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**RESHAPING THE
U.S.A.I.D. REGIONAL PROGRAM STRATEGY
FOR
THE SOUTHERN AFRICA REGION**

**Study Agendas
on the
Implications of a Post-Apartheid South Africa
for Regional Economic Cooperation**

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PREFACE

The Southern Africa Region (including South Africa)¹ is rapidly moving into a new era. The dynamics of the changes taking place in the region are just now beginning to emerge. Policy makers and their policy analysts are shaking off their assumptions and rationales of the past decade about political and economic relationships within the region. The divisive ideologies of communism and apartheid, with their devastating impact on the well-being of the southern African people, are waning. As a result, opportunities for constructive cooperation, not believed possible for decades, are beginning to open up. A new framework for political, economic, and social activity and associations is emerging which will shape the region's – and possibly Africa's – development for the next generation.

Within South Africa, the political process is moving towards adopting a non-racial democratic form of government. It is assumed that the adoption of a new democratic constitution and the election of a new government will occur by 1994. The various participating groups appear committed to carrying out a negotiated process open to all parties, although the political sparring and outbreaks of factional violence are troubling and potentially disruptive. Will this commitment hold at the defining moment of power sharing? Parallel with the political negotiations is a debate on economic and social policy and strategy. The major players in the

¹ For the purposes of this report, Southern African Region refers to the eleven countries of the region including South Africa. "SADCC countries" refers to the ten that are members of SADCC, i.e., Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Tanzania, Zambia, Zimbabwe.

country are working to set the future economic and social course of South Africa's domestic and international agenda.

Similarly, the ten SADCC countries are confronting new domestic political and economic circumstances. The easing of civil strife, successful multi-party elections, market-oriented structural adjustments with improved economic growth, and the rapid movements of South Africa businesses into the region are bringing to the surface a new set of issues. These issues have been active but submerged under the dictates of political opposition to South Africa's apartheid ideology and its policy of destabilization. They are forcing redefinitions of the roles and functions of the several Southern African regional organizations.

Because of these developments and their implications for the structure of A.I.D.'s Southern Africa Regional Program, the U.S.A.I.D. Southern Africa Regional Office has proposed to undertake a series of studies. The aim of these studies is to lay the basis for reshaping its policy and program when South Africa successfully achieves non-racial democratic government. The U.S.A.I.D. Regional Office's initiative is timely. During the last few months various organizations and individuals in the region have started to focus on the implications for Southern African economic cooperation of South Africa's political change and recent events in other countries in the region.

This report is an initial step in the U.S.A.I.D.'s review of its Southern Africa program. It provides a preliminary survey of current research on the implications of post-apartheid South Africa for the Southern Africa region and the relevance of this research to U.S.A.I.D.'s purposes and interests. It is focused on the work of the Southern Africa Foundation for Economic Research (S.A.F.E.R.), the scope of S.A.F.E.R.'s studies, its approach and methodologies, plans and objectives. S.A.F.E.R. has initiated a relatively comprehensive research program called "Rethinking Economic Cooperation in Southern Africa." This report also identifies other similar work outside the S.A.F.E.R. framework. It outlines some of the major issues and alternative agendas and topics that may be appropriate for U.S.A.I.D. support.

Section I provides a snapshot of the situation in the region. Section II outlines some of the main issues emerging. Section III reviews the research plans of S.A.F.E.R. and other study initiatives. Section IV discusses the rationale for a U.S.A.I.D. Regional

Program and presents a list of topics which U.S.A.I.D Southern Africa Regional Office may wish to consider in its plans. Section V takes a long term view of the region and speculates on the importance of the region in a world setting.

I

CROSS CURRENTS IN A CHANGING TIDE IN SOUTHERN AFRICA

The outlook for the Southern Africa Region is broadly upbeat but cross currents of conflicting interests dim the optimism.

South Africa: the emerging "economic giant of Sub-Saharan Africa."

South Africa is said to be on an irreversible course to non-racial democratic government under a new constitution. The assumption is that this will occur within the next 18-24 months. As a consequence, the South Africa Government and South African private interests are moving quickly to reestablish and enlarge their political and economic relationships.¹ The South Africa Government is promoting diplomatic and trade links throughout Africa and the world. South African businesses are aggressively developing market and investment opportunities in neighboring countries and globally. Trade with African countries has increased by 40% in 1989 and 25% in 1990. South Africa's exports to Africa amounted to about \$4.0 billion in 1990. Domestic economic policies and programs are being introduced to restructure the South African economy and make the country more competitive in global markets outside Africa that account for two-thirds of the country's exports.

For Southern Africa, South Africa is referred to as the "engine of change", the "economic powerhouse" or the "economic giant." With one-third of the region's population, South Africa's GDP amounts to 75% of the GDP of the region as a whole; its GDP is ten times larger than the largest GDP of any one country in the region (Angola) or sixteen times the GDP of Zimbabwe – the second largest. SADCC countries are expending about half of their foreign exchange for South African imports. South Africa as an economic power is reflected in its international corporations, large manufacturing sector, high quality physical infrastructure and financial services, and its considerable scientific and technological capabilities.

¹ From the "Sunday Star" November 17, 1991. "South Africa's return to the international community has accelerated to a gallop, with the Government giving a stretched Department of Foreign Affairs extra funds to stay abreast of the new demands .. " "He [President de Klerk] portrayed South Africa as the gateway to a potential new market of 11 or 12 states and 100 million people"

Within the region, it accounts for 88% of the electricity generated supplying power to six of the neighboring countries; its railways and ports transported 75% of their imports and half of their exports (1986/89)¹.

However, South Africa faces enormous resource requirements to meet the near explosive expectations of the large majority of its people. Forty percent of its potentially economically active population is unemployed and living in poverty. Urban violence reflecting the mass of rootless, embittered youth is barely contained – described as a "lost generation".² Forty percent of the national budget would be required to equalize education spending for blacks and whites³. The GNP per capita ratio between whites and blacks within South Africa was in 1989 ten to one (\$10,836 for whites and \$1,059 for blacks⁴). South African analysts point out:

"South Africa enters the 1990s with a legacy of economic problems that makes a long and depressing list. The 1980s were marked by stagnation in output growth; inflation entrenched at over 13% per annum; a weak rand; a permanent decline in foreign exchange reserves; and historically low personal savings ratios. There has been massive and growing unemployment, with no net creation of new jobs in the manufacturing sector through the 1980s..."⁵

Also South Africans recognize that they are becoming increasingly dependent on

¹ Leistner, G ME "South Africa – Economic Giant of Sub-Saharan Africa " Africa Institute of South Africa 1991

² Recently, there has been an encouraging increase of 20% in black students in secondary schools in response to the political leadership's call for a return to the classroom, although the facilities cannot accommodate them nor provide essential school materials McKenny, Bruce "Reconstructing Education for a New South Africa " CSIS Africa Notes, December, 1991 December 1991

³ McKenney, Bruce "Reconstructing Education for a New South Africa " CSIS Africa Notes December 1991

⁴ Van Nieuwkerk, Anthoni and Van Staden, Gary "Southern Africa At The Crossroads Prospects for the Political Economy of the Region," The South Africa Institute of International Affairs October 1991 p 49

⁵ Geld, Stephen, ed "South Africa's Economic Crisis " David Philip Publishers 1991 p 1

Southern Africa countries for certain resources such as for water and low cost power.

Alternative economic strategies to achieve renewed growth and equity are being promoted and debated calling for enormous new investments – in the range of \$4 billion per year to achieve an optimistic 5% growth rate. The ends and means of restructuring the economy and meeting the social needs of the majority of the population are being hotly debated. It will take extraordinary leadership to accommodate the competing demands. The "engine of change" for the region may, for the coming decade, have few resources or little talent to spare for neighboring countries.

SADCC countries: rehabilitation and reform

The outlook for the ten SADCC countries is more encouraging than it has been for some time. However, it is clouded by unresolved domestic issues and fears about a new South Africa. Successful multi-party elections have taken place in Namibia and Zambia. The resolution of civil conflicts moving toward elections in Angola and Mozambique – though still tenuous – open up opportunities for social and economic rehabilitation and restored growth. Structural adjustment programs are underway in six of the ten countries with common agendas for market-oriented economic reform. Growth rates in six of the countries have been positive and exceed population growth rates. Overall, there is a growing commonality of economic development philosophy and policy that favors cooperation.

