SOUTHERN AFRICAN FUTURES

Critical Factors for Regional Development in Southern Africa
Southern African Futures
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1. Introduction

The fall of apartheid in South Africa and the post-cold war international development changed the preconditions for regionalisation in Southern Africa. From being used as an instrument in the overlying regional conflict between apartheid South Africa on the one hand and the front line states and SADCC on the other, regionalisation now can be constructively used to improve the development in the entire region of Southern Africa.

Why should the countries in Southern Africa be interested in increased regionalisation? Is that a better strategy than for instance that each country individually tries to link itself as closely as possible to the North? There are both theoretical and practical arguments to further expand the existing regional integration. One argument is even the existing integration in areas such as transport, energy, trade and migrant labour, in spite of the political conflict that perverted the regional development for decades. Another argument is that the increased political stability (with the possible exception of Angola) and the harmonisation of the macroeconomic policy at the national level improve the conditions for successful regionalisation. The third argument is the obvious potential benefits for all involved of regional cooperation in areas such as water, energy, transport, communications, migration and tourism. Bigger markets are more attractive for foreign and domestic investors, which is one of the classical theoretical arguments for regional integration. The intra-regional trade of SADCC (later SADC) has been very modest, but with South Africa as a member the conditions are changed also in this field. To the regional arguments should also be added the increased international interest in regionalisation, not only related to the three major global trading blocks.

An analysis of the Southern African development focusing on regionalisation can be carried out with various time perspectives. In this paper it covers up to twenty years. Also with such a perspective it is easy to get stuck in the present situation. This is not necessarily wrong, as most of the factors crucial to the development over the next twenty years are identifiable today.

This is also the reason why I avoid the common method to present the medium and long-term development of a country or a region in the form of “high” and

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1 An earlier version of this paper was written as part of the Swedish International Development Agency, SIDA, Project 2015. A number of studies were commissioned to analyse the socio-economic framework for Swedish development assistance in a twenty-year perspective. I acknowledge with thanks helpful comments on earlier drafts by Thomas Ohlson, Roger Ridell, Finn Tarp and Arne Tostensen.

2 The region Southern Africa is here defined as the eleven SADC countries of the African continent: Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe. As Ohlson (1993) points out, this definition is not unproblematic. The border line of a region may look different depending on whether geographic proximity, economic relations or political co-operation is used as the principal variable. Still, I argue that I have chosen the most logical definition for this case, based on the common membership in an internationally recognised organisation, the geographical closeness and the historical links.

Mauritius, SADCs 12th member (since August 1995), is mainly related to the region through its trade and investment links with South Africa.
“low” scenarios in the familiar matrix with two parameters. In order to avoid the slightly mechanistic account that sometimes is the result of that method, I choose an alternative, in which I identify a number of external and internal factors, crucial for the future of the regionalisation process in Southern Africa. Of course the selection of the factors can be criticised, and with more space I probably would have introduced others as well. However, I believe that I have included the most important ones. This does not exclude that unpredictable paradigm changes will occur during the period.
2. Aim and outline of the study

The aim of the study is to identify a number of decisive factors for the future regional development and regime in Southern Africa, and discuss their possible development in a medium-term perspective.

This can be done along various analytical lines. One would be to discuss the development in individual nation states and then aggregate the conclusions to a regional picture, a second to focus on the possible regional regime that may come out of the relative strength of the states and main economic powers in the region and a third to look into the possible development within various sectors, some of which support increased regionalisation while others may be indifferent to what happens in the neighbouring countries. In the case of Southern Africa, the dominance of South Africa makes the development in that country, and its policy towards its neighbours crucial to the whole region. This study mainly uses the second and third analytical lines, mentioned above, which means that the perspective alternates between systemic and actor analysis.

The study contains five main components. The point of departure is a brief summary of the present political economy of the region. Then follows a section on assumptions made regarding the global framework. These two sections form the basis for the third, in which some conditions are identified, crucial to reaching a “high scenario”, characterised by high economic growth, political stability and absence of armed conflicts. The fourth section discusses external, regional and national factors and forces, supporting or threatening this “high scenario”. Finally some tentative conclusions are drawn.
3. The present political economy of Southern Africa

The history of the last hundred years has created a region, where South Africa dominates in many areas, and where transport, migrant labour, regional trade and other activities have in an asymmetric way connected various parts of the region.

During the period 1980–1992 attempts were made to reduce the dependence on South Africa of the neighbouring countries, through the SADCC economic cooperation. Although not very successful in reaching this objective, the cooperation still made some important achievements. Transport links were rehabilitated and communication systems developed. Cooperation in the fields of energy, soil conservation and other areas emerged. SADCC also mobilised significant flows of aid to the region and improved the general climate of regionalisation in the member states. Borrowing an expression from SADCC’s former executive secretary, the national political and economic elites have got used to “thinking SADCC”.

This improves the potential for SADCC’s successor SADC to be used constructively for other purposes in the new era, which began in the early 1990s, when the cold war ended and dismantling of the legal part of the apartheid system started in South Africa, thus creating a more enabling regional climate in terms of security interaction, political relations and economic cooperation.

Another factor that improves the potential for regionalisation in Southern Africa is the ongoing converging of the macroeconomic policy in all the countries, to an important extent through external pressure via the structural adjustment programmes, SAPs. This means that all countries today implement similar macroeconomic policies, which makes cooperation and integration easier than when the SADCC cooperation started in 1980. 3

All countries in Southern Africa, with the exception of Swaziland, now have a multiparty political system and in some countries human rights and pluralistic opinions is on the increase. The chances for the still fragile democratic processes to be strengthened are better to-day than any time since independence.

For the first time since independence there is a sort of peace in Angola and Mozambique, although in early 1996 local armed conflicts between UNITA and government forces still take place in Angola. In South Africa the violence is still at an unacceptably high level, especially in KwaZulu/Natal, where the risk for an escalation is strong. There are potential conflicts also in other countries that may develop into armed violence, but on the whole the basis for political stability and economic development has improved significantly.

After a period of negative per capita economic growth in many of the countries, the last two-three years have turned that trend into one of modest growth, albeit not high enough to reduce unemployment.

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3 Uncoordinated trade liberalisation at the national level may, however, result in selective de-industrialisation, as the textile industry sector showed in Zambia and Zimbabwe in 1995.
The economic and resource dominance of South Africa in the region is well known. Suffice here to mention that the GDP of South Africa is almost four times that of the other SADC countries together, the industrial production is five times bigger and, the capacity in sectors such as transport, energy, financial services as well as the military strength is highly superior to the rest of the region.

The four other SACU member countries (Botswana, Lesotho, Namibia and Swaziland) are strongly integrated in the South African economy and take between 80 and 90 per cent of their imports from South Africa. Of the other SADC countries Malawi takes almost half, Zimbabwe more than one third and Zambia more than one fifth from South Africa. These shares have increased since 1990 as the trade between South Africa and its neighbouring countries during this period has rapidly increased. Meanwhile, intra-regional trade between the other SADC countries represents only an average of around 5 per cent of their total trade, in spite of the SADC(C) objective to increase intra-trade.

The trade balance between South Africa and the other countries is heavily asymmetrical with South African exports to the other SADC countries more than five times its imports from the same countries in 1993. This ratio was reduced to around 4.5:1 in 1994 due to a significant increase in the volume of aid in both directions. The region is an important market for South Africa’s manufacturing industry, which with a few exceptions is not competitive on the OECD markets.

