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SOUTH AFRICA IN A SOUTHERN AFRICAN CONTEXT

CONRAD B STRAUSS

Dr Conrad Strauss, Group Managing Director of the Standard Bank Investment Corporation Ltd, is National Chairman of the South African Institute of International Affairs. He was elected to this post by the Institute's Council in March 1990, to succeed Mr Harry Oppenheimer who retired after ten years as National Chairman.

Dr Strauss is also a member of the State President's Economic Advisory Council and President of the Institute of Bankers, South Africa.

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IN A
SOUTHERN AFRICAN CONTEXT

CONRAD B STRAUSS

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The South African Institute
of International Affairs
Jan Smuts House
P.O. Box 31596, Braamfontein 2017, South Africa

In this paper I wish to examine the issue of future economic co-operation in the Southern Africa region. It is clear that the new domestic political dispensation in South Africa will have a profound impact on general political and economic developments in the sub-continent. A government arising out of a more broadly-based electoral process would enable this country openly to assume a new role in regional political and economic affairs.

The time is thus right for us to examine how this process can be managed in a way that maximises the pace and effectiveness of regional development. The countries which I would like to include in my analysis are those which comprise respectively the Southern African Customs Union and the Southern African Development Co-ordination Conference or SADDC. South Africa, Namibia, Swaziland, Lesotho and Botswana are members of the Customs Union, and - exeept for South Africa - these countries are also members of SADCC, together with Angola, Zambia, Zimbabwe, Mozambique, Malawi and Tanzania. Zaire is in neither, though it is of some significance to the sub-continent and would be regarded as a party to a regional development programme.

In establishing an economic framework for an under-developed region such as ours it is very important to understand how and why the world has changed so greatly over the past few decades. The salient feature of the post-war world has been a surge in international competitiveness that has resulted in some countries progressing with extraordinary speed. In the past four decades there have been great strides forward, mainly in transport and communication technology, so that the idea of the global village is no longer dinner party speculation: it is with us, here and now. This means that nations are competing with each other in a direct and immediate way. Unless they do, they cannot survive and prosper.

Those economies that have put economic growth as their first priority are doing best. One can cite many examples, but perhaps the best are Taiwan and South Korea. Their progress has been remarkable. Since 1950 when the Chinese Nationalists took over Taiwan, the country's real Gross National Product has grown at an annual average of almost nine per cent and its per capita GNP is now nearly four times that of South Africa and 20 times that of mainland China, which adopted a direct economic system. South Korea started later but has progressed at about the same rate and South Koreans now have a per capita income four times that of their North Korean compatriots, who chose the communist path.

Currently in South Africa, some influential people are promoting redistribution of income as the main aim of economic management, claiming that growth is a function of redistribution. In fact, in well-managed economies the reverse is the case. Both Taiwan and Korea have grown at a breakneck pace but have sharply reduced inequalities of income at the same time. In 1952, it is reported, the richest 20 percent of Taiwanese households enjoyed an income 15 times as high as the poorest 20 per cent. Less than 30 years later that multiple had been reduced to only 4,2, which means that inequality of income in Taiwan is far lower than Sweden or even the United States.

Such spectacular successes result from giving priority to economic expansion on the realisation that the key to competitiveness is productivity, which boils down to hard work, either physical or mental. The lights in these countries burn very late; in South Korea the average week is 50 hours. The work ethic is an essential weapon in the race towards international competitiveness.

A further weapon, in both advanced and newly industrialising countries, has been a move from economic nationalism and protectionism towards acceptance of mutual dependency, open international economic links and a guiding perspective of the world as one market. It is now understood that unduly heavy protection of domestic industry as a means to rapid growth in the long run is counter-productive. The home market becomes too attractive to potential exporters, prices rise and international competitiveness is lost. This has now been accepted by some countries, Brazil for example, that were previously wedded to import protection. They have opted for an open economy as the best way to regain, or retain, a competitive position in the world.