However, each of the countries faces extraordinary and largely unique national issues in their moves toward viable economies over the long run. Mozambique has a massive rehabilitation task with two-thirds of the population living in absolute poverty including over 3 million Mozambican refugees outside the country or displaced within it and half of the population dependent on food aid for survival. Ranked among the poorest in the world, Mozambique's nation building tasks – restoring and creating national transport and communications systems to tie the country together, overcoming severe food insecurities, rebuilding social infrastructure, providing basic education for a people largely bypassed for a generation (60% illiteracy), and introducing the principles and practices of a

democratic society – are unbelievably challenging.¹ Angola faces similar demands for rehabilitation though its prospects are brighter for renewed investment and growth. Its major economic activity in manufacturing, agriculture, and mining has been badly disrupted. With peace, economic growth could be restored rapidly and free the major part of its export earnings of \$2.9 billion a year from the burden of military expenditures.

Zimbabwe, South Africa's largest trading partner in Africa, is concerned about the lack of competitiveness of its industry and loss of professional manpower to South Africa. This is particularly troubling as it is occurring just as the country undertakes a long overdue and demanding structural adjustment program. Botswana is worrying about the long term viability of its diamond wealth and the need to move quickly to diversify its productive sectors. It is concerned that it may lose its attractive uniqueness in a region of newly formed multi-party democratic systems and South African economic expansion. The other SADCC countries are experiencing similar domestic challenges to their development.

Several of the countries, in the face of South Africa's rapid business penetration, are negotiating separate trade and investment deals. They are driven by both the desire for beneficial trade and investment and risks of competition with their own more fragile industrial development. They are concerned, particularly, about the loss of control of major economic activity such as in transport, communications, and energy as the South African "giant" becomes more assertive in regional economic affairs

Southern Africa regional organizations: redefining roles

The Southern Africa Region is one of the more interesting parts of the world to examine the prospects for regional cooperation. It encompasses several forms of cooperation that are the bases for rethinking how the region might reconstitute its regional structures. These include:

- The Southern Africa Customs Union (SACU) – SACU is the oldest free trade area in

¹Davies, Robert "Implications for Southern Africa of the Current Impasse in the Peace Process in Mozambique." Centre for Southern African Studies, University of the Western Cape August 1991 ". merely to re-integrate into productive activity the internally and externally displaced population would cost over \$100 million – on the assumption of deriving from a UN High Commission for Refugees calculation, that this could be done at a cost of only \$23 a head. p. 4,8

Africa with common tariffs and revenue pool and a revenue sharing arrangement .

- **Common Monetary Area (CMA) – the Trilateral Monetary Agreement of 1986 (replacing an earlier agreement of 1974) established the CMA. It sets the rand as legal tender in Lesotho and Namibia and as backing at parity for the lilangeni in Swaziland. Foreign exchange reserves for the rand and lilangeni are managed by the South Africa Reserve Bank**

- **A Preferential Trade Area for Eastern and Southern Africa (PTA) – PTA, part of an African-wide initiative leading to an African common market, promotes a program for the reduction of tariff and other trade barriers favoring the members over non-members with a long-term objective of a common market for Africa.**

- **The Southern African Development Coordination Conference (SADCC) – Formed in 1980, SADCC's aim has been to lessen its members' (the 10 Southern African states excluding South Africa) economic dependence on South Africa, promote economic development, coordinate external aid, primarily for transport and communications, and seek joint solutions to shared problems such as in food security, agricultural research, and business affairs. Until recently, it has not promoted economic integration in trade and investment but rather attempted to facilitate cooperation and coordination in key development sectors.**

SADCC has experienced weaknesses in project development, follow-up, and delays in decision-making to draw down resources available; in the mobilization of the region's own resources; in dispersion of energies and resources from dual memberships in SADCC and PTA, and in effective relations with the region's private sector. As SADCC itself points out, it has not become the means of economic transformation and integration in the region as its leaders originally envisioned.¹ Reduction in economic dependence has been minimal; dependence in some areas may have increased. However, SADCC has served as a catalyst for international assistance associated with its programs – U.S.A.I.D.'s regional program is tied to SADCC by legislation. It has had some accomplishments in its work in transport and agricultural research. Perhaps its greatest achievement has been its role in

¹ SADCC "Towards Economic Integration" 1991.

generating a sense of community among the member states. SADCC is now seeking a more formal regional status, a greater role in regional trade and investment through the adoption of a regional trade and investment treaty, and the eventual involvement of South Africa.

In addition to these four primary regional organizations in Southern Africa, there are a number of regional institutions addressing sector and technical interests. These institutions include, for example, the Southern African Center for Cooperation in Agricultural Research (SACCAR), the Southern African Transportation and Communications Commission (SATCC), the SADCC Regional Business Council, the Southern African Committee on the Conservation and Use of Soils (SACCUS), and other regional groupings on special interests such as the privately funded Beira Corridor Group

All of these regional organizations will be affected profoundly by the changing political and economic situation in Southern Africa and by South Africa's acceptance into the community. Their underlying rationales and programs will require substantial revision to encompass the South Africa connection as well as the results of economic reform programs. Questions of efficiency and equity, integration and sovereignty, costs and benefits, resource and manpower sharing, technological adaptations will need to be addressed. The leadership in these organizations has, only recently, begun to identify these issues and determine how to shape their future role in the region. The four primary regional organizations, cited above, have a particularly challenging agenda ahead. Their functions and memberships, while historically distinctive, are overlapping increasingly. Their emerging agendas for the future sound similar as they focus on the goal of economic integration and the free movement of goods, labor, and capital in the region. Finally, the regional organizations will have to compete with the rapidly growing movements towards separate bilateral relationships bypassing the possibilities of regional approaches.

II.

ISSUES FOR SOUTHERN AFRICAN REGIONAL DEVELOPMENT

Hopes and fears

Discussions of the future of the Southern Africa Region are dominated by both hopes and fears:

- many observers of the region express the view that South Africa will, as expressed by the World Bank, "eventually transform the prospects for the whole of Southern Africa".¹ They look forward to South Africa's trade and investment in the SADCC countries as do South African businessmen. They are hopeful about the benefits of South Africa's involvement in major infrastructure networks;
- yet others in SADCC countries fear that South Africa, regardless of the party that leads the new government, will dominate, and thus come to dictate, development in the region; they fear that South African business will undercut their less competitive local industries; South Africa's public service agencies such as in power and transport will seek to control regional services; South African organizations will draw away their skilled manpower, as is already happening;
- South Africa fears the prospect of large scale immigration of unskilled populations from neighboring countries driven by poor living conditions at home and the lure of the large South African urban complexes
- the expectation that South Africa will be a major source of investment

¹ The World Bank. Sub-Saharan Africa. From Crisis to Sustainable Growth" 1989. "Africans have long seen greater regional integration and cooperation as prerequisites for sustained development— and rightly so. But real progress will be made only if there are new initiatives. This report does not address the issue of South Africa. Nonetheless it is reasonable to assume that solutions will be found to the problems that have divided the peoples of that region and that South African economic cooperation will eventually transform the prospects for the whole of southern Africa " p 61

capital and technology for the region is countered by those in South Africa who believe South Africa's resources are more limited than recognized and will be absorbed by domestic demands for social reform and economic restructuring. This is already evident in the South Africa Government's desire to alter the terms of the SACU agreement; it believes that the compensation terms are too costly to maintain in their present form. Also South African economists are quick to point out that while the country may seem a "giant" in the African context, it is only a middle income country from a global perspective.

- For all the countries emerging from the bitter and tragic experience of destabilization, regional security continues to be a basic concern.
- and in the global context, there are fears that the region will become marginalized and lose out to more attractive investment and trade opportunities elsewhere in the world. Some express the hope that South Africa may provide the link to global development and enable Southern Africa to hold its own in a global setting of powerful economic groupings.