For historical reasons the level of integration in the region is also strong in a number of other areas, notably transport, migrant labour, and mining.

Despite the SADCC efforts during the 1980s to reduce the historical dependence on South African transport links, these continued to play an important role and the capacity of South African transport and forwarding companies is superior.

Mining and farm labour has since the end of the 19th century partly consisted of migrant workers. In the mid-1970s the neighbouring countries provided 2/3 of the workers in the South African mines. Since then the share of migrant workers has been reduced, simultaneously with a reduction of the total number of mine workers due to the closing of a number of gold mines. The number of registered migrant mine workers has almost been halved from around 300,000 in the mid-1970s. Since the late 1970s Lesotho has been the main source of migrant mine workers, with Mozambique as second.

A large number of—partly legal but mainly illegal—Mozambicans have been working on South African farms since the 1970s. During recent years the flow of illegal immigrants to South Africa has increased dramatically, coming not only from neighbouring countries, but also from for instance Nigeria, Zaire, Rwanda and Burundi. The existence of an estimated 2–3 million illegal immigrants is a major problem for the new South African government, due to the risk for political and social instability.

4 According to statistics for 1993 and 1994, published in recent Economist Intelligence Unit’s quarterly reports for the various countries.
5 According to some estimates, quoted in South African media, they may be as many as 8 million. No information is however available on how this very high figure is calculated. The aggregate figures used, do not distinguish between migrants arriving during the last few years and those who have been residents in South Africa for many years. A government bill was presented in early 1996, suggesting that immigrants that have lived more than five years in South Africa would be entitled to apply for South African citizenship.
4. Assumptions regarding the global framework

In order to discuss possible future regional developments in Southern Africa I have to make some assumptions as to the global framework in which the region will develop. I have abstained from assumptions which would totally disrupt the present global framework, such as major wars between countries or groups of countries in the North, or between civilisations, along the lines that Samuel Huntington has suggested, or for instance a collapse of the global financial system. This means that the changes suggested are evolutionary rather than revolutionary.

Thus, I assume that the present three major trading blocks will continue to be major components of the world economy, although division between the blocks will be less clear, for instance due to the effects of the emerging Pacific cooperation, linking East Asia and the western part of NAFTA and Australia/New Zealand.

If present global production trends continue, the relative economic power of East Asia will continue to increase, while that of North America and Europe will decrease. The magnitude of this relative change will be substantial, although any quantification is very uncertain. If the pattern of GDP growth rates of the last 12–15 years continues during the next 20 years, the East Asian (including China and Pacific) share of the total global production will increase from around 20 per cent, to around 40 per cent, while that of NAFTA will decrease from less than 30 per cent to less than 25 per cent and that of the present European Union from around 34 per cent to around 25 percent. It is however unlikely that the present economic growth rate in East Asia will continue for such a long period, as is indicated by the present Japanese economic problems.

Still, a significant change will take place, which will also affect relative political power and influence in various international organisations. It will also create a number of tensions related to trade and investments, of the same kind as that between USA and Japan in 1995. The relative decline of North America and Europe, may strengthen isolationistic and protectionistic forces, which could have an impact on trade policy, reduce the political support for development aid and focus remaining aid to support of what is perceived as direct national interests. Such a development may reduce the potential for increased integration between Southern Africa on one hand and North America and Europe on the other. To what extent such forces will be able to turn the present liberalisation trends as regards trade and capital flows is uncertain.

The inclusion of a number of the present NICs in the North, as part of a continuous global stratification, contains, as the other side of the coin, a potential for further economic and political peripheralisation of most countries in Sub-Saharan Africa (SSA).

There are various opinions on the future of global food supply and world market prices of agricultural products. Some factors will increase the demand on the world market, notably population growth and continued industrialisation and urbanisation in East Asia, particularly in China. The supply will be changed by a
more liberalised agriculture policy and lower protection for national agriculture producers in the USA and EU. These factors may increase world market prices and reduce the possibilities for poor food importing countries, such as many in SSA, to cover their needs. On the African continent, further urbanisation will require increase of marketed food crops, either as imports or from domestic production.

Effects of increased global pollution will be more visible over a twenty year period, although it is uncertain what forms it will take. A rather certain assumption is that irrespective of the forms, it will have to be met by internationally agreed and coordinated actions. Experience from the Rio Meeting in 1992 and other international discussions is that global environment issues contain potential interest conflicts between the North and the South.

The present trends with scientific breakthroughs and development within fields like electronics, information technology and biology will continue to globalize information, media, finance and trade. What are called market forces will be more and more difficult to control by political means and the capacity of the nation state as an instrument for political decisions and their implementation will continue to be eroded. New political formations and organisational attempts to get control at a global or regional level will most probably emerge during the next 20 years.

The maturing of the OECD countries manufacturing sector, increased importance of secondary consumption (scrap and waste material), the introduction of more energy and material saving production methods, together with replacement by non-metal minerals or other products, make most analysts conclude that the declining trend, which has persisted for 10–15 years for the major minerals and metals, will continue. A counterforce to this trend is however the further industrialisation of NICs and other third world countries, provided new production capacity does not only replace capacity in the OECD countries.

In the post-cold war era, the demand from high-tech arms and defence-related programmes is declining, as some of the most technologically advanced and expensive programmes have been reduced or abandoned, notably the “Star War programme” of the Reagan administration in USA. The increasing number of minor wars of the post-cold war era are fought with more conventional weapons, of which there is a large supply. These factors will most probably also reduce the total global demand for both some basic and some alloy metals.

The new technologies and the restructured pattern of metal processing and demand may also open up new fields, and a small group of more advanced developing countries will reap the main benefit. South Africa may belong to this group.

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6 An increase of some mineral prices in late 1994 and 1995 is unlikely to be sustained.
7 However, problems experienced by major producers in the former Soviet Union due to the chaotic political and economic transformation at least in the medium-term may result in increased market shares taken by producers in Southern Africa, compensating for the reduced total demand.
8 This view is supported by Morales and Quandt (1992). They argue that the emerging industrial paradigm generates a constantly shifting basis of regional comparative advantage. New research and development and new technologies do not necessarily lead to globalisation, but also to technological and economic diversification, which enables comparative advantage to emerge in different places. According to Gonzalez-Vigil (1985), perhaps the single most effective leverage in the long run may be the prospects for a faster growing market for metals in the developing countries themselves.
Foreign direct investments in SSA has been very scarce during the last 10–15 years and I assume that this trend will continue, although South Africa may emerge as an exception. (This is discussed in section 6.)

The most probable outcome of these and other factors is that the ongoing reduction of SSAs political and economic importance in the global political economy will continue, while a few countries may still be perceived as of a modest strategic value in Washington and some European capitals, due to their oil, minerals and military bases. Southern Africa is the sub-region with best potential to arrest or even change the marginalising trend.

Aid flows

Total aid flows to the South can be assumed to be significantly reduced during the next decades. In the beginning of the period the isolationistic forces in USA may increase their relative power and one effect of this will be further cuts in the aid budget. Most European countries will probably also reduce their total aid as part of the handling of their own budget problems and of the rest a large part will be allocated to Eastern Europe.

The capacity and resources of the Bretton Woods and UN organisations may be gradually reduced as a result of weakening financial and political support from the previous main sponsors. The discussions in late 1995 on IDA replenishment (IDA XI) and the US Congress refusal to pay out already pledged funds under IDA X are recent examples of this trend. It is not likely that Japan in absolute terms will be prepared to compensate for the entire reductions of contributions from USA and some of the European countries.

