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INTERNATIONAL ECONOMIC AND POLITICAL IMPLICATIONS OF THE RE-INCORPORATION OF SOUTH AFRICA INTO THE SOUTHERN AFRICAN DEVELOPMENT COMMUNITY

BY

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DEDICATION

This work is dedicated to all the
people of southern Africa.

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TABLE OF CONTENTS

	PAGE
DEDICATION	i
ACKNOWLEDGEMENTS	ii-iii
TABLE OF CONTENTS	iv-ix
ABBREVIATIONS	x-xi
LIST OF TABLES	xii-xiii

CHAPTER

I.	THE RESEARCH OBJECTIVE AND THEORETICAL OVERVIEW	1
A.	THE PRINCIPAL OBJECTIVE OF THE STUDY	
B.	PROBLEM STATEMENT	2
C.	HYPOTHESIS	2
D.	THEORETICAL APPROACH AND DEFINITION OF ECONOMIC INTEGRATION	3
	1. Definition	3
	2. Economic Definition of Integration	4
	3. Traditional Economic Integration Theory	6
E.	DELIMITATION	9
F.	ORGANISATION OF THE STUDY	9
G.	INVESTIGATIVE APPROACH	10
	1. Libraries	11
	2. Interviews	11
	3. Other Sources	11
H.	References	12

II. SOUTH AFRICA'S POLITICAL ECONOMY FROM 1978 TO 1989 13

INTRODUCTION 13

A. ASPECTS OF THE SOUTH AFRICAN REGIONAL POLICY 13

1. Brief Historical Outline of the Roots of South Africa's Foreign Policy During the 1980s 13

2. Total Strategy (1978) 16

a. Objectives 17

b. The Application of the Total Strategy 18

3. The Destabilisation Policy 21

B. THE EFFECTS OF DESTABILISATION ON THE SADCC COUNTRIES 23

1. Transport 23

2. Food 29

3. Energy 31

C. LIMITS TO SOUTH AFRICA'S DESTABILISATION POLICY 32

1. Economic Limitations 32

2. Political Limitations 35

SUMMARY 36

References 38

III. SADC: REAPPRAISAL 44

INTRODUCTION 44

A. ORIGINS AND OBJECTIVES 44

1. Origins 44

2. Objectives 45

B. SADCC REGIONAL ECONOMIC APPROACH 46

1. Decentralised Approach 47

2. The degree to which responsibility for operational programmes has been devolved to national governments 50

3. The balance of power between the political and bureaucratic organs 52

C. SUCCESSES AND FAILURES 53

1. Successes 53

a. Transport and communication 53

b. Mobilisation of funds 57

c. Institutionalisation of external dependency: a common enemy 58

d. The creation of a sense of common identity 59

e. SADCC and the call for sanctions 60

f. SADCC and its self-evaluation 63

2. Failures 64

a. Reduction of economic dependence 64

b. The multi-membership of SADCC countries 70

c. Dependence on foreign funds 72

SUMMARY 75

References 77

IV. THE REGIONAL AND INTERNATIONAL IMPLICATIONS OF THE PROCESS OF DEMOCRATISATION IN SOUTH AFRICA 81

INTRODUCTION 81

A. FROM CONFRONTATION TO DIALOGUE 81

B. INCREASE IN CO-OPERATION: INTERDEPENDENCE OR DEPENDENCE 86

1. South Africa as a power house 87

2. South Africa as a dominant economic power 89

a. Factors which will influence South Africa's domination 90

a_1 South Africa's internal problems 90

a_2 The national interest 93

3. South Africa as an equal partner 97

1. Regional limitations 97

2. World limitations 105

b_1 Multilateralism 105

b_2 Competitiveness of South African products on the international market 107

3. Foreign aid 109

C. THE BIRTH OF THE SADC 110

1. Political change in South Africa 111

2. The Emergence of new directions of development 112

a. To avoid marginalisation 112

b. Existence of other regional institutions 114

1. The emergence of COMESA 114

2. The Southern African Customs Union (SACU) 117

D. INTERNATIONAL COMMUNITY'S INVOLVEMENT IN SOUTH AFRICA AND ITS REGIONAL IMPLICATIONS 121
1. The moral-ethical reason 121
2. The consolidation of the outcome of transformation 126
3. The re-integration of South Africa into the international community 127

SUMMARY 130
References 132

V. A PRO-ACTIVE FRAMEWORK FOR REGIONAL ECONOMIC CO-OPERATION 142

INTRODUCTION 142

A. APPROACHES TO INTEGRATION AND THEIR RELEVANCE TO SADC 142
1. The trade or market integration 142
2. Integration through project co-operation 144
3. Development integration 145

B. CRITICAL ELEMENTS OF THE INTEGRATION PROCESS IN SOUTHERN AFRICA 149
a. The SADC's tr de pattern 149
b. Industrialisation 152
c. Investments 153
d. Monetary relations 155
e. Tariff and non-tariff barriers 156
f. Labour migrants 159
g. Community-building 161

SUMMARY 162

References 164

VI. CONCLUSION 166

a. The end of Apartheid and the political reforms in South Africa: implications for the SADC 167

b. Challenges facing the SADC to increase economic co-operation 171

c. SADC project for regional co-operation and development 176

Reference 178

Postscripts 179

BIBLIOGRAPHY 180

ABBREVIATIONS

ADB	:	African Development Bank
AECI	:	African Explosives and Chemical Industries
ANC	:	African National Congress
ASAS	:	Association of Southern African States
BCG	:	Beira Corridor Group
BLSN	:	Botswana, Lesotho, Swaziland and Namibia
CAP	:	Common Agriculture Policy
CAF	:	Central African Federation
CBI	:	Cross-Border Initiatives
CBM	:	Consultative Business Movement
CET	:	Common External Tariffs
CMA	:	Common Monetary Area
CODESA	:	Congress for a Democratic South Africa
COMESA	:	Common Market for Eastern and Southern Africa
COSANS	:	Constellation of States
CU	:	Customs Union
CUA	:	Customs Union Area
EAC	:	East African Community
ECOWAS	:	Economic Community of West African States
EPRD	:	European Programme for Reconstruction and Development
EU	:	European Union
FRELIMO	:	Front for the Liberation of Mozambique
GATT	:	General Agreement on Trade and Tariffs
IDC	:	Industrial Development Corporation of South Africa
IMF	:	International Monetary Fund
JCI	:	Johannesburg Consolidated Investments
MPLA	:	Popular Movement for the Liberation of Angola
NTBs	:	Non-Tariff Barriers
OECD	:	Organisation for Economic Co-operation and Development
OGIL	:	Open General Import Licensing

PTA	:	Preferential Trade Area
RMA	:	Rand Monetary Area
RDP	:	Reconstruction and Development Programme
UDI	:	Unilateral Declaration of Independence
SACU	:	Southern African Customs Union
SACOB	:	South African Chamber of Business
SADC	:	Southern African Development Community
SADCC	:	Southern African Development Co-ordination Conference
SAFER	:	Southern African Foundation for Economic Research
SWAPO	:	South West African People's Organisation
WB	:	World Bank
WTO	:	World Trade Organisation
ZANU	:	Zimbabwe African National Union

LIST OF TABLES

		PAGES
1.	Tables of Major South African Firms in Southern Africa	33
2.	Chart of SADCC Sectoral Responsibilities	51
3.	Table of Transit Traffic Through BEIRA, 1993 and 1994	55
4.	Table of Transit Traffic through Maputo/ Matola, 1993 and 1994	55
5.	Table of Rail Traffic between South Africa and Neighbours, 1982/83 and 1994/95	56
6.	Table showing Average Annual Growth in Real GDP of SADC Countries, 1980-1991	69
7.	Table of the Total External Debt of Southern Africa 1984/6; 1989, 1990	74
8.	Table of the Total External Debt Ratios, 1980 and 1991	75
9.	Table Depicting Southern African Facts	88
10.	Table showing Average Trade flows between Countries in Southern Africa	102
11.	Table of South Africa's Top Ten African Import Sources for 1993	116
12.	Table of South Africa's Top Ten African Export Destinations for 1993	116

13. Table of South Africa's Top Ten African Partners for 1993 117

14. Table showing the Total SACU imports from SADC Countries, 1994 150

15. Table showing the Total SACU Exports to SADC Countries, 1994 150

16. Table showing Primary Commodities Exported by SADC Countries 153

17. Table of Data on SADC Countries Manufacturing Sector 154

CHAPTER I

THE RESEARCH OBJECTIVE AND THEORETICAL OVERVIEW.

A. THE PRINCIPAL OBJECTIVE OF THE STUDY

Since 2 February 1990, wide ranging events in South Africa have heralded the possibilities of a new economic co-operation era across southern Africa. On that date, in South Africa, the then President F.W. de Klerk paved the way for this new era by unbanning all major political opposition groups, releasing political prisoners and starting a process of transition to a democratic South Africa.

These events have an important bearing on the economic pattern in the region between South Africa and the Southern African Development Community (SADC). South Africa, free of apartheid and the dream of economic, military and political hegemony, has joined the SADC since August 1994.

The acceptance of South Africa by its neighbours as a partner in the effort to build a broader economic community has become a central focus of economic and intellectual debate in the sub-continent.

While the new political dispensation in South Africa is significant from the standpoint of peace and development, it is not at all certain what precise form the "post-apartheid" order will take in the region, nor the possibilities it offers for the reconstruction of regional economic co-operation. The aim of this study is to identify and analyse factors which are likely to operate against or to favour close

economic co-operation and integration in southern Africa.

B. PROBLEM STATEMENT

The programme of action of the Southern African Development Co-ordination Conference (SADCC) (that of decreasing regional dependence on South Africa and Western countries and fostering regional development) was called an "important and unconventional regional venture"(1) and termed "revolutionary"(2). These descriptions reflected the reaction of SADCC to two things. Firstly, to the integration approach followed by earlier groupings on the continent and secondly, to the environment into which it was called to operate; characterised by dependency, underdevelopment and fear of South Africa's economic domination and military supremacy.

The specific problem to be investigated in this study concerns the extent to which the SADC with South Africa as a member is able to bring about regional economic co-operation. This will be examined in the light of the region's past political economy, characterised by conflict, mistrust and isolation.

C. HYPOTHESIS

The hypothesis to be examined is that the reincorporation of South Africa into the SADC will, most likely, lead to the promotion of policies to enhance mutually beneficial economic relations between states in the region.

South Africa's admission into the SADC will not, however, of itself, automatically resolve the problems created by the acute trade imbalances, inequalities

and economic domination that characterise existing regional relations. To achieve its full significance, South Africa's admission into the SADC will need to reinforce processes of negotiations aimed at creating a new equitable and mutually beneficial regional order in southern Africa.

The creation of a new economic framework will promote regional co-operation and integration in the area and will reinforce the SADC's economic and political bargaining power in the changing global environment.

D. THEORETICAL APPROACH AND DEFINITION ASPECTS OF ECONOMIC INTEGRATION

It is possible to draw parallels between attempts at economic co-operation in southern Africa and processes of close economic co-operation elsewhere in Africa, such as the East African Community (EAC) and the Economic Community of West African States (ECOWAS). But the background to the SADC approach makes it different from the traditional type of regional co-operation and integration on the continent.

The exchange relations in southern Africa cannot sensibly be discussed in terms different from those applicable to the study of political economy in general, and of comparative situations in particular.

Thus, any study in this field should consider with extreme caution the viability of a structure of economic relations emphasizing co-operation or integration in the region.

1. Definition

The term "integration" shall occupy a central place in

this study and it is therefore important to delimit the meaning it is supposed to convey generally and specially. Literally, integration means the bringing together of parts into a whole. Also integration can be perceived as a process by which originally whole and independent units are combined into a new unified unit or system.

The word integration has a wide interdisciplinary usage. It can refer to combination, union, fusion, amalgamation, merger, absorption, unification, centralisation, incorporation, synchronisation, co-operation, marriage, league, alliance etcetera.[3]

2. Economic Definition of Integration

There is not yet a precise consensus as to the meaning of the term economic integration.[4] According to Bela Belassa economic integration is both a process and a stage of affairs. As a process, it "encompasses measures designed to abolish discrimination between economic units belonging to different states; viewed as a state of affairs, it can be represented by the absence of various forms of discrimination between national economics".[5]

Gunnar Myrdal on the other hand, states that a regional economy is not integrated unless all avenues are opened to everybody and the remunerations paid for (the same) productive services are equal regardless of racial, social and cultural differences.[6] Another theorist, Peter Robson, like Belassa defines integration as:

> "...a situation that is normally attained as a result of a process, extending over time, during which progressive adjustment are made with the object of bringing about a state of

> affairs in which, within the group, specialisation and exchange are expanded".[7]

Another scholar, Hiroshi Kitamura who attempted to define regional integration saw the process of integration as involving nation-states which are supposed to act in unison for the particular purposes of integration. This will definitely involve some, if not total, loss of sovereignty to the extent of the form of economic integration i lved.[8] Ernest Haas is more precise in this aspect of the definition and sees regional integration as "a study which is concerned with explaining how and why states cease to be wholly sovereign; how they voluntarily mingle, merge and mix with their neighbours so as to lose the factual attributes of sovereignty while acquiring new techniques for resolving conflicts between themselves".[9]

Another theorist, Mytelka, provides a more general definition of regional economic integration which she characterizes as "any system within which one can, at a minimum, identify a distinctive and purposeful pattern of common attitudes, mutual interactions and/or collective decision-making activity".[10]

Brewster and Thomas suggest that it is important in trying to define integration to focus on the result (consequences) than on the existence of integrating mechanisms (process).[11]

But any attempt to find a more precise definition will have to distinguish between integration and co-operation. In popular parlance, these two terms are often used indiscriminately. In economic discussion, however, co-operation comprises measures that include the suppression of some forms of discrimination.

Economic co-operation include various measures designed to harmonise economic policies and to lessen discrimination in economic relations between states. These may range from consultations on general policies to joint participation in specific programmes and projects. But they all stop short of creating supranational political institutions or power centres to where loyalties, expectations are shifted". But economic integration refers to "a state of affairs or a process involving the combination of separate economies into larger economic regions.[12] The process of economic integration comprises those measures designed to suppress or remove discrimination.

3. Traditional Economic Integration Theory

The origins of the theory of economic integration can be found in the introduction of the concepts of "trade diversion and trade creation"[13]

Trade diversion arises when removal of tariffs within a region results in previously low cost products from non-members of the region being replaced by higher cost products from members which benefit from the removal of tariffs.

Trade theory postulates that if countries at a similar stage of development enter into trade, competition between their industries results in producing lower cost, higher equality products through competition and spurs the growth of innovation. Moreover, other industries are established as low cost products replace previously high cost products resulting in creating more opportunities for trade and investment (trade creation effects).

Generally economic integration is concerned with the

discriminatory removal of all trade impediments between participating nations and with the establishment of certain elements of co-operation and co-ordination between them.[14]

The theory recognises, that certain conditions must prevail in order for economic integration to produce benefits. It suggests that the welfare gains are maximised when integration occurs among countries which are at a similar level of industrial development, have competitive industrial sectors, and have potential to develop complementarities which capture gains from economies of scale. The theory assumes the existence of a highly industrialised region where intra-regional trade will be increased substantially. It also assumes that the economies of scale will operate and that "pre-existing patterns of trade accurately reflects the comparative advantage of countries in traded commodities.

Based on the idea that Regional Economic Integration occurs in a stage by stage fashion, a body of literature exists dealing with the different stages:

- Free-trade area: Trade barriers are removed between members while each country retains its separate national barriers against trade with the rest of the world.
- Customs Union: All barriers to trade between members are removed and a common set of external barriers is adopted.
- Common market: Goods as well as factors of production (labour and capital) may move freely throughout the market.
- Full economic union: Member countries unify all their economic policies, including monetary, fiscal and welfare policies, as well as policies

with respect to trade and factor movements. Other concepts which need clarification so as to avoid misunderstandings are the concepts of dependence and interdependence.

Following Keohane and Nye, "dependence means a state of being determined or significantly affected by external forces".[15] The most widely accepted definition of dependence in the literature is that provided by Dos Santos: "dependence is a situation in which the economy of certain countries is conditioned by the development and expansion of another economy".[16] These definitions present Dependence as a dialectical concept in that it involves two or more actors. In a situation of dependence involving two actors, one is totally dependent on the other, and conversely that the latter can discard the former without any effects whatsoever on itself.

In any relationship, there is normally some degree of reciprocity. In most cases it is, therefore, warranted to speak of interdependence which Keohane and Nye say "most simply defined, means mutual dependence. Interdependence in world politics refers to situations characterised by reciprocal effects among actors in different countries".[17] However, a state of interdependence between two or more actors does not entail that the reciprocal effects are distributed evenly to either side of the relationship.[18]

An analysis of interstate relationships in a region such as that of Southern Africa will be incomplete if the scope does look at the existence of any level of dependence and interdependence between South Africa and the other members of the SADC.

E. DELIMITATION

This study will examine the evolution of the economic relationship between South Africa and the region from 1978 to the present. The year 1978 was chosen because it marked the adoption by South Africa of its total strategy policy and was followed two years later by the creation of the SADCC. This will provide the necessary historical background to a discussion of the contemporary issue of South African incorporation into regional economical structures.

With regard to spatial limitation, the study will focus solely on the southern African region, comprising the following eleven states: Zambia, Malawi, Tanzania, Zimbabwe, Botswana, Angola, Swaziland, Namibia, Lesotho, Mozambique, South Africa.

Any review of co-operation within southern Africa must take cognisance of the nature of the world economy and its impact on the region.

F. ORGANISATION OF THE STUDY

The thesis is divided into six chapters.

Scholars have stressed that co-operation and integration is an important instrument for and potentially an effective means of, facilitating development among the SADC countries. It immediately becomes evident that for co-operation and integration to bring about economic growth and development new approaches must be found to meet southern Africa's problems and needs.

Chapters Two, Three, Four and Five present discussion and analysis of the political economy of southern Africa, the South African policy of destabilisation,

the failures and successes of the SADCC and the implication of political changes in South Africa for regional relations.

More specifically, Chapter Two considers southern Africa's political economy from 1978 to the end of 1989. It focuses on South Africa's policy of destabilisation towards its neighbours until the end of the 1980's when the dismantling of apartheid began.

Chapter Three examines the activity of SADCC, its successes and its shortcomings, until its transformation into the SADC.

Chapter Four discusses the international and regional implications of the ending of apartheid on the past political economy of the region as analysed in the two preceding chapters. A focus of the argument in the discussion here is that regional and international factors will be shown to have a positive influence on economic co-operation and integration in southern Africa.

In Chapter Five, proposals for successful regional economic co-operation are presented, drawing on approaches quoted in the economic development literature. Past experiences of economic integration serve as the background for the analysis of economic co-operation in southern Africa.

Chapter Six summarizes and concludes the study.

G. INVESTIGATIVE APPROACH

Readings were supplemented by interviews.

1. Libraries

Libraries have been useful for the compilation of this proposed research. Libraries at the University of the Witwatersrand; Africana Library, Wartenweiler Library, William Cullen Library, and the South African Institute of International Affairs (Jan Smuts House Library); the University of South Africa, as well as libraries in the greater Johannesburg area offer adequate material.

2. Interviews

Interviews constituted a very important source of information. Interviews were conducted with various officials of the SADC, and also officially accredited diplomatic representatives to South Africa from southern African countries.

3. Other Sources

These included newspaper and journal articles and reports. SADC reports, readily available from its offices in Gaberone, were consulted. Press cuttings, available in the Jan Smuts House library, provided the major sources for newspapers. I also attended several conferences that were relevant to the study.

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CHAPTER II

SOUTHERN AFRICA'S POLITICAL ECONOMY FROM 1978 TO 1989

INTRODUCTION

This chapter will examine South African regional foreign policy and the economic relationship between South Africa and its neighbouring states from 1978 to 1989. From that date, South African foreign policy was reorganised and the policies of 'total onslaught' and 'total strategy' were adopted by the South African regime. These two strategies shaped South African foreign policy until early 1990 when apartheid began to crumble. The direct consequence was that the regional context also attained a new prominence. On the one hand, South African military and economic power was increasingly being used to destabilise politically neighbouring states. On the other, the creation of the Southern African Development Co-ordination Conference (SADCC) in 1980 further undermined the buffer states strategy which South African regional policy had relied upon in the past.

A. ASPECTS OF THE SOUTH AFRICAN REGIONAL POLICY

1. Brief Historical Outline of the Roots of South Africa's Foreign Policy

The way in which South Africa has sought to shape an agreeable regional environment for itself has changed as circumstances in the region and the world, as well as within the Republic, have changed.

While South African regional policy has changed according to circumstances, it has retained some

enduring and fundamental objectives. All South African governments from Jan Smuts to Louis Botha have consistently been guided by a desire to have an environment in southern Africa favourable to the Republic's political, economic and strategic interests.[1]

In common with other states, South Africa's regional policy has been influenced by its domestic base. However, the importance of domestic policy as an influence on regional policy is far more profound in South Africa's case. The nature of the country's internal political order dominated by the policy of apartheid placed severe constraints on her foreign policy.

Another long-standing objective of South African regional policy was to assert its hegemony over the states of the region, and to become the internationally recognised 'regional power' in southern Africa. The dependency of states in the region upon South Africa (trade, transport, labour) has developed historically through a process of colonial-engendered unequal economic development. The structural distortions of southern Africa's economies derive from historical forces which exploited the region primarily in the interests of colonial powers and white settlers.

> Historically the development of capitalism in southern Africa led to the formation of a regional sub-system in which the principal poles of accumulation were located in South Africa.[2]

Thus, an aim of South Africa's regional policy, beside the protection of apartheid, has been to perpetuate this colonial legacy.

South Africa thought to maintain this centre-periphery structure by creating a peaceful, beneficial African environment. For this reason, "despite the lack of well crystallized common political interests, ... various South African prime ministers did entertain regional designs from time to time".[3] In the 1950s, South African leaders set up grandiose plans for various forms of Pan-African co-operation to be governed by white South Africans. These plans disintegrated but South Africa has never foregone their entire or partial implementation. South Africa however succeeded in maintaining the Southern African Customs Union (SACU) which has been in existence since 1910.

The gaining of independence by Mozambique and Angola under the governments formed by the liberation movements,the Front for the Liberation of Mozambique (FRELIMO) and the Popular Movement for the Liberation of Angola (MPLA), respectively, produced severe South African disillusionment. In April 1974, the Portuguese government was overthrown and replaced by a military council amenable to the decolonisation of Angola and Mozambique. In Mozambique, power was transferred to FRELIMO at independence. Angola was a more complicated case. Three rival nationalist movements were to prepare Angola for independence on November 11, 1975. Attempts by the movements deteriorated into civil war and precipitated South African intervention, undermining the international policy of détente. The emergence in Luanda and Maputo of regimes politically and ideologically hostile to Pretoria meant that South Africa lost two vital links in its attempt to create a Commonwealth in the region. The Soweto uprising in 1976 further contributed to deepening the crisis and destroying the remaining impetus for other states in the region to maintain

dialogue with South Africa.

It was in the search of an alternative option to this regional crisis that South African Foreign Minister Pik Botha reiterated in 1978 the idea of a "Constellation of States"[4](COSANS) which would peacefully "cooperate with one another"[5]. This strategy was not new. It was in line with past initiatives to create an association of Black and White states, with South Africa as the centre. The idea of a Constellation of States arose after the adoption by South Africa of a 'total strategy' policy a year earlier. This strategy was prescribed in the "Defence White Paper"[6] and it called for the co-ordination of internal and external strategies covering four sectors: economic, military, diplomatic and political. Under the rule of President P.W. Botha, the total strategy became the official state policy and the Constellation of States its ultimate objective.