Because of these hopes and fears, Southern African leaders will need to develop together a new vision for Southern African economic cooperation that includes South Africa, if they, in fact, consider such cooperation vital to their development. They will need to create a new rationale for inviting public and private investment for the region's development. This vision must emerge from the deliberations of the Southern African leadership and the various public and private interest groups in the region. The SADCC countries individually and together under SADCC auspices, and the South Africa Government are now putting forth their differing views of the structure for this regional cooperation.

Overarching issues

In shaping their vision of regional cooperation, the leaders will need to take into account a number of complex of issues and interests that bear on the region's development.

First, what will be the driving motivation for cooperation? Is the aim of reducing dependence on South Africa still valid once a new non-racist South Africa Government emerges? Is the fear of South African hegemony a productive rationale? Will the fear of marginalization in global economic development spur new initiatives or promote resignation? Can there be sufficiently tangible benefits for each of the countries in the region from cooperation to motivate them to compromise on national interests and ambitions?

Second, what is the region of interest? While the established boundaries of SADCC were set as an outgrowth of a political response to South Africa's racist ideology and destabilization initiatives, these considerations will no longer be dominant. SADCC, PTA, SACU, the South Africa Government, and business groups have differing views of what countries should make up the region. Current discussions, depending on one's interest, add Madagascar, Mauritius and other neighboring islands, include or exclude Tanzania and southern Zaire; or extend the region to all of East and Southern Africa. What will be the defining factors for a Southern Africa Region?

Third, what should be the appropriate roles for the existing regional organizations or should a new one be created? Apart from geographic orientations and historical origins, what should be the roles and functions of SADCC, PTA, SACU with South African participation? An initial impression is that there could be considerable overlapping of objectives and programs. PTA talks of adding functions covered by SADCC; SADCC plans to focus on intra-regional trade and investment that is the primary rationale for PTA; SACU and the CMU have their roles in trade and monetary operations as well. Some suggest that SADCC or a new entity should become a Southern African version of the Organization for European Cooperation and Development (OECD). It should concentrate on promoting policies for economic growth through studies, statistical and other information, and facilitate technical and policy exchanges among members. It should become less involved in regional projects and inter-country negotiations.

Fourth, the discussion of appropriate roles for regional organizations is closely tied to debates about the different forms and degrees of regional cooperation. A number of conferences and studies in Southern Africa talk about economic integration; others emphasize a focus on sectors of common interest, or special groupings within the region, or country-by-country relationships, etc. These examinations are also

looking at the European experience and other regional cooperation endeavors for lessons on the long term possibilities and the practical steps that can be taken in the near term. Can the Southern African countries learn from this experience; can they agree on both a long term goal and practical steps for reaching it?

Fifth, an added dimension to the question of a vision for Southern African economic cooperation is the problem of regional security. Security and development go hand-in-hand. Studies and conferences on security arrangements are proceeding in their consideration of regional security issues such as the demobilization of military groups, the control of arms flows, disruptive population movements, control of energy and transport resources, etc. The agendas of regional economic cooperation and regional security, which now are moving along on separate tracks, overlap and will need to be coordinated.

Sixth, for the U.S., as for others in the international community, what will be their long term interests in the region over the coming decade? Will these fade as the region's issues become of less interest compared with other regions in the world? Will the advancement of regional cooperation or will bilateral interests, particularly with South Africa, dominate policy? While answers and solutions cannot be prescribed by outsiders or by any one of the interested parties within the region, the U.S. and A.I.D. will need to determine how their interests will be affected, and how to facilitate the emergence of peaceful, pragmatic, productive regional arrangements for the long term.

The donor community can have an influential role through its own participation in the region's development and the use of its assistance to support open dialogues and cooperative endeavors. Thus, the underlying questions that should shape assistance strategy for the region are: how can external assistance help promote a broad base of growth in the region that will be beneficial to all the participating countries? How can a regional approach by donors complement and strengthen national development initiatives and, thus, help to accelerate economic growth? How can a regional approach help ease the inevitable tensions and clashes that will arise from the interaction of economic, social, cultural, and political interests? And particularly important, how can external assistance help alleviate the continuing crises of survival for the majority in the region who are poor.

One of the most useful approaches for the donors is to concentrate on helping interested groups in the region take the lead in examining in-depth the numerous issues of regional cooperation and on facilitating open dialogues and information exchanges. This assistance can build on the substantial work that has already been undertaken under SADCC and other auspices. It would add the South African dimension and the opportunities arising from changing circumstances in each of the countries. Since the addition of South Africa and recent developments in the SADCC countries are of such a major significance, current regional strategies may need substantial revision.

One important aspect of this strategic rethinking will be the question of what SADCC refers to as "equity, balanced regional development, and mutual benefit." How can these worthy objectives be achieved without creating unviable economic and social institutional arrangements and programs? There is considerable world experience with strategies for promoting "balanced development" within and across countries. An examination of this experience and its lessons is a high priority. Part of this examination should include a study of the existing "terms of agreement" that have guided Southern African regional arrangements to date such as for customs and monetary unions, bilateral trade agreements, and transportation, water, energy, and communications services.

Topics of special concern

There is an abundance of information in the region on the economies and sectors of the Southern African countries. SADCC and others have done useful work to consolidate this information in a regional framework, particularly for infrastructure activity such as for energy, transport, and communications but also, partially, in the productive and social sectors. Some of this information, however, is dated or is no longer pertinent because of changes in assumptions and conditions. What is needed is to bring the regional perspective up-to-date by the integration of the South Africa dimension, the changing conditions in war-torn Angola and Mozambique, and the economic reforms in the other Southern African countries.

Some of the topics that stand out for attention and rethinking for a revised regional strategy include trade and investment; infrastructure services, the quality and mobility of human resources; food security, rural productivity and incomes; wildlife preservation, tourism, community development. The emergence of new patterns of bilateral relationships will also have implications for regional cooperation initiatives.

Trade and investment : A regional perspective on the question of trade and investment constraints and opportunities in the region and for the region in a global setting is at the heart of the regional cooperation objective. The promotion of trade and investment is a first priority for the principal organizations in the region and primary in most regional studies. Local businesses are becoming a driving force for reform of inter-country policies and regulations. While there is considerable debate and writing about the most suitable form of regional economic cooperation ranging from individual bilateral agreements to economic integration, there is a common belief that there is a need to rationalize the rules and regulations that impede the growth of trade and investment activity within the region. What are the practical measures that the region can pursue that will make its internal markets and export linkages more efficient and attractive for increased investment from within the region and from abroad? In developing a regional trade and investment strategy it will be necessary to maintain a realistic view of trade opportunities within the region even with the addition of South Africa. Data on trade within Southern Africa suggest that it is currently only about 5% of the total trade of the SADCC countries. While for South Africa, trade with African countries outside SACU was only about 7-10% in 1990 of its trade globally. Also it would be desirable to know more about the aims and policies of the 5-6 leading South African corporations that have already substantial investments and trading arrangements throughout the region. They can be particularly influential on matters of national and regional economic policy.

The PTA, SADCC and its Regional Business Council, various business groups, university economic research units, the exchanges on SACU and the Common Monetary Area, government to government negotiations, etc. are all focused on the some aspect of the trade and investment conditions in the region. What is required is a redefinition of a pragmatic regional strategy for trade and investment that sets forth common understandings and the goals and actions required for facilitating the movement and growth of private enterprise. This has, of course, been the aim of the

PTA and now appears to be the interest of SADCC. What is now needed is (1) a clear definition of actions required in the light of the new circumstances in the region including all countries, (2) a serious commitment of national leaders to making the requisite changes, and (3) a mechanism that promotes harmonization overtime but allows flexibility in country-by-country applications. Progress in this area will require some sorting out of the overlapping interests of SADCC, PTA, SACU, and the CMU.

Infrastructure services: Basic to improvements in trade and investment and economic growth generally is the creation of efficient, cost-competitive regional systems of services in transportation, energy, communications, and water supply. SADCC has, as one of its primary achievements, focused substantial attention and resources on these systems, particularly transport, but without the most important participant. As is already in mind, the focus should be on improvements in efficiency in these systems. A rational plan for regional sharing of facilities and costs can go a long way to minimize costly duplication of capital investments resulting from parochial interests. An intensive focus on management and staff development concurrent with systems modernization is a high priority. It is evident that the various institutional interests in the SADCC countries and South Africa are moving ahead rapidly to promote their distinctive interests. Because there is considerable interdependence in the region, especially for water, transport, and power, a regional approach to infrastructural services should provide an opportunity for working out formulas that are mutually beneficial.