The role of the Asian Development Bank will increase, as will the role of Japan and other East Asian countries in what is left of the World Bank and UN systems. By 2015 a number of the present UN aid agencies will have most probably closed down, without major, if any, harm to the development in the South.

Aid will increasingly be allocated according to criteria such as 1) emergencies that may affect the stability of the North and 2) visibility. Examples of the first type are actions “to keep the African crises in Africa” and avoid them spilling over into Europe and North America. Another factor is increased focus on geographical areas close to the established countries in the North, exemplified at present with the increased flow of aid and other official resources to the countries in the former Soviet Union and Central Europe (“countries in transition”) and to the Mediterranean area.

The visibility factor is also called “the CNN factor”. When CNN and other global media focus on a specific war or emergency the effect is two-fold. First popular pressure is created on governments in the North to “do something”. Second those governments and all the main non-governmental organisations in the emergency business rush in to the area, clearly for humanitarian reasons, but also to pick up the public relations bonus of being seen to be “doing good” on the TV-screens all over the globe.
Two conclusions can be drawn from this: a) The volume as well as the share of total aid allocated to SSA will be reduced. b) A limited share of the reduced flow of aid funds will be allocated to support long term development. This is especially so in SSA, where the present trends of collapsing states, local armed conflicts and drought emergencies most probably will continue. Also in this context, Southern Africa is the sub-region on the continent with the best chances to avoid these negative trends.
5. Main components in a positive scenario

The briefly sketched features constitute part of the global framework within which Southern Africa will develop. Moving from the global to the regional and national levels, the complex interrelationship between economic growth, political stability and level of violence should be noted.

Three main components of a positive scenario for the region are:

1) Significant economic growth, making it possible to gradually improve the material situation for the majority of the population and improve the quality of basic public services such as education, health and physical infrastructure.

2) Political stability at the national level. This implies that governments are perceived as reasonably legitimate and that conflicts are handled with political means, rather than by violence. It would however be unrealistic to assume a completed nation-building process.

3) Absence of major armed conflicts, between and within the countries in the region. This does not exclude minor local armed conflicts, as long as they do not threaten the political stability. And with the present social situation a lot of criminal violence will continue to exist.

Due to history there is an inherited level of regional integration in some crucial sectors, normally with a strong South African dominance. This means that a fourth important component of a positive scenario would be a further regionalisation of a kind that takes advantage of the South African strength in a way that improves the situation for all partners involved.

It is obvious that the economic and political development in South Africa is decisive for the whole region. If economic growth, social and political stability fails in South Africa, there is no chance for a positive regional scenario. A positive South African development is on the other hand partly dependent on the development in the rest of the region. For the region as such it is however possible to envisage a positive development, also with significant negative economic and political development in one or two of the other countries.

The points mentioned underline two important things:

1) The strong interrelationship between economic, political and security factors, which may bring about virtuous circles—but of course also vicious ones—and spill-over effects from one country to others.

2) That a positive scenario must be based on a number of optimistic, but not necessarily unrealistic assumptions.

The following section will discuss a number of factors that may support or threaten economic growth, political stability, level of violence and regional regime in the region. It first discusses some of the main external factors affecting the region, then follows a specific discussion of South Africa, then one part discussing sectors in which regional cooperation or integration would have advantages or lack of cooperation implies a risk of disadvantages, and finally a discussion of possible regional regime.
6. Supporting and threatening factors and forces

External factors

One assumption, shared by many people, is that the political and economic position of SSA on the global scene will further deteriorate in the next few decades.\(^9\) In the case of Southern Africa, it may however be argued that this sub-region will be less marginalised than the rest of SSA, mainly due to the role of South Africa. The sub-region, with South Africa included, is a more interesting export market, its potential for investors is more promising and some of its minerals are still in demand. From a Northern political point of view the idea of South Africa as a regional stabilising force is also attractive.

The ongoing negotiations on a free trade area agreement between the European Union and South Africa,\(^10\) very likely will de facto include also the other SACU member countries, while other SADC countries gradually may be linked to such an agreement, via closer links to SACU.

The interest of external capital to invest is higher in South Africa than in most other SSA countries. South Africa is often envisaged as the bridgehead and external capital will therefore increase the regional imbalance. Since South Africa’s international isolation has been lifted, a number of companies, mainly from USA have returned to the country either by re-buying the companies they left to South African interests during sanction times or by moving into joint ventures with South African companies. Most foreign companies up to 1995 have however been reluctant to invest in new production units. Among the exceptions are a limited number of companies from Japan and South East Asia.

Most observers agree that significant foreign investments are one prerequisite for a “high growth scenario” in South Africa. Uncertainty as to what rules and regulations will be in force and a perceived political instability influence potential foreign investors negatively. At the same time their own behaviour influences the rules and the complex interrelations between economic growth, political stability and level of violence. In this respect the relative attraction of Southern Africa as market and supplier as compared to others, e.g. in Eastern Europe, will be important.

South Africa’s adjustment to GATT rules over a transition period of up to ten years and a possible free trade agreement with the European Union will considerably reduce the previous protection of the South African companies, especially the manufacturing industry. This may create some de-industrialisation as it has in many of the weaker neighbouring countries, but hopefully also make a remaining and restructured manufacturing sector more competitive. This development will

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\(^9\) While this may have negative effects due to reduced resource flows, it may also open up for increased regional cooperation.

\(^10\) Some EU member countries, notably France and Germany, are in early 1996 delaying the negotiations, as they insist that more South African products are excluded from the agreement. The short term benefits of a free trade area agreement for South Africa seem to be limited compared to the benefits for EU companies.
also influence the industrial sectors of the neighbouring countries, especially the other SACU members.

The predicted increase of world market prices on agricultural products, especially grains, as one of the effects of the GATT Uruguay agreement will be further strengthened by the continued urbanisation and industrialisation in many parts of the world. This will reduce the availability of arable soil.\(^\text{11}\) For food importing countries in the region this factor will reduce the prospects for growth, as a large part of available foreign exchange will be needed to finance food imports, to the extent emergency aid is not available. This situation will be further aggravated during drought periods.

The ADB Report (ADB, 1993) estimates that the demand for grain in the year 2000 will be 11 million tons (40 per cent) above that in 1989 and that with continued low productivity this means another 5.5 million hectares under cultivation. “In the long run, the recovery of agricultural production in Mozambique and Angola to a level of export surplus will be vital to regional food self-sufficiency.”

To the extent that Southern Africa can use the potential for agriculture in the northern part of the region, it would, however, gain from world price increases, or at least increase the degree of self-sufficiency.

The foreign trade of the countries in the region is dominated by the European Union. In 1994 around 40 per cent of South Africa’s foreign trade took place with the EU and this is on average similar to the share of the other SADC countries, although there are significant variations between individual countries. One trend in the recent trade pattern will probably be further strengthened and that is the increased relative importance of East Asia. The argument is not only the rapid economic growth in that area but also its demand for metals and minerals, that are not available in most of the East Asian countries, with the exception of China.

A further factor may be increased protectionism in the European Union as a defence against reduced international competitiveness. A rather certain projection is that the Lomé Convention in its present form will not exist ten years from now. It is even uncertain what will replace the present Lomé agreement, when it expires in the year 2000. In the foreign trade area the SADC countries (except South Africa), together with the rest of the ACP countries, can foresee a situation where their privileges on the EU market compared to other third world countries, are eroded or even abolished.