2. Total Strategy (1978)

South African policy-makers have long advocated the idea of regional co-operation in southern Africa. With the assumption of power by P.W. Botha in September 1978, the apartheid state was substantially re-organised and the total strategy was adopted as official policy.

South Africa's basic objectives in the region were economic, political and security hegemony. The three were interlocked and were mutually reinforcing, even if they differed in particular circumstances. The purpose of the total strategy was to mobilise and co-ordinate all South Africa's resources against what was perceived by her regime as a 'total threat' to the

achievement of objectives, and ultimately to its survival. According to P W Botha:

> A country which is facing a total onslaught has to have a total strategy to combat it. This onslaught is not just military but political, economic and psychological. Against this background it is essential that South Africa's strategy should be a total one, in which military, political and economic factors all play a part[7].

a Objectives

Three objectives can be identified behind the policy of total strategy. Firstly, it was intended to define the vague notion of Constellation of States used in the past by Prime Minister John Vorster and his Minister of Foreign Affairs, Hilgard Muller, in the mid-1970's. Neither of them used the concept consistently nor clarified its meaning in detail. President Botha, however, became identified with the concept; not only did he consistently use the expression, but he also sought to give it a substance previously lacking[8]. Botha advocated the creation of a peaceful Constellation of Southern African States, in which the individual states would have respect for each other's cultures, traditions and ideas[9]. The intention might have been to destroy the image of non-racial states in the SADCC region as a model for South Africa.

Secondly, it must be borne in mind that the need to develop a policy of a Constellation of States was a direct result of the worsening situation of the apartheid state. The Pretoria regime developed this policy as a counter strategy to a 'Marxist onslaught' which the country was facing from the internal and external forces committed to the violent overthrow of

the existing order. The policy was aimed at ensuring that "Soviet Bloc powers do not gain a political and least of all a military foothold in Southern African States"[10]. It can therefore be argued that the counter strategy was intended to "conclude with regional states'non-aggression' pacts"[11], and so, to maintain White rule in South Africa by eroding external support for the liberation movements. This objective was defined by the South African government as being to ensure that:

> neighbouring states are not used as springboards for guerilla or terrorist attacks on South Africa...Furthermore, South Africa would wish that black states in the region (not merely neighbouring countries) would not provide training facilities for anti-South African liberation movements and, ideally, would not allow the fighting transit facilities or allow the movements to establish offices in their countries[12].

Thirdly, the last objective was economically orientated. It aimed at thwarting any attempts by independent states of the region to reduce their economic dependence on South Africa. The relevant countries would share interest in trade, agriculture, transportation, health, labour, power and energy, and scientific and technological development[13].

It can be argued that the total strategy policy had as its regional aim to secure recognition of South Africa's economic domination in the area and to thwart attempts by the SADCC countries to lessen their economic dependence on South Africa.

b <u>The Application of the Total Strategy</u>

The total strategy was originally intended to incorporate alternative stands: the development of

the idea of a Constellation of States and the pursuit of an intense destabilisation of the neighbouring states.

Since its inception, the concept of a Constellation of States was met with scepticism and disbelief by critical observers both inside and outside the country. It was widely believed that "South Africa was actively trying to bring to power sympathetic governments in independent Zimbabwe and Namibia, thereby creating a *cordon sanitaire* of anti-communist countries around it".[14] The key to the whole project was to have been Zimbabwe[15]. If Zimbabwe could be brought to an internationally recognised independence under a government led by Bishop Muzorewa, it was calculated that it would be a willing adherent of the Constellation.

The Constellation was intended to include the then Rhodesia (now Zimbabwe) and the then South West Africa (now Namibia) after their independence, and the two most conservative states with already strong economic links with South Africa, Malawi and Swaziland, as well as the two remaining members of the Southern African Customs Union (SACU), Lesotho and Botswana, and the Pretoria 'homelands'. The inclusion of Zaire was conceived as a pillar to pressurise Zambia to adhere. Only three countries were not given much attention by the South African policy makers: Angola and Mozambique, because of their Communist-orientated ideology, and Tanzania which followed the African Socialism approach.

Others considered the Constellation as "apartheid on a new offensive, as the latest version of a long-standing expansionist desire which aimed at reducing Black South African countries to client states".[16]

The vision of this geo-economic community of interest was flatly rejected by all independent states in the region, including the members of the SACU. The South African hope for a Constellation of States failed to materialise. Its implementation was shattered largely by two related events in the early 1980s.

The first was the defeat of Muzorewa in the Zimbabwean independence elections. The victory of the Zimbabwe African National Union (ZANU PF) put paid to any hope that Zimbabwe would become the key to the early establishment of a South African dominated Constellation. Instead, independent Zimbabwe became a member of the Frontline States alliance.

The second event was the creation of the Southern African Development Co-ordination Conference (SADCC)in 1980, a designation which reflected the Black states' opposition to South Africa's vision of constellation. SADCC became "the symbol and tangible embodiment of the political economy of Southern African liberation".[17] SADCC was a political-economic project of the independent states of the region: Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe, with the stated aim of reducing the region's dependence on the apartheid regime. Consequently, the SADCC came to be perceived by apartheid South Africa as a dangerous enemy of its regional hegemony. Indeed, the SADCC factor made a difference in that it added a new dimension to the conflict. It represented a collective effort to stand up to the Pretoria regime, which was previously absent.

3. The Destabilisation Policy

The creation of the SADCC opened a new era for the

South African policy of 'total strategy'. The political economy of the region became characterised by the existence of two competing groups. South Africa's idea of a Constellation of States, seeking to sustain and ensure white economic and military supremacy at home and in the region, was at variance with the economic liberation which was the aim of the SADCC. In fact, constellation and economic liberation were diametrically opposed, they could not co-exist. Under the rapidly changing geo-political situation in the region, the apartheid regime realized that the Constellation of States could never be implemented.

Within South Africa, the SADCC was regarded as a threat. SADCC's success could increase South Africa's isolation and could lead to countries of the region becoming further involved in the liberation struggle against apartheid[18].

The Pretoria regime was forced by the new regional order to change its policy. It opted for a more rigid approach. A mix of military pressure and economic manipulation characterized South Africa's policy towards its neighbours until early 1989 after the accession to power of President De Klerk. These policies were aimed at inflicting negative results on the SADCC through economic and military destabilisation. Economically, two destabilising tactics were used. First, was the use of economic incentives (positive sanctions) such as direct private investments, economic assistance, transport facilities, migrant labour, food and energy.[19] A review of the Lusaka Declaration of 1980, in which the SADCC's objectives were outlined, indicates that it was precisely these historical, artificial linkages that were to be altered if regional structural transformation was to occur. According to the Lusaka

Declaration, a successful alteration of the existing linkages would result in:

- limited economic integration between South Africa and the SADCC member states
- symmetrical economic interaction between the SADCC member states
- expansion of economic interaction among the SADCC member states.

Second was the use of negative economic sanctions in the form of economic penalties. These comprised the withholding or withdrawal of incentives such as mentioned previously, and could be either threatened or actually implemented actions.

Since one of the strengths of the South African government, its economic power, had not proved effective in tempering support for anti-apartheid movements nor in preventing the members of the SADCC from escaping its economic orbit, a consensus decision was taken by the South African policy-makers to use military power.

The use of brute force took multiple forms: commando raids (e.g. Matola, Mozambique, in January 1981); so-called hot pursuits of guerilla forces (particularly in Angola); destruction of physical infrastructure (e.g. Zambia in October 1979); assassinations by letterbomb and hired killers (e.g. Joe Qgabi in July 1981); massacres (Kassinga, Angola in May 1978).[20]

B. THE EFFECTS OF DESTABILISATION ON THE SADCC COUNTRIES

The effects of the policy of destabilisation adopted by the Pretoria regime will be discussed within the context of the SADCC sectors of actions. It had been

said by the heads of states of SADCC members that so long as the SADCC countries lacked an integrated transport and communication system, food security, energy supply, trade and industry policies, to de-link them from the imposed dependence, it would be difficult for them to prevent such destabilisation from crippling their natural development efforts. In this thesis, the effects of South African destabilisation on transport, food and energy only will be considered.

1. Transport

Both the SADCC and South Africa perceived transport as vital to the fulfilment of their economic objectives. For the SADCC countries, transport was the key to liberation; for South Africa, it was a tool for continued domination.[21]

Since the time of its foundation, the SADCC concentrated its efforts on the rehabilitation of regional transport infrastructure as central to the reduction of dependence on South Africa. For the SADCC, "the establishment of a viable regional surface transport system is a prerequisite for effective co-operation and development, particularly since six of the members are landlocked"[22].

The dependence of landlocked countries north of the Limpopo River on South Africa's ports and railways was artificially based as these were not their natural outlets for their foreign trade. Traditionally, "80 percent of international traffic from/to Zambia, Zimbabwe (the then Rhodesia), Zaire and Malawi was shipped through the ports of Mozambique and Angola, whilst only 20 percent was shipped through South Africa's ports"[23]. South Africa's railways were

carrying most of the imports of Botswana, Lesotho and Swaziland and the export traffic of Botswana and Lesotho. The war for independence in both Angola and Mozambique disrupted these outlets to the sea, leaving South Africa as the only alternative. By 1980, "traffic flows had radically changed with 80 percent of goods being shipped through the ports of South Africa ar only 20 percent through the ports of Mozambique and Tanzania" [24]. South Africa by then saw a way in which to perpetuate this dependence by aggravating the war crisis in Angola and Mozambique. The dependence of the states of the SADCC on South Africa was highlighted by their dependence on the South African transport system, including the ports.

Any attempt by the SADCC to terminate this dependence in transport represented a potentially mortal threat to South Africa's political-economic predominance in the region For this reason the viability of the SADCC transport system became central to Pretoria's destabilisation policy. In 1981, South African policy-makers set out a list of possible measures against neighbouring countries which could be applied in its own interests. Amongst them were, as previously mentioned, "the provision of economic incentives to co-operation on the one hand, or punitive actions of an economic nature, or the threat thereof on the other",[25] as well as military force.

The use of economic incentives took preference over the use of military power. The reason behind this being that force is disruptive, "it disrupts exports and related profits, while incentives do not."[26]

South Africa has used its transport system to build and manipulate links with its neighbours. Examples of the use of this tactic are many. The best known is

the SACU, whereby income from railways, import and other related charges are collected jointly and distributed by South Africa to the other members (Botswana, Lesotho and Swaziland). Also under South Africa control are the various arrangements providing locomotive wagons (to Zambia and Zimbabwe) and technical assistance to the Southern African State Railways. It should not be assumed, however, that the incentive element did not affect the SADCC transport. Finally, "they were used to ensure that SADCC states continue to use South African railways and harbours when it would not otherwise be in their direct economic interest to do so".[27]

Secondly, benefits to one southern African state may be highly damaging to the economic interests of others and may increase the difficulty of operating a regional project of political economic liberation[28]. For example, the contract rates on external traffic between Zimbabwe and South Africa were carefully tailored to undercut those of the Mozambican rail and port system[29]. Furthermore, the apparent generosity was often either totally unreal or at least concealed a radically unequal division of gain.

The punitive use of economic incentives was exerted to apply political pressure on SADCC member states[30]. This was a powerful economic sanction. As with the incentives, the threats varied. The most publicised incident was the withdrawal at short notice of 24 locomotives on loan to Zimbabwe from South Africa(31). This exacerbated Zimbabwe's transport crisis and severely hampered the exportation of surplus maize to neighbours in need. To meet the demand from Zaire, Zimbabwe needed to send 80 to 90 rail wagons a week to Kinshasa, but it was only managing 56 wagons(32). Also adversely affected were the 1 000 tons of maize due

for Malawi and 75 000 tons for Mozambique[33].

This inability to transport maize exports had a regional significance. Zimbabwe's relatively developed economy, particularly its agricultural sector, offered the SADCC countries some kind of alternative to the traditional reliance on South Africa. Consequently, Pretoria clearly attempted to demonstrate that even Zimbabwe was not immune to South African blackmail.

Selective interruption of the flow of key goods, especially petroleum products, fertilisers and grain, to the SADCC states, apparently for technical reasons, was in fact linked to political and security demands. South Africa at one time or another cut rail traffic to its neighbours as well as withdrawing at short notice locomotives and wagons on loan to respective railways. All of the independent states of southern Africa, except Angola and Tanzania (which do not import or export via South Africa) were beaten with this stick more than once after the formation of the SADCC in 1980. Technical problems in relation to the export of goods, such as Zimbabwe steel and Botswana beef, were matched by similar import delays[34].

When, from the point of view of South Africa, neither the 'carrots' not the 'sticks' of an economic nature proved effective, the apartheid regime resorted to harsher means of subordinating neighbours and the coercive use of force was brought in to play[35].

The objectives of Pretoria's war of destabilisation were not always stated. Basically, the use of military force was intended to defend the traditional structural dependency and control mechanisms that were beginning to erode under the SADCC initiatives.

Demands were generally made for the expulsion of the African National Congress (ANC) and South West African People's Organisation (SWAPO) from neighbouring territories, and recognition, through agreements on security and co-operation, of South Africa's regional hegemony.

Since Mozambique and Angola were of strategic importance for the realisation of SADCC projects, with their outlets to the sea, they became the principal targets for military destabilisation by South Africa.

The strategic motive for the execution of destabilisation by the South African security forces is best explained by the dynamics of the regional transport network. Transport and communications have accounted for 64 percent of the amount spent on all SADCC projects since 1980[36].

But despite the best efforts of the SADCC and its international donors to orientate the regional transport infrastructure away from South Africa, the latter remained dominant in the area. This was purportedly due to the strategy of destabilisation which often caused the closure of a railway almost as soon as it opened.

For example, in 1980, 80 percent of trade from the landlocked SADCC states, passed through South Africa[37]. By 1982, the level of trade going through South Africa had shrunk to 50 percent with the opening of the line through Zimbabwe and Mozambique[38]. But by 1985 most traffic was again passing through South Africa because of the Benguela railway in Angola being closed in late 1980 by the South African-backed UNITA forces. The Beira-Malawi line was closed in 1982 by Renamo guerrillas, as was the Maputo-Zimbabwe line in

1983, and the Nacala-Malawi line in 1985.

By eliminating Mozambique and Angola as outlets for SADCC goods, Pretoria was able to channel most of these through Zimbabwe. As a result of South Africa's military destabilisation of Mozambique's and Angola's transport network, by early 1987 the Nacala and Lobito port transport systems were inoperative, and the Maputo and Beira lines were only partially operative. This resulted in the SADCC states being more dependent on the South African transport system than in 1980. When Malawi apparently grew too close to the SADCC by 1984, "the MNR crippled the Nacala and Beira lines linking that country to the coast"[38] forcing Malawi to road haul its goods into Zimbabwe and thence to South Africa.

Donor countries have always responded positively to the rehabilitation of the transport network in the SADCC countries. By 1984, the 124 approved projects either had funding or were negotiating it to the value of $ 1.46m[40]. However, the high risk of funding these projects left some, such as the Benguela rehabilitation, unfunded. The Benguela line has been a target for the UNITA rebels who have sabotaged the line since the war started in Angola. Indeed, it was useless to develop railways, ports, and roads and then to watch as they were blown up. These acts of sabotage directed at the SADCC countries reduced the value of economic assistance received by them from the Western countries.

2. Food

The use of food as a weapon that can change the behaviour of nation states has generally been discounted. It has been described as a 'singularly

ineffective' instrument of foreign policy[41]. There are a number of reasons for this:[42]

- A food embargo as an act of economic warfare against a foreign country would also have financial and social costs for the exporting country, in terms of lost foreign exchange earnings from its exported product.
- Since no country is completely dependent on imported food, and certainly not from a single food exporting country, a denial of food imports would not have an immediate impact, necessitating a change in state behaviour or policy.

Nevertheless the link between transport systems and food supply in the region, made food export, food aid, a relevant factor in southern Africa.

The continued South African destabilisation of the transport sector had negative effects on the region's food security. By 1980, President Dos Santos of Angola estimated that "total losses caused by South African aggression against Angola were $10 billion. This figure became even greater as fighting continued, with whole towns being disrupted, resulting in increased foreign exchange expenditure on food imports".[43] In Mozambique the civil war dislocated peasant farmers and created a serious refugee problem.[44]

The human costs are beyond comprehension and hard to quantify. The excess mortality rate for infants and children and others comes to 1.5 million lives lost over 1980-88, as a direct or indirect consequence of South Africa's regional strategy[45]. Almost half the population of Angola and Mozambique have been driven from their homes or are affected by war-induced

hunger. Estimates from the first half of 1989 indicate that at least 1.5 million people were refugees in neighbouring countries[46].

While South Africa was pursuing a policy of destabilisation against its neighbours, the use of food as a political weapon was achievable.[47] Because of the crisis in food production in southern Africa, South Africa used food "as a foreign policy instrument to destabilize the governments of neighbouring states and to force them to stop supporting the liberation struggle in South Africa and Namibia"[48]. We can, therefore, understand the reasons behind the problems that resulted in delays in the delivery of imports experienced by the SADCC countries during the 1980's. Apart from reminding them of South Africa's ability to cripple their economies, "these actions were intended to hamper good production and thus reinforce South Africa's food power *vis-a-vis* its neighbours, a power eroded in 1981 by Zimbabwe's large maize surplus"[49].

Surely, the aim was to coerce the countries concerned into changing their policies towards South Africa. Regional destabilisation exacerbated the decline in the per-capita growth rate in food production, experienced by the SADCC states as a result of drought, rapid population growth, weakness in agricultural development and a hostile external economic environment.

3. Energy

While proposed project development in energy was of major concern to the SADCC countries, the development of two sectors, electricity and oil production were seriously hindered by South Africa's destabilisation policy.

One of the more dramatic examples of destabilisation affecting energy supply occurred when South African commandos blew up the oil tanks in Beira in December 1982, cutting off Zimbabwe's main source of fuel. When Mozambique and Zimbabwe asked South Africa to send more fuel, using the line through South Africa via Komatipoort to Beit Bridge, South Africa refused. This obliged Zimbabwe to buy its fuel from South Africa, the deal having to include signature of a long term contract. Zimbabwe held out, and an emergency system was developed to load from tankers in Beira harbour directly into the pipe line.

The sabotage of the petroleum refinery at Beira affected Mozambique's energy requirements. It also created a severe fuel crisis in transport and production in Zimbabwe was thus inevitably affected, resulting in a decrease in foreign exchange earnings.

Angola was no less affected than Mozambique. Angola's economy relies heavily on its petroleum production which accounted for 72 percent of export income in 1979 and about 78 percent in 1981.[80]

A serious blow to Angola's economy occurred when a South African-backed commando raid destroyed the Luanda refinery in 1981. This was the most serious of four attacks on major energy installations carried out within the country. One of the consequences of South African destabilisation in Angola was the need to spend oil revenues on the military effort instead of on development projects to revive the country's shattered economy. Further, the lengthy South African occupation of Namibia created an obstacle to the delivery of power to Angola from the hydro-electric station of Rucana, the generator of which is on the Namibian side of the border.

In respect of energy, the B.L.S. States (Botswana - Lesotho - Swaziland) and Zimbabwe are among the countries of the region which depend on South Africa, albeit to varying degrees. This fact is not due to any paucity of energy resources but to the present underdeveloped potential and inadequate infrastructure. As a whole, the region is potentially very rich in energy resources. Here again, South Africa applied its policy of transport manipulation to disrupt oil supplies to Botswana, Zimbabwe, Lesotho and Malawi.

C. LIMITS TO SOUTH AFRICA'S DESTABILISATION POLICY

Among different tactics used by South Africa to destabilise the region, military power constituted the principal means. However, this military option confronted economic and political impediments.

1. Economic Limitations

South African capital ... invested substantially in some of the region's countries. Major investments by South African mining houses, particularly the Anglo American De Beer's group, go back half a century in former northern and southern Rhodesia (now Zambia and Zimbabwe). For decades De Beer's was active in Angola and Tanzania in the mining and marketing of diamonds, and it is the only foreign entity involved in Botswana's diamond production and marketing today. Hence, " South African military operation, bombings... in the vicinity of these investments"[51] could not be tolerated by the South African business community. This same community would like to see the region develop its productive forces to serve as an outlet for further investment.

TABLE 2.1 SUBSIDIARIES OF MAJOR SOUTH AFRICAN FIRMS IN SOUTHERN AFRICA

COUNTRIES	SECTORS					
	AGRI BUSINESS	MINING	CONSTRUC-TION	MANUFAC-TURING	TRADE	BANKING
Botswana	2	5	4	8	8	2
Lesotho	2	5	1	7	7	1
Swaziland	5	2	5	15	14	2
Namibia	45	14	5	10	9	1
Mozambique	0	0	0	1	0	0
Zimbabwe	1	25	7	97	12	2
Zambia	0	6	0	10	0	2
Malawi	0	0	1	4	0	2
Total	55	57	23	152	50	12

Source: U. Witulski, Macroeconomic Linkages Among Southern African States. Weltform, Munich. London. 1990, p.185.

Based on the premise that this section of the business community constituted an important force in the ruling power bloc and was able to influence its decisions, it became difficult for South Africa to embark on a vast military action against the SADCC countries. Such action was not in the interests of that faction[52].

South African business leaders, whatever their political leaning, had long recognised that apartheid posed an obstacle to economic growth. For this reason the business community took the first step in initiating negotiations with the then banned ANC.

In August 1985, six South African business leaders, headed by the Chairman of the Anglo American Corporation, flew to Lusaka to meet members of the ANC[53]. When the encounter was disclosed after the return of the mission to South Africa there was considerable protest by the government but the meetings were, in effect, the opening round in the

'negotiated revolution' which took place over the following nine years until the general democratic elections of March 1994.

After the Zambian encounter, the process of discussion with what came to be known as the 'extra-parliamentary groups' was further pursued by business leaders, often in defiance of the representative laws of the time. A small action group, known as the Consultative Business Movement (CBM), was formed on the initiative, in particular, of the Chairman of African Explosives and Chemical Industries(AECI), Johannesburg Consolidated Investments (JCI) and Premier. In 1989, the CBM arranged an unpublicised conference at Broederstroom which brought together industrial leaders, church leaders and extra-parliamentary groups for an exchange of views, and allowed a future sizing-up of positions and personalities[54]. After 2 February 1990, it was the CBM which facilitated "the first formal negotiations in the Congress for a Democratic South Africa (CODESA), providing, (and paying for) the administrative secretariat and venue"[55].

Although business had no status in the negotiations it acted, more or less discreetly and more or less in concert, to help the process along, especially by providing advice on facilities where needed (or anticipated).

The economic realities in southern Africa also put some restraints on Pretoria's capabilities to escalate the destabilisation of the SADCC countries.

In fact, the SADCC countries, in sanction-busting efforts, presented an important market for South African products especially manufactured ones. It was therefore, "of vital importance to maintain a good

relationship"[56] with neighbouring states.

> South Africa enjoys an annual trade surplus of R1 billion ($500m) with SADCC, and faced with the possibility of further shrinkage of its world markets, South African business is keen to improve SA/SADCC relations and that involves a cessation of destabilisation.[57]

South Africa's economic interests could best be served by stable and economically healthy neighbours. The extensive use of military destabilisation could quickly have destroyed these opportunities and contributed to a further weakening of the South African economy and the power of the apartheid state.

It was clearly not in the overall interest of South African capitalists to see 'broken backed' states established in the region. Such a situation was not conducive to political and social stability in South Africa, nor was it what the economy needed to survive. It also undermined South Africa's medium and long term possibilities for economic expansion in the region.

