether growth would take place but rather which of the many possible growth paths would be followed:

"In tropical Africa improved transportation facilities played a vital role

in the process of economic development. In the precolonial subsistence economy, transport was mainly by head porterage and water. The building of railways led to the production of cash crops and hence to the transition to an exchange economy, while the motor vehicle and bicycle permitted change to spread. The process is less dramatic today - transport facilities are being improved rather than provided for the first time." [1]

Figure 14: Railway and road connections in southern Africa



Source: *Africa Institute: South Africa in Southern Africa - Economic Integration, Pretoria 1988, p 142*

While Figure 3 showed the close relation between resource development and its distribution, and Figure 14 the establishment of transport connections as discussed in this sub-chapter, the following Table indicates the correlation between landlockedness, export dependencies and development level:

Table 19: Economic dependencies of southern Africa's landlocked countries

Landlocked LDC	Transit country	Distance (km) from capital to harbour	Transport means[1]	1974 UN category of LLDC	1985 Export value in GNP (%)
Botswana	RSA	820	E	X	80.8
Lesotho	RSA	740	S	X	5.3
Swaziland	Mocambique	160	E		50.2
	RSA	420	E		
Zimbabwe	Mocambique	600	E S		19.5
	RSA	1,400	E S		
Malawi	Mocambique	440	E	X	21.6
	Mocambique	810	E		
Zambia	Mocambique	1,270	E		31.6
	Angola	1,580	E		
	Tanzania	1,520	E S		
	RSA	1,670	E S		

Note: [1] E = Railway, S = Road

Sources: Tschakert, H, 1977, p 14 and 17.
Africa Insight (Pretoria), 1987. Africa Institute, 1988, p 141

The economies of landlocked LDCs are, like those of their maritime neighbours of equal status, dominated by the export of a limited scope of agricultural and mineral commodities to the metropoles. This high export dependency, with limited diversification in the export structure and with low income elasticities, renders these countries helpless to the world's economic development. Although the maritime LDCs should be more perceptible to metropolitan influences, it is the landlocked countries whose economies are more strongly formed by this structure. The African landlocked LDCs show a more severe economic dependency on exports and international aid than the coastal states.[2] This strong export orientation, which restricted both the intraregional and interregional trade connections in the past, perpetuates

"... in the case of landlocked countries the same pattern of

colonial-style division of labour ... under even less favourable conditions and with less infrastructural development than in the case of others." [3]

Especially for their economic development, the necessity and dependency of interregional infrastructural improvements of these landlocked LDCs becomes obvious - whether through increased import substitution, export expansion, or the utilization of foreign capital resources.

Although the transport sector is not as important as commerce and other services in generating employment, the potential of the transport sector has been underestimated. In addition, present development strategies in LDCs are aimed at reducing poverty and income inequality.

Although interregional per-capita incomes may be equalized, this will happen at the price of accelerated out-migration of population and activities. Now, it is argued that the welfare of people, not of places, is ultimately of more importance and that people might be better off if they migrate. Therefore, some conclude that the existence of out-migration is not in itself a valid objection to improved internal integration.[4]

Regional development may be accelerated where infrastructure offers an improved incentive for the location of industries and commerce by facilitating procurement of materials and marketing, for example, in the TBVC-countries, along the line of the governments' decentralisation programmes. Without a sufficient bus network being created, regional development initiatives would become meaningless, with workers pinned to their isolated communities.

On the other hand, an establishment of traffic infrastructure might result in an increase of goods being privately purchased outside the country, resulting in a growing outflow of required capital. Improved links permit the opening of regional markets to outside competitors and this may hit less efficient local producers. Importance of material orientation as a location factor may be diminished if improved links reduce the cost of transporting raw materials to other regions for processing.

However, dualism as the dominant element of spatial structure development is being considered in most LDCs as the con-

sequence of colonial objectives of an 'imperialistic process of labour division'.[5] This process required a flow of mass primary commodities from the inner colony to the coast and in reverse the transport of less voluminous and low transport-cost manufactured goods from the ports into the interior. This directional orientation resulted in inefficiency problems of the present railway capacities, which are further increased by the competition of road transport. This kind of transport is better suited for the distribution in general, and the transport of heterogene import goods in particular.

Areal effects of the whole complex of rail, road and ports were consequently limited, although its quantitive effects in some regions reached high levels.

These spatial polarisations can be seen best in the effects of the Rhodesia Railways RR). Since no minerals, beyond the developed Zambian sites, promised profitable exploitation, no efforts had been taken to extend the railway network into other regions of Zambia. This was further enforced by the fact that the fertile soils along the rail line proved to be most suitable for agricultural development and consequently offered no stimulus to extend Zambia's economy beyond this railway line.[6] Here population density and economic life developed Zambia's economic structure of a 'line of rail economy'. Rhodesia Railways contributed to a large extent to this dual economy as an instigator.

Basically the same effect of linear polarisation could be observed in Botswana, where the construction of the Transvaal bypass railway by Rhodesia Railways resulted in a concentration of economic activities in the easternmost part of the country. However, this spatial dualism does not contradict Botswana's basic national objectives of fast economic growth, social justice, economic independence and self-reliant continual development.

Transport priority in road and rail construction should go to linking food-surplus with food-deficit countries and to linking agricultural-producing areas with urban markets. It were transport difficulties in the first place that made it impossible to move food surplus produced in some of the SADCC-countries to the areas where food is badly needed.[7]

The Southern African Transport and Communications Commission

(SATCC) was therefore formed to coordinate the use of the existing system, the planning of its improvement and expansion as well as the mobilisation of the necessary technical and financial resources. Regional inequalities could also be corrected by appropriate taxation and transfer policies, but this is hard to accomplish in LDCs with a poor tax administration.

Most governments try to ensure that all regions of the country are catered for whereever possible by transport services, and state-owned services for social reasons are obliged to operate in remote rural regions even if the routes are uneconomic. However, apart from transport services being provided for social reasons, the role of the government is also to fund, provide and maintain transport infrastructure, to legislate with regard to speed restrictions, vehicle weights, road safety, and so forth, and to maintain an environment conducive, as far as possible, to the pursuit of economic efficiency.

The structural enforcement of social dualisms is also the key question in the establishment of international airports, whose large expenditures benefit only the thin top-most level of the business and political classes.

4.1.2. Historical development of southern Africa's railways

The history of railway development in southern Africa goes back to the 1840s, when construction of the first railway was proposed in the Cape Colon.[8] The first railway to be registered was the Cape Town to Wellington railway in 1854. By the end of the 1860s there were three railways in operation, with a route length of 83 km. With the discovery of diamonds at Kimberley a sudden impetus for rapid railway development was created. The construction of lines from Cape Town was supplemented by new railway projects from Port Elizabeth and East London. By the mid-1870s each of these three post cities were committed to their railway being the first to reach the diamond fields.

Again it was mineral funds which motivated the extension of the rail lines further north. In Matabeleland, large deposits of gold were believed to exist. Being denied access to the Transvaal, Cecil Rhodes extended the line from Kimberly northwards to Vryburg in

1890, closely following the border between Cape and Transvaal. The Bechuanaland border was reached in 1894 and Bulawayo only three years later.

Table 20: Development of the southern African interstate railway network

Year	Section	Year	Section
1884:	Port Elizabeth - De Aar	1909:	Kalomo (via Lusaka) - Ndola and Shaba Province (Zaire)
1885:	Cape Town (via De Aar) – Kimberley	1912:	Windhoek - Keetmanshoop
1891:	Maputo - Komatiport (Nkomati River)	1914:	Komatipoort - Messina
1892:	Kimberley – Johannesburg	1915:	Pretoria - Messina
1894:	Kimberly – Mafikeng	1915:	De Aar - Karasburg
1894:	Komatipoort – Pretoria	1915:	Blantyre - Beira
1895:	Durban – Johannesburg	1928:	Tenke (Zaire) - Lobito (the Benguela line)
1897:	Mafikeng - Bulawayo (Botswana line)	1929:	Messina (South Africa) - Beit Bridge (Zimbabwean border)
1898:	Harare – Beira	1954:	Gweru (Zimbabwe) - Maputo (the Limpopo line)
1900:	East London – Bloemfontein	1964:	Mbabane - Maputo
1902:	Bulawayo - Harare (via Gweru)	1970:	Lilongwe - Nacala
1905:	Bulawayo - Kalomo (Zambia)	1974:	Rutenga (Zimbabwe) - Beit Bridge
1906:	Swakopmund - Windhoek and Tsumeb	1975:	Kapiri Mposhi (Zambia) - Dar es Salaam (the Tazara line)
1906:	Marseilles (South Africa) – Maseru	1978:	Swaziland - Golela (South Africa)
1908:	Luderitz – Karasburg	1986:	Komatipoort (South Africa) - Mpaka (Swaziland)
1884:	Port Elizabeth - De Aar	1909:	Kalomo (via Lusaka) - Ndola and Shaba Province (Zaire)
1885:	Cape Town (via De Aar) – Kimberley	1912:	Windhoek - Keetmanshoop
1891:	Maputo - Komatiport (Nkomati River)	1914:	Komatipoort - Messina

Source: Africa Institute: South Africa in Southern Africa - Economic Interaction, Pretoria 1988, p 140

Although his vision of a 9600 km rail connection between Cape and Cairo was never realized, its impact on the development of the southern African countries was most vital. The Transvaal government, in order to avoid British transport strangulation at the

ports, laid down the Pretoria connection to Maputo (then Laurenço Marques), namely the Delagoa Bay Line, which was finally opened in 1894. Already in 1931 a main triangular system between the oceans was functioning outside the rapidly growing interior network of South African Railways (SAR). This network was well equipped to efficiently transport the exports of the fast growing gold and coal-mining industries by providing connections to South African harbour facilities.

Before 1928, Zambia also had to rely on a fractured road-rail export connection through Mozambique in order to avoid the dominant Rhodesian Railway. Since this solution was totally uneconomical, almost all copper exports went through South Rhodesia to Beira. However, in 1931, when the Congolese BCK-railway was opened and extended by the Benguela railway, the export direction for two-thirds of the copper was shifted onto this rail, which was 200 km shorter and furthermore meant diminished transport costs on a shorter seaway to Europe.

As early as 1954, a railway in the north from Bulawayo to Maputo was laid through the Limpopo valley, and in the mid- 1970s, as a reaction to the traffic restrictions imposed by South Rhodesia's unilateral declaration of independence (UDI), both the missing link at Beit Bridge between the SAR and RR lines and the 1860 km TAZARA railway between Dar es Salaam and Lusaka were completed. Malawi was connected with the Mozambican port of Nacala as recently as 1970. Before the imminent independence of Angola and Mozambique was written on the wall at the beginning of 1974, the Rhodesians had always rejected a direct rail connection with the RSA on the grounds that an ensuing inundation of the Rhodesian market with South African agro- and industrial products would displace indigenous production.[9] Furthermore, this transport route was not advantageous to the RR-owned transit route through Botswana, because the RSA's proportion of the SAR-controlled route was bigger and therefore the bulk of the revenue for exports via the RSA accrued to the SAR. However, these fears were put away and already by October 1974, even before the Mocambican independ- ence, this rail connection was in service. Mocambique's independence and the subsequent closure of the borders also disturbed Malawi's interregional traffic via Nacala and Beira.

The majority of existing rail links and projects are associated with what are known as 'port transport systems':

The Mozambican ports of Nacala and Beira are the outlets for Malawi's port transport system. In recent years the railway line from Beira has operated only intermittently, due both to general port inefficiency and insurgent attacks, while the Nacala line, besides frequent violent abruptions, is in need of rehabilitation and cannot cope with present traffic demand.

At present Lobito, the ocean terminus of the Benguela Railway, is the only west-coast port which is linked, at least theoretically, by rail with other countries within the SADCC-grouping. The present capacity of the east-coast ports is estimated at 18.4 million tons per year, of which only 60 per cent are taken up.[10]

The SADCC presently consists of nine member states, of which not less than six are land-locked countries. The key problem affecting the landlocked developing countries is the lack of an adequate transport infrastructure; which includes rail, inland water, road, air, pipeline and port facilities as appropriate.[11] Pipelines and electricity grids in particular are becoming more and more essential as transporters of energy and are equally important to the economic transformation of these landlocked nations. At the same time these countries depend on the economic performance and the political goodwill of neighboring transit countries. The transport systems of these transit-countries, however, are in most cases tailored to their own needs with respect to mineral or agricultural exploitation, and are usually totally inequipped to extend their services to the transport needs of the neighbour countries.

Zambia's copper is situated close to the TAZARA ('Great Uhuru') railway which was constructed by the Chinese in 1975. Its creation was in response to Zambia's border closures in 1973, in retaliation of Rhodesia's UDI, and to the traffic interruption of the Benguela railway in the middle of 1975. The transport capacity on this 1863 km connection line (975 km in Tanzania and 888 km in Zambia) was planned to be 7 million tons per annum, provided by it daily freight trains. But at the highest peak in the middle of 1977, transports amounted to only 40,000 tons monthly before decreasing again to about 25,000 tons monthly. The factors responsible for this are

essential delays in the turnarounds at the final destinations; the copper depots at Dar es Salaam harbour are insufficiently equipped, unloading and return of the wagons is delayed and both engines and wagons suffer excessive wear. This results in poor performance with a transport time of 22 days instead of the planned 12 days.[12]

However, in order to export 47 per cent of Zaire's several hundred thousand tons of copper a year (260,000 tons in 1985) on the National Way ('Voie Nationale'), it takes about sixty days to cover the 2,750 km from Lubumbashi near the Zambian border in the southeast to the port of Matadi on the Zaire River estuary in the west. A second major route, which runs east to Dar es Salaam, is cheaper and slightly faster than the Voie Nationale. But due to heavy congestion the port allows Zaire's copper exports a share of only slightly more than 10 per cent (66,000 tons in 1985) of its total capacity.[13]

Due to civil war limitations, the Benguela Railway had only catered for the export of about one-third of Zaire's annual copper production (200,000 tons in 1973) between the beginning of 1973 and the middle of 1975. Of more importance was the Lobito port connection for Zaire's manganese exports which were conducted entirely via this outlet (150,000 tons in 1973).

The fourth alternative route is much quicker, taking about thirty days, even though it is the longest one with 3,600 km: Zaire plans to send nearly 40 per cent of its mineral output via this southern route, which passes through at least three countries including South Africa.

If the NRZ (formerly RR) transport route via Botswana is chosen, and the export destination is Port Elizabeth or East London, then Botswana has to be added to this number of transit countries. This transit line has been down-graded to more or less a reserve route for Zimbabwe's export trade since con- struction of the direct Beit Bridge link which possesses double transport capacity.[14] However, for Botswana this railway route constitutes the major transport axis and, furthermore, offers the possibility of a railway link to Gobabis in an independent Namibia via the planned Transkalahari Rail.

There are 2,340 km of railway lines in Namibia, ownership of which was transferred from South Africa in May 1985. However, the enclave of Walvis Bay is excluded in this deal; the Sakop River on

the outskirts of Swakopmund forms the border between Namibia and this enclosed South African territory, meaning that the rail-line, harbour and other facilities in Walvis Bay are still owned by SATS. The Walfish Bay enclave - with a population of approximately 27,000 in 1979 - is Namibia's only deep-sea harbour. 95 to 98 per cent of Namibia's seabound imports and exports are conveyed via this port, notably the entire import of fuels.[15] Walvis Bay was only connected to Swakopmund by a 39 km railway line in 1915, after the South African occupation of the former German colony. The other rail-linked port of Luderitz could not compete against this belated revalorization, expecially since the low water level and the narrow harbour access force larger ship units to anchor outside the harbour. Consequently, although Walvis Bay ranks last among South Africa's seven ports, its economic importance for Namibia is overwhelming. The SAR owns seven out of fifteen deep-sea harbours along the African coastline south of the equator and has, at the same time, the continent's most efficient railway network.

However, this network excludes the newly 'independent' TBVC-countries. While all major towns of BophuthaTswana have rail links connected with the SAR system, and two lines provide railway connections at least with the southern parts of Ciskei and the important ports, and also with all growth points in South Africa,

> *"... the fact that there is no direct rail-link from East London through Transkei to Johannesburg and to Durban illustrates clearly that the economic development of the Transkei region was not considered at the time the decisions were made to connect East London with, for example, Johannesburg by rail. Many more examples can be quoted with reference to the other South African Black States, e.g. Ciskei, KwaZulu, Lebowa and Venda. What has been said about rail-links is also true of the other infrastructural services such as road, water supplies, electricity and tele-communications."* [16]

4.1.3. Road transport and other carriers

Road traffic is an increasingly important consideration. Recent figures indicate that over 600,000 km of 'developed' roads exist in the southern region, which accounts for 60 per cent of the African total, and of which 70,000 km are tarred. The RSA alone boasts 45,000 km of tarred roads, some 65 per cent of the southern region's total.[17]

Figure 14 also showed the existing regional trunk-road system of the SADCC-countries. All these roads are tarred with the exception of a stretch in northern Botswana. However, the standards vary considerably and many sections need either upgrading or rehabilitation. The poor physical condition of many of the roads is often due to inadequate maintenance. Even Botswana's only international road - the BOZAM, directly connecting Zambia and Botswana since the 1970s - is considered to be of secondary importance. Border exits to Zimbabwe and South Africa still attract most of the international goods transport, especially since the border link to Zambia consists of a ferry running along the several hundred metres of the Zambesi River which constitute the entire border length.

Table 21: The southern African road network and its degree of usage, 1984

	Total length (km)	Paved (%)	Road Density (km per 100 km²)	Passenger cars: Number ('000)	Passenger cars: Per 1000 persons
Angola[1]	68,716	-	6	127	20
Lesotho	5,287	11.2	13	6	3
Mocambique	19,990	25.0	3	80	8
Zambia	37,232	15.0	5	68	17
Zimbabwe	20,178	37.0	12	249	30
Malawi	10,772	18.0	11	14	3
Swaziland	2,723	19.1	15	17	25
Botswana	8,206	22.0	1	6	3
Namibia[1]	55,000	-	7	28	50
South Africa[2]	184,330	27.1	16	2,730	82

Notes: [1] 1980 [2] Includes TBVC-countries
Sources: Council for Scientific & Industrial Research: Transport Statistics, Pretoria 1984, p 56
Africa Institute: South Africa in Southern Africa - Economic Interaction, Pretoria 1988, p 150
Africa Institute: Africa Insight, Vol.17, No.4, Pretoria 1987, p 87

Malawi's northern connection was not actually established before June 1985, when the tarred trunk-road from Karonga to Mbeya/ Tanzania was opened to the traffic. Before that, almost all of Malawi's tobacco exports - its main foreign exchange earner - had to take the expensive and circuitous route via Zambia, where they were transferred to the pontoon ferry across the Zambesi onto the BOZAM road and finally via rail link to Durban. Similarly, nearly all

Malawi's fuel imports and fertilizers are transported via South Africa, with the result that, for instance, about half the price of petrol in Malawi is due to expensive road transport costs.

Some three million of Africa's five million passenger motor vehicles and over 50 per cent of the two million commercial vehicles are registered in southern Africa.[18]

The fastest and most expensive alternative for transporting solid freight and passengers is by aircraft. In the airtraffic sphere as well, the southern region accounts for 45 per cent of the total passenger kilometerage, and 62 per cent of the net freight ton kilometres.[19] Particularly interesting is the density of international airports around the core area of the PWV region, which caters for a higher airport density than does Europe. All six ports are within an hour of Johannesburg by air.

A special role is played by the 'independent' homelands: Bophutha-Tswana opened the first phase of its Mmabatho International Airport in June 1985.[20] Ciskei campaigns for an international airport to be established about 50 km from East London, which presently serves the Ciskei's needs. In the pursuit of such a symbolically prestigeous project, the Transkeian leadership would like an airport equipped to take long-range flights from Africa and Europe, as in neighbouring Lesotho.

Flight connections between South Africa and the SADCC-states are also dense: Although SAA has no landing rights anywhere in Africa (except in the Ivory Coast and Cape Verde), southern African air carriers connect South frica either directly via Johannesburg or the surrounding airports, thereby relying on South African spare parts, technology and management.

Finally a network of pipelines exists which constitute the lifelines for the energy supply of landlocked countries. In 1973, Zambia imported 27 per cent of its total imports as oil via a 1,700 km pipeline between Dar es Salaam and Ndola.[21] This reliance on pipeline-oil imports required the installation of unloading facilities for oil tankers in the port of Dar es Salaam and of an oil refinery at Ndola. But already in 1975, the laying of another pipeline was planned from Ndola to Lubumbashi to cover the expected future demand of both Zambia and Zaire. Compared to these two countries Zimbabwe has a

relative advantage. Its only pipeline from Umtali in the eastern region to the port of Beira has a length of only 250 km and caters for all sorts of fuel transportation.

Increasing mineral production in Botswana may necessitate the planning of either an extension of the Zimbabwean pipeline or the installation of a pipeline via South Africa. The fourth important land-locked country, Malawi, still relies on oil shipments via rail, road and air traffic; it may provide a link with the trans-Tanzania pipeline via a supply line parallel to the recently established northern road to Mbeya.

In the field of news transmissions some necessary changes have also taken place during the last fifteen years. Parallel to the installation of the trans-Tanzanian pipeline, a communication system was also installed and later extended to Nairobi. Electronic telex facilities were added in 1975, linking Zambia with East Africa, Europe, Australia and China.

Table 22: Air transport and tele-communication in southern Africa, 1984

	Air passengers: Million km	Air passengers: Per 1000 persons	Telephones: Total ('000)	Telephones: Per 1000 persons
Angola	917	20	28	3.9
Botswana	-	10	10	12.5
Lesotho	-	3	4	3.1
Malawi	75	3	27	4.4
Mozambique	609	8	49	4.0
Swaziland	-	25	19	31.7
Tanzania			82	4.4
Zambia	604	17	57	9.8
Zimbabwe	593	30	197	26.6
Namibia	-[1]	50[1]	55	55.0
South Africa[1]	9565	86	2320	79.2

Note: [1] Included in South Africa [2] Including TBVC-countries
Source: Europa Publications: Africa South of the Sahara 1988, London, 1987

Self-dial-telephone connections between some major cities in Zambia and Zaire were planned in 1977, replacing the transmission via London.[22] Telephone density is certainly highest in South Africa and Namibia. In contrast, all countries bordering South Africa (with the exception of Zimbabwe, which put into use a national sender in

August 1985) rely on the Republic's telecommunication network to link them with the outside world.

Both Bop TV and Radio 702 are located in Johannesburg[23]. Again, only Zambia is independent of South African radio transmission due to the installation of three radio stations by China, while for instance 85 per cent of Namibia's popula- tion are residents in areas where South African FM radio programmes can be received. The corresponding figure for TV reception from South Africa is 50 per cent.

4.1.4. Government cooperation and private investments

While the establishment of an interlinking transport infra- structure already necessarily constitutes a form of economic interaction, the pattern of interregional traffic flows gives a picture of actual interactions taking place. A first indication of traffic flows is given by the amount of imports and exports routed along the South African railways:

Table 23: Railway transport between South Africa and the SADCC-countries, 1985 (tons)

	Imports as % of total	Exports as % of total	Imports total	Exports total	Via South African ports: Imports	Via South African ports: Exports
Botswana	100	25	409,056	27,874	48,974	184
Lesotho	100	100	69,233	-	38,994	-
Swaziland	66	94	56,242	821,898	36,793	775,019
Mozambique			849,726	805,091		
Zaire	57	45	115,504	278,936	33,703	277,182
Zambia	70	40	390,203	122,366	52,419	108,805
Malawi	60	50	8,283	24,391	5,851	19,788
Zimbabwe	10	65	1175,098	797,281	444,752	96,616

Sources: *Leistner, GME: Bulletin, Vol.25, No.5, Pretoria 1985, p 50*
Michel, R, München 1988, pp 80 & 84

On an average day in 1985, 7200 South African freight wagons were carrying goods on the lines of SADCC-countries compared to 900 wagons of the latter countries on South African lines. Haulage services operate as far north as Malawi, Zambia, Zaire and even Tanzania and Burundi. Experienced crews will, for instance, transport a 12 metre container from Johannesburg to the Shaba province within six days, and return with the container stuffed with valuable mineral parcels, getting back to base 14 days after

departure. Similarly, operators working out of the Transvaal will get containers into Malawi, running through Zimbabwe and Zambia, via Lilongwe. In spite of official bans, South Africa operates regular scheduled services to at least nine southern African countries.

So important is South Africa in the transport sector of southern Africa that arrangements had to be made - 5 years after SADCC set severance of transport links with South Africa as its primary objective - for transport officials of the SADCC-countries to discuss the subcontinent's transport problems with South African officials in April 1985 as part of the annual contract between the countries. Only Angola and Tanzania as peripheral countries, and Lesotho, that is 100 per cent dependent on the South African transport system, were not re- presented. A standardisation in signalling and tele-communications, track and loading-gauges, braking and coupling systems, as discussed by the SADCC-countries in Blantyre during November 1981, might be included in their discussions.[24]

It was expressed that standing committees representing these countries, as well as Angola and Tanzania, would meet more frequently in future to 'thrash out' transport problems.[25]

The South African Transport Services (SATS) have cooperation contacts with the railway administration of several adjacent countries. Contacts at this level follow normal business principles as if no friction existed at all between the various countries.

Lesotho's railway line, including Maseru railway station, is registered in the name of - and is operated independently by - the South African Transport Services. Lesotho's imports and exports from abroad are mostly channelled through the ports of East London and Durban; the imports consisting mainly of grain from overseas countries.

A number of railway stations on the Tweespruit-Fouriesburg section receive freight for Lesotho, which is cleared from these stations by private road cartage from within Lesotho. Some 36,000 tons are conveyed annually in this fashion.

Swaziland Railways 60 km extension from the Natal Northcoast line to the northern border at Komatipoort through Swaziland will shorten the existing railway line from Komatipoort to Richards Bay

by at least 200 km. In future, transport cost savings will be generated from North Transvaal coal to the South African economy and transit revenues on the 190 km north to south-going Lowveld axis will accrue for Swaziland.

Eighteen SATS steam locomotives, as well as some 120 goods wagons of various types, are on loan to the Swaziland Railway.

Until 1986, the railway line passing through Botswana which carried 85 per cent of all freight traffic in 1980, was owned and operated by the National Railways of Zimbabwe. The flow of traffic into and out of Botswana is, therefore, covered by the business agreement in existence between the South African Transport Services and the National Railways of Zimbabwe.

Some Botswana citizens have already been trained in Malawi as locomitive drivers, and these men are receiving further in-service training from the National Railways of Zimbabwe.

The Botswana Government has recently hired six diesel electric locomotives from SATS to cope with the rail traffic in that country. Numerous meetings and discussions with SATS have taken place on the railway problems of southern Africa.

The dispatch of freight wagons to and from Zimbabwe, as well as countries further north, is covered by a business agreement between SATS and the National Railways of Zimbabwe (NRZ). This agreement provides, among others, for a current account to be operated by SATS in South Africa into which all revenues are paid accruing to the NRZ, Zambia Railways (ZR) and Zaire National Railwys (SNCZ) from the railage on rail traffic dispatched from South Africa to these countries. The agreement also provides for a per-day rental to be raised on SATS' freight wagons on foreign lines with the same applying in reverse to wagons of foreign railways on SATS lines. A scheduled passenger-train service (via Ramatlhabama) is in operation from South Africa to Zimbabwe and also caters for Botswana passenger traffic. In order to assist the National Railways of Zimbabwe in maintaining its operating capacity as efficiently as possible, fifteen SATS steam locomotives as well as ten diesel electric locomotives were on hire to NRZ until 1982.

The use of the railway line from Pretoria to Maputo via Komatipoort

and Ressano Garcia, especially for South African imports, had always been covered by bilateral agreements containing guarantees providing that a specific percentage of the total freight to the so-called Witwatersrand Competitive Area would be handled through the then Lourenco Marques. The guarantees were designed to safeguard that port against competition from the port of Durban, but in more recent times the restrictive nature of the guarantee became unacceptable and in 1970 it was decided to enter into a new agreement.

The new agreement binds the South African Transport Services

> *"... not to take steps which will prevent the normal development of the commercial seaborne traffic destined for the competitive area through the port of Maputo, or cause a diversion of this traffic from Maputo, or nullify or detract from the relative advantage which Maputo enjoys over Durban by reason of the former's closer proximity to the competitive area."* [26]

This agreement formed part of the Mozambique Convention, and continued to be honoured by both parties after Mozambique obtained her independence on June 25, 1975. On February 29 1979, a business agreement was concluded between SATS and the Department Nationale para la Communication Ferrovia (DNPCF) to rationalise the common operations of these two transport organisations. While the new agreement still ensures continued close collaboration between the two railway administrations and continuity in the flow of rail traffic, it no longer includes the formerly unsatisfactory guarantee conditions, but operates within a straight-forward business relationship.

It must be emphasised that, through the special accounts provided for in the business agreement, the DNPCF reimburses the SATS in full in respect of all assistance rendered.

Moreover, apart from carrying out technical inspections, providing technical advice and know-how and supplying and procuring essential railroad spares and accessories, SATS has not assisted the DNPCF in any physical way, such as in repairing handling facilities or bringing about improvements in the harbour of Maputo, or with the maintenance and improvement of the railway lines. In the past, some SAR diesel electric locomotives were hired out to the DNPCF but these have all now been returned as the DNPCF has

procured sufficient additional diesel electric locomotives to meet its own needs. Seven steam locomotives are, however, on hire to the DNPCF and are employed at Beira. A daily passenger train service is in operation between Johannesburg and Komatipoort and its timing is synchronized with a similar service operated by the DNPCF between Maputo and Komatipoort.

Zambia's decision, in October 1978, to reopen the southern rail route was prompted by considerations such as the congestion at Dar-es-Salaam and operating problems experienced on the TAZARA-line. Zambia's copper exports, in particular, were severely restricted, and the desperately required fertilizer had no hance of arriving in Zambia in time for the planting season, since it was routed via Mozambican and Tanzanian ports, where almost 100,000 tons were already stuck. On October 6 an agreement was reached with South Africa to send three trains daily to Zambia via Rhodesia. The first freight train reached Zambia on October 11. When it was realized that the four South African diesel engines rented to Zambia were insufficient to move this backlog, the number was increased to ten in June 1979 and additional technical aid was provided.[27]

The main reason for this quick response is the fact that the East London outlet is much faster and more efficient, although more expensive as well, enforced by Zambia's chronical shortage of foreign exchange, which in reverse is partly caused by the rail bottleneck on the TAZARA line. In order to overcome this bottleneck Zambia, in July 1984, hired locomotives from South Africa to help clear a backlog of copper and haul it to the port of Dar es Salaam.[28]

The South African Transport Services also provide technical advice and assistance when called upon to do so regarding the maintenance and repairs of Zambian rolling stock. All such assistance is paid for by Zambia Railways.

Before Malawi has not finished a rail connection between Mchinji on its western border and the TAZARA, rail-bound imports and exports are totally dependent on Mozambican railway lines. South Africa had financed the rail link to Nacala to a large extent; but this was constructed in 1970, well before the Portuguese withdrawal from Mozambique. Despite the problems of frequent interruptions of the Mocambican rail links, Malawi, in March 1984, purchased 98

second-hand railway wagons worth US$ 375,000 from South Africa. These wagons had been on hire to Malawi since 1979,[29] and could provide at least the whole required rolling stock of Malawia's one railway line.

As a result of the disruption of the Benguela railway - the traditional trade route for Zairean exports and imports via Lobito harbor - Zaire has been using the longer rail route through Zambia and Zimbabwe to South Africa.

The main problem experienced by Zaire's national railways (SNCZ) is its rolling stock fleet's urgent need of replacement parts. After negotiations with SATS it was agreed to hire twelve diesel electric locomotives to the SNCZ. Also some 260 second-hand railway wagons and fifty passenger coaches which had become surplus to requirements, as well as rolling stock spares, have been sold to Zaire to assist in overcoming the problems that the SNCZ is experiencing.

But there exist also very dense cooperative links among other means of transport between the SADCC-states and South Africa:

The South African shipping company 'Safmarine' took over the marketing for the Royal Swazi National Shipping Corporation because its predecessor 'Swazimar' was no economically feasible. Already in 1980, the newly founded 'Swaziship' made a surplus, and 'Safmarine' established an interconnected container service between the Swazi industrial park near Matsapha and the container terminal in Durban harbour via the new lowveld railway, cutting total transport time from twelve to three days for container-transported freight goods.[30]

Another container service was established by the South African 'Unicorn Lines' as far back as 1977: shipment from Durban via the port of Nacala and through Lilongwe in 1979 took place every fortnight and reduced running times to 40-45 days.[31]

The South African Transport Services also operate four road transport services shipping freight and passengers to points in Lesotho; 39,219 tons of goods and 634,478 passengers were conveyed during the period April 1, 1980 to March 31, 1981.

Six South African road transport services for passengers and

freight are in operation to Swaziland, and some 149,000 tons of freight and 148,000 passengers are carried annually.

'Safair's' fleet of freight planes flies between Jan Smuts Airport and destinations all over Africa. The following table can only give a certain indication of transport volume in the southern African subcontinent, since passenger figures are distorted by the large number of tourist flights to Mauritius, and cargo figures do not include Safair's transport volume:

Table 24: Cargo flows (tons) and air passengers from South Africa to The SADCC-countries, 1985

Botswana	Lesotho	Malawi	Mozambique	Swaziland	Zaire	Zambia	Zimbabwe	Total neighboring countries[1]
220.1	86.4	2853.0	137.8	168.0	1.9	505.3	2,165.4	
Air passengers[2]:								192,908

Note: [1] Not including 'Safair' transports
[2] To Transkei, Lesotho, Swaziland, Botswana, Zimbabwe, Malawi, Zambia and Mauritius, 1982/83

Sources: *Michel, R, München 1988, p 92*
Council for Scientific and Industrial Research: Transport Statistics, Pretoria 1984, pp 43-44

Numbers in both groups had constantly declined in contrast to internal and international transports (between 1978/79 and 1982/83 by more than 20 per cent for passenger and more than 60 per cent for freight transport), which might have been due to the political development in Zimbabwe during the period.

South African Airways (SAA) operates three flights per week and Lesotho Airways Corporation eight flights a week between Johannesburg and Maseru in pool partnership with S.A. Airways.

South African Airways and Air Botswana operate several scheduled flights a week, serving Gaborone and Selebi-Pikwe.

