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Southern Africa's Economies: Figures and Trends

With a backdrop of growing regional instability and the ongoing threat of a violent change of leadership in the Democratic Republic of Congo (DRC), Zimbabwe and Lesotho, questions have been posed about the economic fundamentals in South and Southern Africa. How do each of these countries fare; and what are the current economic and political trends region-wide which could be of concern to foreign investors?

Foreign investment is seen as crucial to social and economic advancement in all of the countries of the Southern African Development Community (SADC) — made up of Angola, Botswana, DRC, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe. Foreign investors are generally concerned with a number of factors in assessing risks: in the area of economics, population size and growth rate, GDP per capita, GDP growth, gross domestic savings and investment rates, inflation, unemployment, the balance of payments situation, fiscal and monetary policy, external debt and international reserves and liquidity are considered important. In the area of politics, scrutiny is on the business climate (laws, state of infrastructure), government policy (stability, trade policy, debt management strategies), the nature of the political system and the country's international position. The latter would naturally also involve an examination of the regional environment, including the ability to enter into and conclude trade and other arrangements.

The Overall Picture

The tables overleaf provide an assessment of the SADC economies (with the latest available figures, where PPP — purchasing power parity). All of the countries featured were classified by the World Bank in 1996 as 'Low Income' (US$725 or less per capita per annum) bar Angola, Botswana, Namibia and Swaziland ('Lower Middle Income' — US$726-2,895) along with Mauritius, Seychelles and South Africa ('Upper Middle Income' — US$2,896-8,995).

Africa in a Global Context

United Nations' figures published in 1997 show that Africa accounted for 1.5% of global foreign direct investment flows in 1996, totalling US$5.5 billion. South Africa received 6% of this figure, with Nigeria (32%), Egypt (14%), Morocco (8%) and Tunisia (7%) ahead of it. According to the UN Conference on Trade and Development's (UNCTAD) *World Investment Report* of 1998, South Africa more than doubled its share of FDI inflows in 1997 from US$760 million to US$1.7 billion, making it the largest recipient of foreign capital in Africa. Excluding SA, Nigeria (US$1 billion), Egypt (US$0.8 billion), Morocco (US$0.5 billion), and Tunisia and Angola (US$0.4 billion each) accounted for the bulk of the US$6.8 billion received by Africa. Approximately 60% of total South African investment flows in 1997 was in the form of mergers and acquisitions. Sub-Saharan Africa comprises just 2.4% of world GDP, 40% of which is made up by Nigeria and South Africa.

The sensitivities already present over South Africa's comparative regional economic domination will be exacerbated by these (arguably unavoidable) investor trends. In terms of current developments, regional disparities could be heightened by increased budget deficits and debt burdens resulting from military involvement, *inter alia*, by Angola, Zimbabwe and Namibia in the DRC conflict. This increased outlay (and deficit) could also be repeated in South Africa given its already underfunded defence budget and the involvement in Lesotho and any possible peacekeeping operation in the Congo.

South Africa accounts for around three-quarters of the GDP of the SADC region. Some 86% of intra-regional imports are supplied by South Africa. Even though the Republic's trade with the SADC amounts to just 7% of its exports and 2% of imports, instability in Southern Africa (particularly in a major trading partner such as Zimbabwe) could have a deleterious effect on South Africa's export trade.

Four Trends to Watch Out For

AIDS/HIV — according to the World Bank, sub-Saharan Africa and Asia have seen the fastest growth in new infections. By 1997, an estimated 21 million people were infected in sub-Saharan Africa, six million in South and Southeast Asia, with 860,000 in North America and 530,000 in Western Europe. As a result of AIDS, given