In all these developments, sub-Saharan Africa has been left behind. It is one of the most poverty-stricken regions in the world and it is getting poorer. In 1985 the region accounted for 16 per cent of the world's poor. By the end of this century this will have risen to more than 30 percent, representing 250 million people. In the past decade, industrialised countries increased their real Gross Domestic Product by about three per cent, developing countries by 4,3 per cent. The corresponding figure for sub-Saharan Africa was one per cent. In the same period, the industrialised countries increased their export volumes by nearly 5,0 per cent and developing countries by 6,1 per cent. Sub-Saharan Africa's growth was zero.

Translating these figures into terms of individual wellbeing is discomforting. The developing countries of East Asia increased their real GDP per capita by 6,7 per cent, those of South Asia by 3,2 per cent. Sub-Saharan Africa real per capita GDP fell by 2,2 per cent. These figures exclude South Africa but in fact this country has performed almost equally badly. Our economic growth has not kept pace with the population and in real per capita terms the country has become steadily poorer since the early 1970s, with real growth rates of some 1,0 per cent to be set against population increases of about 2,8 per cent.

Neighbouring countries are in severe difficulties. In 1985 Angola's per capita income fell at a compound rate of nearly 10 per cent a year and in each of the seven years to 1987 that of Mozambique dropped by over 8,0 per cent. Zambia's decline in real per capita GDP durng the past decade was some 72 per cent. Other indicators are equally gloomy. The total external debt of Mozambique constitutes nearly 160 per cent of its GNP and that of Zambia, 330 per cent. Angola, Botswana and Zambia all rely on one product for more than three-quarters of their export earnings; in the case of Angola, 95 cents out of every export dollar comes from oil revenues. South Africa, the driving force of the regional economy, is estimated to have suffered a net capital outflow of nearly $11 billion in the period from 1985 to 1989.

Given that international competitiveness is necessary for national prosperity, we in southern Africa face a crucial question. Can we take measures now that will correct the present inadequacies and increase our ability to compete in the world market place? If so, what should those measures be? In addition to the characteristics I have mentioned, many successful countries have been helped in their drive for competitiveness by joining regional trading groups, benefitting from the economic spin-off generated by such associations. I would like to offer some thoughts on this avenue for sub-equatorial Africa and to ask whether, by coming together in some form of regional economic structure, the countries of this region can benefit themselves and each other.

Examples of successful regional economic arrangements include the free trade and production co-operation agreements between the United States, Canada and Mexcico; co-operation between the countries of the Pacific rim, driven, inspired and largely financed by Japan; and perhaps most striking, the European Community, which has served to revitalize and renew Europe and has paved the way for an unprecedented degree of political co-operation.

None of these is necessarily an exact model for southern Africa but we can learn from all of them. One lesson lies in the evidence that while such arrangements ideally have a financial locomotive to pull the train, as West Germany did initially in the European Community, a fair degree of balance in terms of members' productive capability is desirable. This balance is lacking in southern Africa. Professor Gavin Maasdorp and Dr Simon Brand, among others, have drawn attention to the so-called polarization effect of economic development in an integrated economic bloc of developing countries which includes a dominant economy. Resources tend to be attracted by the most developed country, leading to ever-growing imbalance in development and trading patterns. This is arguably the reason for the failure of the Central African Federation, where Southern Rhodesia was much the largest partner, and the economic co-operation arrangements in East Africa, which were dominated by Kenya.

There are, however, counter-arguments. Polarization is often desirable for efficiency. Moreover it is quite possible to design structures that can compensate for imbalances between different parties to an economic agreement. Certainly in southern Africa, where South Africa possesses the only basis for an internationally competitive economy, it would be surprising if its less developed neighbours turned away from the advantage of access to the South African pool of skill and resources. It is also fair to say that, if polarization goes too far, the laws of economics ensure its reversal. One well-known case is in the United States, where industries have migrated from the costly north and north-east to the lower-cost and more congenial sunbelt states. Why could a similar migration not occur in the future of Southern Africa?

