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Country Development Strategy Statement

FY 1984

SOUTHERN AFRICA
REGIONAL DEVELOPMENT
STRATEGY STATEMENT

January 1982

Agency for International Development
Washington, D.C. 20523

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Preface

The Southern African Regional Development Strategy Statement (RDSS) is, by its nature, an anomaly. This is to be expected. The region is complex and economic and political forces are fluid. They impact on development with great changeability. It was unavoidable that the RDSS include in the anlaysis some of the relationships, in this part of the world, between political change and economic growth (and vice versa).

Although there have been earlier attempts at a Southern Africa analysis and strategy, this is the first try at factoring in the overwhelming influence of the South African economy on development in the region. The annex goes into these linkages at more depth to better understand market and trade forces at work.

The conclusions show that regional development begins with national policies, that some aspects of altering dependency on South Africa are economically sensible and that economic decline in the region threatens U.S. interests with such certainty that a major long term effort in resource mobilization policy adjustment and institution building are needed.

I. INTRODUCTION

Regions or regional identities are defined by a variety of criteria. The region of southern Africa, while generally recognizable to most students of geography, can mean different things to different people. This strategy on U.S. assistance for southern Africa in recognition of the matrix created by the region's political and economic dynamics encompasses the nine countries which have joined together in the Southern Africa Development Coordination Conference (SADCC)*, the Republic of South Africa (RSA) and Namibia. To follow past practice in A.I.D. strategies and ignore the latter two would be to deny the inextricable linkages among all of these countries which will play an important part in the region's future. One fact does distinguish southern Africa from other "regions" (The Sahel, Caribbean, ECOWAS). The region is rich in mineral, agricultural and industrial potential. As a larger economic unit, there are real prospects for sustained growth.

Development and economic performance in the region, and the attainment of U.S. interests, cannot be realistically examined without considering the role and impact of the RSA's economy and the economy of the rest of the region. The political fallout from the tensions and suspicions generated by the RSA's apartheid policies is also an influencing factor in the region's development. The direction and pace in correcting the racial policies of the apartheid system may be the predominant determing factor on whether the region will have a future of peace or conflict and achieve meaningful economic growth.

Also, the assumption has been made in the strategy that Namibia will become independent in the near future and that the U.S. will want to respond quickly. No attempt has been made to try to assess its economy or to factor it into any regional analyses although comparative data are included at times in the discussion. This

* Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia, and Zimbabwe.

strategy will recommend however that A.I.D. initiate efforts now to prepare for an eventual bilateral assistance program in Namibia and to consider ways by which the regional program can, in the interim, be used to address some of the more obvious needs.

Much of the recent discourse on development in southern Africa has focussed on the question of dependency. This refers to the susceptibility of the region's developing economies to influences beyond their control and their actual and imagined vulnerabilities. The highly intrusive nature of the RSA's economy on neighboring economies and the current anathema toward its racial policies generate much attention and often irrational economic responses from its neighbors. The reality of 'dependency' and the influences it has on development and political policies must be understood and taken into consideration by regional governments and donors when considering plans and investments.

It is a fact that South Africa is a major factor in seven of the nine SADCC economies. This is a product of a long process of colonial settlement and enterprise in the region which was based upon exploitation of minerals and production of export crops. Colonies, whose borders laid the foundation for today's nations, created an administrative structure in which settlement could be directed and supported. Patterns of commerce evolved which are with some modifications still extant in the region. This process has redounded to a considerable extent to South Africa's benefit as it became a focal point of the region's economic activity. It is the continued reliance on the RSA for range of services, transportation routes, manufactured imports, business investments and skills, and food which causes other southern Africans to chafe at what they see as having political but not economic independence.

There is, however, another aspect to their 'dependency'. This is their weak economic performance. Again history has contributed to the situation. Colonial settlement was based on economic objectives and prevailing social attitudes incompatible with the unanticipated (until very late in the game) emergence of independent, majority-ruled nations. New governments inherited narrow-based economies based on a few primary products and supporting infrastructure and bureaucracies geared to serving the needs of only small segments of society. They faced the enormous task of taking enclave economic and social systems and broadening them to incorporate the majority of the population, as both productive contributors to and the beneficiaries of growth. Not only did their narrow-based economices present a handicap but there were very few skilled and trained human resources to depend upon. Most skilled or professional jobs were held by expatriates or settlers who performed either as temporary, expensive sojourners or who quickly emigrated.

The only exception has been Zimbabwe which has belatedly begun its independence with a more diversified economy and a relatively improved pool of trained and experienced manpower. It too however, must now try to maintain growth while making the economy include and serve the needs of a very poor majority. Although the task may prove easier for Zimbabwe than it has for its neighbors, it will not be the instant success story that many anticipated.

Growth with equity, the unanimously expressed goal, has proven elusive. Of the longer independent countries, Malawi, Botswana and Swaziland have had some limited success. For the others excessive attention to equity has meant merely the redistribution of poverty. Southern Africa is today facing a serious economic situation. The relative stability that has marked many of these countries despite nearby conflict and internal difficulties in attaining development goals may be threatened if the growing economic difficulty is not recognized and stabilized.

Poor economic performance since independence has not been totally of the southern Africans own making, although policies not particularly congenial to growth have significantly exacerbated the

the situation. The region's narrow-based economies have proved highly vulnerable to external factors influencing the price of their imports and exports. As producers of primary products such as minerals and agricultural commodities, each country has found itself at a disadvantage as world demand has fluctuated and generally declined for their exports. This has been particularly true since the mid 1970's. The oil price increase set off a chain of events which produced a rapid rise in the cost of their imports and a downward slide in the value of th r exports as recession affected the economies of their developed customers.

For many it proved impossible to insulate themselves from these events. They were unable to rapidly implement programs to diversify their economies. The investment resources and the human capital were unavailable for such an undertaking. Some have yet to rebound to pre-independence production levels. Productivity in agriculture has stagnated or dropped, the critical sector upon which much of their domestic savings are derived for funding development. To try to at least maintain momentum many countries have had to borrow from the commercial market to pay import bills and to make development investments. This has forced a general rise in their debt service ratios, a problem which will affect their economies for many years to come. In the past such borrowing was seen as a short-term measure, to be paid off when the economy rebounded. It is not at all clear that such a rebound will occur in the near future. The real possibility exists that some countries will be unable to even maintain their status quo. Most have tightened belts and cut back on planned development projects. They are thus being forced to stem their efforts to grow. Until they can achieve real economic growth based on competitive participation in the region's and the world markets, they will continue to be dependent economies.

Although southern Africa is much better endowed than other sections of the continent, the picture is bleak and the implications for the future disturbing. General economic decline would impact on stability in a region whose mineral resources, business ties, and trade are of critical importance to developed economies. The potential focus of any breakdown of civil order on racial and/or ideological difference bodes ill for maintenance of U.S. interests in the region and in the rest of Africa and the Third World.

This strategy proposes a major and sustained effort to reverse the economic trends which provide the foundations for instability in the region. It also supports complementary diplomatic efforts to address the short-term problems of Namibian independence and the end of civil conflict in Angola and Mozambique. The need exists to be more sensitive to and patient with the southern Africans' efforts to espouse independent views. This admittedly is not always easy since their rhetoric and actions are often counter to our own viewpoints and sensitivities. But our interests in southern Africa are long term. They lie in establishing friendly and mutually respectful relations with all of the countries of the region and ensuring that similar and economically beneficial relations exist among themselves.

II. ANALYSIS

A. Description of the Region

Southern Africa's ten countries and the territory of Namibia equal in size 90% of the continental United States. The region is populated by about 87 million people (projections have this number doubling by the end of the century). It is a region of diversity and dissimilarity. The smallest country, Swaziland, is only one seventieth the size of the largest, Angola. Population size varies from 600,000 Swazis to 29,000,000 in the RSA. Lesotho's GDP of $240 million (1979) compares to the RSA's $52.9 billion. Six of the countries are entirely landlocked and depend on neighbors for egress to the rest of the world.

1. Climate/Ecology

The climate and ecology range from almost totally arid areas in Namibia and Botswana to tropical rainforest in Angola and Mozambique. Seventy percent of the region is semi-arid or marginally arable grasslands, placing heavy importance on the fertile areas. Precipitation is near zero on the western coasts and gradually gets wetter as one moves east and north. Along Mozambique's coast precipitation is in the 750-1,000 mm range. Angola and Zambia have wetter areas near their borders with Zaire. The elevation is usually in the range of 200-1,000 meters, except for Lèsotho, which is higher, and coastal areas.

There are a small number of large perennial rivers - the Zambezi, Limpopo, Okavango, Luangwa and Ruvoma. Major investments have been made in river basin impoundments for power and irrigation. Dams have been constructed at three points along the Zambezi and on the Cunene between Angola and Namibia. Considerable additional hydro-electric and irrigation potential remains to be exploited.

2. Demography

As noted population size varies considerably. Density likewise ranges widely. Namibia and Botswana are among the least densely populated countries in the world. Malawi on the other hand is one of the most densly populated countries in Africa. Population density per arable hectare is extemely high and increasing. The average population growth rate for the region exceeds 2.7%. The official rate for Zimbabwe of 3.3% may in fact be over 4% based on recent analysis. Indications are that the growth rate for black South Africans could be equally high. The region also has high dependence ratios with the situation getting worse. Estimates in 1978 indicated that 40-50% were under the age of 15. The implications of this in terms of costs for education, health and other social services and the job creation requirements are alarming. The rate of urbanization in the region is among the highest in the world and far exceeds the overall population growth rate. Zambia is the most urbanized country in sub-Saharan Africa and Botswana has one of the world's fastest urban growth rates. Still, the vast majority of the population (70%) live in rural areas and rely upon agriculture for their livelihoods.

3. Quality of Life

The extent of impoverishment and unsatisfactory standards of living that are the lot of most southern Africans can be made more graphic by looking at the statistics on some of the more basic components of every day life. Only around 50% of adults are classified as being literate. At the low end of the scale is Malawi where only 25% of the people can do basic reading and writing. The countries with the highest rates include South Africa, Swaziland, Tanzania and Zimbabwe where perhaps more than 65% of the people are functionally literate. Closer examination of any of these statistics would, however, result in considerable discounting. Zimbabwe's true literacy rate may be as low as 40%.

Massive programs since independence to provide education to the population as a whole have resulted in enrollments in primary schools growing to about 87% by 1979 (this figure does not include Angola, Mozambique and the RSA). But high school enrollment had only reached about 14%. Manpower with trade and professional skills is in extremely short supply in every country including the RSA and Zimbabwe where, despite their better off positions, it is still a critical constraint.

Infant mortality in southern Africa is high with estimates of a low of 97 per 1,000 in Botswana to 185 per 1,000 in Tanzania (the estimate for Namibia is 250 per 1,000. Figures available for the RSA indicate 12 whites, 65 urban blacks and 240 rural blacks per 1,000. The average is probably around 130 per 1,000. As a benchmark the figure for the U.S. is 14 infant deaths per thousand.

An average of 22 children per 1,000 in the 1 to 4 year old range die. The ratio of population to physician is 16,600 to one and this figure is skewed by the low ratio of only 2,000 to one estimated for the RSA and the absence of a figure for Angola which is likely the highest ratio.

Access to health facilities is generally limited for most people. The region is heavily infested with malaria, bilharzia, and a range of preventable diseases. Also, safe drinking water is rarely available resulting in a high incidence of intestinal diseases. Sanitation in most places of habitation is very poor. Estimates (1977) of daily calorie intake indicated that only 94% of the needed calories were available. (This average includes figures for the RSA and Zimbabwe of 108% and 115% respectively) If a southern African were hearty (and lucky) he or she can count on living to the age of 49 which is a fraction more than two-thirds of the time on earth enjoyed by Americans. And he or she can spend that short life experiencing hunger, ignorance, and disease. There are very few who escape the experience of poverty.

4. Economic Profile

The total value of goods and services produced in the nine majority ruled countries (GDP) was $18 billion in 1979. On a per capita basis this was $425. The RSA's per capita figure was $1,720. As with any averaged figures considerable disparities exist among and within countries. Namibia with a 1979 per capita figure of $1,700, would rank among the second richest sub-Saharan countries. However, over one fourth of GDP is payment to foreign factors of production and the concentration of GDP in mining and large-scale ranching yields a per capita income to whites of $3,500 and for blacks $150 (1977). Thus it is simultaneously one of the richest and poorest countries in Africa.

Thirty percent of the region's GDP originates in agriculture, 29% in industry and 8% in mining. From 1970 to 1978, in almost all the countries, the fastest growing sector was "general government" or "public administration". In Zimbabwe, Namibia and Botswana mining is a strong sector but plagued by soft world prices. Only in Botswana and Zimbabwe has industry been growing appreciably.

a. Agriculture

Agriculture is a major contributor to all of the region's developing economies. Even in Botswana, Zambia and Zimbabwe with their active mining and industrial sectors, agriculture remains a very important foundation for achieving growth. Its contribution to GDP in those countries is 23, 15, and 12 pecent respectively. Probably more importantly the sector provides subsistence employment for 83, 68, and 60 percent (in the same order) of the labor force. In the highly industrialzed South African economy, about a third of the labor force is still employed in agriculture. In 1970 it was estimated that the poorest 10% of land holders owned 3% of the land, while the top 10% owned 22%.

Southern Africa used to be a net food exporter. Wars, drought, neglect and inappropriate policies have made the region a food importer. During the latter 1970's, agriculture output also suffered due to the impact of the war for Zimbabwean independence and the effects of drought. Much government expenditure did not go into agricultural investment but rather into deference, refugee support and the importation of food supplies.

Only two countries, Malawi and Zimbabwe, are usually self-sufficient in food. Botswana, Lesotho and Namibia traditionally have had to import 40% of their food needs, even in good years. While Mozambique has normally imported cereals, it was self-sufficient in its subsistence crops. But its commercial imports tripled in 1978 and it had to use over one-half of its foreign exchange available from merchandise exports to buy food. Swaziland has imported nearly 40% of its corn needs for the past three years, but usually imports only 25% of its needs. In 1979 Zambia had to import nearly half of its corn needs.

Food production per capita has declined in five of the region's developing countries and had either no gain or only marginal gain in the others. Overall, per capita agricultural productivity has declined in seven of the nine. This is an important statistic because many of these countries depend on agricultural exports for a substantial share of their foreign exchange earnings. While the blame can be placed partly on non-controllable factors, attention must still be directed to the lack of sufficient investment and inducements needed to raise productivity. Policies have been employed throughout the region to keep agriculture prices low as a way of satisfying urban workers. Improved policies which take advantage of market forces would go far in releasing the potential of the region's arable land. The advantages of favorable pricing policies are evinced by what occurred in Zimbabwe in 1980 when an increase in the official price of corn resulted in a major expansion of production.

But market forces alone will not overcome all of the problems of the sector. The lack of investment and the lag factor in expanding institutional capability to serve more than the relatively small number of commercial farmers have held back the potential of the small farmer. These farmers have been largely confined to subsistence agriculture by their financial and technological poverty. Government systems designed to overcome the constraints on these farmers have proved expensive and complex to put into operation. As a result the panoply of infrastructure and institutions needed to assist the small farmer are not yet fully in place. Where they do exist they are usually inadequate to the task because qualified personnel are in short supply or technologies are still being evolved which can efficiently and effectively transfer knowledge to small farmers. Agriculture will require large quantities of investment and considerably more time before southern Africa can expect to achieve the sector's potential output in food, export crops, and job creation.

b. Manufacturing

With the exception of South Africa, Zambia and Zimbabwe, the manufacturing sectors of the southern African countries are small in absolute terms and, frequently in terms of their contribution to GDP. In Botswana, 5.4% of GDP in 1976/77 came from manufacturing and it employed 2,435 out of a total wage sector of 65,756 (1975/76). In Lesotho, 2.1% of GDP came from manufacturing in 1977. It reported about 2,500 jobs in the sector out of a total in-country wage force of 32,100. Malawi reported 15% of GDP in manufacturing in 1976, and had about 30,000 in manufacturing out of a 271,000 labor force. Mozambique had 8% of GDP coming from manufacturing prior to independence. The sector was estimated in 1979 to employ 17% of the labor force. Swaziland, 22% of GDP from manufacturing in 1975, had approximately 7,400 persons or 13% of the wage labor force engaged in manufacturing. Zambia had 17% of GDP originating in manufacturing and 11,230 Zambians plus 3,100 non-Zambians employed in manufacturing out of 466,200 wage sector employees in 1976. Zimbabwe has 27% of its GDP come from manufacturing, with 136,100 Africans in manufacturing out of an African workforce of 944,000.