While cooperative work on all of the several systems is necessary, particular attention should be given to improving the efficiency and spread of communications services. This should encompass not only the standard requirements of telecommunication systems but the widespread introduction of information technologies to provide, for example, open access to regional economic and social statistics and analyses. Regional cooperation can be greatly facilitated if government, business, academic, and other groups and individuals can exchange information and ideas rapidly and at low cost.

The Quality and Mobility of Human Resources: The human dimension of the Southern Africa Region is an enormously complex and critical area that should be addressed from a regional perspective. Each of the Southern African countries has acute problems of human resource development within their boundaries. Shortages of professionally and technically skilled manpower, large numbers of displaced populations and refugees, and the major part of the people living in conditions of extreme poverty are characteristic for all the countries.

For the SADCC countries, "the demand for skills outstrip[s] supply in all fields in both the private and public sectors. The critical manpower shortages identified fall into the following categories: accountants, science and mathematics teachers, applied scientists, technologists and professionals in all branches of engineering, and economic policy analysts"¹ For South Africa, it has been estimated that there will be "a shortage of 200,000 workers with a degree, diploma, or comparable skills by the year 2000." Also "only 16% of black pupils who entered primary school in 1991 may be expected to reach their final year of secondary school, while the corresponding figure for white pupils is 82 percent"² The black students will have major educational deficiencies in English, mathematics, and science that are critical for employment. Weaknesses in mathematics and science are also cited as common throughout the region.

Substantial numbers of Southern Africans are on the move. Some, both professional and unskilled, are moving spontaneously looking for better living and work situations. Others are being forced by changing political and economic circumstances. Various reports refer to up to 100,000 South Africans who need to be repatriated, 300,000 (1986) immigrant workers (primarily in mining) in South Africa who may have to leave to accommodate local unemployed with serious consequences for the immigrants, their families, and home countries, 1.5 million refugees and millions of displaced persons, particularly Mozambicans. Up-to-date information on these movements can help with the design of programs that reduce the tensions, clashes, and personal hardships that will accompany these moves.

As study after study has established, the countries that have been most successful

¹ SADCC "Human Resources: Primary Factor in Development" February, 1991

² McKenney, Bruce "Reconstructing Education for a New South Africa" CSIS Africa Notes December 1991

in economic growth have been those that have concentrated on the education of their people and the creation of skilled, stable, and motivated workforces. If Southern Africa is to achieve economic significance in global economic systems, it must undertake a massive effort to improve the productive capacities of its people at all levels of involvement in development endeavors. SADCC has rightly pointed this out in its recent report on "Human Resources: Primary Factor in Development." Similarly, South Africa has come to recognize the full dimensions and consequences of its apartheid policy for human resource development. Apart from the gross injustice, the lack of educational opportunity for the mass of its people is proving to be an extremely costly error both in impeding the country's economic growth and in measures to rectify it. The program of action within South Africa on educational reform has yet to be design and accepted by all parties.

While each Southern African country has its own strategy for addressing its internal problems of education and training, a new regional strategy is required, reflecting South Africa's participation and based on sound statistical analyses of projected requirements. It should aim to:

- achieve some harmonization of educational standards and manpower priorities;
- develop a long term program for education and training investments;
- identify opportunities for the efficient use of educational and training institutions throughout the region for mutual benefit building on what has already been accomplished in some sectors;
- engage the private sector more intensely in workforce development

The quality of human resources, of course, extends beyond education and training. The health of the Southern African people is also critical. With the mobility of the workforce and populations generally within and between countries, there will be special problems of communicable diseases dramatically evident in the growth of AIDS. A coordinated approach to the AIDS problem is particularly urgent with an appreciation of its impact on the well-being of the region's populations and regional

capacities for economic growth.¹ Generally, national programs in health to be successful will need to be complemented by regional initiatives

Special regional approaches are required to meet the needs of the refugee and displaced populations and those who may be forced to migrate. Large scale migrations, disregarding boundaries, will occur to urban centers, they will compound the problems of the already over-strained urban facilities. Some regional mobility in the workforce may be helpful to productivity in the region but mass movements will create conditions of instability that will divert resources from development and disrupt economic activity. Similarly, attention should be given to programs for productive employment of demobilized military forces.

Underlying these aspects of the quality and mobility of the region's human resources is the concern about high rates of population growth. The impact of these high rates undermines progress on almost every aspect of the development process draining resources for economic growth and social improvements. The interrelationships of population growth rates with economic growth, the sustainability of the environment, and the well-being of the people need to be analyzed and broadly understood.

In sum, a regional perspective and practical action program on the human dimensions of the region's development should be of highest priority. Despite SADCC's initiative², which is only a modest beginning, the human dimension does not appear to be accorded significant priority as a subject for regional attention

Food Security, Rural Productivity and Incomes: The SADCC countries through their regional food security analyses and through SACCAR have made considerable progress in learning about food security problems and strategies to address them. They have also been successful in establishing networks for sharing improved agricultural technologies and strengthening agricultural research systems. This work

¹ Whiteside, Alan "AIDS in Southern Africa A position paper for the Development Bank of Southern Africa" Economic Research Unit, University of Natal and Development Bank of Southern Africa 1990 "A recent prediction by Old Mutual was that by 2000, 10 million South Africans could be inflected, with 321,000 dying each year " p 18 Projections are provided for other Southern African countries

² SADCC. Human Resources: Primary Factor in Development Southern African Development Coordination Conference Windhoek, Republic of Namibia January 30-February 1, 1991

will need to be interrelated with food security, production, and marketing systems in South Africa. There appear to be a number of important opportunities for exchanges of experience, technical practices, and market information on both commercial and smallholder schemes. South Africa has been particularly deficient in its attention to the needs of the smallholder farming population; the SADCC countries should have some useful experience to share.

But generally the conditions of the rural populations throughout the region – the majority of the people – require a considerably heightened priority. The balance of regional food surpluses and deficits through trade and emergency assistance arrangements needs to be addressed. But more basic is the need to understand the nutritional requirements of the poorer rural communities where their small plots cannot meet their subsistence requirements and income earnings are insufficient to buy the essential food they need. While rural development programs have not proved effective in stemming urban migrations, there is now a significant body of experience with rural development that suggest ways that can be effective in improving rural incomes and linking them with local and export markets and value-added manufacturing – and possibly easing the pace of migrations.

Wildlife, Tourism, Community Development: Regional cooperation provides an important opportunity to bridge the barriers of national borders and sector bounded thinking. The wildlife and game park situation in Southern Africa provides one of these unusual opportunities. The region has two wildlife preserves that extend or can be extended across boundaries – already recognized by the wildlife itself. One is the extension of the Kruger National park into Mozambique and the other the wildlife park system joining South Africa, Botswana, and Namibia. The development of these extended parks provides an occasion for promoting the substantial economic benefits of tourism with preservation of the local ecology. Equally important, it provides the opportunity to involve local communities as partners in a tourism/wildlife development program to improve their incomes and gain their cooperation in preserving the environment. Because of the cross border characteristics of these areas, they encourage efforts for regional cooperation and the development of arrangements of mutual benefit.

Bilateral relationships: While not in the same framework of the regional issues outlined above, the unique features of country-to-country relationships within the Southern Africa region, primarily with South Africa, will need to be considered. The nature and unfolding of these relationships can effect profoundly progress towards regional cooperation. Each of the SADCC countries is in a distinctive relationship with South Africa – historically, culturally, economically, socially, and politically. Without attempting to spell out these relationships for each country, some examples are indicative. Lesotho has a special set of concerns because of its geographic location within South Africa, dependence on migrant labor incomes, and as an important source of water for South Africa; also it is a member of SACU and the CMA. Will it be absorbed as an integral part of a new South Africa? At the other hand, Tanzania's relationship seems more remote than before when it was a prominent leader among the Frontline States. One hears little about Tanzania in discussions of economic relations in a post-apartheid Southern Africa and there appear to be reopenings of Tanzania's regional ties in East Africa.