Table 25: Weekly flight connections betweeen South Africa and Africa, 1987

	Lesotho	Botswana	Swaziland	Zimbabwe	Mozambique	Zambia	Malawi	Zaire	Kenia	Ivory Coast
SAA:	-	5	-	12	1	2	2	-	-	1
Others:	11	21	4	8	1	2	3	2	10	-

Source: *South African Airways: International Timetable 1987*

However, Gaborone's importance as an international airport widely decreased since March 1980, when Zambia and South Africa

resumed direct flight schedules. Before this date about 60 per cent of the traffic through Botswana was Zambian; and growing tourism has not so far succeeded to substitute for these losses. An air-bridge between Lusaka and Johannesburg also commenced operation to remedy the transport backlog. In July 1979 the first cargo plane landed in Lusaka containing mainly food and machinery. This shuttle service was assumed by Zambia Air in August 1979 and finally taken over by commercial firms on an ad-hoc basis, since no official mutual landing rights were granted until March 1980.[32]

Since this time, SAA, in collaboration with Zambia Airways, has operated four direct return flights a week to Zambia. But even before this date, in January 1980, the first Zambia Airways passenger plane landed at Jan Smuts Airport.

Presently, Malawi's trade is restricted to road transport and, in cases of emergency, to air freightage, since all rail links are effectively interrupted by RENAMO saboteurs. In 1979 for instance, petrol had to be airlifted in drums from Jan Smuts Airport in order to keep the Malawian economy afloat.[33]

'Safair' even earlier, from October 1976 onwards, established a daily one-plane schedule between Johannesburg and Blantyre. In June 1979 the Johannesburg registered 'Freightair' extended this service with a weekly shuttle to Chileka.[34]

SAA has also been operating airfreight services to Zaire using 'Hercules' aircraft chartered from 'Safair', although not on a regular basis. Passenger air communication between Kinshasa and Johannesburg is, furthermore, provided by scheduled carriers operating from Europe to South Africa.

4.1.5. Transport dependencies of the front-line states as incentive for South African political pressure?

South Africa's reliable rail linkages to its efficient ports resulted in an overseas trade flow diversion of about one-third of all transported goods, in 1985. In contrast, in 1982, foreign railway usage of South Africa's lines amounted to only 2.8 per cent of the total. But overseas trade via SADCC's rails is also dependent on South African assistance.

The black southern African states hire steam and diesel-electric locomotives from South Africa in order to keep their railways running, and South African rolling stock is to be found as far north as Zaire and even Tanzania. The use of rolling stock (in 1986, no less than 43 diesel-electric and 19 steam engines, together with more than 8,000 freight waggons) is regulated by longstanding business agreements between the SATS and the other railway administrations in the region.[35]

These agreements also regulate and facilitate the flow of traffic, provide for common accounting procedures and clearance of credit and debit balances, repair and maintenance of equipment and hire charges thereof as well as other related matters. A few large road carrier undertakings based in South Africa play a crucial role in conveying urgently needed machinery, spares, pharmaceuticals and consumer goods from South African ports and factories to customers in the region.

Agreements and regulations are in operation with almostall SADCC-countries. But it is particularly with the BLS-countries, that transport agreements have the deepest impact, due to their role in any customs union:

Article 15 in the SACU Agreement prohibits transport-rate discimination, tariff distortions and economic disadvantages for motor-transport operators from the associated countries.

Article 16 guarantees total freedom of transit except on the grounds of public moral, security and diseases.[36] However, the SACU Agreement does not provide for the development of interregional transport links or for the coordination of the transport systems of member countries.

However, both South Africa and Zimbabwe have the reputation of being reluctant to grant permits to foreign carriers. In contrast, apart from Lesotho and Swaziland which apparently grant permits to South African operators with little trouble, Botswana is regarded as the most uncooperative of the three transit countries. Zambia and Malawi are also lenient in granting permits to foreign operators, largely because road transport has become their lifeline. Foreign operators, in fact, dominate the international road transport of most of these countries, while indigenous transport users complain about

a lack of reciprocity on the part of South Africa and Zimbabwe.[37]

On the other hand in early 1985, the Malawian government, in conjunction with Mozambique, worked out a scheme to cut down on red-tape. It devised a unique coupon system which enables transport operators to avoid the time-consuming transit fee, tax and insurance system by buying a coupon to cover all the required payments before the journey is commenced.[38]

Only three of the SADCC-states have direct access to the oceans and consequently to export outlets, which still constitute the most important lifeline to foreign exchange. But not all of the other six land-locked member states have the same measure of restriction. Lesotho is most vulnerable to transit restrictions not only in economic terms, but even more so in political terms due to its extraordinary situation of being totally surrounded by South African territory.

Zambia, on the other hand, is politically quite well situated, at least in theory, since its government could choose between at least five different export outlets, making it less vulnerable to unilateral political pressure. But a narrow export composition and strong import demands result in a stringent dependence on one or two export products for its balance of payments, thus creating a similar extreme of vulnerability as might otherwise have been caused by transport pressure.

Table 26: Share of SADCC-rail traffic on South African railways, 1983 (in % of South African total)

Country:	Zaire	Zambia	Zimbabwe	Mozambique	Botswana	Lesotho	Swaziland	Total (tons)
to SA:	9.9	5.3	32.2	40.1	2.0	3.7	6.8	2954,610
from SA:	3.0	7.2	27.6	35.0	9.9	10.2	7.2	3303,388

Source: Maasdorp, G G, 1984, p 248

Above Table indicates both user importance and export versus import dependency of the SADCC-states. The former are the mineral and agricultural-commodity exporting nations such as Zaire, Zimbabwe and Mozambique and the latter, countries with other outlets, such as Zambia, and the Customs Union members.

South Africa, in order to direct foreign traffic onto its railways and into its ports, applies what she calls 'transport diplomacy'. This diplomacy is defined as

"... the art of enabling the transport potential of a country to perform a maximum role in that country's relationship with other countries, for the furtherance of its own as well as the common interest." [39]

As a consequence of guerilla war in Angola and Mozambique and of sabotage activities in other southern African countries, there has been a massive transport orientation of the overseas traffic of Zaire, Zambia, Malawi and Zimbabwe, which were previously dependent on rail routes through Mozambique and Angola. All four countries have been obliged to make use of southern routes to South African ports.

South Africa's undeclared campaign of economic strangulation made a shambles of Mozambique's economy. Between 1975 and 1982 it lost US$ 250 million in fees as a result of South Africa's reduction in the level of commerce moving through the port of Maputo from approximately six down to one million tons.[40]

Renamo's sabotage of the railway lines to the port has resulted in a piling up of South African goods at yards in the Transvaal Province, for example at Komatipoort or Beit Bridge.

Similarly in Angola, the South African-backed Unita movement has effectively halted traffic on the important line to the Angolan port of Lobito.

Even when peace returns to Angola and Mozambique, the operation of the principal regional railway lines outside South Africa will for a long time be fraught with major problems. This relates to worn-down tracks, shortage of skilled personnel, inefficiency, lack of locomotives and rolling stock, and freight structures.[41] A really severe tightening of conditions by South Africa would without doubt have grave consequences. South Africa could conceivably take retaliatory steps in response to any openly hostile actions by neighbouring countries, without significantly hurting its own economy.

Another prominent example of railway diplomacy is the role of the South African enclave of Walvis Bay playing in the potential transport volume of Namibia and Botswana. Since SATS, on April 1, 1985, handed over to Namibia its 2,150 km of railway line and rolling stock - accompanied by a 1985 deficit of R80 million - South Africa only retains control of the more profitable undertakings of air

transport, tourism services and the Walvis Bay harbour.[42] This decision was preceeded by SATS's decision, in August 1984 to close nearly 400 km of rail branch lines in order to cut down on their losses of R95 million in 1984.[43] These closures should have included the railway line to Outjo in northwestern Namibia - a town which serves its vast hinterland of Damaraland and Kaokoland - the branch line to Namibian's second harbour of Luderitz, and the 200 km of rail between Windhoek and Gobabis. Beside the public outcry, it was most probably the potential value of Walvis Bay as a future trade outlet for Botswana, which prevented the planned closures. The South African Government must be very interested in a success of the 'Trans-Kalahari-Railway' project connecting Zimbabwe's rails with Walvis Bay: pursuing the objective of a decrease in transport dependences on South Africa, Zimbabwe might decide to send a share of its exports westwards through Botswana, in order to avoid South Africa and to enjoy shorter export distances to Europe.

South Africa also employs double standards when considering profitable haulier contracts. Botswana's Ministry of Transport stated early in 1985 that transport companies in Botswana had been refused permits by South Africa's Road Transportation Board to pick up loads in South Africa, except occasionally where the railway no longer operates.[44]

The last trumpcard in the international gamble for political pressure or recognition are airports. For instance, establishing a substantial international airport is being given high priority in Transkei's thrust towards independence, and no less than R36 million are budgeted for this project. However, with no international recognition the Transkei Airways is having difficulties in obtaining landing rights. Nevertheless, confident of developing international ties, Transkei's Transport Secretary puts it this way:

"If we can fly to countries of the world from our own airport and not from South Africa, they will have to recognize us." [45]

The US$ 54 million international airport at Maseru must be considered almost as megalomaniac as Transkei's project: This project should decrease Lesotho's dependence on Jan Smuts Airport. Also, questions arise regarding the concession of landing rights to foreign charter-companies to TBVC airports, or possible

opposition to the establishment of competitive airways, for example an eventual BophuthaTswana International Airlines. SAA will certainly strongly oppose any competition in the field of aerial transport, which might cause a drop in SAA air fares.

The other SADCC-members also fear possible pressure from South Africa in retaliation for the world's economic sanctions against the RSA. If Pretoria should lower the boom at Beit Bridge and Mafikeng, the delegation of as many as 30,000 Zimbabwean troops into Mozambique to protect the country's three vital transport lifelines to the sea, might not only be too costly but also insufficient. A Berlin-type airlift into Zimbabwe, Zambia, Botswana, Lesotho and even Malawi and Zaire has been suggested, although being impractical given distances, costs and the bulk nature of imports such as food, fertiliser and fuel.[46] Practically all governments of the SADCC-countries know about the tremendous impact, which an interruption of South Africa's transport links would have on their economies.

It is here, where southern Africa's dependency on the South African economy is most imminent; consequently, SADCC gives its transport projects highest priority both in respect of time and allocated budget. That is why the primary aims of SADCC's transport and communication projects are: to reduce their dependence on the South African rail and port system, to serve land-locked member countries, and to promote integrated development of the national economies.

"Thus, projects are rated according to the extent to which they reduce the dependence of individual countries on the South African transport system, serve land-locked countries or transit countries, and serve at least two countries rather than national needs." [47]

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22 Loc.cit., pp 73-74

23 In Namibia there is one licensed radio set to every 22 persons and one licensed television set to every 70 persons.

24 Jorgensen, A A, op.cit., p 37

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27 Jeske, J, op.cit., 1981, pp 54-56

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30 Jeske, J, op.cit., 1981, p 171

31 Africa Agence France-Presse (Paris), July 13, 1984, p 52

32 Ibid, pp 59-60

33 Leistner, G M E, op.cit., 1985, p 52

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35 During the financial year 1984/85 these transport agreements earned SATS R49 million from Zimbabwe, R18 million from Zaire and R98 million from the other African states

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44 Business Day (Johannesburg), August 30, 1984, p 8

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4.2. Manufacturing industries

Compared to southern African standards, South Africa's industry reached a high level of sophistication in manufacturing both producer and consumer goods. In contrast, the manufacturing industry in all other southern African countries - with the exception of Southern Rhodesia in the 1950s - never really rose above the level of mere agricultural food-processing and the production of basic consumer goods.

A second major distinction exists in the geographical distribution of industry, in that development of most manufacturing industries in the SADCC-countries is concentrated within their one or two largest cities, while South Africa and, to a certain extent, Zimbabwe succeeded in attracting at least some important manufactories to locations other than their economic core regions and major ports.

4.2.1. Unbalanced development of southern Africa's industries

South Africa's manufacturing industry grew rapidly as a consequence of the gold boom of the 1930s, whereas in Southern Rhodesia, diversification and growth of manufacturing began to gather pace after 1945. In both countries, manufacturing by the mid-1950s was already the dominant sector, leaving mining and agriculture well behind.

With a proportional area of only 3 per cent, the Pretoria-Witwatersrand-Vereeniging (PWV) area, Cape Town, Durban and Port Elizabeth cater for about 80 per cent of South Africa's industrial production and for 70 per cent of its total employment. The dominant PWV-area alone in the mid-1980s catered for 42 per cent of her total national production.[1]

In 1970, manufacture-value-added (MVA, as percentage in GDP) per capita ranged from US$ 55 for Zimbabwe to as little as US $ 2 for Lesotho. Table 27 shows that Zimbabwe's manufacturing industry is the largest contributor to GDP and reaches an even higher MVA than South Africa, although only amounting to about one-tenth of South Africa's in total figures.

In 1981 South Africa produced almost 54 per cent of the sub-Saharan MVA, while Zimbabwe contributed 4.5 per cent.[2]

Table 27: Size of manufacturing industries in southern Africa, by country

Country	% of labour force in industry[1] 1985	% of GDP 1985 in	
		industry[1]	manufacturing
Tanzania	28[4]	10[4]	5[4]
Angola	16[3]	23[3]	3[3]
Zaire	13[3]	36	6
Zambia	40	37	20
Mozambique	7[3]	14[4]	10[4]
Malawi	20[4]	18[4]	12[4]
Zimbabwe	26	46[4]	29
Botswana	11[3]	46[4]	9[4]
Swaziland	22[3]	30[4]	22[4]
Lesotho	26	25	12
Namibia	15[2]	47	5
RSA	32	55	22
Transkei	5[3]	12[3]	8[3]
BophuthaTswana	16[3]	69[3]	11[3]
Venda	1[3]	-	10[3]
Ciskei	22[3]	-	8[3]

Notes: [1] Includes mining, manufacturing, construction, utilities
[2] 1976 [3] 1980/81 [4] 1983/84

Sources: Africa Insight (Pretoria), Vol.15, No.3, 1985, p 216
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Zimbabwe's manufacturing grew on average by 3.8 per cent in real terms between 1970 and 1980 compared to a real MVA growth in developing Africa of 5.5 per cent. Most manufacturing takes place in Harare, which in 1979 accounted for 46.4 per cent of MVA and 44 per cent of manufacturing employment, while Bulawayo accounted for 23.2 per cent and 28.7 per cent respectively. Other manufacturing centres are QweQwe, Redcliff, Gwelo and Umtali.[3]

However, these figures include resource-intensive process industries like steel, ferrochrome, tobacco manufacture and cotton-spinning, which should more appropriately be classified as mining or agriculturally based. Zimbabwe accounted for more than 30 per cent of developing Africa's iron and steel production in 1975, but its share in basic consumer products was less than half the average for developing Africa.[4] After MVA had declined between 1975 and 1978 due to civil war and international boycotts, industrial

production increased by 25 per cent in the first two years of independence with the capacity to meet the bulk of the country's consumer requirements. Direct imports of consumer goods account for less than 10 per cent of total imports. Inadequate import quotas on producer goods as a consequence of reductions in import allocations since 1981, however, pose a critical constraint on the growth of manufacturing. Since volume growth of production stagnated, manufacturing exports virtually doubled, and even achieved a tiny trade surplus with South Africa in 1984.

Industrial development n Zambia started twenty years later than Rhodesia's and was right from the very beginning dependent on mining, even more so than Rhodesia's industries. Activity was, in most cases, carried on by the copper mines as part of their own establishment. The first industries to be started were a few timber-saw mills in 1935, to supply the mines and railways. By 1954 manufacturing contributed a negligible 3 per cent to total GDP.[5] During the Federation Phase (1953-1963) with Southern Rhodesia and Nyassaland, virtually no industries could be developed except for basic food processing enterprises. By 1965, mining accounted for 41 per cent of real GDP, while the manufacturing sector contributed only 6.7 per cent. Within the following decade, however, the mining share halfed and MVA doubled.

Beside the active and direct intervention of the state and the positive response of big international and small national capital, it was the drastic reduction of imports from Rhodesia after UDI that enforced industrialisation. The Rhodesian share of imports fell from 39 per cent in 1964 to 2 per cent in 1973, while imports from South Africa officially declined from 20 per cent to 12 per cent during the same period.[6]

Today manufacturing after mining is the second largest employer in the formal sector with an estimated work force of 48,200 in June 1984.[7] State interests - 60 per cent of manufacturing output in 1983 - are vested in 37 parastatal companies under the overall umbrella of ZIMCO, and managed through its holding company INDECO. Its main activities are in food, beverages, textiles and chemicals, while the private sector traditionally dominates the metal fabrication and engineering industries.

The major objective of this statal industrialisation was import substitution, since deteriorating terms of trade for the major foreign-exchange earner, copper, has led to severe foreign-exchange shortages since the mid-1970s. Price inflation of finished industrial articles on the world market outraced copper prices, resulting in reduced national purchasing power. Capital-intensive plants increased Zambia's import dependence on intermediate products and technical processes. Consequently these foreign-exchange shortages resulted in a decrease of producer-good imports, and manufacturing production has stagnated since 1974. This in return led to severe shortages in consumer-good provision. Furthermore, industrial locations are heavily concentrated, in that ten cities along the railway together accommodated 98.3 per cent of all industrial enterprises in 1975.[8]

In all other southern African countries, industries - besides the production of basic consumer goods - just supplement agriculture by processing food produce and by providing agricultural-input commodities. This is particularly the case in Angola, where the state accounts for production of most consumer goods and processing of agricultural produce, while commodities such as cement, tyres and glass are, at least to a certain extent, privately manufactured. The dearth of managerial and technical skills since 1975, however, along with the disruption to communication and distribution networks, with periodic cuts in power and water supplies, wit shortages of imported raw materials, machinery and spare parts, and with labour absenteeism, has reduced productivity and employment (125,000 in 1973) to a fraction of pre-independence levels throughout the manufacturing sector.

The same happened to Mozambique: according to Portuguese figures this country at independence was the tenth most industrialized country in Africa. In 1982 its heavy industry averaged 50 per cent of its 1973 production (for example, railway wagons 82 per cent, bicycles 38 per cent, hoes 90 per cent, cement 44 per cent, textiles 60 per cent). In 1981, Mozam- bique's industry produced less than one metre of cloth and one item of clothing per adult.[9]

However, with the help of eastern-bloc countries, textile factories and cotton cloth mills are being erected to reduce these shortages.

Production of tyres began in 1979, a soviet agricultural implements factory is under construction, and a lorry-assembly plant and a bus assembly line are being built.

Agricultural processing is also the major manufacturing sector both in Tanzania and Malawi. Exceptions are steel mills, radio assembly, fertilizer, cement, paper and tyre production, and a truck assembly plant in Tanzania. But the current balance-of-payment crisis threatens much of further enterprise development and restricts output of some important commodities such as petroleum, iron sheets, cement and fertilizer.

Malawi does not possess any producer industries other than for building commodities, but the range of basic consumer-good production is quite wide and quantitatively sufficient. Growth of intermediate and export good production has stagnated since 1982, however, and investment in new industries continues to drop. Her index of manufacturing output fell from 241 in December 1984 to 182 in April 1985. One reason for this decline could be that the peripheral Lilongwe as a focus of industrial development is not as attractive as Blantyre. But industrial plots in Blantyre have all been used, and no additional ones are provided under the government's decentralisation policy.

Problems of industrialisation are totally different in the SACU-countries. Although infant industries are theoretically protected against the overwhelming South African competition, only specialisation, processing of dispersed raw materials and very labour-intensive production processes make a plant here a viable enterprise. Small and, in the case of Namibia, differentiated markets, land-lockedness of the BLS-countries respectively, the lack of national harbour facilities in Namibia, result in insufficient economies-of-scale. Consequently, larger Namibian firms concentrate geographically around their major market and labour supplier, Windhoek, with secondary centres at Swakopmund, Tsumeb, Keetmanshoop and Lüderitzbucht.

Despite double competition from both Zimbabwe and South Africa, Botswana has succeeded during recent years in increasing manufacturing activities by at least seven per cent annually. Since 1980, the number of manufacturing companies has increased by

250 per cent, nearly half of which are foreign-owned. The value of Botswana's non-traditional manufacturing exports inclied by more than 80 per cent between 1980 and 1984, and presently represents about six per cent of total export earnings. Employment in manufacturing has doubled over the same period to 11,000, still just ten per cent of total formal sector employment.[10] Manufacturing industries are concentrated in the very east of the country, and here again mainly around Lobatse, Gaborone and Francistown.

Essentially lower is the growth of Lesotho's manufacturing sector with just 1 per cent per year. In 1982, this sector - carried on for the most part in the private sector - offered formal employment to about 6,000 people in production for import substitution and export. Access for private foreign investment is offered to developed industrial sites in Thetsane, Maseru and Maputsoe in the less mountainous northwest region.

Swaziland's manufacturing is centred at Matsapha near Manzini and at Mbabane, with new development under way at Nhlangano in the south. The high contribution figure of manufacture towards Swaziland's GDP masks the fact that local agricultural (concentrated in sugar, fruit and cattle) and wood processing account for almost 75 per cent of manufacturing production. And it should not be forgotten, that its GDP is only slightly more than one-third of the Namibian one.

4.2.2. South Africa's industrial decentralisation policy

Figures of MVA for the 'independent' homelands on Table 27 may be totally misleading, considering that Venda's and Ciskei's GDP is about half that of Lesotho. On the other hand, GDP growth rates were among the highest in Africa, although they started from point zero and are not as impressive when indicated as total figures.

Industrial development is almost entirely concentrated in growth points, of which the 'independent' homelands possess differing quantities: There are six industrial growth points spread over the central and eastern parts of BophuthaTswana. However, most industry is concentrated in Babalegi and Garankuwa, the two growth points closest to the PWV-area. Total employment in manufacturing reached 22,000 in 1983 as compared to 70,000 in the mining sector one year later.

Until March 1985, more than 80 industrial companies estab- lished in Ciskei - most of them in two growth points - and increased to 107 factories in late 1985, providing 22,300 people with formal employment. The Ciskei Minister of Finance then claimed that 40 new factories were in the process of being built, representing a potential of 17,000 new jobs.[12] In Transkei about 100 firms concentrated in the three industrial growth points at Umtata, Butherworth and eZibeleni, creating 15,000 jobs,[13] while Venda's single growth point of Shayandima had provided only 7,000 long-term jobs by mid-1984.

Although these employment figures sound impressive, the problem with industrial growth points in the 'independent' homelands is the same as with all black African industrial development: all effective growth points are located close to economic centres; points like Umtata or Mmabatho are unable to attract as many companies as do growth points along the borders.

The western parts of BophuthaTswana, the north of Transkei and the west of Botswana, to name only a few, are all regions, which had been badly neglected in the past. But signs of change of policy are visible, such as the Transkeian government's decision to establish a fourth industrial growth point in the northern coastal belt.

The trick of how to attract companies into these industrial growth points is to offer some of the highest subsidies and best tax concessions in the world. Before 1968, South Africa's decentralisation policy was concerned exclusively with reducing the number of African workers in 'white' areas. The aim was thus the establishment of border industries near the homelands, in order to provide jobs for commuters.

After this scheme failed completely, sites for industrial decentralisation within the homelands were chosen. These were backed by state-provided incentives and the setting up of specific development corporations for each homeland. The four South African metropolises were declared 'controlled areas', in which permission was required to set up a new factory.

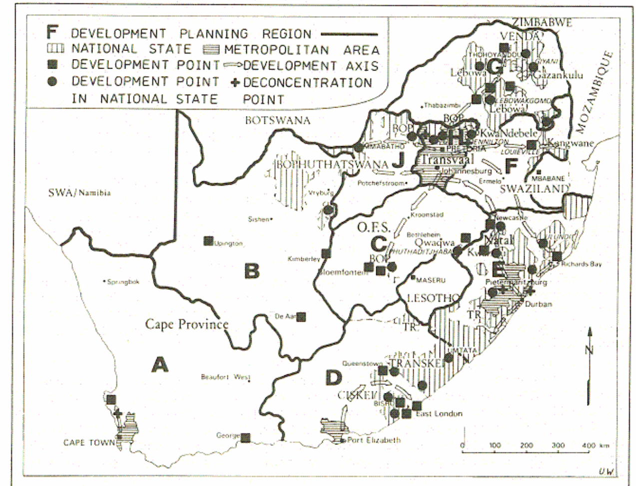
Decentralisation, however, was minimal and the price was high: Between 1968 and 1980 permission was refused for the creation of 115,000 jobs in these controlled areas, while only about 35,000 jobs

were decentralized.[14]

After the realisation that this decentralisation policy was also bound to fail, the South African territory on April 1, 1982 was devided, apart from the PWV-area (region H), into eight development regions, classified according to differing development priorities. Three criteria were employed:[15]

- need for employment creation,
- need for a higher standard of living, and
- potential to satisfy its own employment needs.

Figure 15: Industrial decentralization in South Africa



Sources: *Africa Institute of South Africa, 1988, p 68*
Africa Institute: "Development in South Africa"; in: Die Transvaaler (Johannesburg), 1982

Consequently, financial incentives are weighted between the various regions according to this prioritisation. Figure 15 above indicates the layout of these development regions, which also

include the 'independent' homelands. Incentives are least favourable in region H, which includes parts of BophuthaTswana, and increase in the order A-B-C-J-F-G-E-D.

A very devastating disadvantage of these decentralisation incentives, however, is the negative impact on the surrounding Customs Union members. Although in 1982 South Africa adopted the GATT-codex on subsidisation of export industries - meaning a whole series of export development measures were scrapped - this codex has no explicit application for development points.

Consequently, South Africa's financial assistance to Bophutha-Tswana, for instance, enables this homeland to offer top rate investment conditions. Against its 30 to 65 per cent subsidies on fixed investments, top company taxes of only 38 per cent and 32.6 per cent income taxes, without any GST or turnover taxes and a mere 15 per cent on repatriated profits, Botswana had to fight hard in order to keep its companies, not to mention attracting new investors.[15] All Customs Union members had to respond with the introduction of their own national incentives, but no country went as far as Botswana. Here company tax at 35 per cent is even lower than the one offered by BophuthaTswana. In 1982, the Botswana government introduced a series of investment incentives, differentiated between new and existing ventures.[16] New ventures are eligible for a five-year tax holiday of 100 per cent during the first two years which gradually falls to 25 per cent reimbursement in the fifth year. Training grants and partial wage reimbursements are also granted, with even more generous terms offered for designated rural areas. With effect from 1984/85, even Selebi-Phikwe was reclassified as a rural area in order to vitalize investment projects by granting them more government assistance than projects in other towns. Capital grants for job creation and sales augmentation grants are offered to already established enterprises.

Lesotho offers South African and overseas industrialists a number of improved incentives including a fifteen-year tax holiday. Ever since 1979, the Lesotho National Development Corporation has aggressively promoted private foreign investment by offering capital participation of up to 25 per cent, advanced factory buildings and duty-free access to both SACU and EEC markets for most products.

The Lesotho government furthermore provided an additional incentive through the 1983 Land Act, which for the first time allowed non-nationals to lease land directly for up to sixty years for commercial or industrial purposes.[17] A five-year tax holiday, training-cost recovery, rise in maximum housing allowances and in the ceiling on tax-free interest payments, benefit the investors in Swaziland. Even the Transitional Government in Namibia provided an, although inadequate, total of R2 million to ease unfair competition from South Africa, mainly from its enclave, Walvis Bay, which belongs to Region A.

In contrast to the 'independent' homelands, the BLS-governments have access to regular budgets, which are not balanced by South African transfers other than those coming from customs and monetary agreements. As a consequence, industrialisation incentives could not be high enough to counter a certain outflow of capital to South Africa's homelands. The BLS-countries and Namibia, fortunately, had to emphasize the development of resource-based industries which cannot just leave and move to South Africa like other fickle industries, to take advantage of the incentives there.

4.2.3. Industrial interests of South African transnationals

Naturally, industrial investments into foreign economies are almost entirely the concern of the private sector. Only some parastatal corporations, such as the IDC in Namibian mining or ISCOR, have retained some foreign interests via affiliates. In 1975, ISCOR, together with Anglo American and Britcor SA, owned shares in the International Pipe and Steel Investments (IPSA) and in Samancor, which in their turn are affiliated with the British Steel Corporation (BSC).[18] Via IPSA the BSC also holds other South African affiliates, such as Stewart & Lloyds (tubes and pipes) and Dorbyl (ship, rail repairs). BSC, in its turn, cooperated with the Rhodesian steel parastatal.

Lancashire Steel and Unisteel Central Africa were another two BSC subsidiaries in Rhodesia. Metal Box UK produced a variety of containers and packaging materials in South Africa. From that base it expanded into Rhodesia, Lesotho and Namibia. Via this mother company, Metal Box SA is connected with subsidiaries in Zimbabwe

and Tanzania.

AECI, formed by Imperical Chemicals Industries UK, is the sole supplier of explosives to the Chamber of Mines. Over time, AECI also expanded into fertilizer, plastics and basic chemicals. The South African parastatal, Sentrachem, was created under the sponsorship of the IDC and grew much, due to its international ties, providing capital investment, production and marketing ties.

ICI (South Africa), a small but profitable part of the British ICI corporation, ranked as one of South Africa's largest companies in the mid-1970s and held three subsidiaries, including one in Angola.[19] A last important British investment into the South African chemical industry is African Oxygen, which constituted the holding company for British Oxygen's affiliates in Angola and Zimbabwe.

Illings, a subsidiary of Anglo American, consolidated production of its car and truck models to form the Sigma Motor Corporation in 1975. In 1978 Sigma merged itsoperations with Leyland Motor Car of SA, with Anglo American as ultimate controller. One year later Sigma already planned to open additional branches in South Africa and the BLS-countries. Assembly plants already exist in Zaire, Tanzania, Malawi and Zambia as subsidiaries of British Leyland, which owns the remaining shares in Sigma. Another company in the motor industry, running assembly plants in Zaire and Tanzania, is United Car & Diesel Distributor of SA, an affiliate of Daimler Benz, FRG.

Fifty per cent of the General Electric Company SA, a former subsidiary of the British General Electric Company (GEC), was bought by Barlow Rand in 1978. GEC holds two last-stage assembly plants in Zambia and Nigeria, though neither approaches the South African one in size. General Electric US opened operations in South Africa as early as 1898. South African General Electric (SAGE) became South Africa's largest electrical company. SAGE, for instance, provided control relay panels for the Cahora Bassa Dam, and set up a small plant in BophuthaTswana, in 1976.

Siemens South Africa likewise provided equipment for the Cahora Bassa, while Bosch, another German holding in South Africa, has an affiliate in Zimbabwe.

International Computers (ICL) also conducts its main African

business in South Africa, but established subsidiaries, among others, in Zimbabwe, Tanzania and Zambia.

Minority or reciprocal shareholdings, and overlapping directorates with their overseas holding corporations, ensure that South African affiliates have their financial share in investments and profits in southern Africa's manufacture. Naturally, direct South African subsidiaries are heavily concentrated in Zimbabwe, due to its similar industrial role before 1965, and to an enforced South African-backed industrialisation during UDI. Some subsidiaries might have been sold to the Zimbabwean government, but to a much lesser extent than in the mining sector. As a general rule, exposed corporations changed their ultimate control merely to a minority share.

Delta Corporation (formerly Rhodesian Breweries) is such an example, which also holds a 70 per cent interest in Heinrich's Chibuku Breweries. Until 1983, Delta was controlled by Anglo American's South African Breweries, before SAB sold part of its shares to the Zimbabwean government.

Industrial links to the Custom Union member countries are strongly dominated by South Africa, although transition towards industrialisation has not progressed as far as to justify heavy investments. This is, to a certain extent, due to industrial polarisation effects after the elimination of internal trade barriers, although an infant industry clause in the SACU-agreements should prevent any unfair competition during the first few years after establishment.

However, Kgalagadi Breweries for instance, initially an investment of the Botswana Development Corporation and the German Brau Finanz in 1977, changed in 1978 into a joint venture of SAB and the BDC, after SAB bought the Brau Finanz shares in Prinz Brau.[20] A vegetable oil and oil-cake plant i Botswana is being financed by the US and the IDC to

> *"... make the country independent of supplies from South Africa,"* [21]

to save the country R2.5 million a year in foreign exchange.

Swaki, a new company formed by Kirsh Industries, takes a 50 per cent share in the planned construction of a textile mill in Swaziland.[22] The other 50 per cent is held by the National Industrial Development Corporation of Swaziland (NIDCS). NIDCS is also investing half of

the expenditure in a waste- wood processing factory, in joint venture with Interboard SA.