Each country has problems with its industrial sector due to the small market size and shortages of skilled workers and managers. The emphasis has been on processing of agricultural outputs and some small import substitution items. Standard industries are usually milling, baking, beer brewing, soft drinks, cigarettes, sugar and handicrafts. The larger markets also have textile plants, some clothing and footwear manufacture and transport repair. Botswana, due to its emphasis on livestock, has a tannery abattoir and a vaccine production plant. Zambia and Zimbabwe have some metal fabrication.

Distrust of private traders, fear of emergent "neo-colonialism" and a preference by some governments for an active involvement in and direction of the economy has led to frequent and extensive government interventions in the industrial sector. There are indications that a counter-trend is emerging which recognizes the necessity of private financing and management. Some governments are seeking ways to expand private initiative. Even Mozambique has reversed some of its earlier nationalization of private businesses and turned some back to their former owners.

Reducing the barriers to intra-regional trade and instituting policies to attract more domestic and foreign investment offer the possibility for expanding manufacturing. Also, import barriers and other protective measures such as subsidies (which have been used to nurture local industries by making up for small market size) must be re-assessed. Another constraint which will require considerable attention and investment to overcome is the dearth of manpower with the administrative, commercial and trade skills to support a manufacturing sector.

c. Mining

One of the main features of southern Africa which sets it apart from the rest of the continent, and gives it considerable strategic importance for the U.S. and other developed nations, is its vast and varied mineral resources. The following table lists many of the minerals and their uses. Many are found in only a few other places and often, particularly for a number of the rare metals, the alternative source is the Soviet Union. It is unlikely that any source in the region would purposefully withhold them from the market since they are a main source for foreign exchange earnings. If a situation did arise as a result of political differences or regional insecurity where access was interrupted, stockpiles exist outside the region which could avert any major disruption of production involving such minerals. However, the costs to Western economies could be increased significantly if there were any diruption of supply over a longer period or if conditions of

Southern African Minerals
Sources

Name	Sources	Uses
Antimony	RSA, Zam	batteries, ammumition, glass, ceramics, plastics
asbestos	Swaz, Zim	waterproofing, insulation
barite	RSA	weighting agent in oil/gas wells
bauxite	Moz, Zim	lasers, microwave tubes, semi-conductors, space optics
cadmium	Zam, Nam	batteries, pigments, plating
chromite	RSA, Zim	steels, alloys, refractory bricks
cobalt	Zam	aircraft, magnetic alloys, salts, paint dyes, cutting tools
coal	Bot, RSA, Swaz, Moz, Zim	fuel, chemicals
columbite-tantalite	Moz	chemical/dental/surgical instruments, electrolytic rectifiers and capacitors
copper	Bot, Zam, Zim	electrical equipment, alloys
corundum	RSA, Zim	abrasives
feldspar	Moz, RSA, Zam	glass, pottery
flourspar	RSA, Zam, Zim	steel production, acid
gold	RSA, Zam, Zim	jewelry, electronics, dental, monetary support
graphite	RSA	lubricant
gypsum	Ang,RSA, Zam	cement, agriculture
iron ore	Moz, RSA, Zim	steel
kyanite	RSA	refractories, ceramics
lead	Nam, RSA, Zam	batteries, gasoline, paints, ammunition
lithium	Moz, Nam, Zim	aluminium, glass, ceramics, lubricants
magesium	RSA, Zim	aluminium based alloys
natural gas	Moz, Tan	fuel, fertilizer, chemicals
nickel	Bot, Nam, Zim	alloys
nitrogen	Moz, RSA, Zam, Zim	alloys
oil	Ang	fuel, chemicals
phospate rock	RSA, Zim	fertilizer, acid
platinum	RSA	electrical equipment, chemicals, dental
sheet mica	Moz, RSA	vacuum tubes, guage glass, diaphrams, capacitors, rubber
silicon	RSA	steel, cast iron, electronics
silver	Nam, RSA, Zam	ceramics, paint, plastics
tin	Nam, RSA, Swaz, Zam, Zim	containers, electrical, construction
titanium	RSA	aircraft, steel making
tungsten	Nam, RSA, Zim	cutting/wear resistant materials, specialty steels, chemicals
uranium	Nam, RSA, Zim	fuel, defense purposes
vandium	Nam, RSA	steel alloys, chemicals, ceramics
white arsenic	Nam	chemicals, ammunition
zinc	Nam, RSA, Zam	brass, pigments, dye casting
zirconium	RSA	refractories, abrasives, ceramics

insecurity in the region made extraction and transport more difficult and thus more expensive.

These mineral resources are important to most of the economies of the region and governments are highly committed to the development of mining. They need it to provide jobs, tax revenue, and foreign exchange. Copper provides 90% of Zambia's exports and 15% of its revenues. Botswana's mining sector produced over half of GDP in recent years. In Lesotho 30-40% of the workforce is employed in the RSA's gold and coal mines and the value of their remittances is five times the value of all commodity exports.

Angola's oil provided over 55% of its export earnings in 1978. Beyond the current productivity in minerals is the region's future potential. Botswana has major coal reserves which are essentially untapped. Mozambique is believed by many knowledgeable observers to have major untapped mineral depostis, including natural gas and oil.

Earnings from mining have been depressed in recent years by the world recession. Also, exploitation has been disrupted by the conflicts in the region. It can be anticipated that these conditions will abate in the future and that the region's development will benefit from the increased earnings from this sector.

d. International Trade and Finance.

Total regional exports were estimated at $3 billion in 1978 and growing at over 3% per year. That is probably an underestimation of the true value of exports due to the problem of counting exports within the South African Customs Union (to which Botswana, Lesotho, Swaziland and South Africa belong). Further, Zimbabwe's trade figures reflect the sanctions imposed on the Smith government. Thus, it is likely that total exports in 1980 were over $3.5 billion. Aside from the minerals already mentioned, the region exports tobacco, sugar, nuts, shellfish, tea, cotton, coffee and cattle and wool. For Botswana, Lesotho, Swaziland and Malawi most exports go to South Africa. The U.S. imports more from southern Africa than does any other country. In 1979 the U.S.

imported $505 million from the region, excluding South Africa.

Most of the countries are dependent on the export of only a limited number of primary products. Over 80% of Botswana's merchandise exports come from diamonds, copper, nickel matte and meat; two-thirds of Lesotho's merchandise exports are diamonds; Malawi is similarly dependent on exports of tobacco, tea and sugar while Swaziland depends on sugar and wool product exports for over half its earnings; Zambia depends on copper exports for upwards of 90% of its foreign exchange earnings. While recent figures are lacking, Angola probably has a similar type of dependence on oil exports. Only Zimbabwe is not dependent on a limited number of exports.

The majority ruled countries imported nearly $3 billion in 1978. The U.S. provided less than 10% of that amount. Eighty-seven percent of U.S. exports to those countries went to Angola, Zambia and Mozambique. The major sources of imports for the majority ruled countries are South Africa followed by the UK and Japan. The region's major imports are fuel, food, machinery, industrial raw materials, clothing, textiles and building materials.

There is very little, about 3-4% of the total, trade among and between SADCC members. This exists for historical reasons (colonial ties, orientation of the countries towards primary product exports, while seeking imports from South Africa and developed countries). War and transport difficulties have also contributed. Agriculture industries in Zambia, Malawi and Zimbabwe partially complement each other which does encourage some purchases if transport and financing problems can be overcome. Botswana's beef, Mozambique's fish, Zimbabwe's furniture and textiles, Zambia's metal fabrication and chemicals industry can all find expanded markets within the region. Angola and Mozambique have traditionally been trading partners due to a common colonial legacy.

Some indication of the potential for trade can be illustrated by looking at the extent of trade within the region prior to Rhodesia's UDI. In 1965 25% of Rhodesia's exports went to Zambia and 5% to Malawi. Rhodesia imported 4% of its needs from Zambia and 1% from Malawi. In 1964 Malawi sent 14% of its exports to Rhodesia, and 1% each to Zambia and Mozambique. Thirty-nine percent of its imports came from Rhodesia, 4% from Zambia, and 1% from Mozambique.

While the potential exists, there are constraining factors on realizing it. Trade relationships and financing facilities already exist with South Africa. In many cases there are real economic savings in dealing with South Africa whose industries can turn out manufactures at cheaper costs due to the benefits of the larger market and lower wages. South African financing facilities can give up to one year to pay on exports. These can be attractive export terms for foreign exchange short countries. Industries in SADCC countries have been constrained by small market size. Consequently costs of their limited manufactures tend to be comparatively higher. While a few SADCC countries have food surpluses for export, they have been unable to establish ongoing trade links. Zimbabwe has had surpluses, but finds markets pre-empted by South Africa. South Africa subsidizes corn exports in order to maintain a high level of production among its farmers. Zimbabwe does not subsidize its sales and can only compete by selling at a loss. Financing facilities for trade generally do not exist among the region's developing economies. Risks are higher and volumes and types of exports are usually not sufficient to warrant ready access to commercial bank or government export program resources.

B. Regional Cooperation

Independence is a relatively recent phenomena for the countries of southern Africa. Except for the RSA, which achieved self-rule within the British Commonwealth system in 1910 as the Union of

South Africa, and Namibia which is awaiting its independence, the nine other countries of the region only achieved independence and majority rule within the last two decades. Three became independent during the past seven years. Development has been almost exclusively a national focus. However, there has been emerging during this same period a growing sense of regional identity. This identity stems from common political perceptions and objectives related to on-going independence struggles, most recently in Zimbabwe and Namibia and to the policies of the RSA. In recent years this regional identity has shifted from limited shared political views to a commitment to the concept of regional economic cooperation as a necessary adjunct to national development. The formation of the Southern Africa Development Coordination Conference in July 1979 was the first tangible evidence of this growth of regionalism.

Because this regionalism will likely play an important part in the direction of politics and economic development, it is worth reviewing the history and attempting to assess its potential. Prior to gaining independence, leaders of African nationalist movements had formed the twelve member Pan African Movement of Eastern, Central and Southern Africa (PARMESCA) in 1963. As some members gained independence a new organization, the Conference of East and Southern Africa, came into being. The Conference, which included 17 member states, held nine summit meetings between 1965 and 1974. The organizations tended to focus exclusively on political issues of mutual concern and economic cooperation was left to bilateral discussions. The Conference directed much of its efforts to trying to mediate among contending factions of southern Africa's liberation movements. Its failure in this role led to its replacement by the groups of countries referred to as the 'Frontline States' consisting of Angola, Botswana, Mozambique, Tanzania, and Zambia (Zimbabwe joined after its independence).

This group proved much more cohesive and effective in working together, reflecting their common interest in achieving majority rule in Rhodesia. The economies and security of most members of the Frontline states had been adversely affected by the sanctions and fighting associated with the Rhodesia struggle. Trade and commerce was interrupted and fighting spilled over into surrounding countries. There were very substantial costs of not being able to readily export their products or bring in needed items without incurring high economic or political surcharges. Defence spending also had to be increased in response to intrusions into their territory and threats by Rhodesian forces. Mozambique and Zambia were probably the most severely affected but Botswana and Malawi also suffered notable losses by acceding to sanctions.

Namibia has become the latest focal point of political attention of the Frontline States. It was, however, Rhodesia which aroused a recognition by the southern Africans about their exposed economic position. Poor economic performance and reliance on a few exports, transport systems operated through and by other countries with few alternative routes available, and a vulnerable and excessive dependency relationship with the RSA's economy were viewed with substantial concern. Strong impetus was provided for agreement to work together to make their economies less susceptible to externalities beyond their control.

Independence for Zimbabwe provided the catalyst for SADCC's formation. Zimbabwe, while the cause of much of the region's economic difficulties during its struggle, represented the pivotal point around which regional economic cooperation became possible. Its central geographic position astride the main transport routes and its relatively strong and diversified economy offered an alternative source for goods and services to the RSA and offshore suppliers and the possibility of cheaper routes for shipping. It also represented an alternative for food imports assuming its surplus status could be maintained.

SADCC may also be seen as a reaction to efforts by the RSA to form a cooperative arrangement of southern African states under its aegis. This so-called 'constellation of states' concept was announced by the RSA Prime Minister in March 1979. It proposed regional economic cooperation along commercial lines by removing restrictions on the flow of goods and services between member states. The idea had originally been proposed in the 1960's, and in a sense, it was an extension of the arrangements existing between the RSA and the BLS countries under the South Africa Customs Union. There were two main aspects to the proposal which made it totally unacceptable to the rest of the region, including the BLS countries. The structure would also include the RSA's 'homelands' which it had been trying to set up as self-governing, independent states but which were viewed by the rest of the world as attempts to legitimize apartheid or separate development based on race. The countries in the region also saw the 'constellation' as an attempt by South Africa to institutionalize its economic domination of the region. Under the 'constellation' proposed growth would have gravitated to the center to the detriment of the periphery states. The only positive outcome of this effort was to strengthen the resolve of the other southern African states to work together to achieve a greater degree of economic independence from the RSA.

On the whole, regionalism is a still suspect approach to solving economic problems. Failures are more in evidence than successes. The foundations on which such approaches are built often shift over time. The common problems, perceptions and stimuli are all subject to change as nations' politics and economies encounter new conditions. Often regional cooperation creates and abandons institutions which linger on in spite of ineffectiveness and financial costs.

It is too soon to predict SADCC's future. It has many of the prerequisites for success. The member states share a recognized set of basic problems related to their national and to the region's economic structures. They share some significant common resources, albeit in smaller sub-groupings. They also have a cohesion stemming not only from these shared problems but from political tension generated by their differences with the RSA or Namibia, apartheid and that country's real and potential capacity to dominate and influence events in the rest of the region. SADCC countries' leadership throughout the region, even in the more radical governments, seems intent on avoiding open confrontation with RSA. Rather they are seeking to present a united front in opposition to those aspects of the RSA's policies with which they disagree. They also realize the benefits of greater economic cohesion. In its deliberations and publications SADCC has displayed considerable pragmatism as to how to achieve its economic objectives and as to the long time frame involved.

SADCC's approach to institutionalization of regional development is another cause for optimism about its chances. From its inception SADCC has exchewed the creation of a supra-national bureaucracy. The approach to institutional development is that it be "flexible, gradual and pragmatic". SADCC operates through annual summit meetings, a Council of Ministers, bi-annual meetings with donors, and Standing Committees of Officials and Sub-Committees of Officials for sectoral programs. The only permanent institution to be activated has been the Southern Africa Transportation and Communications Commission which has a small staff of Mozambiquans and advisors provided by Nordic countries. The establishment of a Secretariat to be located, in Gaborone, Botswana, will become effective July 1, 1982. The Secretariat will have a staff of only seven and be responsible for servicing the meetings of the heads of states, the Council of Ministers, the Standing Committee of Officials and the annual donor meeting. Policy functions will remain with the Council of Ministers which passes on recommendations submitted to it by the Standing Committee of Officials. More permanent institutions are expected to evolve as SADCC completes various sectoral analyses and develops agreed upon programs.