Regarding aid to Southern Africa, struggle for post-apartheid markets is replacing support to the anti-apartheid struggle as the main driving force, especially in the case of South Africa. Recent examples are the present French so called aid and the main part of the Japanese “package” to South Africa. This trend will continue and thereby the content and impact of a declining volume of aid will change.

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\(^{11}\) This perspective is however not unchallenged. The *Vision 2020* report from IFPRI (International Food Policy Research Institute in Washington) assumes a price decrease of 1 per cent per annum, with increased East European production and changed consumption patterns as two contributing factors. Also this report projects heavily increased import need for SSA, which means that the conclusion holds also if IFPRI’s model is accepted.
This does not exclude semi-commercial official financing with the main aim of improving the competitiveness of companies from the own country beside emergency aid during drought periods.

One external factor eroding the political stability is organised international crime, increasingly using Southern Africa as both a market and a transit area for trade with drugs, arms and luxury cars. The problems to get state control over these activities are aggravated by the fact that existing or previous military, police and security forces interests are allegedly involved in the business. This is also an obstacle to the fragile democratisation process in many of the countries in the region, and difficult to control by government-to-government agreements.

The development of this factor depends among other things on to what extent international government cooperation is able to reduce the power of international crime. It is difficult to be optimistic, not even in the strongest and richest nation states are there many successes reported in this field.

The development in Zaire will have an impact on its southern neighbours. When Mobuto some time disappears from the political scene, the potential for improvements is not very strong, however. The eroded societal web may instead result in political fragmentation, where local war-lords go into military conflicts. Such a scenario would also create instability in the neighbouring countries.

Should the situation in Zaire improve, the long-standing discussions on the Inga-dam and hydropower production may materialise. Such a development may also link Zaire closer to the present SADC countries. Major economic interests in South Africa would support such a development, as well as an increased access to the important mineral resources in Zaire.

A tentative conclusion is that Southern Africa stands a better chance to avoid a continued marginalisation in the world economy than the rest of Sub-Saharan Africa, mainly due to the influence of South Africa but also the natural resources potential in many of the other countries. The global framework is also compatible with increased regionalisation in Southern Africa.

Development in South Africa

A prerequisite for a positive regional scenario is political stability and high economic growth in South Africa. These two factors are closely interrelated.

It is generally suggested that in order to reduce the very high unemployment in South Africa an economic growth rate of at least 5 per cent per annum is required. Factors conducive to a rapid economic growth, and thereby also to increased political stability are among others:

— Increased investments, both domestic and foreign. Most observers suggest that the investment ratio has to gradually increase from the 15–17 per cent in the early 1990s to around 25 per cent, similar to that attained during the 1960s and 1970s. This would imply an increase with around 10 billion USD, a figure far above the foreign investments taking place since 1994, in spite of efforts by the new South African government to persuade foreign investors of South Africa’s promising future. Important parts of such an investment boom in South Africa could be
attained by public sector infrastructure, together with private investments in production, both domestic and foreign.

There is a continuous hesitation among domestic and foreign companies towards direct investments. The factor most frequently referred to by foreign investors is the high level of criminal violence.

This, together with the short term de-industrialisation that may take place as a result of opening up the previous protection for the South African manufacturing industry, when adjusting to GATT and EU rules, may slow down the economic growth and keep the unemployment rate at the present intolerable level. To avoid such a negative development a successful restructuring of the manufacturing sector has to be implemented, making it more internationally competitive.

Some commentators argue that the domestic companies are not reluctant to invest, pointing at some large investment projects in their planning or construction phase, particularly the Alusaf R 7 bn aluminium smelter project to be completed in 1996 and the R 3.5 bn Columbus stainless steel expansion, as well as plans at various stages to expand a number of mining projects.

Before the elections in 1994, investors hesitated as they were uncertain of the policy of the new government. Now many hesitate, referring to the uncertainty of what will happen “after Mandela”. Other arguments used by foreign companies that are newcomers in South Africa are the high level of criminality and the difficulties to get in on a market so dominated by a handful of South African conglomerates, uninterested in increased competition.

— A visible improvement for the African majority of the population, which was so heavily discriminated during the apartheid system. Increased employment is an important factor with obvious growth effects, but also improvements in the social and material situation in terms of better education, health, housing, water supply, sewerage, etc. This means that the slow implementation of the Reconstruction and Development Programme has to be speeded up.

A major threat to both economic growth and social stability is the gap between expectations and actual development, which has a destabilising potential also in a longer time perspective. Linked to this issue is the risk of macroeconomic instability caused by pressure to accelerate redistribution at the expense of long term economic growth.

The main threats against the political and social stability and thereby also economic growth are:

— The situation in KwaZulu/Natal and the unpredictable behaviour of chief Buthelezi and the Inkatha leadership. If the provincial Inkatha leadership runs into direct confrontation with the central government in Pretoria over the degree of autonomy of KwaZulu/Natal large scale armed confrontation may occur. At any rate the political and social situation may be very unstable over a number of years. This is incompatible with an economic growth scenario, as it will scare away both domestic and foreign investors, and probably a number of professionals as well. In a long term perspective this conflict may be solved, but as long as it continues it will be an important obstacle to both political stability and economic development in South Africa and thereby in the region. This is one of the most critical single threats to stability and economic growth in the region.
In a long term perspective, the political landscape is certainly significantly changed then, with competing class interests being the major conflict issue. A positive development would contain a gradually deepened integration of KwaZulu/Natal as the influence of "modernists" in IFP increases, or the erosion of IFP as a political force. A negative development would contain a semi-autonomous KwaZulu/Natal at loggerheads with the central government in Pretoria and with "traditionalists" in command in the IFP. This would imply a high level of violence and continued risk for a local war.

— Further expansion of drug and arms trade with increased organised crime. Together with the difficulties to restructure the South African security apparatus and police, this will be a factor which risks destabilising the fragile nation building processes.

— A whole generation of young people without formal education and grown up under stern apartheid repression in the townships will also constitute a socially destabilising force in the new South Africa. To integrate this group in the new South Africa is a formidable challenge.

A number of challenges thus have to be overcome to make South Africa take up the role of a strong regional driving force for which it has the potential. The region in turn can support a positive development in South Africa both as a market for South African manufacturing and agricultural products, by regional cooperation to increase the value added of mineral products, by supplying needed South African imports of water, electricity and other inputs.

Regionalisation factors with conflict potential

The most important factors in the regional perspective can be divided into two categories. Those with a potential to create conflicts if they are not handled at the regional level and those with great potential benefits from regionalisation for the involved partners. To the first category belong water management and migration issues, including brain drain.

Water management

Water could also be categorised as a "regional good", albeit with a much stronger conflict potential. Water availability in Southern Africa varies heavily both geographically and over time. South Africa and Malawi are categorised as "water-stressed" by hydrologists, and already by the year 2000 South Africa will be acutely water stressed and Malawi will have moved into absolute water scarcity. Namibia has great difficulties in mobilising its available water. Droughts in Zimbabwe threatened Matabeleland and almost forced evacuation of Bulawayo in 1992. Swaziland is totally dependent on rivers running through the country and thus vulnerable to the good-will of neighbouring countries. By the year 2025 Mozambique, Tanzania and Zimbabwe will be water-stressed, according to hydrologists' estimates, while Lesotho and South Africa will have
moved into absolute water scarcity and Malawi will have gone beyond the present water barrier.12

Water consumption per capita in South Africa is ten times greater than in most other countries in the region. Some 80 per cent of all water used in the region for other purposes than for hydropower generation, is used in South Africa, while 10 per cent of the available water in the region is derived in South Africa.