Namibia is another state where the majority of transnational affiliates comes from South Africa, this time due to political reasons. In 1983, 197 out of a total of 335 affiliates were connected with the Republic. Corporations such as Diehard & Co, Television and Electrical Holdings, and Trade and Industry Acceptance Corporation are the main enterprises on the private side, while IDC, ISCOR, Sentrachem and SAMANCOR are the most important South African parastatals in Namibian manufacture.[23]

Table 28: South Africa's manufacturing TNCs and their southern African affiliates, 1985

Name of South African TNC	Ultimate controller	Countries and number of subsidiaries	Activity sector
Aberdare Cables (Africa)		Zimbabwe (1)	cables
AECI Ltd	Anglo American	Namibia (1), BophuthaTswana (1)	chemicals
AFEX Corporation Societe	East Rand Cdtd. PLC	BophuthaTswana (1) Zimbabwe (5)	bricks
African Oxygen	BOC Group PLC	Namibia (1), Swaziland (1), Malawi (1)	gases
Anglo Alpha	Holderbank FG	BophuthaTswana (1)	cement
AA Corporation of SA Ltd	Anglo American	Zimbabwe (2), Swaziland (1)	refractories
AA Gold Investment Company	Anglo American	Lesotho (1)	mining supplies
AA Industrial Corporation	Anglo American	Namibia (3), Zimbabwe (47), Zambia (8)	drilling
Angus Printing & Publishing		Zimbabwe (1)	printing
Back Clothing		Zimbabwe (1)	textiles
Claude Neon Lights		Zimbabwe (1)	lights
Consolidated Glass Works		Zimbabwe (1)	glass
Consolidated Lighting		Zimbabwe (1)	lighting
Dermacul		Zimbabwe (1)	cosmetics
Durgson Holdings		Zimbabwe (1)	textiles
Edworks		Botswana (1), Zimbabwe (1)	footwear
Gubbs and Inggs	Stucken Wool Interest	Lesotho (1)	garments
Gulliver Consolidated	SA shareholders	Zimbabwe (1)	paper
Gypsum Industries		Zimbabwe (1)	gypsum
Haggi Ltd	AA/Sanlam	Zambia (2), Zimbabwe (4), Namibia (1), Botswana (1), Transkei (1)	chemicals, mining supplies

Name of South African TNC	Ultimate controller	Countries and number of subsidiaries	Activity sector
Lion Match Co		Zimbabwe (1)	matches
Malbak Ltd	Sanlam	Transkei (1)	investment
Metal Box SA	Barlow Rand	Botswana (1), Lesotho (1), Mozambique (1)	containers
Metkor Investments	Rembrandt	BophuthaTswana (1)	investments
More Wear Industrial Hldg.	SA directors	Zimbabwe (7	textiles
MTD Mangula (Zimb)	Anglo American	Zimbabwe (1)	mining supplies
Natal Canvas Rubber Manuf.		Zimbabwe (1)	textiles
National Algtd. Packaging		Zimbabwe (1)	containers
Oldham & Son (Africa)		Zimbabwe (1)	batteries
Optichem (Malawi)	SA directors	Malawi (1)	fertilizer
Otis Elevator Co	USA	Botswana (1), Namibia (1)	elevators
Plascon Evans Paints	Barlow Rand	Transkei (1), Lesotho (1), Swaziland (1)	paints
Portland Holdings	SA directors	Zimbabwe (1)	cement
Premier Paper Mills	Anglo American	Zimbabwe (1)	paper
Press Supplies Holdings	H Holmann	Zimbabwe (1), Botswana (1)	printing articles
Pretoria Portland Cement Co	Old Mutual	Swaziland (1), Malawi (1), otswana (1)	cement
Protea Holdings	Sanlam	Swaziland (1), Zimbabwe (1)	textiles
Rex Trueform Clothing Co	SA directors	Swaziland (4), Lesotho (3)	textiles
Samuel Osborn		Zimbabwe (1)	crushmills
Sentrachem Beperk	Sanlam	Namibia (1), Zimbabwe (5), Botswana (1), Swaziland (4), Malawi (1), Lesotho (1)	chemicals
SA Breweries	Anglo American	Botswana (1), Zimbabwe (1)	beer
SA Pulp and Paper Ind.	Sanlam	Zimbabwe (1), Swaziland (1)	paper
SA Iron & Steel Corp.	SA directors	Namibia (2)	pipes
Union Steel Corp of SA		Zimbabwe (1)	wires
United Tobacco Co		Zimbabwe (1)	tobacco
White's SA Portland Cement		Zimbabwe (1)	cement
Vereeniging Refractors		Zimbabwe (1)	tiles
Zimbabwe Spinners & Weavers	SA Directors	Zimbabwe (4)	textiles

Note: Table is incomplete since sources do not mark all subsidiaries by country.
Sources: McGregor, R: Investors Handbook - incorporating Who owns whom? Cape Town 1986, pp 28-623; Clarke, D G: Foreign Companies an International Investment in Zimbabwe, Gwelo 1980, pp 205-208.

In addition, South African corporations have also invested in a

number of other important areas of the Namibian economy, including salt production and the fishing industry. SWAFIL, Kaap Kunene, Marine Products and Overstone Investments control Namibia's fish processing industry and continue to draw large profits.

Malawi, Mozambique and, although to a much lesser extent, even Angola, Zambia and Tanzania, cater for a small number of direct South African affiliates:

Portland Cement, Metal Box SA and Sentrachem are the main South African corporations with subsidiaries in Mozambique and Malawi, while the huge AA Industrial Corporation still has a fair amount of affiliates in Zambia, together with the Sanlam- controlled Haggi Ltd. A last corporation which in 1983/84 held the thirteenth rank in Zambia's turnover, is Rothmans of Pall Mall, owned by the South African Rupert Corporation.[24]

All these corporations definitely contribute towards employment and the development of a monetary economy. However, disadvantages of industrialisation in developing countries, and here again the controversy between indigenous enterprises and foreign TNCS, have to be thoroughly investigated. Particularly it will have to be established whether there are no better solutions for an enforced modern-sector industrialisation in southern Africa.

4.2.4. Constraints to southern Africa's industrial integration

> *"Incorporation of less developing countries into a dominant production structure of Western countries has left the developing countries in an unfavourable position, where they are unable to achieve true autonomy over a specific technology that could develop in line with their own needs ... unequal exchange caused the break-up of pre-capitalist societies and continually distorted the equilibrium between productive activities. Pre-industrial forms of production disintegrated because of the serious imbalances..."* [25]

According to the dependency theory of SLABBERT, the competitive capacity of the colonies was broken by prohibitively high protective tariffs in the mother country. Consequently, these tariffs and the imposed importation of goods from the metropolis ruined any indigenous industry and brought about dependence on the mother country. Rhodesia's capital of registered companies in its manufacturing sector for instance, between 1963 and independence

was to 70 per cent from foreign sources, dominated by British, South African and United States capital.

After the colonies gained political independence, they tried to re-orientate industrialisation in direction of import substitution. But the established industries were still part of the foreign economies. They were normally located in coastal centres which served as gateways for exports, or produced goods entirely for the higher income classes. These groups in the modern enclave spent their money on increasingly diversified durable consumer goods, so that the industry relied on their growth in income for its own expansion.

> *"Instead of focussing on needs of the population at large, industrialisation responded only to the effective demand of a minority of the population."* [26]

Instead of leading to increased autonomy, this type of industrialization resulted in a growing dependence on foreign investments, raw materials and intermediate goods. With reaching agreements between firms (which became rapidly monopolistic because of the limited size of the market) and those which exercised control in the rural areas, the enclave economy expanded into the inland areas away from the coastal centres.

Most least-developed countries (LLDCs) belong to the big number of African land-locked countries, where SLABBERT's theory of coastal enclave development cannot be applied directly. While this certainly held true for Mozambique, Angola and Tanzania to a great extent, it was rather South Africa in the southern African context, which took over the role of the metropolis by drawing the border regions of the neighbouring developing countries into its own economic orbit.

South Africa's railway tariff policy, for instance, played a very important role, because it made South African industrial commodities competitive in Namibia. This constituted a severe constraint for the national industrialisation of the territory.[27] Other, probably more important structural constraints than Namibia's role of a mere South African market, are:

- High transport costs both within the country as well as to potential markets in South Africa and overseas;,
- Low purchasing power of the non-white population on the one

hand and a relatively pretentious demand structure within the higher income group on the other;
- Loss of the neighbouring states as markets for Namibian products due to political reasons;
- Problematic provision of water and energy;
- Lack of coal and iron ore, of other raw materials, and skilled labour and capital;
- High costs for social and technical infrastructure; and
- Insecure political future.

As a consequence, half of the country's MVA is concentrated in the fishing industry. All together about 70 per cent of MVA is generated by food processing, 10 to 15 per cent in the exploitation and processing of non-ferrous metals, and the remaining small amount of MVA in chemical and textile industries. However, the fish, metal and beverage industries are capital intensive.

Protectionist measures by South Africa, on the other hand, can easily put indigenous enterprises out of business. A Swazi textile company, for instance, became unable to export its products to South Africa and the company folded almost immediately after having been established.[28]

For most African countries, their markets are small, so that economies of large-scale production are not usually available and the foreign investor may have to change his production methods from those with which he is most familiar.

Due to Lesotho's total integration into the South African economy and to political dependence on its neighbour, investment calculations in Lesotho differ only slightly from decisions in the RSA itself. The greatest part of Lesotho's industrial production is directed towards the South African market.

As a result, almost no displacement of indigenous producers takes place. The situation for local small entrepreneurs only becomes problematic when foreign investors also get a monopoly licence for the indigenous production, for example, as additional investment incentive. In the case of Lesotho this has only happened in the shoe production sector so far.[29] In all other cases, foreign investors

showed little interest in Lesotho's local market. The fact that Lesotho, apart from livestock produce, does not have any natural or agricultural resources at her disposal, leaves the desire to expand labour-intensive production processes into a region of low wages as the overwhelming motive for direct foreign investments.

However, there exist also practical reasons for low investments in peripheral regions: wages, although low, may reflect low levels of skill, experience and therefore productivity, while skilled labour is scarce and expensive.

Industrialists who want to decentralise ordinary manufacturing facilities to an undeveloped area away from their main market and their supply of raw materials, have cost disabilities. These could be in the nature of additional transport costs, and a premium on wages of trained labour which they have to take along from the main areas into a decentralised area. They then have to start from grass roots with untrained labour - altogether raw labour in some of these decentralised areas. They have a low productivity and often higher building costs. Very often they have higher costs in respect of water and electricity. Furthermore, they must finance larger stocks of finished goods and raw materials both in store as well as in transit. Often they also must provide housing, at least for their white employees. And finlly there is normally a lack of complementary and service industries on which they can rely to assist them in the operation of their industry.[30]

Therefore, what reasons are there for a foreign investor to expand abroad? HARVEY goes as far as to argue that the main objective for a foreign company launching itself in a small market country is to make a profit out of selling its own, or other people's machinery. For that reason the investor seeks some sort of partnership with government, or with its development corporation, or he seeks to be financed by money borrowed from local banks,

> *"... since otherwise the investor would also have to make a profit of production in order to recover his money."* [31]

Mutual economic sanctions would, consequently, impede the establishment of new South African industries in the SADCC-countries, if these could not attract entrepreneurs from overseas or other African states. Already established South African industries would (as many

mining companies did in the frontline states) have the national governments take a share in their enterprise. However, both overseas enterprises and detached South African industries would not provide the appropriate technology needed in these countries, for example, the machinery. At least, the process of economic transition may slow down, until these SADCC-countries develop their own production lines independent from foreign lobbying influences.

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4.3. Trade and Tourism

Establishment of trade linkages, dissolution of trade barriers and implementation of integrated customs tariffs have so far been the most important objectives of all regional economic communities. However, intensified trade linkages and homogenization of tariffs do not necessarily lead to accelerated economic growth.

Movements of commodities and services across national borders, after the reflux of capital, credits and financial aid, represent the most volatile interactions which result in, and perpetuate, regional imbalances.

4.3.1. The development of the Southern African Customs Union

CHENERY[1] identified four main determinants of economic development, namely: expansion of domestic demand, expansion of exports, import substitution and technological change. Since the latter has been dealt with in an earlier chapter, the question of export expansion versus import substitution will form the main point of discussion here.

According to a growth model by LEWIS[2], economic development commences with a phase during which per-capita-income rises to such an extent that consumer and capital goods have to be imported. These could only be afforded where sufficient finances have been generated by successful exports. The second phase is that of import substitution. In the third phase, import substitution reaches a saturation point; the result is one of stagnation unless the domestic market alleviates the situation, but domestic demand is unlikely to be able to generate sufficient growth. Consequently, the country is forced into accepting the fourth phase, during which all factors mitigating against the country's exports must be identified and removed. In this way the foundations are laid for a successful fifth phase of outward-looking growth generated by exports.

The BLS-countries' severe handicap due to smallness of size cannot be erradicated, but through an outward-looking strategy the effects could be minimised. Such a strategy calls for a direct transtion from a simple, open-trade policy to vigorous promotion of manufactured exports - without going through an in-between phase

of high protection. BALASSA supports this thought by concluding that

> *"... countries applying outward-oriented development strategies performed better in terms of exports, economic growth, and employment than countries with continued inward orientation."* [3]

However, due to their geographical position the African landlocked countries are not in a position to directly export their manufacture, and therefore they cannot receive the advantage of resultant increasing returns.

Obtaining a fair share of revenue from the Southern African Customs Union (SACU) is, consequently, also a very important concern for the BLS-states, which each receive their annual share of SACU-revenue according to a formula. This formula divides the common revenue pool among the four countries in proportion to the value of their imports and their production and consumption of dutiable goods. It is the value of imports which actually affects the contribution of individual fiscal compensation (Y) among the BLS-states because of the small volume of their excisable production (p) in the SACU total (P). Due to double-counting of the import content - both to imports of the individual members (m) and to the SACU account as a whole (M) - the size of the denominator in the revenue sharing formula,

$$Y = \frac{m+p}{M+P} (Z) \times (1.42),$$

is inflated to the detriment of the BLS-states. On the other hand, the factor (M) only includes BLS imports from South Africa but not vice versa; which considerably augments the share of these countries, at the expense of South Africa.[4] Since 1969, payments from the common revenue pool (Z) have been raised by an annual 42 per cent for all BLS-states, as compensation for the disadvantages of being in a customs union with a more developed country: the polarization effects of industrial development, the loss of fiscal discretion and any trade-diversion effects from South Africa's protective tariffs.

However, only seven years later, in 1976, this practice had, to a large extent, already been abandoned. In negotiations between the BLS-states and South Africa, the Republic conceded that fluctu-

ations in the rate of revenue caused difficulties for the BLS-countries, and agreed to an amendment of the revenue-sharing provisions. This amendment specifies that where the rate of revenue differs from 20 per cent, it will be stabilized in the revenue formula by a percentage related to the rate but not less than 17 or more than 23 per cent.[5]

However, due to the effects of inflation, the time-lag in revenue payments from the common revenue pool (which is administered by South Africa) may be almost sufficient to wipe out the 42 per cent raising factor. This time-lag arises from the fact that initial estimates for a particular year' compensation payments utilize the much lower, but only available, figures of the previous two years. Since the major difference is only paid in the second year following the initial payments, South Africa is left with the equivalent of an interest-free loan from the BLS-states.

Perhaps the most important reason for the SACU Commission's 1981-82 discussions with South Africa, therefore, was the negotiation of amendments to the revenue-sharing formula.[6] However, South Africa rejected the idea of increasing payments made from the customs and excise pool on the grounds that the existing formula was already more than generous.

On the one hand, the major constraints for industrialization in the BLS-states are: higher transport and wage costs; industrialists perceptions of greater risks; and inability to match South African decentralization incentives.

On the other hand, the BLS-countries seldom effectively utilize articles of the agreement which provide opportunities for peripheral industrialization. For example: Article 6 allows the BLS-states to protect their 'infant' industries - and possibly also their 'new' products - by levying additional duties on imports from South Africa for a maximum of 8 years. Article 7 empowers the BLS-countries to specify 'pioneer' industries which are of major importance to their economies. If South Africa agrees, these industries can receive tariff assistance and relief. And finally Article 11 enables the BLS-states to prohibit the importation into their territories of goods for 'economic, social, cultural and other reasons'.

However, the BLS-governments do not always use these three

provisios to their optimum benefit; this, therefore, deserves greater attention on their part.

More important for the BLS-countries' specialized processing industries is Article 12, which, in an oversupplied market, restricts both foreign and domestic producers alike through a quota system. In contrast, Article 17 is the only clause entitling South Africa to stop imports coming from these countries. This article cannot be used for the straight-forward purpose of protection, however, because it requires that the governments concerned consult and cooperate with each other. This is to inhibit a member state from selling a pro- duct to a partner in such increasing quantities that producers in the partner country are threatened.[7]

The BLS-countries have not attracted sufficient industries simply through having duty free access to the SACU market. Even the advantages of duty-free access to the EEC; their trade potential both within the nine SADCC nations and, on concessionary terms, to Australia, the US and Middle East; and finally the preferential access of products from Lesotho and Swaziland to the markets of the PTA, are outweighed by the South African government's homeland policy. Industries which in different circumstances might have been located in the BLS-states, are now being established in the homelands for mere internal political reasons. Consequently the definite major weakness of the SACU Agreement is the sad fact that it con- tains no machinery for countering these polarization effects by redistributing industries among he four member countries.

The usual procedure in any customs union is to supplement fiscal compensations either through an adoption of industrial-specialization agreements or through the provision of market incentives. Even without inter-country fiscal transfers, a union-coordinated fiscal policy should be used in order to influence the distribution of industrial activity in the region. Through the adoption of a union agreement which harmonizes fiscal incentives, a counter-productive assessment of incentives could be avoided throughout the region.[8]

In comparison to these disadvantages, the loss of fiscal sovereignty weighs lightly upon the BLS-countries' shoulders. The responsibility for establishing customs, excise and sales duties, and

for determining the size of the common revenue pool, is therefore South Africa's alone.[9]

The SACU members' major criticism of the Customs Union is that its policies generate regressive income-distribution effects, because South Africa's indirect tax policy is tailored to the needs of high-income consumers. In 1978, when South Africa dropped sales duties in favour of general sales tax (GST) (which fell outside the scope of the agreement), the BLS-states did not copy this action, because their governments did not want to place this unnecessarily heavy burden on the lower-income groups in their purchase of foodstuffs and other basic commodities.

Nevertheless, the BLS-countries still have considerable scope for imposing indirect taxes which are not subject to the Customs Union Agreement. Beside minor levies like hotel, restaurant and casino taxes, a higher GST on luxury imports could easily tip the scales towards high-income taxation.

One of the BLS-states' main arguments for concluding a new Customs Union Agreement in 1969 was their demand to be compensated for trade-diversion effects. Trade diversion refers to a union-induced shift in the source of imports, from lower-cost external sources to duty-free higher-cost partner sources. Trade creation, on the other hand, means a shift from the consumption of higher-cost domestic products in favour of lower-cost products of the partner country with a resulting increase in production efficiency and internal trade.[10] At the time of the 1910 Customs Union Agreement between South Africa and the High Commission Territories - Basutoland, Bechuanaland and Swaziland - the Union and these territories were all unindustrialized, and there were no protective tariffs. Consequently the Customs Union could not have resulted in any trade diversion during its early years. MAASDORP states that:

> *"From 1925, however, South Africa began to develop secondary industry behind high tariff walls, and this must have led to trade diversion. The High Commission Territories did not attract industry and thus felt that they were subsidizing South African industrial growth, albeit only marginally because of their small purchasing power."* [11]

Although, on balance, the Customs Union was trade-creating prior to 1969, it had a detrimental effect on the economic welfare of the

BLS-countries.[12] In principle the formation of a customs union can make the grouping either better or worse off, in net terms. As against non-discriminatory tariff reductions, however, it is generally agreed to involve only pure trade-diversion loss, therefore being only potentially beneficial to all members.

The BLS-countries complement the South African economy rather than compete against it; therefore, in terms of customs-union theory one should expect some trade diversion. Clearly, the BLS-states could obtain certain goods more cheaply from abroad, since some South African products have a higher duty-free price than articles coming from outside SACU. But the general feeling in these countries is that not many basic consumer goods, especially foodstuffs, could be obtained more cheaply from outside SACU. Furthermore, there is increasing freedom in South Africa's import system. Since the mid-1970s there has been a relaxation in import controls via quotas (which, since 1949, have been more important than tariffs in protecting its industries, but do not yield any compensation revenues to the BLS-states), and, consequently, trade diversion effects should have become weaker.

The customs and excise duties in South Africa are certainly more regressive than they would be, should the BLS-countries withdraw and set their own levels. But due to geographical, historical and economic reasons, the BLS-countries' and South Africa's consumption patterns and lifestyles are similar; and the SACU cannot be separated from those influencing factors.[13]

Furthermore, South Africa may provide an increasingly important and less volatile market for the few commodities which the BLS-countries export as their 'engines of growth'.

4.3.2. Trade structures in southern Africa

Among the southern African countries, only South Africa and Zimbabwe have achieved a significant degree of export sophistication. South Africa has built up one of the most complicated trade systems in the world; doing a considerable amount of trade, very quietly (it does not publish data on it), with a number of black African states. During the first half of 1985, for instance, unallocated foreign imports into the Customs Union area accounted for 18.7 per cent of

total imports, while 43.3 per cent of all SACU-export destination countries were disguised.[14]

South Africa has largely overcome dependency on the two main imports which made it so vulnerable in the 1970s: through its enhancement of its own military, technological and material capabilities, oil imports dropped from a share of 16 per cent of total in 1978 to about 10 per cent in 1985. This figure will drop further, once the Mossel Bay gas fields commence production in the 1990s.

The other southern African countries basically remain at the level of primary-products export and consumer-goods import. Table 29 gives some idea of the differences in the industrial transformation level between the southern African economies:

Table 29: Southern Africa's export-import structure, by country in 1986 (US$ mil. in current market prices)

	Exports (fob)			Imports (cif)			Trade balance
Country	Total	Principal	% of total	Total	Principal	% of total	as % of GDP
Lesotho	24	diamonds	42	377[1]	manufactures	45	-145.3
Swaziland	247	sugar, wood products	61	352	machinery	31	- 45.2
Botswana	858	diamonds	75	684	food, machinery	34	2.1
Namibia	878	uranium, diamonds	63	761	food, petroleum	37	18.2
Zimbabwe	1250	tobacco, chrome, gold	44	1000	machinery,transport	41	3.4
Mocambique	90	prawns, cashew	59	500	food, petroleum	44	- 25.5
Malawi	243	tobacco, tea, sugar	74	257	industrial material	37	- 2.5
Zambia	716	copper, cobalt	95	712[1]	machinery	42	1.6
Angola	1278	petroleum	90	1062	machinery	38	12.6
Tanzania	255	coffee, cotton	48				
South Africa	16100	gold, manufactures	62	11200	machinery	29	10.1

Note: [1] 1985
Sources: Africa Insight (Pretoria), Vol.17, No.4, Africa Institute, 1987, pp 74-75
Africa Institute: South Africa in Southern Africa - Economic Interaction, Pretoria 1988, p 252

It should be noted that the trade balance figures do not take any service transfers into account, in the form of invisibles such as transport or insurance costs. High salary expenditures for expatriate technical and managerial staff, and invisibles, usually result in negative service balances. In general these negative balances

outrun any positive net capital transfers. As a consequence, current account balances are usually very much lower than trade balances.

This is true for the countries which had positive trade balances such as Angola, Zaire, Zimbabwe and Zambia - whose current accounts in 1984 netted -57 US$ million, -222 US$ million, -100 US$ million and -115 US$ million respectively. Only Botswana and Namibia managed to achieve positive current accounts in some years; although a five-year average (1980-1984) of Botswana's performance still resulted in a yearly deficit of -60 US$ million. One reason contributing to this situation is the deterioration of trading conditions in the world meat market, because of over-supply. Moreover, sales to certain other African countries (which account for 15 per cent of total sales), including Zambia and Mozambique, have been affected not only by their lack of foreign exchange, but also by competition from subsidized EEC-beef sales.[15]

Botswana's and Namibia's trade balances are kept constant only by a very few export commodities. The terms-of-trade for these commodities have increasingly deteriorated: world markets for uranium, copper, nickel, diamonds and meat are basic- ally saturated, and as a result Namibia's mineral production has decreased consistently - for example, between 1980 and 1984, the production of diamonds fell by 40 per cent. During the same period Botswana increased its diamond output by more than 150 per cent; so that, in 1984, with 12.9 million carats produced, its output was 14 times larger than Namibia's. However, most of this production was withheld from the market, so that the value of Botswana's export was only slightly more thn double that of Namibia. This state of affairs is due simply to the fact that all minerals, as well as cash crops such as tea, coffee, tobacco and cotton, are heavily dependent on the volatile world market. Nevertheless, Botswana's trade performance, especially in relation to the trade balances of other South African neighbour countries, is highly successful.

In 1986, the value of Lesotho's imports (mainly manufactured goods, food and capital goods) was almost twenty times higher than that of its exports - which were until recently restrict- ed to diamonds, wool and mohair. Manufactured exports such as pharmaceuticals, chemicals, furnitures and footwear, have demonstrated some

growth, but a resultant marked impact on Lesotho's trade balance has not been forthcoming.

Swaziland's trade structure is more diversified than Lesotho's - machinery and transport equipment, chemicals and fuels making up almost 60 per cent of its total imports. However, its exports during the period 1980 to 1984 were concentrated on fewer prime commodities; at the same time minerals such as asbestos and iron-ore lost much of their economic 'weight'.

Whereas Mozambique's consistently negative trade performance cannot be balanced by its positive net services and financial donations, by contrast, Zimbabwe's current-account deficit, in 1985, swang back into the black figures for the first time in seven years. After an initial rise of 17.5 per cent in 1983, a further growth in exports of tobacco, maize, gold, steel, cotton and manufactured goods of 20 per cent in value was forecast. The trade balance was further improved both by emergency exchange-control measures introduced in 1984, and by lower import allocations.[16]

The poor trade balances indicated on Table 29 are predomin- antly the result of deteriorating terms-of-trade for most of the commodities of these developing countries. Between 1972 and 1980, for instance, Tanzania's terms-of-trade, when not taking oil into account, are estimated to have deteriorated by 21.5 per cent, and, when including oil, by 36 per cent.[17]

As a result of rocketing oil prices and the rising costs of manu- factured goods, combined with falling export prices, Mozambique's terms-of-trade have deteriorated by 25 per cent in just two years, between 1980 and 1982. As in all fuel-importing countries, costs have escalated enormously since the first oil-price increase in 1973. By 1982, crude-oil and petrol im- ports cost the country US$ 200 million - eleven times more than in 1973. This contrasts with a loss of export earnings estimated at US$ 131 million - due to the accumulative effects of deteriorating terms-of-trade combined with floods, drought, a drop in oil supplies and destabilisation - since 1981.[18]

Similar factors have also affected Malawi's balance-of-trade per- formance: In 1978, the combined negative effects of the second major OPEC oil-price increase; volatile commodity prices; deterior-

ation in terms-of-trade; decline in domestic investments; and trade disruptions through Mozambique, caused exports to drop to almost half the value of imports.[19] Following this, Malawi's balance-of-trade figurs recovered only gradually, only reaching the equivalent of the 1977 figures by 1981 and, in 1984, being positive for the first time.

A loss of 25 per cent for Zambia's 1984 export earnings was also due to oil imports. In 1975, Zambia's terms-of-trade plunged abruptly by 56 per cent of the previous year's figure and never recovered since.[20] In 1984, the demand for base metals was further dampened by high levels of interest rates and exchange-rate instability - with the result that commodity prices remained low despite the fact that stocks on the London Metal Exchange declined by 70 per cent in 1983. Of the four metals which Zambia exports in large quantities, only the prices of zinc and cobalt showed some improvement in real terms. In 1984, the price of copper was only about 50 per cent of its 1980 price.[21]

Zaire's economy was equally affected by this abrupt drop in demand and the sustained weakness of the international purcha- sing power of copper. Any modest increases in export earnings - such as during 1979, when world copper and cobalt prices increased by 30 per cent of the previous year's figure - were eaten up by rising oil and transport costs. In addition, nearly two-thirds of export-return losses were attributable to an increase in illegal exports of coffee and diamonds.[22]

Notwithstanding the volatile world market, such reliance on a very few export commodities takes on even more serious implications when one considers the small number of actual trading partners involved. In 1982, 60 per cent of all Tanzanian exports went to only six countries, and 65 per cent of its imports involved the same number of countries (with the EEC as the leading supplier). Regional trade is currently restricted to Uganda, Zambia and Mozambique. In 1982, however, exports to neighbouring countries amounted to only about 3 per cent each of Tanzania's total exports. After the closure of the Kenyan border in 1977, Tanzanian export volumes to Kenya dropped from 6 per cent of total to almost zero (imports 8 per cent), and, following the reopening of the border in 1985, is expected to recover only slowly.

Angola, on the other hand, has never had any traditional trading relations with southern Africa.[23] Her main trading partner during the colonial period was, naturally, the metropolitan Portugal. In 1969, less than 2 per cent of her total exports went to Mozambique or South Africa; while her imports from South Africa, at 3.2 per cent, were only slightly higher. Since 1975, Angola has almost entirely directed its exports, mainly in the form of crude oil, towards America and Western Europe. These exports accounted for 97 per cent of total exports in 1982. In the same year, the western trading partners supplied 82 per cent of Angola's imports. In contrast, its trade with Africa in 1982 amounted to a mere 1 per cent of ex- ports and 2 per cent of imports.

Over the last decade (1975-1985) all other SADCC-members have increased their trade with South Africa, rather than diminished trade relations with the Republic - the stated objective of this grouping. Particularly since 1980, economic ties towards the south wer strengthened drastically.

4.3.3. South Africa's continental trade and tourist relations

> *"After 25 years' independence, many African countries have come to realise ... that SA products and know-how are tailored for African conditions. Increasingly, African countries are prepared to pay for this benefit."* [24]

Although trade with the developed world is of much more importance to South Africa than her trade with the nations of black Africa, the latter trade is far more extensive than is usually appreciated. Since 1983, South African trade statistics no longer indicate the distribution of its African trade amongst individual countries. Nevertheless, the South African Foreign Trade Organization (SAFTO) maintained as recently as 1988, that it has trade with 49 African states; thirteen of the states have long admitted that they had such ties; most, if not all, of the others refused to acknowledge such links and obscured them by trading through intermediaries.

Clandestine traders with South Africa are thought to include Ghana - which imported South African mining machinery and consumer goods until its foreign exchange position deteriorated dramatically. South Africa claimed to obtain oil from Nigeria in 1979 and to export

food there - although by means of third-party transfers. Togo, Benin, the Central African Republic, Guinee, Burundi, Rwanda, the Comoros Islands and Kenya are all usually assumed to be occasional clandestine traders.[25] The latest official figures (published in 1981) showed that South African exports to Africa, outside the Southern African Customs Union, amounted to R1,037.9 million and imports of R317.4 million.[26] But these figures excluded indirect exports estimated at about R400 million.

The significance of trade with Africa for particular South African industries is far greater than is suggested by figures defining Africa's total share in the Republic's exports. Thus, in 1984, over 40 per cent of total South African exports of machinery, footwear, and of resins and plastic products, went to Africa outside the SACU. More than one-third of chemicals and fat and oil exports were sold to African countries. In money terms, basic and prepared food stuffs accounted for more than 17 per cent of total export values to Africa, chemical products for 25 per cent, non-metallic mineral products for 16.5 per cent and machinery for 14 per cent.

Maize exports to Zambia and the neighbouring states accounted for most of the food trades. Since 1978/79, Zambia's maize deficit of about 50 per cent of necessary total production, amounting to 250,000 tons in 1980, had to be supplied, to a large extent, through imports from South Africa. In the same year Mozambique purchased 150,000 tons of maize and 50,000 tons of wheat; Kenya and Zimbabwe imported 128,000 tons and 100,000 tons of maize respectively;[27] while Angola, Malawi, Mauritius, Tanzania, Zaire and even as far as the Ivory Coast were reported to have been buyers of South African grain.[28] In 1980, the nine SADCC-states, collectively, imported 1.4 million tons of cereals - half of it maize; large quantities of this came either directly or indirectly from South Africa. During the 1984/85 financial year, Lesotho alone had to import 150,000 tons of grain. In 1982/83, South African food exports to Africa alone exceeded R1 billion.[29] This trend reversed slightly, after the drought in the subregion ended in 1985, to a point where Zimbabwe, as recently as 1986, supplied 250,000 ton of white maize to South Africa.

Approximately R1.6 billion (or about 4.3 per cent) of South Africa's

exports in 1985 were sold to 47 African countries (including the BLS-states), while the country imported about R457 million worth (or 2.0 per cent) from Africa. Available data indicate that at least half of South Africa's African trade was with countries in the region.[30]

These figures are supported, to a great extent, by HANLON's EIU statistics, which show South Africa's exports to SADCC for 1982 as US$2 billion and countering imports as US$ 300 million - with two-thirds of its SADCC business with the BLS-states. These figures really prove that the South African economy

> *"...needs the hinterland of southern Africa as a captive market."* [31]

HANLON maintains that SADCC trade with South Africa is seven times higher than that between the nine member states. All SADCC-members, except Tanzania, trade with South Africa; each has more trade with South Africa alone than with all its SADCC-partners combined.

Table 30: Southern Africa's regional trade, 1985 (US$ million)

Country	Exports to SACU	Exports to SADCC	Imports from SACU	Imports from SADCC
Angola	33[1]	-	206[2]	1
Malawi	22	25	104	25
Mozambique	8	16	76	21
Zambia	5[3]	20	129[3]	35
Zimbabwe	111	59	170	38

Notes: [1] 1980 [2] 1981 [3] 1984
Source: International Monetary Fund: Director of Trade Statistics, Yearbooks 1985 and 1986, Washington 1986

There was only a slight decrease in South African trade with Mozambique after 1975. In 1969, South Africa provided 15.1 per cent of Mozambique's total imports, while receiving 10.4 per cent of her exports. By 1985 these figures had hardly changed:

Table 31: South Africa's contribution to total SADCC-imports, 1981 to 1985 (in percentage)

Year	Angola	Botswana	Lesotho	Malawi	Mozambique	Swaziland	Zambia	Zimbabwe
1981	13	88	95	36	14	90	16	22
1984	n.a.	80	95	39	12	90	15	20
1985	n.a.	82	90	40	12	84	14	18

Source: Africa Institute: South Africa in Southern Africa - Economic Interaction, Pretoria 1988, p 100

Recently, it has emerged that Mozambique's dire shortage of foreign exchange is her major economic problem. As a result she obtains a lot of her requirements either through aid programmes, through credit-line facilities on a government-to-government basis, or through special financing facilities at very special interest rates.

But South African-based commodity traders are actually supplying food and other emergency goods to Mozambique via these international aid organisations, since South African companies themselves sell produce to aid agencies through their Swaziland- or Zimbabwe-based subsidiaries.[32]

For example, Reedrade, a Zimbabwe-registered subsidiary of Cliff Products (a South African commodity trader) trucked Malawian maize supplies to Tete via Harare. Again, in December 1983, Cliff Products and the airfreight company, Safair, were contracted by the EEC to supply its relief operation. In that month, the EEC gave a grant for 'locally-purchased relief supplies', which due to disruptions of the transport network were airlifted from Johannesburg - as the only feasible 'local' source.[33] Until 1984, no known links between Mozambique and South Africa existed in commodity trade; however, this situation changed as a result of recent political decisions.

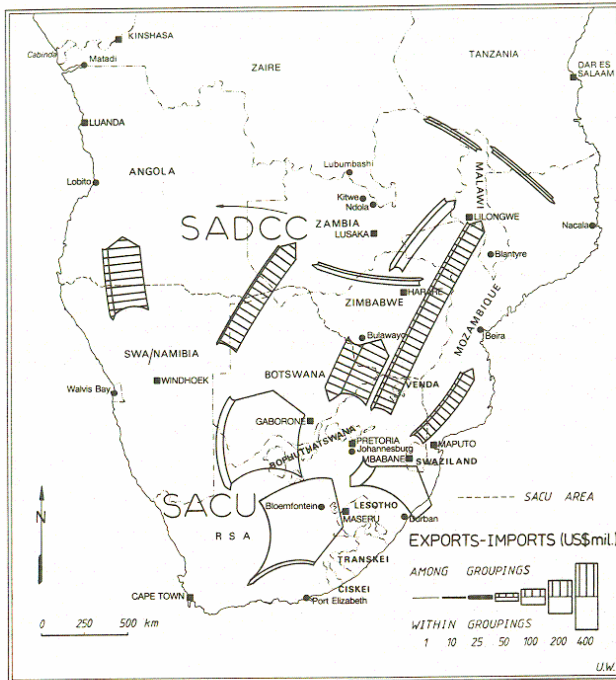
Before the Nkomati-Accord, there was no South African credit line or financing facility available for Mozambique. At that time trade between Mozambique and South Africa was carried out on the basis, for the most part, that her goods and services supplied to Mozambique were paid for by future exports from Mozambique. These were in the form of long-term barter: for instance, food for human and animal consumption was paid for, over a period of years, in prawns and timber.