Primary responsibility for staffing and managing sectoral commissions will reside with the country to which that sector has been assigned.* Thus Angola will have energy, Malawi forestry, fisheries and wildlife, Swaziland manpower etc. The approach reflects SADCC members' concerns that a costly bureaucracy not be created and their emphasis on approaching regional development with an emphasis on coordination of plans and investments. They are well aware of the mistakes of other regional efforts and are cautious in trying to avoid them.

It is ironical that this caution has been SADCC's greatest problem to date. Decision making in SADCC is ponderous and complex, and has been slow to produce fundable programs. Many basic decisions are left until the bi-annual gatherings of the Council of Ministers. Plans have not proceeded expeditiously and donors are often frustrated in efforts to assist. The lack of fulltime staff assigned to handle administrative and program matters means that SADCC responsibilities are sometimes given secondary priority by officials also working on their normal nationally focussed tasks. This delays achievement of SADCC's goals, but, more seriously, it may result in dampening the enthusiasm of member states and donors. This problem is under active review by SADCC. It should be resolved soon. It is likely that more flexibility will be given to governments to act on behalf of SADCC without reference to the Council of Ministers. Also, it can be expected that individual governments may soon assign staff on a fulltime basis to carry out their SADCC roles. Zimbabwe has already initiated action to place a small contract staff in its Ministry of Agriculture to administer its regional food security functions.

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* Transportation and Communications (Mozambique); Energy (Angola); Mining (Zambia); Food Security (Zimbabwe); Animal Diseases and the SADCC Secretariate (Botswana); Manpower Development (Swaziland); Soil Conservation (Malawi); Industry (Tanzania); Forestry, Fisheries and Wildlife (Malawi).

A.I.D's Southern Africa Regional Program will not be synomous with SADCC. There are important elements of the program addressing other aspects of development in the region not appropriate to bilateral programs. SADCC is, nevertheless, the main indigenous structure for implementing development in a regional context. Its importance will likely grow during the course of this strategy. Its unproven potential for planning and implementing regional programs, opening up regional market forces, creating economies of scale and other efficiencies make it worth working with and supporting. Its potential to influence the direction of long term economic development in southern Africa argues forceably for the U.S. to establish a close working relationship and to support SADCC. It will remain the primary, but not exclusive, institutional base for A.I.D.'s program.

SADCC also offers a unique opportunity for the U.S. to demonstrate its commitment to the peaceful resolution of the region's problems. And finally, SADCC can be used effectively as a means for overcoming some of the difficulties in our relations with some of the region's governments. SADCC is a forum for dialogue and contact which is a bit removed from the more difficult bilateral arena.

C. Economic Performance

Crisis is the applied term in describing economic conditions in Africa today. Southern Africa exhibits many of the same conditions found elsewhere on the continent -- slow growth, poor agricultural performance, deforestation and declining soil fertility, a rapidly increasing population, balance of payments problems and rising debt/service ratios. The causes are also similar - a combination of external influences such as inflation and world recession adversely affecting the terms of trade, and inappropriate policies as inexperienced, but proud, young governments try to stimulate some growth while carrying out redistributive transformations of narrow-based, dualistic economies.

Economic decline in southern Africa has been greatly aggravated by the continuing conflicts over minority rule, illegal governments and apartheid. The struggle in Zimbabwe in particular imposed a high economic cost on neighboring states, coming from both sanctions and the fighting. Independence wars in Angola and Mozambique have left ideological regimes accompanied by a precipitous departure of manpower, skills and capital. Severe economic problems contine to worsen in those countries. The continuation of fighting in Angola between rival factions and the costs associated with both Cuban and South African incursions have further impeded its development. A persistent guerilla war in Mozambique aimed against the government has likewise affected that country's chances to direct fully its efforts and resources to achieving growth. Perhaps the greatest impediment in Mozambique has been the intransigence of the government in its economic policies, refusing to join Western financed institutions and to allow individual initiative to grow. There are signs that some economic policies in Angola and Mozambique are being moderated.

It was, however, the Zimbabwe independence struggle which had the wider and more negative impact on the region's economies. Zimbabwe occupies a pivotal position within the region. Its industrial sector and agriculture surpluses had provided other countries in the region with a more proximate and less costly source of supply of needed items. Even more importantly, the transport system was largely centered on routes through Zimbabwe. The international declaration of sanctions against the illegal UDI government in then Rhodesia had major economic repercussions in surrounding countries.

Alternative transport routes to move bulk, unprocessed mineral exports, which had previously been shipped through to South African or Mozambiquan ports were either non-existant or unreliable. The Benguela railway through Angola has been repeatedly interdicted by rebel forces in that country or by chronic breakdowns. The hastily built (in response to the cutoff of southern routes as a result of sanctions) Tazara railway from Zambia to Tanzania's port of Dar es Salaam quickly deteriorated as a result of poor construction and a lack of maintenance capability. In any event, as a port, Dar es Salaam proved inefficient and thus uneconomical to use. Zambia's trade was severely affected also by the drop in world copper prices which cut further into its resource availabilities. Its situation was such that the World Bank, in recently assessing Zambia's economic performance concluded that two-thirds of its fall in per capita national income in the 1970's was probably unavoidable, whatever policies the government had followed. Mozambique lost a major source of foreign exchange and revenue from the transit use of its railways and ports. Malawi had to redirect a major part of its foreign trade away from Rhodesia. Botswana also had to redirect part of its trade. In addition Botswana experienced an outbreak of foot and mouth disease because the fighting in Rhodesia made control programs across from its border impossible to maintain. This resulted in lost revenues from beef sales to the European Community. The costs to these governments were not inconsequential and the resulting sense of vulnerability gave rise to SADCC and to emerging forces of economic integration in this part of the world.

The region also was hard hit by the effects of successive oil price increases in the mid-1979's and the subsequent general rise in the cost of imports. The onslaught of recession in developed countries compounded these difficulties. Inflation pushed import costs up even further and the fall-off in productivity in developed economies meant a drop in demand for the region's exports. Tanzania while one of the harder hit countries, was not atypical. The drop in its exports meant less revenues while its import bills soared. Tanzania's petroleum bill, despite major conservation measures, takes up about 40% of its import bill. By 1981 the Tanzania industrial sector was working at only 35% of capacity (compared to 70% in 1977).

It is probably not possible to determine precisely the extent to which this series of events interferred with the region's economic growth. It can only be assumed that without them performance could have been much better. Better, however, is a subjective term. The task facing each newly independent country in the region was one none were well-equipped to carry out.

Development of colonies did not recognize the inevitability of African self-rule. Economic and administrative systems were designed to service the needs of a small almost totally non-African population involved largely with the production of exports. Transportation and infrastructure were designed to service the commercial farms or to ship unprocessed goods to coastal areas for export. Black Africans rarely participated in the growth.

The arrival of independence found few Africans with the skills and education needed to step in and run governments and operate private enterprises. While a small coterie had managed to gain overseas educations their numbers were very limited. Zambia's example is illustrative of the conditions most countries faced (the case of Zimbabwe is the exception to many of the observations on other newly independent countries in the region). When Zambia was given independence in 1964 there were only four Zambians in senior professional positions and another 25 held administrative positions. Only 1% of the population had finished primary school, 1,200 had secondary school certificates, and only 100 had graduated from university.

Throughout the region rural areas and segregated living areas for Africans in centers lacked basic amenities and support infrastructure. Schools and health facilities, if they existed, were of much lower standards than those available to the Equopean populations. Agriculture services and supporting facilities were directed to large scale commercial agriculture producing export crops.

On assuming control over these narrow-based, dualistic social and economic systems, southern African leaders were faced with carrying out a reorientation of their national structures in order to incorporate the entire population as both productive contributors and beneficiaries. Politics, and inexperience, produced a variety of approaches and supporting ideologies for transforming and developing economies. Angola, Mozambique and Tanzania have experimented with 'scientific socialism' Zambia adopted a hybrid or African socialism described as 'humanism'. Botswana, Lesotho, Malawi and Swaziland opted for a more gradual approach to achieving equitable distribution of the benefits of growth. They also gave a large role to the private sector but maintained a degree of government control in managing development.

There is, however, in southern Africa little apparent correlation between development strategies adopted at independence and achievement. The region as a whole has encountered similar economic problems despite the strategy applied. The situation for most countries is bleak. Real income fell at least 10% between 1978 and 1981. Agriculture productivity has stagnated and declined resulting in a need for imported food and food aid. Balance of payments accounts are increasingly in deficit with a consequent rise in borrowing from higher cost commercial sources. Malawi, one of the better economic performers, has seen its debt service ratio grow to 20% in 1980 from an average of only 8.7% in the late 1970's. It is projected to go up even further to 29% by 1985. Botswana, which had achieved one of the highest growth rates outside OPEC, based on its copper/nickle and diamond exploitation, has now encountered serious problems with a fall in demand and price for its exports, particularly diamonds, in the past year.

The situation in Zimbabwe since majority rule has been encouraging but also worrisome. Its strong commercial agriculture and industrial sectors have responded to the lifting of sanctions and pent up demand. Growth has been good but it could be the result of special circumstances. Only time will tell. Zimbabwe began its majority-ruled independence with a comparatively strong human and physical infrastructure base on which to build. Like its developing neighbors Zimbabwe's government faces the political imperative to rapidly redress the more striking inequities of its society and economy. Expenditures for education (a priority area for both government and the people) have already been increased by 54% over the pre-independence figure. Free health care for people earning under $150 monthly has been instituted. Programs are being initiated which will bring more Africans into the market economy and provide for services previously directed largely to the white population. Zimbabwe's government is trying to bring about this transformation in a different environment. It has to try to assuage demands by the majority of its citizens and rival political leaders (some within the ruling party) for quick and more radical adjustments of the dualism and at the same time try to maintain the momentum of the modern economy and commercial agriculture.

It is important to the region that Zimbabwe succeeds in this strategy. Zimbabwe's economy will be the most important pole of growth in the region after the RSA. Prosperity in Zimbabwe can spill over. It can also be an alterantive source for imports. Failure in Zimbabwe will only serve to strengthen the hands of those groups in the region who favor continuation of minority rule and more radical and adventurist economic policies.

It is understandable that southern Africans are seeking ways to make their economies more immune to the vagaries of the world's economy and the whims of their powerful neighbor. Each country recognizes that, in the main, answers lie within national economies and national policies. But they also realize that new forms of cooperation among themselves are essential if growth is to come through the opportunities offered by the larger regional market.

In forming SADCC they have directed their planning to reducing what they believe to be an unhealthy and politically unacceptable dependence on external economic influences. While not confined to the RSA their concern is heavily focussed on that country. Most SADCC member's economies are linked with the RSA's in a wide range of areas. This is a legacy of the region's historical development during the colonial period. The RSA became the most developed economy as a result of its early exploitation of gold and diamonds. Later discoveries of minerals in the interior of the region resulted in extention of the transportation infrastructure upward through the center of the region. Consequently trade and commercial activity tended to be handled through the RSA and in a north-south pattern. A full range of relationships and institutions grew over time which were centered on South African business interests albeit with mutual benefits, but usually with South African interests being the controlling factor. The South African Customs Union and the Rand Monetary Area are the more obvious examples of this. There were also bilateral arrangements such as the Preferential Trade Agreement with Rhodesia. But by and large linkages grew from commercial contacts.

SADCC members are suspicious about these linkages and take an increasingly negative view about their impact as they affect the region's weaker economies. The emotion engendered by the RSA's apartheid policies and its intrusion into the affairs of SADCC countries by manipulation of its economic links (as the the withdrawal of locomotives from Zimbabwe in 1981) and by military incursions and support for rebel movements makes it difficult for the other southern Africans to be objective about the long term desirability of many economic links. But leaping from national development priorities to the complexities of regional cooperation, investment, banking etc. requires objectivity. Dependence in fact implies a superior/inferior relationship. While this is obviously a correct perspective when comparisons are made between the SADCC economies individually and as a whole with that of the RSA, the prospect of policy objectivity might be strengthened if there were a more balance 'interdependency'.

The following section (based on the analysis in the annex) summarizes what the current dependence relationship consists of and some of the conclusions it leads to with respect to the likely and optimal development of the region. No effort is made to factor in political scenarios. Politics will obviously have an influence on what direction the region's development takes. The stakes and the costs can be very high for SADCC members, the RSA, and the U.S. and other Western countries.

D. Macro Economic Perspectives

No serious evaluation of the southern African region can ignore the relative economic dimensions of the RSA and its position vis-a-vis the other states. Moreover, some significance needs to be attached to the dynamics of this balance, for example as it might emerge in the course of the period up to the year 2000. Crude comparisons of the RSA and the SADCC countries should, however, be eschewed or at least only carefully undertaken. This follows since there may be grounds for evaluating states neighboring the Republic on two levels - those directly proximate and others (at least) once removed, viz. Tanzania, Malawi and Zambia. Angola also presents certain unique features in that it has relatively few direct economic links with the RSA. On the other hand, while Malawi is not adjacent its economy has been more closely associated with the RSA through trade and financial links.

1. Economic Size and Growth

A number of macro economic indicators in Table 1 reflect the comparative status of the various southern African economies. The most striking feature found is the difference in economic scale between the RSA and other countries. This occurs despite SADCC countries having a 58 million population compared to the Republic's 29 million (1980). Total GDP in the RSA stands roughly 3 times greater than the $18 billion shared between the nine SADCC

Table 1 MACRO ECONOMIC INDICATORS

(US DOLLARS MILLIONS)

Country	Area 10^3 sq. km.	Population millions 1980	2000	GDP 1979	1979	Growth Rate GNP P 1960-79	Exports (fob) 1979	Imports (cif) 1979	Current Account Balance 1979	Debt Service as percent Goods + Services 1979
Malawi	118	6	11	1,220	200	2,9	233	399	- 230	9.4
Mozambique	783	10	20	2,360	250	0,1	100	280	n.a.	n.a.
Tanzania	945	19	35	4,130	260	2.3	620	1,000	-460	7.4
Lesotho	30	1	2	240	340	6.0	40	170	- 22	0.6
Zimbabwe	391	7	15	3,640	470	0.8	1,154	937	-250 (1980)	13,0 (1981)
Zambia	753	6	11	3,240	500	0.8	1,120	650	384	19.7
Swaziland	17	0.6	1	250	650	7.1	160	170	-99	2.0
Botswana	600	0.9	2	430	720	9.1	250	220	-79	1.6
Angola	1,247	7	12	2,490	440	-2.1	1,400	830	n.a.	m.a.
South Africa	1,221	29	50	52,920	1,720	2.3	19,000	8,989	4,447	13.9

Source: IBRD, Accelerated Development in Sub-Sàharan Africa, Washington, 1981;
IBRD, World Development Report 1981, Washington

countries in 1979.

What do these comparisons imply? In the first place there are questions conerning the economics of comparative advantage. Whether vis-a-vis the SADCC group or its constituent parts (often a more realistic measure because of the national basis to economic policy and decision-taking), the RSA presents itself as a determinant influence in the regional economy.

The RSA's centrifugal strength has a two-way dimension. Growth may partially stimulate expansion elsewhere in the region. Economic recession on the other hand emits similar impacts, often less easily counteracted. Here there is found one compelling reason for SADCC's aspirations toward greater economic autonomy. But insurance against the costs of association (via transmitted recession or comparative disadvantage) may be all well and good provided growth benefits are not foregone or the additional adjustment costs do not weight excessively. A second implication is that of imbalance in relative specialization and capabilities - applicable to products, skills, unit costs of production, sectoral sophistication and economic diversity, industrial development, the technological and productive based as well as infrastructural viability. These differences between the RSA and SADCC arise not only from considerations of scale. They also relate to the income structure found, resource base and consequent investment potential.