60–75 per cent of the water is used for irrigation and of this 60 per cent is wasted, mainly through evaporation in systems with low effectiveness.

The growth of industry, agriculture, mining and further urbanisation will be constrained by inadequate water resources. The environmental scarcity of water is also exacerbated by the population growth.

The need to plan for both seasonal and annual variation and area distribution and management is very strong and those issues obviously have to be dealt with on a regional level. If this fails, there is a risk of conflicts emerging, which may escalate into important obstacles to economic growth and political stability. From that perspective it is promising that the first sector protocol in SADC to be signed was that on Shared Watercourse Systems (August 1995).

Migration

Migrant labour has been a feature of the Southern Africa political economy for more than a hundred years. For many countries, revenue from migrant labour is a significant part of total resources. The most extreme example is Lesotho, where migrant remittances accounted for half of the GNP in the middle of the 1980s. 60 per cent of the adult males in the country worked in the South African mines and 70 per cent of its rural households have at least one member who is a migrant.

The changes in South Africa during the 1990s further increased the flow of immigrants, fleeing from unemployment, poverty and low wages in the neighbouring countries and war and hunger in countries further north in the continent, hoping for jobs in South Africa.

At the same time as high economic growth is necessary to reduce the very high unemployment in South Africa, such a development will also be a magnet for millions of people in the neighbouring countries. A high economic growth in South Africa will hopefully contribute to the improvement of the economies of the neighbouring states and thereby create new jobs also in those countries. This may reduce the need to migrate to South Africa. On the other hand, slow economic growth in South Africa may reduce the economic growth in the neighbouring countries, thereby strengthening the “push factor” and increase the immigration to South Africa.

Furthermore, as the ADB study points out, “If economic growth is high, it can be expected that rural-urban migration will proceed rapidly, urban informal-sector activities will multiply, and a growing proportion of urban workers in RSA will be migrant workers from SADC.”

The conclusion here is that irrespective of a successful or unsuccessful economic development in South Africa, the immigration will continue and

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12 The data in this section are from Ohlsson (1995) and SARDC (1994).
probably increase, if no negotiated political solutions can be agreed between the countries in the region. In South Africa political pressure for stronger measures against immigration will grow.

To support a more balanced regional development and avoid among other things mass immigration into South Africa, the idea of a "RDP for the Southern African region" has been suggested in the South African debate. Feasible or not, this suggestion is based on the correct assumption that the long term solution of the migration problem is a more balanced regional development.

**Brain drain**

A special part of the migration issue is brain drain, from the countries with very low real wages in the northern part of the region to the SACU countries, and particularly South Africa, where it is possible to live on real wages and the professional environment is much more satisfactory.

The ADB study concludes that "... in the short-run, a brain drain to RSA seems almost inevitable with potentially harmful consequences in the poorer SAR countries for the provision of social services, such as health and education, and for the rate of economic growth." (ADB, 1993a:175).

In a positive—or rather over-optimistic—scenario, twenty years may be sufficient to increase the number of professionals through the South African training institutions so that the pull factor will be weakened. This may however be an overoptimistic assumption, and anyhow it does not deal with the crucial factor, that of low real wages and weak professional environment in many of the neighbouring countries.

A continued and possibly increasing brain drain, together with the effects of AIDS may have severe consequences for the capacity of public administration, higher education and health as well as commercial activities in the non-SACU, SADC countries. This in turn may reduce political stability, as well as economic growth.

The ADB study suggests that "A regional solution to the brain drain could come through multilateral negotiations between the sending and the recipient governments. These could be conducted within whatever institutional framework is established to foster cooperation among SAR13 countries. A crucial consideration as elsewhere is that the cost to the poor, sending countries would greatly outweigh the marginal benefit to RSA. It might therefore be possible, for instance, to persuade RSA to impose work permit quotas on high level manpower from each SAR country. Such quotas would be particularly important if measures are taken to standardise professional qualifications in the region." (ADB 1993a:177).

To this can be added that such systems, as well as systems to compensate the sending country for its loss, are complicated to implement. Also here the long term solution is improved balanced regional economic development, increasing the scope for increased real wages in the public sector. The challenge is to keep professionals and other highly trained people in their countries during a probably long intermediate period.

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13 Abbreviation for Southern African Region in the ADB study.
Regionalisation issues with strong potential benefits

Electricity

A successful growth scenario will demand increased electrical energy in the region. By mid-1995 there is an energy surplus at the regional level, due to the long period of weak economic growth and low investments. This situation will however change in a 10–20 year perspective. As investments in the sector are expensive and the time lag between decision and production is significant, new investments should preferably be decided before the year 2000.

Plans to link the hydroelectric power plants together in a regional grid have been worked out within the South African parastatal ESKOM. A stable regional situation during the next two decades would most probably mean that at least part of these plans could be implemented. One recent sign was the establishment of the Southern African Power Pool, in which ESKOM will have a dominant role. For further industrialisation and urbanisation in South Africa this is an important issue. One crucial factor is if there is enough mutual trust among the governments in the region, as linking to a regional grid means that you make yourself dependent on your neighbours.

Transport

Significant rehabilitation of the transport corridors in the region has taken place during the last 15 years. The Benguela railway remains to be rehabilitated, and the new “Caprivi-corridor” to the port of Walvis Bay is under construction. In the next decades, maintenance and management will be main issues. Here private sector companies and parastatals, such as the South African Spoornet and Portnet, probably will play important roles. At the same time they will be part of the South African transport corridors which will continue to play a major role in the regional transport network. Spoornet and Portnet will get some problems with their “double roles” in such a scenario, if they have to compete with themselves. The plans for a Gauteng-Maputo corridor, made public in 1995 and early 1996 are a further sign of the efforts by governments in the region to involve private sector interests in infrastructural investments.

Both electricity and transport are “regional goods”\(^{14}\) with low “political” content, where mutual economic benefits are obvious. These issues therefore belong to a category with good potential for further regionalisation, provided that the South African dominance can be handled. Recently, the inherited South African dominance in the transport sector has been further enhanced, as South African shipping companies, port authorities, railways, road transporters,  

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14 Balassa & Stoutjesdijk (1976) have made the following distinction between different types of common goods and services: national goods and services are normally not traded among member states. This class of goods involves perishables, housing, construction, retail trade and most government and private services. By definition regional goods and services cannot be imported from the world market, but may be provided on a national basis as well as jointly. Regional goods include electricity, transport and communications and irrigation etc. International goods and services may be provided on a national, regional as well as on a world market basis. This category comprises most agricultural and manufactured products.
forwarding agents and air companies have increased their penetration of the region.

Trade integration

The existing regional trade pattern is characterised by South Africa’s strong trade surplus towards the neighbouring countries, particularly so with the other SACU members, which take 85–90 per cent of their imports from or via South Africa, while most of their exports are directed to countries in the North. Although the total share of South Africa’s exports going to Southern Africa is limited, the region is an important and expanding export market for a number of South African companies in the manufacturing sector which are not competitive in the world market, receiving around one quarter of total manufacturing exports 1993–94.