In December 1984, Banco de Mocambique and Hill Samuel Merch-ant Bank of South Africa finally set up a revolving clearing account in order to facilitate bilateral trade. Established principally to cover trade with Mozambique initiated by South Africa's Premier International group, it is also available for approved transactions by other companies as well.

South Africa and Zimbabwe are both members of the Berne Union through the 'Credit Insurance Corporation of Africa' and the 'Zimbabwe Credit Insurance Corporation' respectively. In respect of

Africa alone the latter has covered short-term credits in excess of R2,000 million since its inception in 1966.[34]

Figure 16: Trade flows between and among SACU and SADCC, 1985



Note: Trading with SADCC member countries indicated by SACU totals only
Source: *Africa Institute: South Africa in Southern Africa - Economic Interaction, Pretoria 1988, pp 99-101*

In 1984, Zimbabwe's trade with South Africa jumped significantly, the balance swinging in Zimbabwe's favour for the first time in many

years. During the first nine months exports to South Africa rose by 27 per cent, while imports from the Republic rose by only 5.3 per cent, leaving - once gold sales and re-exports had been added up - a trade balance of R122 million in Zimbabwe's favour. During the 1984 period, South Africa received just over 20 per cent of Zimbabwe's exports and supplied 19.8 per cent of the imports.[35]

After 1984, however, there seems to have been a reverse in the trend of declining trade values between South Africa and all SADCC-states. According to GALLAGHER, South African exports increased by 62.4 per cent - R121 million from February 1984 to R196.5 million in February 1985. Manufactured-good exports to the SADCC-countries outside SACU, and to Zaire, were most responsible for this increase. Correspondingly, South Africa's imports from the SADCC-countries increased by 21 per cent from R57.4 million to R69.4 million.[36]

During 1985, the main reason for increased trade opportunities is to be found in improvements in the economies of some southern African countries. Good crops created a strong inflow of foreign exchange, and consequently more money was available with which to import from South Africa. The weak performance of the South African Rand acted as another trade incentive, which certainly also stimulated export increase.

On the import side, South Africa provides the most important market for gems and jewellery - mainly diamonds for De Beers Central Selling Organisation (CSO) - for certain countries. Zaire is thought to be the world's greatest producer of industrial diamonds; although this is not reflected in Zaire's trade accounts but in those of other countries, including South Africa's.[37] All of Angola's diamond products (75 per cent of them in the form of precious stones) are marketed by the CSO. Since 1971, De Beers Consolidated prospected for and exploited diamonds in conjunction with the Angolese DIAMANG Corporation.

Trade flows between South Africa and some SADCC-states have been further stipulated through agreements. Rhodesia's preferential trade agreement with South Africa came into effect in 1964. Although principally benefiting the manufacturing industry, it is also of some (but limited) importance to those Zimbabwean agricultural

commodities affected by the agreement, namely tobacco, cotton and tea. In 1982, Zimbabwe pleaded for a renewal of this agreement; this resulted in an advantage in trading terms with South Africa.

Since March 1967 a trade agreement between Malawi and South Africa has been in existence, in terms of which both countries exchange goods by preference tariffs. This agreement, however, restricts Malawian exports into South Africa only to agricultural products, whereas the Republic is allowed to export both agricultural and manufactured goods to Malawi.

Another agreement establishing official trade links between Swaziland and South Africa was formed in early 1985. Although the trade missions (in the form of exchanged trade representatives) deal solely with commercial issues, these representatives have the same rights as diplomatic personnel.[38]

Table 32 below lists some of the more important South African transnational companies, which are not involved in commodity trade, but rather in wholesale and retail trade.

Tourism within the southern African context is a relatively small foreign-exchange earner. Factors such as political instability, economic deterioration and comparability of the individual tourist potentials until recently left South African as the main tourist destination. Together with Malawi and Swaziland (the two other minor tourist countries) South Africa established SARTOC (Southern Africa Regional Tourism Council). Conceived by Malawi and established in Blantyre since 1973, SARTOC's aim is to present the three countries of southern Africa as a tourist package unit.[39] Its major function lies in the development and promotion of tourism, through regional cooperation in such matters as transport and communications, customs and entry formalities, marketing and sales promotion, and management and finance.

Mozambique was another country which entered a formal tourist agreement with South Africa. Following the Nkomati-Accord agreement in November 1984, a tourism company, Mosa Tours, was established jointly by the then-formed statal Mozambique National Trust Company and the South African Lowveld Committee.[40]

Table 32: Southern Africa's affiliates of South African TNCs in wholesale and retail trade, 1985

Transnational Corporation	Ultimate controller	Subsidiary	Location of subsidiaries
Cape Wine & Distillers	Rembrandt & Distillers	Castle Wine	Zimbabwe, Namibia, Swaziland
C.G. Smith Foods	Old Mutual	Jorensen Distrib.	Swaziland
CNA Investments		Kingstons	Zimbabwe
Delta Corporation	AA (shareholder)	Chibuku Holdings	Zimbabwe, TBVC-countries
Edgars Stores	Anglo American	Edgars Stores Jet Supermarkets	Lesotho, Namibia, Swaziland BLS-countries
Ellerine Holdings	Sanlam	Dennis Stores Ellerine Furnishers	Transkei BLS, Namibia, TBV
Fed Food Beperk	Sanlam	Simba-Quix	Swaziland
Field Industries		Field	Zimbabwe
Foschine Ltd	SA directors	Pages Stores Foschini	BLS, Zimbabwe, Transkei Botswana, Swaziland, Zimbabwe, BophuthaTswana
Goldin Family	Goldin Family	Clicks Stores	TBVC-countries
Imperial Cold	Old Mutual	Tswana Foods	BophuthaTswana
Storage & Supply Company		Harvest Corporation	Namibia
Irvin and Johnson	Hersow & Menell	Refrigerating Co.	Zimbabwe, Transkei, Swaziland
Kirsh Trading	Kirsh Family	Metro Supermarket Russell Furnishers	Botswana, Lesotho, Swaziland Lesotho, Namibia, Ciskei, Swaziland, BophuthaTswana Transkei, BophuthaTswana
Nasionale Pers. Beperk	SA directors	Nasionale Bookdealers	Botswana, TBC-countries
Pepkor Beperk	Pepgro Ltd	Pep Stores	Zimbabwe, Namibia, BLS, TB
South African Breweries	Anglo American	Peoples Stores National Brewing Co.	Namibia, TB-countries Zimbabwe, Swaziland, Namibia
South African Druggists	Sanlam	SA druggists	Zimbabwe, Namibia
Tiger Oats	Barrand	Zinbi distributors	Zimbabwe
T.W. Beckett & Co Ltd		Five Roses	Zimbabwe
Williams Hunt SA	Waicor	Motor & General Supp. World Furnishers	Botswana Swaziland

Note: Table is incomplete since source does not mark all foreign subsidiaries by country.
Source: *McGregor, R: Investors' Handbook - incorporating Who owns whom? Cape Town 1986, pp 28-623*

Mosa Tours decided to set up a joint-venture operation to develop tourist facilities on Inhaca Island, near Maputo. A trickle of South African tourists have subsequently visited the island - more than 200 by mid-1985. Similarly, a number of Mozambicans have visited the Eastern Transvaal.[41] Through the improvement of existing tourist facilities and construction of new ones, together with an extension of the transport infrastructure, it is hoped to attract some 40,000 tourists a year to Mozambique - most of them from South Africa.[42] These numbers are still very low when compared to Zimbabwe, Botswana and Swaziland:

Table 33: South Africa's tourist relations with Africa, 1982 and 1986

Country	Visitors to South Africa		South African visitors	
	1982	1986	1982	1986
Botswana	29,335	58,182	27,040	35,203
Lesotho	18,247	31,888	6,891	10,805
Swaziland	28,634	53,808	23,296	46,425
Zimbabwe	166,192	150,283	79,434	85,153
Malawi	-	12,016	-	6,570
Mozambique	6,971	11,175	-	6,951
Zambia	8,319	10,397	-	3,750
Mauritius	2,188	3,482	20,553	25,929
Kenya	-	1,139	-	1,247
Other	14,390[1]	14,258	24,578[2]	3,154
Total	27,4276	346,629	181,792	226,485

Notes: [1] Including Kenya and Malawi
[2] Including Kenya, Malawi, Mozambique, Seychelles and Zambia
Source: *Africa Institute: South Africa in Southern Africa - Economic Interaction, Pretoria 1988, pp 103-104*

Although, for example, visitors to Botswana spent roughly BP40 million in 1984/85, putting receipts on a par with earnings from other relatively new sectors such as textiles,[43] these amounts are almost negligible in terms of national incomes, due to the high levels of expenditure on initial and current investments, that governments have to make. Zambia received K55 million gross revenue in 1982, but the government had to allocate K53 million to finance its investment, due to costs involved in the running of the industry.[44]

Neither Angola nor Mozambique can fully exploit the potential which is offered by their beautiful beaches; moreover, the game

parks offered as the second major tourist attraction do not suffice to overcome such constraints as long travel distances, insufficient accommodation and civil strife.

The third attraction - gambling holidays in Swaziland and, even more important, in the TBVC-countries - is totally subjected to the restrictive South African policy and to investment decisions of South African TNCs such as Kerzsol, which runs all Sun Hotels.

4.3.4. Southern African mutual dependency on trade relations

Both the BLS-states and the TBVC-countries, in comparison to the northern countries of the subcontinent, started from very weak and dependent economies. Since Britain intended to eventually amalgamate Botswana, Lesotho and Swaziland into the Republic of South Africa, no interest was shown regarding the development of these countries into viable economic units.

In contrast, at the time of independence the former Portuguese and British colonies (except for Malawi) were considered to be comparatively rich and to hold a huge economic potential. By 1985, Malawi had become an exporter of agricultural commodities; Botswana's economy runs on a notoriously positive capital account; and the TBVC-countries are feared to draw a dominant part of South Africa's investments into their boosting tax havens - probably soon followed by the two small landlocked countries, Lesotho and Swaziland, once they have overcome some of their structural disadvantages.

Zambia and Angola, on the other hand, each dependent on one major export product, are suffering from deteriorating terms-of-trade; while political instability and disorientation has slowed down foreign investments in most of South Africa's northern neighbor countries. Therefore, has regional trade with South Africa increased these countries' dependency for economic development on their giant neighbour?

Both the BLS-states and the TBVC-countries are members of the Customs Union Agreement; all eight economies, including Namibia, are extremely open as totals of national imports and exports equal or even exceed their GDPs.

In fact Lesotho's imports net 150 per cent of its GDP (followed closely by Botswana and Swaziland).Most of Lesotho's consumer good imports are provided by the South African subsidiary of the British transnational 'Alex Fraser and Son' which has a monopoly on wholesale trade. By 1975, Fraser already ran a network of about 60 wholesale stores in Lesotho.

Since at least 1970, RSA-subsidized production (combined with the absence of active domestic strategies) has resulted in growing imports of maize, wheat, dairy products, vegetable oil, fruits and vegetables into the neighbouring countries.

On the other hand, the economies of the remaining countries, with the exception of Angola, are less than half as open:

Table 34: Structural openness[1] of southern African economies (in %)

Country	Year	Exports	Imports	Foreign Trade
Lesotho	1985	7.9	139.5	137.4
Swaziland	1984	48.1	95.5	143.6
Botswana	1984	73.1	74.2	147.3
Namibia	1985	48.9	38.9	87.8
Zimbabwe	1985	24.2	20.5	44.7
Mozambique	1985	2.3	11.1	13.4
Malawi	1985	25.8	29.5	45.3
Zambia	1985	39.1	30.6	69.7
Angola	1981	44.3	39.7	84.0
Tanzania	1984	6.6	17.1	23.7
South Africa	1985	19.0	20.7	39.7

Note: [1] Openness means export and import values in relation to GDP.
Source: *Quarterly Economic Reviews (London), EIU, 1985 and 1986.*
Statistisches Bundesamt: Statistik des Auslands - Länderkurzberichte. Wiesbaden, 1984-89

South Africa hardly strikes a big commercial deal when selling maize to her neighbors, since the local producer price paid by the South African maize board exceeds that of the world market.[45] Consequently, until recently, South Africa consistently increased her food production ahead of her domestic population increase. Since about 1970, South Africa produced maize crops above the quantity needed for national consumption, thus generating grain surpluses for export.

On contrast, until 1984, the SADCC-countries had been unable to

increase their food production ahead of, or parallel with, their increasing domestic demand.

Major importers of food find themselves in a weak position: A country which is unable to meet its population's food requirements leaves itself open to economic extortion on a seller market and, where applicable, may have to make concessions. Their lack of self-sufficiency in food production as well as their dependence on South Africa for a large proportion of their grain imports, means that the SADCC-countries lend themselves to being made targets of South African economic pressure; and, consequently, vulnerable to South African attempts to influence their interstate relations. However, to remedy this vulnerability may be very costly: Zambia, in contrast to Zimbabwe and Malawi, which since 1984 are both net maize exporters, still has to balance its food shortages through expensive imports. In 1983, the Zambian government decided to import Zimbabwean maize rejecting, in the process, a South African offer of 35 per cent cheaper sales prices.

The population growth and recent production rates in South Africa could mean that the role of maize exports as a South African 'food weapon' may have decreasing importance anyway. Due to the continuing poor rainfall in 1984 it was estimated that South Africa would have to import 4 million tons of maize herself, just in order to make up the 6.8 million tons needed for domestic consumption.[46] In addition, the South African economy wuld become susceptible to other imports, especially if no restrictions were imposed. Maize requirements for 1985 were only just met by a drought-striken crop of 7 million tons while Zimbabwe had a bumper maize harvest for the first time - about one million tons were still available for export after allocating 500,000 tons for the country's own reserves.[47]

In the long run South Africa is not interested in depressed neighbouring economies anyway, since this would mean no foreign exchange and consequently low buying power for its more sophisticated and more expensive manufactured goods. Although figures by MCFARLAND certainly calculate the impact of South African manufactured exports into the BLS-countries as being too high - in 1979 almost 7 per cent of its MVA and employment[48] - however, the present and potential market to the north is important:

"A considerable market for RSA within SADCC seems assured for some time to come, although the composition of manufactured exports might change; as economic development proceeds in SADCC, its demand may shift to more sophisticated products in which South Africa may have a competitive edge." [49]

Alternatively, South Africa might provide a viable market for SADCC products. Even Botswana plans to export agricultural machinery onto the South African market.[50] Zimbabwe could ill afford to lose its South African market for manufactured goods worth R116 million in 1980, of which R70 million were covered by the preferential trade agreement.[51]

It is very unlikely that the BLS-countries in particular will be able to obtain basic consumer goods as cheaply anywhere else as from South Africa, or that SADCC will be able to provide the range of manufactured goods like South Africa.

Established trade patterns are also difficult to break down: Zambia, for instance, obviously prefers to import from South Africa rather than from the rest of the continent, because South African firms supply a wider variety of goods.[52]

SADCC's imports are only financed to a minor extent by the export of manufactured goods. Excluding raw metals, most manufactured-goods exports either go to the RSA or to regional states and not to the industrialised western countries. In practice, the manufactured and processed exports of developing countries face a number of obstacles in the markets of developed western countries:[53]

- Developed countries usually set higher nominal tariff rates on the processed or semi-processed products than on the raw materials from developing countries.
- Freight costs set by western carriers are roughly related to value per ton; consequently, they are generally higher for processed or manufactured than for raw-material export and, therefore, increase with the degree of processing.
- Large metropolitan-based companies, which dominate production and trade in most raw materials, frequently restrict imports of processed goods by restrictive business practices such as the forming of cartels, or input/output price fixing to their subsidiaries.

The same could happen to Zaire's industrial diamond production if

it refuses to renew its contract with De Beers' CSO. The principle reason behind the organization's formation fifty years ago was the task of smoothing out short-term fluctuations in demand. But in 1982 the diamond market moved into a severe medium-term recession, and CSO's diamond stocks at the end of 1984 were twice the value of its annual sales. With diamond stocks so high, and the large Australian production of mainly industrial stones imminent, the CSO would have no trouble in ajusting the flow to the market so that Zaire quickly suffered the financial consequences of any further disloyalty. However, as long as Zaire sells its production to CSO, it enjoys a secure market without being exposed to world market fluctuations in demand.[54]

And as long as the Customs Union members and Zimbabwe can remain, or gain a fair share in, the South African market, while at the same time retaining their ties to SADCC, the BLS-countries can offer South African innovations to the north and thereby contribute to economic diversification in the SADCC countries without opening up their markets to direct South African competition.

Because of their larger populations, the other SADCC-members have a greater potential for import-substituting industries and, hence, more to lose from competition with South African industries. In contrast, the clue to the unusually durable Customs Union relationship in southern Africa is perhaps to be found in the small size of the BLS-economies, which have to find their economic strength through export promotion.[55] An efficient import substitution would be impossible, due to South Africa's competitive exports in cheap consumer goods.

Unable to hide behind excessive import tariffs, existing enterprises might even become more competitive - just as in the case of Ciskei and BophuthaTswana, where South African retail stores have been given entrance - until, at a later stage, they are able to compete on the world market. To attain this objective they will have to use the SACU Agreement, since

"... for the last few years there has been some indication that Pretoria has felt that the emphasis of the agreement should be shifted away from the revenue-sharing aspects to economic development per se." [56]

Government cooperation in this field of trade-loss compensation

towards a decrease of structural imbalances would, consequently, ensure a more self-reliant approach to economic development of the BLS-countries which, in reverse, will benefit the SADCC-nations at a later stage.

In view of South Africa's trade surplus with all African countries, there can be no doubt that a lenghty interruption of trade with South Africa would have grave consequences for, at least, the BLS-countries; and would seriously inconvenience Zimbabwe, Zambia, Malawi and Mozambique. After an initial dislocation, it might be possible for the latter four to replace South Africa as a source of imports.

"However, some substitutes would be more expensive, and for countries struggling with foreign exchange shortages and poverty in general, this would be a major extra burden." [57]

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33 Massive quantities of imported seed for instance were supplied by Mercimpex,

the commodity trading arm of the Merchant Bank of South Africa.

34 Africa Institute, op.cit., 1988, p 107

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4.4. Public finance and the banking sector

The most volatile factor in production is finance, since its movement is not restricted in a customs union or a common market. Even within non-aligned southern Africa, profits generated in mining and cash crop production easily leak out of the black countries' economies through uncontrollable transactions between subsidiary and mother company. More money leaves the country as debt repayments and interests. Southern Africa's government budgets are inflated further by expensive involvements in private enterprises elsewhere. And finally, spendings on current accounts usually outweigh recurrent revenues thereby creating heavy pressure on the domestic capital markets.

4.4.1. Inflated budgets of the front-line state governments

Table 35 indicates, for most southern African countries, the overwhelming proportion of current public spending in comparison to capital expenditure on economic development.

Table 35: Southern Africa's central government accounts, 1985

Country	Government spending (as % of GNP)	Budget balance (as % of GNP)	Current spending (US$ million)	Capital spending (US$ million)	Current account balance	Gross international reserves (US$ million)
South Africa	26.8[1]	-3.5[1]	18545	1581	2615	1897
Namibia	55.4[1]	-8.1[1]	649	146	167	
Lesotho	22.7	-0.9	124	80	9	44
Swaziland	31.5[1]	-0.1[1]	101	41	-11	83[2]
Botswana	48.2	17.2	330	232	140	783
Zimbabwe	39.1	-9.9	2335	1094	-97	345
Mozambique	26.8[1]	-11.8	507[3]	385[3]	-426	
Malawi	29.5	-5.5	331[4]	191[4]	-97	45[2]
Zambia	30.3	-7.0	733[4]	108[4]	-98	200
Angola	61.4[1]	1966[5]	948[5]	-233	205	
Tanzania	24.7	-9.0	1270[4]	474[4]	-380	16

Note: [1] As percentage of GDP [2] Reserves minus gold [3] 1982 [4] 1984 [5] 1980

Sources: Quarterly Economic Reviews (London), EIU, 1987
World Bank: World Development Report 1987, Washington 1987
Statistisches Bunesamt: Statistik des Auslands - Länderkurzberichte. Wiesbaden, 1984-89.

High government expenditure on capital projects can be identified in South Africa, Zimbabwe and Angola. However, while these expenditures constitute less than 8 per cent in South Africa's public sector, spending rates of 32 per cent and 50 per cent respectively in Zimbabwe's and Angola's government expenditures are a clear indication of the involvement of their public sectors in economic development projects beyond the provision of administrative and social services.

On contrast, the 'independent' homelands have no capital accounts at all, and a low domestic income rate. Due to the lack of international recognition, capital loans have to be provided entirely by South Africa. Although the debts have a fairly high share in capital financing, South Africa has, so far, always provided the financial balance. BophuthaTswana's and Transkei's budgets, since 1983, rocketed at an average 25 per cent annual growth rate; in 1983/84 an estimated 20 per cent of Transkei's national revenues came from illegal dagga sel ings. In the same year, BophuthaTswana's budget deficit amounted to R160 million,[1] by the financial year 1985/86, the

TBVC-countries' cumulative debts had risen to R1,835 million.[2]

Namibia also depends on South African loans - R180 million in 1984/85 - in order to finance the salaries and wages of its civil servants, which continue to exceed the territory's revenue from its own sources by some 10 per cent.[3] Since the world diamond market weakened in 1981, the contribution from diamond taxation to government revenues fell from 60 per cent to 10 per cent in 1982/83. Taxation from other mining activities, including uranium, at R8 million was also negligible in 1984.[4] Even if Namibia's exports were to recover from their depressed 1985 levels, debt service would be in the region of 15 to 20 per cent by the year 1986/87, putting the country

"...well into the top half of the league of major African debtors."[5]

On contrast, almost all loans to SADCC-states come either from international organizations or bilateral overseas agreements. Both Swaziland and Lesotho experience increasing debt- and interest-service pressure on their government budgets: Swaziland's debt-service obligations showed a strong upward trend from 4.3 per

cent of export receipts in 1979/80 to 7.2 per cent by 1983/84.[6] Lesotho, on the contrary, has so far relied on large aid contributions from overseas donor countries, which kept its debt obligations on acceptable levels. Most successful in stabilizing public accounts, however, was Botswana with its international financial reserves far exceeding external debts due to increasing diamond export values.

Table 36: Debt structure of the southern African countries, 1986

Country	external public debt		External total debt		Total interest payment (US$ mil)	Debt service as % of	
	(US$ mil)	(% of GNP)	(US$ mil)	(% of GNP)		GNP	Exports
Lesotho	182	33.4	182	33.4	4	2.5	4.2
Botswana	355	36.2	355	36.2	27	4.5	4.3
Swaziland[1]	176		260				
Zimbabwe	1,712	32.4	1,758	33.2			
Malawi	910	78.6	910	78.6	36	9.4	40.1
Zambia	3,575	240.5	3,575	240.5			
Tanzania	3,650	81.6	3,650	81.6			

Note: [1] 1985

Sources: World Bank: World Development Report 1988, Washington 1988, pp 256-259
Quarterly Economic Review (London), EIU, 1984 and 1985.

All other SADCC-countries run record deficit budgets. A high loan content in public capital receipts pushed the Zambian government's external debts to four times that of its annual budget. Decreasing copper exports - down by one-third from 681,000 tons in 1980 to 470,000 tons in 1985, despite a 70 per cent decline of copper stocks on the London Metal Exchange between 1983 and 1984 - were unable to supply much-needed foreign exchange for capital good imports. Recent economic policy reforms in the form of currency depreciation were consequently made a precondition for further IMF lendings. However, progressive depreciation of the Kwacha tended to have an expansionary and inflationary effect, as increased Kwacha earnings from metal exports had been fed into the banking system.[7] To make up for this depreciation of the Kwacha, since it further limited necessary imports, the government proposed 5,251 million Kwacha as budget expenditures for 1986, compared with the budget figure of 1,837 million Kwacha the year before. It was planned to cover a projected shortfall of 1,789 million Kwacha locally by non-bank borrowing and through overseas funds.

While these expenditures certainly further increased Zambia's 1985 record budget deficit of US$ 167 million, Zimbabwe, until 1985, failed to generate sufficient net savings to diminish its deficit. At independence in 1980, Zimbabwe's overall external debt, including undisbursed funds, was estimated at US$ 667 million. By the end of 1986, this figure had risen to almost US$ 2 billion. This severe burden of debt-service payments will push current account deficits to unsustainable levels. As a ratio of GDP, Zimbabwe's foreign debt has more than doubled, from around 20 per cent in 1980 to 50 per cent in 1985.[8] As a consequence, foreign currency shortages (despite the 1984 introduction of measures to reduce its outflow, and despite a 30 per cent allocation of currency in the second half of 1985) threaten to affect the recently recovered production in the near future.

In 1984, the balance of payments swung from a trade deficit of Z$ 115 million, in 1982, to an estimated surplus of Z$ 300 million which, after three years of drought, for the first time effected in a marginal current-account surplus. The depreciation of the Zimbabwe Dollar might also have contributed to this improvement. After a first devaluation in 1982, the Zimbabwe Dollar slowly depreciated from a Deceber 1979 currency index of 100, to 83.5 in September 1985.

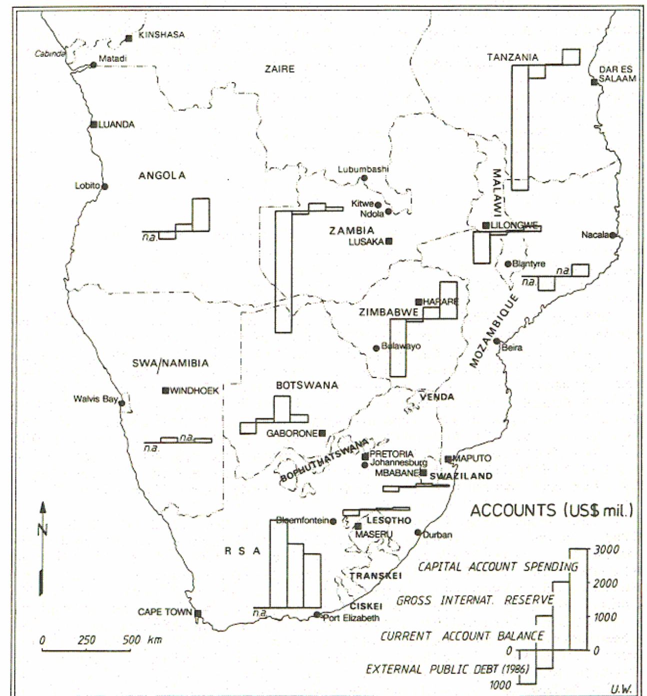
In contrast, the Tanzanian Shilling appreciated by 77 per cent between 1980 and 1983, reducing exports as major foreign exchange earner to unimportant levels and resulting in an active illegal market in foreign exchange. However, Tanzania countered inflation by again devaluating its currency, first by 20 per cent in 1984 and then by 25 per cent in the following year. Inflation in general was curbed in most southern African economies as a combined effect of devaluation, increased exports and limitations on government expenditures.

Still, sub-Saharan Africa will continue to remain dependent on multilateral debt agreements. Debt rescheduling will become increasingly necessary to ease the burden of debt and interest payments. 1985 calculations suggest that fourty-two countries in sub-Saharan Africa may owe up to US$ 135 billion - at least 50 per cent more than previously thought.[9] That means that 35 to 40 per cent of their export earnings may now be due to creditors, an

increase from 9 per cent in the mid-1970s.

Already in 1982, Malawi's debt service reached 22.8 per cent of its total goods and services exports, and of all SADCC-states, Zambia with 17.4 per cent lies second in line.[10]

Figure 17: Government accounts in southern Africa, 1985



Source: World Bank: World Development Report 1987, Washington 1987

4.4.2. South African foreign budget assistance

In contrast, new loans from the World Bank - which in February 1985 even established a special facility for sub-Saharan Africa - or from the International Monetary Fund increase Africa's debt burdens, while policy enforced devaluations limit necessary capital good imports. Even soft loans from SADCC's thirty-six cooperating partner governments and twenty-five international organizations, however, might compare unfavourably to the South African budget redistribution efforts.

Revenue from the Customs Agreement provides the member countries with high proportions of their annual budgets. During the 1984/85 financial year these transfers covered 24 per cent (R320 million) of Botswana's budget, 65 per cent (R151 milli- on) of Lesotho's and 70 per cent (R150 million) of Swaziland's budget. Namibia and the TBVC-countries are equally dependent on customs and excise transfers: Namibia's total revenue, estimated at R1,110 million for 1984/85, was supported with a R767 million financial injection from South Africa.

During 1984/85, South Africa's total budget expenditure amounted to R25.4 billion. Out of this budget, R1.5 billion or 5.9 per cent went as a development contribution to both self-governing and 'independent' homelands. However, this contribution constitutes only a proportion of South Africa's transfers, since it excludes compensational transfers:

Table 37: Sources of finance for TBVC-governments, 1984/85 (in R'000)

	Own generation and other loans	Development aid from RSA	RSA customs & other transfers	Deficit	Total
Transkei	209,418	165,528	251,427	627	627,000
BophuthaTswana	377,824	53,348	274,050	25,578	730,800
Venda	50,676	93,465	23,660	-	167,800
Ciskei	65,953	85,486	64,804	13,559	229,800

Sources: 1. Informationsdienst südliches Afrika, July 1984, p.5; 2. Department of Foreign Affairs: Brosjure - Hoofdirektoraat: Ontwikkelingsamewerking, Pretoria 1985

During the financial year 1986/87, South African direct financial assistance to the TBVC-countries had increased to R994 million, her transfer payments to R964 million, and the value of her technical assistance to R58 million. At the same time, the generation of own financial sources, with exception of BophuthaTswana, remained

fairly stagnant in real terms.[11] As a result, exaggerated expenditures by the TBVC-states - by the beginning of the financial year 1988/89 the overall commitment of the TBVC-governments and their agencies was estimated to be in the order of R5 billion - have to be financed, increasingly, through overdraft facilities and long-term financing.[12]

The most important own sources of the TBVC-countries are from income tax paid by persons, companies, mines and non-resident shareholders; general sales tax (GST) collected within the country; income from mining leases and licences; duties and fees; and departmental income, interest and dividends. However, these sources, together with loans raised on the South African financial market and guaranteed by the RSA government, contributed only one-third to the Transkeian budget. Even less important was income of this kind for Venda and Ciskei with 30 per cent and 29 per cent respectively. Only the BophuthaTswana government receives more than half of its reve- nues from internal sources, while the low level of Ciskei's budget coverage is due to the extensive tax holidays granted to the manufacturing industry. However, already during the 1986/87 financial year[13], South Africa paid the following amounts in the form of grants, services and assistance: to the Transkei, R524.7 million, to BophuthaTswana, R244.1 million, to Venda, R193.4 million, and to the Ciskei, R357.2 million.

South Africa's development-aid programme can be said to date from 1968 with the establishment of the Economic Co-operation Promotion Loan Fund. Administered by the Department of Foreign Affairs, the Fund received amounts that used to be paid to the International Development Association (IDA) or to bodies and funds of the United Nations. The first loan granted, however, was a 4 per cent soft loan of R8 million to finance the first phase of the construction of Malawi's capital, Lilongwe.[14] During 1986/87, the TBVC-countries received a total of loans over R66 million from the Economic Co-operation Promotion Loan Fund.[15] Initiated with a contribution of R5 million, by 1975 its loan budget already amounted to R55 million and rose steadily to R119 million during the 1987/88 financial year.[16]

In 1988, South African short-term credits extended to African

countries were estimated at about R550 million, with R120 million of this amount outstanding. In recent years and on different occasions, South Africa had also helped four African debtor countries - through arrangements concluded at the Paris Club - to reschedule R31 million of their medium-term debts.[17]

With the gradual expansion of the South African aid programme and particularly as result of the 'independence' of the Transkei and BophuthaTswana, the Committee for Economic and Development Co-operation in Southern Africa (Keossa) was created in 1979.[18] Originally manned by economists from BENSO - a subdivision of the Corporation for Economic Development (CED) - it was dissolved, subsequent to the disbandment of the CED in early 1984. From this date onwards, South African development assistance could be distinguished both by form and sources:

While statutory amount and budget assistance are still being granted by the Department of Foreign Affairs, distribution of loans and grants for more than a hundred projects contributing directly towards economic development, and totalling almost R200 million, had been taken over by the Development Bank of South Africa (DBSA). Since February 1984, the Bank's investments have been concentrated on the provision of technical assistance and training and on physical and other infrastructural projects, which do not generate an immediate capital return and are consequently less attractive for private investors. Examples of DBSA loans so far distributed are one R3.5 million contribution to Ciskei's Peoples' Development Bank, or three loans totalling R12.6 million for Transkei's traffic and electricity infrastructure.

The financial resources of the Bank consist of loans raised on the local capital markets with a R1,800 million liability of shares at call from the member governments, and an initial R200 million capital shares to be taken up by the five members between 1984 and 1989. By the end of 1985, R1,680 million of the total initial subscription had been committed by the South African government, of which it contributed R168 million as capital shares.[19] As at March 1987, the total number of projects in the bank's project cycle had risen to 611 with a total estimated bank loan value of R3,881 million, and an estimated total investment value of R5,197 million.[20]

Compensation for membership in the Common Monetary Area (CMA) presents the interests earned from circulating the Rand in the member states. Similar to the SACU Agreement, the TBVC-states are associated with the CMA (unlike the 'de jure' members) through bilateral agreements. Consequently, they do not participate in the annual meetings between South Africa, Lesotho and Swaziland, but instead manage their present and future monetary relations with the RSA and each other through their Multilateral Technical Committee on Financial Relations.[21] The CMA (formerly named RMU for Rand Monetary Union) linked all SACU members, between 1910 and 1974, before Botswana left the union at the time of the 1974 re-negotiations and established its own currency (Pula) in 1976. Although Swaziland and Lesotho also introduced their own currencies (the Lilangeni in 1974 and the Maloti in 1980 respectively), these are at a par with the Rand which is also legal tender in Lesotho.