	Ang	Bots	DRC	Les	Mala	Mau	Moz
Population m.	11	1	47	2	10	1.1	16
Pop. Growth % pa '80-96	2.9	3.1	3.2	2.4	3.1	1	2.5
GDP per capita US$	491	3,250	120	450	...	3,800	125
GNP per capita PPP US$	800	5,320	355	1,290	800	9,360	550
GDP growth av pa % '90-96	-0.9	4.1	-6.6	6.7	2.6	5	7.1
Inflation %	100+	9	180+	11	83	6	5.8
Unemployment %	50+	21	...	25	...	2.5	50
Domestic Savings %/GDP	48	43	8	12	11	22	20
Budget Surplus % '95	...	2.8	0	6.4	-3.1	-1.2	-17
Forex reserves US$	400m	5bn	83m	461m	230m	919m	344m
External Debt US$ '96	11bn	613m	13bn	654m	2.3bn	1.8bn	5.8bn
Total Debt %/GDP '95	...	11.5	214	53	...	33.7	341
Current Acct. Bal. %/GDP	-5	7	...	12.1	-20.4	0.4	-26
Pvt Cap Inflows US$m. '96	753	66	2	38	-3	112	23
FDI Flows US$m. '96	300	75	2	28	1	37	29
Aid %/GNP '96	15.8	1.7	2.8	8.7	23.2	0.5	59.8
Inbound tourists '000 '96	8	707	37	108	232	487	...
Human D'ment Index Rank	156	97	143	134	161	61	166

	Nam	Sey	SA	Swz	Tanz	Zam	Zim
Population m.	1.6	0.08	40	0.9	30	9.8	11
Popn. Growth % pa	2.7	0.7	2	3.4	3.1	3	3
GDP per capita US$	1,975	...	3,340	1,345	...	392	724
GNP per capita PPP US$	4,054	6,073	4,334	2,954	636	986	2,135
Real GDP growth % '90-96	4.1	1.1	1.2	2.5	1.1	-1.1	1.3
Inflation %	9	-0.3	8	11	16.1	24	19+
Unemployment %	19	8.3	35	40	3.6	...	33
Domestic Savings %/GDP	11	...	18	...	3	8	18
Budget Surplus %	-4.5	...	-5.9	...	-2.4	-7.2	-10.7
Forex reserves US$	194m	24m	2.3bn	307m	440m	163m	216m
External Debt US$ '96	...	148m	24bn	251m	7.4bn	7.1bn	5bn
Total Debt %/GDP '95	11.3	...	57.4	17.3	154	162	69.5
Current Acct. Bal. %/GDP	2.6	...	-1.6	0.8	-15.8	-8.1	-5.6
Pvt Cap Inflows US$m '96	...	...	1.417	...	143	33	42
FDI Flows US$m '96	60	...	136	...	150	58	63
Aid %/GNP '96	5.7	...	0.3	...	15.6	18.6	5.2
Inbound tourists '000 '96	405	130	4,944	...	310	264	1,743
Human D'ment Index Rank	107	56	89	115	150	146	130

current rates of infection, life expectancy in South Africa is expected to drop from a projected 68 years without AIDS in 2010 to 48 years. In Zimbabwe, more than one million people are expected to die of AIDS between 1995-2005, and 1.6 million of the population of 12 million are already infected. One Zimbabwe government report notes that there will be nearly one million orphans in the country by 2005. This, and the high rate of deaths in the 15-49 age group, are expected to have severe implications for regional economic and social development.

Breakdown in Regional Co-operation — the recent military interventions into Lesotho and the DRC by SADC members has had the effect of bringing long-simmering tensions over trade and political issues to the surface. This could well manifest itself in the area of multilateral co-operation, particularly in trade negotiations and implementation of SADC-wide protocols, and also in the reception accorded to South African businesses in the region. Although the SADC Heads of Government signed a free trade protocol in 1996, only four countries have so far ratified the agreement which requires ratification by two-thirds of the membership for implementation.

The centrality of South Africa in addressing these tensions is increasingly acknowledged. In spite of some progress being made on the details of a free trade agreement at the Windhoek SADC summit at the start of November, these problems could result in a new debate over the need for a new *modus operandi* in regional trade integration — what is known as 'variable geometry'. While it has been argued that this principle has