2. Political Limitations

Following South African acts of aggression, the SADCC states were, all together, motivated by the struggle against apartheid. The SADCC's reaction to South Africa's aggression was a strengthening force for its own legitimacy in opposing South Africa's efforts in warning against any challenge to its re_ onal hegemony and internal political stability. In response to South Africa's destabilisation actions both domestically and regionally, the international community was called upon by the SADCC to impose comprehensive mandatory sanctions against the apartheid regime[58]. These sanctions contributed to the weakening of the Pretoria

government and consequently to the demise of apartheid.

The isolation varied from the highly symbolic cutting off of sporting ties to expulsion from international organisations and the arms boycott. More severely, the effects of isolation manifested themselves in the absence of new foreign investment and the active disinvestment campaign waged by the ANC in exile, which weakened the state's economic powerbase. The regime's acts of aggression against the SADCC, however, enhanced its security in the region. Tolerance for violence from South Africa in the SADCC countries increased and public preparedness for South Africa's military destabilisation activities developed. Consequently, the support for South African liberation movements (eg. ANC, SWAPO) also increased despite the South African attacks.

SUMMARY

This chapter singled out apartheid as the main source of conflict in the region. South Africa's regional policy was to support anything favouring destabilisation and the weakening of the countries in the region. The use of violence, economic sanctions, military force, served to maintain the hegemonic status quo of South Africa in the area. The South African government adopted the policy of "total strategy" at regional level.

The total regional cost of South African destabilisation activities has been immense. The main elements in the losses being loss of exports, excess transport costs, loss of human lives. Almost three-quarters of the costs have been borne by Angola and Mozambique

Nevertheless, the continued existence of the SADCC until 2

February 1990, when the negotiations process for a democratic South Africa was initiated, is proof of the failure of the strategy of destabilisation pursued by South Africa throughout the 80's against its neighbours.

The founding of the SADCC provided a forum for resisting apartheid at regional level. The combination of SADCC resistance and other favours such as revolutions, international sanctions, locked the South African state into a deteriorating strategic position. Today, with the dismantling of apartheid, the basic *raison d'être* for destabilisation has disappeared, but in the 1980s the policy inflicted damage on the region from which it is still in the process of recovering.

The achievements of the SADCC during the 1980s, apart from having survived South Africa's efforts at destabilisation, and also its failures, will be examined in the next chapter.

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CHAPTER III

SADCC: REAPPRAISAL

INTRODUCTION

The SADCC survived South Africa's destabilisation activities. Since August 1992 the SADCC has formalised itself into the Southern African Development Community (SADC). The formation of SADC has left no option other than to ask what the grouping (SADCC) has achieved, where the shortcomings were. For this kind of assessment, not only the SADCC's original objectives need to be recalled but also the external and internal circumstances appraised under which the organisation operated during its life time.

A. ORIGINS AND OBJECTIVES

1. Origins

The SADCC was formed in 1980 in terms of the Lusaka Declaration by the six frontline states: Botswana, Tanzania, Mozambique, Zambia, Zimbabwe and Angola, together with Lesotho, Malawi and Swaziland. The main objective for its creation was to reduce the economic dependence of member states, especially, but not exclusively, on South Africa.(1)

Efforts to begin development co-ordination were initiated by the frontline states (Angola, Botswana, Mozambique, Tanzania and Zambia) from 1977 to 1978. As such the SADCC can be seen as a "product of the political liberation events dating back to UDI of 1965 and the subsequent attainment of political independence in Mozambique and Angola".(2)

The dynamics of political liberation led to the initiatives to co-ordinate efforts to support the struggle for the political liberation of Zimbabwe and Namibia. It was in this spirit to enhance the struggle, that frontline states adopte. a forum for co-ordination among them. As the linkage between political struggle and economic jectives became clearer over time, discussions on economic co-operation began to emerge.

The South African effort to create a Constellation of States in which all the countries of the region would co-operate, produced a counter move f a other states. They chose a unique path to co-oru e development, and reduce dependence on South Africa. This initiated a shift in the regional balance of power away from South Africa. The developments which followed after the independence of Zimbabwe culminated in the adoption in 1980 of the Lusaka Declaration on Economic Liberation. In 1980, when the SADCC was formed, the member states announced that an independent Namibia would join the SADCC.

2. Objectives

Two inclusive objectives can be identified through the experience of regional co-operation under the SADCC. On the one hand, there were economic objectives as stipulated in the Lusaka Declaration.

In the Lusaka Declaration, the SADCC set four development objectives. The principal one was the "reduction of economic dependency articularly, but not only, on the Republic of Sout Africa".[3] The SADCC was an attempt by the constituent members to reduce their economic dependence on South Africa, by acting as a conduit and a co-ordination centre, for

international aid and investment rather than through promoting formal integration.

On the other hand, beyond its essentially practical role of economic liberation, the SADCC had as its central political role the struggle against continued white minority rule in South Africa and its destabilisation policy. It is essential to remember that the SADCC was born more out of political concerns than for economic development.[4] According to Daniel Ndlela, "the origins of SADCC were more political than economic and political considerations runned (sic.) strongly through all major SADCC decisions".[5]

The two objectives are linked by the fact that the SADCC considered apartheid and destabilisation as impediments to peaceful regional economic co-operation. Destabilisation policy politicised the SADCC states. They saw the project of reducing dependence as explicitly necessary to reduce South African economic power and ability to destabilise.

B. SADCC REGIONAL ECONOMIC APPROACH

When compared to other forms of regional economic co-operation, the SADCC's approach presents a unique institutional structure which is its most distinctive innovation. This innovative feature was based upon the fact that the SADCC viewed institutions as facilitating and consequential rather than causative forces or ends in themselves.[6] The organisation opted for a decentralised, non-bureaucratic structure that required the maximum participation from the member states.

1. Decentralised Approach

The emphasis was placed on the sensitivity of members to infringements of their sovereignty. The insistence on the sanctity of national sovereignty was fundamental to the SADCC's *modus operandi*. The determinants of the SADCC model of economic co-operation were twofold.

Firstly, there was scepticism about the value of traditional conceptual approaches. All the SADCC's members were or had been members of economic bodies which were unsuccessful because they were dominated by one member. Tanzania had been a member of the East African Community (EAC), dominated by Kenya. Malawi, Zambia and Zimbabwe had been members of the Central African Federation (CAF), dominated by southern Rhodesia (now Zimbabwe). Angola and Mozambique had been members of the Lusophone Union dominated by Portugal; and Botswana, Lesotho and Swaziland were still members of SACU dominated by South Africa.

With painful memories of the past experiences the creators of the SADCC were determined to avoid the situation where the organisation would be in the position of dictating economic policy to its constituent members. The adoption of the term 'Co-ordination Conference' instead of 'Community' or customs, monetary unions, or preferential trade, even common market, was the SADCC's strategy to avoid conflict between sovereign states. Botswana's President Quett Masire points out that

> the SADCC has no treaty, no central authority, no common currency and even a common language ... To understand SADCC it is important first to know what it is not. SADCC is not an embryonic federation of states seeking

> to mould the development of national economies on the basis of an overall master plan. SADCC is not a common market although increased trade is certainly a priority.(7)

Secondly, the SADCC's pragmatic approach was a matter of necessity because of the conditions under which it operated. Many writers on southern Africa had acknowledged the "problem of a peaceful co-existence of different nations in Southern Africa".(8) The countries were not only politically and economically diverse, they also had conflicting economic and political interests.

Economically, they had diverse production structures, development priorities, resource endowment, institution affiliations and resource allocation systems. On this last point, for example, they ranged from countries with market-based mechanisms and liberal trade policies, to Angola and Mozambique, countries which espoused Marxist-Leninist ideologies and central economic planning on the now defunct Soviet Union models and to Tanzania which adhered to African Socialism. The foundation and the objective of African Socialism was the extended family. The African Socialism was opposed to socialism which tried to build its happy society on a philosophy of inevitable conflict between man and man.

Politically, they also had much less in common than might generally be supposed. All in all, they had a shared heritage of experience of colonialism, of white rule and, except for Mozambique and Angola, all of them were members of the Commonwealth. But they differed widely in their strategic and ideological orientations, their political systems, the composition and interests of their ruling elite, and in their attitudes towards regional integration. Certainly,

after a long struggle and hard won political independence, they were in no hurry to submerge their newly acquired sovereignty in any supranational body. They were, of course, united in their opposition to white minority rule and in their concern about South Africa's overwhelming power to destabilise the region. In fact, their solidarity was to a degree based on the existence of a common enemy, the apartheid system. At the same time, they also had wide ranging attitudes towards, and differing interests in, their economic links with South Africa, which were also varied in scope and content.

The realities of geography for a country like Lesotho would ensure that for sound economic reasons, it would continue to have close economic association with South Africa. It would be unreasonable for Lesotho to use harbours and ports other than South African ones because of their proximity to Lesotho. Furthermore, it does not make economic sense for Swaziland and Lesotho to import from Zimbabwe instead of the Gauteng area.

In theory these decentralised functional arrangements are seen as avoiding the need for a large central administration at the secretariat and increasing the proclivity for regional co-operation through active participation by all member states. But in practice some intermediate *ad hoc* institutional arrangements have nevertheless proved necessary, for example in the agricultural sector, an institution which started off as an interim project to co-ordinate regional agricultural research (SACCAR), was later permanently established. Thus, what started out as an interim co-ordination device has evolved into distinct and separate regional institutions which have established ongoing links with other international research

institutions.

2. The degree to which responsibility for operational programmes has been devolved to national governments.

The SADCC essential structure was a regional network of multilateral projects in seven broad sectors: agriculture and natural resources, mining, energy, industry and trade, manpower, transport and communication, and tourism.

Member states retained their authority in a key sector. No projects were carried out by the SADCC as a body. Instead, those which were located in a particular country became the responsibility of that country. If a project crossed a national boundary, such as a road or a railway line, it was divided into two projects, administered by the two countries, not by the SADCC. Regional studies were administered by the country responsible for the subject area. The SADCC comprised fourteen sectors. These, together with the countries responsible for co-ordinating them, appear in Table 3.1.

TABLE 3.1: SADCC SECTORAL RESPONSIBILITIES CHART

			Angola	Energy
				Agricultural Research
			Botswana	Livestock Production Animal Disease Control
				Tourism
			Lesotho	Environment and Land Management
				Inland Fisheries,
			Malawi	Forestry and Wildlife
				Culture and Information
			Mozambique	Transport and Communications
Council of Ministers	Sectoral Committee of Ministers	Sector Coordinating units	Namibia	Marine Fisheries and Resources
			Swaziland	Human Resources Development
			Tanzania	Industry and Trade
			Zambia	Mining
			Zimbabwe	Food, Agriculture and Natural Resources

Source: SADC Secretariat, Gaborone, 1995.

The strategy, then, was for the SADCC members to learn to co-operate and depend on each other's initial projects which were of obvious natural benefit, and which did not require either party to surrender anything (eg. sovereignty).

All members could contribute ideas and join in discussion on an area, even if primary responsibility was assigned to another member state. SADCC members were encouraged to consider what they could do best and how deeply they could afford to be involved at any given time in any of their programmes.[9]

3. The balance of power between the political and bureaucratic organs.

The SADCC's innovative solution was a highly decentralised institution. It had a small secretariat (based in Gaborone, Botswana) with only a dozen staff and no decision-making power. It carried out limited co-ordination duties, did research on regional issues and took the lead in certain regional policy discussions. Power and responsibility were decentralised in three ways:

Firstly, decisions were taken collectively for the SADCC as a whole by heads of governments at their annual meetings For individual sectors, decisions were taken by meetings in the relevant ministries (e.g. agriculture ministries).

Secondly, responsibility for each sector was passed to a government to set up the administrative infrastructure, and the relevant government had a direct interest in making its sector work.

Thirdly, once a co-operating partner had agreed to contribute to a particular project, the whole matter was passed to the country where the project was to take place. There, it was treated as part of the bilateral aid programme.

SADCC projects, for which funds were sought at the Annual Consultative Conference of SADCC Member States and Co-operating Partners, were actually a series of national projects i.e. projects that were already part of the National Development Plans of the member states. Gains from investment in projects can only occur when policies are conducive to success both in the sector within which the project falls and in the macroeconomy at large. At times, large undertakings have consequences beyond the individual sector to influence some macroeconomic variables such as employment, balance of payments, and income distribution, to mention just a few. For these reasons, the SADC recognises that projects should be planned in a manner consistent with essential reforms in the macroeconomic and sectoral policies of member countries if widespread regional welfare and efficiency gains are to be realised.

C. SUCCESSES AND FAILURES

1. SUCCESSES

Despite the adverse conditions under which the SADCC operated during its lifetime, its performance may be qualified as an overall success when compared to other economic groupings on the African continent.

a. Transport and communication

The peculiarities and realities of economic dependence on South Africa influenced the decision to put top priority on the rehabilitation of transport and communications. With Zimbabwe, Mozambique, Botswana, Swaziland and Zambia having to import maize in the largest amounts in recent history, the capacity of

regional railways became a matter of life and death. By setting the development of railways and ports as top priority in 1980, the SADCC assured that transport corridors from Beira and Maputo, Mozambique and Dar es Salam, Tanzania, were able to handle this enormous increase in demand. As far as successes are concerned, this sector proved to be the most successful although South Africa was still an important outlet to the sea for several states in the region.

Many corridors were in operation even though not to full capacity. The Limpopo corridor from Maputo to Harare was secured from Renamo attacks. The Dar es Salam corridor brought maize to Zambia and Malawi. The Beira corridor alone handled more maize in the first two weeks of April 1992 than all of the South African rails and roads. The SADCC could rightfully claim it had reduced its dependence on South African transport lines. Examples are many. Tons of goods handled at Maputo port increased from 2.263 million in 1989 to 2.955 million in 1990, an increase of 12%.[9] Tables 3.2 and 3.3 show the increase in SADC traffic through Beira and Maputo.

TABLE 3.2: TRANSIT TRAFFIC THROUGH BEIRA, 1993 AND 1994 (TONS)

COUNTRY	1993			1994		
	EXPORTS TOTAL	IMPORTS[a]		EXPORTS	IMPORTS	TOTAL
Dry cargo:						
Botswana	1700	1700	3400	-	1500	1500
Malawi	18600	29700	48300	49400	91100	140500
Zambia	56500	28900	85400	46200	78100	124300	
Zimbabwe	334900	226200	561100	480700	218200	698900
Unidentified	-	90000	90000	-	85000	85000
Sub-total	411700	376500	788200	576300	473900	1050200
Fuels: Zimbabwe	-	990300	990300	-	1070900	1070900
Total	411700	13668000	1778500	576300	1544800	2121100

Note: (a) Excludes drought relief imports of 370200 tons.
Source: BCG Ltd.

TABLE 3.3: TRANSIT TRAFFIC (DRY CARGO) THROUGH MAPUTO/MATOLA, 1993 AND 1994 (TONS)

COUNTRY	1993			1994		
	EXPORTS	IMPORTS	TOTAL	EXPORTS	IMPORTS	TOTAL
South Africa (Komatipoort)	517000	-	517000	600500	-	600500
Swaziland (Goba)	109900	-	109900	146600	2600	149200
Zimbabwe (Limpopo)	126600	101700	228000	468600	2000	470600
Total	753200	101700	854900	1215700	4600	1220300

Source: BCG Ltd.

As far as ports and shipping are concerned, with the completion, in 1991, of most rehabilitation works at Beira (whose new container terminal was commissioned in April 1992), "the combined SADCC ports' annual capacity increased by about 2.4 million, from 25,9 million in 1990 to 28,3 million in 1991".[10] In response to the drought in 1992-93, the regional ports of Dar es Salam, Nacala, Beira, Maputo and Walvis Bay handled 2,5 million tons of emergency food imports

compared to 2,6 million tons handled by all South African ports.[12]. The port of Maputo handled more tonnage than the port of Durban, a fact difficult to imagine ten years earlier.[13]

Railway lines are in good condition in southern Africa. The decline in traffic carrying "from about 1.6 million tons in 1990 to 1.2 million in 1991"[14] was attributed to reduced traffic availability due to the poor economic performance of user countries, inadequate rolling stock, sub-optimal operations and increasing competition from road transport. Table 3.4 compares the traffic to and from neighbouring countries on the South African rail network.

TABLE 3.4: RAIL TRAFFIC BETWEEN SOUTH AFRICA AND NEIGHBOURS, 1982/83 AND 1994/95 (TONS)

COUNTRY	1982/83		1994/95	
	To S.A.	From S.A.	To S.A	From S.A.
Zaire	293 948	99 104	575	36 160
Zambia	156 485	238 132	82 734	82 776
Zimbabwe	951 319	912 826	799 177	929 552
Mozambique	1 185 330	1 154 787	14 283	623 045
Botswana	59 182	325 754	299 094	461 950
Lesotho	108 326	335 710	6 708	217 553
Swaziland	200 000	237 075	475 653	280 090
Namibia	372 339[a]	755 961[a]	90 341	316 441
Total	3 326 949	4 059 349	1 768 564	2 947 567

Note: (a) 1984/85 figures.
Sources: South African Transport Services for 1982/3; Verslag van die Advieskomitee vir Vervoerdienste in Suidwes-Afrika/Namibië for 1984/85; Spoornet for 1994/95.

Projects like Maseru International Airport in Lesotho, rehabilitation of the railway from Malawi to the port of Nacala in Mozambique, and the new road linking Malawi to Tanzania would probably not have been financed were it not for the SADCC.

b. Mobilisation of funds.

It was self-evident that the *sine qua non* of giving real content to the SADCC's hope of reducing the neighbouring states' 'dependence' on South Africa was to relieve their almost total reliance upon South Africa's transport system. Very sensibly, therefore, the SADCC's practical priorities were with the logistical and financial difficulties of rehabilitating and extending the region's transport infrastructure.

The SADCC achieved some success in mobilising and co-ordinating aid flows to the region. It provided an umbrella under which aid and investment for the member states could be sheltered. It managed to progressively convince and draw in those donors who, at the beginning, were sceptical, if not outrightly hostile towards its cause and not inclined to contribute significantly to the collective effort. The World Bank, the United Kingdom and the United States were cases in point.

In 1987, a study jointly carried out by the Organisation for Economic Co-operation and Development (OECD) and SADCC analysts concluded that one of the SADCC's major achievements was to initiate and sustain an extensive range of consultative mechanisms and consultations with international partners. The SADCC was remarkably successful in presenting its programmes and policies to the international community, thus attracting interest and resources from abroad and building a network of functional relations internationally and in the region.[15] Much of the SADCC's success in attracting disproportionate amounts of aid finance, compared with other parts of Africa, is attributable to willingness to discuss its

programmes.

There can be no doubt that increasing support for the SADCC by the industrialised countries was motivated by the existence of apartheid and South Africa's destablisation policy against SADCC. With the disappearance of apartheid some of the financial support which the SADCC enjoyed will probably disappear as well. Here certainly lies a danger for the new regional economic organization, SADC.

Much of the funding, and an increasing percentage of projects were new, and that must have been the SADCC's other big success. Especially important was the mobilisation of private capital and export credits to assist development projects. The SADCC was, in fact, offering a seal of respectability to the donors or financing countries who would otherwise have been concerned about bi-lateral involvement, or the question of formal links between individual states in southern Africa and the European Community.[16]

South Africa and southern Africa will have to compete for international aid and assistance especially as the end of the Cold War has brought about an end to ideological differences between the USA and the former Soviet Union.

c. Institutionalisation of external dependence: a common enemy

The most persuasive and most subversive image of the SADCC was as a counter force to the South African policy of apartheid and destabilisation.

Throughout the SADCC region, a unique sense of unity existed. Clearly, there was no mystery to the SADCC's

unifying power. Although its members had differences about their economic relations with South Africa, all the member states identified apartheid as a common enemy that had to be destroyed. However, it has to be admitted that some countries had no choice other than to continue economic co-operation with South Africa. The ties which the former colonies had established with that country made it impossible to reject co-operation without disastrous consequences for their economies.

It was in this same spirit that Malawi, Lesotho and Botswana refused to comply fully with the UN Security Council's call for mandatory sanctions against South Africa. Malawi and Lesotho were the two countries that maintained official diplomatic missions in South Africa. Justifying its position, President Banda of Malawi said that "trading with South Africa does not mean Malawi supports apartheid but one has to be realistic, for South Africa is here to stay and it is the most powerful country in Africa, industrially, economically, financially and the most militarily powerful.(17)

Fundamentally the SADCC symbolised the desire of the member states to liberate themselves from South Africa's stranglehold. But interdependence among the SADCC states, and the quantification of economic links showed that it did not match the core position of South Africa's economy in the region.

d. <u>The creation of a sense of common identity</u>

The SADCC has contributed considerably to the creation of a regional southern African identity, 'a sense of common destiny', as well as a viable platform for harmonious political and economic relations in the

region, South Africa included. Despite its commitment to fighting apartheid, the SADCC has followed a *modus operandi* and pragmatic policies *vis à vis* South Africa. Co-operation with South Africa was not prohibited to member states in areas deemed to be of national interest.

For the people within the SADCC itself, the main success has been the growing contact that came from regular technical and ministerial meetings. These meetings were important in that members were growing to know and trust each other. Regional co-operation was becoming part of their way of thinking. It succeeded in building confidence. The common identity is a very important factor for future economic integration.

e. SADCC and the call for sanctions.

The acid test of opposition to apartheid was the issue of sanctions by the international community. "To fight for sanctions was the touchstone of genuine solidarity with the liberation struggle. To resist sanctions was to support apartheid".[18]

Two camps were in existence, one was supporting the implementation of mandatory sanctions against South Africa and the other was against their implementation.

The purpose of sanctions for those who supported them (the SADCC included) was to isolate South Africa's apartheid regime. Sanctions were about cutting the lifelines of the apartheid system to the outside world, they were recognised as complementary to the liberation struggle. As such they were truly a vital part of the fight against apartheid. This camp argued that sanctions were a useful tool of statecraft

because they allowed pressure to be exerted on a recalcitrant regime without resorting to force. Sanctions provided the last hope for peaceful change.[19] The SADCC was part of this line of thought.

The arguments against sanctions, coming mostly from United States President Ronald Reagan and British Prime Minister Margaret Thatcher, were that sanctions would not succeed in changing government policy in South Africa. In fact, sanctions would hurt the majority of the population in South Africa. Reagan's posture on sanctions was in line with his policy of constructive engagement.

Another powerful argument advanced against sanctions was that they would seriously hurt the SADCC countries. This argument rested upon two premises: the first was that sanctions against South Africa would have adverse effects on the frontline states due to the process of economic logic that most of the SADCC states are economically linked to South Africa. The second was that South Africa had the capacity to transfer most of the impact of sanctions onto the neighbouring states through the application of counter-sanctions and destabilisation activities.

What was interesting to notice was the firm position of the SADCC in favour of sanctions. The SADCC, despite the above quite valid arguments, made it clear that any problems experienced by its member states due to sanctions were considered an investment in ending the far more serious problems of Pretoria's destabilisation activities. Economic relations in the region and particularly the dependence issue became the key strategic focus in the campaign to isolate South Africa.

For the SADCC the question of South Africa's counter-sanctions represented the classic concession to blackmail, that the ability of Pretoria to hold its neighbours' economies to ransom was sufficient reason to hold off and permit it to dictate terms.

The SADCC accepted the negative effects of sanctions but maintained that "it is true that sanctions will hurt us, but if it accelerated the end of apartheid, it would be well worth the additional cost. And those who are concerned about the negative effects of sanctions on us, should provide assistance".[20]

Despite the mid-80s policy of sanctions, the European Community (EC) endorsed a policy characterised by a strong dichotomy: the political condemnation of apartheid had to be combined with continuance of economic ties with South Africa. This dichotomy posed a question on the nature of the EC policy: "genuine repugnance for the system of apartheid or a real politic concern with economic interests and mineral dependency?"[21]

The EC's dependency on South African minerals was a subject of great debate during the sanction years. For in spite of the condemnation of apartheid, it was not worthwhile for the EC member states to interrupt their long-standing links with Pretoria. As Martin Holland remarks "the often-cited essential interest for EC maintaining relations with South Africa is its position as a leading supplier of specific minerals"[22], as shown in Table 3.5.