According to the terms of the agreement, there is a free transfer of Rand within the area, while the local issues are legal tender in Swaziland and Lesotho only, but are fully backed by a Rand deposit at the South African Reserve Bank. Every South African financial institution has to hold prescribed government stock issues of up to 1.5 per cent for both partner countries. By this provision, the Swaziland and Lesotho governments gain assured access to the South African capital market. Within the monetary area there is free movement of funds, with the estimated amount of local Rand circulation as the basis for compensation payments. This compensation is the most-exactly measurable one of all RSA transfers, since the South African Reserve Bank calculates the CMA-compensation at a rate of interest, below the redemption yield on the most recent issue of long-term RSA stock.[22] However, this compensation is the smallest of all RSA transfers. In 1983/84, it did not exceed R6 million[23] to the Transkei as most important beneficiary among the TBVC-countries, while the BLS-states individually might receive a slightly higher share.

The amount of personal income tax to be transferred is far more questionable: incomes earned in the RSA by citizens both of the TBVC-countries and the BLS-states are taxed on the basis of South African tax legislation, while migrant workers from Malawi and

Mozambique are taxed in their home countries according to their governments' own arrangements. This policy dates back to pre-independence labour arrangements. Under Portuguese rule, for instance, the Mozambican government also received part of its migrant income taxes directly in the form of gold. Obviously, although the South African economy consti- tutes, in all three cases, the source of migrant incomes, it is argued that only incomes of BLS-migrants form part of South Africa's tax base.[24] While no redistribution is arranged for tax reductions from BLS-workers, the TBVC-governments receive certain payments as redistribution from South Africa's tax authority. During the 1983/84 financial year, tax compensation from incomes earned by Transkei's RSA migrants amounted to R50 million. Tax compensation repayments are delayed by two years due to the complicated calculation process. For 1984/85 the Transkeian government estimated the contribution of its migrant workers to the South African GDP as R3 billion, out of which it calculated 20 per cent or R600 million as direct taxable revenue (in contrast, income generated within the Transkei decreased from 75 per cent of total income in 1970 to 49 per cent in 1981, and has since declined further).

Consequently, taking into account only personal income taxes levied on TBVC-migrants, South Africa's 1985/86 tax compensat- ions, due to a 1983/84 income-tax growth of 32.6 per cent, allocated in Programme 3 of the Department of Foreign Affairs, amounted to the sum of R150 million. In 1985, this department took over the budgeting of compensation payments from the RSA tax authority, which had previously transferred the compensation via the Department of Foreign Affairs as deductions from income tax collections. However,

> *"... where the supply of labour to the RSA economy is the main economic activity of Transkei, transfers from SA are not only right and proper, but absolutely essential if the Transkei Government is to maintain, let alone expand, the social services which its population needs."* [25]

This holds particularly true in view of other tax losses, such as GST, to the South African economy, considering that Transkeians, most of them migrant labourers, spend about R400 million annually in the Republic. In order to counter these losses, employees from

Lesotho, Mozambique and Malawi have to send home a compulsory 60 per cent of their wages. Lesotho went even further and agreed with South African mine recruitment companies, that these should pay a fixed amount of money per contract worker to its government. With the fee far above R10 per worker, as it had been in 1975, this government income is not negligible in comparison with taxes, customs and aid.[26] However, such requirements do not exist in either the other BLS-states or the TBVC-countries.

On the same lines, a R2 million credit was granted to Mozambique, by South Africa, for the development of the Mozambican fishing sector, after an agreement was signed at the end of 1984 by South Africa's Minister of Environmental Affairs and Fisheries.[27] Other government loans issued in the past to projects abroad included a R20 million credit at 6 per cent interest for the construction of the Cahora-Bassa Dam, after agreement was given by the IDC and the Export Credit Finance Company SA in December 1969.[28] Other loans contributed to the Cunene project, to the railways connection between Malawi and Nova Freixo in Mozambique and to the, already mentioned, construction of Malawi's new capital. Malawi, however, as the only southern African state maintaining formal relations with South Africa, in return was, at one time, almost flooded with South African loans. Since 1964, Malawi has received MK 80,000 for its National Seed Company of Malawi, Mk 5 million for pur- chase and transportation of fertilizer, MK 190,000 for a wheat research project, MK 167,000 for upgrading of the Zomba Mental Hospital, MK 180,000 for grain silos in Lilongwe, MK 639,000 for telecommunication routes and the establishment of the Malawi Bureau of Standards; early in October 1985, the South African government credited another MK 1.1 million to Malawi Railways, which in the early 1970s had already received MK 19 million from South African Banks. These loans are nearly all on a super interest rate of 5 per cent per annum with long grace and repayment periods. In contrast, government loans to other African countries, still on a comparatively low interest rate of 10.5 per cent in 1985, aim to keep interest rates down while at the same time assuring against any political risks.

A semi-government economic assistance to foreign countries is provided by the Credit Guarantee Insurance Corporation, a

subsidiary of the parastatal, IDC, backed by South Africa's Department of Trade and Industries. In 1983, for example, Credit Guarantee insured certain credits of a few million Rand, given by South African exporters to government and private buyers in Zambia after bilateral negotiations between this institution and the Zambian government.[29] And in 1985, a loan over R100 million to BophuthaTswana's private sector was insured in the same way.

4.4.3. Financial exodus through foreign financial institutions

Financial aid is certainly not restricted to the government sector. Often, large finance houses assist social and infrastructural projects in South Africa's neighbour countries. The Anglo American Corporation and De Beers Consolidated Mines, for instance, starting in 1968, jointly paid a total amount of R100,000 to the University of Botswana, Lesotho and Swaziland at Roma/Lesotho. One year later, in September 1969, the South African Mutual Life Assurance Society (The Old Mutual) concluded agreements with Lesotho for one R210,000 loan to finance important extensions to the country's electricity supplies, and a second R143,000 loan to finance the purchase and initial operation of a private airline by the Lesotho Government. From Homes Trust, another South African company, the Lesotho National Development Corporation (LNDC) in the same year obtained a R120,000 loan to finance the erection of factory buildings.[30] However, most of these finance houses reschedule only a tiny proportion of the profits that they have gained through investments in the exploitation of mineral resources in the same neighbouring countries.

With a national reserve bank in the lead, which is responsible for the execution of national monetary policies, transnational and nationalized commercial banks lie at the core of any financial economic system. Since money is a fungible commodity, it is extremely difficult to monitor transfers between parent transnational banks and local branches, and between local affiliates and private and state agencies.

Standard Bank of South Africa, for instance - an affiliate of Standard Chartered since this British bank sold its con- trolling majority (from 50.3 per cent it dropped its holding to 41.9 per cent in February 1985) - has full branches in most southern African

countries beside Zimbabwe: Zambia, Botswana, Namibia, Swaziland (60%), Mozambique (33.7%), Malawi (25.5%) and Zaire (25.9%).[31] First National Bank (the former Barclays South Africa sold its share majority in 1986), via its British parent bank's (Barclays International) share- holders, conducts financial transactions with holdings, among others, in Zambia, Zimbabwe and the BLS-states. As Barclays International's largest single subsidiary, Barclays SA has the Anglo American Corporation (AAC) as its largest shareholder and biggest customer, since its parent bank helped finance the AAC at its birth.

Merchant banks, or accepting houses - specializing in the borrowing of temporary surplus funds - are usually geared to corporate needs and large account holders. Beside Standard Merchant Bank and the Merchant Bank of Central Africa, which in the 1970s were both still British subsidiaries, French Bank was established by the South African government as its first own merchant bank. Although ranking only twentieth and holding about 1 per cent of the assets of the top twenty South African banks, by 1976 it had already opened its office in Windhoek.

Discount houses, registered finance institutions, trust companies and, of course most importantly, building societies and insurance companies, constitute other financial links through subsidiaries and associates exercising influence in credit allocation and investment policy, and in activities connected to the secondary financial structure.

After 1980, the southern African states had formed their differing monetary systems, reflecting their present or aspired degree of economic independence and their commitment to state intervention in the economy. The banking and credit institutions of Tanzania, Mozambique and Angola are essentially state-owned, while those of Malawi, the BLS-countries and, of course, South Africa and Namibia are dominantly privately owned. More complex is the situation of ownership in Zimbabwe and Zambia. Although being, at least nominally, socialist countries, their banking sectors are predominantly in private hands. Zambia's banking communty is headed by the 98 per cent state-owned Zambia National Commercial Bank, with Barclays Bank next, followed by Standard Chartered and several smaller ones. In November 1970 the

government planned to acquire a total of 51 per cent of shares in all privately-owned banks; however, it failed to reach agreement on a management contract with their private shareholders.

Although boards of most foreign banks are headed by Zambians only Standard Chartered has a 10 per cent local equity.[34]

In February 1985, the Zambian government finally launched the African Commercial Bank as its first financial institution wholly owned by indigenous entrepreneurs. Similarly, other major financial institutions, such as the Zambia State Insurance Corporation, the Zambia National Building Society and the National Provident Fund are all run by the government.

In contrast, no nationalizations took place outside Zimbabwe's banking sector. Even then, the Zimbabwean government took only a 61 per cent stake in Zimbank through its purchase of Rhobank, the former holding of the South African Nedbank.[35] Assets and liabilities of Zimbabwe's banking sector, that is all deposit-receiving institutions other than the Reserve Bank, have grown quickly in real value between 1965 and 1977. Especially the foreign-owned banks played a pivotal role in the monetary system; in particular investment activities be- gan to grow in significance as a more important form of asset holding. Foreign-owned plantation interests and settler farmers contributed primarily to the high bank indebtedness from agriculture. Manufacturing, before 1980, was often in a similar position. By contrast, non-residents' deposits contributed a large portion of the stock of net surplus funds available for lending.[32]

When Zimbabwe achieved its independence in 1980, it had to prevent an outflow of these investments and deposits from the country. Consequently, the government imposed a twenty-year clamp on all foreign dividends and profits made by companies and institutions, which until 1984 had been freely taken out of the country. But this decision also affected many ex-Zimbabweans, particularly those receiving interest on properties they still own in the country, which they had been unable to sell at any profit because of economic circumstances.[33]

Similar to Zambia, a second indigenous smaller bank was re- cently established, although the government holds most interests in this Zimbabwe Development Bank. All other commercial banks remained

privately owned, predominantly Barclays Bank International and Standard Bank.

The prime reason for the establishment of purely state-owned development banks is the avoidance of frictions, which arose quite frequently in the past, whenever financial institutions attempted to impose their will on multinational political institutions operating in the same area.[36] Especially since the SADCC was established in 1980 and Zimbabwe joined the circle of IMF-recipients, it became necessary to provide for national financial instrumentations. Financial advantages for private commercial banks must be distinguished from advantages for the economy as a whole, since an optimal location of investments by private banks mightwell turn out to be sub-optimal for economic development as such.

Although, for instance, the establishment of the DBSA was

> *"... a logical institutional development in the process of giving effect to the policy of achieving a more balanced geographical distribution of economic activity in Southern Africa, and of decentralising the parti- cipation in decision-making on matters relating to that policy...,"* [37]

such a multinational bank could actually counteract its declared purpose of decentralization. The South African government ensured that decision power within the bank will remain in its own hand, by limiting basic votes to an equal share of 300 for each of the SATBVC-countries. Real power is being exerted via the 4,000 shareholding votes, which give South Africa an absolute voting majority of 2:1.

So far South Africa has not misused its voting dominance in the DBSA, but the Bank's main political purpose points in a different direction anyway: since only the 'independent' homelands are directly represented on its board, the DBSA serves as a built-in incentive to seek 'independence', so as to ob- tain greater benefits from the Bank's vast resources. The push towards 'independentization' of the tiny homeland of KwaNdebele, might, at least partly, be explained by this incentive.

> *"The same point can be made with respect to South Africa's strong diplomatic offensive aimed at drawing neighbouring countries into the Bank. This would provide a structure for South African economic domination of the region and prepare the way for links in other spheres. It would also provide legitimation for the bantustans: Venda*

would be much more credible if it were participating in an international organisation on the same basis as Mozambique." [38]

South Africa would certainly like to extend the DBSA's services into the Common Monetary Area for these political reasons. Namibia, in particular, might become willing to draw from the Bank's resources, which would probably prevent Namibia from leaving the CMA, even if she aligns herself politically with the SADCC-states after independence. Since there is no central bank governing a national currency in Namibia, and since all major banks - with the exception of the First National Bank, holding 50 per cent of total bank deposits at the end of 1983[39] - are South African subsidiaries, funds can easily be transferred to South Africa. Most of Namibia's loans have been raised on the South African money market. However, interest rates of her commercial and merchant banks in Namibia are above prevailing levels, owing to a 'political premium' required by the lenders, which results in prohibitive costs for the Namibian economy to service these loans. That these premiums are not justified, since the International Court of Justice in 1971 ruled all obligations and treaties as void, is revealed by the Republic's statement, that the South African Reserve Bank fully guarantees all loans. This in the event of a default would oblige Pretoria to pay interests equal to the double of Namibia's capital debts.

Similarly, before 1974, commercial banks in the BLS-states operated as 'de facto' extensions of the South African banking system. Legally, the two large banks in the three countries - Barclays and Standard Bank - were branches of their UK parent banks, but in practice they co-ordinated their business with their South African counterparts. Surplus funds were placed in Johannesburg and loans exceeding local deposits were funded from there.[40] Until 1969, these commercial banks, as well as South African insurance companies operating in the BLS-states, were not allowed by the Republic to invest any of the capital derived from their operations in these countries. The RSA also restricted the movement of funds from South Africa through special government permits.

In response to these restrictions, the BLS-countries set up their own Development Banks: the National Development Bank in Botswana and the Swaziland Credit and Savings Bank were both

established in 1965, while the Lesotho Bank followed later in 1972. Although their main purpose was to provide finance to indigenous undertakings and infrastructure, they were in the same currency union - whose foreign exchange rates were operated and determined in South Africa - which meant that their policies followed those of the foreign commercial banks. About 90 per cent of Swaziland's bank loans went to European-owned farms, thus subsidizing raw materials for South Africa. In Lesotho, for instance, much of the finance for a foreign-owned hotel was provided from savings of the Basotho in the Post Office Savings Bank. Furthermore, the international finance houses naturally tended to offer credit to European- owned capital-intensive enterprises in the BLS-states, rather than to locally-owned labour-intensive activities.[41]

Although substantial proportions of BLS-investments are still held in the South African capital markets, since 1974, Lesotho and Swaziland, in contrast to Namibia, may impose restrictions if there is a detrimental outflow of funds to South Africa. Financial institutions in Swaziland and Lesotho are required to invest a portion of their funds locally. Furthermore, provision is made for exchange control, should Swaziland or Lesotho wish to sever links between their own currency and the Rand. In all other respects, the CMA-agreement did not change relationships materially. Given the full Rand backing of local currency issues, the central banks of Swaziland and Lesotho cannot create additional money as other central banks can, consequently remaining subject to South Africa's interest rates, its exchange rate, but also to its inflation rate.

By contrast, the Rand is no legal tender in Botswana; Rands accepted in payment are returned to the South African Reserve Bank for credit to Botswana's account with the Bank. A portion of its foreign exchange reserves is held in Rands. The country has its own exchange controls, but coordinates these with the Republic's control system.[42] Botswana, with its floating currency, is in the most advantageous position, since the Pula appreciated against the Rand in 1984. Despite continuing price inflation in South Africa, this appreciation had the effect of reducing the Pula cost of imported goods. However, Botswana's earnings from exports are mainly in the form of freely convertible currencies. Certainly, a greater part of these foreign currencies is eventually converted into Rands, in order

to pay for imports, but the Bank of Botswana can, in the mean- time, invest these earnings in currencies of its own choice:

"Botswana, therefore, has greater freedom in its foreign exchange reserve investment policy than it would have if exports to South Africa were greater." [43]

This situation contrasts sharply with that of Lesotho, which would still earn the largest part of its foreign exchange in Rand, if it were to withdraw from the CMA.

4.4.4. Fiscal dependencies in an imbalanced economic grouping

Before formal agreements were reached in 1974, monetary integration resulted in three major economic disadvantages for Botswana, Lesotho and Swaziland:[44] First, South Africa's monetary policies, such as devaluation or revaluation of the Rand, affected their economies, without the BLS-states being consulted prior to any monetary decisions by the Republic. Second, the BLS-countries received no income from the foreign-exchange reserve accruing to the RSA, although the Rand currency circulated in their countries. And third, the three states were unable to control the outflow of capital funds generated by South Africa's economic activities.

Since the RMU-agreement in 1974, Swaziland and Lesotho may now introduce new measures for the mobilization of domestic resources in the interest of local development. However, in return, the high and variable South African interest rates of the 1980s, essential to the Republic's anti-inflation policy, are unfavourable for capital formation and economic development in the CMA-countries. In 1980, for instance, unilateral abolition of the import surcharge in 1980 by South Africa - together with large price increases in petrol - resulted in much lower increases in customs revenue allocated than the relevant increase of calculated BLS- and TBVC-imports suggested.

The financial advantages for the BLS-states in their membership of the Customs Union are also questionable for other reasons: on the one hand, membership in SACU improves conditions for investments of foreign capital - particularly in Botswana's mining sector - since the necessary capital goods can be imported from South Africa without any major restrictions.[45] On the other hand,

compared to a situation in which the BLS-countries would import goods from overseas, thereby increasing pool incomes, the pressure to 'buy South African' decreases the basis for the common customs, and also the revenue pool.

However, it is not the subsistence sector, in any of the 'de facto' member countries, that benefits from its concentration of revenues in government hands, but an internal class consisting of government officials, traditional chiefs, indigenous entrepreneurs and capital-intensive estate farmers.

Extremely biased income distributions - particularly in Botswana where 45 per cent of all households live below the minimum subsistence level - deteriorate further due to the adaption of the BLS-economics to the relative South African price structure. Adoption of South Africa's regressive taxation accelerates the consumption power of social groups with high incomes. On the other hand, to counter this situation, introduction of taxes onluxury goods in the BLS-countries would result in a further outflow of capital since luxury goods would be purchased in the RSA, or Rands smuggled across the border into South Africa to avoid exchange controls.

The lack of exchange controls permits a free flow of funds from South Africa into Swaziland and Lesotho and provides security for the backward remittance of profits and dividends. This should, in theory, encourage investment by South Africans in these two countries.

In practice, however, the flow of funds has tended to be in the other direction, especially in the case of Lesotho:

"This comes about both because of the greater effective demand for funds in the core than in the periphery, and because the structure, criteria and 'modus operandi' of the financial institutions are adapted to the circumstan-ces of the core rather than of the peripheral economy." [46]

Additionally, the government's policy was to increase the openness of Lesotho's economy: partly as a result of bargaining with South Africa, established capital restrictions controlling the lending of funds on the South African money market were lifted in the 1970s. In 1975, Lesotho lent out more money than ever before to the development of the South African economy.[47]

One of the major disadvantages of Lesotho's economy is its permeability. In 1982, it was estimated that every Rand spent in Lesotho was worth 80 cents to South Africa. In the 1960s, this fact was of little significance except for a few South African border towns, but by the late 1970s vast amounts of money were pouring from Lesotho into the South African economy. As a result of cross-border business, commercial activities in Ficksburg/Orange Free State, for instance, expanded by 25 per cent in 1978.[48]

Table 38: Ratio of GNP to GDP of the southern African economies, 1985 (US$ at current prices)

Country	GDP[1]		GNP[1]		Ratio
	total(mil)	per capita	total(mil)	per capita	GNP : GDP
Transkei	726	248	1548	446	2.1
BophuthaTswana	600	345	1182	595	2.0
Venda	122	265	222	440	1.8
Ciskei	197	263	411	507	2.1
South Africa	67,710	2,083	65,320	2,010	1.0
Lesotho	230	150	730	477	3.2
Swaziland	356[2]	565[2]	490	650	1.4
Namibia	1,250	1,041	1,000[3]	2,045[3]	1.3
Botswana	970	898	900	840	0.9
Zimbabwe	4,530	546	5,450	650	1.2
Malawi	970	137	1,160	163	1.2
Zambia	2,330	349	2,620	392	1.1
Tanzania	5,600	260	5,840	270	1.0

Notes: [1] GNP comprises GDP plus foreign factor incomes accruing to residents less income earned in the domestic economy accruing to persons from foreign countries [2] 1984
[3] Figures based on tentative calculations at factor cost by the Department of Finance/Namibia

Sources: *World of Information: The Africa Review 1988, 12th Edition, Saffron Walden, United Kingdom 1987*
DBSA: SATBVC Countries - Statistical Abstracts 1987, Sandton 1988
Africa Institute: Africa Insight (Pretoria), Vol.17, No.4, 1987

The massive export of labour from most of the southern African black countries clearly has a number of implications in the field of public finance. No government remittances are made in respect of GST collected on purchases made in South Africa by homeland residents. On the basis of 1980 figures, NATRASS[49] calculated that, had GST been 10 per cent in 1980 and been transferred to the national states - both 'independent' and self-governing - the effect of

this transfer would have been to double the amount of public-sector funding in those areas for that year. Migrant workers typically remit only between 20 and 25 per cent of their earnings to their families, needing the remainder to support themselves at their workplace. This means that the potential tax base of the 'independent' homelands is, in fact, very much smaller than their Gross National Product (GNP) would lead one to believe.

Table 38 above compares GNP to GDP of the five countries, which are most dependent on the South African economy, with other southern African countries. Dependency of the TBVC-countries (with the exception of BophuthaTswana) increased parallel to the decline of their GDP growth rates, while the GNP growth - remittances from migrant workers staying in the Republic are responsible for most of the difference - remained constant after 1981.

Still, tax revenues, especially those which are entirely under the control of the receiving states rather than those shared with the confederal government, are superior to grants. If funds are received as grants from some central authority, the community tends to increase expenditure as far as possible, since the level of expenditures does not directly affect the burden which the receiver countries have to bear themselves.[50] While it is normal government budgeting procedure to estimate the level of government spending and then to raise revenue through a mix of taxes and loans, this process is 180 degree reversed in the case of the TBVC-countries: first some estimates have to be made of what funding the 'independent' state believes the RSA government will make available to it, then expenditure levels may be budgeted accordingly.

Consequently in 1984/85, if direct aid and bilateral agree- ment payments are taken together, 67.6 per cent of the Trans- kei's budget, 48.3 per cent of BophuthaTswana's, 69.8 per cent of Venda's and 71.3 per cent of Ciskei's budget came from these sources. Furthermore, these figures exclude loans raised on South Africa's private capital market.

Beside factors such as delays in the approval of projects by South Africa, the effective absorptive capacity might have played a role in the fact, that a relatively large amount of capital allocated in the

Transkei budget was unspent at the end of 1980/81.[51] As a rule it is valid that

> *"... when an economy is at a very low level of development its major economic characteristic is its inability to make full use of the other economic resources that are available to it. At this stage of an economy's development, the rate of economic growth cannot be increased by merely pumping in additional capital resources as the economy may not have the capacity to absorb them."* [52]

Yet the absorptive capacity of a developing country is not fixed; even in the short-run it depends on the financial and skilled manpower resources of the country. According to growth theorists, there exist three classes of factors constraining their rate of economic growth:

- Absorptive capacity constraint;
- Capital constraint, reflected in terms of either a shortage of savings or a shortage of foreign exchange; and
- Manpower constraint.[53]

Particularly shortages of manpower at the professional and technical levels, force the African governments to concentrate their investment funds in relatively large, centralized projects. As a result, the smaller, geographically-dispersed development projects, which are most needed among the large poorest segments of the community, are usually omitted.

In comparison to the TBVC-countries, and in the face of its own utter dependence, the Lesotho government 'bravely' persis- ted in denouncing South Africa's separate development policy at every opportunity. For instance

> *"... the Lesotho Government took advantage of Transkeian independence to validate its anti-apartheid credentials, and to use the alleged stockade of its borders as a means for increasing the flow of foreign aid."* [54]

This madness had method and success: technical assistance, capital loans and grants, and food aid swelled from a total of US$ 48.6 million in 1977 to US$ 220 million in 1982[55] - most of which was disbursed on astonishingly generous terms - and made Lesotho one of the largest per-capita aid recipients in the world. Foreign aid in 1983 accounted for 60 per cent of Lesotho's development funds. Curiously enough, many of Lesotho's major donors are those

western nations most deeply committed to the South African economy.[56]

Although Lesotho's policies obviously alarmed the South African government and caused some retaliatory political and military action - and the overthrow of its government in January 1986 - South Africa came to recognize the essential political independence of Lesotho. In turn, Lesotho reconciled itself to its essential economic dependence on South Africa. Both countries do quite well with this development policy; as a teacher from the National University of Lesotho put it:

> *"We may live in the armpit of South Africa, but it's a comfortable armpit."* [57]

Notes and References:

1 Regional Investment (Randburg), August 1984, p 4.

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5. Viability of southern Africa's economic groupings and their vulnerability to South African sanctions

As a result of the investigation into economic interdependencies between South Africa on the one side, and her 'independent' homelands and souvereign neighbor states on the other, following figure indicates, that all dependencies upon South Africa are, in fact, of an asymetric nature, except for the sector of water and hydro-electricity provision. It also shows both an increase of interactions following the production factors of natural, human and capital resources, and a decline of the degree of dependency of the neighbor states along the decrease of proximity to the South African core economy:

Table 39: The degree of economic dependency from South Africa, by country and sector

Country	Agriculture	Mining	Water	Housing	Employment	Technology	Transport	Industries	Trade	Finance
Venda	+	-	*	*	+	*	*	*	*	*
Transkei	+	-	=	*	*	*	*	*	*	*
Ciske	+	-	=	*	*	*	*	*	*	*
BophutaTswana	-	*	+	*	+	*	*	*	*	+
Lesotho	-	-	=	+	*	+	*	*	*	*
Namibia	+	*	+	+	+	*	*	*	*	*
Swaziland	*	-	+	+	+	*	*	*	*	*
Botswana	-	+	=	+	+	*	*	*	*	+
Zimbabwe	+	+	=	+	-	*	*	+	+	-
Mozambique	-	-	+	-	*	+	=	-	+	+
Malawi	-	-	-	+	+	+	+	-	-	+
Zambia	-	+	-	-	-	+	+	+	+	-
Zaire	-	+	-	-	-	+	+	-	+	-
Angola	-	-	=	-	-	-	-	-	+	-
Tanzania	-	-	-	-	-	-	-	-	-	-

(right margin, top to bottom:) + Economic Dependency -

(bottom, left to right:) - Degree of Interactions +

Note: * vulnerable + sensitive - negligible = mutual

Major breaks in the degree of dependency upon the South African

economy can be observed between the SACU-countries and those of the remaining SADCC-members in the highly integrative economic sectors, while there also exist differences between the SADCC-states and the remaining PTA-members (including Angola as non-member), and between the TBVC-countries and the BLS-states in the dependency of the former on South African financing and providing of housing and community services.

These breaks in the degree of dependency along the membership within the various economic groupings of southern Africa warrant the distinction according to economic groupings in the following investigation on the southern African countries' vulnerability to South African economic counter-sanctions.

All southern African countries, with the exception of Angola and Mozambique, in one way or the other have integrated their economies with those of neighbouring states:

The oldest market integration, dating back at least to the year 1910, is the Southern African Customs Union (SACU). As will be shown, this economic grouping is presently also the only one which, in the medium-term, is likely to disintegrate.

South Africa is part of a second grouping - its internal Economic Community of Southern Africa (ECOSA). Although - due to 'independentization' of some homelands and to the self-governing status of the others - the South African territory has certainly become politically fragmented, since 1976, eco- nomic integration in terms of trade and capital movements has flourished.

The Preferential Trade Area of Southern and Eastern African States (PTA) is a fairly recent market integration scheme which, until end-1988, was ratified by fifteen of its twenty proposed member countries. The PTA constitutes the most active economic grouping working towards a free trade area, through market integration.

By contrast, the Southern African Development Co-ordination Conference (SADCC) does not aim to integrate any markets, but rather constitutes an interest union, which cooperates in the establishment and improvement of infrastructure, agriculture and industries. Consequently, Angola and Mozambique, so far the only SADCC-countries apart from Botswana, which have not integrated

their markets by joining the PTA, thus keep the SADCC as their only union connection. With regard to bilateral agreements, the Nkomati-Accord between Mozambique and South Africa opens up only a few initiatives towards economic and political cooperation; and the Lusaka-Agreement with Angola is restricted to political and military fields of application.

The four groupings - ECOSA, SACU, SADCC and PTA - overlap variouslyin different countries and development sectors, sometimes competing for the membership of in-between states.

Therefore, considering these difficulties and the various conditions of economic vulnerability of their particular mem- bers, how viable are these groupings, and what prospects do they hold in case that the South African government retaliates against increasing western economic sanctions by imposing certain counter-sanctions upon the neighboring SADCC-countries?

This question becomes even more urgent, when one considers, that most nations have resisted economic sanctions, when these constituted large international campaigns in pursuit of ambitious 'high policy' goals. Economic sanctions achieved some partial successes only where a small, weak, target country was confronted with overwhelming force by a relatively strong sender (South Africa's own sanctions against Lesotho, in 1986, are an obvious example), or where the aim was limited and modest, with pressure applied by a powerful ally.[1]

5.1. Economic Community of Southern Africa

The viability of the South African homelands or, rather, national states, is minimal both in political and economic terms. As an integrative system, however, ECOSA may play a certain role in the distribution of economic opportunities.

While the original development approach, envisaged by the Tomlinson Commission in the mid-1950s, was based on a balanced and comprehensive approach, its operationalisation was, however, only partial and never led to a well-balanced development effort. Instead, the development emphasis, until the beginning of the 1970s, was placed upon the development of political and administrative structures. Economic goals such as diversification

and increasing production in agriculture, mining and industry, creating job opportunities and raising income, did not receive nearly the same priority as the other two objectives, because

> *"... the implemented procedure of separate development was not originally a development policy, but a policy to safeguard white interests; and its conversion into a development policy failed to plan for a just distribution of resources, in fact, even failed to visualise the nature and extent of future distribution."* [2]

The four complexes of: extreme economic underdevelopment, explosive population growth, structural financial and political dependence on South Africa, and territorial dispersion and dismemberment, constitute the decisive economic constraints against any lasting success of Pretoria's homeland policy. The argument which points to BophuthaTswana as a model of wealth is not valid. Had South Africa known the whole scope of Bophutha-Tswana's platinum richness at the time of granting political independence, it is at least questionable whether the South African government would have given her the opportunity of independ-ence. Ciskei, the homeland which took the most extreme course in pursuing industrialization policies, made one right move, by totally abolishing company taxes on the one hand, and all direct financial incentives on the other, since this deters rucksack-companies, leaving only the viable firms.

However, Ciskei still has to follow extreme low-wage policies in order to attract industrialists, leaving many employees' families to exist below the minimum subsistence margin. Finally, Transkei and Venda theoretically have a certain agricultural potential[3] and a high absorptive capacity for capital, which is needed to re-attract the present high numbers of migrant workers, who have been drawn into South Africa's economy. In Transkei, for instance, there definitely exists a great potential for timber exports into South Africa (30 per cent of Transkei's area could be afforested), since demand increasingly outruns supply.

However, outward-orientated development policies of export growth are only viable, once a level of national market saturation is reached. This is certainly not the case in any of the homelands with regard both to food and consumer goods. Proclaiming the export of commercial agricultural products as 'strategic activity' in the process

of Transkei's agriculture would be difficult to justify, since at least 50 per cent of the maize consumed has to be imported.[4]

But South Africa's role as the sole trading partner actually increases the homelands structural financial dependence on the Republic. Consequently, both governments and private sectors find themselves with little freedom of action. Furthermore, most homelands' labour, as well as their political, laws preclude the emergence of the differentiated institutions appropriate to development. Labour unions, political parties operating with the usual freedoms, and even business associations and corporations are either barred, constrained, or function only under the aegis of paternalistic oversight. The homeland governments naturally fear that such organizations will become politicized and used to mobilize forces of change. Yet such institutions are a natural product of and stimulus to further development. Consequently, their absence must work against any long-term development of the homelands. Although only the 'independent' homelands are allowed to pursue national labour policies, this situation may also arise for the self-governing homelands, except that their leadership problems are aggravated by the total dispersion of their territories.

A multitude of consolidation proposals had been put forward by both South African black and white politicians and researchers, and from overseas. Unacceptable proposals, such as a 'National Communication Artery' connecting BophuthaTswana's seven dispersed regions[5], or the recognition of the larger South African black townships as 'city states' usually clashed with the opinion of black homeland leaders, who urged a consolidation of the vast white hinterland to comprise the whole of Natal and most of the Transvaal except for the PWV-area. Subsequently, in 1979, the South African prime minister indicated his preparedness to grant land over and above the 13.7 per cent quota for blacks laid down by the Trusts and Land Act, and allowed for certain previously excluded white towns to be incorporated into neighbouring homelands (most notably Mafeking into BophuthaTswana).[6]

However, the potential magnitude of the financial cost of realizing any far-reaching consolidation exercise - together with other political and economic considerations - soon resulted in an apparent policy

shift, when, in May 1980, the government decided that

> *"... the economic development of the homelands now required that the economic structure of South Africa would have to be examined on a regional basis, in which case a given proportion of land might fit neatly into a regional economic structure without being consolidated into a homeland."* [7]

In the meantime (November 1979), at the Carlton Conference in Cape Town, the Honourable P. W. Botha had expressed his idea of a constellation of states:

> *"The concept 'constellation of states' does not primarily denote a formal organisation, but rather a grouping of states with common interests and developing mutual relationships, and between which a clear desire to extend areas of co-operation exists ... Co-operation will have to be voluntary and will have to grow naturally and organically from within."* [8]

Subsequent reports indicated that this constellation idea might take concrete forms in the shape of a confederation in terms of government plans for a new constitutional dispensation. Although grand designs of consolidation were consequently dropped, the idea of a confederation actually eased the way for homeland leaders to vote for political 'independence', especially in view of the promise of a common nationality for the 'independent' black citizens.

Consequently, after the Carlton Conference, Ciskei's chief, Lennox Sebe, laid down conditions for Ciskei's political 'independence', among others, the verification of the 1975 consolidation proposals, the possibility of a confederation with associated citizenship, and annual payment of certain funds to an independent Ciskei. Although South African promises of a common citizenship had not been fulfilled, KwaNdebele voted for 'independence' to be granted in December 1986. The reason for this move towards political 'independence' by a homeland, which did not even exist in 1976, is the desire of the black political elite to constitute a self-expressing force in the South African nationalism. Here they are supported by large segments of the homeland population, who, after decades of political and cultural insignificance, accept this platform for political argumentation and action.[9]

This leads to a further point that, to the extent that the homelands accept greater autonomy or even advance to 'independence', it is

the hope of the South African government, that restoration of a politically-united multiracial South Africa will become more difficult:

> *"Thus while progression by a homeland to independence need not in theory constitute an irreversible step, it is trusted that the bureaucratic momentum of the various state apparatuses, as reflecting the entrenchment of the class interests of the locally dominant strata, will lead to the bantustans acquiring a permanence not easily dislodged. The reluctance of the bantustan ruling groups to surrender their political autonomy, once gained, is obviously a factor upon which the Republican authorities place much weight, and one which underpins their eagerness to devolve even an unrecognized independence upon the homelands."* [10]

The variety of economic problems both independent and self-governing homeland are encountering, clearly shows that they were never destined to become serious independent members of the international community. Although compared with other countries - few of which today meet the criterion of viability in classical terms - some of the homelands, such as BophuthaTswana, Transkei or kwaZulu, can certainly be considered at least as viable as many other states in the world community. Within Africa itself, at least fourteen states have a smaller area than Transkei, and less than ten black African states boast a GNP per capita which is higher than that of BophuthaTswana.[11] However, it is the fact that South Africa tries to exclude large segments of its black population from its national wealth by secluding former reserves, that excludes any foreign recognition of their political independence. If there ever were any grand designs (such as KaNgwane's and Ingavuma's incorporation into Swaziland, or QuaQua into Lesotho) of joining homelands with their ethnic neighbours, these too, consequently, could not meet with any international acceptance.