Mozambique has suffered the most from South Africa's destabilization actions; does South Africa have any special responsibilities to help alleviate the severe dislocations; are there opportunities for cooperation in investments in rehabilitation? Zimbabwe, the most advanced in manufacturing and South Africa's largest trading partner in Africa, has special concerns about competing industries and trade and the substantial South African investments in the country. How will these two economies evolve in a process of economic integration? Angola is viewed from South Africa as an especially attractive opportunity for investment. Since its trade with South Africa and the region has been minimal, will Angola want to become more integrated with, or more independent from, the South African and other Southern African economies? Then there are the inter-country relationships within the SADCC countries such as the million Mozambique refugees in Malawi and the sharing of railroad links like the Beira corridor. The evolution of these bilateral relationships needs to be considered in the framework of regional cooperation not only for their potentially disruptive effects but also for opportunities to reinforce and extend cooperative endeavors.

III.

CURRENT STUDIES OF REGIONAL COOPERATION IN SOUTHERN AFRICA

The prospect that South Africa will adopt a non-racial democratic system of government in the near future has opened up the possibility for new relationships with the SADCC countries and with Africa generally. This prospect had stimulated a number of research and business groups and individuals in academic and consulting positions to undertake studies to inform decision-makers in the region on the implications of post-apartheid South Africa for the region. Some of these initiatives follow from earlier work on the region, although the latter were based on assumptions of continued political conflict between South Africa and SADCC governments. Some are spin-offs from work focused on changing circumstances within South Africa itself.

This section summarizes information on known studies and research activities to-date, the coverage here is incomplete and likely to be rapidly out-of-date as the number of initiatives is growing. Some of the studies are relatively comprehensive; others are limited to specific sectors or institutional interests. Since U.S.A.I.D.'s request for this report focussed on the work of the Southern Africa Foundation for Economic Research and the major portion of the study time in the region was spent with S.A.F.E.R. representatives, its program will be reviewed in some detail.

The Southern Africa Foundation for Economic Research (S.A.F.E.R.) and "Rethinking Economic Cooperation in Southern Africa."

S.A.F.E.R. is a private foundation that was started in 1986 by Dr. Norman Reynolds formerly an adviser in the Ministry of Finance, Economic Planning and Development in Zimbabwe and, for a time, an employee of the World Bank. The foundation's purpose, from its beginning, has been to provide a non-governmental policy research service for the Zimbabwe Government to assist in examining alternative development policies and strategies. While interested in working on the design of program strategies, S.A.F.E.R. does not wish to be involved in program implementation. S.A.F.E.R.'s principal areas of work include innovative approaches to

rural development related to communal land systems, local markets, and local public works, local enterprise development involving issues of competition, labor markets, wages and employee ownership; urban renewal with particular attention to the reform of townships, markets, health and education programs, macro-economic issues of trade liberalization and regional economic integration. It has also carried out studies on the impact of AIDS in Zimbabwe. It has active programs in many of the Southern African countries in association with local economic research groups. Since its inception, S A.F.E.R. has envisioned having a distinctive role in policy analyses on regional cooperation and economic integration in Southern Africa.

S A F.E.R. pursues its interests through ad hoc networks rather than by having a permanent staff of research analysts. It is thus able to tap into a wide range of leading academic, consultative, business, and government talent for carrying out its work. The leadership of particular studies may be provided by the director or one of the trustees Mr. Eddie G Cross, S.A.F.E.R. trustee and a prominent Zimbabwe businessman, is leading the S.A.F.E.R. work on Southern Africa economic cooperation. The S A F.E.R. in Zimbabwe has a board of trustees from the Zimbabwe Government, Zimbabwe business, and from the Southern African Labor and Development Research Unit (SALDRU), University of Cape Town. It will have a newly appointed director in early 1992

Recently, S.A.F.E.R. has established a South African operation. The director of SALDRU is the chairman of the trustees for S A F.E.R. in South Africa with other trustees to be appointed. Dr Norman Reynolds is the director of S.A.F.E.R. in South Africa. The trustees of the two organizations will, in due course, serve as a regional board. In time, S A.F.E.R. may have units in other Southern African countries. To date, S.A.F.E.R.'s funding has come from the Ford Foundation, Konrad Adenauer Foundation, and U.S.A.I D.. Other donors are being approached for funding

S.A.F.E.R. and "Rethinking Economic Cooperation in Southern Africa". S.A.F.E.R.'s study of economic cooperation in Southern Africa is motivated by a deep interest in the impact on the region of a South Africa government and economy free of the racial ideologies of apartheid. The leaders of the study are particularly mindful of the rapid pace of change in the region and the development of major economic groupings in Europe, North America, and Asia and what these developments might mean for the Southern African countries. They aim to provide a comprehensive,

independent, relatively rapid review of the region's economic, social, and institutional potential for cooperation and integration.

Objectives The S.A.F.E.R. study proposes:

- to review the need for, and the potential benefits and costs of, a process of economic integration pursued by the countries of Southern Africa;
- to strengthen the debate in the region on the issue of cooperation and integration and to enhance the region's capacity for critical policy analysis on the subject;
- to establish a sound data base of information and research on economic cooperation in the region for use over the long term.

S.A.F.E.R.'s aim is to inform decision-makers throughout the region on the trends, issues, and options for the region's development with the hope of strengthening its economic growth and participation in the global economy.

This S.A.F.E.R. study grew out of an "Economic Symposium on Regional Economic Integration and National Development" held in Harare in May 1991. The symposium was sponsored by S.A.F.E.R. and the Konrad Adenauer Foundation. It involved a wide range of participants from Southern African businesses, universities, governments and the donor community – the majority came from Zimbabwe and South Africa. It provided an opportunity to examine the idea of economic integration, existing Southern African arrangements and institutions for cooperation, and the experience of the European Community. The goal of economic integration in Southern Africa was the motivating interest of the Symposium and underlies S.A.F.E.R.'s study. The orientations and interests of Southern African businessmen and economists are favored in the scope of the study but with sensitivity to the social issues of the region.

Methodology S.A.F.E.R.'s examination of regional cooperation will draw on existing studies and readily available statistics. It will not involve any original in-depth research. New information will be provided both as up-dates on recent developments and from access to data on trade and investment with South Africa.

that has been held closely by the South African and other governments. The work will be carried out by a large number of southern African researchers throughout the region selected for their in-depth knowledge of their assigned subject. Their papers will then be consolidated by the topic coordinators. This work will be reviewed and integrated in a synthesis in July-August 1992. A draft report will be presented at a conference on Southern Africa Regional Cooperation in December 1992. The conference will also likely review a summary statement of principles, goals, priorities for economic cooperation in the Southern Africa region, currently characterized as an "Economic Charter for Southern Africa Cooperation." Drawing on the results of the conference S.A.F.E.R. will complete and publish the study for wide dissemination to decision-makers in the region and donor community.

The program of work, schedules, and budgets were agreed to during a workshop at the Economic Research Unit, University of Natal, November 25-26. Funding for the study, workshop, and conferences of about \$1.0 million is largely provided by the Konrad Adenauer Foundation. U.S.A.I.D./Harare has to-date supported the University of Natal workshop and the development of the regional database. Additional support may be requested from other donors and U.S.A.I.D.

The study contains four major substantive components plus the development of a permanent database and information service. The four components are:

(a) Macro-economic policy and its harmonization in the region. to evaluate current monetary and fiscal policies pursued by regional governments with a view to assessing their impact on the prospects and possibilities for future regional economic cooperation (Topic coordinator Mr. Derek Hudson of Phaleng Consultancies in Botswana – formerly with the Bank of Botswana;

(b) Trade and Investment. to develop a profile of existing intra-regional and international trade and trade potential, examine constraints on the development of trade, the institutional framework for trade, finance and payments mechanisms for trade, and the influence of technology on trade. Some topics will include: cross-border investment and South Africa's potential as a regional investor, direct foreign investment, regional financial institutions and multilateral agencies, infrastructure, polarization policies and technology transfer, sector and market analysis for future growth options, the

role of export processing zones. (Topic coordinator: Professor Gavin Maasdorp, Director, Economic Research Unit, University of Natal with Senior Research Fellow, Dr. Alan Whiteside.)