TABLE 3.5: MAIN E.C. IMPORTS OF SOUTH AFRICAN PRODUCTS, 1985

Gold Diamonds
Metal ores
Minerals Coal Iron and Steel
Fruit and Vegetables
Wool, Animal hairs
Copper Chemicals
Ferro-alloys
Krugerrands

Source: Information on exchanges between South Africa and the EEC, Directorate General I, EEC Commission (in Holland, ECP, p.56).

Because of sanctions, data between 1986-1991 do not contain detailed trade statistics, hence information on trade is incomplete and unreliable. Available figures do not refer to South Africa only, as they include the BLS grouping and, before its independence, Namibia. As a result, a number of factors, including shipments through third countries, make it difficult to quantify the extent of the South African trade exchange with Europe.

It is not easy to assess the impact of economic sanctions on apartheid. Nevertheless, they were a very important factor alongside others; SADCC regional policy, internal revolts and negotiations between the government and the other political parties, that were instrumental in bringing about the destruction of apartheid.

f. SADCC and its self-evaluation

The SADCC proved flexible enough to critically evaluate and readjust its programme of action and its own approach. A case in point was the re-programming of the Lusaka Programme of Action in 1987 by de-emphasising the infrastructural sector in favour of investment for production.

By 1986, the SADCC's leaders felt confident that transport and communication, energy and agriculture were well enough organised. The group then had a major reorganisation of priorities. Transport was seen as basic to all other aspects of development. Once transport upgrading was underway, the next priority obviously had to be production of goods and the SADCC's theme in 1987 was 'investment in production'. This embraced both direct investment in production, industry, and improving trade mechanisms to develop the regional market, thus entailing a change in orientation, and more emphasis was put on what SADCC called the 'enterprise sector'.

Other examples refer to the inclusion of private enterprise in the SADCC effort, e.g. the Beira Corridor Group (BCG). Another outstanding achievement in this regard is the recent transformation of the SADCC itself into the SADC as a way to prepare for the membership of a non-racial South Africa and to change the focus of the organisation. The flexibility of the SADCC in adapting to a new situation is evidenced here. The change of its name also led to a considerable change in policy (discussed in detail in Chapters IV and V) and a move towards integration, which the SADCC originally had avoided (also discussed in Chapters IV and V).

2. Failures

The success in the previous areas should, however, not obscure the lack of progress in other sectors.

a. Reduction of economic dependence.

The SADCC successfully reduced its dependence on South Africa in transport. However, it failed to do so as

far as trade was concerned. The SADCC has not been successful in reducing its dependency on South Africa, instead "trade with South Africa has been increasing steadily during the years".[23] South Africa remained its biggest trading partner. In analysing inter-dependence among the countries of southern Africa, the quantification of economic links show that although the SADCC was promoting regional projects, and was reinforcing national economies, it did not match the core position of South Africa's economy in the region. There had been very little change since the advent of the SADCC in the proportion of SADCC exports and imports *vis à vis* South Africa. Since 1990, indications are that their trade with South Africa was actually rising considerably (See Tables 4.1, 5.2 and 5.3). In 1988, South Africa received only 7 percent of the combined exports of the SADCC countries, but supplied 30 percent of their imports.[24] Consequently, the intra-SADCC trade has been very low, standing at some 5 percent of total trade, 80 percent of which is attributable to Zimbabwe alone.[25]

The pattern of increased dependence reinforced the reality that although SADCC states were committed to regional co-operation, the realities of the economy of the region allowed them to work co-operatively with the apartheid regime.

It was unrealistic for the SADCC to think that trade relations between its members could be expanded or contracted virtually at will in pursuit of political or strategic objectives. The SADCC's failure both to decrease economic dependence on South Africa and increase trade between its member states is not surprising. The policy followed by the SADCC of allowing each country to be responsible for the co-ordination of one sector of the Conference's Programme

of Action has proved to be largely ineffective as failure to prioritise projects hampered attempts at self-sufficiency.[26]

The SADCC's inability to create substantive new infrastructures and institutions for fostering cross-border exchange relations was reflected in the weakness of its efforts to effect changes in economic relations in the region. Indeed, "SADCC was not a homogeneous region and like all regional economic organisations, the more developed ones tend to benefit more than the less developed member".[27] Zimbabwe, for example, was more interested in the manufacturing and industrial sector where it was the most developed and where it could derive more benefits. Other causes can be identified as contributing to the SADCC's failure to increase trade between its members and to uplift the standard of living of its people.

The causes of the failure to reduce dependency on the RSA and increase trade between SADCC member states are many:

- **South African destabilisation**

The first chapter dealt with the issue of destabilisation policy in depth. Undoubtedly, this policy was real and very serious. It must be taken into account. The whole question of security resulted in importers and exporters being reluctant to use the Mozambique routes except for non-perishables and non-essential goods, as well as having an effect of slowing down the level of private capital investment in the region.[28]

- **SADCC member states' internal factors**

There has been considerable blurring of the reality. It is not sufficient to attribute the anomalous dynamics of the intraregional economic relations only to the contrast with South Africa. Indeed, it is apparent that the estimates of the costs attributable to South Africa's destabilisation activities in the region ignore the key factors which determine economic performance in any country, namely the nature and efficacy of domestic policies of resource allocation and economic management. The SADCC region is huge and South Africa's destabilisation policy affected only restricted areas.

Although Mozambique and Angola suffered dreadfully from the destabilisation policy, the other seven states were generally unaffected. This judgement is borne out by Zimbabwe's agricultural performance during the first five years following its independence. During this period Zimbabwe was almost self-sufficient in producing the basic food crops affordable by the poor.[29] The unprecedented gains caused University of Zimbabwe Professor A.M. Hawkins to issue a warning in 1985 that communal and commercial agriculture was producing too much maize for the needs of the country.[30]

While the Zimbabwean government avoided the agriculture crisis affecting most of Africa and successfully took on the role of providing regional food security, the country produced a more reliable grain harvest than South Africa.[31]

Internal factors which contributed to poor economic performance can be identified as:

- bad governance: most of the independent governments followed badly conceived and executed economic policies and there was corruption. The southern African landscape is strewn with failed projects, inappropriate technology in disrepair, and factories operating at low capacity for lack of suitable inputs. The earlier advice of international agencies and other aid donors, which have been involved in the region for almost three decades, is also partly responsible.
  de-industrialisation: the southern African political landscape is strewn with failed projects, inappropriate technology in disrepair, and factories operating at a low capacity for lack of suitable inputs.
- high population growth rates, which outstripped economic growth and severely stressed available resources.

At its 1995 Consultative Conference held in Malawi, the SADC emphasised that in order to promote regional integration, it is necessary

> to create measures that include the removal of existing political and economic barriers; macro-economic convergence and stability; poverty alleviation; stimulation of the private sector, convertibility of SADC currencies, the establishment of a new sector on politic, democracy and security.[32]

Structural reform programmes were also undertaken by most of the SADCC members states during the second half of the 1980s (Angola, Lesotho, Malawi, Mozambique, Tanzania, Zimbabwe).[33] Some of them were backed by the World Bank, the International Monetary Fund (I.M.F.) and bilateral donor support. While these adjustment programmes generally contributed to

a better macroeconomic performance of the economies concerned, they have considerably worsened or even destabilised the social situation, especially of the urban population ir member countries, thus creating new political and economic problems and sources of conflict.

TABLE 3.6: AVERAGE ANNUAL GROWTH IN REAL GDP, SADCC COUNTRIES, 1980-1991.

COUNTRIES	% P.A.
Angola	n/a
Botswana	9.3
Lesotho	2.7
Malawi	3.5
Mozambique	-1.1
Namibia	1.6
Swaziland	6.8
Tanzania	2.0
Zambia	0.7
Zimbabwe	3.6

Source: World Bank, 1993.

- **World market events.**

The changes taking place in southern Africa are responsive to a context of global interdependence and interaction. No matter what the original intentions of these changes, it is difficult to isolate regional deliberations from their context of global economic and political dependence.

In one of its reports, the SADCC noted that since it was founded in 1980, it operated in an unfavourable world economic environment. This global economic environment has played a significant role in worsening

the economic performance of the SADCC member states.[34]

Examination of trading patterns serves to confirm and elaborate this view. The countries of southern Africa have been locked into the role of primary product exporters. As such, they have been severely affected by the transition from global expansion to recession, weakening the demand for primary commodities. Adverse terms of trade, a heavy debt burden and growing protection in Western countries have all served to constrict gains reaped from international trade.

b. The multi-membership of SADCC countries.

For an organisation dedicated to self-reliance and the reduction of economic dependence on South Africa, the existence of established trading connections as well as commitments and obligations within other arrangements by SADCC members presented an impediment to SADCC trade co-operation. With the exception of Botswana, all SADCC members also belong to the Common Market for Eastern and Southern Africa (COMESA). Others are members of SACU. The SADCC adopted a programme of regional co-operation which was in many respects different from those of both the PTA and SACU.

The multi-membership of the SADCC countries illustrated the inadequacy of its institutional framework for effective co-ordination and harmonisation of trade policies. The impact of the interactions between the organisations forced the "SADCC countries to operate different trade regimes".[35]

Because of this state of affairs, it was technically incorrect to speak of separate, mutually exclusive,

regional organisations in southern Africa. A PTA document issued in December 1992, lists the following common objectives with the SADC: facilitation of the restructuring of industries and the realization of economies of scale through the establishment of a single market.

Unlike the SADCC, the PTA emphasises a regional approach to economic integration and its programmes are based on supranational institutions with a capacity for regional co-ordination. As the markets of the SADCC were opened to all PTA members, SADCC-sponsored projects had to compete with projects throughout the region. Given the sharply uneven levels of industrialisation, non-discriminatory trade liberalisation was benefiting the strongest members (Zimbabwe, Kenya), contradicting the SADCC's commitment to balanced development and the reduction of inequalities. For example, a disproportionate share of the region's new industries preferred to locate in Zimbabwe. So far, this is a problem with free trade areas in Africa, and the new SADC will not escape this if appropriates rules of co-operation are not implemented.

Another example relating to the deterioration of trade relations between the SADCC countries, as a consequence of their dual membership, is the one which involves Malawi and Zimbabwe. Since the establishment of the PTA, Malawi's exports to Zimbabwe have declined dramatically. The situation is associated with the fact that the PTA treaty charter states that no country may get more favourable trade terms than those accorded to member states.

A number of bilateral agreements existed between the SADC countries. With the exception of the Botswana-

Zimbabwe agreement, these lapsed when the PTA's initial round of tariff reductions came into effect in 1984. If these agreements had been maintained, the countries would have complied with the provision of the PTA treaty and grant most favoured nation treatment to imports from all other PTA countries. The establishment of the PTA meant that the free trade area which exited between Zambia and Zimbabwe and Malawi became a preferential trade area, a retrogression in terms of economic integration.

The consequence of Malawi joining the PTA was that its Open General Import Licensing (OGIL) agreement with Zimbabwe was ended. The termination was against the principle of SADCC trade development based on the promotion of bilateral agreements between member states. The PTA has emerged as a hindrance to SADCC intra-regional trade.

This clarification of the existing situation is important in the sense that it exposes the failure by the SADCC to recognise the contradiction inherent in the existence of established trading connections, as well as commitments, obligations and incentives of its members within other trading blocs.

c. Dependence on foreign funds.

It was an achievement to have convinced the industrialised countries to finance the SADCC's projects. The international community was genuine and generous, both in its political and material support for the SADCC. It may be stated at this point that support as mentioned, mainly from Western countries, conflicted with the tenets of the Lusaka Declaration.

Firstly, it was contrary to the objective of a

lessening of dependence mainly on Western economies. The over-reliance on foreign aid meant that donors were bound to have a considerable influence on the SADCC's projects and policy formulation. Donor influence was not inherently negative; it promoted the adoption of more appropriate policies; but it implied that the SADCC, to a large extent, formulated its projects on the basis of what the donors were willing to support. The donors had, through their control of the purse, the power to veto. Consequently the SADC recognises that long-term development of the region cannot be planned on the basis of aid. There is a need to promote the mobilisation of local resources.[36]

Secondly, it contributed to the failure in implementation of mechanisms for the mobilisation of the SADCC's own resources. Perhaps the inability to mobilise the region's own financial resources for development has been its greatest failure.[37] Besides, this dependence led to increasing the foreign debt problem of member states. Further, a lack of management proficiency has also been evident when viewed in conjunction with a lack of financial resources.

With foreign funding accounting for 80-90 percent of total project costs on average, the sustainability of SADCC projects in the long-term has come into doubt with member governments being unable to meet either the local currency capital or recurrent costs of projects implemented. As a result many projects have either not been completed or have not been sufficiently well-maintained to justify the initial investment. The mobilisation of the region's own resources for development is one of the central objectives, as well as policies, for effective and

self-sustaining regional development. It will require appropriate policies to be formulated, and effective institutions and procedures to be put in place.[38]

TABLE 3.7: TOTAL EXTERNAL DEBT OF SOUTHERN AFRICA 1984/6; 1989; 1990 (US $ MILLION)

COUNTRY	1984	1985	1986	1989	1990	
Angola	1024	1403	3071	6950	-	
Botswana	395	363	358	510	516	**
Lesotho	142	173	186	320	399	**
Malawi	898	994	1193	1390	1544	*
Mozambique	1231	1442	3156	4740	4718	*
South Africa	-	-	-	20600	-	
Namibia	-	-	-	-	-	**
Swaziland	253	276	232	280	-	
Tanzania	3047	3374	3955	4920	5866	*
Zimbabwe	2030	2119	2480	6870	3199	**
Zambia	3933	4491	5299	6870	7223	*
Total	12953	14640	19850	49670	-	

* Severely indebted

** Less Indebted

Source: SADCC External Debt Study, 1989, and World Development Bank Report, 1991 and 1992.

TABLE 3.8: TOTAL EXTERNAL DEBT RATIOS, 1980 AND 1991

	Total external debt as a % of GNP		Debt service as a % of exports		Concessional debt as % of total external debt		Multilateral debt as % of total external debt	
Country	1980	1991	1980	1991	1980	1991	1980	1991
Angola	*	*	*	*	*	*	*	*12
Botswana	14.8	15.7	1.9	3.4	46.6	40.3	63.3	71.4
Lesotho	11.2	39.5	1.5	4.6	61.0	77.0	55.3	72.9
Malawi	71.1	78.5	27.7	25.0	33.8	76.8	26.7	71.5
Mozambique	0.0	426.0	0.0	10.6	0.0	59.7	0.0	12.0
Namibia	*	*	*	*	*	*	*	*
Swaziland	*	*	*	*	*	*	*	*
Tanzania	48.3	250.8	19.6	24.6	55.3	60.0	21.4	30.5
Zambia	90.7	*	25.3	50.3	25.4	35.9	12.2	20.9
Zimbabwe	14.9	57.0	3.8	27.2	2.3	29.1	0.4	21.2

* not available

Source: Stephanie Baile and Horst Breier, A Turning-point for Southern Africa, In the OECD Observer 1994, p.24.

SUMMARY

The great railways, ports and roads of the SADCC region, linking its peoples and transporting its products, have been crucial to the SADCC. The challenge for the region was not so much to create as to rehabilitate the roads, railways and ports battered by the wars, South African destabilisation policy, poor management and neglect. For the SADCC, without the establishment of adequate regional transport and communication systems, all other areas of co-operation were impossible. It is, therefore, the intention of this chapter to assess the SADCC, its successes and failures.

The restoration of an almost defunct but potentially invaluable regional infrastructure has been the most

successful achievement of this organisation. The grouping has attracted attention and more importantly, funding. The SADCC managed to raise 40 percent of the financial aid it sought for the main transport system to the ports of Beira, Nacala and Lobito.[39] This was definitely an achievement for the region in a context of diminishing aid elsewhere. Nevertheless, one must acknowledge that the SADCC is unlikely to be recorded by posterity as a resounding success. Indeed, despite these achievements, the SADCC failed to address an important factor of the political economy of the region: the increase of intra-regional trade among its member states. The discussion above shows that there are a number of causes other than South African destabilisation activities for the poor economic growth performance of some SADCC countries.

With the end of apartheid and South Africa becoming the eleventh member of the Southern African Development Community (SADC), the conditions for the Community's common front against apartheid South Africa has disappeared. What are the implications, regional and international, of this change? This question will constitute the focus of discussion of the next chapter.

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CHAPTER IV

THE REGIONAL AND INTERNATIONAL IMPLICATIONS OF THE PROCESS OF DEMOCRATISATION IN SOUTH AFRICA.

INTRODUCTION

This chapter deals with the implications of South Africa's transition from a minority to a majority system of governance on the old regional political economy. The impact of domestic processes in South Africa has affected the socio-political economy relationships of the region, dominated by strategic issues (military/defence and destabilisation) and the politics of isolation (the SADCC without South Africa). Therefore, two important questions which derive from the past economic relationship are to be addressed. Will South Africa really change, or will it continue with interference, destabilisation and economic dominance? Or will the region be able to shake off the heritage of many years of attempts actively to discourage interaction and isolate itself from South Africa? The international community role for political stability and economic development in the region will also be examined.

A. FROM CONFRONTATION TO DIALOGUE.

South Africa's progress to political democracy that commenced on 2 February 1990 has raised the hopes of millions of people on the continent, particularly that a post-apartheid South Africa might be able to contribute to the development of the region. Nearly 100 million people outside South Africa were directly and adversely affected by the policies of the apartheid government. They now anticipate the positive

prospects of economic reform and economic development in South Africa itself.

The rise to power of F.W. de Klerk in 1989 coincided with the end of South Africa's policy of destabilisation and the dismantling of apartheid. Attention shifted from conflicting political and economic relations towards transition, reconstruction, and speculation about the possible impact on the political and economic situation in Southern Africa of new policies in South Africa.

The changes taking place in South Africa have been significant and positive from the standpoint of peace and regional security. Peace and security are pre-requisites for national development, as well as deeper regional co-operation and integration.

The South African policy of destabilisation led in the past to support for UNITA in its war against the MPLA in Angola. In Namibia, it led to an intensification of the colonial war against the South West African People's Organisation (SWAPO); it led South Africa to support RENAMO in its effort to topple the government of Mozambique. Destabilisation was an aggressive counter-offensive to maintain apartheid, minority rule domestically and to sustain South Africa's regional economic and political hegemony.

The direct consequence of this destabilisation has been the way in which southern Africa has incurred huge military expenditure and joined in the arms race in an attempt to alleviate security concerns.

> Military expenditure rose substantially across the region, and in the most extreme cases, Angola and Mozambique, were absorbing as much as 40% of total state expenditure by the end of the 1980's.[1]

Two main reasons can be identified for this influx of arms. Regional threats: civil wars and a powerful neighbour, South Africa and, an international threat of the superpower confrontation. These two trends were interlinked.

It has become evident that in the states of southern Africa, notably South Africa, Angola and Mozambique, instability was rooted in indigenous phenomena that were quite different from external interferences. The combination of indigenous and exogenous sources of instability during the Cold War era created a situation of insecurity described as relative weakness arising from the lack of autonomy, vulnerability and the lack of room for manoeuvre afflicting the Third World states on economic, political and of course, military levels.[2] As long as the Cold War bi-polar international order persisted, the two major world powers (Soviet Union and United States) could be relied upon automatically to take opposing sides in Third World conflicts.[3]

This confrontation of superpower ideologies manifested itself in Southern Africa. On the one hand, the USSR emerged in the 1970s and 1980s as chief supplier of armaments to revolutionary regimes in Angola and Mozambique. The massive communist arms build-up in the region was accompanied by an influx of Eastern Bloc military advisers and thousands of Cuban soldiers acting as proxies for Moscow.[4]

On the other hand, South Africa and the United States backed the rebels in Mozambique (Renamo) and especially Unita in Angola, with both covert and overt military assistance.

The transfer of conflict was accompanied by the transfer of sophisticated weaponry. It can be argued that there was a direct relationship between the end of the Cold War and the dismantling of apartheid in South Africa. Indeed, the preference for peaceful resolution of conflicts in southern Africa is a direct result of the demise of the Cold War. The end of both the Cold War and apartheid now bind South Africa more closely to the rest of southern Africa, which in the past aimed at reducing its dependence on that country. There can be little doubt that the current and future challenge to economic development and well-being in the southern African region is to recover from the economic destruction, social instability and physical dislocation and human suffering caused by more than fifteen years of so-called "low-intensity" conflicts fostered by South African destabilisation policy.[5]

Today, the collapse of apartheid has precipitated the cessation of South African-sponsored military and economic destabilisation in the region.[6] Without apartheid, the basic *raison d'être* for destabilising action has disappeared. Internal actors have now emerged as leaders in the resolution of national conflicts.[7]

South Africa's disengagement from regional conflicts, as well as that of the superpowers, "leaves the way open for local initiatives to fill the power vacuum with agreed arrangements".[8] This paved the way for the independence of Namibia in March 1990 and favourably influenced the geo-political situation in other countries: prospects for peace in Angola, the holding of the first democratic elections in Mozambique and South Africa, under new dispensations with governments of national unity. The political situation in these countries, with antagonistic

parties working together, shows that "politics is now much more in command than strategy".[9] It also means that regional organisations that had been formed in support of the struggle, the Frontline States Grouping (FLS) and the SADCC had to re-examine their objectives and find new reasons for their existence. With the inauguration of President Mandela in May 1994, the FLS virtually ceased to exist. New efforts are afoot to replace the grouping with the Association of Southern African States (ASAS) whose objective would be conflict resolution and security co-ordination in Southern Africa.

Although the formation of this new grouping has been agreed to in principle, problems abound as to its implementation. The SADC meeting of August 1995 in Johannesburg failed to formulate the operational aspects of the ASAS because of differing of priorities between South Africa and the other SADC member states.

At the height of apartheid and destabilisation South Africa pushed its neighbours to enter into security agreements as a means of cutting off support for the liberation movements (Nkomati Accord with Mozambique in 1984). With the political changes, "South Africa is pushing for regional security arrangements as a means of stemming the flow of illegal immigrants into South Africa"[10], curtailing growing smuggling of drugs and arms and, as a means of enhancing its image as the regional peacekeeper.

Unlike the past, when relations between South Africa and neighbouring states were characterised by mutual suspicion, when each side saw its security and stability as being threatened by the other, when each side perceived itself as the target for destabilisation by the other, the new trend of

resolving problems between countries relies upon the politics of dialogue. The moving of the region from an era of conflict to one of peace, stability and security is a very positive feature resulting from the end of apartheid. This has created favourable conditions for victims of destabilisation to secure a negotiated end to various conflicts in the region. But it is not clear what possibilities it offers for the reconstruction of the region's economy through co-operation between its states.

B. INCREASE IN CO-OPERATION: INTERDEPENDENCE OR DEPENDENCY.

Despite the restriction resulting from the past political policies, "South Africa has had close economic ties with most of the Southern African region"[11] through bi-lateral trade agreements with Malawi, Mozambique and Zimbabwe, and through the SACU with Botswana, Namibia, Lesotho and Swaziland. These economic relations have been said to be asymmetric, with South Africa receiving most of the benefits. Indeed, South Africa commands an economy three times the size of the rest of SADC economies combined.

With the new political dispensation in South Africa, the factors which were instrumental in diminishing economic co-operation in the region have disappeared (apartheid and destabilisation). The main question now is whether the SADC and South Africa are going to take their cue from the theories of complex interdependence rather than political realism in confronting the new operational environment opening up before them?