The RSA's average per capita income (notwithstanding wide differentials) stand 5-6 times above the SADCC average ($310 per head); and more so is this the case for selected, weaker economies (e.g. Mozambique, Malawi, Tanzania and Lesotho). The Republic's whole pattern of demand and market options are structurally different to those of its lower-income neighbors. Moreover, annual gross investment typically stands at a much higher level, built on a consistently large savings ratio in GDP. About $20 billion annual investment must be compared to a sum probably around $2 billion for the SADCC group as a whole. Investment magnitude variations should be viewed on a dynamic basis. When so assessed, the consequences stand out clearly. Indeed, even some slippage in the investment rate on a slowly increasing GDP in the RSA would imply little prospect of gross investment differentials significantly altering during the rest of this century. As result, the current economic advantages in specialization and productivity enjoyed by the RSA are unlikely to be quickly eroded.

The choices for SADCC countries, therefore, concern their individual and (in some cases) common degree of participation in the likely expansion of the more advanced sectors of the regional economy. It is not apparent that each of them stands on an equivalent position on this issue. Indeed, certain countries (Zimbabwe, for example) will face more difficult choices than other (e.g. Tanzania or Angola). Zimbabwe's close linkage to the RSA offers major potential advantages, if politically realizable.

Other implications furthermore reinforce the propositions already advanced, if for instance consideration is given to overall regional trade dimensions and the inter-country balance of payments situation. SADCC's export values (1980) just top $5 billion, or 25% of the RSA's. Imports however, approximate the 50% level. Moreover, many SADCC economies traditionally operate trade deficits and exhibit negative current account balances. These are positions of structural weakness which imply dependence on external aid flows, in the absence of massive foreign capital inflows, and high levels of contracted (mostly public sector) indebtedness.

2. Selected Economic Indicators

Without pursuing RSA/SADCC variations to the limit, it is worthwhile to reflect on selected indicators concerning food, aid and energy. These enable important dimensions in current inter-state relationships to be identified (see Table 2).

Firstly, SADCC countries have fairly weak, mostly non-commercial

Table 2: SELECTED ECONOMIC INDICATORS

Country	Index of Food Output per capita (1969-71 = 100), 1977-79.	Food Aid Imports 1979 10^3 metric tons Grain Equiv.	Kg Per Capita	Fertiliser Consumption, 10^3 metric tons, 1978	Net ODA Value 1979	GNP	Energy Consumption Per Capita Kg Coal Equivalent	Petroluem Import as % Commercial Energy, 1978
Malawi	100	2.2	0.4	22.4	183	12.0	70	59
Mocambique	75	125.9	12.3	12.9	160	6.0	139	46
Tanzania	94	53.2	3.0	34.6	720	12.4	53	90
Lesotho	100	37.8	28.9	1.4	62	14.4		80
Zimbabwe	100	-	-	113.5	120 (1980)	2.0	791	22
Zambia	99	49.9	8.9	67.2	320	7.6	858	40
Swaziland	109	0.7	1.3	5.2	75	15.1		
Botswana	89	8.8	11.4	2.1	132	16.4		
Angola	85	7.1	1.0	16.1	112	1.4	208	
South Africa	102	-	-	-	-	-	3,479	12 (est)

Source: IBRD (see Table 1).

agricultural bases (excepting Zimbabwe). Food output growth per capita in the 1970's has been negative in 5 countries, and all but Zimbabwe regularly receive food aid (occasionally at very high per capita levels). The RSA, on the other hand, has played the residual role of potential "supplier of last resort", although Zimbabwe recently has been able to temporarily usurp in part this function in the sphere of grains, and could continue to do so provided transport bottlenecks, payments arrangements problems, stocks and output trends remain properly aligned.

For the most basic of reasons, as well as a requirement of development strategy, there is long-term merit for SADCC countries in accelerated agricultural development, food security policy coordination, storage capacity expansion, and the like. But all these facets are largely derivative in the sense that an efficient high-productivity agrarian sector must underpin such coordination activities. Currently this desirable situation does not apply for most SADCC countries which could well devote more attention to successful agricultural development options.

As the IBRD and other informed sources have recently pointed out, in agriculture sectors as elsewhere, domestic policy adjustments are required for significant economic improvement. These developments should at least accompany, if not precede, second-stage regional initiatives and could well be a potential target area for selective aid programming designed to assist SADCC by promoting the realization of preconditions for successful regional (agricultural) policies.

Secondly is the situation regarding economic assistance. All SADCC countries are now substantial net ODA recipients. The RSA is not in this category. Indeed, that country offers and supplies selective, if small amounts of, external assistance. This is a fundamental difference between the two. SADCC's aid receipts have been grwoing rapidly, largely from Western Europe and US sources. Aid funds constitute major elements in national budgets, form sizeable shares of GNP for some countries and provide substantial components of annual fixed investment. To some extent external aid (loans, technical assistance and direct imports) permit SADCC countries to relax or reduce other commercial obligations, including inter alia those with the RSA. A not inconsiderable part of SADCC's explicit program is built on this very premise and constitutes in effect an attempt to shift from one form of dependence to another.

While it would be difficult at this early stage to show that the new emphasis has been wholly unwise, questions may well be raised about the vaibility of such an approach in the longer-term. Particularly, this would would apply if one impact of the switch was to discourage, as is already partly occuring, intra-regional trade and investment and offsetting capacity substitution, requiring heavy new outlays in infrastructural facilities. In other words, there is a point beyond which national (or even regional) "self-sufficiency" may only be purchased with increasing costs.

Another selectively significant feature in southern African economies relates to energy. SADCC countries (less so Zimbabwe) are minor consumers of energy put alongside the RSA. Yet the adjacent economies of Mozambique, Swaziland, Lesotho and Zimbabwe have a combined, at present largely unexploited, energy export potential (principally for electricity). For the moment this output could only, if developed, be absorbed by the RSA.

On the other side of the energy equation, the smaller countries are heavily dependent on strategic petroleum product imports coming via the RSA or from its petroleum refineries. This pattern suggests certain longer-term strategic interdependence, no matter what the existing political exigencies might be. Looking at it another way, the price of a differently established supply/trade, combined with maximization of export potential, could be estimated to be quite high.

Table 3: SOCIO-ECONOMIC INDICATORS

Country	Life Expectancy at Birth (yrs(1979	Adult Literacy 1976	Population Growth Rate 1980	Labor Force in industry 1979	Urban Pop. % of Total 1980	Population Per Physician 1977	% Population Access to Safe water, 1975
Malawi	47	25	2,8	5	10	41,000	33
Mocambique	47	30 (est)	2.5	13 (est)	9	34,000	
Tanzania	52	66	3.4	6	12	18,000	39
Lesotho	51	52	2.3	4	5	19,000	17
Zimbabwe	55	70	3.3	15	23	7,000	60 (est)
Zambia	49	39	3.0	11	38	10,000	42
Swaziland	47	65	2.6	9	19	9,000	37
Botswana	49	35	2.2	5	14	10,000	45
Angola	42	35 (est)	2.3	16	21		
South Africa	61		2.7	30	50	2,000 (est)	

Source: IBRD (See Table 1).

Socio-economic conditions also vary enormously between the southern African states (see Table 3). In brief, the RSA probably constitutes a much more industrialized and literate urban society with fewer population pressures (except in "homelands") and higher "nominal" measure of welfare (e.g. life expectancy). This is to be expected, given GDP size and prevailing incomes per head. Yet it is important for SADCC countries that they do not continuously or, more pertinently, increasingly, lag behind in the formidable changes which even now might be anticipated. SADCC's program has elements directed to these spheres, notably manpower training, however, there can probably never be enough done in the fields of functional (especially technical) literacy, industrial and managerial skills, health services and (as is required throughout the region) the installation of basic rural infrastructure.

3. Growth Projections to 2000

Growth projections built on defined scenarious can assist in ascertaining optimal choices. Difficulties existant in southern Africa make such projections an inexact art. Nevertheless, it is a revealing exercise to try to see what the previously identified economic magnitudes differentiating the RSA and the rest of the region would mean if projected to the year 2000. Various feasible country classifications could be examined. RSA/SADCC (Case I) trends constitute one possible comparison. But to allow for more realism, Tanzania (very much disconnected from southern Africa) could be omitted (Case II). Another category to consider might cover neighboring countries excluding Angola (Case III).

These cases can be examined within different growth scenarios. Projection of the status quo constitutes one option (Scenario A). While "high" and "low" growth scenarios (B and C respectively) could be taken to represent alternative views of the RSA's economic prospects, those for SADCC countries in these scenarios are being determined by present expectation (based largely on the historical record except in the case of Tanzania and Angola). The justifica-

Table 4: SA-SADCC GDP GROWTH - PROJECTIONS BY SCENARIO: 1981 - 2000

($ US billions constant 1980 prices)

Scenario \ Case	I (SA/SADCC Nine)	II SA/SADCC excl. Tanzania)	III SA/BLSMZ
	140.4	140.4	140.4
A (Status Quo)	41.0 (ratio 3.4)	32.8 (ratio 4.3)	18.6 (ratio 7.5)
	220.1	220.1	220.1
B (High Growth)	41.0 (ratio 5.4)	32.8 (ratio 6.7)	18.6 (ratio 11.8)
	86.7	86.7	86.7
C (Low Growth)	41.0 (ratio 2.1)	3218 (ratio 2.6)	18.6 (ratio 4.7)

Note:
1. The 1980 GDP baseline has been taken as that for 1979 (Table 1).
2. BLSMZ = Botswana, Lesotho, Swaziland, Mocambique and Zimbabwe.
3. Population expansion rates were taken as in Table 2 and used to generage historical GDP growth rates. The Tanzanian GDP growth rate was written down to 3.5% annually whilst Angola's was written up to 2.0% annually.

tion for making the RSA the central variable, and having SADCC states performance determined by past trends rests with the evidence of the RSA's stronger sensitivity to changing world economic conditions and leading role in the regional economy.

Only GDP growth trends are considered. The growth rates applied in the different scenarios are based on the historical record as per 1960-79 for A (shown in Table 1), a 50% improvement for South Africa in Senario B, and a 50% degradation in the RSA's rate in Scenario C. The results are reflected in Table 4. They should be interpreted with the necessary qualifications required as well as with recourse to limitations noted as pertaining to scenario evaluation. The results can be considered by scenario. Thereafter observations about intra-SADCC hierarchies deserve mention.

Scenario A foresees the RSA's GDP expanding at 5.0% annually to reach $140 billion in 2000. This pattern would represent relatively strong, stable growth and could well be sustained from the resource-base perspective. It would, however, probably imply sustained investment and an absence of economic sanctions. By comparison SADCC countries as a whole would expand at 4.2% annually (based on 1960-79 experience), to reach a GDP of $41 billion in 2000. The 4.2% annual growth rate posited for the SADCC countries is probably quite optimistic. It stands well above IBRD projection rates for 1980-90. The rates stem from past country experience (detailed in Table 5) in which some exceptional performances are perhaps overstressed in the projections. To take a case in question, Botswana's growth rate in 1982 is likely to be zero, not 11.3% as used in the projection.

The RSA's expansion under Scenario B ("high growth" equal to 7.5% annually), would generate a GDP of $220 billion in 2000. This would widen considerably the already increasing gap between itself and any of the SADCC combinations considered. Even under Scenario C ("low growth" in the RSA equal to 2.5% annually)

Table 5: PROJECTIONS: GDP BY COUNTRY

2000

Country	US$ millions	Weight (%) 1980	Weight (%) 2000	GDP Growth Rate Applied (%)
Malawi	3,697	6.8	9.8	5.7
Mocambique	3,943	13.1	9.6	2.6
Tanzania	8,217	22.9	20.0	3.5 (historic = 5.7)
Lesotho	1,204	1.3	2.9	8.4
Zimbabwe	8,130	20.2	19.8	4.1
Zambia	6,831	18.0	16.7	3.8
Swaziland	1.621	1.4	3.9	9.8
Botswana	3,659	2.4	8.9	11.3
Angola	3,700	13.8	9.0	2.0 (historic = 0.2)

Source: Based on Tables 1, 2 and 4.

perhaps equivalent to stress conditions, the absolute economic magnitudes between RSA/SADCC would widen discernibly. However, this outcome would probably be over-sanquine, taken from the SADCC perspective, combining as it does pessimistic conditions for South African expansion and the inverse for the SADCC group.

So under most feasible growth scenarios, it could be postulated that the RSA's economy will strengthen, probably in relative terms and undoubtedly in absolute terms. If this proves the case, SADCC countries would need to build long range economic policy on the implications involved for trade, investment, market access and other linkages. There are also subsidiary dimensions of interest in the projection framework. Noticeably, the relative economic size of the BLSMZ group would improve if past performance prevailed - as its combined GDP rises to $18.6 billion (45.4% of the SADCC group) in 2000, up from $6.9 billion in 1980 (38.4%). The annual growth rate of GDP is 5.1%, 21% above the group average. The gains occur at the expense of Tanzania and Angola - both identified as potential "low performers", but also Zambia. Moreover, the BLS share rises from 5.1% to 15.7%.. These are economies currently most integrated with the RSA. Care, however, should be exercised in interpretation of this result since its basis derives from high growth past performance, not necessarily replicable future trajectories.

The most important qualification though still relates to the prospect that SADCC's long-run performance might not match a 4.2% GDP real growth rate. On current grounds, there is reason to expect that a lower projection rate could be more realistic. Whatever the background prognoses, there is always some measure of uncertainty. SADCC countries believe that their combined regional program activities might reduce many risks that the economic future might hold. As shown at the macro level, such views do not offer simple choices. De-linking from RSA economy may in certain instances appear economically attractive for some. But underlying economic trends are a power with which to be reckoned; and selectivity in policy could well command a substantial premium. SADCC countries need to be prudent, such that their choices do not leave them disadvantaged in the short-term and excluded from, or unable to fully realize, potential longer-run benefits.

III. U.S. INTERESTS

Southern Africa presents the United States with a unique set of intertwined political and development problems which must be solved or ameliorated to advance U.S. interests in the region. This strategy focuses on the development problems but the overall U.S. strategy must address both as part of a coordinated, longer-term plan of action. This will not be an easy undertaking. But the strategic value of southern Africa for the U.S. (and other Western countries) warrants a commitment now to make the effort.

Despite a long record of economic assistance to developing countries and enormous resources devoted to economic aid in support of political objectives, there is really no working theory to act as a guide. The relationship between economic assistance and larger U.S. interests varies from case to case with no overall thread tying the various Economic Support Fund programs together. Thus there is little correlation between such programs in Egypt and Israel, the Carribean Basin, and southern Africa.

This lack of a generally accepted theory - except that somehow economic aid is supposed to provide a secure economic base and in turn produce more stable governments which better ensure U.S. interests - accounts in part for U.S. difficulty in being unable to anticipate trouble spots sufficiently far in advance to permit economic aid to stabilize a situation before it gets out of hand. At the other extreme it also helps explain why the U.S. has sometimes not chosen to stay the course over the longer-term required to allow economic assistance to have the transforming influence in the country or region in question. Both lack of foresight or of staying power could affect the ability of the U.S. to secure its interests in southern Africa. The fact that the region does not represent the more typical and obvious security relationship as does the Carribean or Middle East, makes it even more difficult to ensure the level of commitment needed. These problems must be recognized and overcome if the U.S. is to be successful in southern Africa.