(c) Sector Interests: to review current activity and future potential for regional cooperation in energy, water, transport, communications, human resources and labor. (Topic coordinator: Dr. Patrick Ncube, Southern African Labor and Development Research Unit, University of Capetown and ANC representative on the Council of Officials, SADCC with Professor Francis Wilson, Director, SALDRU and Dr. Norman Reynolds, S.A.F.E.R. on selected subjects)

(d) Political and Social: to examine the political and social implications of a process of regional economic cooperation, the institutional framework, and implications of South African membership. (Participation by Dr. Augustino Zacarias, Director of the Institute for International Relations, Maputo and research analysts from other countries in Southern Africa.)

The database and information service is being organized initially to support the study but will become a permanent statistical and document resource on regional cooperation. The database will include information on products being traded by the region, monetary policy, money supply, credit, and exchange rates, national budgets, income and expenditures, social and economic data such as on literacy, life expectancy, population growth, GDP/GNP. The information center is to be housed in the S A F.E.R. headquarters in Harare. (Database and information service manager: Mr M.J. Britten of M.J. Britten and Associates with a research fellow from the University of Zimbabwe.)

Comment: The S.A.F.E.R. study and conference in 1992 have the potential for being highly influential in the formulation of Southern African strategies for economic cooperation. The study has the advantages of being an independent effort not constrained by specific institutional or governmental biases. It is employing a wealth of high quality professional talent within Southern Africa who have intimate knowledge of local conditions and information resources throughout the region. It is relatively comprehensive in its coverage given its central interest in economic cooperation and integration for trade and investment. Concerns about the social and

human dynamics of the region, agriculture and environmental issues, political and security developments and bilateral relations will receive less attention and largely in the context of trade, investment, infrastructure, and macro-economic policy. A fuller coverage would be unmanageable with the resources and time available. These latter topics may need to be covered in greater depth by other means. The work on the regional database and information service will likely need additional support for some time beyond 1992.

The S.A.F.E.R. study appears to have sufficient funding to carry out its plan of work. Modest supplemental funding would be desirable to ensure the coverage is complete for the topic areas selected. Also, and most important, funding should be available to ensure that the topic coordinators are able to conduct meetings and workshops on their work during the year to test and enrich their analyses and conclusions with a broad spectrum of views from the various perspectives in the region.

The "politics" of the study will need to be carefully developed so that the final product will have the widest credibility both in its objectivity and its sensitivity to the interests of the major players in the regional cooperation process. Coordination with other studies would be desirable to the extent feasible. Both the meetings before the December conference, the conference itself, and the follow-up to the conference should be viewed as opportunities to educate leaders, policy analysts, and the public throughout the region on the issues, potential, and goals of regional economic cooperation. This is essential if the isolation and parochialism of individual and country interests relative to Southern Africa region are to be overcome. The preparation of a high quality video presentation might be desirable to facilitate widespread dissemination and discussion.

Other Studies of Southern Africa Regional Cooperation

Interest in the future of the Southern Africa Region is growing both within the region and among the international community. Within the past several months a number of studies of the region have been initiated, in addition to the S.A.F.E.R. study. While it is not possible to describe them in any detail because of time and information constraints, their identification should facilitate subsequent reviews and coordination as the discussions on regional development proceed. The

information below will need to be up-dated and modified as study plans are modified and new ones undertaken.

- The SADCC has initiated its own study of regional cooperation covering such topics as macro-economic policy, trade and investment and finance, sectoral interests such as transport, communications, energy, food and agriculture, natural resource management, human resources education and training, science and technology, employment and labor. The purpose of this study is to provide a technical basis for SADCC's plan to have a treaty on trade and investment for economic integration. The study is being directed by Dr. Michael Sefali, University of Lethoso economist, with assistance from a South African economist associated with the ANC. The results of the study are to be available towards the end of 1992.

- The South Africa Institute of International Affairs and the Center for Southern Africa Studies, University of the Western Cape, are preparing reports for a conference in March 1992 on Regional Institutions and Security. It will include broad participation from South Africa and SADCC country political, economic, infrastructure, and business organizations. It will focus on such topics as political and diplomatic relations, a new foreign policy for South Africa, South Africa's relations with the region and Africa, South Africa in the global economy. The conference may also review regional security approaches such as the Conference for Security and Cooperation in Europe (CSCE) model or the example of the Joint Monitoring Commission leading to Namibia's independence concept or the Joint Security Commission arrangement set up for Mozambique, Swaziland and South Africa. The latter covers transportation, energy, health/AIDS as well as security questions. The conference, sponsored by the Institute, would build on an earlier conference (April 1991) and its report on "Southern Africa at the Crossroads: Prospects for the Political Economy of the Region."

- The World Bank is undertaking a study of "Regional Integration in Sub-Saharan Africa: Research for a New Approach." This study will examine issues to be addressed in an "outward-oriented regional integration approach." It will focus on the ECOWAS and PTA/ East and Southern Africa. It will cover (a) the macroeconomic implications of intra-regional trade and

investment liberalization and (b) regulatory and legal constraints on intra-regional trade and investment. While not examining the Southern Africa region specifically except as part of PTA/ESA nor the impact of a post-apartheid South Africa, it will review the experience with SACU and its impact on trade and investment for its members. An earlier World Bank report on intra-regional trade in Sub-Saharan Africa (May 1991) provides a useful overview of the issues of regional integration as an approach for development. In addition, the World Bank has a continuing interest in the major infrastructure programs of the region such as transportation, building on its substantial knowledge of these sectors from past investments and studies.

- The BEC has proposed to SATCC a major study on Regional Transport and Communications Integration. This study would involve the identification of trade and communications problems and opportunities arising from the associations with post-apartheid South Africa, prepare trade, transport and communication integration analyses, analyze investment and policy options, manpower requirements, institutional strengthening requirements, recommend investment strategies with a program of action. The study was to take 18 months. However, the study is now being simplified both in coverage and the time period.

- Other external studies: The African Development Bank with funding from the Government of Norway has set up a committee to examine issues of regional cooperation in Southern Africa. The UK University of Sussex: Overseas Development Institute has initiated a study of regional economic integration issues. The African Leadership Forum has proposed a study on regional security issues drawing on the European experience with the CSCE. This is Africa-wide but has important implications for Southern Africa. The Southern Africa Development Bank in Pretoria is studying the possibilities for its serving as a regional development bank, although it would have to undertake a substantial transformation to overcome the stigma of being an institution of apartheid. It is already active in Southern African countries and has considerable experience with projects in low income communities.

- In addition, there are a number of other studies underway sponsored by

various business groups, infrastructure organizations, and by individuals such as Dr. Daniel Nlela's (ZimConsultants) book on regional economic integration or Dr. S.N. Kimaro's (on leave from the IMF) study of regional economic relations. ESKOM, South Africa's electricity utility, is studying a long term investment program that would provide a regional grid spanning the southern part of the African continent.

This section on other studies should be up-dated over the coming months with more detail on each of the important initiatives. It would be useful to know about the areas of consensus and disagreement that are emerging from these analyses of regional cooperation – a topic for inclusion in the U.S.A.I.D.'s studies agenda.

IV.

U.S.A.I.D.'S SOUTHERN AFRICA REGIONAL PROGRAM: RATIONALE AND STUDY TOPICS

It is timely for U.S.A.I.D. to reconsider its interests in the Southern Africa Region and the strategy for its regional program. Interest in the implications of post-apartheid South Africa is growing rapidly. Numerous studies and negotiations, as noted above, are underway or being planned by public service organizations, businesses, and international donors; each of them is developing its position and agenda with specific objectives for regional cooperation in mind.