Three views have emerged since the process of change began in South Africa as to how the economic

relationship has been affected by these changes.

1. South Africa as a power house.

This viewpoint presents South Africa as a saviour that is going to resolve the SADC's economic problems. The idea is very much alive in some groups in the international community. The conception rests upon the belief that South Africa is a "regional power". As the region's most prosperous economy it can be a conduit for investment and a provider of goods and services to the rest of the region. Undoubtedly, South Africa has a relatively well-established infrastructure and technology which the region needs for its development.

The basis for focusing on South Africa is easily explained by the information in Table 4.1, which presents some recent statistics about populations, size, and income levels in the eleven southern African states.

TABLE 4.1: SOUTHERN AFRICAN FACTS - 1991

COUNTRY	AREA (1000 km^2)	POPULATION (MILLIONS)	GDP (BILLION US$)	GDP PER CAPITA (US$)
Angola	1247	10,0	3.5	350
Botswana	600	1.3	3.6	2530
Lesotho	30	1.8	0.6	580
Malawi	118	8.8	2.0	230
Mozambique	802	16.1	1.2	80
Namibia	827	1.5	2.0	1460
Swaziland	17	0.8	0.8	1050
Tanzania	945	25.2	2.2	100
Zambia	753	8.3	3.8	450
Zimbabwe	391	10.1	5.5	650
TOTAL	5727	93.9	25.2	2850
South Africa	1221	38.9	90.2	2560
Southern Africa	6948	132.8	116.4	950
Sub-Saharan Africa including South Africa	24,287	527.8	255.5	350
South Africa % of Southern Africa	18%	29%	78%	2.7 times
Sub-Saharan Africa	7%	5%	33%	7.3 times

N.B. South Africa's share of Sub-Saharan Africa is:
35-40% of Merchandise exports
40-45% of Manufacturing GDP
55-60% of Commercial energy consumption

Source: The World Bank, World Development Report, 1993.

South Africa with less than 30% of the population, has more than three-quarters of the GDP originating in the region. South Africa also dominates the rest of sub-Saharan Africa; accounting for over a third of the continent's merchandise exports, over 40 percent of its GDP and manufacturing export and over 50 percent of its commercial energy consumption.

Given South Africa's relative financial strength, it is in a position to borrow long-term in international markets, to permit or encourage long-term capital flow, and to use some portion of such capital to finance trade within the region. This could provide finance for growing trade, and therefore growing incomes, not only in South Africa, but also in the other countries of the region.

Another idea behind the power house concept concerns a moral issue. The SADC states have actively assisted black South Africans to liberate themselves from decades of domination by whites, at considerable cost to themselves, and they expect the new South Africa to recompense them. In such circumstances the ANC-led government will be called upon "to repay past favours given to the ANC by the frontline states over the past few decades".[12] It may be said that South Africa's stance on assisting the Southern African states in their efforts to promote economic development is likely to be influenced by the new government's view of the historical and moral commitment to the front line states. This has to be described as being simplistic and idealistic in the way it presents future economic relations in the region. Firstly, it ignores the economic legacy of apartheid in South Africa. Secondly, it undermines factors which influence economic relations between states, such as national interest, the ability to help, and interdependence between states.

2. <u>South Africa as a dominant economic power</u>.

Followers of this view recognise that South Africa is the regional super power. From this perspective, South Africa will continue to dominate the region economically and the new government might not be a

more generous neighbour than the old. In the event of such a development, the regional states would have to deal with an inward looking South Africa and the ensuing possibility of having to absorb policies unfavourable to them. They might, moreover, find themselves as more or less helpless recipients of the secondary effects of domestic policy changes in South Africa.

Two factors will contribute to South Africa's willingness to dominate other states in the region. Firstly, its need to resolve internal problems; secondly, its own national economic interests.

a. Factors which will influence South Africa's domination.

a_1 **South Africa's internal problems**

There is a growing fear in the region that pressure on the government to implement its Reconstruction and Development Programme (RDP) will divert its attention from regional problems. Contrary to the tenets of the Power House concept, the inability to resolve its internal problems will make a post-apartheid South Africa a likely net recipient of aid rather than a benevolent donor.

Disregarding South Africa's enormous economic problems, the SADC actually believes that the country will replace the organisation's increasingly reluctant overseas donors. The Arusha Summit of 26 August 91, for example, agreed that a post-apartheid South Africa would be expected to "fill the role of present co-operating partners through the provision of investment capital to SADC member states".(13)

The presumption that South Africa may be beneficent to its neighbours rests upon a long-term expectation. In the short-term, the new government will concentrate on its RDP.

> South Africa will be inward-looking as the result of the domestic economic challenges it will face and it will therefore pay little serious attention to the problems of the region.[14]

In this view South Africa will act in its own narrowly defined interests, which may include exploiting markets in the region. The democratic South Africa will be preoccupied with its internal problems and will not play a significant role in promoting growth in the region.

Measured against its neighbours, South Africa looks like a rich country with plenty to offer. Measured against domestic expectations, South Africa cannot spare a penny.

The new government is likely to pursue the redistribution of economic power in an attempt to narrow the economic disparities between the race groups. The salient issues are quite stark.[15]

- **Unemployment:** In the early 1980's the unemployment rate for all South Africans was estimated to be 21 percent.[16] Today it is much higher. It is notoriously difficult to gather accurate figures on unemployment as the size of the final figure will depend upon a number of methodological and conceptual assumptions. Generally, government figures seem to underestimate the magnitude of the problem. An added danger is the possibility that any

improvement in this area might result in the spectre of millions of migrants flocking to the relatively greener pastures of the South African economy.

- **Poverty:** more than 50 percent of wage earners earn less than the minimum subsistence levels that have been calculated[17].
- **Housing:** Critical shortages exist, officially this is estimated in the region of one million units. The scrapping of the Group Areas Act might alleviate this problem, but only to the extent that . dle-class Blacks would be in a position to benefit, the actual shortage is more in terms of low-cost housing for the poor.
- **Health:** Critical shortages of facilities for the mass of the population exist alongside very sophisticated facilities for a minority.
- **Education:** There is an abysmal shortage of facilities. In the first instance, Black education in the form of Verwoerdian Bantu Education constitutes inferior education, which does not prepare Black school children for the demands of a modern industrialised economy
  93 percent of teachers in Black schools are not fully qualified and in more than 600 schools double sessions are in operation due to shortage of classrooms.[18]

The capital and efforts required to solve these problems will negatively affect the South African attitude towards the restructuring of the present economic relations in the region.

It is certainly a fallacy to believe that with the new political dispensation in South Africa, everything in the region will change for the better.

A critically important question is how protectionistic, or how outwardly aggressive, the new government in South Africa will be. The case of Zimbabwe is illustrative as it has adopted various economic policies which have adversely affected Zambia, Malawi and Botswana. Zimbabwe abrogated agreements with its neighbours, dumped its goods on regional markets, and prevented exports from regional trading partners from entering the country. Those hoping for rapid economic recovery were disappointed.

a_2. The national interest

Because of the preoccupation with internal demands, South Africa may have to orientate its regional policy towards covert forms of economic manipulation and domination.[19]

The fear some countries have of being economically dominated by South Africa is understandable in terms of the following scenario: pressurised to resolve domestic problems, South Africa could reap most of the benefits of expanded trade with the rest of Africa and thereby aggravate the economic problems in her region. Be that as it may, South Africa will continue to be the leading protagonist in that region, and to a large extent it will assume the prerogative of writing the script.[20] This could imply a patronizing attitude of domination. Alternatively an outward-looking South Africa could aid regional development, assist with technology and expertise and be a favourable source of imports for the countries of the region (because of shorter travel distances, ability to provide service), and be a captive market (based on economic interest calculations) for exports from the region.

In other words, a policy driven by considerations of

trade and economic interest would focus on selling and buying to the benefit of the South African economy. The region appears to be a captive market for South African exports, therefore, considerations such as building it up into a powerful economic bloc composed of self-reliant, productive states will not enjoy a high priority. Such a situation will only reinforce tendencies to reproduce the existing patterns of economic domination and subordination which characterise South African SADC economic relations. Under these conditions, trade, labour, and transport flow will continue to follow the present trend.[21]

The extent to which countries of a particular economic grouping have the political will to accept short-term sacrifices at home in the interest of regional progress, crucially affects the prospects of good relations between South Africa and its neighbours.

One could hope that "a 'non-racial democratic state' would actively work to promote regional economic co-operation in ways that would not be exploitative and would correct imbalances that exist in current relationships[22]". As far as co-operation is concerned, there is no fair play in the international arena. The pursuit of national interests seems to be the primordial objective. The new South African government will continue to perceive southern Africa as an export market, and, at least in the short-term, will not necessarily be interested in equalising the existing asymmetrical "trade balances". With South Africa as the eleventh member of the SADC, it would not necessarily follow that one would find a reversal of accelerated uneven development and marginalisation.

Within the SADC itself, regional co-operation based on

the principle of mutual benefit has yet to become a factor in strategies for national development. The reluctance of the SADC countries to abandon national projects in favour of cost savings through regional projects is a testimony to this. Plans for a $300 million strategic regional food reserve, sixteen years after they had been announced in 1980, have not yet overcome the obstacles raised by national self-interest.[22]

In 1984, Zambia frustrated the SADC plans to standardise regional airlines' use of Boeing carriers by purchasing a DC-10 aircraft.[23] Zimbabwe has restricted imports of cheap Botswana textiles.[24] The most outstanding example of what has been termed "national chauvinism" was Zimbabwe's disregard for the electricity surpluses readily available from Zambia or Mozambique in planning its own generating capacity.[25]

With reference to President Mugabe, as well as other leaders, Hawkins has observed on the ironical fact that "those who have spoken loudest and longest about regional co-operation are those...whose domestic economic policies have contributed so much to the deterioration of their national economies and who have repeatedly put national self-interest ahead of regional links.[26]

The SADC has yet to become an effective instrument of economic transformation and integration, and part of the daily management of national affairs as envisaged by its founders.[27] "Regional co-operation is yet to become a factor in the policies of member states for national development; consequently, there is no synergy and sometimes there is even conflict between regional programmes and those of member states".[28]

Knowing of the existence of this kind of behaviour among states of the region, how can one expect South Africa to behave differently? The SADC maintains that organisational structures need to be loose and informal, as facilitating and consequential rather than causative forces or ends in themselves. In this instance, the SADC's unique character is said to be defined by its commitment to identifying projects in the national interest of its member states. In such circumstances, if South Africa did not have overt aspirations of domination, a government operating in a regional environment which severely constrained any possibility for socio-economic transformation would be unlikely to embrace a project of co-operation with other states to transform existing patterns of regional relations.

As I mentioned earlier, this line of thought argues that it would be a misconception for Africans in general and southern Africans in particular, to try to escape from South Africa's economic orbit. The Republic will remain for the foreseeable future the economic giant of the region.

There are well-known prescriptions for a country wanting to reduce its economic dependence on a powerful neighbour: "look for other markets, look at the possibility of increased processing of your export products, widen the source of your industrial technologies and look for other means of development".[29] Of all these prescriptions, modern technology is one of the most important determinants of independence.

In the region, South Africa is the highly developed country. Therefore, problems such as those affecting technology, communication and trade become more

complicated. "The members of the SADC, particularly the more industrially advanced - (with the exception of South Africa) - Zimbabwe, are nervous about being swamped economically, politically by South Africa."[30] This, in other words, means "even allowing for new dispensation in South Africa, regional imbalances will not change overnight".[31]

3. South Africa as an equal partner.

In contrast to the supporters of subordinate states systems and their relevance to southern Africa, this line of thought argues that:

> South Africa's regional hegemony has limitations and that states within SADC(C) are both dependent and interdependent with South Africa.[32]

This approach is shared by those who argue that a powerful South Africa can be better managed inside rather than outside the SADC. It is similar to a familiar argument amongst those who fear Germany outside the European Union. I agree with this point because of its holistic consideration of the region (in its historical context and also in the context of the political and economic changes it is undergoing, as well as in the context of the changes in the larger global environment). The limits on South Africa's dominance in the region will come from two areas: regional and world economy.

1. Regional limitations

The pattern of dependency of the SADC countries on South Africa takes in the fact that South Africa has also relatively well-established links of interest in the region. With the end of apartheid, the balance of

forces in the region is quantitatively changing towards the restoration of their natural economic pattern. Officially, trade interaction between the SADC countries and South Africa was politically renounced and actively discouraged. Policies were structured to boost intra-SADC trade and isolate South Africa from the sub-continent. "The substantial co-operation on physical infrastructure provision and related developments during the fifties and sixties, resulted in 80 percent of the region's trade passing through the Angola and Mozambique lines and 20 percent through South Africa".(33) From the eighties up to now, South Africa was the channel for about 70 percent of regional trade. Recent events and developments promise not simply to end or reverse these long-term developments, but to lead to a struggle over the building of new regional relationships.

It is true that South Africa is different from the rest of the region with respect to the classical macro-economic indicators, together with the infrastructure and general logistical facilities it has. However, its development problems are similar to those of other countries in the region. The emergence of these problems (illiteracy, unemployment, homelessness, disease and poverty) as burning issues since the process of political change started in South Africa, has clearly shown that it is also a Third World country which needs fundamental reforms of its political and economic system.

South Africa commands an economy three times the size of all other SADC economies combined, and currently dominates the region. There is a danger of further economic polarisation, unless countervailing measures are taken on both sides to ensure that this does not happen. Two factors will act as a hindrance to the

pursuit of South African domination in the region. The first is the willingness expressed by both parties, South Africa and the SADC, to co-operate as equal partners. Both sides have reckoned with "the danger of further economic polarisation, unless countervailing measures are taken on both sides to ensure that this does not happen".[34] The official attitude of the new South Africa may perhaps be taken as that expressed by its President Nelson Mandela, who is also the President of the ANC:

> In forging links with our neighbours, the ANC will draw on an African tradition of which we are a part, of promoting greater continental unity. We are currently involved in consultation with the... (SADC) ... and ... (PTA) ... We look forward to a mutual beneficial association with both of these important vehicles of promoting regional prosperity.[35]

These issues can be reconciled with the moral obligation put upon South Africa to repay the support of its neighbours in its fight against apartheid. Because of its problems at home, and the scarcity of resources to help these countries, South Africa must be careful to enter only into negotiated and equal beneficial economic co-operation with its SADC States. The surrounding states have also borne the burden of apartheid all these years; should they now bear the burden of the end of apartheid? The liberation movements, owe the surrounding states a great deal, and this debt should not be paid off with draconian economic policies.

From the SADC, its position has been expressed in the following terms:

> South African membership would have to be based on principles of equality, inter-dependence and mutual benefit, as opposed to dependence and domination.[36]

This means that any project that envisages regional economic interaction based on some level of agreement between governments, and which seeks to do more than confirm South African hegemony, will have to grapple with the real legacy of destabilisation, its differential effects on the SADC countries, and their fears of South African domination.

The scenario of restabilisation of the region could occur if the SADC member states enter into negotiations over aspects of regional economic relations such as trade, investment and labour migration.[37]

The second factor is the economic interdependence which characterises the countries of the region. Southern Africa has always been and still remains an economically coherent region, it is potentially capable of benefiting from the motive force of economic co-operation among its constituent states.[38]

For some years in the late 1980s, the balance of trade surplus that South Africa ran with its SADC neighbours amounted to over $7.5 billion per year, which was a critical factor in its economic survival since the early 1980s. Other important links involved significant South African investment in at least seven of the ten SADC countries, even at the height of the sanctions era. Most of the industrial development in the SADC countries has been with international capital, and much of this capital originated from South Africa.

The new non-racial democratic order in South Africa could create at least the possibility of the emergence, of a co-operative project between that country and the other states of the region, aimed at transforming the pattern of regional economic relations created by apartheid.

TABLE 4.2: SOUTHERN AFRICA: ANNUAL AVERAGE TRADE FLOWS, 1983-1989 (MILLIONS OF US DOLLARS)

	Botswana	Lesotho	Namibia	South Africa	Swaziland	Sub total	Angola	Malawi	Mozambique	Tanzania	Zaire	Zambia	Zimbabwe	Sub total	Grand total	Imports f.o.b.	Gr. total as % of Imports
Botswana	0.0	0.0	0.0	457.7	0.0	457.7	0.0	2.1	0.0	0.0	0.0	2.7	56.2	61.0	518.7	775.6	66.8
Lesotho	0.0	0.0	0.0	269.1	0.0	269.1	0.0	0.0	0.0	0.0	0.0	2.4	1.9	4.3	273.4	451.0	60.6
Namibia	0.0	0.0	0.0	489.6	0.0	489.6	0.0	0.0	0.0	0.0	0.0	0.0	1.0	1.0	490.6	616.0	80.1
South Africa	55.3	35.0	48.7	0.0	113.1	252.1	0.0	20.2	0.0	0.0	0.1	7.4	117.4	165.4	397.8	13.867.7	2.8
Swaziland	0.0	0.0	0.0	271.0	0.0	271.0	0.0	0.0	0.0	0.0	0.0	0.5	1.1	1.6	272.6	451.7	60.3
Sub-total	55.3	35.0	48.7	1487.4	113.1	1739.8	0.0	22.3	0.0	0.0	0.1	13.0	177.6	213.3	1953.1	16.559.3	11.8
Angola	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	4.6	4.7	4.7	1301.4	0.4
Malawi	1.3	0.0	0.0	110.9	0.0	112.2	0.0	0.0	0.3	0.0	0.0	6.1	16.4	23.8	136	221.0	61.5
Mozambique	0.0	0.0	0.0	-	0.0	0.0	0.0	0.0	0.0	2.2	0.0	0.2	31.9	42.9	42.9	618.4	6.9
Tanzania	0.1	0.0	0.0	0.0	0.2	0.3	0.0	0.0	1.5	0.0	0.2	6.2	3.6	12.1	12.4	924.1	1.3
Zaire	0.0	0.0	0.0	45.4	0.0	45.4	0.0	1.1	0.0	1.0	0.0	1.1	16.7	23.9	69.3	1202.1	5.8
Zambia	1.6	0.0	0.0	119.3	5.0	125.9	0.0	0.2	0.0	0.9	0.0	0.0	35.2	44.3	170.2	825.7	20.6
Zimbabwe	32.8	0.0	0.0	182.9	3.4	219.0	0.3	7.9	2.2	0.2	0.3	21.4	0.4	32.1	251.1	1083.4	23.2
Sub-total	55.8	0.0	0.0	438.5	8.6	502.8	0.0	29.4	4.6	4.7	0.6	38.1	108.8	183.4	686.6	6169.1	11.1
Grand-total	111.1	35.0	48.7	1925.9	122.0	2242.6	0.0	51.7	4.6	4.7	1.0	51.1	286.0	397.1	2639.7	22728.1	11.6
Exports (IFS)	1.126.0	48.5	826.9	19 .3.1	326.7	21701.6	2135.6	272.9	98.4	359.6	1.480	978.0	1217.1	-	-	-	11.6
Grand total as % of Exports	9.9	85.6	5.9	9.9	37.3	10.3	0.0	18.9	4.7	1.3	0.1	5.2	23.1	-	-	-	-

Source: Kimaro, S.N.t. Economic Cooperation in Southern Africa, A Post-Apartheid Perspective, October 1992, Unpublished Manuscripts.

Table 4.2 shows that Namibia and Angola had no trade with other SADC countries. Namibian exports went to the rest of the world and South Africa, most of its imports came from South Africa and the rest of the world. Angola, on the other hand, traded with the rest of the world only. Tanzania had little trade with the SADC countries, it exported barely US$ 1.3 million's worth to the other SADC countries and imported in the amount of US$ 12.4 million, mostly from Zambia and Zimbabwe. These represent about 1 percent of its trade.

The movement of goods is mostly between Zimbabwe, Botswana, Malawi and Zambia. The reasons for this are many and varied: political, economic, infrastructural, financial. Any change in these elements increases the ability of the countries to heighten their productivity and become viable members in future regional co-operation.

Advantages of economic co-operation are substantial in southern Africa. It requires an in-depth study of multi-sectional relationships in the region to reveal this. The potential gains from closer regional co-operation that individual countries simply cannot muster, include the following:

- Stable and dynamic efficiency gains from trade creation and other effects;
- economies of scale; especially in infrastructural investments;
- acceleration of successful structural adjustments throughout the region;
- greater attractiveness to foreign investment;
- greater competitiveness of regional industries;
- enhanced revenue administrations through harmonisation of tax regions;
- regional welfare gains from the reduction of non-tariff barriers.[39]

There were fears expressed in economic circles that a democratic South Africa could swamp the region with its products and kill local industry. These fears have now been questioned. Although South Africa has a relatively high technological base, it is a high cost producer, making its products uncompetitive in the region. The protection levels to manufacturing industries in South Africa are the highest in the world and the tariff and import control systems are among the most complex of any member of the World Trade Organisation (WTO).[40]

If South Africa opens up, products from Zimbabwe, Zambia and Namibia can compete there. As a separate unit each country is too contained by its factor endowment to develop its resources fully. Together the SADC countries provide a more equable set of linkages than South Africa has today. Regional co-operation with South Africa can be sustained, but this can only take place within well-established regional agreements.

Co-operation and co-ordination in respect of physical infrastructure is the sphere where regional co-operation occurs most naturally in southern Africa and is, in fact, very promising because all participants stand to benefit:

- Co-operation in regional water and energy products: The South African economy will need access to water resources from elsewhere in the sub-continent and access to regional hydro-power resources would also be beneficial. The Lesotho Highlands water project is an outstanding example of the benefits which intra-regional co-operation can bring. There are various aspects to this. It will provide an annual cash income for Lesotho, end its dependence on South African electricity supplies and will be an attraction

for tourists. Further, it will make South Africa dependent upon Lesotho for a vital resource (water). Close co-operation exists between the Republic, Botswana, Zimbabwe, Swaziland and Mozambique for the utilisation of common rivers such as the Limpopo, the Nkomati and the Usutu.

- The considerable hydroelectric potential of South Africa's northern neighbours offers them excellent opportunities for mutually beneficial exchange with the relatively waterless South Africa.

- It will certainly be in the interests of both Angola and South Africa for South African oil purchases to be made in Angola, and for consumer goods and manufactured products for the Angolan market to be sourced in South Africa.

In brief, the achievement of interdependence and complementarity in the region will need determination and the capacity to translate the logic of regional co-ordination and planning into the SADC members' national decision-making process. In the past, national planners have remained parochial in approach and have not provided the information required to influence the political trade-offs that are necessary in regional co-operation.

2. World limitations

a Multilateralism

The co-operation between South Africa and its neighbours is taking place against the background of profound changes in the world economy. A conflicting policy shift is occurring in that at the same time as the importance of regional integration, particularly in western Europe, North America and the Asian Pacific

region is growing, GATT members have concluded the Uruguay Round with the explicit purpose of liberalising world trade.

With regard to regional economic integration, opinions on its increasing importance differ; supporters see it as complementary to the attempt to achieve multilateral liberalisation. It is said to be a practical intermediate step towards universal elimination of trade barriers; the critics, on the other hand, see "regularised integration as deviating from the tenets of multilateral liberalisation and leading to adverse effects on global welfare".(41)

Whether integration represents a stimulant to the multilateral process or implies discrimination against third parties, it is indeed a challenge to other subordinate regions, i.e. in Africa, in the Middle East and Far East, and in south and central Asia. These movements towards bigger economic blocs will transform the world, both economically and politically. Firms within these economic blocs will benefit from economies of scale provided by large markets, to become competitive both internally and internationally. This forms part of key changes in the international division of labour which has far reaching consequences, not only for the Third World as a whole, but on the specific and changing place of the economies of southern Africa, and particularly that of South Africa.