As is the case with South Africa, the exports of the other SADC countries are dominated by mineral and agriculture commodities to the North. The intra-SADC trade, with South Africa excluded, has for many years represented around 5 per cent of the total and no persistent increasing trend has been visible. Meanwhile such a trend has been evident in the trade between South Africa and many of the SADC countries, although with continuous asymmetry.

Although the intra-regional trade may increase somewhat in the future, it will most certainly not constitute a significant instrument for further integration, also with an implementation of e.g. a free trade area agreement in the region. For most countries their national trade liberalisation under the structural adjustment programmes is more important. Such trade liberalisation at the national level, may however be “locked in” through a regional free trade agreement as has been discussed in recent literature. 15

Issues at the national level important for the economic growth in the region outside South Africa

Demography and food production

With 3.0 per cent annual population growth (average figure for 1990–95), the population of the SADC member countries will double by the year 2018 from 136 million in 1994. The lowest growth rate is estimated for South Africa (2.2 per cent p.a.) and the highest for Tanzania and Zambia (3.8 per cent p.a.) 16. The urban growth rate is estimated to an average of 6.5 per cent p.a., which means that it doubles in eleven year. More than 40 per cent of the Southern African population were estimated to live in urban areas by 1990.

To this shall be added the demographic effects of AIDS in a 15–20 year perspective. Some studies on specific countries report frightening results. In Zimbabwe, for instance, around 30 per cent of the population of working age and 60 per cent in the military and police forces are HIV-infected. One study on

15 See e.g. Mistry, 1995.
Zambia estimates that almost 2/3 of the mine workers will be HIV-infected in the year 2000. The Bureau of Census calculates that by 2010 for Malawi the growth rate without AIDS would be 3.2 per cent and with AIDS 1.6 per cent. Corresponding figures for Tanzania are 3.0 per cent and 1.5 per cent, for Zambia 3.4 per cent and 1.4 per cent and Zimbabwe 2.1 per cent and 0.5 per cent. 17

Effects of AIDS on the societies in Southern Africa also include: 1) A reduction of the highly skilled elite, which reduces the stability in security systems and political structures and weakens the capacity of the public administration. This may constitute one of the major obstacles to reaching the economic growth target in a positive scenario. 2) Weakening of the multiactive households that are common, especially in countries with low level of urbanisation. 3) Reduction of labour force during the labour intensive period of agriculture, which may result in reduced acreage and lower productivity. 4) Pressures on priorities in health budgets.

Continuing population increase, which will take place also with changing reproductive patterns, shrinks the per capita allotments of agricultural land. According to environmental studies18, Malawi and Tanzania are the countries worst off, falling below what is considered the critical benchmark of 0.07 hectare cropland per capita in 2025. Other countries in an increasingly serious situation are Lesotho, Mozambique and Swaziland. Population pressure together with increasing scarcity of land also increases soil degradation. The common regional exporters of the staple food maize during years with good rains have been South Africa and Zimbabwe. Phasing out of subsidies for maize production and fertiliser consumption in South Africa has already reduced the maize production area significantly and this trend will probably continue.

The ADB study (1993) estimates that Southern Africa in 2025 will need to feed a rural population 50 per cent larger than the present one and an urban population four times as large. This implies an increase in total demand of maize in the region of over 2.5 the level of 1990. If such an increase were to be met by domestic production, it would require cultivation of another 20 million hectares for maize alone with another 12.5 million hectares for urbanisation. This would mean increasing the amount of land presently under cultivation by nearly 60 per cent. This increase in cereal production will have to come from increased productivity and from developing land areas in the northern part of the region (Angola, Zambia, Zimbabwe, southern Tanzania, northern Mozambique, where average rainfall is typically between 750 and 1500 mm). According to the ADB study Southern Africa has the capacity to feed twice its population 1990 on the basis of modest increases in agricultural inputs and a doubling of the area of land under cultivation. This means that beyond 2015 a significant increase of productivity has to be added, beside the demanding task of doubling the area under cultivation.

There is thus a theoretical potential for food production covering the demand for the population in the region for the next two decades. The practical activities to achieve that goal constitute an enormous challenge, and includes a doubling of the area under cultivation, taking place in the northern part of the region,

especially in countries under rehabilitation after long wars (Angola and Mozam­
bique) or with an extremely squeezed budget situation (Zambia, Tanzania, Zimbabwe) together with increased productivity. In order to avoid heavily increased imports of maize and other cereals to feed the population, intense efforts will have to be made.

In this context it should be noted that return to “normality” in Angola and Mozambique will improve the situation significantly. A prerequisite is a successful and quick demining of the rural areas. The main advantage of “normality” is that 6–8 million peasants will return and be able to feed themselves. This, however, will not solve the problem of feeding the rapidly increasing urban population. And the ADB study estimates that already by the year 2000 South Africa will be importing food from the other SADC countries. It suggests: “Cross-border flows of food from Angola, Mozambique, Tanzania and Zambia to their southern neighbours should become a linchpin of regional cooperation and, eventually, of economic integration strategy.”

There is a risk that the increased frequency of droughts will continue in the region. This would constitute a serious obstacle to the rehabilitation of the agricultural sector which would be possible under peace and stability. It would also negatively affect the cattle sector with both economic and ecological negative effects. Furthermore, it will increase the scarcity of water resources, the distribution of which is one of the most critical issues in the region in a 15–20 year perspective.

**Investments**

Most observers agree that one prerequisite for a growth scenario is significantly higher investments not only in South Africa, but also in the rest of the region. While South Africa hopes for investments from overseas, the pattern of recent years suggests that foreign investment in the rest of the region—with the exception of Angola—will mainly be from South Africa-based companies.

An alternative, based on substantial overseas investments in the other SADC countries rather than in South Africa, which would reduce the present regional asymmetry of production capacity, is unrealistic. Although not ideal, the best we can hope for in this field is a sort of trickle-down effect in which overseas investments in South Africa, also generate investments by South Africa-based companies. One important exception to this rule is mineral sector investments, which have to take place where the resources are. The long term potential for such investments is highest in Angola, with Mozambique probably second.

The mineral sector has been suggested as one in which substantial advantages of regional cooperation can be gained, especially through further beneficiation in the region of existing minerals that at present are exported raw. According to one expert “An initial conclusion that could tentatively be drawn on mineral beneficiation is that the best potential for further beneficiation lies with products that incorporate a substantial transport advantage and that are relatively energy intensive. Thus it would appear that the best potential lies with the production of ferro-alloys and special steels, followed by pure metals and high-tech alloys and
finally, mineral-based chemical products and hydrocarbon based products (oil, gas)."

Tourism is also suggested as a sector with a strong expansion potential in a regional perspective, making cooperation expand along market rules. In South Africa the projections say that the 0.7 million tourist visits in 1994 will increase to 2.3 million in the year 2000. There have been South African tourist sector investments in neighbouring countries, and even a few investments by Zimbabwean interests in South Africa. Joint ventures between South African and international hotel and tourist interests have increased during the 1990s. The attractive aspect of tourism is that it is labour intensive, the less attractive ones are the high import content and the risk for cultural distortions.

Significant investments have to be made in physical and social infrastructure, particularly rehabilitation in war-stricken Angola and Mozambique and rehabilitation and expansion in other crisis- and SAP-stricken countries. It can be assumed that this is an area for which international development assistance will be available.

With continued peace, peasant agriculture production in Angola and Mozambique can be assumed to grow significantly and with improved infrastructure there will be scope for rehabilitation of commercial agriculture.