Rationale and scenarios

What should be the underlying rationale for a regional program of assistance to the Southern Africa countries? This is the central question for defining a revised regional strategy for U.S. A.I.D., and thus identifying the in-depth studies to develop the strategy. U.S. policy and U.S.A.I.D.'s mandate have been premised on support to SADCC to promote reduced dependence on South Africa and demonstrate opposition to South Africa's apartheid ideology and practices. This rationale has provided a powerful unifying influence for cooperation among the SADCC countries and for donor assistance. It now needs to be reconsidered in anticipation of South Africa's move to non-racial-democratic government, from a nation to be ostracized to one to be embraced. The basis for U.S.A.I.D.'s regional program, which is currently locked to SADCC's program by legislation, will need to be reexamined and new objectives set to respond to changes in regional circumstances.

Any reconsideration of the Southern Africa Regional Program should start with an examination of the U.S. and A.I.D.'s long term interests in the region. Assuming the peaceful transition to a new constitution and government in South Africa, resolution of the conflicts in Angola and Mozambique in which the US has had substantial role, and constructive arrangements for economic cooperation, how important will the Southern Africa region be to the U.S. over the coming 10-15 years? How will this

region compare with the competing claims on U.S. attention in other parts of the world? Will economic cooperation in Southern Africa make the region more attractive to U.S. investment and trade? How concerned is the U.S. about the investment and trade initiatives of European and Asian countries that are increasingly active in the region? How long is the U.S. prepared to sustain major assistance for rehabilitation and development in the region now in the range of \$300-325 million each year or, more specifically, for South Africa, the largest U.S. development assistance program in Africa, or for Mozambique, the largest program in Africa including emergency assistance? Will support for regional economic cooperation assume a higher or lower priority compared with bilateral interests in the region?

Alternative scenarios for U.S. assistance to Southern Africa suggest that:

A. For the coming decade:

- the US will continue to respond to the emergency and rehabilitation needs of Mozambique and Angola and refugee groups,
- the U S will respond generously to political change in South Africa, Angola and Mozambique and in other countries where their political and economic orientations are towards democratic governments and free market systems;
- The U.S. will want to have a role in ensuring the evolution of regional economic cooperation in the Southern Africa region to minimize regional conflicts and open up opportunities for U.S. trade and investment relying heavily on U.S./South African business relationships; it will, therefore, provide substantial support for the evolution of Southern African economic cooperation.
- The US will want to continue support to programs in its areas of special interest such as population, health/AIDS, environment, food security, NGO programs, private enterprise development, the advancement of US business interests, and related institutional development and economic and social policy reform.

Or B, within 2-3 years:

- The U.S. may, in the interests of reducing its involvement in a large number of countries, concentrate its attention on South Africa, Angola and Mozambique and begin to cut back sharply, if not terminate, its other programs particularly in Botswana, Lesotho, Malawi, Namibia, Swaziland, Zambia, and Zimbabwe;
- And, at the same time, it would maintain a substantial regional program both to promote regional cooperation and compensate for the termination of the bilateral programs

Or C, within the next 2-3 years:

- The U.S. may phase out all of its direct bilateral assistance and concentrate on a regional program based in South Africa

Or D, over the next five years:

- The U.S., for lack of significant interest in the region owing to other global priorities more central to U.S. interests, a stagnate southern African environment, and to budget constraints, may phase out all of its development assistance programs. The exception might be some humanitarian food assistance and small funding to facilitate private U.S. investments and NGOs.

Areas for further study and program development

Assuming a positive and long term view of U.S. and A.I.D. support for Southern Africa regional economic cooperation as envisioned by the first three scenarios, what, then, are some of the areas where U.S. assistance might prove most beneficial and where additional studies would be desirable?

First, it would be highly desirable to track those political, economic, and social events and trends in the region that impinge on prospects for regional cooperation. The pace of change in the region and the dynamics of the numerous initiatives beginning to emerge suggest that a systematic understanding of regional events

would help ensure that reasonably consistent approaches to cooperation are being pursued. The S.A.F.E.R database and information service can be a useful part of this tracking but other means should be considered in addition (including the continuing review of other studies noted above) This tracking of events and continuing analysis of trends should include what is happening in bilateral relationships between the individual SADCC countries and South Africa and between the SADCC countries themselves, the rest of Africa, and the world.

Some of the topics that should be tracked are:

- intra-regional trade and investment patterns and the impact of the new South Africa Government's economic and social policies on the region;
- the terms of agreements for regional cooperation in the management and use of the region's transport, communications, energy infrastructure and their impact on economic growth throughout the region;
- the movement of professional and technical manpower in the region with an analysis of the factors influencing this movement;
- the movement and condition of displaced persons and refugees, and the migration patterns of the masses of un- or semi-skilled labor to and from South Africa and among the SADCC countries;
- the changing condition of human welfare related to food security, incomes, and communicable diseases such as AIDS;
- a continuing analysis of the impact on economic growth of the inter-relationships of economic policy reforms, costs and benefits of regional infrastructure services (transport, energy, water), trade and investment policies and practices (especially those of the major corporations in South Africa and the region), and the dimensions of South Africa's participation;

The information gained through such tracking and analysis would help both to address emerging impediments to regional cooperation that might be addressed by the assistance program or other means and to provide a basis for facilitating U.S.

and other private investment in the region

Second, it would be important for the U.S.A.I.D. to develop an in-depth understanding of the goals, forms, processes, and issues associated with the movement toward regional economic cooperation and integration and their appropriateness for Southern Africa. Southern Africa is particularly interesting in this respect because it has on-going examples of various forms of economic cooperation and integration such as SACU's customs union, the CMA and the rand, SADCC's sector project coordination, and PTA's intra-regional trade policy harmonization. With this understanding, U.S.A.I.D. should be in a position to provide constructive support to the considerable debate that is now underway on how economic cooperation could best be realized. One of the issues is the concern about the marginalization of peripheral areas in the region resulting in serious imbalances in development. How can this issue be addressed? And in the global setting, what are the trends and interests of the major industrial countries and their groupings and of the global corporations that could affect Southern Africa's economic growth? This work should also take into account the conclusions of the numerous studies now underway on Southern Africa regional cooperation.

Third, the Southern Africa Regional Program should support wherever possible open dialogues among the various regional interest groups on the form and substance of regional cooperation. The aim should be to overcome barriers to communication and understanding and the disruptive biases of isolated uninformed thinking and to accelerate the identification of areas of agreement and potential cooperation. The S.A.F.E.R. initiative is one important approach that deserves continuing and diversified support; other regional exchanges both on overall matters of economic cooperation and on specific sectors and themes, such as private business and government exchanges on policies and problems, should also be encouraged and facilitated;

Fourth, A.I.D.'s regional program should undertake special studies integrating the South Africa dimension with the view to providing program support in the future. The topics for these special studies include:

- the potential for sharing the region's university and technical education and training facilities – public and private – for post-graduate degrees and special technical up-grading courses in order to accelerate the preparation of high level manpower to serve throughout the region, this could lead to the funding of institutional strengthening grants and a regional scholarship program to meet the critical demand for professional personnel and promote regional professional relationships;
- the opportunity for promoting regional cooperation through the considerable potential for tourism joining the preservation of wildlife and community development;
- a special examination of opportunities for improving the region's communications and information systems to facilitate the linkages of professional and business interests in the region;
- regional food security and the nutritional condition of the mass of low income people throughout the region;
- opportunities for strengthening the linkages of science and technology in the region drawing on South Africa's important capabilities but also linking the regional scientific and technological institutions with U.S. institutions. An important start has been made with the SACCAR in agriculture; areas of medical and health technologies such as for AIDS, population and family planning, environmental protection are also important.
- opportunities for strengthening or creating regional financial institutions such as a regional development bank as a means for channeling U.S.A.I.D. regional and other donor funds for small scale infrastructure and private enterprise development.

Fifth, U.S.A.I.D regional support for the advancement of democratic societies and good governance would seem appropriate given the political trends in the Southern African countries and A.I.D.'s special interest in the subject. A system of regional conferences and workshops to exchange experience, approaches, and programs of assistance would be desirable in reinforcing individual country initiatives and help

develop a Southern African orientation and expertise. The creation of a small Southern Africa Institute of Democratic Values and Practices might serve as a useful catalyst for shifting the initiative and its leadership to the southern Africans.