There is, therefore, little prospect of southern African countries meeting the challenge of such changes in the world economy individually. It is only with a strong regional economy that southern Africa will be able to compete in today's world economy.

The strengthening of existing linkages as well as potential for cross linkages (between sectors) is

important. Despite the risk that regionalism reduces the motivation for and commitment to multi-lateralism it can still be regarded as a viable alternative for southern African countries not to be marginalised in the globalisation of world relations.

b. Competitiveness of South African products on the international market

In the face of general worsening of terms of trade, GNP per capita and exchange rate, there is an increasing difficulty in maintaining an industrial sector geared to import substitution and financed by the export of primary commodities. Even South Africa, it must be noted, has not escaped such phenomena during the present global economic crisis. The products of the South African manufacturing industry are by and large not competitive on the world market. A recent study undertaken by the South African Chamber of Business (SACOB) showed that the prices of South African manufactured goods may be as much as 25 percent higher than those of overseas rivals in several key export markets.(42)

At present, only a limited number of South African non-primary products are considered to be competitive in the European market. They include processed agricultural products, such as fruits and wine, some engineering goods, and some clothing items. The reasons for this lack of competitiveness are a matter of dispute. The distortions by protection are undoubtedly one factor: The Industrial Development Corporation of South Africa (IDC) has estimated the cost-increasing burden brought about by tariffs (including protection surcharges) as 14 percent of the GDP.(43)

Calculations undertaken by the IDC and Board of Trade in 1991 show which sectors of manufacturing are

adversely affected by having tariffs imposed on their imported inputs.

TABLE 4.3: MANUFACTURING SECTOR INPUTS TO MANUFACTURING SECTOR

	Portion of input %	Tariff Wall %	Effective Surcharge %	Level of Protection
Spinning and Weaving industry	5.2	47.2*	6.4*	High
Pulp, paper and paperboard	4.8	10.3	0	Medium
Synthetic chemical and Plastic	6.6	27.3*	2.0	High
Basic Chemicals	11.4	15.6	0	High
Iron and Steel basic industry	10.9	8.0	5.8*	Medium
Non-ferrous metals	4.9	8.5	1.2	Low
Fabricated metals	5.0	13.6	10.0*	High
Motor Vehicles	7.9	29.0*	10.2*	High
TOTAL	41.3	20.0	4.0	

Note: *above average
Source: SACOB, 1991:40

The regional market, as mentioned before, will remain important to manufacturers in the foreseeable future. Already, trade with the other SACU members (BLSN states) accounts for about 25 percent of South Africa's manufactured exports(44). But South Africa will have to accept that it will have to buy more African goods and services if it wants continued access to African markets. An important aspect here is the country's continued heavy dependence on the export of one commodity, namely, gold. Equally important is the desirability of expanding both the range of export goods and diversity of markets. While this implies an improved performance, particularly for manufactured goods in the markets of the industrialised countries, it also underlines the importance of retaining the traditional hold over the regional market.(45)

To counter any form of marginalisation and put themselves in a better position to interact meaningfully with other economic blocs, South Africa and the SADC have to pursue a policy of common

future:[46]

- deeper economic co-operation and integration on the basis of balance, equity and mutual benefit, providing for cross-border investment and trade, and freer movement of factors of production, across national borders.
- Common economic, political and social values and systems, such as free enterprise, respect for the rule of law....The acceptance of co-operation implies that certain national laws, norms, procedures and regulations must be adjusted, and a common investment code be formulated.

This form of organisation must be based on mutual benefits. The South African interest with regional development has already formed the basis of extensive discussions with international financial institutions. The World Bank, for example, "may be considering projects in the region in a favourable light, given the involvement of South African firms".[47]

3. **Foreign aid**

It is vital, both for South Africa and the SADC, now that the dividing element, apartheid has vanished, to become good neighbours and promote a pattern of economic relations based on interdependence.

There are indications that the core industrial countries will increasingly focus their attention elsewhere, to give their assistance where they believe they can derive greater political dividends.

Eastern Europe and Russia clearly are now more important to them and this is a consideration which cannot be overstated:

- Firstly, the amount of aid the European Union is already discussing, $100 billion over 10 years, to eastern Europe, to bring the East European economies into line with the poorest members of the European Union is daunting enough.[48]

- Secondly, the moral responsibility that the West may or may not feel for the economic development of Africa as a whole is likely to be dwarfed by its nagging conscience over the continuing underdevelopment of eastern Europe.[49]

There is an urgency about all this. What the people of southern Africa share is the need to create a new meaning to their lives to escape a crippling psychological and emotional dependency on the outside world. South Africa should develop a strong economy enabling it to serve as a catalyst for the economic upliftment of southern Africa and even the rest of Africa. South Africa must be regarded as being the economic powerhouse of southern Africa. It has the potential to lift the region out of the hole in which it currently is and develop it through regional economic integration and development.

C. THE BIRTH OF THE SADC.

The signing, on 17 August 1992, of a treaty establishing the Southern African Development Community (SADC) to replace the Southern African Development Co-ordination Conference (SADCC) signified more than a change in acronym. It was a declaration of intent by the signatories. The new SADC consists of all the member states of the old SADCC as well as South Africa and Mauritius. But "emphasis has now changed from development co-ordination to development integration".[50]

The 1992 SADC theme "Towards Regional Integration" aims to give effect to the goal of regional integration. Article 22(i) of the SADC's treaty provides for member states to submit a series of protocols to "spell out the objectives and scope of institutional mechanisms for co-operation and integration".[51]

With the conclusion of the treaty, the SADC was formalised in terms of the international law and its structure was re-organised in view of the possible inclusion of a non-racial South Africa.[52] The treaty provides the organisation with a legal personality, meaning that the SADC may act on behalf of its member states. While the SADCC concentrated on intensifying co-operation, mostly by co-ordinating the activities of member states, the new body calls for deeper integration.[53]

For the achievement of its goals the SADC maintained both the previous institutional and operational structure (see Chapter II). South Africa is responsible for the co-ordination of finance and investment which is a newly created sector.

Three interlinked events were behind the regional leaders' decision to re-examine the form and nature of economic relations in the region. These were the political changes in South Africa, the emergence of a new direction for development, and the end of the Cold War.

1. Political change in South Africa.

In a speech inaugurating the new parliament on February 2, 1990, President De Klerk said that:

> The general election on September 6, 1989, placed our country irrevocably on the road of drastic change. Underlying this is the growing realization by an

> increasing number of South Africans that only a negotiated understanding among the representative leaders of the entire population is able to ensure lasting peace ... the well-being of all in this country is linked inextricably to the ability of the leaders to come to terms with one another on a new dispensation(54).

The rapid changes which followed forced the SADCC to contemplate the potential of and changes in the newly emerging order in the region. The acuteness of the contradiction in a regional integration that excluded South Africa was brought into the open by the SADC that in 1993 declared "membership of a democratic South Africa in SADC will give a major boost to efforts already underway to promote regional integration and co-operation in Southern Africa".(55) The SADC maintained that a free and democratic South Africa would be welcome to join the organisation. But, the SADC recognised that its loose organisation "whose decisions are not binding on members"(56) would incur serious problems in facing the dominant power to the south.

It was the danger of South African domination which precipitated the implementation of a fully fledged legal community. Member states shall, through the appropriate institutions of the SADC, co-ordinate, rationalize and harmonize their overall macro-economic and sectoral policies, programmes and projects in the areas of co-operation.(57) The SADCC saw an urgent need to prepare for the day when South Africa would be free to assert itself in the region, unencumbered by international censure and sanctions.

The direct implication of the process of change in South Africa on the SADCC was that an internationally accepted non-racial South Africa would deprive the organisation of its principal *raison d'être*: the lessening of dependence on South Africa. The move

from SADCC to SADC has been a way for the SADCC to respond to a crisis of identity in face of the newly emerging order in the region. In August 1994, South Africa became SADC's eleventh member. Its entry to the organisation laid the foundation for the implementation of a closer economic and political co-operation between SADC's member states. South African membership is a pre-requisite for the harmonisation of the regional countries macro-economic policies. In the opinion of the SADC,

> South Africa's accession will facilitate the process of multilateral negotiations aimed at restructuring the existing unbalanced regional economic relations(...) In particular new opportunities could arise in co-ordinating initiatives in various areas at regional level, unhindered flow of capital, labour and technological resources to productive activities in the region; further consolidation of the regional market and mobilisation of financial resources for natural and human resources development in the region as a whole.(58)

2. The emergence of new directions of development.

a. To avoid marginalisation

The SADC has been formed against the background of a trend that is increasingly edging towards integration by means of preferential or free trade agreements, or the formation of customs or economic unions. The prediction of the imminent marginalisation of South and southern Africa points to the absolute necessity for the transformation of economic relations between countries in the region, on a more productive and competitive basis.

> Unless it responds creatively and urgently to the new challenges confronting it, southern Africa, like the rest of the continent, faces the bleak prospect of further marginalisation.(59)

In these circumstances, it becomes apparent that the pursuit of a policy which enhances closer economic co-operation among all southern African countries including South Africa, is important. The treaty which transformed the SADCC into the SADC is very broad and does not impose any specific obligations of an economic nature on member states. Because of the commitment of the SADC to move towards a regional integration, the secretariat is in the process of designing different protocols. These include a draft protocol on finance and investment, a draft protocol on the free movement of people and a draft trade protocol. It is probable that there will be pressure to adopt the third protocol as a matter of priority because of the negative implications of the current trade flows in the region on the integration process itself.

A further development which precipitated this transformation was the existence in the region of more stable and cohesive organisations: the Common Market for Eastern and Southern Africa (COMESA) and the South African Customs Union (SACU).

b. Existence of other regional institutions

1. The emergence of COMESA

For a number of reasons, going back to their establishment, there is always intense rivalry and some antipathy between the SADC and COMESA.(60)

The Preferential Trade Area (PTA) was established in

December 1982. Its stated intention being the "promotion of co-operation and development in all fields of trade, customs, industry, transport, communication, agriculture, natural resources and monetary affairs with the aim of setting the standard of living of its people and fostering closer relations among member states".[61] The PTA was transformed in December 1994 into a Common Market for Eastern and Southern Africa (COMESA), its purpose being "the liberalisation of trade and encouraging co-operation in industry, agriculture, transport and communications".[62] Envisaging the elimination of trade barriers by the year 2000, it also looked to the creation of a regional common market. Both SADCC and PTA stated that a democratic South Africa would be welcome to join them, but the lack of a treaty diminished the chances of the SADCC to attract South African membership. "The decision of the PTA authority, taken in January, 1992 that the Preferential Trade Area be transformed into a common market"[63] might have been the catalyst for the SADC treaty itself, and have deterred the PTA from becoming a "common market" and swallowing the SADCC. It would not be going too far to say that both viewed South African membership as the ultimate prize. The decision of the emerging new South Africa was perceived as the only factor determining the future of these two institutional arrangements. South Africa's choice was seen as decisive in ensuring victory for one over the other in a battle for survival.

As South Africa was moving towards democracy, it became imperative for the SADC to move a step towards economic integration. With regard to trade there is good historical basis for such a movement. The countries of southern Africa list South Africa as a major trading partner for export and import.

TABLE 4.4: IMPORTS

TOP TEN AFRICAN IMPORT SOURCES FOR 1993				
	VALUE (R millions)	% OF AFRICA	% OF WORLD	AV% GROWTH (1989-93)
Zimbabwe	669.2	41.9	0.96	9.2
Zaire	262.3	16.4	0.37	53.0
Malawi	160.9	10.1	0.23	28.3
Cote D'Ivoire	150.7	9.4	0.22	56.0
Zambia	76.4	4.8	0.11	87.1
Mozambique	60.9	3.8	0.09	36.4
Kenya	31.3	2.0	0.04	16.0
Togo	30.3	1.9	0.04	5.9
Tanzania	21.9	1.4	0.03	91.3
Chad	19.7	1.2	0.03	230.2
TOTAL OF TOP TEN	1483.3	92.9	2.21	22.0

Source: Industrial Development Corporation of South Africa Limited, January 1996, Johannesburg.

TABLE 4.5: EXPORTS

TOP TEN AFRICAN EXPORT DESTINATIONS FOR 1993				
	VALUE (R millions)	% OF AFRICA	% OF WORLD	AV% GROWTH (1989-93)
Zimbabwe	1838.0	23.8	3.41	16.5
Mozambique	1369.2	17.7	2.54	88.4
Zambia	1349.8	17.5	2.51	31.8
Malawi	662.2	8.6	1.23	11.0
Mauritius	565.7	7.3	1.05	19.9
Zaire	342.4	4.4	0.64	-1.5
Angola	264.5	3.4	0.49	93.5
Kenya	239.0	3.1	0.44	117.4
Reunion	193.9	2.5	0.36	14.5
Madagascar	142.1	1.8	0.26	55.7
TOTAL OF TOP TEN	6966.8	90.3	12.95	22.9

Source: Industrial Development Corporation of South Africa Limited, January 1995.

TABLE 4.6: TRADING PARTNERS

TOP TEN AFRICAN TRADING PARTNERS FOR 1993				
	VALUE (R millions)	% OF AFRICA	% OF WORLD	AV% GROWTH (1989-9[illegible])
Zimbabwe	2567.2	26.9	2.24	14.3
Mozambique	1430.1	15.4	1.28	38.3
Zambia	1426.2	15.3	1.27	33.2
Malawi	823.1	8.8	0.74	15.5
Zaire	604.7	6.5	0.54	10.1
Mauritius	585.2	6.3	0.52	19.8
Kenya	270.3	2.9	0.24	76.3
Angola	269.4	2.9	0.24	74.9
Cote D'Ivoire	248.9	2.7	0.22	37.4
Reunion	194.8	2.1	0.17	14.5
TOTAL OF TOP TEN	8359.9	89.8	6.79	22.2

Source: Industrial Development Corporation of South Africa Limited, January 1995.

Tables 4.4, 4.5 and 4.6 specifically identify South Africa's top ten African trading partners with respect to imports, exports and total trade. Statistics from 1990 indicate that of the customs union's total African imports, 79 percent came from Mozambique, Angola, Zambia, Zimbabwe and Malawi and 21 percent from the rest of Africa.[64]

Tables 4.4, 4.5, 4.6 also indicate that Zimbabwe, Mozambique, Zambia, Malawi have South Africa as their main trading partner.

2. The Southern African Customs Union (SACU)

The Southern African Customs Union is a free trade area. Its members are South Africa, Botswana, Lesotho, Swaziland and since 1990, Namibia.[65]

The first formal agreement which laid the foundation of SACU was signed in 1910 between the Union of South Africa and the British Protectorates of Basutoland, Bechuanaland and Swaziland. Since 1910, only three substantive amendments have been made to the original agreement:

- in 1969, it was rewritten to take account of the BLS countries' changed status as independent from Britain.
- in 1978, it was amended to build a stabilising factor into the revenue-sharing formula.
- in 1990, it was changed to allow for the admittance of Namibia as a member.[66]

The SACU's objectives[67] include: encouraging the economic development of the Customs Union (CU) areas as a whole; promoting the development and diversification (industrialisation) of the economies of the less advanced members; and sharing equitably the benefits from trade.

The major provisions of the 1910 Agreement required the free flow of goods among the member countries[68], a Common External Tariff (CET) with the smaller partners maintaining a custom duty structure similar to that obtained in South Africa at all times.[69] As such, goods that are grown, produced or manufactured in the Customs Union Area (CUA) are subject to the same excise duties as are in force in South Africa, once these have been collected, they are paid into the Consolidated Revenue Fund of South Africa.[70] To facilitate the free interchange of goods, the Common Monetary Area (CMA) was established by the Trilateral Monetary Agreement of 1986 and links Swaziland, South Africa, Lesotho and Namibia in a parallel union arrangement. Botswana was a member of the earlier Rand Monetary Area Agreement (RMA) but withdrew in 1975.[71]

Despite the fact that SACU is a Union of unequals and that the BLSN countries are underdeveloped with regard to South Africa, its existence has not hindered the development of BLSN to a degree which has retarded their growth and development in any significant way. When compared to the SADC and COMESA, the SACU has been the most successful regional body. Two main reasons can be attributed to why SACU works:

- the economies of the BLSN countries are largely complementary, not competitive
- there is enough political will amongst the members to make it work.

Currently, re-negotiations of the Customs Union Agreement (CUA) are underway. Beside the fact that the SACU works, problems exist which need to be addressed. There are signs that South Africa is unhappy with the growing burden of the revenue-sharing formula[72] which it regards as being "unduly generous to Botswana, Lesotho, Swaziland and Namibia.[73] Between the period of 1983 and 1990 South Africa received approximately 80 percent of the customs union revenue pool; by 1992/1993, this figure had fallen to 66,4 percent.[74] South Africa is also dissatisfied with the stabilisation factor which had served to increase the original 1,42 enhancement factor to as high as 1,77 in certain years.[75] The more South Africa reduces its customs tariffs in terms of the WTO obligations, the more it will penalise itself.[76] South Africa claims that it can no longer afford the present formula as it needs all resources at its disposal for the Reconstruction and Development Programme.

For the BLSN countries, they are of the opinion that their share of the customs union revenue is too small and they are in fact subsidising South Africa. Their complaints concern some aspects of the 1969 Agreement

and supplementary agreements:

- the two years delay in the disbursement of funds from the common revenue pool is seen by the BLSN as being nothing more than an interest free loan by them to South Africa, for which they receive no compensation;
- the detrimental price raising effect on the BLSN economies;
- the lack of consultati and need to democratise decision-making procedures in the SACU;
- the perceived inhibiting effects on industrial development in the BLSN[77];
- loss of discretionary authority to pursue an independent nat nal fiscal policy because South Africa unilaterally sets customs and excise duties for the entire CU area which the BLSN are obliged to follow;
- polarisation of economic development in South Africa, to the detriment of BLSN; and
- limitations on the BLSN ability to protect infant industries given the narrowly defined eligibility criteria and other provisions - in order to be eligible, the industry in question must be in a position to supply at least 60 percent of the SACU market - a condition that does not, however, apply to South African manufacturers.[78]

The future of the SACU will also depend on its relations with COMESA and the SADC. As it is currently organised, membership of the SACU is incompatible with that of COMESA or any other preferential trade arrangement.[79] In terms of the rules of the SACU, members cannot grant preferential entry to imports from non-member countries unless with the express consent of their SACU partners.[80] In this case, Lesotho and Swaziland who are also members of COMESA, cannot become full members of the latter and will have to choose between it and the SACU.[81]

As far as the SACU relationship with the SADC is concerned, an association agreement can be signed between the SACU and the remaining SADC countries with the aim being a gradual reduction of trade barriers and an increase in economic cohesiveness which is an important ingredient for successful integration in southern Africa. Thus there would be a Common Market which would allow for free movement of capital, labour and goods and containing some harmonisation of fiscal and monetary policy.[62] This is to say, the emergence of the SADC does not vitiate the need for the SACU to continue under a renegotiated agreement, leaving open the possibility of eventually being merged into a wider SADC, as South Africa is already a member of the SADC.

D. INTERNATIONAL COMMUNITY'S INVOLVEMENT IN SOUTH AFRICA AND ITS REGIONAL IMPLICATIONS.

The three years of negotiations from 1990 to 1993 to end apartheid have had important implications on the earlier foreign involvement in southern Africa. As the changing situation in South Africa coincides with a particular set of regional and domestic dimensions of change, it also affects relationships between the international community and the entire region.

The new form of involvement in South Africa's affairs by the international community has far-reaching consequences for the political and economic situation in neighbouring countries. Three inter-related reasons for a role for the international community, from coercive interference to direct involvement, will form the foundation of the analysis.

1. The moral-ethical reason.

The moral reason largely focused on the objective of transforming South Africa from authoritarian rule

based on racial discrimination, to an apartheid-free democratic society.

Attributing a moral-ethical role to the international community regarding its involvement in building a new South Africa, has two aspects.[83]

- Firstly, that some members of the international community, (U.S. and Britain) took a soft line on apartheid in its fight against communism. The Western powers saw South Africa as a bastion against communism in southern Africa. This harder West-East line characterised mainly the Thatcher and Reagan governments which took office respectively in 1979 and 1981. A more radical approach argues that capitalism and apartheid were mutually reinforcing phenomena.

Western powers were not ready to abandon South Africa because of the active role that South Africa played in fighting the advancement of communism in Southern Africa. As South Africa embarked on the process of change, the Western powers felt that helping South Africa in its march to democracy, might prove the greatest service they could offer to an old friend.

There was evidently a realisation abroad that South Africa's transition to a democratic constitutional order was fraught with the danger of a racial breakdown. It was then imperative to help South Africa to avoid the risk of a racial break-up, which already divided social groups. Also, a racial explosion in South Africa would have had negative implications especially for Britain and the United States. It would have influenced negatively the fragile racial co-existence in both countries. It would also have precipitated a flux of South African British passport holders into Britain and created

unexpected social problems, such as an increase in unemployment. The desired democratic outcome became by no means a foregone conclusion.

The typical instructive case of the new form of international community involvement in South Africa's domestic affairs concerns the referendum of March 1992. In that referendum, only whites were asked to vote for or against the reform process undertaken by President De Klerk in February 1990, which was aimed at the establishment of a new constitution through negotiations.

The National Party campaign for "yes" was backed by foreign countries for the first time in a white South African election since 1983. Foreign endorsement of the De Klerk government's reform initiatives was accompanied by a combination of threats of international punishment in the event of a "no" verdict, and by promises of economic rewards from abroad if "yes" won.

At the start of the campaign, the USA State Department weighed in with a statement that a retreat from Codesa negotiations, seen as the likely consequence of a "no" vote, would be a devastating step backwards towards international isolation and domestic discord in South Africa(84).

The White House threatened to "hit South Africa like a bomb if De Klerk lost the referendum and the Conservative Party won a subsequent election".(85) And George Bush, by then President of the United States, threatened to impose "immediate and comprehensive sanctions against a Conservative ruled South Africa".(86)

From Britain, the most significant threat came from parliament. British MPs of all parties approved a Commons motion in which white South Africans were given a serious warning that a "no" vote in the referendum would lead to the reimposition of sanctions and South Africa's renewed isolation.[87]

Germany placed great emphasis on economic incentives in statements on the referendum.[88] A motion in the Bundestag, introduced by the two parties in the governing coalition, expressed support for De Klerk's reform policy and proposed the lifting of all remaining sanctions, save the arms embargo, in the event of a "yes" vote.[89] As an immediate inducement, "Bonn approved its first official development aid project worth R2.5 million, in South Africa".[90]

Japan's position was stated by the country's most powerful business group, the Federation of Economic Organisations. It warned that "South Africa would face a cc'd shoulder from Japan if whites voted "no" to reform.[91] The European Union through its parliament articulated its sentiments by declaring that "a positive vote on March 17 will open the possibility for the rapid removal of all further restrictions on normal relations (with South Africa), other than the arms embargo".[92]

From Africa, views were expressed by the OAU through its Secretary General Salim Ahmed Salim. He expressed the hope that white South Africans would for their own and the country's sake vote to continue the reform process.[93]

The frontline states through their delegates at a Summit in Lusaka, stressed the need for whites in South Africa to "realise that peace and security for

all South African's lay in the continuation and successful conclusion of Codesa".[94]

The result of the referendum, 68,6 percent of the 2.8 million ballots cast supported De Klerk's reform initiatives, with 31,2 percent against, was universally welcomed.[95]

- Secondly, the international community played an important role in the demise of apartheid. After World War II, international morality with its emphasis on human rights, freedom and independence for all nations, found South Africa's racial policies abhorrent, often equated with Nazism and Fascism. The international community isolated South Africa and applied calculated political, economic, socio-cultural and military sanctions against it. At the same time, it granted aid to the SADCC as a way of minimising the negative effects of South Africa's political and economic destabilisation and sanctions on neighbouring countries.