The U.S. has political, economic, humanitarian, security and world order interests at stake in the region. The U.S. wants to see a political settlement in Namibia, a resolution of racial discrimination in the RSA; the diminuation of strife and friction between the RSA and majority-ruled meighbors; the establishment and maintenance of constructive, friendly relations with governments in the region; and the prevention of adventurism by the Soviets or their surrogates. Economic interests focus on the trading access to the region's extensive resources and markets and the maintenance and expansion of mutually beneficial investments and commercial relationships. Also, the U.S. has consistently maintained humanitarian interests in developing countries and is concerned that the poverty affecting the majority of southern Africans be alleviated with job opportunities and the wherewithall to live at decent standards. The elimination of racial injustice, particularly as practiced in the RSA, and the accomplishment of this by non-violent means is also a humanitarian concern. From a security stand point, our interests involve contiaued access to the more strategic minerals, ensuring no threat to sea lands around the Cape, while lessening actual and potential armed conflict. World order interests are the support of governments likely to act both individually, and as part of a regional grouping, as a moderating influence in the rest of Africa and in the Third World.

These interests are being put at risk by deteriorating conditions in the region. The synergistic effect of economic problems mixed with the political tensions of race and minority rule could lead to self-destructive conflict in the RSA, between blacks and whites and/or between the RSA and majority-ruled states. Conflict already is occurring and spreading in the region. Guerilla activity continues in Mozambique, Angola and Namibia and domestic terrorism is on the upswing in the RSA. It is as of this writing unclear whether Zimbabwe may experience further violence as a result of internal political disputes or external actions. The presence of Cuban troops in Angola represents only the most obvious manifestation of Soviet intervention in the region's affairs. Support for its sympathizers, supplying of weapons, and efforts to tie countries like Angola and Mozambique into its political orbit are on-going. The pervasive economic problems affecting much of the region will provide increasing opportunities for the Soviets to expand their activities. The best tactic to deny these openings is in our arena, where we possess the comparative advantage. This is through stronger economic ties, meaningful assistance and more trade and investment in southern Africa's future.

There is already a cycle of economic erosion present within the region which is likely to intensify without strong measures by U.S. and other Western countries to help reverse it. Zimbabwe and Malawi, despite a few years of good growth, are by no means immune from the same forces. The fifteen years that Zambia was thrust into the position of the key frontline state against Rhodesia has taken a serious toll of its economy. Zimbabwean independence has been no panacea for Zambia. A combination of real and imagined fears for its security from Rhodesian and now South African attack, led Zambia to purchase Soviet military equipment, along with military advisors. Botswana, although in a much better economic situation, has also now turned to the Soviets for military supplies. The trend is a disturbing one.

The region's economic problems would be impossible for the United States alone to arrest. However, in concert with other Western donors and through western multilateral institutions, such as the World Bank and IMF, it may be possible to turn some corners and to better stabilize economies and political systems in the region. It cannot be a timid response.

The process is made easier if the governments in the region are agreed on a mechanism to enable regional planning and agreements to be implemented. Such a mechanism is offered by the Southern African Development Coordination Conference (SADCC). Its strengths and weaknesses have been previously outlined. Its existance, non-ideological approach, and commitment to peaceful change through economic solutions present excellent opportunities for the furthering of U.S. interests by supporting it and its programs. It is significant that the members of SADCC have sought to establish an almost exclusive relationship with Western countries as both a source of donor assistance and economic ties. From Eastern countries only Yugoslavia and Rumania have been invited to SADCC donor meetings. The strong links from the beginning with Western countries and institutions indicates where SADCC views its future. There is significance in this as regards Angola and Mozambique.

It is also important that both SADCC countries and the RSA see that the U.S. is committed to the fact that all countries in the region have a common future best served by peaceful relations and inter-dependent economic growth. With strong U.S. support for SADCC, the RSA will be more likely to exercies restraint in its regional policies. The RSA has nothing to fear from the success of SADCC. On the contrary, healthier, more balanced and more competitive economic relationships offer the potential for higher levels of growth in the RSA as well. The ending of hostilities in the area would also free new capital for investment as a result of the likely reduction in military expenditures.

Economically healthy and interdependent nations on her periphery is in the RSA's interests.

SADCC, however, must be kept in perspective. It offers many benefits for development and for cooperative solutions to the region's many current and potential problems. It is, however, a limited entity. It cannot supplant national development efforts. Those will depend on how well governments can manage their own economic recovery and growth. SADCC's importance arises from its contribution to dialogue on problems commonly shared in the region. It permits coordinated efforts to addressing shared difficulties and economic constraints. It also maintains the focus on the region's interdependency and contributes to the identification and pursuit of rational means of rectifying the negative effects of dependency. SADCC is a framework within which to work. It offers an opportunity to develop common assets and to allow regional market forces and economies of scale to augment national development efforts. Its importance is in its potential. Without SADCC or a similar form of regional cooperation the U.S. can have no 'regional' policy in southern Africa, only a series of disjointed shoring-up efforts.

IV. OTHER WESTERN INTERESTS

The tendency is to examine southern Africa from the American perspective. Yet the U.S. is only one of many interested parties in what transpires in the region. European nations have a much longer relationship with the region both through past colonial ties and more extensive on-going business relationships and trade. Japan also now has established strong commercial links. The European stake in peaceful change in the region is probably higher than that of the United States.

The magnitudes of business relationships and trade with the RSA compared with the rest of the region, make it the focal point of European interests. While U.S. trade with the RSA accounts for 10% of that country's exports and less than 20% of its imports (1978), European countries account for the bulk of the RSA's external commercial links. The European Community has a level of trade with the RSA some three times higher than that of the U.S., a more significant figure when it is realized that the U.S. economy is appreciably bigger than that of Europe's.

Investments in the RSA present a similar disparity. Of all foreign investment in the RSA, Britain's share alone represents 30% and the total for France, Germany, Japan and Switzerland is nearly 54%. The United States' portion is 16%, which is about 1% of all U.S. direct foreign investment. For Britain, the RSA accounts for at a minimum 10% of all its direct foreign investment.*

Comparatively U.S. and European interests in the rest of the region are small. Yet there is considerable expansion potential and the region contains many minerals necessary to industries in the developed world, some essential for modern technologies. It is the fear of disruption of trade and commercial links with the RSA in particular and the potential for future growth in the rest of the region which gives Europeans an even higher vested interest in ensuring that the broader region experiences peaceful change, and avoids the downward spiral of prolonged economic stagnation.

Despite the disparity of the financial stake in the RSA and the rest of the region the Europeans have been willing to put pressure on the RSA (at least on the surface) to redress inequitable racial policies. They have also given strong support to the majority ruled states, both morally and financially, to assist their development and in their efforts to establish SADCC and pursue regional solutions. Although there may exist minor differences of emphasis between some Europeans nations and the U.S. on how to deal with problems in the region, our interests are generally

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* Figures taken from "The European Stake in South Africa" by Lawrence G. Franks, which appeared in the Washington Quarterly, Spring, 1979.

compatible and our objectives the same. This provides a basis for working together to ensure that our efforts and resources are complementary. The Contact Group on Namibia is a manifestation of such cooperative effort in the political area. Coordination of donor resources remains a weak area but one which becomes increasingly important if, as expected, the current constraints on development resources continue. SADCC's development of programs for regional development activities may offer a framework for better ensuring donor resources are wisely used. But there is still room for more common agreement among donors about the region, so that investments are economically supportable and not simply determined by political perceptions about "reduced dependency."

V. STRATEGY FOR THE SOUTHERN AFRICA DEVELOPMENT PROGRAM

The economic problems of southern Africa have deep roots and have been worsened by the 15 years of Rhodesian sanctions and dislocation. Reversal of the current downward spiral will require sustained cooperation and a series of difficult policy decisions. Even assuming the right policy environment, there is little possibility of success with the current sparse resources flowing into and being generated within the region. There is also little prespect that terms of trade will reverse, even for mineral producing countries, in the near-term. The recovery of the world economy will be slower than predicted in 1981. Consequently demand and prices for the region's mineral exports may remain depressed for some years to come. Meanwhile southern African nations are faced with rising costs for the essential capital imports they need. Borrowing commercially, or on soft terms, has escalated dramatically with worrisome debt ratios. As the difficulties worsen, donor assistance flows to southern Africa are being reduced either absolutely or in real terms. Growth for most is less than inflation levels. This situation will not correct itself nor will private capital flows occur without corollary increases in concessional aid. This is particularly true as long as stability appears to be undermined by economic problems. An extraordinary, coordinated and sustained effort is required on the part of the countries of the region and by those countries supporting them to focus on the impediments to economic recovery and growth and to work jointly in addressing them.

The conflicts of colonial policy and race that have torn at southern Africa for the better part of this century are running their course. Planning and the building of new and wiser institutions is in order. It is time to look beyond conflict, to assist the fledgling efforts of cooperation so that southern Africa can begin to play it potential role in African development and world affairs.

A. Marshalling of Increased Resources Flows from Western Sources

This strategy proposes that the United States should undertake to help marshal an international effort requiring not only increased levels of resources but also a coordinated, longer term focus on the structural problems of the region. The U.S. should urge the formation of a special Regional Economic Consultative Group to carry out a thorough analysis of the region's economic problems and to develop a framework for long-term recovery. Nationally focussed Consultative Groups, under the World Bank, likewise should be made more active and, where currently not extant, created. They should plan to consult at least annually for the next several years to review progress in implementing plans and in policy adjustment. It is unlikely that such an initiative would be agreed to by the southern Africans without the promise of commensurate increases in resources, both concessional and private. U.S. interests in the region demand a larger and improved American economic assistance response. The U.S. stands to lose much more in the longer-term than it will cost in additional assistance resources in the next few years.

Emphasis should be given to countries facing the most serious economic crisis threatening breakdown of internal political stability with corollary impact upon the economies and security of neighboring countries. These countries, in some instances, may not be particularly close to nor supportive of U.S. policies nor will the optimum policy framework be present.

- Paramount among this category is Mozambique. A reassessment is in order as regards U.S. policy toward assisting this country. It is the key country in the region in terms of its impact on the economies of land-locked countries because of the economic savings and alternatives offered by its transport routes and ports. It is currently experiencing serious economic problems, many of its own making but also many a direct product of its pauper's legacy at independence. An anti-government guerilla movement feeding on current economic problems has recently expanded its activites and further undermined the possibility of Mozambique becoming a stable and productive part of the region. The alleged involvement of the RSA in supporting the guerillas adds a highly volitile ingredient to the political pot. The Mozambiquans have made overtures for improved relations and a desire for Western economic assistance and business investment. A number of European countries are actively pursuing improved relations with the dual purpose of weaning Mozambique away from its unhealthy dependency on the Soviet bloc and in recognition of Mozambique's potential for economic growth (based on its agricultural land and what are believed to be vast and varied deposits of minerals). For various reasons, particularly budget constraints and the need to feel our way a bit longer as to how relations will grow, initial efforts to establish closer relations through economic assistance could best be fostered through U.S regional assistance to SADCC. Thus far, assistance can be indirect. This strategy recommends that consideration be given to direct bilateral assistance if opportunities arise within the program strategy being proposed.

- Zambia's problems are immense and reflect a series of policy misjudgements compounded by external factors.
- Malawi is probably the more serious problem because it is a non-mineral producer and has only agriculture to fall back on. Despite good planning and generally sound policies since independence it may now be reaching the end of an impressive growth performance unless new opportunities for regional trade are opened.
- Botswana is mineral rich with untapped known resources, particuarly copper, diamonds and coal. But the depression in world mineral and diamond prices the past year have left their mark. Despite its high GDP growth over the past decade, Botswana has been relatively unsuccessful in diversifying its economy. If it is to accomplish this, it must have larger markets outside of the confines of the South African Customs Union.
- Zimbabwe is the choice of most observors for the 'most likely to succeed' among the newly independent countries in the region. Its economic capacity is, in comparison, well developed and diversified. But it faces a difficult short-term future in trying to transform an economy built on unacceptable and unsustainable dualism. Its economy will have to be made to perform more equitably for the benefit of the larger population. Success in doing so,

while continuing to sustain economic growth, will be important for the rest of the region who can benefit from Zimbabwe's ability to produce suprlus food and manufactures and provide a market for exports from other countries.

- Thinking also needs to being now on how best to help Namibia's economy. Its mineral resources will give independent Namibia a good start, but excessive dependence on the RSA will be a major issue. The agriculture sector has never been developed and good fisheries resources may have been irreparably depleted by over fishing by foreign fleets. Namibia will need help and an opportunity to build new regional ties. They will seek immediate assistance to join SADCC's programs.
- Swaziland and Lesotho are comparatively small countries with similar economic difficulties, made much more complicated by their ties with the RSA. Swaziland has prospered by benefiting from the South African Customs Union and by developing mineral and agricultural exports. However, the country may have expanded its sugar industry too fast relative to world market prospects. There is considerable potential for Swaziland to diversify and market in the region, with Mozambique in particular.
- Lesotho is a different case. There is little immediate prospect for diversifying economic ties. If, as expected, the RSA reduces its intake of Basotho labor, the economy of Lesotho would be severely shaken. Its only possibility for new exports to the RSA is through a massive scheme to sell water. This is a $3 billion project for which external as well as South African finance will be necessary.

- The case of Tanzania is somewhat different from the rest of the SADCC members for U.S. assistance since it is handled under AID's East Africa geographic area. Also Tanzania is not now linked to the southern Africa regional economy except tangentially through transport links to Zambia. This situation will probably change, particularely if Tanzania's commercial links with the rest of East Africa are not improved in the next few years. Tanzania is more oriented politically to southern Africa at this stage and has played a very active role in the formation of SADCC. The U.S. will have to determine its approach to Tanzania, both in the context of a regional southern Africa strategy and separately. Its needs are extensive and, with a different economic policy perspective, Tanzania could play a not insignificant role in the regional economy. It has the largest population of all the majority ruled states and, surprisingly, in 1980 had a larger GDP than Zimbabwe.

A regional strategy for southern Africa may never be a clear and neat package. There are too many unknowns, too many political variables. For the moment, sensitivity and patience are in order and a determination required to follow through on a long-term strategy. Suspicion and hostility exist between the U.S. and a number of southern African governments or elements of governments. It is in U.S. interests to undertake to allay these suspicions. U.S. commitment to building a regional economic cooperative system with benefit to the economies of all is one means. This Administration and its successors (since what is being proposed will take at least a decade and probably longer) face a challenge of proving whether the U.S. can remain committed to such a complex undertaking.

The possibility exists in southern Africa for a mature and mutually benefical partnership in the region's development. A "generation-long contract" is in order with policy adjustment accompanied by improved public and private resource flows. The U.S. will have much greater success encouraging the greater involvement of Western donors in southern Africa than was the case in the new Caribbean initiative. This is an important point.

B. <u>Improving Economic and Business Analysis</u>

To be better prepared itself to assist in this process, the U.S. should plan to improve its own economic analytical capabilities in the region. More economists should be assigned to the region with the task of maintaining continuing analysis of the problems and not just to aid in project related analysis. In addition, reviews of the economic situation throughout the region and evaluation of progress in addressing the key problems should be a formal part of annual meetings of Mission Directors and concerned program or economic staff. This will assure both better cross-fertilization of ideas and keep efforts focussed within the context of a 'regional' strategy. Largely due to sanctions and the Rhodesian conflict too much of the analytical effort over the past decade and a half in the region has been piecemeal and ad hoc. This has probably helped deflect attention from trade, regional markets and the interdependent aspects of economic growth.

In addition to the previously recommended Regional Economic Consultative Group, another proposal somewhat different from traditional approaches, but which recognizes the potential importance to the region's development of the private sector, would be the formation of an international advisory committee on business and trade development. Such a committee could include businessmen and women from North America, Europe, southern Africa, and perhaps from countries elsewhere in the developing world which have successfully utilized the private sector in their economic growth.