Whatever the early conception of the homelands future was envisioned to be, today few leading members believe that the classic status of 'independence' could or ought to be attained by these homelands. Although BophuthaTswana still pursues the 'Holy Grail' of independence[12], these attitudes must be seen more in the light of a preparation towards a South African confederation. With the leaders of kwaZulu, Lebowa and Gazankulu openly rejecting any severance of their respective homelands from South Africa, and Chief Matanzima's declaration of his desire to re-establish Transkei's

claims of its historical ties to South Africa, the proclamation of ECOSA as successor to the defunct CONSAS is definitely geared towards a closer South African grouping of a federation.

The outcome of any future political government decision is more unclear than ever. Although, by 1989, four homelands are 'independent' (and six self-governing), the establishment of Regional Service Councils, the exorbitant budget deficits and the 'de jure' exclusion of the homelands from the Customs Union, all point towards the political solution of a federa- tion in the long-term.

In the meantime, however, the TBVC-countries remain very vulnerable to the effects of a possible contraction of the Republic's economy. The western countries must, invariably, direct their sanctions also against the TBVC-states, which they only accept as part and parcel of the South African territory.[13] Even under the present condition of limited sanctions imposed since the Soweto incidents, in 1976, there has been a net outflow of capital, thus limiting the South African economy's annual growth rate to the range of 2 to 3 per cent.

The South African government calculates that it requires a minimum growth rate of 5 per cent[14] to absorb the more than 300,000 new annual ntrants into her labour force, not to mention the high number of unemployed labour in South Africa (estimated at 25 per cent of her 12 million labour force). DAVIDS mentions South African economists who estimate the maximum impact of a complete foreign investment ban as a further reduction in GDP of another 2 to 3 per cent. This

> *"... would roughly translate into a maximum of 100,000 to 150,000 jobs directly foregone due to the investment ban. This number would be dramatically inflated if combined with trade sanctions or accompanied by instability in the gold price. In addition, there would be a multiplier effect which could double the impact."* [15]

The South African government, certainly, feels no desire to retaliate against her own 'children of thought', since it is interested in proving the 'independent' homelands economically viable. However, in case of such comprehensive sanctions im- posed by the western world, the Republic would have to divert growing unemployment among her black township, and rural, labourers by substituting them for

TBVC-migrants and commuters, especially within the unskilled professions.

5.2. Southern African Customs Union

The BLS-states - together with South Africa as the only 'de jure' members of the SACU-Agreement - are comparable to the TBVC-countries both with regard to the size of their domestic markets and (at least when compared to Venda and Ciskei) the size of their populations. They are in a far worse position than the 'independent' homelands because their development is not viewed as a matter of political and economic importance by the RSA. However, this fact may have been overcome by ten years of independence, which has evidenced substantial efforts to transform their economies. While the TBVC-countries' more passive dependence has only evolved during the past few years - with the partial transformation of budgetary into project assistance - towards a kind of active, developmental dependence, the BLS-states enjoy

> *"... a wider range of political action and social freedoms and this in turn opens the way to a greater range of economic opportunities and to foreign economic assistance and investment ties."* [16]

Unlike the homeland chief ministers, the leadership of the BLS-countries has the capacity to identify national interests, and within their constraints of dependence, pursue development strategies via means of their own choosing. Constraints of de- pendence exist for all BLS-states, although they differ extensively between the three countries: while Botswana's economy depends on South African diamond mining, in Swaziland it is the commercial agricultural sector that is heavily governed by South African and overseas expatriate decisions. Finally, the principal characteristic of the Lesotho economy remains that of a labour reserve for South Africa's mines and farms.

In contrast to the 'independent' homelands, all three of the BLS-states are landlocked, with Lesotho actually being state-locked. Still, their economic growth was at least on a par with that of the homelands, despite missing South African assistance and even despite her severe industrial competition. Not taking the homelands' inflation and population growth into account, their real incomes, on a per-capita basis, probably rose by only 2 to 3 per cent annually up

until 1982. At least Botswana's and Swaziland's economic growth compared favourably with these figures, while Namibia and Lesotho both display a higher structural economic dependency on South Africa.

The SACU payments for the 1987/88 financial year, while having only a 17 per cent proportion in Botswana's budget, amounted to 40 per cent of Lesotho's and 42 per cent of Swaziland's budget.[17] However, the total of these transfers was only two-thirds of the amount that the TBVC-countries received.[18]

Renamo's interruption of Swaziland's important export connection to Maputo, and the construction of a rail link to Richards Bay, actually increased her dependency on South Africa. On the other hand, South Africa's claim on the string of small islands extending in front of Namibia's coast south of Walvis Bay - thus severely limiting independent Namibia's exclusive economic zone for fishing and mining - and on Walvis Bay itself, the only Namibian deep-water port, not only restricts Namibia's economic viability after independence, but has, so far, also deterred Botswana from establishing a railway connection.

Now that the Botswana government has, in principle, accepted a trans-Kalahari connection line between Serowe and Dolfynstrand, prospects for both interstate trade with Namibia and linkage to the EEC markets look much better. However, establishment of this rail link depends on several factors, the most important one being Namibia's independence and the subse- quent surrender of Walvis Bay by South Africa, because it is planned to establish Dolfynstrand - though not as a port, but to consist solely of a stacker-reclaimer and a conveyor belt for coal transport to the ship terminal - on South African soil near Walvis Bay. However, if exploitation of the 300 million ton Kgaswe coalfield near Serowe proves viable, such territorial claims may decrease in significance. The simple reason is that Shell and BP - the two large British companies which are also dealing in Namibia's oil supply trade - are currently deeply involved in Botswana coal exploration.

Botswana's dependence on one single South African mining corporation, De Beers, is great. Even if the mining companies and the abattoir were excluded, in 1980, nearly 300 foreign firms

accounted for about 40 per cent of Botswana's value added and employment in the private sector. However, mining is the one area, in which Botswana is less vulnerable, in that dependence on diamond production is mutual, due to high capital investments by De Beers. Whenever, in order to reduce the supply on the diamond market, De Beers chooses to reduce production in Botswana or demands to stockpile diamonds, it nevertheless generates public finance and foreign exchange.

Development is defined as a combination of economic growth and structural change. The BLS-states, therefore, have exper- ienced a higher economic development than the TBVC-countries, with more substantial structural changes, due to their lesser degree of labour and planning dependence on South Africa.

The labour force in Botswana is being radically transformed as it moves out of traditional agriculture into mining and other jobs. On the other hand, distribution of national incomes is very imbalanced. While the problems - 45 per cent of worktime unused, severe poverty and inequality - grow more serious with the rising labour force, an awareness of these problems is also growing. Increasing education and urbanisation threaten to bring these problems to crisis point.[19]

Political actions also influence Lesotho's relation with South Africa. Following the overthrow of the Lesotho government of Chief Leabua Jonathan by the pro-South African military echelon in January 1986, a further strengthening of economic ties within SACU could be expected. Good relations with South Africa will become increasingly important, because, already in 1978, 50 per cent of Lesotho's migrants were landless and, consequently, without a local source of income. Of the remainder, however, only two per cent of the families were regarded as deriving an adequate income from agriculture - indicating the very wide gap between the estimated poverty datum line and the estimated income from raising crops at the prevailing level of production. These missing incentives left almost no permanent core of able-bodied male labour in Lesotho leaving the decision-making to females on about 70 per cent of all Basotho farms.[20] On the other hand, overseas development aid might be seriously diminished, thereby reducing Lesotho's main sources for

capital expenditures. Foreign development aid also constitutes the main incentive for Lesotho to remain in the SADCC, although direct advantages accruing from membership in this grouping are few.

At the same time, economic decision-taking groups in Swaziland think of leaving the CMA because of the politically-induced low value of the South African Rand. This move would create some additional costs for a national exchequer, but would put Swaziland into the same advantageous position as Botswana, since most of Swaziland's exports also go overseas. This severance of Swaziland's national currency, however, will depend on the loyalty of the expatriate decision-making group:

> *"Internally, the country is dependent on a few foreign-owned and foreign-run establishments for most of its industrial and commercial agricultural production. Expatriates run 40% of the land as freehold land (TDL), comprising farms and estates, which account for 60 per cent of total agricultural output. Export trade is largely in the hands of foreigners and even the distribution system and most of wholesale and retail trade, at least in urban areas, is controlled by foreign-owned enterprises."* [21]

Furthermore, the expanding tourist sector is almost entirely in the hands of expatriates, while the country also relies heavily on foreign professional and technical manpower.

On the whole, each government of the BLS-states sees an ad- vantage in staying in the Customs Union. Whatever the political outcome of Namibia's independence, its future government will certainly be pragmatic enough to alter the present forced membership into a factual one, although probably only into the medium-term future, because Namibia's subsequent transport connections to Botswana and Angola could make it additionally feasible for Botswana and Namibia to leave the SACU-agreement without too severe damage to their trade structure.

So it may well happen that South Africa, by giving political independence to Namibia, will have to accompany this with ad- ditional incentives or, even better, with a real development approach, in order to keep the Customs Union together. Other- wise it might end up with an inner Customs Union comprising 'de jure' South Africa, Swaziland and Lesotho and including 'de facto' the TBVC-countries.

However, under conditions of a South African contracting eco- nomy, the SACU may in the medium-term future shrink even further. The costs of sanctions imposed on the South African economy are likely to be heaviest for the SACU-member states:

> *"This is both because of their close integration with the South African economy so that any decline in it could affect them adversely, and because their dependence provides South Africa with a weapon that can be used to fend off, or retaliate against, sanctions."* [22]

Although Lesotho is the country that is most dependent upon the South African economy in every respect (particularly in terms of wage remittances and trade connections), its recent political and economical convergence with South Africa makes it an unlikely aim of South African retaliatory steps. Swaziland is also too tightly integrated within the South African economy to be considered a target for her counter-sanctions.

Both countries, however, will feel the effects of a decline in South Africa's employment opportunities and trade incomes. On aggregate, their unskilled mining labour and workers in the other sectors of the South African economy, in 1986, amounted to more than 60,000 workers, or 35 per cent of the total BLS migrant-labour force in South Africa. For this group, migrant labour remittances of roughly US$ 100 million would be at stake. There will be problems generated due to these declining migrant remittances; especially in Lesotho, where migrant remittances, in 1986, constituted more than 50 per cent of its GNP. Clearly, the capacity of the labour-supplying countries to absorb returning migrant labourers is also low and, in the short-term, there are likely to be fairly serious economic and, in some cases, political problems.

By contrast, Botswana may leave the Customs Union under sev- ere pressure both politically (from its SADCC-members) and economically (due to decreasing returns from the SACU-pool), and thus lay itself bare to South Africa's counter-measures.

The actual extent of a South African retaliation may depend on how far the BLS-states were exempted from sanctions, how effective the sanctions were in practice, and on the relative strategic value placed on the different states by South Africa. If sanctions were of limited success in terms of damaging the South African economy, her gov-

ernment might well try to export the cost of sanctions to the BLS-states in order to pressure the sanctioning countries to change their policies. If, however, sanctions combined with internal unrest proved to be very effective, South Africa might well close her borders.

To facilitate the analysis of an impact of sanctions against South Africa on the SADCC-states, DAVIDS[23] compared two szenarios of limited sanctions (25% effectivity) and of com- prehensive sanctions (50% effectivity):

If limited sanctions contributed to keeping the value of the Rand depressed, then imports from outside the Customs Union became more expensive. To the extent that imports were irreducible, they would lead directly to inflation inside South Africa, which would then be transmitted via trade to the BLS-states. Because of imports increasing in relative price due to the depreciated Rand, reliance on South African goods would increase even further; and because of the high level of pro- tective tariffs, the costs to the BLS-states would be higher than if they were outside the Customs Union. Furthermore, fewer imports would mean a reduction in Customs-Union revenues, which would contribute to serious budgetary problems in all three states, mainly in Lesotho and Swaziland. Consequently, while South Africa continued to benefit from its association in the SACU and CMA, the BLS-states would be more and more constrained and vulnerable to fluctuations in the South African economy.

By contrast, imposition of comprehensive sanctions upon South Africa could, at its extreme, result in her totally closing her borders to disrupt the flow of traffic to the land-locked states, while encouraging sabotage of alternate transport networks. In all likelihood, South Africa would reinforce its railway boycott of Maputo. In addition, as the situation deteriorated, the preferential trading agreements with Malawi and Zimbabwe would be abolished. All this would add to the marketing problems faced by the land-locked southern African states, and result in delays in receiving crucial commodities which would cause substantial dislocation in the region. South Africa would increasingly support anti-government forces in all front-line states that support sanctions. Pre-emptive actions on the part of South Africa would be geared towards preventing front-line states from supporting sanctions.

5.3. Southern African Development Co-ordination Conference

Botswana, as one of the five 'front-line states', has also been a member of SADCC ever since its inception, in July 1979, in Arusha/Tanzania. Botswana's late president, Sir Khama, even opened a SADCC meeting with the following words:

> *"We are gathered here today to try and chart a course for the future of South Africa, or to launch a new type of struggle for liberation - economic liberation. Most of us in this turbulent region have already won our political king-doms but our colonialpast has ensured that we will con-tinue to depend on others for our economic survival."* [24]

Consequently, this conference, after general development of the southern African region, put major emphasis on the reduction of its members' economic dependence on South Africa.

Representation by the EEC, World Bank and UNDP indicated their acceptance of the front-line states, and that they depended on external aid in order to realize their aims. Several meetings followed: Lesotho, Swaziland, Malawi and Zimbabwe joined at the first economic summit in Lusaka in April 1980, and already at SADCC II in November 1980 in Maputo, a shopping list of projects was put to the present aid donors. Besides eighteen international agencies, the major Western European countries, the United States, Japan, Brazil and Australia were present, and furthermore, East Germany and Yugoslavia.[25]

Some US$ 2 billion were sought over five years, of which only US$ 650 million were pledged, however. By 1984, and after another two donor meetings, the foreign committed contribution had risen by another US$ 400 million, with a further US$ 1.25 billion under negotiation. By 1988, a total of US$ 2,675 million were secured.

Table 40 indicates the overwhelming emphasis of projects on transport and communications. Of the total, 65.7 per cent was accounted for, in 1988, by projects in this strategic field, the reason being that the SADCC-countries, as all other Afri- can states, need to advance by integrating their roads and railways. In general, routes which might serve to bind African states together are conspicuously absent, since practically all routes lead from the hinterland to the coastal towns.

The southern African communication map (Figure 14) revealed that the SADCC-countries are better off. However, almost all important regional rail links are either interrupted by civil wars, or are falling into decay due to lack of maintenance.

Table 40: Southern African Development Co-ordination Conference project financing status, by sector in 1988

Sector	Coordinator	No. of projects	Estimated Cost (US $ mil)[1]	Percentage input Foreign	Local	Percentage of costs secured[2]	Negotiated[3]
Energy	Angola	68	308.14	94.6	15.4	49.9	5.1
Natural Resources		127	759.99	90.2	9.8	36.5	9.0
Agricultural Research	Botswana	15	103.79	88.1	11.9	67.9	1.8
Food Security	Zimbabwe	32	397.98	89.5	10.5	19.4	2.4
Fisheries, Wildlife	Malawi	32	36.82	92.9	7.1	26.2	46.1
Forestry	Lesotho	23	94.12	96.6	3.4	46.8	15.0
Lifestock	Botswana	14	73.47	85.1	14.9	78.8	8.3
Soil and Water	Lesotho	19	53.81	93.2	6.8	33.9	32.4
Industry and Trade	Tanzania	92	1,271.91	79.4	20.6	24.6	42.5
Fertilizers		16	806.11	89.4	10.6	12.9	63.8
Pulp and Paper		8	339.06	58.5	41.5	42.2	0.0
Textiles		13	48.96	69.5	30.5	53.9	5.6
Others		55	77.48	72.5	27.5	51.4	30.1
Manpower	Zambia	32	37.46	99.6	0.4	23.3	5.3
Mining	Swaziland	53	73.38	90.3	9.7	45.4	2.6
Tourism	Lesotho	10	12.33	95.1	4.9	5.0	61.8
Transport, Communications	Mozambique	181	4,719.60	89.3	10.7	39.9	4.2
Regional Coordination		23	55.90	98.7	11.3	43.8	9.7
Training		15	60.60	94.7	5.3	61.6	13.2
Maputo Port System		19	812.40	87.5	12.5	33.4	4.3
Beira Port System		7	612.00	91.1	8.9	45.4	16.0
Nacala Port System		5	277.90	84.3	15.7	94.0	0.0
Dar-es-Salaam Port System		6	592.00	87.2	12.8	68.4	2.5
Lobito Port System		7	594.80	99.0	1.0	5.2	0.0

Notes: [1] Does not include completed or withdrawn projects
[2] Includes both local and foreign resources
[3] Resources with identified funding source and high probability of funding agreement
Source: *SADCC Annual Progress Repor, July 1987 - August 1988, p 17*

Between 1981 - one year after SADCC's foundation - and 1984, SADCC's total overseas trade routed through South Africa in- creased from 26 to 31 per cent. Consequently, the rehabilitation and improvement of existing traffic routes was high up on the agenda.

This means, however, that SATCC's (the Southern African Transport Co-ordination Conference) primary task is to re-establish the old colonial transport network which, theoretically, has a considerable excess capacity. Non-South African routes might be handling considerably less than half of their potential traffic, but could cost less than the South African routes, if they all operated smoothly.[26] Primarly, this is the direct consequence of military actions, such as the block- ade of the Benguela Railway by Unita troops. Secondly, the South African government provides extensive subsidies - in the form of export-credit guarantees, interest subsidies and direct subsidies - to its exporters which, together with the present weak Rand, wiped out the competitiveness of other national railway companies. SADCC-officials also claim, that SADCC-based South African forwarding agents refused to provide insurance cover to goods routed through SADCC's ports.

But SADCC must first produce its commodities, before it can think of transporting them. Although during the Lusaka Conference much emphasis was placed on agricultural projects, by 1988 more than twice this amount was planned for industry, and trade promotion and coordination; a very high sum indeed, considering that SADCC plans to leave the field of industry to the private sector. Industrial projects usually have four partners: two governments and two companies. The governments sort out the funding, while a local company carries out the project in partnership with a foreign firm. In a few cases, offers have come from South Africa, which - depending on their financial advantage - may be accepted by several states.[27]

Any project, however, can only be approved for inclusion in the formal SADCC project list, once the nine industry minis- ters are convinced that the member state has the appropriate infrastructure, and that the project meets other SADCC criteria - which would exclude South Africa as funding government. SADCC has no power, though, to formulate a policy and impose it; but its strength is that industry ministers, meeting together voluntarily, formulate a regional industrial strategy.

Already, SADCC-studies and ministerial discussions have had an effect in rationalizing plans and in pointing to unseen industrial development potential. Some rationalizations, such as rehabilitating

existing cement plants, are quite obvious though, considering that, for nstance, Tanzania's four cement factories are all out of action. However, investigation into industrial and trade potential found an unexpectedly large variation in national surplus capacity and shortages, and identified a large number of industrial products with trade potential.[28] SADCC believes that a distribution of indust- rial output among member countries will have to be coordinated, since in a loose association such as the SADCC, a country can keep out competitive imports through tariff protection or quantitative restrictions.

Finally, in the agricultural project sector, the field of food security relating to early-warning systems, crop results, storage and processing projects, received highest priority. Crop-research and animal-disease projects also rank high on SADCC's agenda, especially the eradication of foot-and-mouth disease and tsetse fly. In order to counter the last field of dependence on South Africa - labour - a commission had been appointed by the labour-exporting SADCC-countries in order to try to terminate the flow of their workers to South Africa. Most of these countries expect that, in the long run, termina- tion of labour-flows should contribute more to the development of their territories than the present situation.[29]

Theoretically, the SADCC-members should be interested in un- disturbed relations with South Africa or, as Sir Khama put it:

> *"It is not our objective to plot against anybody or any country,"*[30]

even though individual scientists argue that sanctions through reduced trade ties with South Africa, might even stimulate, for instance, Zimbabwe's economic development.[31]

In general, however, SADCC must have an interest in seeing peaceful change occur in South Africa. Particularly the BLS-countries, or at least Swaziland and Lesotho, must have a practical interest in maintaining functionable relations with South Africa. Perhaps the clue to the unusually durable Customs-Union relationship in southern Africa actually lies in the small size of the BLS-economies. Because they have larger populations, the other SADCC-members have a greater potential for import-substituting industries, and hence more to lose from competition with South African industries.[32]

Consequently, the BLS-states have voiced their fear that any conflict in South Africa would spill over their borders in the form of transport, trade and migrant labour interruptions.

But also the other SADCC-states have intense trade and transport relations with South Africa; in view of the manifold intraregional linkages, a lengthy interruption of trade would seriously inconvenience Zimbabwe, Zambia, Mozambique and Malawi.[33] After initial dislocation, it might be possible for them to replace South Africa as a source of imports. However, some substitutes would be more expensive, and - for countries struggling with foreign-exchange shortages and poverty in general - such price increases would be a major burden. If these goods had to be purchased overseas, longer delivery times would compound the problem, especially for mining equipment. And, unlike South African products that are designed for the physical conditions and patterns of usage in southern Africa, overseas products are also often not suited to African conditions. Furthermore, few overseas transnational corporations find it profitable to operate in the front-line states with their rather small and wide-spread collective purchasing power, unless they can base their activities on the South African market.[34]

The impact of a complete South African border closure as envisioned under DAVIDS's second scenario[35] would be extremely traumatic for the SADCC-states, resulting in significant dislocation and extreme shortages of essential commodities. This would, most probably, be accompanied by rapid inflation and the rise of parallel markets. The ability of governments to maintain political control would be threatened in some SADCC-countries, as a lack of resources would make it difficult to maintain current, or initiate new, programmes.

Thus, for the front-line states it is equally valid that

> *"...a distinction must be made between rhetoric and reality. South Africa should recognise that, so long as its domestic policies are unacceptable internationally, it will be subjected to abuse. To the extent that the SADCC countries participate in such abuse, however, it will be largely a show rather than anything of substance."*[36]

However, it is probably not only apartheid that the SADCC-states loathe; it is also the embrace of a larger, more powerful economy

that South Africa's small neighbours to the north fear so greatly, that they might call for sanctions, even though these could badly hurt their own economies. Even if South Africa were to be ruled by black politicians, southern Africa would still show it a certain degree of ambivalence, similar to the West African states' attitude towards Nigeria's dominant role in ECOWAS.[37]

Thus, the following statement of Botswana's Vice-President Mr. Mmusi constituted more of a promise, which he had to give as chairman of the SADCC Council of Ministers:

> *"Like a woman of labour, Southern African countries are prepared to suffer the hardships resulting from economic sanctions against South African apartheid regime. The hardships were a price worth paying for if they were followed by stability and peace in the region."* [38]

Although SADCC's governments almost unequivocally call for international economic sanctions, it remains to be seen, how effectively the individual SADCC-members would support them. Most importantly, sanctions which induce severe economic damage might cause policy change in the target country in quite the opposite direction to that desired by those who advocate sanctions.[39] South African 'laager' politics would have an economic effect at least as equally detrimental as her determination to maintain, and even increase, SADCC's dependence as a way of limiting sanctions or at least reducing their impact.

Politics apart, southern African states might be looking for cooperative arrangements, but they would also be looking for ways to lessen their dependency on South Africa. They would be fearful that formal economic arrangements, which institutionalize South Africa's central position, might be built into such agreements. Politics are not apart, of course, and, in a similar way to Nigeria, South Africa has proved willing to use its economic power in a coercive fashion.

However, just as the southern African states would not want to be dominated by South Africa, even by a black-led South Africa, they would not want to be dominated by Zimbabwe either. Since, in Africa, customs unions and free trade areas have been dominated by the strongest economy, one could expect that southern African states want to proliferate economic relationships, if they can do so

without prohibitive costs.

The SADCC has so far gained the reputation of being level-headed and practical. It looks as if most of its members are determined to avoid unwieldy bureaucracy. Perhaps the most important factor contributing to the success of SADCC has been the avoidance of supra-national institutions. The Secretariat in Gaborone, staffed with seven employees, is one of the few such institutions existing within SADCC, and its budget is less than US$ 250,000.[40] Following the wishes of its members, the Secretariat performs only he minimal functions necessary to keep the organisation running. Regarding the Summit and the Council, the consensus model of decision-making is used. Each of the participants voluntarily selected one sector, for which it assumed initiative and responsibility. Therefore, because of the nature of the SADCC - its decentralized, consensus-style decision-making structure - it has successfully avoided confrontation among member states.

The SADCC seems to make a determined effort to avoid those errors and failures made in similar regional cooperation ini- tiatives elsewhere in Africa. The organization's achievements so far appear to be that it has:

- established a structure for cooperation and regular meet- ings in a number of spheres,
- embarked on a realistic programme of projects concerning mainly infrastructure, agriculture and industries, and
- brought SADCC's needs to the attention of donors.[41]

In practice, the pace of its progress is likely to be modest rather than spectacular, the key variables being the achievement of managerial and technical efficiency, the adoption of economic policies favourable to providing foreign investment, and the eradication of the guerrilla factor. Unfortunately, the birth of the organization coincided with a sharp deterioration in the external economic environment. Consequently, SADCC out of necessity concentrated on the immediate task of stabilization, rehabilitation and recovery rather than devel- opment of their economies.[42]

South Africa should actually have a viable interest in its economic

recovery: SADCC includes a population of more than 76 million people, in 1988 - compared to South Africa's 37 million - with a total GNP of about US$ 23 billion and a per capita GNP of US$ 359, in 1985. These figures are still much below South Africa's US$ 65 billion and US$ 2,290 respectively. It is estimated that the population of the SADCC region will grow to more than 95 million people by 2010. For South Africa these people constitute a potential, because:

> *"A considerable market for RSA within SADCC seems assured for some time to come, although the composition of manufactured exports might change; as economic development proceeds in SADCC, its demand may shift to more sophisticated products in which South Africa may have a competitive edge."* [43]

5.4. Preferential Trade Area of Southern and Eastern African States

The possibility for deeper penetration of Africa's southern and eastern markets was given to South African TNCs in July 1984 with the launching of the Preferential Trade Area of Southern and Eastern African States (PTA) in the Zambian capital of Lusaka.

Establishment of this PTA was at the behest of the UN Economic Commission for Africa (ECA). The PTA initiative stems from an increased emphasis given in the 1970s to stimulating intra-African trade. The ultimate aim was that, after a period of ten years, the PTA would have been transformed into a common market and by the year 2000 would develop into an economic community akin to the EEC. The ECA, in 1977, established five Multinational Programming and Operational Centres all over Africa, with the one responsible for establishing the PTA in eastern and southern Africa located in Lusaka. The PTA, when its treaty was signed in December 1981, was conceived by the ECA as one of five economic areas in Africa that would foster south-to-south cooperation. This PTA was extended into central Africa, when Burundi, Ruanda and Zaire additionally ratified the treaty in 1982. Establishment of a common market - with an elimination of customs duties and other charges, and a main- tenance of a common customs tariff - was to be approached progressively, as Article 12 of the treaty states. Consequently, from July 1984, customs tariffs on goods selected on a common list were reduced by the following percentages and categories in accordance with Article 4 of the treaty:

10% on luxury goods
30% on food items
30% on highly competitive consumer goods
35% on non-durable consumer goods
40% on durable consumer goods
50% on agricultural raw materials
60% on non-agricultural raw materials
70% on consumer goods of economic-development importance
70% on capital goods (including transport equipment).[44]

The common list is to be expanded from time to time with the addition of new commodities of export and import interest. Similarly, non-tariff barriers to trade are to be progressively reduced with a view to their eventual elimination.

Furthermore, the PTA defined principles and objectives of sub-regional cooperation to other sectors such as agriculture, industry, transport and communication, clearing and payments, a PTA Road Customs Transit Trade Document, the establishment of a PTA Federation of Chambers of Commerce and Industry, and of a sub-regional Trade and Development Bank. This bank finally commenced operations in January 1986 in Bujumbura/Burundi with an initial capital of 60 million UAPTA (equal to the Special Drawing Rights of the IMF). This amount is to be extended to 400 million UAPTA, two-thirds of which, it is planned, are to come from the PTA.

Even more important, in January 1985 Zimbabwe's Reserve Bank in Harare took over the function of a clearing house for two years, in order to promote the use of national currencies for settlement of intra-PTA trade. Intra-PTA trade is financed in local currencies, except for any outstanding balances in a defined trading period, which must be settled in convertible currencies. Although, together with multilateral clearing facilities offered by this clearing house, this should help lessen the balance-of-payment difficulties of member states through minimum use of foreign convertible currencies in the intra-PTA trade, its bank's charter was ratified by only eight members and its facilities are used solely by Zambia.[45]

Those that did not sign the PTA Treaty in 1982, were Tanzania,

Mozambique, Angola, Botswana, Madagascar and the Seychelles. However, realization of PTA's principal objectives - uppermost the expansion of trade among its member states - was seriously jeopardized by Tanzania's rejection to ratify the treaty along with the other fourteen states in 1982. While the refusal by Angola, Mozambique and Madagascar to ratify the treaty might be ideologically founded and pose no imminent threat to the trade area, Tanzania is actually the key to the success of the PTA. With Zaire's roads in such a desolate condition and practically non-existent in its north-eastern parts, Tanzania is the link between the SADCC-countries and the rest of the countries in eastern and central Africa. Still, in 1984, Tanzania's minister for international cooperation said that Tanzania did not sign the treaty because it was not quite convinced of the PTA's economic benefits. This refusal shattered particularly Kenya's hopes for access to markets in central and southern Africa. Finally, although still being worried about the effects of freer trade on earnings from customs duties and charges on transit cargo, Tanzania finally opened its borders and joined the PTA in March 1985, mainly due to pressure from certain PTA-members who remembered Tanzania killing any trade between Zambia and Kenya, when she broke out of the EAC-market in 1977.

Table 41: Number of southern Africa's affiliates of South African TNCs, by sector and country in 1985

Country	Agribusiness	Mining	Construction	Manufacturing	Trading	Banking	Total
Zimbabwe	33	25	7	97	12	2	176
Mozambique	-	-	-	1	-	-	1
Malawi	-	-	1	4	-	1	6
Zambia	1	6	-	10	-	2	19
Botswana	2	5	4	8	8	2	29
Lesotho	2	5	1	7	7	1	23
Swaziland	5	2	5	15	14	2	43
Namibia	45	14	5	10	9	1	84
Total	88	57	23	152	50	11	381

Note: Table is not complete since source does not mark all subsidiaries by country; Above Table is a summary of the South African subsidiaries in Table 3 (agribusiness), Table 8 (mining), Table 10 (construction), Table 28 (manufacturing) and Table 32 (wholesale).

Source: Mc Gregor, R: Investors' Handbook - incorporating Who owns whom? Cape Town 1986, pp 28-623

The final ratification of the PTA treaty by Tanzania was certainly also warmly welcomed in South Africa. Not taking any rules of origin

into consideration, the PTA offers South Africa a 'trade lane' all the way north to the Egyptian border via her TNCs' foreign-based subsidiaries. South African-owned TNCs have firmly established an enormous number of subsidiaries not only in the BLS-countries and in Zimbabwe, but also in Mozambique, Malawi and Zambia.

Although the number of subsidiaries is not given for all countries, and size of subsidiaries is not taken into consideration, relations of South African investments between the various southern African countries become obvious. While South African businesses in Angola, Tanzania and Mozambique either sold their controlling majority or were totally nationalized, at least 175 different South African subsidiaries in Zimbabwe, contrast sharply with a total number of at least 90 in the BLS-countries. Even considering the possibility that some Zimbabwean-based subsidiaries have sold their majority shares by 1989, this large preponderance of South African subsidiaries in Zimbabwe indicates against an important constraint to the TNCs' integrative support,[46] which VAITSOS described as existence of repetitive investments.[47] This sort of in-vestment means a parallel establishment of subsidiaries in different countries. Such subsidiaries, in the event of market integration, are forced to rationalize, thus incurring high costs to the South African based parent company.

Since such repetitive investment does not occur outside the BLS-countries, South Africa will be quite willing to flood the markets of Zambia, Malawi, Tanzania, Zaire and to the north beyond, with commodities produced by its Zimbabwean-based subsidiaries, or traded through Lesotho or Swaziland. Some PTA- countries already accused Lesotho and Swaziland of reselling South African goods to other PTA-states, and acknowledged:

> *"We still have to accommodate these countries and understand their position. What must be done is to let the PTA secretariat in Lusaka work out a mechanism that will detect South African products and take preventive action so they are not dumped on our markets."*[48]

At the same time, South Africa can keep the BLS-states under control. In terms of Article 19 (1) of the SACU Agreement of 1969, South Africa's consent must be obtained in order to grant any concessions on duties that are in force in the Customs Union, to another country. Since this clearly applied to the PTA, and Protocol

12 in the PTA draft agreement is in conflict with the terms of the SACU Agreement, it was therefore necessary for the BLS-states to discuss their intention of joining the PTA with South Africa.[49]

The draft of Protocol 12 contained two requirements which were unacceptable to South Africa: firstly, the BLS-countries were to phase out tariff and non-tariff preferences to South Africa and, secondly, Lesotho and Swaziland were to establish their own independent monetary systems outside the CMA. South Africa did not agree to any preferential treatment for imports from the rest of the PTA to the BLS-states. Consequently, finalization of an accept-able Protocol 12 took almost 3 years; because the BLS-countries made it clear that, if the treaty was irreconcilable with the SACU Agreement, they would not be able to join the PTA. Finally, the PTA recognized the special situation of the BLS-states and, in Article 30, granted tempo- rary exemption to the BLS-countries from full application of certain provisions of the 1982 Treaty. The final Protocol 12 gives preferential treatment to exports from the BLS-states, but does not require reciprocity; meaning that goods from the rest of the PTA into SACU are subject to normal tariffs.