Having invested so heavily in the struggle against apartheid, the international community had at least a moral obligation to assist South Africa in its critical period of transition,[96] assistance in building a new society, in other words. The upliftment of the impoverished and otherwise deprived majority of the South African population might prove a much more daunting task and one requiring the commitment of many more resources than the campaign against apartheid.

In a regional context, the international community believes that a politically stable South Africa will constitute an engine of economic development for the region. In fact, one of the reasons for regional

economic decline is that there was no country in southern Africa with sufficient economic strength to serve as an economic growth catalyst. A successful transition to democracy in South Africa, will place at the region's disposal the engine for economic development that it desperately needs.

2. The consolidation of the outcome of transformation.

The consolidation of the outcome of transformation discussion derives from a utility argument. Although economic sanctions against South Africa had contributed to the eradication of apartheid, they had strong negative impacts on the South African economy and on that of the entire region.

The image of a new South Africa is projected by the international community as the successor to apartheid promoting a sudden and complete change of policy. Ending apartheid was essential but not enough. The very means through which this has been achieved should now be harnessed, almost in reverse, to ensure that the upliftment of the South African society[97] is achieved.

The international community has assumed for itself a special responsibility in assisting the formation of a new South Africa. There is a clear recognition amongst the members of the international community of the need for measures to assist in the recovery of the South African economy. Various negotiations in which South Africa is engaged with International Monetary Fund, (IMF), World Bank (WB), European Union (EU), and other developed countries are a testimony to this. The underlying belief has been that "without a much higher level of economic activity resulting in jobs

and the means to undertake the enormous social upliftment which is needed, no political reform can ultimately succeed".[98]

South Africa's neighbours also suffered the consequences of apartheid. For more than two decades the region's leaders strove for black liberation and were involved in East-West conflicts. Because of the political and economic implications of the situation in South Africa on the entire region, helping South Africa on its march towards democracy is intimately linked to the restoration of peace and security in the entire region.

The international community's intervention in South Africa in a regional perspective is to ensure that the transition succeeds. Success in South Africa could improve the prospects for the region's new democracies by setting an example of tolerance, fair voting, free association and free speech.

3. <u>The re-integration of South Africa into the international community</u>.

The international community's involvement in the process of creating a new South Africa relates not only to the political economy of South Africa, but also to that of the region as a whole. Its interest is based on the concept of dependence and interdependence.

Western involvement in South Africa's transition to democracy can be interpreted in three ways:- firstly, as an expression of its desire to monopolise control over the development of the situation in South Africa. That is precisely why the Western countries were pressurising the ANC as a future government to depart

from a commitment to a socialist orientated economy to one of a market economy. The West's interest lies in keeping South Africa within the capitalist system. The Western countries, therefore, have worked towards the elimination of apartheid while at the same time providing South Africa's whites with firm political and economic guarantees. This policy pertains despite the fact that in terms of two-way trade the West's gain is comparatively poor.

- Secondly, the international community in helping South Africa in its effort to achieve democracy is simultaneously helping the entire region. The reasons are both political and economic, but the two are interlinked. South Africa has a vital interest in seeing stability and accountable government in the surrounding countries.

Southern Africa is South Africa's natural hinterland and offers a "substantial market for its manufactured goods, which, as indicated, are to a large extent not competitive overseas".[99] Because South Africa is politically and economically the dominant pole of influence in the region, it will ensure that security and stability characterise the region where its interest lies. In fact, unsettled conditions elsewhere in the region will deter foreign investment in South Africa as well.

The well-being of countries in southern Africa is closely linked. The international commitment to the region needs to be taken into account every time when a formal relationship between South Africa and the international community is considered. This will ultimately contribute to overcoming imbalances in the development and trade in the region and help to stimulate co-operation. As the SADC has itself

affirmed: "South Africa could not hope to grow and develop while the rest of the region is stagnated."[100] The international community should ensure that whatever actions are taken, they do not raise barriers between South Africa and its neighbours.

In an increasing number of cases, external partners are making a linkage between an equitable relationship in Southern Africa and South Africa's inclusion on favourable terms in arrangements with external parties. This is particularly notable in the case of the European Union (EU). The EU, like the World Bank, favours regional market integration as a means to promote the development of African countries, and as a step towards freer world trade.[101]

Referring to a possible South African membership of the SADC, an official EU publication expressed the view that "this would strengthen the economic potential of the region, and would be wholeheartedly encouraged by the community".[102]

South Africa's dualistic nature, with the juxtaposition of developed and underdeveloped features, makes it a unique partner in the context of EU relations with other African countries. The EU believes that an active South African role is indispensable if the region is to have any hope for meaningful economic progress. Both the EU's 'twin track' approach and Programme for Reconstruction and Development (ERDP) show that South Africa's social, economic and political stability is central to regional stability and development.

The EU policy should, therefore, address two interrelated issues. The first concerns the inclusion in the bilateral agreement of measures that would

assist South Africa to play the expected pivotal role in uplifting the region's economy. The second, is that the EU should ensure that whatever actions are taken, they do not raise barriers between South Africa and its neighbours. These two issues are fundamental to the hastening of sustainable development and to achieving a balanced growth in Southern Africa. In pursuing this course, however, unrealistic expectations that South Africa will be southern Africa's saviour should be discouraged.

- Thirdly, international community involvement is attracted by the apparently better investment climate, infrastructure and services, managerial, technical and technological capacities in South Africa than in the rest of the region. South African firms are welcome partners for overseas interests because their organisation, operating procedures, value systems and technology are similar to those of their counterparts in Western Europe or North America.

However, a regional investment code, together with joint efforts to promote the region internationally, would no doubt be helpful.

SUMMARY

The process of dismantling apartheid has been a challenge to the old regional order.

The dismantling of apartheid has opened an alternative for the regional political economy from the standpoint of peace and co-operation. South Africa has renounced its destabilisation policy and has withdrawn its support from UNITA in Angola and RENAMO in Mozambique. The fact that South Africa has joined the SADC implies a change in attitude from both sides. It implies mutual agreement to

co-operate and to end a situation which was termed as an economy of conflicts and domination. But national, regional and international factors (economic, social and political) might contribute positively or negatively to the consolidation of that co-operation. However, under circumstances where apartheid no longer exists, the apparent existence of the level of interdependence between states and the willingness of the SADC and South Africa to work together to lay a basis for lasting peace and progress throughout southern Africa, increases the possibility of co-operation based on the principles of equity and of mutual benefits, as opposed to dependence and domination.

The approach to economic co-operation/integration in southern Africa will constitute the focus of discussion in the next chapter.

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65. J. Potloane, 'Integrating Africa', in Indicator South Africa, Vol.11, No.3, 1994, p.65.

66. Finance Week, Johannesburg, 12-18 September, 1991, p.16.

67. In the preamble, the objectives are stated as being to ensure the continued economic development of the customs union as a whole, and to ensure in particular that these arrangements encourage the development of the less advanced members of the customs union and the diversification of their economies and afford to all parties equitable benefits arising from trade among themselves and with other countries.

68. With the exception of South Africa beer, spirit, and certain wines which were dutiable at rates fully determined by Basutoland, Bechuanaland and Swaziland.

69. SACU Agreement preamble.

70. U. Kumar, 'South African Customs Union and BLS Countries', in Journal of World Trade, Vol.24, No.3, P.35.

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72. C. Bouer, The possibility of an Economic Federation, p.11.

73. G. Maasdorp, 'Economic Prospects for South Africa in Southern Africa', in South Africa International, Vol.22, No.3, 1992, p.124.

74. C. Bouer, op.cit, p.11.

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76. E. Leistner, 'South Africa and African economic integration', in Bulletin, 1995, Vol.34, No.2, p.4.

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78. E. Leistner, South Africa and African economic integration, p.4.

79. C. Bouer, op.cit, p.15.

80. Loc.cit.

81. E. Leistner, op.cit, p.22.

82. G. Maasdorp, Economic prospects for South Africa, p.151.

83. The term International community refers in the broadest sense to actors in the international political economy, be they states, international governmental organisations and agencies, transitional corporations or investors.

84. Geldenhuys Deon, 'The Foreign Factor in South Africa's 1992 Referendum' in Politikon Vol.19, No.3, December 1992, p.54.

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92. Sunday Times, Johannesburg, 15 March 1992.

93. Beeld, Johannesburg, 17 March 1992.

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95. D Geldenhuys, op.cit, p.55.

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CHAPTER V

A PRO-ACTIV FRAMEWORK FOR REGIONAL ECONOMIC CO-OPERATION

INTRODUCTION

This chapter will discuss regional economic co-operation and integration in southern Africa. It also examines the key factors in the evolution of co-operative projects in southern Africa.

South Africa has joined the SADC as the eleventh member. It means there is no doubt that the SADC has survived the challenge associated with the end of apartheid. However, it also means that the SADC members need to find a new approach to co-operation appropriate to their concrete circumstances and one capable of restructuring the existing pattern of relations. Economic relations in southern Africa are characterised by structured inequalities and acute imbalances in favour of South Africa. The major challenge for southern Africa is to establish a unified market in a region comprising a 'super power' and relatively fragile economies. The search for options will be done with reference to the three main approaches identified in development theories: trade or market integration, integration through project co-operation and development integration.

A. APPROACHES TO INTEGRATION AND THEIR RELEVANCE TO THE SADC

1. The trade or market integration

The trade or market integration "is the orthodox trade

liberalisation approach"[1] based on neo-classical trade theory which in practice focuses on liberalisation of trade relations through linear arrangements:

- Internal trade liberalisation (Free Trade Area)
- Common external protection (Customs Union)
- Liberalisation of factor movements (Common Market)
- Harmonisation of social and economic policies (Economic Community)
- Unification of social and economic policies and establishment of a supra-national authority.

Critics of the market integration approach have suggested that the above sequence is inappropriate for integration between developing countries, and that harmonisation of policies should take place at a much earlier stage. The market integration approach has been identified with the European Union.

The experience of past attempts, also strongly suggests that for "developing countries the basic economic rationale for co-operation and integration should not be sought in orthodox theory with its emphasis on static criteria of efficient resource and production reallocation".[2] The justification for integration should rather be based on dynamic considerations associated with the growth and development potential that co-operation and integration could provide to the countries involved.[3]

The peculiar economic circumstances in most developing countries lessen the applicability of this approach. The above criticism is based on the assumption that there are high levels of complementarity among the integrating economies. It is contended that, in

general, this assumption does not hold for developing countries whose economies tend to rely on the export of primary commodities. This also holds in respect of situations such as the one this thesis examines, where the superiority of the South African economy would certainly lead to unequal development tending towards polarisation of the total trade of the contracting partners. The economic groupings in Africa face the same obstacles: different levels of economic development among members and the uneven distribution of benefits, which have precipitated the dislocation or contributed to the poor performance of many African economic groupings.

> In Africa...the effect has been the opposite to Europe mainly because the point of departure of regional cooperative ventures has been wide disparities between partners, disarticulated economies external dependencies and generally a low-level of development.(4)

2. Integration through project co-operation

The integration through co-operation approach has largely been based on the view that the greatest obstacle to regional trade and integration in the south is due to underdeveloped production structure and infrastructural deficiencies. Being in the same situation, the SADC rejected the practice among member states of establishing regional development strategies based upon the orthodox theory of integration.

The SADCC, however, opted for a programme of integration through project co-operation (see Chapter 3). The focus has been on functional co-operation or project co-operation on the grounds that the development of production structures and the required

infrastructure should be the first priority. Despite this fact, the SADCC did not escape the difficulties associated with economic co-operation as far as trade and industry were concerned. Project co-ordination has been recognised as having had only a limited impact in promoting deeper or wider co-operation and integration.(5)

The project co-operation approach to integration has tremendous appeal, particularly when after almost 13 years of co-operation, the SADCC has not achieved much in developing regional policies. Similarly, the failure to give priority to trade relations was seen as a serious shortcoming. By the end of the 80's as the result of international, regional and South African internal changes, the SADCC came under increased persuasion to evolve towards more formal regional integration models.

3. Development integration

The development integration approach is recognised as an elaboration or variant of project co-operation. It finds its foundation in the premise that "incompatibilities arising from underdeveloped productive structures and trading patterns, make it impossible to promote integration through *laisser-faire* policies".(6)

Southern Africa does not fulfil the four conditions required by the standard theory for a successful regional integration:

- Countries should be at a similar level of industrial development.
- They should have industrial sectors that compete with one another so that trade can be created

within the area.

- Member states should have the potential to develop complementary industrial sectors so that the benefits of integration are spread, and most important,
- they should have a history of substantial trade among them.

Contrary to the situation in Western Europe in the 1950's, intra-regional trade is quite unidirectional in southern Africa. For this reason, the development integration approach provides for continuing with functional co-operation to address many of the production and infrastructure barriers deriving from underdevelopment.

But it goes beyond such a focus and stresses the need for macro and micro co-ordination in a multi-sectoral programme that embraces production, infrastructure and trade.

The development approach relies on the identification of major constraints to intra-regional trade in goods and services, investment and payments and thereafter developing measures to overcome these constraints. Therefore, the issue of strengthening existing linkages as well as cross-linkage between sectors may assist in enhancing attempts to integrate the various economies of the region.

In the southern African region, the major sectors within which intra-regional contact, co-operation and/or linkage already exist, can be identified as trade, energy, water resources, agriculture, transport, telecommunications and labour. Progress in co-ordination and co-operation in each sector should proceed almost immediately without considering what

happens in other sectors. This flexibility will place great emphasis on 'variable geometry' and the 'multi-speed' co-ordination across different sectors.

But in strengthening the multi-sectional linkage and co-operation in southern Africa, it will be necessary for the SADC to evolve approaches which will ensure that:

- The activities and experiences of existing co-ordinating bodies are built on, towards the creation of specific regional co-ordinating entities, answerable to the central regional decision-making bodies;
- Regional economic integration in the southern African context is implemented in increments towards the ideal of regional co-operation and integration, consistent with the needs, constraints and possibilities of southern Africa;

- South Africa's relative gigantism and its insensibility about the interests of its neighbours are addressed at an early stage;
- Politically acceptable modalities for sharing costs and benefits in short and long term are formulated;
- Conscious efforts by co-operating parties are seen as essential, both to define the scope and sectors of co-operation and identify appropriate strategies and mechanisms to overcome impediments to integration;
- The notion that South Africa is a gateway to southern Africa and that its development will simultaneously ensure the development of the rest of the region has been abandoned. But an integrated view of the region, with the establishment of new economic development

policies aimed at its growth as a whole has been adopted.[7] In such a sense, a regional outlook which takes note of how all the countries in the regions can benefit equally is the way forward;

- The Reconstruction and Development Programme (RDP) must provide the basis for redefining South Africa's interactions with her southern African neighbours. In that context, sustainable reconstruction and development in southern Africa is in the long run a pre-requisite for sustainable RDP in South Africa.
- Each country accepts that successful regional economic co-operation will entail some sacrifice of national sovereignty and a willingness to incur short-term national losses for long-term regional gains.
- The Balkanisation of the region in different economic groupings with different trade regimes is brought to an end. This point refers to the multi-membership of the SADC's member states. The SADC endeavours to promote regional trade will be constrained by a range of institutional factors (see Chapter 3); It makes little sense, nor is there any justification for having three expensive parallel organisations at a time most countries in the region are near economic collapse.

Against the backdrop of a fast changing world, as the creation of trading blocs highlighted in previous chapters suggests, alongside other major developmental obstacles such as drought, debt, poor terms of trade, import cuts, southern Africa cannot afford to continue fragmenting its efforts if it is really serious about its intentions to create a working common market capable of competing with other trading blocs.

- The relationship between development and good governance is recognised. Poor governance has constituted a major "non-economic barrier to development" in southern Africa and democratisation of the political and economic systems is essential to the success of any programme aiming to accelerate economic growth and development.

B. CRITICAL ELEMENTS OF THE INTEGRATION PROCESS IN SOUTHERN AFRICA

a. The SADC'S trade patterns

Despite early intentions to develop mechanisms to enhance intra-SADC trade since 1986, no movement on this front has taken place. In the assessment of the SADC, the lack of intra-SADC trade and the importance of South African exports to the region have been stressed already. One of the key issues of current southern African co-operation, since South Africa underwent political transformation and joined the SADC, is the question of the regional trade regime.

Ideally, if "regional integration is taken to its logical conclusion, the whole of SADC would become one customs union".[8] However, the actual asymmetrical trade exchange between South Africa and her neighbours is unencouraging for any economic organisation aspiring to form an integrated market.

A prominent feature of the current southern African regional economy is the deeply entrenched and highly uneven trade relations between South Africa and the rest of the SADC members. The following tables 5.1 and 5.2 deal with the SACU's trade with each SADC member country, as well as the share which it comprises of the total SACU trade with the SADC.

TABLE 5.1 : IMPORTS

TOTAL SACU IMPORTS FROM SADC COUNTRIES (R MILLION)										
	1989		1990		1991		1992		1993	
	Value	% Share	Value	% Share	Value	% Share	Value	% Share	Value	% Share
Zimbabwe	470.0	78.7	452.3	83.2	478.5	76.5	818.3	77.8	669.2	67.3
Malawi	59.4	14.3	82.0	10.5	92.2	14.8	132.9	12.6	161.0	16.2
Zambia	6.2	1.3	7.5	1.1	15.6	2.5	41.3	3.9	76.4	7.7
Mozambique	17.6	5.3	30.5	3.1	87.8	6.1	47.6	4.5	60.9	6.1
Tanzania	1.6	0.5	2.6	0.3	1.1	0.2	10.4	1.0	21.9	2.2
Angola	9.6	0.1	0.6	1.8	0.2	0.0	0.9	0.1	4.8	0.5
TOTAL	564.8	100.0	574.9	100.0	625.3	100.0	1051.4	100.0	994.1	100.0

Source: SADC Secretariat, Gaborone, 1994

TABLE 5.2 : EXPORTS

TOTAL SACU EXPORTS TO SADC COUNTRIES (R MILLION)										
	1989		1990		1991		1992		1993	
	Value	% Share	Value	% Share	Value	% Share	Value	% Share	Value	% Share
Zimbabwe	998.3	43.9	1174.5	44.5	1619.6	43.7	1567.0	35.2	1838.0	32.9
Mozambique	373.1	16.4	467.7	17.5	691.7	18.7	678.7	15.2	1369.2	24.5
Zambia	446.9	19.6	531.7	20.0	664.7	17.9	1114.6	25.0	1349.8	24.2
Malawi	436.4	19.2	421.5	15.9	580.3	15.7	699.2	15.7	662.2	11.9
Angola	18.9	0.8	53.3	2.0	138.0	3.7	369.2	8.3	264.5	4.7
Tanzania	3.1	0.1	11.3	0.4	10.2	0.3	25.8	0.6	104.6	1.9
TOTAL	2276.7	100.0	2657.0	100.0	3704.5	100.0	4454.5	100.0	5588.4	100.0

Source: SADC Secretariat, Gaborone, 1994

Immediately evident from the above tables is the wide gap that exists between South Africa's exports to and imports from the rest of the region.

Note that the trade statistics quoted are those of the entire SACU which means that Botswana, Lesotho, Namibia, Swaziland and South Africa's import/export figures are represented as one. Unfortunately they cannot be separated although individual statistics are in preparation.

Recent data from the Economist Intelligence Unit show that South Africa is the main supplier of imports to Botswana (82 per cent), Lesotho (83 per cent), Malawi (48 per cent), Mozambique (27 per cent), Namibia (87 per cent), Swaziland (47 per cent), Zambia (27 per cent) and Zimbabwe (33 per cent). It is also the main customer for the exports of Lesotho (46 per cent), Swaziland (47 per cent) and Zimbabwe (17 per cent), but the second largest customer for Mozambique (17 per cent).

If South Africa's evident interest in increasing its sales to the region were to be accommodated through an indiscriminate opening of the regional markets, several adverse consequences could follow:

- existing imbalances could worsen;

- industrial development in the region be impeded;

- trade between existing SADC member states swamped.

Any further opening up of the region to South African commodities would have to proceed on the basis of

specific negotiated trade agreements. The current negotiations for a regional trade protocol are a positive sign. The protocol must take account of the need to protect local industries and allow trade between the SADC countries to increase. In other words as Thabo Mbeki, South African Deputy President put it:

> expanding and sustaining economic integration in Southern Africa would have to be based on a more equitable two-way flow of capital, goods and services between South Africa and the rest of the region.[8]

In this sense, industry, investment and tariff barriers become crucial elements for two-way co-operation to happen.

b. Industrialisation

The existing level of economic production gives rise to incompatible export and import products.[9] Successful industrial co-operation demands a sustained growth in the consumption of regional products. The current hindrance in rapidly extending intra-regional trade is that these economies export mostly mineral and agricultural products.

The export-import structure of the SADC region predominantly reflects the international division of labour. The SADC states, as underdeveloped countries are exporters of primary commodities (Table 5.3) and importers of a variety of industrial products, particularly intermediate and capital goods, depending on the degree of import substitution which has taken place in each state.

TABLE 5.3: EXPORT STRUCTURE IN 1984 - PRODUCT GROUPS AT THE SITC THREE DIGIT LEVEL
(by value in percentage of total exports)

Country	SITC	Description	Percentage of total exports
Angola	331	Crude petroleum etc.	76.2
	071	Coffee	3.5
	332	Petroleum products	4.7
Botswana		Diamonds	74.4
		Copper	8.4
Malawi	122	Tobacco, unmanufactured	48.1
	061	Sugar and honey	8.3
	074	Tea and mate	23.8
Mozambique	061	Sugar and honey	7.7
	031	Fish fresh, simply preserved	36.0
	074	Tea and mate	7.4
	051	Fruit fresh, nuts fresh, dry	19.4
Swaziland		Sugar	38.6
		Wood pulp	21.4
Tanzania	071	Coffee	39.1
	263	Cotton	10.6
	275	Spices	6.4
Zambia	682	Copper	87.7
Zimbabwe	121	Tobacco, unmanufactured	22.9
	671	Pig iron, etc.	12.1
	263	Cotton	9.5

Source: KISANGA, E.S. Industrialisation and Trade Co-operation in Eastern and Southern Africa, Averbury, England, 1991, p.145.

In support of this remark, is the fact that SADC members lack an industrial base, which could serve to build national productive capacities which would enable them to increase levels of commodity trade across their national boundaries.[10]

This conclusion followed the SADC's stated principles that the building of national productive capacities must be given first priority, to attain high levels of commodity trade across their boundaries.

Through industrialisation, the SADC states would not only end their current need to import finished manufactured products from the OECD as well as South Africa, but they would also become competitive themselves. Unless this happens, trade will continue to be an obstacle to the creation of an integrated southern African economy able to compete with other economic blocs in the world.

Industrialisation is necessary for increased intra-regional trade, in order to stimulate interest in the products of the SADC states. Table 5.4, shows the contribution of the manufacturing sector in percentage and value terms to GDP in each SADC country; the imbalance between South Africa and the rest of the region.

TABLE 5.4: DATA ON THE MANUFACTURING SECTOR

COUNTRY	YEAR	% OF GDP	$MN
Angola	1993	1.9	117
Botswana	1992/93	4.5	153
Lesotho	1992	15.8	89
Malawi	1993	11.8	238
Mozambique	1993	15.1[a]	312[a]
Namibia	1993	9.3	195
Swaziland	1991/92	39.1	337
Tanzania	1992	4.6	107
Zambia	1993	28.6	910
Zimbabwe	1993	21.6	1123
South Africa	1993	24.1	28261

Note: (a) Figures reflect "gross output by origin", not GDP, and relate to "industry and fishing". GDP data do not exist. These figures should be treated with extreme caution.