The committee could be initially sponsored by an organization such as Cooperative Development for Africa (CDA) and later receive support under a foundation or other neutral body. Neutrality would be important to its effectiveness. Funding could come from various donors, foundations and private business interests such as industry and banking, particularly those already interested in the region. The committee could work closely with SADCC planning groups to factor in the input of private resources. The committee could assist also by advising the region's economic ministers on investment issues emphasizing comparative advantages and economies of scale. Between the business advisory committee and the Consultative Group a different kind of economic perspective could emerge.

Independent, sustained economic analysis focused on the region's economy would provide an important element of discipline for both governments and donors. The assumption that the World Bank and the IMF provide such discipline is not always correct. First, the Bank system has not been looking at southern Africa as a promising economic unit but as a series of countries. As part of this strategy, preferably along with other donors and possibly foundation assistance, it is recommended that this analysis be conducted by a small independent economic working group under the auspices of a foundation or other neutral body whose bona fides will be recognized by all parties. The group would be composed of experienced and respected economists who would be willing to accept the assignment of working together over at least a five year period to focus a major part of their time on following and analyzing economic events in the region and preparing occasional papers. As part of their assignment they would be expected to offer critical assessment of the directions, strategies, etc. of both the southern Africans and donor assistance.

C. General Support for SADCC

As is now obvious, this strategy goes beyond what has in the past been the main focus of A.I.D's Southern Africa Regional Program. An A.I.D. funded regional program in itself would be insufficient to advancing U.S. interests in southern Africa. Many problems affecting the economies of southern Africa transcend national borders in that they require cooperative efforts or can be more effectively and efficiently handled in a supra-national context. Regional assistance efforts should be fully complementary to national development programs. In one sense regional activities should reinforce national capacity or institutions. It is equally important that national programs are moving in directions consonant with the longer-term development of the region as a whole. It is also possible that in a broader regional economy some national efforts might be redundant or uneconomic investments, an important consideration in a period of scarce resources. Likewise, other ventures may not make sense in a purely national context because of limitations of market size or scale of investment needed for an adequate rate of return.

The existance of six landlocked countries in southern Africa and the problems of operating economies in the circumstance gives a further high degree of importance to the'regional' aspects of development. The extensive economic interdependence described in the annex indicates that most national economies are already moulded by or linked to regional relationships. These realtionships are not well understood... yet the emergence of SADCC is a reflection of the new awareness that the countries are part of a larger economic structure. While much of the economic growth to be achieve in the region will be within the national systems, excessive dependencies and vulnerabilities make regional cooperation a necessity. The ultimate form and substance of such arrangements may differ considerably from that currently envisaged by proponents of SADCC, but growing interdependence, economic decline and the potential benefits from well thought-out economic integration dictate that some form (or forms) of cooperation will evolve and strengthen the region's development.

The ameliorating and educating benefits of consultation and dialogue provided by a regional structure like SADCC must be ranked high among considerations for supporting it. A.I.D., like any donor faced with critically scarce resources, must ensure that the support it provides makes sense. SADCC is proposing a rather extensive range of activities, some sound, some nonsense. It is not feasible that all of these could be supported by the U.S. Even if additional resources are allocated for the region, it would not be wise to disperse energies widely. The task, therefore, is to identify those regional activities which build the best institutional or economic foundations for supporting regional economy.

It is also important that A.I.D's regional program underpins bilateral efforts with program and budgetary integrity, The regional program cannot be seen or used as a de factor contingency fund. In no instance should the A.I.D. regional program support activities which are not truly multi-country in their impact. Efforts will be made to ensure that no one country in the region receives a significantly larger proportion of regional program assistance but it will not be possible to ensure absolute equity in the distribtuion of that assistance. Selection of.projects will be based on which countries offer the best prospects for being the lead country in addressing a particular regional problem.

D. <u>Improving Efficiency in Regional Transportation</u>

The first priority for SADCC, at least for the immediate future is rehabilitating the region's transportation infrastructure. Recent A.I.D. studies have similarly given it high ranking. Less costly transportation is an essential prerequisite for improved development performance throughout the region. The current infrastructure, except in the RSA, suffers from the effects of war damage, deterioration, poor management and maintenance, and lack of systematic planning and coordination. The overall result is inefficiencies, which translate into high costs for both imports and exports, with a negative effect on the region's ability to develop competitive industrial and agricultural exports.

While the current heavy reliance on routes and ports in the RSA are political irritants for SADCC members, they are also in many cases more costly. For Zimbabwe, movement through the RSA versus Mozambique is estimated to be 60% more costly. Routes through Mozambique, Angola and Tanzania offer the possibility of considerable savings on transport costs for many commodities. They will never supplant totally the need to use South Africa facilities, a fact about which SADCC countries are realistic. On the other hand, South African ports are becoming more and more congested as the volumes of trade and mineral exports increase.

Much of the critically important work to improve transport efficiency for the land locked countries is required not in the interior but in the coastal states. The most important transportation problems and needs for assistance are in Mozambique. It was in recognition of this that SADCC located its Transportation and Communications Commission (SATCC) in Maputo.

Access through Mozambique to landlocked countries, particularly Zimbabwe, Zambia, Botswana, Swaziland and Malawi will become an increasingly crucial issue for the competitiveness of exports and reducing the costs of importing. Further, the potential mineral wealth of Mozambique will require an improved and expanded transport system. Thus far, Britain, France, Italy, and the Netherlands appear to be the Western donor countries most prepared to assist Mozambique in rehabilitating its ports and road and rail systems. Much of the assistance to date, however, has been limited to feasibility studies and a large demand will soon exist for concessional financing beyond the means of this group. These are projects which by their nature require multi-donor support. In this regard, Mozambique should be encouraged to reconsider establishing links with the IMF, World Bank, West Germany and the .E.E.C. This is best done through its fellow SADCC members and by donors now working in Mozambique and not as a direct U.S. initiative.

Angola's Benguela railway, its port at Lobito and Tanzania's Tazara railway and port of Dar es Salaam represent routes of secondary concern to SADCC at this point but both routes eventually need to be made more efficient parts of the regional system. Proposals for the construction of the Trans-Kalahari railway to move coal from Botswana to Walvis Bay are under consideration, but will probably not reach the active project stage for several years due to cost, the need for a Namibian settlement and the questionable economics of such a venture unless world copper and coal prices improve.

The U.S. ability to assist the critical transportation bottlenecks has been restricted by current policies affecting assistance to Mozambique. Until relations allow open contacts with SATCC there is little the U.S. can offer in the transportation sector. It is not recommended that we continue the interim practice of selecting on an ad hoc basis projects like the ZIM/ZAM road. While this road is important to promoting increased commerce between Zimbabwe and Zambia and represented a legitimate rehabilitation need, future transportation investments should reflect more thorough systems analysis and a prioritization based on economic justifications.

At earlier consultations within CDA, the U.S. urged that CDA and SADCC focus on such a systems approach. Systematic analysis from port to end user or from producer to port is needed to ensure optimal placement of investments. This effort failed largely because of poor relations with Mozambique. Hence, we were unable to establish the necessary kind of working relationship with SATCC.

Our participation in transportation would normally have been the lead item in a strategy aimed at opening up market forces and trade in the region. Until conditions permit, the U.S. cannot realistically expect to play a role in rationalization of regional transportation planning and investments. This is regretable since the U.S. has expertise which would be valuable to this process.

This strategy identifies four other areas where proposed regional initiatives complement bilateral programs. Those areas also are critical to the achievement of more and balanced economic growth in the region. They are areas where efficiencies of scale or the need for coordinated multi-nation approaches are workable. They are, manpower development, agricultural productivity, intra-regional trade and business development, and technology transfer. There are other areas of regional activity both being undertaken by SADCC and outside that organization. For management reasons and because the proposed strategy depends on a sustained effort to aid structural and institutional change in the region's economy, it is proposed that the regional program not be widely dispersed nor used simply to support 'targets of opportunity' projects. Resources are too scarce, even if increased. If the passage of time identifies another area which has obvious impact of the central issues of regional growth, then an amendment to this strategy should be required to provide the justification. It has been a weakness of the Southern Africa Regional Program since its inception that it has lacked focus and consistency. It is now time for discipline to ensure that limited but identifiable goals are set forth and pursued.

E. Improving Development Performance through Management

One pervasive constraint emerges from any examination of the difficulties affecting development in southern Africa. Successful economies require adequate numbers of capable manpower. Only a very small segment of any country's population at independence had received the necessary education and experience to be able to carry out the variety of jobs needed to operate government administrations, development projects, private businesses, and social services. Most of these personnel were expatriates or white settlers. A number of governments have continued to rely on expatriates but have had to use considerable foreign exchange resources to fund them. Many failures to achieve development objectives can be ascribed both directly and indirectly to the lack of sufficient personnel with the necessary skills. Policy formulation and implementation requires more than a few highly capable administrators and technocrats. That thin veneer is insufficient. In some instances capable personnel have had their effectiveness limited by having to assume too many responsibilities or by being unable to delegate to adequately trained subordinate staff. The lack of management capability and skills has also been a pervasive factor in constraining the growth of private enterprise.

Manpower remains a constraint in every area of the nation's economy, public or private. This continues despite considerable national efforts since independence to create the necessary training infrastructure. Budget resources have been heavily skewed to creating this capacity and donors have provided large inputs to build and staff a wide variety of national educational and training facilities. And most training is best carried out within the context of national education systems. However, the findings of a preliminary study on regional training opportunities concluded that higher level or technical programs with small output and high unit costs worked best and was more cost effective in the regional context. Regional assistance for manpower development should thus be directed at higher levels or very specialized areas where creating duplicative national training capacity in each country would make no sense. One area has been identified which represents a major and far ranging impediment to achieving economic growth.

First, management and administrative skills are perhaps one of the most limiting factors in the implementation of development programs.

They also are the key ingredients to establishing and efficiently operating businesses. Southern Africa has a wide range of facilities for training people to occupy such positions. In each country there are a number of training institutions which provide both long and short-term training. These include universities, polytechnics, management institutes, and a limited amount of training by the larger private firms.

Initial thinking is that no assistance will be undertaken which will concentrate resources on any particular training facility or country. Within the SADCC framework it should be possible to assist in expanding management training capacity by working with and through a number of existing institutions and to be selective in terms of assuring the appropriateness of the types of training which would be offered. Flexibility should exist to allow development of management training programs applicable to a wide variety of needs in various sectors. Training would be responsive to the needs of the private as well as public sectors. Emphasis would be given to supporting those priority sectors identified by U.S. bilateral assistance programs. An A.I.D. study with SADCC to assess management needs and existing capacities for training in national management training institutions throughout the region is planned during the summer of 1982. This study will provide the basis for developing a comprehensive program to improve and expand training capacity and to make it more appropriate to needs. The using of networking, outreach and mobile training courses (among various institutions) will be examined as a means of reducing costs.

F. Increasing Regional Economic Return in Agriculture

Agriculture represents a significant portion of GDP in most SADCC countries and the major source of employment (ranging from 52% in Swaziland to 86% in Malawi). It is important also not only for production of food to meet the needs of the growing population, but it is the base upon which much of the region's development must be built.

Today, a large portion of the domestically generated development resources originates from 'taxation' of the agriculture sector. Considerable foreign exchange earnings come also from agricultural exports although some southern African countries are able to also rely on earnings from mineral production. With the exception of Zimbabwe and, until recently, Malawi, all SADCC countries have become food importers as a result of a combination of stagnating or declining production and growing populations Labor migration has also acted to reduce productivity. Sustainable economic growth within SADCC will not be achieved until agriculture throughout the region can improve its productivity. Some countries, because of water and soil limitations, are likely to be deficit producers for the indefinite future. Others, with proper policies and needed technological, personnel and financial inputs could be consistent exporters. Not only must agricultural productivity be improved but intra-regional trade in food must be encouraged, so food crops become export crops. Improved agronomic techniques and the growth of ancillary agri-businesses can lead to new jobs and higher incomes, but only after productivity has been improved.

All U.S. bilateral assistance programs in the region are in one way or another focussing on problems associated with increasing agricultural productivity. Also the donor group, CDA, is proposing the region as one of its zonal long-term efforts to strengthen agricultural research institutions. This could be an important linkage to bilateral projects directed at improving small farmer productivity. The recent World Bank assessment on sub-Saharan Africa noted the need for more food and cash crop research, cautioning that in many countries there was an inadequate technical package to extend. SADCC has also given regional food security one of its highest priorities.

U.S. assistance has already been given to SADCC in establishing a regional food security program. A grant to Zimbabwe's Ministry of Agriculture will fund part of the working process by which SADCC agriculturists and economists will assess problems and plan the policies and programs by which SADCC is to achieve its food security objective. The elements of the program being examined include a crop failure early warning system, a resources information system, an inventory of the agricultural resource base, a regional food reserve system, post-harvest loss reduction, food processing technology, food marketing infrastructure, and food aid needs for the interim until food security is achieved. Another element of SADCC's agricultural concerns is the combating of animal diseases, particularly those which can spread across borders.

In addition, SADCC is engaged in examining on its own how to improve agricultural research. Along with CDA interest, there are a range of international agricultural institutions which are now active or proposing to become so in the near future. These include the International Crops Research Institute for the Semi-Arid Tropics (ICRISAT) the International Maize and Wheat Improvement Center (CIMMYT), the International Institute for Tropical Agriculture (IITA), and the Centro International De Agricultura Tropical (CIAT).

ICRISAT has completed a requested study for SADCC on the establishment of a regional research coordination mechanism and other needs in semi-arid agriculture. For a variety of reasons, including budget and staff constraints, ICRISAT is reluctant to establish another international center. Also, with SADCC's own reconsideration of how to best coordinate research, ICRISAT's findings have not been accepted. SADCC, however, will be considering one aspect of it which is the initiation, with ICRISAT assistance, of a regional sorghum and millet research center, possibly to be located at Matopos, Zimbabwe. The center would do basic semi-arid crop research and field testing throughout the region and carry out training programs. This research would be particularly important in Botswana, Namibia and the southern parts of Angola and Zimbabwe. ICRISAT is also starting a ground-nut program in Malawi with support from Canada's International Development and Research Center (IDRC).

CIMMYT has received a grant from an African Regional project to support CDA initiatives and to work with five or six A.I.D. supported on-farm research projects. The grant extends to projects in east and southern Africa. From its own resources, CIMMYT will also provide assistance in farm systems research in Zimbabwe. IITA has carried out an initial survey aimed toward assisting a number of countries in the region (Zimbabwe, Tanzania, Zambia, and Mozambique) with soybean research. And CIAT has been discussing (and has applied to A.I.D. for assistance) the establishment of a phaseolus bean research program to be centered in either Malawi or Zimbabwe.

There are also likely to be a number of other inputs to the region supported by A.I.D. - CRSPS, USDA, and American universities, a number of which already have established southern African links. The multi-country and regional focus of many of these research activities would suggest that there is a need for some central coordination point. SADCC will be examining how it plans to maximize the use of outside resources for agricultural research and plans to give particular attention to the coordiration of these resources as part of some type of overall master-plan. CDA and other sources of research assistance will have to work within this framework.

This strategy proposes to assist in a number of areas related to agricultural productivity. Some cannot be defined as yet because they depend upon the findings of SADCC's various studies. An area of obvious need is agricultural research. As mentioned, SADCC will likely produce an overall plan for coordinating and sharing research. The U.S. regional program can assist in this by being the focal point and coordinating mechanism for all U.S. supported inputs to research in southern Africa. It can in addition provide the resources to fill in gaps left by AID centrally funded activities.