Although the BLS-countries must be very interested in this outcome - since increasing reciprocal trade increases their share from the Customs Revenue Pool - Botswana has still not joined the PTA. One reason may be, that Pretoria put some pressure on, or incentives to, Gaborone in order to prevent it from ratifying the treaty, since trade competition between Botswana and Zimbabwe would certainly be injurious to estab- lished South African subsidiaries.[50] On the other hand, subsidiaries based in Lesotho or Swaziland can equally provide the same trade services to the north, since most South African subsidiaries are duplicated within all three BLS-countries.

The only clause within the PTA Treaty, which could restrict any imports from South Africa's subsidiaries, is the protocol on the rules of origin.[51] Basically, these rules say that any products originating in a non-PTA country and merely pass- ing through, or undergoing minor processes in, a PTA-member country, are not entitled to preferential treatment. Consequently, only three groups of commod-ities are included in the common list of accepted trade commodities:

- Products that have been entirely grown in, or extracted from the

soil of, or exclusively manufactured or harvest- ed within, PTA-member states qualify by virtue of the total absence of any imported contents.

- Products essentially using materials imported from outside the PTA member states or of undetermined origin, whose value added in the member state accounts for at least 45 per cent of the ex-factory costs, if the enterprise is held by a majority of nationals.
- Final goods using inputs imported from outside the PTA or of undetermined origin, at any stage of production, which do not exceed 60 per cent of total costs of materials used if the enterprise is held by a majority of nationals.[52]

Consequently, only rules of Group 1, such as for mining and agricultural products, allow South African subsidiaries in its northern neighbour states, because most manufactured commodities use a high degree of South African or overseas raw materials. Many potential export and import commodities do not qualify for trade preferences, since in some of the PTA-states, commodities fit for trade within the PTA are either manufactured by foreign companies or by firms with no national majority shareholding. However, too many African companies cannot meet the require- ment of a 51 per cent local participation and, therefore, at the end of 1985, urged a relaxation in the rule of origin in order to enable the PTA to function smoothly.[53] Among these countries are Zambia and the BLS-states, while the Zimbabwean government exhibits a certain reserve. But in any case, the proportion of local input in South African subsidiaries' products is much higher in Zimbabwe than it is in the BLS-states.

There is no doubt that, not accounting for its other merits, the PTA trade stands on legs of clay and needs to take a more practical and direct approach to the question of tariffs and payments, if it is to succeed. Two major constraints exist for the PTA:

> *"If the objective of reduction of tariffs is to make goods cheaper, the industrialised world, with its mass production, can still dump cheaper products on the PTA than member states."* [54] And,

> *"... the same goods PTA countries now export to earn hard currency to service their debits may well be those they will send to PTA members who will give no immediate payment in hard currency."* [55]

More promising is the ground work for the establishment of a trans-

port and communications network that will facilitate the movement of persons, goods and services among the PTA member states. In practical terms, the establishment of a sound transportation system will mean reorientating the existing pattern. The PTA-countries must adopt, as a very first measure, a common policy on foreign direct investment to define the role of external capital-integration policy and process. Since the exclusion of third-party products does not mean an effective exclusion of foreign economic agencies, establishment of an economic community of that kind in the southern African region is different from earlier processes of integration.[56]

5.5. Fields of potential conflict

Although the PTA and SADCC have the same objectives with re- spect to agricultural and industrial cooperation and to the establishment of transport and communication infrastructure, the PTA's Secretary-General contended that the two would com- plement each other, but that eventually SADCC (including the three non-members of the PTA: Angola, Botswana and Mozambique)

> *"...be brought into the bigger family. Until then ... the two organizations would reinforce each other and work in close liaison."* [57]

However, complementation and mutual reinforcement of the two groupings seem at least improbable for the following reasons:

Considering the high capital needs of about US$ 2 billion for transport infrastructure projects of both groupings, a scramble might develop for donor countries and organizations, which will have to decide between aiding a market grouping - which will certainly further the donors' own national interest - or supporting a smaller grouping out of sympathy for their anti-apartheid stand.

Not only the three SADCC-members, which are so far unrepresent- ed in the PTA, but also Tanzania, might oppose any integration of SADCC into the PTA. Tanzania has looked south primarily for political reasons. Her politics have incurred certain economic costs on the country, especially her commitment to investment in transport facilities in order to help lessen Zimbabwean and Zambian dependence on South Africa. If now - Tanzania having joined the PTA in March 1985 - Zimbabwean products were to flood the Tanzanian market to such an extent that the country decided to pull

out of a combined PTA/SADCC grouping, all Tanzanian SADCC commitments would, consequently, become null and void. The same situation, in general, would also apply to any PTA/SADCC involve- ment of Mozambique's and Angola's fragile political economies.

In an integrated southern Africa, Zimbabwe, as strongest economic partner, might have to move in to play the role of consumer-goods exporter. However, it is unlikely that Zimbabwe's exporters would be willing to exchange a stable and immediately transferable South African Rand for the weak and unreliable northern currencies. In contrast to trade links with South Africa, trade between SADCC-members is restricted through their low purchasing power and the similarity of their production structures. Recommendations for intraregional trade vary: To export live animals and meat from Botswana into meat deficit economies such as Angola, or to send copper from Botswana into Zambia for refining and base fabrication, and then to Zimbabwe for making electrical machinery,[58] leaves both economic and political problems out of sight.

More probable is the reverse case, where competitive industries clash for markets. For instance, Botswana's major manufacturing industry - textiles - was badly affected, in September 1984, by Zimbabwean import restrictions. Under these more stringent rules-of-origin, textile products from Botswana must contain at least 25 per cent local raw-materials and direct labour-input, with supervisory and management costs not included in labour cost. Products from only two of the country's twenty textile factories were approved and, consequently, nine factories in Francistown were forced to close down.

The reason for the clampdown on the Zimbabwean side was a sudden leap, in 1982, of Botswana's textile exports from BP 33 million to BP 67 million during the following year. Zimbabwe claimed this leap was due to South African companies taking advantage of Gaborone's open-door policy to flood the Zimbabwe market.[59] The level of Zimbabwean imports from the other PTA-states will be a decisive factor in long-term development within the PTA. If Zimbabwe does not reciprocate by buying similar amounts from its new partners, she might quickly take over South Africa's role as a 'black trade-joker'.

Finally, conflicting political and economic loyalties, such as agreements of Lome III acting as a barrier to PTA trade, the strife between Ethiopia and Somalia, mistrust among the three former members of the now defunct East African Community, the danger of the PTA becoming too politicized, and a consequent loss of interest by donor countries to invest in such an area, as well as a multitude of other economic and political problems, make it unlikely that, in the short to medium term future, the

> *"efforts of the PTA will be crowned with the pinnacle of success."*[60]

Apart from these conflicting interests arising from membership of both the SADCC and PTA, the future role of Botswana and, following independence, Namibia, is still undecided. That which applied to Swaziland and Lesotho, will not necessarily apply to these two larger countries. However, enough conflict potential will certainly arise from the position of South African subsidiaries in her four neighbour countries, particularly if the rules-of-origin are relaxed. Swaziland will then certainly provide an attractive alternative location for South African industrialists, who are looking for duty-free access to African markets; this situation would then force the other PTA-states to put Swaziland's PTA membership into question.

And finally, South Africa's, Zimbabwe's and Kenya's part in creating large spatial imbalances through the trading and investments of their local subsidiaries must not be overlooked. While the twenty states in southern and eastern Africa, when taken together, exhibit a relatively diversified economic structure producing a wide range of agricultural, mining and manufactured products with different degrees of sophistication,[61] their lack or inefficiency of: market expertise and channels, financial and organisational management, technological know-how, maintenance and other specialised services, means that these three more developed countries are left to concentrate their technical and financial services in the economic capital cities of the surrounding small countries.

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16 Adams, J: "Economic Development in the Small Economies of Southern Africa: Contrasting Currents in the BLS-countries and the Homelands"; in: Journal of Asian and African Studies (Los Angeles), July and October 1978, p 250.

17 Southern African Facts Sheet (Sandton), October 1988, p 2

18 Africa Institute, op.cit., 1988, p 54, published a report of the Auditor-General showing that the amount of 1985/86 SACU-transfers to the TBVC-countries (20.7 per cent of R3.6 million total collected revenue) was only slightly below the combined transfers to the BLS-countries and Namibia (21.4 per cent)

19 Fair, T J D, op.cit., 1981, p 9.

20 Loc.cit., p 50.

21 Loc.cit., p 31.

22 Lipton, M, op.cit., p 51

23 Davids, C W, op.cit., pp 40-48

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26 African Business (London), February 1986, p 11.

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30 Malan, T, op.cit., 1983, p 46.

31 African Business (London), February 1986, p 11.

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33 Hayes, J P: Economic Effects of Sanctions on Southern Africa, Trade Policy Research Centre, London 1987, pp 47-48, argues that Botswana could even gain from sanctions by increased air traffic through Gabarone.

34 Muirhead, D, op.cit., p 105, states that hardly any of the US companies that named apartheid as the reason for withdrawing from South Africa, in the mid-1980s, relocated to another country in the subregion.

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39 see to this topic: Kaempfer, W H & A D Lowenberg: "Determinants of the economic and political effects of trade sanctions"; in: The South African Journal of Economics (Braamfontein), Vol.56, December 1988, pp 270-277

40 Cownie, D S: "Regional Cooperation for Development: An analysis of the Southern African Development Coordination Conference"; in: Pula (Gaborone), Vol.4, No.2, November 1984, pp 39-40.

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42 Anglin, D G, op.cit., p 175.

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44 Utete, C M B: "PTA: Toward an African Common Market"; in: Africa Report (New York), Vol.30, No.1, January/February 1985, p 74.

45 Africa Research Bulletin (London), December 1985, p 7990.

46 Vaitsos, C V, op.cit., pp 729-736, argues that TNCs promote economic integration since, if markets of the integrating countries are small or local industrial capacities are not developed to such a high degree, they could constitute some competition to established subsidiaries. By contrast, he comes to the conclusion that TNCs inhibit the integration of markets, which have been served by their subsidiaries prior to integration; or where host governments have either created common fronts against foreign factor inflows; or where TNC's have increased their economic activity; or have induced rationalization of the productive structure. Such rationalization involves high investment expenditures because of the wide existence of repetitive investments in different countries, which are integrated through their parent firms rather than among each other. Rationalization, when involving reduction in the number of industries, could even exclude a company from production.

47 Loc.cit., p 732.

48 The Citizen (Pretoria), November 26, 1988, p 13

49 Maasdorp, G G, op.cit., October 1982, p 108.

50 To this problem see: Vaitsos, C V, op.cit., pp 732-733.

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56 Sinare, H: "The Implications of the Preferential Trade Area for Economic Integration in Eastern and Southern Africa"; in: Msabaha, ISR & TM Shaw (eds): Confrontation and Liberation in Southern Africa - Regional Directions after the Nkomati Accord, Westview Press, London 1987, p 168

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6. A proposal for alternatives to South African sanctions

South Africa's government follows a policy which contrasts with that of private enterprises; the latters' main target is usually either profit maximization, or safeguarding and expansion of markets; while government involvement in neighbouring states must take also into consideration strategic and polit- ical interests.

Any policy aimed towards market integration beyond the BLS-states, for instance with Zimbabwe or Mozambique - though improbable, despite the Nkomati-Accord - would have to include far-reaching measures to equalize growth, investment and revenues between the very unevenly endowed subregions of this area. Such equalization could not possibly be harmoniously achieved, unless the governments of the southern African countries concerned were joined in one or more decision-making bodies, in which South Africa's economically weaker neighbours had an effective say in common matters.

And it is exactly over this issue that the black southern African states deeply mistrust the South African government; they fear that they will not get sufficient opportunity to participate in the bodies' design and planning. Furthermore, these countries created SADCC with the prime objective of minimizing existing market interactions with South Africa, and to set the group on a course of collective self-reliance and inward orientation, in order to reduce their dependency on their giant neighbour to the south. The South African government's reaction towards the univocal refusal of its CONSAS-proposal and the subsequent foundation of the SADCC was realistic, since it perceived the prospects for success of this grouping - especially its declared intention of decreased dependence upon the South African economy - as only obtainable through cooperative agreements in the subregion.

> *"When radical analysts prescribe greater 'inward orientation' for the Third World, the natural reaction of the bourgeois economist is horror at the prospect of losing the gains from trade... Yet is not some of the apparent total disagreement unrelated to policy disagreement? 'Turning inward' or 'reducing dependence' need not mean diminishing external relationships so much as consciously employing them as one of several instruments for the pursuit of a truly independent strategy."* [1]

Therefore, it seems that regional cooperation on a bilateral (or sometimes on a multilateral) basis offers the best scope for improving South Africa's economic and political relationships with its neighbours. While counter-sanctions, imposed upon the front-line states by South Africa, would result in a irreparable loss of political confidence necessary for any future economic interactions; while, on the other hand, some South African economists propose direct approaches of trade promotion[2] which are directly opposed to SADCC's declared objectives, the following chapter assumes a medium-term policy as a confidence-building approach initiated and carried by both the SACU and SADCC.

6.1. Initial gradual reduction of integrative governmental interactions between South Africa and the SADCC

Food exports - as the most important official trade commodities - into Zimbabwe, Mozambique, Zambia or even further north will increasingly become both unnecessary and uneconomical. The worst of the five-year drought was over by 1985, when both Zimbabwe and Malawi harvested bumper crops, with which they could also supply their neighbours. South Africa, on the other hand, will, in the near future, have to utilize all its crops in order to feed its fast-growing population. Public corporations, as far as they are involved in the production of chemicals, minerals, metals and machinery, will, in the short term, have to hand over trading to private counterparts; in the medium term, however, the privatization of parastatals would be more advisable.

The migratory-labour sector actually presents more problems. Malawi and, much more so, Mozambique, still send large numbers of workers to South Africa's mines and farms, while probably an even larger number of illegal immigrants cross the Mozambican border every year. Although it is the stated objective of the Malawian government - which already reduced the contingent in 1974 by a considerable number - to become self-reliant in this respect, Mozambique will do much harder in pursuing this policy. However, in view of the undermining effects of labour migration for the countries of origin, on the one hand, and considering repeated threats from South Africa to phase out labour migration, on the other, the only valid option would seem to reduce dependency on migration by

withdrawing from the migrant labour system.[3]

In any case, South Africa, in the medium-term future, will have to substitute indigenous labourers for foreign migrants. While, as a result of mechanization, employment opportunities both in the mining and farming sectors, peaked at the end of the 1960s and have since then been on the decline, the growing number of South African and asotho workseekers will leave a future South African government no alternatives.

SADCC will simply have to plan jointly and act in concert in order to minimize the financial disruptions resulting from a decrease in remittances to the labour-export countries.

South African banks and finance houses in Africa, beyond SACU's borders, will have to show a lower profile. Although not being national or parastatal institutions, banks such as Standard Bank of SA personify South Africa's 'commanding heights', and are perceived as clearly visible centres of financial dependency. Actions such as the visit by the South African Minister for Agriculture and Fisheries to Malawi, in December 1981, should also be handled more diplomatically with regard to their time schedules: his offer of new aid deals for research on breeding and distribution in the country's fisher- ies industry was particularly insensitive in view of the fact that Malawi had just been assigned responsibility for the fisheries sector under the SADCC umbrella.[4]

Finally, and most importantly, South Africa will have to readdress its policy of a enforced transport integration into a voluntary cooperation. The coastal states of Mozambique, Tanzania, Angola, and up to Zaire, will certainly need time, beyond the year 2000, not only to reconstruct their railway lines, but also to learn how to handle their proper management. This would give South Africa's 'railway diplomacy' ample time to change its emphasis from a forced rerouting of the northern traffic flows onto its own railway lines to a vol- untary, however expensive, cooperation at all technical, oper- ational and project levels.

Instead of a comprehensive integration with all its disadvantages to less-developed member parties, economic interlinkages should be established diligently wherever joining nations have complementary sectors. This solution implies that these cooperative linkages do not

have to be concentrated on the most developed member, as, for example, South Africa in the southern African context, but should preferably build a spiderweb of interlocked economic sectors, thereby increasing the bargaining power of less-developed countries and lessening the threat of economic domination by the more-developed countries. Losses through friction and repetitive labour performances, which would be the result of a competition of cooperative agencies, could be controlled through a supra-national authority consisting of delegates from each member state, as pro- posed by MAGYAR.[5] In their initial phase, interactions could consist of the mere establishment of networks of power, information and knowledge.[6] Availability of specialized services in the sphere of maintenance, and so on - in time and at reasonable costs - can sometimes have a crucial effect on the proper functioning of entire (sub)sectors in the economy of black states. The advantages of joining forces in the fighting of diseases, in research and training, in the development of physical and financial infrastructure, in the promotion of mutual tourism, and in the collaboration for the expansion of material production, might, in the long run and after a proper functional relationship has shown efficiency, be dveloped into a more integrated partition of economic objectives.

Therefore, a regional diversification of production and services could create economies-of-scale of a higher degree.

More than sufficient opportunities still remain for a valu- able official cooperation. At present, two areas that stand out in their scope for greater cooperation on project and operational levels relate to road transport and water. Although goods from the BLS-countries have freedom of transit through South Africa in terms of the Customs Union Agreement, those from Zimbabwe and Mozambique do not. Road-transport permits in South Africa are tightly controlled in order to suppress a strong competition against SA Railways developing. However, firstly, demand for transit transport by landlocked countries could be complementary and, secondly, it would better utilize South Africa's transport infrastructure. This problem is not insolvable, and concessions by South Africa would not only cost little, but would win considerable goodwill.

As far as water is concerned, the number of possibilities for

cooperation is endless: about three-quarters of South Africa's surface water resources occur in rivers that either rise in, or flow through, neighbouring sovereign, national or self-governing states. Dam construction on certain South African rivers reduces the flow to Swaziland and Mozambique. These two countries have long felt the need for formal water agreements before 1984/85. In addition, an effective flood control could support this objective. In southern Africa's large basins, a network of rain and river gauging stations could provide at least ten days' warning of expected major floods, as was in fact in operation at Kariba until 1975 and was resumed as a reduced service by the Central African Power Corporation. Such cooperation in flood control could also result in a lengthened agricultural growing period, since excess water can be used for irrigation under certain knowledge of the beginn- ing of the rainy season. The mutual supply of hydro-electri-ity could play a more important role, reducing South Africa's dependence on fuel imports from third countries, while surplus electricity could be reinduced into a wide international grid.

Such cooperation notwithstanding, South Africa must realize that her neighbouring countries are anxious to lessen their economic dependence on South Africa, and have established the SADCC for that very purpose. Furthermore, solidarity with Namibia's liberation struggle and the resolutions of the OAU, as well as the UN General Assembly, called for maximum disengagement from South Africa and Namibia. So far no country of independent black Africa is prepared to categorically reject this principle, even though it is admitted that many countries have little choice but to deal with South Africa, while others just find it opportune.

Provided that SADCC only returns towards a more inward-orientated policy without engaging in active hostility against South Africa, there is every reason for the country to adopt a positive attitude towards that body: firstly, South Africa should welcome an arrangement such as SADCC, which gives its neighbours greater self-confidence through facing the regional superpower as a block that enjoys internatonal status, aid and recognition. Secondly, South Africa and SADCC should remain separate entities, even while working together as closely as possibly, because a close economic union between these two would tend to accentuate yet further

polarization around South Africa's existing nodal areas, thus inevitably affecting interstate relations. Thirdly, it should be in South Africa's interest to have economically prosperous and, thus, politically stable neighbours, to its north. To the extent that the SADCC-countries advance economically and gain experience in operating multilateral institutions and programmes, these states could constitute more meaningful future partners for South Africa.[7] And finally, black African countries are very much aware of South Africa's attempts to improve its international image and to break its continental isolation through an expansion of trade with black Africa and through the demonstration of close economic interdependence in the region. This widely-held suspicion, that South Africa uses its 'outward policy' - especially in the economic sphere - as a substitute for comprehensive socio-political changes inside the country, discourages black African leaders from actively encouraging economic links with South Africa.[8]

6.2. South Africa's subsequent compensation process in all economic, social and political spheres

A social, economic and political compensation process might lead to a decrease in the white South African economic power potential, but would build SADCC's confidence in South Africa as a more balanced and democratized partner. The two major subgroups in South Africa are, on the one side, the government and people favouring an evolutionary process of socio-political change controlled by these presently in power and, on the other side, the (largely black) groups who regard radical change in the political and socio-economic structure and the achievement of black majority rule as their topmost priority and entire solution. A less clear dividing line runs through the South African white decision-making groups regarding the apartheid's economic value, distinguishing between the protagonists of apartheid and its antagonists.[9] The South African government decided to meet both contradicting demands, so that the economy continued to grow, while the essence of apartheid remained intact. The seemingly contradictory requirements for more skilled black labour on the one hand and a supply of exploitable cheap black labour on the other was achieved by recruiting the former increasingly from the ranks of urban insiders by the legal

implications of Section 10 rights,, who were kept restricted in their mobility to particular prescribed urban areas and received increasing training and education, and the latter from rural outsiders, whom the 1913 Land Act doomed to remain in the overcrowded homelands.

Whatever the policy, however, the government realized that it was absolutely necessary to leave or re-establish viable living conditions in the black rural areas. For instance, development in the direction of market-financed capital development projects, works towards providing a rational and elastic basis of financing capital expenditure in the black homelands. The switch from capital expenditure as part of their nnual budgets - with only limited control over individual projects - to specific project capital aid - with strict procedures concerning evaluation, approval and implementation - can be seen as a first attempt to mobilize more development funds from South Africa's private sector core.

No one denies the necessity to develop the black rural areas; if adequate funds became available and the investigation/approval process were not unduly retarded, the final limiting factor with respect to funds allocated will be the absorptive capacity of the various black economies. The effects should not be that

> *"... with a substantially higher level of recurrent government expenditure this absorptive capacity should ...gradually increase,"*[10]

but instead that, through a mobilization and re-attraction of local investment, enough financial sources will be set free to invest in 'risky' projects, where these are related to new or promising aspects of a grassroots or basic-needs orientated development strategy. Despite the chronic relative poverty of black rural areas, there are considerable funds in circulation which are not being adequately mobilized. To channel these financial resources into socially productive investment requires a reduction of intraregional income maldistributions. For instance, through home-ownership financing, interest rates could be increased in the less developed areas, which would keep local finances on the local money markets.[11]

South Africa's decentralization programme must be aimed at full regional development - not merely at industrial decentralization. Just as subsidies and incentives are offered to industrialists, they should also be offered to individuals to build their own homes. Housing is an

area requiring particular attention - not only is the shortage chronic, but relaxation of building regulations, security of tenure and release of sites to entrepreneurs would result in the creation of a large number of jobs in the building industry. Thus, satisfaction of basic needs and creation of employment opportunities, rather than fast financial return on capital, should become the dominant criteria for approval of projects financed by the 'white'-core private sector. Rechannelling of GST from the South African government, or some sort of tax on employers of migrants - either as compensation for the social costs borne by labour-supplying regions or as a levy on the gross benefits enjoyed by the South African economy through the accumulated labour output of migrants[12] - would enhance project-financing capacity and thus speed up development of the black backward labour reserves. Even more important, though, is a black urbanization strategy, which puts families of the black migrants together again and allows them to settle in the urban areas - thus easing pressure on available agricultural land in the black rural areas - while at the same time establishing incentives to hold back a large part of the local entrepreneurial strata necessary for any homeland development.

Back in 1955, the Tomlinson commission recommended a major programme of agricultural modernization, commercialization and reform. Instead of virtually every adult in the reserves being partly migrant and partly farmer, it was advised that the re- serve population be divided into to classes, one wholly enga- ged in peasant farming and the other wholly dependent on wage employment.[13] Commercialization of traditional agricultural land is debatable: given the 1970 homeland population of seven million, the Tomlinson proposals would have meant that 71 per cent of the total reserve population would have been transformed into a landless proletariat in order to render agriculture in the homelands more viable.

On the other hand, relatively low land prices in the black traditional areas must, in the absence of other factors, also lead to migratory labour. FÖLSCHER suggests that low rents do not serve as an inducement to produce the optimum quantity of agricultural products possible.[14] This in turn would result in low per-unit output levels, which force peasant farmers to migrate in order to supplement their

subsistence income with money earned in developed regions on the southern African subcontinent. This raises the question as to whether migration labour is the initial cause for low productivity. Chapter 2.1. suggests this thesis, but also expressively stated that the introduction of taxes was only a contributory factor towards migratory labour. If FÖLSCHER's ideas - that land rents should not be equated with the realized output or marginal revenue product (MRP) of traditional agricultural land, but with its potential MRP - are developed further into a redistribution process, then the proposed revaluation of ag- ricultural land in black rural areas would have a major impact on both economic growth and reduction of social disparities. This was brought forward at the Carnegie Conference, although the suggestion rejected the change of land status towards freehold options.[15] Instead, it was proposed to convert land to public (community) property with suitable compensation, and to make it available to land users on the basis of a market- determined rent. Distribution of these rentals would be directed to the individual tribal families in equal proportions, thus increasing income to poorer sections, and - of necessity and for the national benefit - productivity to meet the rents.

The introduction of commercial-land evalution could be com- bined with an approach of communal self-reliance. FAIR reports that at Malawi's rural level, development is built upon the traditional organization of kinship groups, the village and the chiefdom:

> *"No attempt has been made to destroy the social system although important modifications have been made."*[16]

A more commercial land evaluation would not necessarily destroy the traditional social system in South Africa's rural areas, while compensation to landless peasants would act as an incentive to give up claims on unlaboured land. In contrast, the permission to freely acquire, sell or sublease freehold titles in the Ciskei to citizens and foreigners alike, as proposed by the Swaart Commission, in December 1983,[17] could result in a situation, where returns from allowing squatter housing on freeholds exceed incomes from agricultural production - especially in areas adjoining industrial points - there- by even decreasing agricultural output.

A comprehensive development policy is required for all 'in-

dependent' and self-governing homelands, which - according to democratic procedures - decide whether to retain or, respectively, vote for independence. Although, assuming certain consolidations and other proposed economic improvements, only the Transkei and BophuthaTswana hold any viable prospects of an economic independence, this test for independence would then be decided on the implementation of population growth control- ling policies. However, depending on concessions, which these homelands can compel 'white' South Africa to make,

> *"South Africa could conceivably use the present homelands as a nucleus of an arrangement of institutional power-sharing or as the core of some form of partition that is not against the interests of Africans now or in the future. If it does, the homelands may constitute a way station, useful to blacks as well as the whites, on the road to a restructuring of South Africa."* [18]

South Africa's image would largely be changed in the eyes of the foreign countries, and the diametrically opposing views of the two major indigenous groups would basically be reduced, if South Africa were to present a firm long-term perspective concerning evolutions presently taking place in the country.

Among others, THOMAS suggests to formally state that:

- present steps to abolish racial discrimination in the sphere of social, cultural and economic life are all part of a process of total 'deracialisation' of the South African society;
- movement towards homeland independence does not amount to a total severing of constitutional and national ties with those areas, or an attempt to discharge South Africa's obligations towards interregional income redistribution in the country;
- future constitutional adjustments will soon provide for the participation of the black population in the political decision-making processes of the various South African sub-states on a federal level;
- South Africa fully respects the sovereignty of all African states, including all her neighbouring states, and has no intention of interfering militarily in any country except to defend itself against aggression;

- South Africa fully respects the socio-economic systems chosen by other African states, even if they may differ widely from its own preferred private enterprise system; and
- South Africa fully recognizes and respects the national development goals of other African states and will not use any economic interaction to impede the pursuit of such goals.[19]

At present the dominant position of South Africa's white, in relation to its black population, virtually reflects the dominant position of South Africa's economy in relation to black Africa. However, if these two dilemmas can be overcome, political obstacles standing in the way of greater economic cooperation will be substantially reduced.

6.3. SADCC's parallel development towards a viable South African trading partner

Most of the problems relating to SADCC's cooperational and the PTA's integrational activities have already been mentioned in the previous chapters. However, three areas of conflict-potential need further emphasis:

- The increasing management dependency of SADCC's infrastructural, agricultural and industrial development projects on western technology;
- The possible rearrangement of dependency linkages presently existing between SADCC and South Africa towards SADCC's indebtedness to its donor countries; and
- The potential for future conflict of interests, after the PTA succeeded in integrating SADCC in the long term.

SADCC's proclaimed objective of emphasizing self-reliant development can only be realized, when the majority of its population has control over the techniques of production, and thereby has the capacity to participate fully in the economy. The only way that technology can be placed in the hands of large segments of their indigenous populations, is by stimulating the development of techniques which are small in scale and do not need a sophisticated infrastructure, are accessible to low income groups, and will demand a relatively lower capital investment per head than modern industrial development. Scientists have suggested three

steps that a government should take, in order to ensure the development of indigenous scientific and technological capabilities which will eventually result in the availability and use of such appropriate technologies for need-directed production.[20]

The first step consists of a reorientation and expansion of science and technology structures to support activities related to the development prospects of the individual SADCC-countries. Their traditional base has to be linked with modern science in order to upgrade traditional technologies, in selected cases, through an application of scientific methods. SADCC's envisaged self-reliance can only manifest itself if this grouping designs a comprehensive and coherent regional science and technology policy. Otherwise SADCC's almost complete lack of autonomy with regard to basic technological decisions will increase its vulnerability to western investment decisions, originating from the donor countries' objectives of building up markets for their own, often inappropriate, capital goods, whose maintenance costs will severely burden the receivers' economies.

The second step is that SADCC should take action to ensure the transformation of its productive system to favour its whole population. Production patterns will have to be reorientated away from the imitative pattern of consumption which presently favours a great diversity of goods for higher-income groups and therefore requires widespread importation of technologies. Such a reorientation will reduce the need for imported technology and lead to an increased demand for local scientific technological activities. All programmes for education, health, housing and transportation will have to take into account, explicitly, the needs and potentialities of the SADCC-members' communities down to the lowest level.

Finally, for such action to have any effect anywhere in black Africa, to move out of the state of technological dependence, a change in the attitudes and policies of the African governments is vital:

> *"The only way the problems of unemployment and centralization of economic activity, with the resultant rapid urbanization and political instability, can be solved is if a different approach towards economic development is accepted - an approach that will be in favour of developing the potentialities of the majority of people, and not a preselected minority group."* [21]

To realize this approach, African governments will have to give attention to the needs of the population in general, and of the poor majority in particular, instead of solely acting as an agent for large TNCs.

Southern Africa's increasing debt dependence on, mainly western, donor countries (see Chapter 4.4.1.) could result in a severe bankruptcy, especially of the socialistic-orientated economies. In 1986, the total external debts of Zimbabwe, Zambia and Tanzania amounted to about US$ 1,760, US$ 3,580 and US$ 3,650 million respectively, not to mention Angola and Mozambique, whose external public debts, already in 1983, reached US$ 2,100 and US$ 1,400 million respectively. A certain misallocation of foreign loans cannot be denied for these countries. Investments of low revenue return are common for Africa's socialistic countries anyway, but the SADCC-countries - in view of their donors' strengthened commitment to their objectives and, consequently, of higher loan amounts - should exhibit particular caution when loans are invested in infrastructural services, because

> *"... an important condition for outside assistance is that it must be very carefully utilised to prevent exaggeration which will undermine the internal abilities, self-help responsibilities, development of self-reliance, improvement of self-image and not promote attitudes of dependence."* [22]

In general, a policy harmonizing SADCC's environment and development should find expression in selective baseline surveys, basic agricultural research, legislative and institutional innovations, educational programmes and fiscal and financial measures required.

There is certainly scope for increasing intra-SADCC trade

> *"... which could reduce external dependence and enhance overall collective self-reliance by providing much of the food and raw material requirements and a substantial share of manufactured goods needs, thereby reducing the share of imports from outside the region and especially from RSA."* [23]

Increased intra-SADCC trade, if backed up by appropriate machinery, could widen the regional market and facilitate economies-of-scale in production, with lower unit costs, while simultaneously altering the structure of production to meet regional demand. Furthermore, it could open up new possibilities of specialisation in production and marketing, thus inducing economic

factors to diversify away from primary export orientation and towards world manufacturing. Finally, increased SADCC-internal trade could lead to increased contacts for cross-border pooling of otherwise unobtainable financial and technical resources for an undertaking of production projects.

However, a definite danger arises from a technical integration of SADCC's cooperative projects into a PTA common market scheme: SADCC is not the legal owner of whatever assets its projects produce. Therefore, if the PTA market programme were superimposed on SADCC's organization of project distribution, political problems could result in a diversion of project allocations towards the strongest trading partner, viz. Zimbabwe. However, such redistribution would constitute a political misallocation, in contrast to an optimal economic allocation.

Consequently, a regional policy would be required which counteracted any such potential threats, in order to ensure that the distribution of costs and benefits among the SADCC-members becomes equitable in the long run, in the face of the operation of structural forces and unforeseen changes, and to ensure that specific regional problems within the individual countries are not aggravated. SADCC's regional policy is, at present, principally concerned with relative economic development, through attracting foreign investment to its member countries rather than with influencing the distribution of economic development within the individual countries.

Furthermore, in groupings of less-developed countries, the danger of reciprocal neutralisation is often particularly threatening. The harmonisatin of national incentive legislations, in order to influence the location of foreign enter prises, must, in the long run, therefore also become a principal issue between the different SADCC-countries. Promotion of certain intra-industry specializations might become necessary in order to create certain technological, managerial and institutional capabilities in each one of its member countries.

An UNCTAD study proposes 'package deals', as opposed to a project-by-project approach in order to achieve the purpose of distributing the geographical location of certain activities. In this way,

most, if not all, countries can share in the benefits and costs of common services related to the: [24]

- investment policy of the common service,
- way in which operational rules and regulations are established,
- extent to which common services distribute employment opportunities,
- place of procurement chosen by the common service authority for its capital equipment and current purchases, and
- way in which the member countries participate in their current financing.

However, before the high initial fixed expenditures, necessary for SADCC to construct traffic linkages, are spent - although most of these finances come from overseas donor countries - each individual project should first be examined to see whether its establishment tends towards positive or negative migration effects. Proper cost-benefit analyses should be undertaken, before suspect project decisions are made. Regional and national costs and benefits need to be identified, quantified and valued, in the light of long-term benefits, and not only of direct financial costs and benefits.