Source: Economist Intelligence Unit.

c. Investments

It seems policy measures directed at increasing trade must also aim at increasing investments to diversify the economies of the region. A country like Tanzania whose "economy is roughly twenty-five times smaller than South Africa's"[12] would not benefit from a purely trade-based relationship. Unless there is real investment in production and infrastructure, relations between South Africa and the other SADC countries will simply replicate those of the region's relations with the North.

The promotion of investments in the region will require "clear industrial strategies, investment codes, currency convertibility and a regulatory framework which enhances economic stability, predictability and transparency".[13] Another element in an attempt to increase investment will be to promote the participation of the private sectors in the sub-regional integration process.

d. Monetary relations

To facilitate intra-SADC trade and investment and to pave the way for the eventual economic union, an efficient and effective payments mechanism is essential. Monetary co-operation among the SADC countries is presently quite limited.

There are, in the region as a whole, diverse and non-convertible currency systems, which have rendered both intra-regional trade and cross border investments difficult to implement. Early in the integration process, efforts should be made to overcome this problem, through effective payment and clearing arrangements and intra-regional currency convertibility. Although a move towards greater currency convertibility is underway in most countries

of the region, problems created by continued lack of convertibility constitute a serious immediate barrier to increasing intra-regional trade.

e. Tariff and non-tariff barriers

Notwithstanding the argument that "tariffs do not constitute the major barriers to intra-regional trade"[24], there is a need to harmonise tariff regimes and to proceed to the elimination of tariff duties if an integrated market is to be created.

Basically there are two approaches to international trade liberalisation: the international approach and the regional approach. The international approach involves international conferences under the aegis of GATT, such as the Kennedy Round and the Tokyo Round and the most recent Uruguay Round. The purpose of these international conferences is to reduce tariff and non-tariff barriers to international trade worldwide.

In the case of the SADC economies, "trade liberalisation *vis-à-vis* the outside world has contributed to the stagnation of intra-regional trade, opening up the SADC market to cheap suppliers from outside of the region".[15] To illustrate this point, markets for beef in Angola and Mozambique which previously were supplied by fellow SADC members Botswana and Zimbabwe, are now in the hands of EU producers which, due to the high degree of agricultural subsidisation within the EU Common Agricultural Policy (CAP), are able to undercut the regional suppliers.

The regional approach involves agreements among small numbers of nations whose purpose is to establish free trade among themselves while maintaining barriers to

trade with the rest of the world.

Therefore, the need for a strong, cohesive regional bloc in southern Africa is required to protect the regional market against the effects of the liberalisation of world markets. This requires a common trade regime and a competitive regional economy. There is some diversity in the tariff regimes in force in the SADC countries. Five of the twelve SADC member states are members of the SACU. These five countries - Botswana, Lesotho, Swaziland, Namibia and South Africa - are bound by the SACU agreement to allow each other complete duty free access to their domestic markets.

Nine of the twelve SADC members are also members of COMESA. The COMESA treaty commits members to the gradual reduction and eventual elimination of customs duties and non-tariff barriers to trade conducted among themselves on goods on a common list, which satisfy the COMESA's Rules of Origin. Apart from trade covered by the SACU and COMESA provisions, there are also a number of bilateral trade agreements involving tariff reductions or removals, which have been entered into by various SADC member states with each other and with third parties. A harmonisation of tariff regimes is needed in southern Africa.

Another problem which needs to be looked at is the elimination of tariff duties, implying a removal of South African tariff and non-tariff barriers to imports from its neighbours. In fact, just as South Africa needs open access to neighbouring markets if its development is to be based on export-led manufacturing industries, so, too, do South Africa's neighbours need free access to its markets.

At present, the South African market is a protected one. The implications of a protected market are import controls and high tariffs. In the South African context these measures have been implemented partially to address the country's balance-of-payments problems and partly to protect South African industries against foreign competition.

A South Africa that is looking outward by liberalising its import regime, one that is managing its foreign exchange rate and productivity in its domestic industries in ways that permit a flow of growing imports as it exports to the region, could be of enormous importance to the countries in the area. But research undertaken by the African Development Bank (ADB) and South Africa Foundation for Economic Research (SAFER), and Cross-Border Initiative (CBI) report, show that non-tariff barriers (NTBs) were a more important constraint on intra-regional trade than were tariffs.

These NTBs include: quotas and import licensing, the constraint ability to pay, high cost production, attitude of consumer, political factors, tied aid, lack of information and marketing, a neglect of the private sector's role, a lack of political will to implement resolutions, corruption and a lack of complementarity in production. It is must be said that some of these NTBs are no longer as important as they were a decade ago. For example, political factors, with the changes which have occurred in South Africa and Mozambique, are no longer really significant. In Zambia, the Open General Import Licensing (OGIL) system was abandoned in 1993, and the exchange control act was replaced in 1994; most goods can now be freely imported.

f. Labour migrants

It is also necessary for the labour issue to be taken as part and parcel of regional relations in areas such as investment and trade, to ensure a linkage between capital and labour flows, on the one hand, and trade in goods and services, on the other.

The issue of labour is bound to be one of the important subjects of negotiation, given the long history of both skilled and unskilled labour migration and the diversity of real or potential economic capacities in the region.[16] No issue more clearly illustrates the pattern of regional dependence and the dilemma in which the new government in South Africa finds itself than that of migrant labour.

The implication of labour migrancy for all the issues of deepening co-operation is the South African fear that SADC membership may lead to increased migration. The terms of co-operation must be defined: A free trade association or a common market. Free trade association as opposed to a common market does not contain the right of migration. Actually, any new approach to this problem will have to be based on the recognition of the fact that:

- Supplier states cannot without considerable economic and social disruption immediately withdraw from the migrant labour system.[17]
- The adoption of a nationalistic regional economic policy, as is apparent by the increase of xenophobia in South Africa, will have consequences for both South Africa and its neighbours. For South Africa, any economic crisis in the neighbouring states will spill over into South Africa through border crises, increase

in immigration, loss of market for its goods. For the other SADC states adverse consequences will be the loss of revenue through remittances and loss of skilled labour.

- Influx controls do not work, whether they are implemented internally by an apartheid government or externally by national states trying to keep work seekers out.[18] The South African government is misled in believing that people from neighbouring countries can be dissuaded or prevented from emigrating to South Africa. The case of the United States and Mexico is instructive of another possible unintended consequence of nationalistic labour and economic policies. The huge number of illegals who risk life and limb to go to the United States for jobs shows the power of poverty and the lure of rich neighbours.

It is, therefore, in South Africa's interest to be surrounded by states that are well disposed, prosperous and economically and politically stable. Any new co-operative approach to this challenge would have to involve both a short-term and long-term programme of reconstruction. In the long-term this solution will be more humane and effective.

Illegal migration is best contained by increasing economic opportunities in the "sending" countries. Not only do those opportunities give employment to people which enables them to stay home, but they also put sufficient money in their pockets to enable them to buy South African products.

Since South Africa cannot stop the influx of refugees and illegal migrants into the country from the rest of the region, her Reconstruction and Development will

have to include the neighbours in order to motivate them to remain in their respective states. This places a great burden on the South African government, but it seems to be a burden which it is destined to carry for a number of years ahead.

g. Community-building

Regional co-operation and integration in Africa remains essentially a function of political intercourse among heads of states, bureaucrats and secretariat officials. In many countries the idea of forming or joining an economic co-operation arrangement springs less from the wishes of the people in response to their felt needs than from the leadership.

An outstanding case is the SADC treaty. It would have been much to the credit of the SADCC/SADC if the document had been publicised in all member states prior to its ratification. This would have shown the political significance of the event.

Any economic organisation must begin with the people, from the grass-roots to the heads of states. It is not worth the effort for heads of states and government or ministers to sign protocol on free trade if the manufacturers, traders, bankers, financiers, and the clearing agents who are actual practitioners of trade, are not involved. The SADC needs to develop a community-building strategy: involving the people in the various areas of regional co-operation. The involvement of the people is needed for public mobilisation, and dissemination of the objectives and strategies for the building of a Southern African Development Community.

The SADC faces an uphill task in inspiring all elements of society in member states to support both ideas of regional integration. Regional integration remains the concern of a small technocratic elite in the government of member states. More needs to be done to develop wider private and political constituencies for integration in the southern African region and to mobilize the region's own resources for development to achieve the goal of regional sovereignty and self-reliance.

The SADC integration process should be based on the twin pillars of real commitment by governments, and the effective participation by a popular constituency in formulating as well as executing a regional programme. To achieve this end, it is desirable that the new SADC Treaty should provide an institution forum for some kind of directly elected SADC regional parliament. A parliamentary body would serve as a particular driving force for the unification of Southern Africa.

SUMMARY

This chapter has examined the three scenarios for integration open to southern Africa. The traditional scenario of trade liberalisation has been said to be inappropriate for developing countries in general and southern Africa in particular. The project co-operation scenario followed by the SADCC since its creation in 1980 has ceased to be relevant. It appears that although the SADCC has avoided the development of powerful supra-national institutions, the relations between industrial and trade co-operation and the attendant demands that it is putting to the region need a strong central institution. The predominantly national institutions with greater power will have to give way to operational co-ordination

development if the objectives of industrial and trade co-operation, are to be realised. But this condition would be met within a development integration perspective which requires moving further in the direction of multi-sectoral co-ordination, to address such issues as the setting of tariffs, allocation of industries and investments.

The argument is made that the labour migrant problem will have to be addressed in the regional context; any nationalistic perspective will only exacerbate it. The chapter also argues that the success of the SADC is strictly linked to the involvement of the population and the accountability of regional governments. The next chapter will conclude the entire thesis.

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CHAPTER VI
CONCLUSION

This study has argued that the process of dismantling apartheid in South Africa which started on 2 February 1990, has provided a climate conducive to closer economic co-operation and integration in southern Africa. But this move requires co-ordinated actions at a number of levels and its possible success rests on the ability of the SADC to resolve the issues of regional institutions, equity, compensation and balanced development, which are at the root of any regional integration scheme involving countries with unequally developed economies.

The basic questions focused on in the study are: firstly, to what extent the transition period in South Africa, from 2 February 1990 onwards, provides the SADC with the political and economic climate to implement the changes needed to promote co-operation/integration? Secondly, what stands in the way of promoting this regional co-operation despite the declared intention by both South Africa and the other SADC states? Thirdly, what are the possibilities of overcoming these obstacles?

In this chapter conclusions from the analysis of these three questions will be presented.

a. The end of Apartheid and the political reforms in South Africa: implications for the SADC

The end of apartheid and the introduction of political reforms in South Africa affc the countries of the region the opportunity to decrease the intensity of regional conflicts. The past situation in the southern African region was characterised by prolonged liberation wars (Angola and Mozambique), South Africa's policy of destabilisation, the superpowers'

intervention (Cold War); it was marked by diverse economic policies amongst states. This environment led to confrontationist policies, ..olation of South Afric: and low level of economic interdependence among regional states. The SADCC which came into existence in 1980 with the "Lusaka Declaration" has as one of its main objectives the reduction of economic dependence, particularly, but not only, on the Republic o. South Africa. This objective was not surprising given South Africa's economic and military influence. Regional economic dependence on South Africa was and still is very extensive, involving trade imbalances in favour of South Africa, domination by South Africa's multinationals of the mining and industrial development in the region; migrant labour dependency and above all transport dependency.

The region's hostility to South Africa, however, stemmed from South Africa's aparthe. practices that oppressed that country's Black population. It was the abhorrence of apartheid that became the unifying factor for the SADCC. Because of the economic inter-linkages with South Africa no common trade stand was developed against South Africa within the SADCC. The ·.ly element that came under discussion was the establishment of alternative transport and communication routes to South Africa.

But the situation has changed. South Africa is now a democratic country.

It is clear that one immediate and important benefit arising from the process of democratisation in South Africa was an end to Pretoria's policy of regional destabilisation, wh: h has been of enormous economic cost to the front:ine states. The process of dismantling apartheid meant that the SADCC also had to

reassess its objectives if it was to continue to function. It was this assessment that led to the formation of the SADC with the Windhoek Declaration in 1992.

This thesis has argued that economic development in southern Africa and political reform in South Africa are interlinked. The end of apartheid which coincides with the end of South Africa's policy of destabilisation is an important stage at which to begin addressing regional developmental problems. The new political dispensation in South Africa makes the entire region look forward to peace dividends following South Africa's new regional economic policies, and for their positive effect on southern Africa. South Africa has joined the SADC as the eleventh member and has promised to pursue regional economic relations based on equality and mutual benefits.

The argument has also been put foward that the new South Africa is faced with two options in so far as its regional policy is concerned. One of these is the adoption of a passive and inward-looking regional policy under which it continues to benefit from the existing and newly created flows of surplus value (which are, in turn, a result of the dominance-dependence relations that have characterised the region for a long time). Whilst it may look attractive, such a policy is quite risky for South Africa. Not only would it deepen the existing dominance-dependence relations (and thereby generate tension and resentment in the region), but it would also heighten the possibility of new political struggles geared to reversing whatever progress has been achieved internally. Thus, the short term net gains are likely to be offset by long-term net losses.

The conclusion is that a passive, inward-looking regional policy for South Africa (or for any other country in southern Africa for that matter) should not be preferred over the alternative.

The alternative is for South Africa to adopt an active, multilateral, outward-looking and accommodative approach to regional issues. This entails a conscious effort to enhance national and regional security on the one hand, and genuine, equitable and mutually beneficial economic relations on the other. Access to national markets must be reciprocal, multilaterally negotiated and must contain an element of compensation which results in all parties being better off. The South African government has opted for this choice. But it is not an easy choice for South Africa to defend politically to its domestic constituency. The process of change in South Africa is being driven largely by the force of unmet expectations on the part of those currently disenfranchised.

Opportunities for regional integration are in principle to be found within the framework of the Southern African Development Community (SADC). The experience and the result of the co-operation in the context of the SADC, particularly the fostering of a regional identity and common belonging have provided a basis for economic integration. Member states have acquired experience in working together effectively, particularly in such areas as transport and communication, agricultural research, security and energy.

Therefore, given South Africa's relative strength in many fields, it will significantly contribute to a reshaping of the SADC towards a higher degree of

economic integration, which is already on the SADC policy agenda. The membership of the democratic South Africa into the SADC has given a major boost to efforts already underway to promote regional co-operation and integration in southern Africa.

Another important factor which will favour co-operation in the post-apartheid era is the existence of interdependent economies in the region. The southern African political economy has potentialities for increased interdependence. The entry of South Africa in to the SADC could greatly enlarge the overall size of the regional market and create new opportunities for co-operation in many fields.

There is a strong consensus in southern Africa that regional co-operation is a powerful means to promote economic development, political stability and security. Through past co-operation in a number of areas, particularly transport, water, energy and labour migration, southern African countries have started to capitalise on their interdependence and are in the process of developing a vision of the mutual benefits of closer economic co-operation, particularly through the SADC. The SADC's chances for success will require countries of the region to take . wider political and economic perspective, engage in regional policy thinking, and increase coherence in decision-making process.

The success of efforts by the regional states towards co-operation will also depend to a large extent on the readiness of South Africa to recognise the long-term importance of building a strong regional dimension into its political and economic orientation. The South African government has to consider the benefits to be reaped from healthy, growing neighbours who have

much to offer in return for the advantages South Africa can contribute to the region. Policies, strategies and programmes of economic development should be restructured in such a way that all the countries of the region have a fair share of opportunities for investment, production, trade, and employment creation.

In view of regional and international hopes that South Africa will help to promote the material well-being of its neighbours, it will be in the interest of South Africa to demonstrate a firm commitment to mutually beneficial regional co-operation in order to encourage external support for its domestic reconstruction and development efforts. The smallness of the SADC countries' economies and the low income levels, make it difficult for them individually to attract and sustain the necessary investment for development and growth. Thus economic restructuring at higher levels of efficiency and productivity will constitute an important ground for economic integration in South Africa.

b. **Challenges facing the SADC to increase economic co-operation.**

The first challenge for economic co-operation and integration in southern Africa is the building of a new relationship which includes a democratic, non-racial South Africa based on realistic assessments of capacities and interests of all co-operating partners.

The notion that South Africa will be the salvation of the region will need to be examined in the context of the performance of its economy. The state of the South African economy and the imperative need for the new government to address the issue of poverty amongst

the majority of its people complicate the idea of establishing a relationship based on expectations of large net outflows of funds from South Africa to the rest of the region. There is no practical possibility of South Africa emerging either as an aid donor or even as a major source of capital investment for the region. There is a need for conscious co-ordination and intervention by all regional partners, for corrective measures to meet the particular needs of each of them.

The political dispensation and economic realities of the immediate post-apartheid period in South Africa may impose constraints, not only on policies designed to address the domestic socio-economic reconstruction agenda, but also on the country's meaningful participation in the restructuring of the regional relations on equitable basis.

Besides these organisational challenges, the developmental and structural economic features; poverty, lack of industries, low intra-regional trade, infrastructure problems, regional debt, will also have a direct bearing on the prospects for economic recovery and the possibility of economic co-operation/integration in the region. It would be a mistake to ignore the developmental problems and suggest that they would be automatically solved by the promotion of economic growth through trade and investment alone.

The precise content of a programme aimed at promoting greater regional economic co-operation, co-ordination and integration needs to be shaped by the concrete realities prevailing in the region. The countries of southern Africa are low to lower middle income economies, producing primary products for export to

the industrialised countries of the North. This has proved to be a weak basis for real development involving structural transformation of their economies, leading to increased investment and the competitive production of a variety of goods and services.

The economic weakness and stagnancy of all southern African economies are a major obstacle to integration because of their negative impact on government policies. The disappointing result of attempts at regional economic integration can be explained as the failure by governments to understand adequately the nature of development problems facing the SADC states, and hence the subsequent choice of unsuitable development strategies for these countries. Under these conditions the forces of regional cohesion could weaken.

The economic interdependence in southern Africa, mentioned previously, has not yet been exploited by the SADC countries. Besides, the performance of economies in the region is diverse, resulting in a lack of macro-economic policy convergence. This has created a variety of non-market-based exchange rates, thereby distorting trade relationships. As a result, intra-regional trade has been negatively affected.

Two other sets of challenges identified are those linked to the SADC's past which includes the loose organisational arrangement, involving the operation and poor states of economies of member states, and those linked to the changed regional and global political and economic situation.

The main obstacles to co-operation and integration within the SADC that stem from its past are: the

absence of firm institutional mechanisms to promote co-operation, the sectoral co-operation and project approach that generates competition rather than co-operation, and the existence of multiple economic organisations all seeking to promote regional economic co-operation and integration.

The first element which will bear heavily on the implementation of policies to increase co-operation, is the foreign aid factor. At least part of the external aid channelled to the SADCC and its members in the past was motivated by anti-apartheid sentiments. This was justified in terms of supporting the countries of the region in the face of South Africa's destabilisation and military aggression.

The end of apartheid and the collapse of communism in Eastern Europe, suggest that donor countries may concentrate their attention on the economic and political stabilisation of Eastern Europe and this will be done to the detriment of aid and investment finance for southern Africa. This could have a negative impact on the efforts to increase economic co-operation in southern Africa. But other emerging situations in the region can counteract this slow flow of aid in southern Africa. Freed from the conditions of apartheid and violence, southern Africa might project itself as a politically and socially stable zone. This factor, allied to rich mineral resources that continue to be worthy of attention, mean that the region may remain a zone of economic interest to the North, particularly with respect to aid investment flows.

If the new South African government of national unity initiates the necessary reforms within the context of credible and market-orientated policies as a response

to GATT globalisation of world economy, South Africa will offer good opportunities for more intensive international economic co-operation in the region. In the course of its political stabilisation and its reintegration into the world mark ts South Africa could, because of its well-developed infrastructure both in finance, and transport d communication and its technological capabilities, erve multinational enterprises as a "bridgehead" to southern Africa. Also, the much heralded possibilities of a strong regional economic grouping based on equality, as opposed to fragmented, nationally-bound markets, will attract much attention, due to the economies of scale and its consequent attracti os for capital investors.

Trading and production integration blocs are being formed internationally. This is a threatening situation as the blocs in the emerging triangle (North American Free Trade, European Union, Pacific Rim) work towards becoming more self-sufficient and increasingly inward-looking. The uncertainty surrounding the successful implementation of the World Trade Organisation (WTO) is specially worrying. The negotiating power that the triangle wields is enormous and priorities are focused on immediate internal needs before assisting those outside of the bloc. Southern Africa is rapidly reaching the point where it is no longer a priority in the eyes of the global development assistance community and any development and growth must primarily come from within the region. Southern Africa must, therefore, strengthen itself economically and politically if it is to become a serious player in international relations.

The difficulties evident in past attempts at integrating the region's economies are to be taken

into account not only by the regional players, but also by the international actors involved in assisting the region in pursuing its objectives. As concerns the EU, in particular, it faces the challenge of elaborating a viable co-operation formula for Southern Africa, one which incorporates EU, South Africa and southern Africa's policies.

This will obviously raise questions with respect to the existing economic formations in the region, particularly the respective future roles of the SADC, COMESA and SACU. In addition to this, there are several bilateral agreements between various member states. The urgent need to rationalise the activities of all these is obvious, if conflict and wasteful duplication are to be avoided.

c. SADC project for regional co-operation and development

In many ways, the functional "question is not whether some form of integration will be attempted in southern Africa, but rather what terms and principles will govern a project of regional economic co-operation in the r gion and to what extent the governments and peoples of the SADC region take the initiative in shaping it".[1]

The traditional process of economic integration: free trade area, customs union, economic community and common market, has been rejected as a model for economic integration in southern Africa. It has repeatedly been said that static customs unions analysis based mainly on European experience is not relevant in the vastly different situation of the developing economies of Southern Africa.

Economic integration would only take off in southern Africa if the SADC seeks the co-ordinated development of new methods. The hypothesis here is that at the present stage of development, the SADC should concentrate on a development integration approach which provides for continuing with the functional co-operation of the last sixteen years, to address many of the production infrastructure and efficiency barriers, deriving from underdevelopment. In addition, there will be an active trade market integration component, aimed at creating a unified regional market, by reducing the barriers to trade in goods and services, cross-border investment, the eventual free movement of labour and the implementation of a central regional decision-making body.

But this approach will only bear fruit if it has grass roots support. The democratisation of SADC is indeed important in the course of integrating the economies of the region. Democratisation implies the empowerment of the broad majority of people who have been left out of economic and social development and policy decision-making. It will ensure that the process of economic integration reflects and deals with problems facing the southern African region.

The SADC needs to bring all sections of the region's societies into the mainstream of regional co-operation efforts. Regional co-operation will remain a "paper castle" until it touches the lives of the ordinary citizens of the region, and until they can be involved in determining its form and content.

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At the time of submission of this thesis events have continued to confirm the determination of SADC member states to really start working together at pursuing regional co-operation in Southern Africa.

After the adoption of the declaration and the treaty of Southern African Development Community (SADC) in August 1992 and the South African accession to the SADC treaty on 29 August 1994, SADC member states have this time, at their annual conference which was held in South Africa at Kempton Park from signed a memorandum of understanding in respect of the formation of the Southern African Power Pool.

The purpose of this memorandum of understanding as stipulated in its Article 1 is to establish a framework under which the signatories pronounce their clear intention to enhance regional power co-operation through the establishment and operation of the Southern African Power Pool.

The basis for this power pool is the need for all participants:

(a) to co-ordinate and co-operate in the planning and operation of their systems to minimise costs while maintaining reliability, autonomy and self-sufficiency to the degree they desire; and

(b) to fully recover their costs and share equitably in the resulting benefits, including reductions in required generating capacity, reductions in fuel costs and improved use of hydro-electric energy.

At the same occasion, Mauritius acceded to SADC treaty as the twelfth member.

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