Nevertheless, there is a real, widespread and well-founded fear in southern Africa of the dominance of South Africa. This country sustains 41 per cent of the region's population; it is by far the most urbanised and therefore economically efficient, with more than 60 per cent of its people living in urban areas; its GDP constitutes nearly 77 per cent of the regional total. Its per capita income is more than five times that of Zambia and ten times that of Malawi. Translated into terms of industrial output and infrastructure the predominance is even more striking. Nearly eight out of ten motor vehicles in the region are in South Africa, together with two thirds of the paved roads and well over half the rail lines. South Africa generates 87 per cent of the region's electricity and produces 88 per cent of its steel, 97 per cent of its coal and 98 per cent of its iron ore. About one fifth of Zimbabwe's exports and imports are still bound to or from South Africa. South Africa also accounts for 90 per cent of Lesotho's imports and more than 80 per cent of Botswana and Swaziland. Foreign workers in South Africa (mainly from Lesotho, Mozambique, Swaziland and Malawi) send home remittances totalling more than R1 000 million every year.

Clearly, a regional development that does not include South Africa is not merely Hamlet without the Prince. It is Hamlet without the plot. Precisely for this reason the Southern African Development Co-ordination Conference, SADCC, the existing 10-member regional economic grouping which was established in 1980, has enjoyed little success. Its motivation was negative: it was conceived as a means of reducing the region's dependence on a politically unacceptable neighbour rather than as a vehicle for general development. Although some progress was made in reducing transport dependence on South Africa, in other respects the problem has hardly been dented.

Althoguh substantial intra-regional trade, much of it clandestine, has taken place for years, it might seem that regional animosities run so deep that the prospects of some kind of regional economic union are dubious. Certainly under the old political dispensation, a southern Africa economic co-operation project would have been stillborn, as indeed, the so-called "constellation of states" mooted some years ago in South Africa proved to be. But from another perspective the outlook is more promising. The promise comes from the substantial resource base in the region, the complementary nature of some of those resources and the degree of mutual interest in their development.

Southern Africa is something of a treasure house of minerals. It possesses more than half the world's gold, almost half its vanadium and platinum, nearly one third of its cobalt and chrome and a quarter of its uranium and manganese. In addition, while virtually all the countries in the region are at present heavily dependent on exports of raw materials, greater intra-regional trade would foster local manufacturing and beneficiation capacity, hence the growth of secondary industry with higher added value. Currently, the transport and services infrastructure is geared towards foreign rather than regional trade, but it is certainly the most sophisticated on the continent and could form a solid basis for regional development.

In short, the dynamics and infrastructure in South Africa are sufficiently strong to act as a catalyst for the revival of the region as a whole. South Africa, as the economic giant of the sub-continent, shares and understands many of its neighbours' problems. Like them, it has a very high rate of population growth, rapid urbanisation, great demands for housing, education and social services, and it responds to them in an African manner. Many South African products are appropriate for African conditions and our business methods work in Africa. Exports into the rest of the continent are one of the fastest growing elements of South Africa's external trade, and diplomatic relations have greatly improved of late.

There are many fields in which common interests might be exploited. They range from the financial, industrial and mining sectors through agriculture, medicine, education and transport to telecommunication and power generation. This last is of crucial importance, and Eskom has already, in effect, been invited to link the South African power grid with that of Zimbabwe and Zambia, and a southern African electricity network linking the sub-continent no longer looks a pipe dream. If realised, it would combine Eskom's resources, know-how and skills with the huge almost untapped hydro-electrical potential of the Zambezi and Zaire rivers to bring the lifeblood of electrical power to the region. In that case, our northern neighbours could earn substantial export revenues from their abundant sources of power generation.

In a complementary development, South Africa in general and Johannesburg in particular would probably become the financial hub of the sub-continent. South African banks are already expanding into neighbouring states. That process can be taken further, with southern Africa's institutions offered representation in South Africa, either on their own or in partnership with South African banks. The Development Bank of Southern Africa could become a regional development bank, serving not only South Africa but a new Southern African Economic Community.

The events of the past few months have demonstrated that South Africa is capable of rapid and substantial shifts in its political and social structure. Equally, the increased pragmatism shown by other southern African states is encouraging. Now that South Africa is becoming more acceptable as a partner in regional development, the process must be taken further; albeit our potential partners must be convinced not only by this government but also by the government of a new South Africa that any structures for regional co-operation or economic integration will not make for undue domination by this country.