Another area, related to manpower but included here, which is an obvious constraint in almost every aspect of the sector, is the inadequate numbers and quality of professionals. The region's colleges and universities are not turning out trained personnel rapidly enough or with the right mixes of skills to meet the existing demand. The alternative solution, overseas training, is rapidly becoming unattractive because of the expense. The costs of overseas training are now at levels (in the U.S. costs are running at plus $24,000 a year for undergraduate degrees and $35-45,000 for masters) that neither assistance programs, governments, and certainly not students can afford to continue relying on it as a solution to making up for the deficiencies of the region's institutions. Yet the costs of expanding and improving training institutions are prohibitive. In some instances expansion is necessary, particularly in graduate training. SADCC has already identified the need for a regional capacity to train veterinarians (other donors plan to assist this activity). In most other areas some capacity is already extant. The first question is how to make existing capacity more cost effective and able to handle greater numbers of students along with an improvement in training standards.

One approach to achieving greater institutional efficiency would be to avoid redundancy. Also, facilitating intra-regional exchange of students would avoid need for redundant capacity. In FY 1982 the regional program will assist in a study aimed at rationalizing education equivalencies in the region with the purpose of allowing this type of flexibility. Future assistance is also envisaged which would support a program whereby southern African agricultural institutions would coordinate their training to reduce redundancy, particularly in the more technical and specialized disciplines.

The planning of graduate and post-graduate training should also be similarly coordinated so that unnecessary and costly duplication does not coour.

Poor management affects agriculture like other sectors. Due to personnel scarcity many technically trained persons have been forced to assume positions of responsibility as head of research and extension services and centers, training facilities, farm supply companies, marketing organizations etc. without having had any or minimal training in management systems and techniques. They also enter these jobs without the ten to fifteen years of experience that their counterparts in developed countries are usually required to have before assuming such jobs. There are considerable lost opportunity costs when senior personnel at research stations or training facilities lack administrative capability. Businesses providing agricultural services similarly are less competitive and profitable without qualified management. Management training for agriculturists is seen as an area where a targeted program on a regional scale can have high payoff in terms of more efficient use of existing and future facilities and services.

G. Promoting Intra-Regional Trade and Business Development

A conclusion to be drawn from the examination of the region's economic interdependencies is that while there is little likelihood (or merit) in trying to deliberately alter the relative positions of the SADCC economies vis a vis the RSA, there is a logic to the concept of working toward reduced dependence, e.g. where current high cost South African linkages could be diminished by SADCC investments (regional and/or national) or where regional markets could be enhanced for SADCC countries by 'trade diversion' from the RSA. The first necessary step is for SADCC countries to improve their general export competitiveness. SADCC countries now carry out very little trade amongst themselves. Nor are business linkages extensive. The barriers to such relationships inhibit market performance and impede business development. They also add to financial burdens on both governments and consumers, particularly where para-statal organizations or protected industries have had to be maintained to ensure availability of a particular product or service.

There are almost no figures on the current level of intra-regional trade not involving the RSA. It can be assumed that it is minimal. A central factor in this is the accessibility of financing, which means foreign exchange and export credit. While domestic and international mechanisms exist for funding such trade, they are generally inadequate or inappropriate to intra-regional demand. The commercial banking system tends to provide credit for commodities well established in the world market where there is less financial risk. Banks become less secure, and thus less willing, to lend for less goods being shipped to less familiar markets. Monetary policies in the countries involved also limit the extent to which banks can do business in such transactions. The current foreign exchange constraints in much of the region severely restrict the availability of financing for trading. Allocations by commercial banks and by special government created facilities in such circumstances are prone to go with the least risky transaction. Rarely is this a new venture. The problem with international financing sources is that they prefer to deal in larger transactions involving bulk shipments of traditional commodities such as copper, coal, cotton, etc.

The financial structure in southern Africa is ill-equipped or prepared to assist in the promotion of intra-regional trade. The recent signing by most countries in SADCC of the East and Southern Africa Preferential Trade Agreement will have little effect unless businesses can get the financing to move their goods and to buy from other countries. Preliminary discussions have occured between A.I.D. and the International Finance Corporation (IFC) concerning the establishment of a new trade financing facility to overcome this constraining influence on trade expansion. The focus would be on non-traditional exports, which include manufacturers and capital goods. It would be established on business criteria and be designed to operate at a profit. A similar regional trade facility is functioning in Latin America with IFC assistance.

The regional program will also be used to work on other constraints on development of private sector activity. SADCC is preparing an important and perhaps telling study on the rationalization of industrial investments in the region. It is anticiapted that opportunities will arise from deliberations on the study's conclusions. These will reportedly hit hard on the issues of regional competitiveness and comparative advantage. A.I.D. and U.S. business expertise and investment should be able to play a positive role in offering assistance. It is hoped that the previously proposed international advisory committee on business and trade development will be able to assist in identifying ways to promote a more effective private sector contribution to the region's development.

H. Facilitating Technology Transfer and Information Management

One of the great waste areas of development has been the failure to disseminate and share knowledge. Donor organizations have found it difficult to exchange information on results and experiences for similar types of activities. This is both within and among such organizations. Access to technologies is difficult for planners and implementors.

The systematic identification, collection and dissemination of data, evaluation results, studies and general development information and technologies can bring efficiences and avoidance of costly mistakes tried elsewhere. A.I.D. recognized this in 1978 and began on its own a regional project, the Southern Africa Development Information/Documentation Exchange (SADEX), to prepare for the eventual institution building and networking of information management in southern Africa. That project has developed considerable interest within the region.

The southern Africans have been investigating the establishment of their own system to gather and make available information on development technologies. SADCC is expected shortly to approve proceeding with the Southern Africa Development Information Systems (SADIS) which would involve a central administrative unit and a linking together with computer technology of national information systems. This program would start by creating national capabilities or improving them where they currently exist. Secondly, it would establish linkages with other information data banks and organizations to ensure ready access to their resources. It is unclear yet what assistance will be required of donors and what the U.S. will propose. It is, however, an area where the U.S. has considerable resources and experience which could be of immense value. The existence of such a system would also be highly useful to our assistance programs in the region by providing ready reference to the technologies and experience applicable to various program components.

VI. RELATIONSHIP OF REGIONAL PROGRAM TO BILATERAL STRATEGIES

U.S. goals in the region should be pursued first and foremost at the country level. This is where Embassies and A.I.D. programs are best able to carry on policy dialogue. Implementation of more highly focussed assistance strategies is also best done at this level. Because of this precept, it will be an operating principle of the regional program that, in considering and designing projects, full cognizance be taken of how such projects complement with bilateral strategies. Bilateral programs likewise should identify where and how nationally funded activities can support accepted regional objectives. This reinforcement effect between regional and national programs should be a continuing goal of U.S. assistance in southern Africa.

A regional program should, to the maximum extent possible, complement development objectives and strategies of bilateral programs in the same region. It should in no case be a substitute for bilateral assistance where such programs exist or where national approaches to problem solving make more sense. At present A.I.D. has bilateral programs in seven of the nine SADCC countries. Assistance strategies in these countries vary according to local conditions and reflect the results of analyses and conclusions largely completed by Missions prior to the advent of SADCC. Bilateral programs have been drawn up to address the most appropriate priorities, in terms of available resources and A.I.D.'s overall policy foci. As a consequence there is no immediate neat fit among these strategies.

This might be considered a handicap for designing a complementary regional program. However, there are sufficient areas where development problems being addressed bilaterally can be reinforced at the regional level. The benefit of a regional approach is that it can, in some instances, address problems more cost effectively or problems which are more easily handled in a coordinated multi-country context. Since there is no plan to institute any supra-national bureaucracy by A.I.D. or SADCC to implement regional activities, it is important that consideration be given to bilateral Mission workload and capacity. Efforts will be made to ensure that regional projects are designed to minimize the impact on Missions' staffs. There may, however, be instances where a project is of such importance that the Agency will have to consider providing additional staff resources to assist Missions. In some cases pieces of a regional program may be executed nationally to form a multi-country "mosaic".

The regional strategy identifies a number of areas to be supported which are believed consistent with overall AID objectives and policies and the general directions of bilateral assistance efforts in southern Africa. Not in order of priority, they include increasing agricultural productivity, promotion of intra-regional trade/business development, management training in key areas, technology transfer, and improved efficiency of transportation.

The areas of greatest or most direct complementarity to bilateral programs are in agriculture and manpower. It has been proposed that the regional program act as a coordinating mechanism for CDA initiatives in agricultural research. It also will be supporting elements of the SADCC food security program. Training of managers and administrators of agricultural organizations will help ensure more effective implementation of projects and use of previously assisted institution building. Likewise, support for rationalization of higher level agriculture training can lead to considerable savings in bilateral projects if specialized training opportunities exist at lower cost within the region. The regional program is already supporting the process of dialogue and co-ordinated planning within southern Africa through the grant to fund seminars and workshops and the establishment of three Consultative Technical Committees on research, extension and agri-cultural economics. This will establish the institutional foundation for a better exchange of knowledge and experiences. These Technical Committees should support bilateral efforts to get governments to address a range of problems in increasing agricul-tural productivity.

Assistance to upgrade regional capabilities to provide management training should also reinforce most bilateral initiatives. Training programs will be directed to priority development needs in not only agriculture, but also health, education, private enterprise and others if a clear priority is apparent. All bilateral strategies identify manpower as a pervasive constraint and a number focus on management in particular as an area of need. Manage-ment deficiencies impede development across sectors and in both the public and private arenas.

Support for technology transfer and information sharing is anti-cipated through assisting SADCC in establishing a regional develop-ment documentation and information system. This type of activity would be less directly supportive of bilateral programs, but nevertheless, provides a useful and needed resource to improve overall development performance. Certainly better access to tech-nologies and the experiences of other countries will have a positive impact on individual country planning and implementation in all areas.

The emphasis placed by A.I.D. on assisting private sector development has not yet been incorporated into all bilateral programs. It is assumed that there will be increased efforts to address this important means to growth. The regional program proposes to assist in the establishment of a financing facility to promote intra-regional trade. Opportunities will also be sought to encourage and assist private sector development in manpower training.

VII. MANAGEMENT MODE, FUNDING AND STAFFING

Management of the Southern Africa Regional Program is currently bifurcated. Some components of the program are managed in AID/W by the Africa Bureau's Southern Africa office (AFR/SA) while others are managed in the field. In part, this reflects the nature of the activities and in part an incomplete transition. Until late CY 1981 AFR/SA had a staff of three full-time professionals working on the regional program. AID/W staffing reductions precipitated a decision that a field position for a Regional Development Officer (RDO) would be created and the AFR/SA staff reduced to only one full-time position. Program responsibilities were then split between AFR/SA and the field. AFR/SA retained day-to-day management responsibilities for the Special Self-Help, Human Rights, and the Program Management and Research (PM&R) activities and for the training project for disadvantaged South Africans. The rest of the program, consisting of on-going and planned development projects was transferred to the field with the assignment of the RDO in October 1981. Overall field responsibility rests with the Director for USAID/Zimbabwe.

All activities under the regional program are at least partially carried out in a national context, with some necessary workload for bilateral missions where they exist.

Since the regional program now has no staff of its own beyond the RDO mentioned above, it must rely partially upon Zimbabwe Mission staff, various regional services personnel from REDSO/EA and from among those assigned to southern African bilateral Missions. Use is also made of AID/W TDY assistance and contractors. Inputs from these sources are coordinated by the RDO. In planning and selecting regional activities it becomes important that management implications be taken into full consideration at an early stage. Activities must be complementary to existing and planned bilateral programs and, to the extent possible, designed to be implemented in ways which minimize their additional workload for bilateral staffs. Instances must be anticipated where the additional workload will be beyond Mission capacity to handle efficiently. In such situations the importance of the project must be weighed against the staffing need. One such instance has already occurred in Zambia where a road project under the regional program required the assignment of a USDH engineer, because of the road's economic importance.

Based on the short experience to date on operating the regional program with this management mode, it is believed that it now offers the most efficient approach. The projected growth of the program should not alter this before FY 1983 since it is planned that project activities will be confined to a select number of areas and not be allowed to expand. The strategy does propose, however, that A.I.D.'s capability to carry out economic analysis in the regional context be expanded. While part of the intent in this proposal is that bilateral economic staff capabilities be improved, it is also recommended that an economist be hired under contract to work directly with the RDO. The economist's duties would be to assess the region's economies in a macro sense to ensure that national economies are pursuing realistic and compatible directions and that the countries, through regional cooperation, are making investments which make long-term economic sense. The economist would also examine particular priority concerns such as savings through more efficient transport and the potential impact of intra-regional trade.

A. Proposed Assistance Planning Levels

		FY 83	FY 84	FY 85	FY 86	FY 87
1.	Agricultural Development	7.5	7.0	15.0	15.0	15.0
2.	Management Training	4.0	3.5	5.0	5.0	-
3.	Transport/Storage	-	3.5	5.0	5.0	10.0
4.	Technology Transfer					
5.	Intra-Regional Trade/Business Development	5.0	3.0	5.0	5.0	5.0
6.	SADCC Feasibility/Economic Studies	.5	.5	.25	.15	.15
7.	Training of Disadvantaged South Africans					
	ESF	3.5	6.0	7.5	7.5	7.5
	EHR (DA)	3.0	-	-	-	-
8.	Private Enterprise	.75	1.5	-	-	-
9.	PMR	2.05	1.3	2.0	2.0	2.0
10.	PVO	1.5	1.0	1.0	1.0	1.0
11.	Special Self Help	.6	.6	.6	.6	.6
12.	Human Rights	.1	.1	.1	.1	.1
	Total ESF	27	30	41.45	41.35	41.35
	EHR	3.0				

B. Assumptions Regarding Proposed Funding

The above table represents the AAPL levels provided for preparation of this strategy. The strategy, however, makes a case that southern Africa is a strategically important region in the midst of an economic crisis which threatens its stability and thus U.S. interests. It calls for consideration of an increase above planned levels of assistance for both the bilateral and the regional programs. Consideration also has to be given to the possibility that new assistance efforts are going to be required for Namibia and perhaps Angola and Mozambique during the life of this strategy. There is no way to project these requirements. However, there must be awareness, and acceptance, that substantial additional funding needs are likely for the region. The regional program can play an important role in the beginnings of some initiatives but it is not a substitute for bilateral assistance increases. Nor is it realistic to assume that the regional ESF funding levels can provide the resources for initiating new bilateral programs. As it is, the regional program will be extremely constrained by the funding levels prescribed. This will be even more so if relations with Mozambique improve and the regional program can be used to respond to the very high priority constraints in the transportation sector. This is in fact assumed in the table but at levels far below what will be required.

ANNEX

SOUTHERN AFRICAN ECONOMIC LINKAGES

Introduction

Regional economic links between South Africa and SADCC countries take many forms. It is not possible to review them all and (categorically) estimate their summed values to the various partners concerned. Nor is it feasible, therefore, to accurately measure the direction of change in this area. And even more problematic is the objective of defining the changing overall balance required to establish an "optimum relationship".

Consequently in the first instance, the focus must be on obtaining a reasonably accurate impression of the character and significance of actual economic linkages. In some spheres (e.g. trade), monetary values can help (albeit incompletely) to specify the importance involved. In other areas not even a crude measure of value can be found or would suffice to "explain" linkage significance, e.g. the impact of limited locomotive supply to Zimbabwe in 1981-82 or the value of cooperation in regional rail transport coordination on the South African Railways (SAR) system.

Exports and Imports

Exports and imports of goods form a basic fabric in southern African inter-state economic relations both at intra-SADCC and RSA/SADCC levels. Commercial exchanges in the region reflect comparative advantages as well as market opportunities within the pre-established policy framework as conditioned by the availability of external finance and the cost of alternatives.