There are recent examples of investments by South Africa based manufacturing industries in neighbouring countries because of the lower real labour costs which have occurred mainly as a result of structural adjustment programmes in those countries. This pattern may be further developed, should it be perceived as permanent by the companies. It raises the issue of regional trade union cooperation and is a potential conflict area between countries, competing for new investments. In a number of labour intensive sectors the alternatives for the South Africa based countries are to move to other countries in the region with much lower labour costs or to close down when the transition period agreed with GATT/WTO is over and the imported competing goods from South East Asia or other low-cost countries face significantly lower tariff barriers.

The potential for local companies in other SADC countries to increase their exports to South Africa will also increase with a gradual reduction of the South African trade protection as a result of the implementation of the GATT Uruguay Round agreement, South Africa's membership in WTO, and internally decided trade regime changes.

This adds up to an improved potential for increased trade between South Africa and its neighbours in both directions. A movement of labour-intensive manufacturing production to SADC countries outside South Africa would also improve the prospects for at least a modest increase of the intra-regional trade between them.

Another, less favourable scenario for the region in this field is that the open national trade regimes in all countries make it impossible to compete with imports from external low-cost producers and an important part of the manufacturing sector is wiped out in ten years time.

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Debt relief

Finally, an issue has to be mentioned in this context, which is outside the regional perspective. At an early stage of the period, further reductions of the external debt are necessary for some of the countries in the region, particularly Mozambique, Tanzania and Zambia. It is difficult to envisage a sustainable growth in these countries without a more generous debt relief than has been offered so far.

In this context the emerging discussion in 1995 on how to handle the debt of the poorest countries to the World Bank and the IMF raised some modest hope, but in early 1996 it seems as if both organisations have back-tracked on this issue. Still for the three countries mentioned and a few others it is absolutely impossible to envisage any sustainable development, without a totally different international attitude to the multilateral debts, demanding that the Bretton Woods organisations finally take some responsibility for the effects of their own advice and lending. It is not a plausible development, but some type of common Southern African attitude, if backed by some of the more liberal bilateral aid governments might be one instrument to improve the situation.

Issues at the national level important to the political stability in the region

The democratic process

If the trend towards increased democratisation from the beginning of the 1990s continues in the region for another twenty years, the population will have experienced three or four multiparty parliamentary elections in increasingly open societies, and a whole generation will have grown up with democracy as "normality". This in turn would have made democratic institutions more stable and consequently reduced the risks for sliding back into dictatorships, authoritarianism and military coups. Governments would have a stronger legitimacy, the political stability would have been strengthened, which improves the potential for economic growth. 20

It is easy to list a number of threats to a gradually increased democratisation process in Southern Africa, for instance:

- A serious conflict between the Inkatha leader Mangosuthu Buthelezi in KwaZulu/Natal and the central government in South Africa further increasing the level of violence and creating a more unstable political environment.
- A return to war in Angola, either initiated by UNITA, or a military coup.
- That the gap between political leadership and the people in Zimbabwe develops into a highly unstable situation, in which some group with support from the military, seizes power.
- That multiparty democracy in countries like Zambia, Mozambique, Malawi is perceived as a "no-good" system if the introduction of it does not coincide with

20 The important part of my argument is that political stability is conducive to economic growth, which unfortunately does not mean that it has to be democratic, as history has taught.
material improvements for the majority of the population. It is hard to defend democracy as an abstract value on an empty stomach.

Relative peace

Peace in Angola and Mozambique is another prerequisite. This will make economic and social recovery possible, reduce the immigration to South Africa and increase the political stability in the region. Two important activities during the period discussed here, where aid agencies can make important contributions in this context are de-mining and demobilising parts of the military forces (UNITA, Renamo and the two government forces).

Lasting peace in Angola and Mozambique may lead to improved political stability, although power conflicts between Frelimo and Renamo and MPLA UNITA will be numerous. If they are fought in the political instead of the military arena, the peasant agriculture may be restored over the next 5–10 years, which will reduce the need for food imports, including emergency aid. Reconstruction of physical and social infrastructure may be an important instrument for economic growth and increased employment. An initial part is de-mining. The Angolan government estimates that 10–15 million mines are planted around the country. A problem will be the financing of the reconstruction. Here development aid can play a strategic role, if donors are prepared to transform part of their present emergency aid into reconstruction support. At a meeting in Brussels in October 1995 the Angolan government presented a Community Rehabilitation and National Reconciliation Programme over two years (1996 and 1997). The total cost was estimated to around USD 700 m.

In the rather uncertain event of peace and infrastructure reconstruction, production sector investments will increase. In Angola, companies mainly from South Africa, Portugal, USA and Brazil will be competing with each other, liaising with various domestic interests. A reconstruction of the coffee farms as well as food production for the domestic market could increase the agriculture production significantly and investments in the mineral sector be on their way.

As in many other countries where the state and the institutions are weak, unserious “entrepreneurs” will be around, but hopefully also serious ones. In a twenty year perspective Angola may have reached the level it had at independence, and with 40 years’ delay, start development from what was square one.

In Mozambique foreign interest comes mainly from South Africa, although in the mineral sector TNCs from other countries have shown interest. The result may be significant increase of agricultural production both for domestic consumption, but also for exports, for instance sugar, tea and cashew nuts. Among mineral extraction projects both the natural gas fields in Pande (US energy company Enron) and the coal mine in Moatize may be exploited in twenty years time.

One problem during this period will be the extremely weak Mozambican capacity in both the public and the private sector. As in Angola this means a strong dependency on foreign interests, serious or not. As has been experienced during the last few years, this also opens up for organised crime and various “Mafias”. If they are allowed to get a firm position, they will be one of the main threats to the prospects for a successful reconstruction phase.
Regional regime and cooperation

The development of South Africa is decisive for the whole region. Stability and economic growth in South Africa makes it possible for the South African government to put more emphasis on regional issues. At the same time stability and economic growth in the rest of the region are instruments for improved development in South Africa. A positive scenario will make it possible for Southern Africa to avoid the total marginalisation of the rest of SSA. A negative South African development, on the other, hand will most probably result in fragmentation and further crisis in the region, which then will constitute just another part of a continuously marginalised continent.

Since the early 1990s South Africa based economic actors have increased their penetration of the neighbouring countries. South African companies, particularly in the tourism, mining and trade sectors have established themselves in the region. In a positive scenario this trend will be reinforced.

Some of the investors try to explore a situation where rules and laws are weak and their implementation still weaker. The more serious investors will create economic production and employment in the neighbouring countries. At the same time they will further strengthen the South African dominance.

Policy statements by the Government of National Unity, indicate a political will to avoid South African dominance and let the other countries in the region influence regional policy. Still South Africa is dominant and the stand of that country will be determined by a balance between various forces. The economic actors often have their own agendas. In the best case they create dynamism, production and employment, at the same time as they increase the South African dominance, in the worst case they increase the dominance without creating production and employment.

At the political level these activities have to be balanced, which means that the Government of South Africa cooperates with the governments in the neighbouring countries with a long term perspective. Such a development is constrained by the many urgent domestic tasks for the new South African government. It will however feel a pressure to organise regional cooperation in a number of areas, where South Africa is dependent on the other countries and the conflict potential is strong, particularly water distribution and migration. In other areas regional cooperation can be based on obvious advantages for all, although they are asymmetric. Main examples are electricity, transports and communications. Mutual, although probably not as comprehensive advantages, can be found in sectors such as mining, tourism and financial services. Trade integration without compensation normally benefits the strongest partner most.