The political implications of such a grouping are far-reaching. There is the prospect of an end to the destructive conflicts that have dominated political affairs in the region for two decades. The change now under way in this sub-continent is potentially as profound and unsettling as that of Eastern Europe. One would, however, expect that internal political legitimacy on the part of a new South African government would result in an end to the coercive diplomacy of the past and a move to a more collaborative posture. A commitment to an acceleration of economic co-operation could do much to reinforce and sustain this change.

Overall, it would appear that South Africa's new diplomatic stance will be based on the principles that South Africa must see its future development in large part through Africa; that the problems of the region should where possible be solved by its own governments, not by outsiders; that now, more than ever, continued isolation of South Africa is detrimental to African interests; and finally that South Africa favours a regional and collaborative, rather than a national and independent, approach to the problems that face sub-equatorial Africa.

Whether we like it or not, South Africa and its neighbours are structurally linked to an international economy that is not only increasingly competitive but also more market-orientated. Since the countries of the region show low economic growth and minimal political cohesion, we should encourage a reassessment of relations with a post-apartheid South Africa that lead to strategies for growth and investment in the region as a whole. This could imply the reinforcement of SADCC rather than its dissolution. South Africa would not find it difficult to endorse the recent declaration from SADCC that the organisation "should intensify measures to realign economic relations in the region in collaboration with a democratic South Africa", with a view to ensuring "greater equity and mutual benefit in terms of investment, jobs and economic growth generally".

We would be ill-advised to ignore the fact that in the region as in the world at large, South Africa starts at a disadvantage in terms of mutual confidence. What has been called "the politics of coercive incorporation" have had a profoundly negative effect on South Africa's bona fides among other countries in the region. Their security concerns are legitimate and must be addressed in any future dispensation. A South Africa under a black-dominated government will not necessarily appear any less aggressive or expansionist than it was before. Hence it may be necessary to address those concerns through a regional non-aggression pact as a precondition for economic co-operation.

It seems clear that South Africa's constructive, moderate and sensible posture over the independence of Namibia has markedly increased its credibility in the world and the recent report of the United Nations mission to South Africa is explicit in its acknowledgement of the complexities of the South African domestic situation.

The future pattern of political relationships between South Africa and its neighbours will depend crucially on its handling of domestic issues and the degree of international acceptance that this attracts. It is to be hoped that the problems will be dealt with in a way that enables this country to play a constructive part in the development of the region and the welfare of its inhabitants - they need it desperately.

COMPARED WITH SOUTHERN AFRICA AS A WHOLE, SOUTH AFRICA ACCOUNTS FOR :

20% of the total surface area
41 % of the total population
77% of the total GNP
58% of the total cereal production
78% of the total motor vehicles in use
63% of the total paved roads
56 % of the total rail lines
87% of the total electricity generated
88% of the total steel produced
88% of the total cement produced
97% of the total coal mined
98% of the total iron ore mined
83% of the total chrome ore mined
75% of the total exports
68% of the total imports

POPULATION IN SOUTHERN AFRICA (1988)

	Population (000's)	% of total Southern Africa	Density per sq.km. (000's)
South Africa	37 000	40.9	30
Angola	9 200	10.1	7
Botswana	1 200	1.3	2
Lesotho	1 650	1.8	55
Malawi	7 700	8.5	65
Mozambique	15 000	16.6	19
SWA/Namibia	1 250	1.4	1
Swaziland	850	0.9	50
Zambia	7 400	8.2	10
Zimbabwe	9 300	10.3	24
Southern Africa	90 550	100.0	

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	Total U.S.$ Millions	Per Capita U.S.$	% of Regional GNP
South Africa	65 320	2 010	76.6
Angola	4 508	522	5.2
Botswana	900	840	1.1
Lesotho	730	480	0.9
Malawi	1 160	170	1.4
Mozambique	2 377	173	2.8
SWA/Namibia	1 660	1 520	2.0
Swaziland	490	650	0.6
Zambia	2 620	400	3.0
Zimbabwe	5 450	650	6.4