6.4. Cautious re-establishment of integrative links between SADCC and South Africa through her Customs Union members

Once the SADCC grouping has developed into an economically viable community, and only then, should trade links and capital flows with South Africa be re-established - step by step, and perhaps on a project basis. Although the SADCC-community will not have totally-internalized production and servicing technologies until then, its different economies should be sufficiently adapted for them to choose selectively from South Africa's trade and investment offerings. These interactions should preferably be undertaken through the BLS-countries and Namibia (BLSN), after her political independence from South Africa, since Zimbabwe will never be able to equal South Africa's economic power and sophistication. The choice is for BLSN, due to several reasons: firstly, BLSN's economic struc- tures are polarized towards South Africa's economic preponder- ance anyway. Polarization effects in these four countries could consequently not destroy as many established undertakings

as in South Africa's other neighbour countries.

Secondly, during the previous phase the BLSN-countries will have adopted the role of a mediator for cooperative inter- actions between South Africa and the other SADCC-members. Certain instruments and organizatins for control will, consequently, already be established in these countries, which could direct the handling of intraregional trade and investment-directing functions.

Thirdly, the preamble to the SACU Agreement supports the en- couragement of development in the BLS-countries and a diversific- ation of their economies. Assuming a strong South African commit- ment to the realization of this preliminary statement - and the creation of various spin-off effects in the intermediate BLSN-countries - certain agreements, programmes and formulas could accomplish regional development through a distribution of new manufacturing plants among South Africa and the BLSN-states, which would provide each country with an acceptable allocation of industry. Additionally, these mediator states could pursue several courses of action: they could

- embark on a more vigorous policy of import substitution, where their internal markets are too diversified for South Africa's large-scale production;
- attempt to influence the character of industrial development, which is directed to the South African market with a view to reducing their economic vulnerability; or
- accelerate industrial developments based on export promotion to the markets beyond southern Africa.[25]

Clearly, the national development programmes of Botswana and Swaziland both point to an enforced commitment to efficiency and regional planning. In contrast to their location and policies - perfectly matching such a potential mediator function - Lesotho's position in relation to South Africa's core economy contravenes any self-reliant development, due to her total trade and employment dependencies. Although Lesotho's policies are aimed towards reducing dependency on South Africa and overseas aid, creating greater self-sufficiency in food and consumer goods, and generating greater internal employment opportunities, in the long run Lesotho will have to convince South Africa to open her economy into a common

market, in order to counteract constraints imposed by South Africa regarding labour migration.

Finally, Namibia's national policy will depend on the form of government under which political independence is achieved. The prospects of Namibia adopting a mediator function will, therefore, be dependent primarily on a termination of the Angolese civil war, and on Angola opening its border to trade relations with Namibia.

Prospects for a realization of these national development policies already seem to be promising: Pretoria wants to be on good terms with southern Africa in general and with her neighbors in particular. These consider the Customs Union to be vulnerable to unilateral South African political influences, and have thus stressed the importance of preparing contingency plans for the establishment of additional domestic monetary and fiscal instruments. This, in return, has increased South Africa's sensitiveness, leaving no doubt that South Africa does not wish the BLS-countries - as its visible signs of cooperation - to withdraw. The South African government also sees close economic cooperation as promoting political and military stability in the sub-continent. Here also lies southen Africa's opportunity for negotiations, because

> *"...it is on this point that the BLS-states can focus: they do have some bargaining cards to play vis-a-vis South Africa."* [26]

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Zusammenfassung:

Die vorliegende Studie ist das Resultat zweier Forschungsaufenthalte am 'Africa Institute of South Africa' über eine Zeitdauer von insgesamt eineinhalb Jahren. Eine fast dreijährige außerafrikanische Arbeitsperiode zwischen den beiden Aufenthalten ermöglichte einen kontrastreichen Vergleich der südafrikanischen Außenwirtschaftspolitik zwischen den Jahren 1985 und 1989.

Zwar hatte innerhalb dieses Zeitraums die Problematik westlicher Wirtschaftssanktionen gegen die Republik Südafrika - und damit auch die Frage südafrikanischer Vergeltungssanktionen gegen seine nördlichen Nachbarstaaten - ihre brennende Aktualität verloren. Ein wichtiger Grund dafür ist die positive Reaktion der westlichen Länder auf die Entscheidung der südafrikanischen Regierung, ihr Mandat über Südwestafrika an die UNO zurückzugeben, und es damit als Namibia in die politische Unabhängigkeit zu entlassen. Es ist jedoch anzunehmen, daß - nach einer kurzen Periode der politischen Beruhigung, und nachdem sich Namibia dem Verbund der SADCC-Staaten angeschlossen hat - der Ruf nach Wirtschaftssanktionen wieder stärker hörbar werden wird, allzumal die Regierung Südafrikas bisher den Abbau der Apartheid und die Verankerung politischer Rechte für seine schwarze Bevölkerung nicht intensiviert hat.

Inzwischen hat der Grad der wirtschaftlichen Verflechtung zwischen der Republik - zusammen mit seinen Zollunionsmitgliedern Botswana, Lesotho und Swaziland - und den Staaten der SADCC-Vereinigung, die ursprünglich mit der der Frontlinienstaaten übereinstimmte, eher an Intensität und Bandbreite zugenommen. Seit der Unterzeichnung des Nkomati-Akkords im Jahr 1984, der die Wirtschaftsbeziehungen zwischen dem konservativ regierten Südafrika und dem sozialistischen Mozambique praktisch sanktionierte, haben einige Verträge, wie der über das 'Lesotho Highlands Water Scheme', weitere Ebenen der wirtschaftlichen Kooperation erschlossen. Die Rolle Südafrikas als 'Powerhouse' des südafrikanischen Subkontinents wird also, ungeachtet der Entwicklung der beiden Wirtschaftsverbünde SACU und SADCC, weiterhin bestehen bleiben, und zu einem gewissen Grad das wirtschaftliche Geschehen seiner Nachbarstaaten mitbestimmen.

Die vorliegende Studie hat daher zum Ziel, die Auswirkungen der

wirtschaftlichen Verflechtungen zwischen Südafrika und den Frontlinienstaaten auf die Entwicklungsmöglichkeiten der Region zu beurteilen. Insbesonders will sie aufzeigen, welche Folgen eine Verminderung dieser Verflechtungen - durch Wirtschaftssanktionen von Seiten Südafrikas - auf das Entwicklungspotential der SADCC-Staaten hat, und schlägt schliesslich eine mögliche Alternative zur einseitigen Verringerung der regionalen Wirtschaftsbeziehungen in diesem geopolitischen Raum vor. Die rund 40 Tabellen und eine umfassende Literaturübersicht sind dabei als wichtiger Bestandteil dieser Faktendarlegung zu betrachten.

Das erste Kapitel gibt als Einleitung eine Definition der Begriffe 'Wirtschaftliche (Eigen)entwicklung', 'Marktintegration' und 'Projektzusammenarbeit'. Ein Abriss der historischen Genese der vier Wirtschaftsverbünde auf dem südafrikanischen Subkontinent - namentlich ECOSA, SACU, SADCC und PTA - beschreibt danach kurz deren politische und wirtschaftliche Hintergründe; Während die ECOSA (Economic Community of Southern Africa) die Reste des südafrikanischen Traums eines umfassenden Wirtschaftsbundes in der Region (CONSAS) darstellt und seit Mitte der 80er Jahre auf die Republik Südafrika und seine 'unabhängigen' Nationalstaaten Transkei, BophuthaTswana, Venda und Ciskei (die TBVC-Staaten) beschränkt bleibt, umfasst die PTA (Preferential Trade Area of Southern and Eastern African States) alle süd-, zentral- und ostafrikanischen Staaten mit Ausnahme von Madagaskar, Namibia, Südafrika, Botswana, Angola und Mosambik. Jedoch ist die PTA seit ihrer Proklamation im Jahr 1982 durch die Beitrittsverweigerung der drei letztgenannten Länder, und wegen wirtschaftspolitischer Bedenken Tanzanias, in ihrer Entwicklung gehemmt. Den inneren Kern der regionalen Wirtschaftsverbände bilden die SACU (Southern African Customs Union) und die SADCC (Southern African Development Co-ordination Conference), deren Mitgliedschaft sich im Falle der BLS-Staaten (Botwana, Lesotho und Swaziland) überschneidet und für ein potentielles Konfliktfeld sorgt. Das Kapitel endet mit dem Hintergrund und einer kurzen Zusammenfassung der asymetrischen Wirtschaftsabhängigkeiten der Frontlinienstaaten von Südafrika: Die SADCC mit einer vierfachen Gesamtfläche und einer doppelten Bevölkerungszahl erwirtschaftete im Jahr 1985 nur wenig mehr als ein Drittel des

südafrikanischen Bruttoinlandprodukts. Acht der fünfzehn Länder des Subkontinents leiden zudem unter dem 'Kleinländer-Problem' und sind verwundbar gegenüber wirtschaftlichen Umorientierungsentscheidungen ihrer grösseren Nachbarn.

Die Kapitel zwei bis vier zeichnen die verschiedenen Wirtschaftsverflechtungen zwischen Südafrika und den Frontlinien-Staaten auf, unterteilt in die Bereiche Boden-, Arbeits- und Kapitalressourcen gemäß der drei Produktionsfaktoren. Diese Unterscheidung wurde gewählt, da in dem Spektrum zwischen einfacher Projektzusammenarbeit und totaler Marktintegration die Intensität der Interaktionen entlang dieser Produktionsfaktoren zunimmt. Die einzelnen Unterkapitel, nach einer Kurzdarstellung des betreffenden Wirtschaftssektors, unterscheiden jeweils zwischen öffentlichen und privaten Wirtschaftsträgern und -beziehungen, und enden mit einer Beschreibung der Integrationseffekte auf die wirtschaftlichen Entwicklungsprozesse der einzelnen Länder. Diese Unterteilung nach Produktionsfaktoren, Wirtschaftssektoren und -trägern wurde gewählt, um eine gewisse Transparenz in solch einem umfassenden Forschungsgebiet zu erreichen; selbst auf die Gefahr hin, daß einige Verflechtungen zwischen den einzelnen Sektoren und Trägern nicht völlig nachvollziehbar sind.

Das zweite Kapitel unterscheidet die Wirtschaftsbeziehungen des Produktionsfaktors Boden in Landwirtschaft, Bergbau und Wasserressourcen. Seit dem Jahr 1880, als eine intensivierte Landwirtschaft, zusammen mit Diamanten- und Goldabbau, eine immer größere Anzahl billiger Arbeitskräfte erforderte, erliess erst die britische, und dann die südafrikanische, Regierung Gesetze zur Sicherstellung eines ausreichenden Arbeiterpotentials. Dies führte zur Ausbildung eines landlosen schwarzen Arbeiterproletariats innerhalb der Grenzen der Republik Südafrika, in der die ursprüngliche Subsistenzlandwirtschaft nur noch in Ansätzen besteht. Staatliche Projektkooperation im Agrarsektor findet fast nur im Bereich der ECOSA statt, wo Institutionen auf Regierungsebene den TBVC-Staaten finanzielle und technische Hilfe bieten. Staatliche technische Zusammenarbeit innerhalb der SACU ist auf einige wenige Projekte beschränkt, mit den übrigen SADCC-Mitgliedsstaaten auf meist überregionale oder halbstaatliche Forschungsorganisationen limitiert. Beruhend auf alteingesessenen

britischen transnationalen Korporationen (TNCs), hat jedoch auch die südafrikanische Agrarindustrie Einfluss auf nationale Entscheidungen über 'Cash Crop' Anbau in den schwarz-afrikanischen Ländern. Britische Gesellschaften wie die Lonrho-Gruppe operieren entweder aus Südafrika, oder haben südafrikanische Aktionäre, die seit Bestehen der Republik oft die kontrollierende Aktienmehrheit erwarben. Die Verarbeitung und Vermarktung von Agrarprodukten, insbesondere von Getränken und verderblichen Produkten, wird ebenfalls zu einem großen Teil von Johannesburg aus geleitet.

Im Bergbaubereich kontrolliert der in London registrierte, aber in Südafrika gegründete und operierende transnationale Gigant Anglo American Corporation (AAC) nicht nur den Abbau von Mineralvorkommen in den Nachbarländern, sondern oft auch deren Vermarktung (zum Beispiel bestimmt De Beers über dessen Tochterfirma CSO das Weltmarktangebot von Diamanten). Die Kontrolle über Operationen in den reinen Bergbaunationen im südlichen Afrika - Namibia (Uran) und Botswana (Diamanten) - teilen solche britischen Korporationen wie Lonrho oder Rio Tinto mit rein südafrikanischen Gesellschaften, voran als die zwei wichtigsten die Versicherungsgesellschaften Old Mutual und Sanlam. Währen im Agrarsektor die Bevorzugung von Marktagrarprodukten oft eine Verknappung von landwirtschaftlichen Erzeugnissen für den nationalen Eigenbedarf bewirkt, und somit die Rolle landwirtschaftlicher TNCs meist negativ gesehen wird, ist der Beitrag zur nationalen Entwicklung durch TNCs im Bergbausektor höher einzuschätzen. Ihre Substitution durch lokale Gesellschaften ist wegen des hohen Kapitalbedarfs kaum möglich, zudem erfordern Vermarktung und Verarbeitung der geförderten Minerale technisches Knowhow und kaufmännische Beziehungen. Jedoch erwirtschaften die Gesellschaften ihre Anfangsinvestitionen durch staatliche Konzessionen (wie zum Beispiel eine totale Abschreibung sämtlicher Investitionskosten in Namibia), welche oft den nationalen Ertrag minimieren.

Die Verteilung von Wasserresourcen, und eine gleichzeitige Elektrizitätserzeugung aus Wasserkraft, bieten in diesem Sektor die besten Chancen für beidseitig profitable Wirtschaftsbeziehungen. Südafrikas Wasserbedarf (12,000 million m^3 in 1984) wird nach dem

Jahr 2030 nicht mehr aus nationalen Quellen zu decken sein, und Projekte wie das 'Lesotho Highlands Water Scheme' (1,000 mil. m^3 im Jahr) oder eine zukünftige Umleitung (3,000 mil. m^3) von ungenutzten Wasservorkommen des Okavango und Zambezi bieten den niederschlagsreichen Frontlinienstaaten die Gelegenheit für angemessene Einkommen, für ausgewogene Wasserverteilung in ihre industrielle Wachstumszentren, und für zusätzliche Elektrizitätsversorgung in das südafrikanischen ESCOM-Stromnetz, welche Südafrika weitere 700 mil. m^3 pro Jahr Wasserbedarf zur Thermoelektrizitätskühlung ersparen würde.

Kapitel drei behandelt die Wirtschaftsbeziehungen im Bereich Mensch und Umwelt, und beginnt mit einem Unterkapitel über Wohnungsbau und kommunale Versorgung von Lebensbedürfnissen. Der südafrikanische Privatsektor ist im Baugewerbe und Grundbesitzgeschäft nur in der Region der SACU-Zollunion und in Zimbabwe vertreten. Hervorzuheben sind bei der Wohnungsbaupolitik der südafrikanischen Regierung die Aufhebung der formellen Baugenehmigungen und -vorschriftern, und eine Anerkennung von informellen Wohngebieten; eine Politik, die auch Rückwirkungen auf die Bevölkerungsverteilung in den TBVC-Staaten hat.

Eine der wichtigsten Wirtschaftsbeziehungen zwischen Südafrika und seinen Nachbarstaaten ist der Strom der Wanderarbeiter zu den südafrikanischen Minen und Farmen. Im Gegensatz zu den Jahren bis 1977 verfügt die südafrikanische Wirtschaft inzwischen über genügend ausgebildete Minenarbeiter innerhalb des SACU-Bereiches. Da die Vollbeschäftigung auch in Südafrika ein nationales Wohlstandsziel darstellt, ersetzt die 'Chamber of Mines' seit dem Jahr 1976 (nach der Einstellung von Rekrutierungen in Malawi und deren Verminderung in Mozambique) ihre Rekrutierungen mehr und mehr durch ein Arbeiterpotential in den südafrikanischen Townships und Homelands. Ausnahmen bilden Lesothos erfahrene Minenarbeiter, und illegale Farmarbeiter aus Mozambique im Nord- und Osttransvaal. Im Jahr 1986 arbeitete jeweils etwa ein Drittel der arbeitsfähigen Bevölkerung ausserhalb Lesothos und der TBVC-Staaten, während die Anzahl illegaler Wanderarbeiter in Südafrika auf über 500,000 geschätzt wird. Die Abhängigkeit deren Ursprungsstaaten von südafrikanischen Lohnüberweisungen zeigt sich wieder amdeutlichsten in den

'unabhängigen' Homelands und in Lesotho, wo im Jahr 1986 die Gesamteinkommen der Wanderarbeiter deren jeweilige Bruttoinlandsprodukte übertrafen.

Eine Verbesserung im Austausch von angepaßter Technologie, von Erkenntnissen im Technologie- und Managementbereich, und von Schulungs- und Lehrinhalten bietet den Frontlinienstaaten die beste Gelegenheit, von den Erfahrungen Südafrikas zu profitieren und gleichzeitig ihre Abhängigkeit von dessen Wirtschaft zu verringern. Südafrikas Technologie ist den afrikanischen Lebensverhältnissen besser angepaßt als die der westlichen Industrienationen, und könnte einen gesteigerten Beitrag zur Verbesserung der niedrigen Arbeitsproduktivität seiner Nachbarländer leisten. Institutionen wie UNISA (University of South Africa) oder CSIR (Council for Scientific and Industrial Research) sollten daher in der nahen Zukunft mehr Bedeutung erlangen.

Das vierte Kapitel behandelt die regionale Zusammenarbeit im Produktionssektor Kapital, unterteilt in die Bereiche Kommunikation, Industrie, Handel und Finanzen. Das Verkehrsnetz in der Region nimmt nach Norden hin sowohl an Dichte als auch an Leistungsfähigkeit stark ab. Ein Grund für die niedrigere Dichte ist die historische Tatsache, daß der koloniale Eisenbahnbau von Kapstadt her seinen Ursprung hatte. Jedoch hatauch eine südafrikanische Destabilisationspolitik in Pretoria ihren Ursprung, und leitet sowohl durch ihre Effizienz, als auch durch Verträge und politischen Druck bis hin zur Unterstützung von Sabotage etwa die Hälfte des schwarzafrikanischen Export- und Importhandels auf Südafrikas Schienenwege und Straßen um. Sechs der gegenwärtig neun Frontlinienstaaten haben keinen direkten Zugang zur Atlantik- oder Indikküste, während die südafrikanische Enklave Walvis Bay den einzigen potentiellen Tiefwasserhafen Namibias darstellt. Zusätzlich erhöhen Ineffizienz im Falle Tanzanias, und Bürgerkriege in Mosambik und Angola, die Verwundbarkeit durch Südafrikas 'Transportdiplomatie'. Konsequenterweise sieht die SADCC-Vereinigung Ausbau, Schutz und Leistungssteigerung ihrer regionalen Transportsysteme (Schiene, Strasse und Hafen) als erste Priorität bei der Beschaffung von Entwicklungshilfegeldern.

Südafrikas Politik der Industriedezentralisierung hat ebenfalls

negative Einflüsse auf seine Nachbarstaaten. Während die TBVC-Staaten südafrikanischen und ausländischen Rucksackfirmen Minimallöhne und andere Ansiedlungsanreize bieten (wie Steuerbefreiungen und ungehinderte Ausfuhr der Profite), erfahren die BLS-Staaten wegen ihrer peripheren Lage zu den südafrikanischen Wirtschaftszentren starke Abwanderungs- und Polarisationstendenzen nachfrageorientierter Industrien. Jedoch bietet die SACU südafrikanischen Firmen in Zukunft die Gelegenheit, Swaziland und Lesotho als Exportbasis ihrer Produkte in das Gebiet der PTA zu benutzen. Zusätzlich nutzen bereits etablierte südafrikanische Firmen Zimbabwes Situation in der PTA und seinen relativ finanzstarken Absatzmarkt. Der Handelsverbund der PTA hat sich daher zum Ziel gesetzt, über Ursprungsrichtlinien eine Uberschwemmung ihres Markts durch südafrikanische Produkte zu verhindern.

Südafrikas Wirtschaft liefert fast hundert Prozent der nationalen Importe seiner SACU-Mitgliedsstaaten. Verdeckte Handelsbeziehungen mit Südafrika überspannen jedoch weite Teile Schwarzafrikas, und südafrikanische Produkte können in fast fünfzig afrikanischen Ländern gekauft werden. Zambia zum Beispiel bezieht fast alle Nahrungsmittelimporte aus Südafrika; dessen Lastkraftwagen sind auf Zambias, Zaires und Malawis Strassen ein bekanntes Bild. Derzeit 16 Transportflugzeuge der 'Safair' fliegen - oft unter ausländischer Flagge - transportempfindliche oder eilige Güter bis an die Elfenbeinküste. Die 'Credit Insurance Corporation of Africa' versichert Südafrikas Handelskredite; Handelsverträge mit Zimbabwe, Malawi, Mozambique und Swaziland ermöglichen den erleichterten Export südafrikanischer Güter in diese Länder, während südafrikanische Qualitätsnormen oft eine Einfuhr nach Südafrika beschränken. Im Jahr 1985 standen 196,5 Millionen Rand südafrikanischer Exporte in die SADCC-Staaten nur 69,4 Millionen Rand Importe nach Südafrika gegenüber. Entlang der Hauptstrassen der BLS-Hauptstädte reihen sich südafrikanische Kaufhäuser, welche - zusammen mit einem steigenden Touristenstrom aus Südafrika - die Nachfrage nach dessen Produkten durch einseitige Konsumgewohnheiten verstärken. Ein Rückfluss über verstärkte SACU-Einkommen der BLS-Staaten kann nur einen Teil dieses finanziellen Exodus wiederausgleichen.

Fünf der neun SADCC-Staaten - namentlich Tanzania, Angola, Mozambique, Zambia und Zimbabwe - verfolgen eine sozialistische Wirtschaftspolitik; die ersteren drei Länder haben ihre nationalen und ausländischen Banken verstaatlicht. Langandauernde Bürgerkriege haben die Wirtschaft Mozambiques zerrüttet, eine misslungene Ujamaa-Politik Tanzanias Regierungsbudget sehr verringert, und eine einseitige Kupferabbauabhängigkeit Zambias Wirtschaftsmöglichkeiten eingeschränkt. Lediglich Botswana und Zimbabwe verfügen über ausreichende internationale Geldreserven für ihren Warenaustausch, während die TBVC-Staaten für eine Begleichung ihrer Budgets völlig auf Südafrika angewiesen sind. Einkommen aus dem SACU-Handel stellen einen wichtigen positiven Saldoposten der Regierungs-udgets von Lesotho und Swaziland dar. Auch die TBVC-Staaten erhalten - neben Ausgleichszahlungen für Steuererhebungen auf die Löhne ihrer Wanderarbeiter - aufgrund unilateraler SACU-Mitgliedsvereinbar-ungen Kompensationszahlungen aus dem SACU-Fonds. Der Hauptempfänger südafrikanischer Staatsanleihen ausserhalb der SACU ist Malawi, das einzige Land, das volle diplomatische Beziehungen zu Südafrika unterhält. Hier belohnt die südafrikanische Regierung die Anerkennung ihrer Politik mit niederen Zinsen und langen Laufzeiten. Südafrikanische Banken (wie die Standard Bank of South Africa oder die First National Bank) sind mit verschieden hohen nationalen Beteiligungen in allen Frontlinienstaaten (mit Ausnahme Angolas und Tanzanias) vertreten. Zusätzlich begünstigt durch die Parität des Rand, im gemeinsamen Währungsgebiet CMA, mit den Währungen Lesothos und Swazilands, fließen viele Sparanlagen dieser Länder zurück in die südafrikanische Wirtschaft und stehen damit den SADCC-Staaten für die Dauer der Anlage nicht zur Verfügung.

Das fünfte Kapitel führt eine Bestandserhebung der vier Wirtschaftsgruppierungen ECOSA, SACU, SADCC und PTA im südlichen Afrika durch im Hinblick auf deren zukünftige Entwicklungschancen und Verwundbarkeit durch Gegenanktionen von südafrikanischer Seite. Die vier 'unabhängigen' Nationalstaaten der ECOSA-Gruppe werden wahrscheinlich in nicht allzuferner Zukunft in einem stärker föderativen Südafrika eingeschlossen werden. Gründe dafür sind besonders die Weigerung der restlichen

sechs südafrikanischen Homeland-Regierungen, durch eine politische Unabhängigkeit auf die zukünftigen wirtschaftlichen Vorteile einer liberaler regierten Republik zu verzichten, die fehlende internationale Anerkennung der TBVC-Staaten, jedoch auch deren immens gestiegenen (Miß)verwaltungskosten, die bisher noch von Südafrika beglichen wurden. Die südafrikanische Regierung ist derzeit jedoch daran interessiert, die wirtschaftliche Überlebensfähigkeit der vier 'unabhängigen' Nationalstaaten zu beweisen, und würde aus diesem Grunde als Reaktion auf westliche Sanktionen niemals mit Gegensanktionen gegen die TBVC-Staaten reagieren. Jedoch müsste dann seine kontraktierende Wirtschaft negative Sanktionseffekte an diese Nationalstaaten in Form von Arbeiterentlassungen weitergeben.

Demgegenüber spielen die SACU-Mitgliedsstaaten die Rolle eines südafrikanischen Faustpfandes. Insbesondere Lesotho, und zu einem gewissen Teil auch Swaziland, sind durch ihre geographische Lage, ihre geringe Grösse und Einwohnerzahl, und ihre engen Wirtschaftsverflechtungen mit Südafrika, sehr verwundbar gegenüber südafrikanischen Wirtschaftssanktionen wie etwa einer Entlassung von Wanderarbeitern oder gar einer Wiederholung der Grenzschliessung, wie geschehen in Lesotho im Jahr 1986. Botswana, mit seinen Rohstoffvorkommen und seiner mehr peripheren Lage zu Südafrika, wird sich, genauso wie ein unabhängiges Namibia, für oder gegen einen Verbleib in der SACU entscheiden müssen. Im Falle einer verschlechterten Wirtschaftslage in Südafrika (und damit geringeren Einkünften aus SACU-Ausgleichszahlungen), verbesserten Transportverbindungen untereinander und mit den nördlichen SADCC-Mitgliedsstaaten Angola und Zambia, und unter politischem und wirtschaftlichem Druck der restlichen Frontlinienstaaten, könnten sich die beiden Länder entschliessen, aus der SACU-Gemeinschaft auszutreten. Da dies im extremsten Falle zum Auseinanderbrechen der SACU führen würde, ist es fraglich, ob eine südafrikanische Regierung genauso wie im Falle der TBVC-Staaten negative Sanktionseffekte mehr als nötig an die SACU-Länder weitergeben würde.

Die Gemeinschaft der SADCC-Staaten war von Anbeginn an als ein Wirtschaftsverbund auf der Ebene der Projektzusammenarbeit konzepiert, und hat daher nicht mit den Problemen einer Markt-

integration wie Kompensationen für Industrie- und Handelsverlagerungen zu kämpfen. Auch hat ihre finanzielle Projektunterstützung durch westliche Entwicklungsgeldgeber zum Ziel, die Abhängigkeit ihrer Mitgliedsländer von Südafrika zu verringern. Derzeit stehen die Wirtschaften Mosambiks, Tanzanias und Zambias fast vor dem Staatsbankrott; südafrikanische Gegensanktionen, vor allem gepaart mit militärischer Unterstützung von nationalen Oppositionsgruppen im Falle umfassender westlicher Sanktionen, hätten verheerende Auswirkungen auf deren nationale Wirtschaften. Die Frage ist, ob ein wirtschaftlicher Niedergang seiner Nachbarstaaten wirklich im Interesse Südafrikas liegen könnte?

Mit einer laufenden Konsolidierung der PTA, und sogar ohne Beitritt ihrer ausstehenden Mitglieder Botswana, Angola und Mozambique, besteht bereits heute eine Handelsgasse zwischen Südafrika und dem Sudan, in der bis zum Jahre 2000, gleich der EG, alle Handelsschranken abgebaut werden sollen. Bereits heute ist das Handelsvolumen Südafrikas mit Restafrika wesentlich größer, als es seine Handelsstatistiken offiziell ausweisen. Im Falle eines Verbleibs von Swaziland und Lesotho innerhalb der SACU, und durch die enorme Anzahl von südafrikanischen Firmen, Tochtergesellschaften und Banken in Zimbabwe und Namibia, verfügt Südafrika über ausreichende Basen, um den potentiellen Nachfragemarkt Schwarzafrika auszunützen. Wirtschaftlich bankrotte Länder aber verfügen nicht über die Devisen, um für ihre Importe zu bezahlen; jedoch über die Tendenz, dass ihre Bevölkerungsschichten sich bei zunehmender Armut radikalisieren. Falls sich Südafrika wirtschaftlich in Zukunft mehr den afrikanischen Staaten zuwenden will, wird seinen Unternehmern wie seinen Politikern daher mehr an einem wirtschaftlich gesunden afrikanischen Markt liegen.

Daher untersucht das sechste Kapitel eine Alternative zu regionalen Sanktionen, welche weder im Interesse Südafrikas noch seiner Nachbarstaaten liegen können. Eine Entwicklung in vier Schritten könnte mittelfristig gegenseitiges politisches Vertrauen schaffen, wirtschaftliche einseitige Abhängigkeiten verringern und die nationalen Wirtschaften aller Staaten fördern: Wirtschaftsbeziehungen auf Regierungsebene, welche einseitigen Druck auf Südafrikas Nachbarländer ausüben, sollten nach und nach eingeschränkt oder deren Träger privatisiert werden. Das gilt

vor allem für Südafrikas 'Transportdiplomatie'; auch wird die Republik am Kap mittelfristig ihre Grundnahrungsmittelproduktion für ihren eigenen schnell wachsenden Absatzmarkt benötigen, genauso wie sie in Zukunft ihre Arbeitsplätze für ihre eigene schwarze Bevölkerung bereitstellen werden muss. Diese Politik stimmt mit der der SADCC überein und würde daher von deren Seite auf wenig Widerstand stossen. Eine Ausnahme bliebe Lesotho, hier müsste ein spezieller Ländervertrag für Ausgleich sorgen. Die südafrikanische Regierung sollte ihre halbstaatlichen Gesellschaften, soweit als möglich, privatisieren und damit aus ihrer direkten Verantwortung entlassen. Dies liegt auch im südafrikanischen Interesse, da Korporationen wie ISCOR unter anderen Zeiteinflüssen gegründet worden waren, und ihre staatliche Lenkung inzwischen ihren Sinn erfüllt hat. Südafrikanische Banken, auch die privaten, sollten wegen ihrer Funktion als Abhängigkeitsindiz ein niederes Profil in den Frontlinienstaaten zeigen. Gleichzeitig sollten die Länder des Subkontinents ihre staatliche Zusammenarbeit mit Südafrika in den Bereichen der Wasserbereitstellung und -aufarbeitung, des Managementtraining und aller Forschungsrichtungen fördern, da deren Projekte die beste Möglichkeit für vertrauensbildende Massnahmen bieten.

Die Frontlinienstaaten würden sicher auch ein von schwarzen Politikern regiertes Südafrika als wirtschaftliche Drohung empfinden. Dennoch müsste für Südafrikaein interner Ausgleichsprozess nicht nur die wirtschaftlichen und sozialen Unterschiede zwischen seiner schwarzen und weissen Bevölkerung verringern, sondern auch auf der politischen Ebene der schwarzen Bevölkerungsmehrheit Rechte einräumen. Dazu gehören die Abkehr von der überkommenen Politik der Erhaltung schwarzer Nationalstaaten, und die volle Re-Integration dieser Homelands in die politische Entwicklung der Republik. Ein Wahlsystem des 'One Man One Vote' in einem zentralistischen Staatssystem wird von der Mehrheit der nichtschwarzen Bevölkerung abgelehnt, jedoch könnte dieses Wahlsystem in einem föderalistischen Bundesstaat Südafrika von allen Bevölkerungsgruppen akzeptiert werden. Auch sollte den Frontlinienstaaten deutlich gemacht werden, daß Südafrika sich auf dem Weg der völligen Abschaffung der gesetzlichen Apartheid befindet. Das System der räumlichen und sozialen Rassentrennung wird zudem für die

gesamte Gesellschaft zu teuer: Staatliche Subventionen für Wohnungsbau, an PUTCO und andere private Busunternehmen auf der 'schwarzen' Seite, und leere Eisenbahnabteile, Krankenhauszimmer, Klassenräume und Wohnungen auf der 'weissen' Seite, addieren sich zu den sozialen Opportunitätskosten und ungenutztem Investitionspotential der schwarzen Bevölkerung.

Gleichzeitig müssen die Regierungen der SADCC-Staaten ihre Wirtschaften so weit entwickeln, und ihre infrastrukturelle, landwirtschaftliche und industrielle Entwicklung auf ein- heimische bzw. erlernbare Technologien basieren, damit sie sich nicht an westliche Geberländer verschulden und damit nur eine Abhängigkeit gegen eine andere vertauschen. Dazu müssen ihre Regierungen die einheimischen traditionellen Strukturen mit denen der Industrieländer verbinden und zu einer Produktion einsetzen, welche der Gesamtheit ihrer Bevölkerungen zugute kommen muß. Die SADCC-Staaten müssen die Entwicklungshilfedarlehen und -zuschüsse - genauso wie die TBVC-Länder die Zuschüsse der Südafrikanischen Republik - gezielt in produktive Projekte einsetzen, und Kontrollinstrumente zur optimalen Kosten-Nutzen Analyse entwickeln. Dies wird mittelfristig um so wichtiger, als bei einer Verschmelzung der projektbezogenen SADCC in die handelsorientierte PTA bereits zugrundegelegte Produktionsstrukturen regionale Ungleichgewichte verstärken würden.

Erst dann werden die SADCC-Staaten als gleichgestellte Wirtschaftspartner wieder verstärkte Beziehungen mit Südafrika via dessen SACU-Mitgliedsstaaten aufnehmen können. Eine Vermittlerrolle der kleinen 'Satellitenstaaten' Swaziland und Lesotho, und eventuell Botswana und Namibia, kann dann auf bereits vorhandene oder zu erstellende Institutionen und Verträge aufbauen, ohne die regionalen Ungleichgewichte weiter zu erschweren. Solch eine Vermittlerrolle wird auch die Wirtschaftslage der BLSN-Staaten innerhalb der SACU weiter stärken, und ihre Verhandlungsposition mit Südafrika verbessern. Da diese Entwicklung seit Gründung der PTA absehbar ist, ist auch Südafrika an guten politischen und wirtschaftlichen Beziehungen zu seinen kleinen Nachbarstaaten interessiert, was Gegensanktionen seiner Regierung auf seine SACU-Mitgliedsstaaten unwahrscheinlich werden läßt.