There are no major signs of a reversal of the present trend of liberalisation of trade investment and capital towards a still more open global economy. And many of the SADCo member states will be forced to continue the liberalisation at

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21 Some examples: South African interests now own and run a number of hotels and tourist places in Mozambique. South African supermarket chains are on their way into the neighbouring countries. AAC has announced expansion of various mining schemes, among them three in Zimbabwe. De Beers is increasing its stake in Williamson Diamonds in Tanzania, and discussing with the Angolan Endema diamond company. SA Breweries are involved in joint ventures in Tanzania and Mozambique. SA Airways and Spoornet are involved in Tanzania.
the national level as part of their structural adjustment programmes even if that means closing down of domestic manufacturing industries. The pressure is strong for any regionalisation effort to be in the form of “open regionalism” which does not threaten the ongoing globalisation of the economy.

To re-negotiate the SACU agreement seems to be the regional issue which presently is most important for the South African government, in spite of the complaints from other SACU members that it is dragging its feet. Also, if the negotiations are finalised only in 1997, it can be assumed that in a positive scenario the integration in SACU will be deepened into a common market in a 10–15 year perspective, which means free movement not only for goods but also for capital and labour. Furthermore a number of the other SADC countries are probably linked to this common market, either as members but more likely in somewhat looser arrangements, such as bilateral free trade agreements, eventually ending up in SACU membership.

The SADC cooperation has probably not developed into trade integration, but it has an important role as platform for discussions and negotiations in a number of functional areas along the sector protocols that are gradually worked out during the period up to the year 2000.

In a positive scenario, by 2010–2015 SADC is much more of a Southern African organisation, as the external support has diminished over the years. To mobilise external sources for projects in various sectors is still an important task, but not as dominant as it has been up to 1995. The main role of external sources is to support the mechanisms for regional discussions on issues such as water distribution, migration, transport and communications, financial institutions, energy, human resources development, environmental issues. Regional activities in the production sectors are dealt with mainly by the private sector. Certain incentives to increase investments in the poorer member states are in place but they have not been used very much.

A crucial issue is if this development of SADC is consistent with the pressure for a continuous globalisation, which in the regional context means an open regionalism of the kind referred to above. There is such a scope for regionalisation for the typical “regional goods”, but any attempts to develop a trade or capital integration with a significant protective element would meet resistance among international institutions such as the IMF, the World Bank, the WTO and the major bilateral aid donors.

COMESA will probably disintegrate de facto due to lacking support from the member states and aid agencies. It may remain formally with a reduced number of members, but with a very limited role to play.

The main threats against a positive scenario regarding regional cooperation, briefly outlined above, are what sometimes is called lack of political will in the member states, fragile institutions for regionalisation at both the regional and national level, and the risk of further strengthening of the South African dominance to a level where it creates back-lash effects in the weaker countries.

The concept of “political will” is a bit complicated, as it contains various interest groups in the participating countries and their relative strength and influ-

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22 In the case of Lesotho, the latter issue will already have to be solved during the on-going negotiations. In a twenty year perspective, Lesotho may even be an integrated part of South Africa.
ence on their governments and their "horizontal" links to the corresponding groups in the other countries. While competitive companies are interested in as open cooperation as possible in their sector, less competitive companies may be much less interested in open regional cooperation. The usual time perspective problem related to regionalisation is also important. The long term advantages of regionalisation are less clear and less certain, while the disadvantages are felt immediately.
7. Concluding comments

The arguments given lead to the conclusion that the regionalisation in Southern Africa will take place along functional lines, where the benefits for most participants are clear such as hydropower, water management, transport and communication, but that they will be implemented rather independently of for instance SADC structures, although maybe under some formal SADC umbrella. Trade and investment patterns will be decided by market forces, which will flexibly adjust to the rules and regulations for cross border activities as they are already doing. The regionalisation process will be spontaneous, rather than politically guided. The positive side of this may be increased dynamism in the process, the negative side is the risk for increased polarisation in the region.

Commercial regional actors have already shown their interest in increasing intra-regional trade and investments. In this field success will feed success, as well as failures will feed other failures. This also means that if private companies are prepared to take some risks they will contribute to improving the chances that the development will take a positive turn. If they, on the other hand, “sit on the fence”, they will contribute to a negative development.

If peace prevails in Angola and Mozambique, infrastructural rehabilitation and agricultural reorganisation may improve the situation substantially for a large number of people, which in turn could improve the political stability and the security situation, which reduces the risk of sliding back into war. Regional security cooperation could also improve the stability, and contribute to reducing the risks of interest conflicts between countries in the region as well as containing internal conflicts in one of the countries, to avoid them “spilling over” into other countries.

The complex interrelations between the economic, political and security spheres will determine the regional development. South Africa’s dominant position in the region should be utilised in a constructive way along the lines of a “benevolent hegemon”, taking long term regional perspectives rather than shortsighted national interests into consideration. The other countries in the region will have to accept such a benign hegemony and put sufficient effort into the regionalisation activities in order to increase their own influence.

A positive development in South Africa is a prerequisite for a positive regional scenario, and here we may find the biggest threats, as shown in the following tentative list of main factors at the regional or national level threatening a “high-growth” regional scenario, which can be identified at present. These are:

1. The risk of escalation of the violence between Inkatha and ANC in KwaZulu/Natal and an attempt by Inkatha to break KwaZulu/Natal out of South Africa which will force the Government of National Unity to use military action against the province.
2. Conflicts regarding the use of regional water resources, that may create local political destabilisation and reduce regional cooperation also in other areas.
3. Conflicts related to regional migration flows and ways to control them.
4. The combined effects of brain drain southward in the region and aids, reducing the supply of highly educated staff in the non-SACU SADC countries to a critically low level, threatening already weak public administration, education, health, and commercial activities.

5. Prolonged drought periods, affecting agriculture and live-stock production and consumption and further reducing water supply.

6. Weak political support for regional integration with multilateral responsibility and measures to balance increased asymmetry between South Africa and the other Southern African states. Together with weak regional institutions this means that the potential for a regional development, where political agreements balance the market forces is limited.

7. Breakdown of the democratisation and peace processes in any of the countries, may spill over into others. Angola is the highest risk, but for instance a military coup in Zimbabwe or Zambia cannot be totally excluded if the economic situation deteriorates further.

A “high growth scenario” is a necessary but not sufficient condition for a positive regional development. The results of high economic growth have to become available to the majority of the people, the unemployment has to be reduced, people’s health, education and skills have to be improved. The alternative to this is a high growth, polarisation scenario where the gap between an elite and a majority of the population is increasing. In twenty years time such a development may have made permanent the structure along lines similar to those in for instance Brazil. At a regional level a colonial pattern may emerge, with the typical enclaves of growth and wealth consisting of a number of urban centres and nature resource based production in some rural areas and linked together in a pattern, where national borders are unimportant. These enclaves would form an archipelago of wealth in a sea of poverty, consisting of rural areas, where the majority of the population would live. That scenario would make Southern Africa a typical example of a regional centre-periphery model.

Such a development is of course not intended by ANC or the present coalition Government in South Africa. It may, however, emerge by default if strong enough policies to avoid it are lacking. The more the gap between the modern sector and the rest is perceived as “normal” the bigger is the risk that it is made permanent.
References

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