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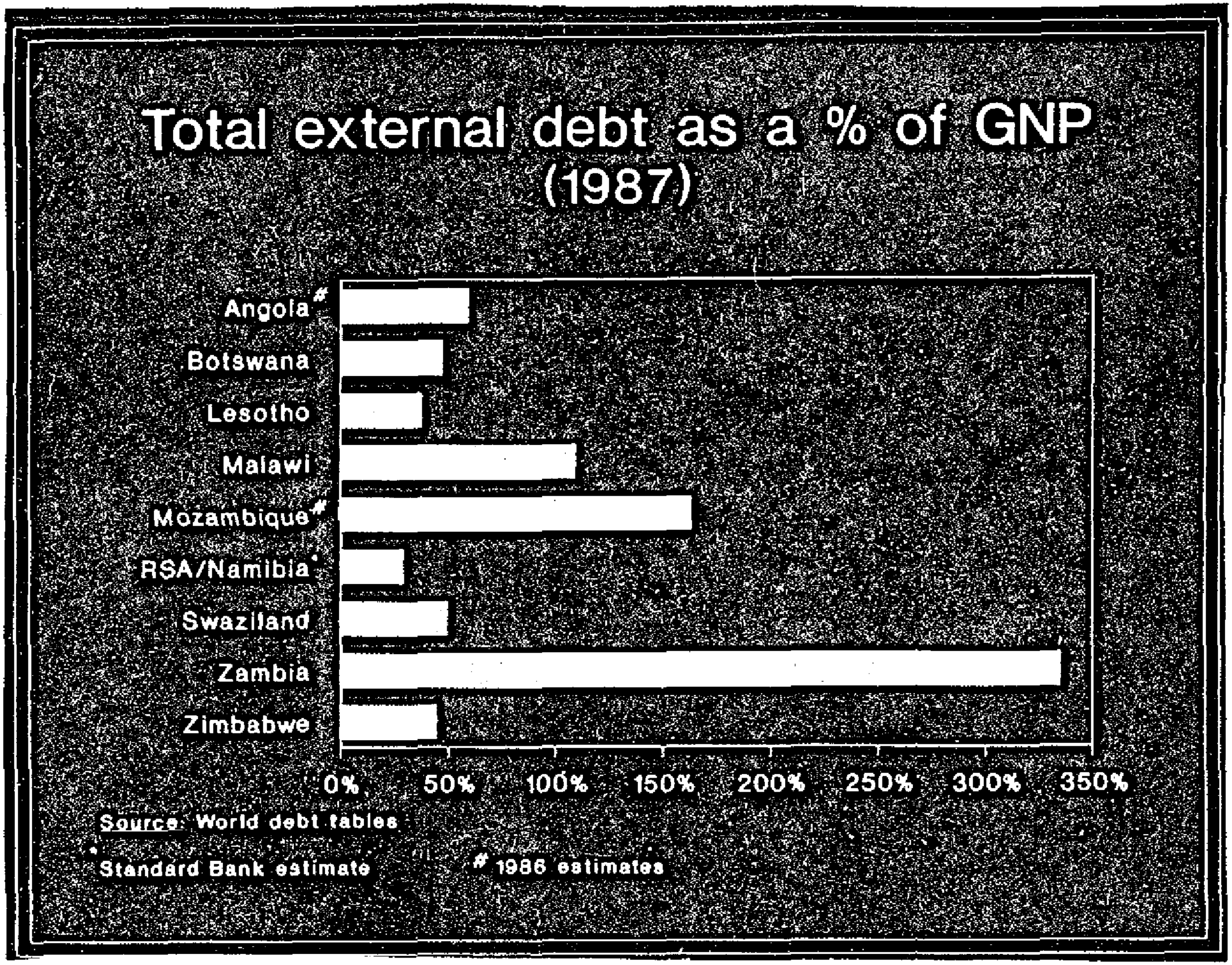
Total external debt as a % of GNP
(1987)
Angola#
Botswana
Lesotho
Malawi
Mozambique#
RSA/Namibia*
Swaziland
Zambia
Zimbabwe
0%
50%
100%
150%
200%
250%
300%
350%
Source: World debt tables
* Standard Bank estimate
# 1986 estimates