Sixth, U.S.A I.D. should, in the context of its studies and revised programming, examine the implications of alternative levels of assistance appropriate for regionally oriented assistance. Such an examination should take into account the implications of the alternative scenarios, the absorptive capacities of various sector program interests, differing modes of resource transfer, relationships with bilateral programs, and alternative program management arrangements. It would also consider new legislative initiatives which would provide the regional program with new and more distinctive objectives and programs and greater flexibility in allocations.

The pace of change in the region is accelerating. Various country and organizational interest groups are moving to set the agenda for the region and lock in terms favorable to their objectives. In this setting it would seem highly desirable for the U.S.A.I.D. Regional Office to establish its own agenda and move ahead promptly to carry out those studies and reviews required for reshaping the program strategy for the Southern Africa region.

V.

WHY SUPPORT ECONOMIC COOPERATION IN SOUTHERN AFRICA?

With the long sought resolutions to Southern Africa's political problems on the horizon, there is an opportunity to address more openly and effectively the region's deep-seated economic and social problems. The Southern African countries and their interests in regional economic cooperation seem, at the moment, to be the most promising in Africa. They have the distinctive advantages of association with South Africa's important economic and technological capabilities.

Over the long term, the opportunities for economic growth and social improvement and for external trade and investment appear significant. These opportunities are likely to be enhanced by reasonable measures of economic cooperation rather than by each country going it alone or in separate bilateral arrangements with South Africa. Progress in evolving this regional cooperation will generate global interest in providing support and investment markedly larger than without it – the sum can be greater than its parts. The recently reported renewed interest of U.S. business in investment in Africa is a positive sign. It should be encouraged through efforts to change the image of the Southern Africa region.¹

Given this prospect, the U.S. with other donors can provide important reinforcement for advancing regional cooperation initiatives. They can help moderate the fears of South African hegemony, counter disruptive imbalances in the region's development, and help stimulate growth throughout the region. Failure to seize this opportunity could lead to serious divisions among the countries, downward spiraling economic and social crises, and costly new burdens of emergency assistance for the donors.

¹³ Kramer, Reed "Political Change in Africa Encouraging to U.S. Business" The Washington Post, December 16, 1991 "After a decade of declining involvement in Africa, U.S. firms are showing new interest in the continent, drawn by widespread moves toward democracy and economic reforms"

**RESHAPING THE
U.S.A.I.D. REGIONAL PROGRAM STRATEGY
FOR
THE SOUTHERN AFRICA REGION**

**Preliminary listings of references:
Southern Africans, institutions, and reports.**

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December 1991

LISTINGS OF REFERENCES AND KNOWLEDGABLE SOUTHERN AFRICANS RELEVANT TO STUDIES ON REGIONAL COOPERATION ISSUES

The following lists of reports, people, and institutions in southern Africa are preliminary. They should be corrected, supplemented, and kept up-to-date for future reference.

I. SELECTED PUBLICATIONS OF INTEREST

- Protocol of Proceedings. "Economic Symposium; Regional Economic Integration and National Development" May 5-8, 1991.
- "Southern Africa at the Crossroads: Prospects for the Political Economy of the Region" Anthoni Van Nieuwkerk, Gary Van Staden Editors. The South Africa Institute of International Affairs October 1991
- "AIDS in Southern Africa: A position paper for the Development Bank of Southern Africa" Alan Whiteside, University of Natal 1990.
- "South Africa's Economic Crisis" Stephen Gelb editor. David Philip Publisher 1991
- "Redistribution: How can it work in South Africa? P Moll, N. Nattrass, L. Loots eds. David Philip publisher. 1991.
- "The World and South Africa in the 1990s. Clem Sunter. Human & Rousseau Tafelberg pubs.1988.
- "Reconstructing Education for a New South Africa" Bruce McKenney. CSIS Africa Notes December 1991
- "Intra-Regional Trade in Sub-Saharan Africa" The World Bank May 1991 (restricted)
- "Implications for Southern Africa of the Current Impasse in the Peace Process in Mozambique." Robert Davies. Centre for Southern African Studies, University of the Western Cape # 9. August 1991.
- "Southern African Security after Apartheid: A framework for Analysis. Greg Mills, Christopher Clapham. Centre for Southern African Studies, University of the Western Cape. # 8. April 1991.
- "A Statistical Profile of the SADCC Countries in the 1980s." Robert Davies. Centre for Southern African Studies, University of the Western Cape. # 3. December 1990.

- "Angola and Southern Africa: Uncertain Futures." Pierre Beaudet, Daniel dos Santos, Brian Wood. Centre for Southern African Studies, University of the Western Cape. # 7 February 1991.
- "South Africa's Increasing Economic Interaction with Africa since Cuito Cuanvale: A chronology of press reports from November 1988 to June 1991." compiled by Robert Davies .Centre for Southern African Studies, University of the Western Cape. # 1. 1991.
- "Development and Integration of Transport and Communications in Southern Africa: Past Experience and Future Prospects for the SATCC " SATCC Technical Unit. November 1991
- "Annual Progress Report: Sector of Agricultural Research and Training 1990-91" Government of Botswana June 1991.
- SADCC "Human Resources: Primary Factor in Development." SADCC Windhoek, Namibia. January/February 1991.
- SADCC. "Annual Progress Report - July 1989-August 1990.
- "SADCC Policies on Food, Agriculture, Natural Resources and the Environment " SACCAR Occasional publication 1990.
- "SADCC The Second Decade – Enterprise, Skills and Productivity." SADCC. Lusaka, Zambia. January/February 1990.
- "Some Issues in Regional Cooperation in Agricultural Research: Lessons from the Southern African Region." M.L. Kyomo SACCAR Occasional Publication 1989
- BCG: Information Paper: "BCG, The Beira Corridor Group: The Reason, The Role, The Method." July 1991.
- "Draft PTA Trade and Development Strategy: Market integration and Economic Transformation for Sustainable Growth." September 1991.
- "SADCC:Towards Economic Integration." 1991.
- "SADCC. Annual Report" 1991.
- "South Africa– Gateway to Sub-Saharan Africa " Erich Leistner. Africa Institute of South Africa. July 1991.

- "South Africa in Southern Africa: Economic Interaction" Erich Leistner, Peter Esterhuysen eds. Africa Institute of South Africa. 1988.
- "Southern Africa. Towards Closer Economic Cooperation in the 1990s" Johan C. van Zyl. Development Bank of South Africa. November 1990.
- "Regional Economic Groupings: Cooperation or Integration?" Gavin Maasdorp April 1991. unpublished.
- "South Africa – The Economy and Closer Regional Cooperation." Gavin Maasdorp and Alan Whiteside. Economic Research Unit, University of Natal 1991. unpublished.
- "South Africa– Economic Giant of Sub-Saharan Africa." (brief paper) Africa Institute of South Africa. 1991.
- "Zambia in Post-Apartheid Southern Africa: Prospects for Enhanced Production and Trade" Erich Leistner. Africa Institute of South Africa. September 1991.
- "Regional Development Strategy - FY 1991. Southern Africa" Vol. 1 U.S.A.I.D. March 1991.
- "Regional integration and cooperation: from words to deeds" Chapter 7. "Sub-Saharan Africa. From Crisis to Sustainable Growth, A Long Term Perspective Study." The World Bank, 1989.
- ESKOM. "Existing and Possible Future Electrical Grid System in Southern Africa." pamphlet L. Jac Messerschmidt, General Manager, CEO ESKOM 1991.
- "Southern Africa: An interstate comparison of certain salient features." Compiled by P W. Esterhuysen. Africa Institute of South Africa "1989.

II. LIST OF STUDY PARTICIPANTS AND OTHER KNOWLEDGABLE SOURCES

The following list identifies some of the key individuals who are participating in the S.A.F.E.R. study or are involved in work relevant to Southern Africa regional topics. It does not attempt to be comprehensive but is an initial list of those whom I have met during the preparations for this report or who were referred to me. I have not listed those in U.S.A.I.D. in Washington or the field, State Department, Congressional staff, and others not associated with Southern Africa regional issues.

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- key in assisting South Africa's business trade and invest in Africa

- written extensively about black labor conditions in South Africa

- also involved in issues of regional security and development

- Issues of redirecting government for redistribution - costs of education in South Africa

- research and writing on AIDS in Southern Africa; also completing book on labor/migrations

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