	Population Growth Rate 1998 %	Population Growth Rate 2010 %	Life Expectancy 1998	Life Expectancy 2010
Botswana	1.1	0.2	40.1	37.8
Lesotho	1.9	0.8	54	44.7
Malawi	1.7	0.7	36.6	34.8
Namibia	1.6	1.2	41.5	38.9
SA	1.4	0.4	55.7	48.0
Swaziland	2.0	1.7	38.5	37.1
Tanzania	2.1	1.8	46.4	48.1
Zambia	2.1	2.0	37.1	37.8
Zimbabwe	1.1	0.3	39.2	38.8

already been accepted through the establishment of the conditions of *asymmetric* economic integration and trade tariff liberalisation between South Africa and other SADC members, the paradigm could move in a new direction towards greater emphasis on the role of bilateral trade/economic co-operation efforts (such as the Maputo Development Project) as the catalyst for regional integration. In this regard, the mooted establishment of bilateral free trade areas and, controversially, the gradual expansion of the Southern African Customs Union (SACU) beyond the current membership of South Africa, Namibia, Botswana, Lesotho and Swaziland might provide a more pragmatic basis for regional projects. Another option mooted is to focus SADC activities on development projects, allowing the Common Market for Eastern and Southern Africa (COMESA), which has considerable membership overlap with the SADC, to deal with regional trade integration.

The success of the regional integration vision in Southern Africa will, at least in the short term, rest on the perceived ability of, first, South Africa's neighbours to cope with increasingly open competition from the Republic (and their consequent reaction); and related to this, second, on the ability of SADC member-states to adhere to programmes of economic and political reform which place them on a similar trajectory.

Less acknowledged is the need for South Africa and other SADC members to deal with military and political problems arising out of recent crises. Disagreements over the status and relationship to the SADC of its Organ on Politics, Defence and Security — its conflict prevention and resolution wing — need to be resolved. These differences have been highlighted by the DRC affair. It has been suggested that the Organ now be reduced to five of the fourteen members as an integral SADC institution — and not operating quasi-independently at the summit level as Zimbabwe would prefer. Arguably, a membership of five would be far less unwieldy than fourteen.

Here the ability of regional leaders to co-operate will, ultimately, to a large extent hinge on the nature of personalities and personal relationships. For example, it is clear that the poor relationship between South Africa and Zimbabwe is exacerbated by the tensions between the leadership. In the DRC, Laurent Kabila's autocratic and erratic behaviour remains a fundamental stumbling block to peace. In Angola, the personal animosity between President José Eduardo dos Santos and UNITA's Dr **Jonas Savimbi** and their respective egos have made the search for a diplomatic solution much more difficult. The crisis in Lesotho provides further evidence of the pernicious role of personalities; while in Zambia, ongoing friction between **Frederick Chiluba** and his predecessor, **Kenneth Kaunda**, has tainted the progress made in the area of economic reform.

Regional Leadership Changes — aside from obvious concerns about the security of their domestic powerbases (particularly in Lesotho, the DRC, Swaziland and Zimbabwe), the age and health of regional leaders suggests that whatever the political crises ahead, provision will have to be made for a new generation of leadership. A number are over 60: President **Robert Mugabe** of Zimbabwe is 74, **Sam Nujoma** is 69, both **Benjamin William Mkapa** of Tanzania and **Joachim Chissano** of Mozambique turned 60 in 1998, and **Albert René** of Seychelles is 63. (President **Mandela** is, of course, in his eighties, though the succession to his rule is, in contrast to much of the region, clearly established.) President dos Santos of Angola is only 56, but has been in poor health for some time. President Chiluba of Zambia (term of office due to expire in 2001) is prevented from standing for re-election for a third time, though this may not forestall tinkering with the constitution *á la* Nujoma in Namibia in 1998.

Regional and National Fragmentation — the resolution (or not) of the ongoing war in the DRC is crucial to both the future of that vast country as a unitary entity with a single government, and the extent of the role of extra-regional powers in the sub-continent. In the case of the DRC, the Angolan government continues to see its security as dependent on the integrity of the Congo (as a break-up would benefit UNITA); while Rwanda, Uganda and, to a lesser extent, Burundi would appear to view their security in terms of either the installation of a friendly government in Kinshasa, or through aggressive self-defence and the consequent fracture of governance in the DRC. The choice is perceived as being particularly stark for Rwanda given its recent history of genocide, where — in the words of one Congolese politician — 'genocide is like Pinnochio's nose. The next one grows out of the last one'. Given both the involvement of individual SADC member-states and other African powers militarily in the DRC and the apparent diplomatic isolation of the US and France from this (previously) traditional arena of influence, it is becoming increasingly clear that lasting peace in this region will not be achieved through external military intervention but rather as a result of a continentally-brokered solution. Here South Africa will need to play a key role and take responsibility — otherwise inaction could open the door for extra-regional powers such as Libya to make political inroads.