Unfortunately, the regional trade regime is not one easily amenable to in-depth and up-to-date evaluation. Considerable secrecy shrouds much basic data on exports/imports, commodity composition, terms of exchange and the direction of trade.

Notwithstanding data limitations, the scale of commercial transactions between SADCC countries and RSA is known to be not insignificant. Trade covers capital goods, raw materials and intermediate products as well as consumer goods and selected strategic items (e.g. petroleum products). Furthermore, there is little doubt that RSA/SADCC trade values much exceed those for intra-SADCC trade, estimated by ECA for 1979 at around $50 million. This represents a minute portion of SADCC's total trade, put then at $4.124 billion.

Trade in Southern Africa has been built not only on the basis of formal agreements (e.g. the South African Customs Union and the RSA-Zimbabwe Preferential Trade Agreement). It also rests on inter-governmental bilateral contacts (e.g. in the case of Mozambique), widespread corporate business relations and cross-country experience in the private sectors of the region. The fairly robust nature of existing trade mechanisms is evidenced in their longevity and survival during major upheavals, against established diversification policies in many SADCC countries and in the fact of other difficulties which have confronted intra-regional relations.

Indeed, that RSA's trade (on the export and import side) has grown with Africa is a widely acknowledged reality, reflected probably only partly in published data (e.g. released in IMF International Financial Statistics, relating to $1 billion exports and imports, 1980). Periodic disclosures of covert trade deals between RSA and African countries continue to surface from time to time. No attempt is made here to construct a contemporary trade flow matrix. Yet it is useful to recall some of the salient features of trade magnitudes in RSA/SADCC relationships. Even a cursory review illustrates the importance which trade holds for SADCC countries.

Zimbabwe's exports to RSA for 1980-81 were valued at $262 million, 20% of its total exports. This trade has been expanding despite trade agreement difficulties and is of special importance to manufacturers. Imports from RSA, on the other hand, vital to capital goods users, were valued at about $270 million in 1981.

Mozambique is reported to be heavily engaged in RSA trade, particularly on the import side. There is also an important invisibles component.

About 90% of Lesotho's exports go to the Republic with a higher share constituting imports. Lesotho's trade dependence on RSA is pervasive.

Botswana is only slightly better placed than Lesotho on the import side. However, it manages to move 80% of its exports to non-RSA markets (but via RSA).

Zambia's trade requirements vary periodically, if somewhat erratically, in the cost of RSA trade. But in selected years (for food and fertilizers particularly) trade flows have been substantial. In 1980 RSA exports to Zambia were worth $153 million, making RSA the second largest supplier after the U.K.

Malawi built up a strong trade link with RSA in the 1970s. It now has around 25% of imports provided by RSA (exports taken by RSA measure only around 5%).

Neither Angola nor Tanzania have important trade links with RSA. In the case of the former this affects a potentially major consumer of Angola's petroleum sector. As for Tanzania, "normal" trade conditions would probably only permit a unidirectional trade flow.

From a strategic perspective, trade-connected SADCC countries may be inclined to partially de-link themselves from the RSA market. New export markets and (lower cost) import sources are important economic prerequisites. This policy appeals to "regionalism" and may even in part in the short-term be conducted at the expense of RSA exports (e.g. in the limited case of "trade diversion" by Zimbabwe). More unlikely, however, is this to be the case on the import side (e.g. SADCC's export front).

Because of a structural regional balance of payments disequilibrium, most of the difficult choices lie with the SADCC countries. Yet, it is not inconsistent for this group to adopt intra-SADCC trade maximizing strategies at the same time that each country, on the basis of perceived national interest, conducts its own necessary business with RSA. This is in fact the position in most instances.

Equally, the comparative magnitudes and character of RSA/SADCC trade - with the rest of the world and each other - should not permit the illusion that major short-term changes in RSA/SADCC trade volumes and/or composition could be absorbed or accomodates without cost. The future of intra-SADCC trade relations do not particularly depend, therefore, on links with RSA. On the other hand, RSA could potentially affect these economies and hence the basis upon which such intra-SADCC trade links might be built.

Invisibles Transactions

Commodity trade flows are only one side of commercial exchanges in southern Africa. A substantial set of invisibles transactions are also found.

Because the region is an important export area and many states are landlocked, while SADCC ports cannot at present cope with all commodity trade, there are necessary shipment and services payments tied to the use of RSA ports and freight facilities - to SAR, for example, for rail costs on South African routes.

BLS* use of RSA harbours is extensive. These ports are equally significant for the non-RSA destined exports of Zaire, Zambia and Zimbabwe. Hence port dues are liable for the use of those services as well as for inward bound commodity flows which transit South Africa via its ports in order to reach hinterland destinations.

Travel expenditres form another part of RSA/SADCC financial flows albeit much less so with the non-neighboring countries. This item not only covers tourist outlays but an important element relates to business travel expenditures.

* Botswana, Lesotho, Swaziland.

Investment income flows are found in a number of cases, particularly for RSA links to Zimbabwe (where substantial South African assets are found), BLS, Zambia and Malawi. These transactions generally favor RSA receipts although there exist asset-holders in these economies with dividend and interest claims on RSA. Investment flows are augmented by remittance allowances (including capital, interest and pensions), permitted variously under Central Bank Exchange Control arrangements to former residents of the different SADCC countries.

Consultancy and service contracts are also important items in the invisibles flows, again particularly in the BLS countries. Typically, these are for technical work, often in infrastructural sectors (e.g. for the contract RSA's Matrolab has with Botswana Power Corporation for investigatory site work and borehole drillings in connection with the Morupole Power Station). Other important instances, notably in Botswana, concern mineral exploration although the tendency is more and more for RSA mining concerns to establish local subsidiaries for such operational purposes.

While it is difficult to pin down precise estimates for these items on a country-by-country basis, they undoubtedly represent important sums in aggregate and essential transfers tied to trade transactions, agreements, business conduct, tourism and on-going statutory obligations.

South African Customs Union Agreement (SACUA)

The SACUA linking BLS countries and South Africa originated in 1910. It functions as a major trade policy instrument in the region and shows little sign of being dissolved in the short-term. Indeed, the SACUA has recently been undergoing renegotiation to improve the revenue-sharing formula in favor of the BLS economies. Meanwhile these countries are being attracted into the 19-country eastern and southern Africa Preferential Trade Area (PTA) scheme, now having 11 signatories in all (including Lesotho and Swaziland) and providing by way of a Special Protocol favorable but time-specific accession terms for SACU-linked countries.

The formal provisions of the Agreement cover, inter alia, intra-regional free trade provisions concerning duties, tariff harmonization, consultation requirements, industrial protection, non-discrimination in transport rates, and the applicable revenue-sharing formula.

Inevitably, positive and negative effects of the SACUA can be identified and it is difficult for a strict cost-benefit approach to be used in adjudication. For instance, the increased price-effect on Lesotho's import bill is believed (by some sources) to be as much as 14% and industrial growth may well concentrate in South African as a result of SACUA and other considerations. Yet Lesotho shares in sizeable revenues which go directly to government and support a large share of budgetary operations.

Indeed, it is the relatively lucrative character of the SACUA revenue flows which provide its attractiveness to the BLS economies making for some reluctance on their part to extricate themselves from a certain arrangement and substituting others (bi- or multi-lateral, e.g. the PTA) which hold greater risk if considered alone.

Taking cases in point, Botswana's revenues rose from Pula 28 million in 1974 to Pula 102 million in 1981 (the last year's revenues alone being 20% up on the one before), this being of significance in an economy with GDP at Pula 550 million.

The share of customs union revenues in Lesotho in 1982/83, for instance, is estimated at Maloti 65 million out of total government revenues of Maloti 110 million.

Swaziland is not much less dependently placed. It has budgeted for receipts of $ 119 million in 1982 (compared to $ 61 million in 1981). Swaziland's bigger corporate and individual tax base is also built on the presence of a significant number of RSA enterprises.

It is expected that BLS Customs Union receipt for 1983 and beyond will rise substantially as a result of adjustments to the formula under the renegotiated agreement. This is a mechanism with considerable elasticity which RSA could use to transfer resources to BLS countries without incurring a direct aid profile.

SACUA inflows should be interpreted as having a number of impacts. Fiscal capacity is probably higher than in their absence under a national tariff structure. These funds enhance domestic public savings and investment. In Botswans's case the Rand flow acts as a sizeable strong currency source for import procurement.

This is not to say, however, that better trade arrengments for BLS countries could not be envisaged in future; or significant improvements made to a re-negotiated Agreement; or even that bargaining capacities could not be strengthened with external assistance. Indeed, some of the negative features of the trade regime operating - from the BLS viewpoint - relate to non-trade aspects, e.g. their product competitiveness in RSA markets as influenced by increases in SAR transport costs and changes in air freight tariffs.

Even with the development of bilateral trade links inside the SACU zone, and a weaning away period introduced to allow BLS accession to the eastern and southern Africa PTA, scope will still exist for certain RSA enterprises based in the BLS countries to export on preferential terms to other African markets, notably SADCC signatories. This arises from bilateral arrangements and because the Special Protocol provisions governing BLS accession to the PTA Treaty will provide more relaxed "terms of origin" rules at the outset, which will progressively tighten over a decade, in order to permit the transition envisaged without debilitating disruption. The "openness" of BLS countries under the SACUA makes this not only unavoidable but indispensible to the success of trade strategy.

On the other hand, changed bilateral relations with RSA could provoke diminished linkages in one country which over time find effective substitution in the building-up of other links. This has appeared in its nascent, trade form in respect to the Zimbabwe-RSA-Botswana triad. Zimbabwean enterprises with critical RSA export markets are increasingly inclined to open up Botswana-based subsidiaries in order to cope with export markets to the Republic. This provides a means of more secured entry and a protection against future disruption of preferences (or even trade) operative between Zimbabwe and RSA.

Equally, it needs to be remembered that BLS countries have in the past acted differentially on trade matters with non-SACUA members of SADCC, e.g. when in 1982 Botswana introduced a 10% levy on imports from outside the SACU area.

Trade Agreements and Policies

A major (bilateral) Preferential Trade Agreement (PTS-Z) relates to Zimbabwean/RSA commerce and has significance for Zimbabwe's manufacturing sector.

In 1981, however, South Africa served 12 months notice of intent to end the PTA-Z. Reportedly under persuasion from the US government, RSA finally relented and accepted continuation of the PTA from March, 1982.

In the case of the "extention" granted it would appear that the existing Agreement has only been temporarily prolonged, pending re-consideration and future re-negotiation. Consequently, the favorable terms granted Zimbabwe (viz. specified product quotas, exemption from surcharges and other preferences) will remain for the moment, but, so it seems, these will inevitably be modified.

A re-negotiated Agreement would potentially posit economic difficulties for Zimbabwe. New trade agreements entered into by Lome II Member States with third parties technically require EEC-ACP ratification under the Convention. In this case the ACP side could prove unwilling or might at least introduce an unknown element into the already complicated state of Zimbabwe/RSA bilateral relations.

More problematic, and such is the significance of the RSA market, a failure to successfully operate under some form of trade agreement could potentially set back Zimbabwe's industrial sector - notably manufacturers dealing with tobacco, textiles, clothing, furniture, footwear, radios, travel goods, radiators, exhaust systems and pharmaceuticals. The output, profits, foreign exchange and employment losses associated with PTA termination would be substantial, as is now more widely recognized in Zimbabwe.

So there are important lessons for Zimbabwe and SADCC in this experience. Precipitate trade disengagement is clearly an expensive business with substantial inter-sectoral and long-term ramifications. In Zimbabwe's case the PTA props up perhaps the only sizeable and efficient industrial sector outside the Republic and south of the Equator in Africa. Its demise, if it occurred, would cost dearly both to Zimbabwe and other SADCC countries which have growing import manufactures dependence on that country.

Beyond bilateral terms there are trade strategy choices over export market linkages to be addressed. SADCC countries may well have preferred access to EEC markets even for industrial goods (which only Zimbabwe is really capable of taking advantage). But major growth in trade opportunities (intra-SADCC only offers limited scope) also lie in Southern African markets. The problem has a number of dimensions. If SADCC cuts itself off from RSA trade, to the extent that this occurs, potential export markets will have been reduced and possibly higher import costs incurred.

The only significant qualification concerning the latter aspect is that limited "trade diversion" could take place. Thus Zimbabwe (probably the only realistic case) might gain by taking over the supply of markets previously provisioned from South Africa. On the other hand Zimbabwe's import capacity and regional import growth prospects are themselves limited and could never match

South Africa's. So most of the gains would be unilateral and there is most probably some likelihood of net economic loss.

The extent of trade de-linking and its pace will have direct effect on adjustment costs. Slowly phased adjustment could thus be viably entertained. Yet this should probably best be considered, from SADCC's viewpoint, as imploying increased absolute values of intra-SADCC trade rather than necessarily reduced shares of RSA trade in total flows. The establishment of formal criteria in this area is beset with difficulties and could well interfere with the maximization of benefits from commercial exchange.

In other SADCC countries apart from BLS and Zimbabwe formal trade agreements with RSA do not apply. But RSA is an important trade partner in Malawi and Mozambique as well as Zambia (where RSA maize exports were valued at $ 55 million for 1980). Angola and Tanzania have few direct trade links with the Republic. The former in particular has considerable potential to trade with RSA.

The commodity composition of RSA/SADCC trade - primarily food (maize particularly but also other perishables), spare parts, mining equipment and machinery, fertilizers, prefabricated structures and industrial goods - makes it of much significance to the importing countries. Exports to the Republic, however, are far more circumscribed in scope and most countries function with a negative current account for RSA-destined transactions.

SADCC countries moreover have the desire to strengthen their own bilateral trade links. A number of trade agreements have been struck to this effect (e.g. Tanzania/Mozambique) and bilateral Joint Commissions have been set up in various instances (e.g. Angola/Tanzania, Botswana/Zambia and Zambia/Mozambique) to treat with trade as well as other regional arrangements (e.g. communications, transport, tourism and banking).

The amount of inter-country consultative activity has been considerable and is probably mostly essential to the development of durable links. One notable feature is that more often than not these liaisons, meetings, conferences and discussions (both bilateral and multilateral) involve principally governments, ministries, public sector institutions, parastatals or quasi-governmental bodies. Ministers, advisers and officials form the constituents of the meetings. There is a sense, therefore, in which the region's private sectors barely participate in the developing arrangements, let alone in their formulation. In consequence a "private sector mirror" of SADCC could itself constitute a prime area for bilateral/ multilateral assistance programs directed at involving business, trading organizations and companies in regional cooperation - either in country-to-country (all private sector) discussions or multi/bilateral private-cum-public institutional fora. The Same principle therefore could be adopted for trade, inter-country banking, hotel and tourist industries and other sectors. In trade spheres as in others, the private sector could complement SADCC initiatives, harness a fund of practical experience and probably lead to strengthened commercial ties in the region. Moreover, these initiatives would provide a business dimension to southern African affairs which is now greatly lacking.

Investment (Direct Private, Portfolio and Public)

South Africa is not only or simply a recipient country for overseas investment but a major regional base for markets and business operations. Combined with this feature, South Africa has in the past acted as a source of investment - not only for direct private investment capital but also portfolio funds (e.g. placed on the Zimbabwe Stock Exchange) and public sector loans and credits.

This role developed rather automatically on the basis of the earlier Protectorate status applicable for the BLS countries, when Mozambique and Angola were still provinces of Portugal and during the Federation period in Central Africa (1953-63) as well as thereafter in Rhodesia before Zimbabwe's Independence in 1980. The underlying investment supply relationship has nonetheless survived political changes. The BLS states, Zimbabwe, Zambia and Malawi are all zones in which South African investments are found to be significant.

While RSA investments are virtually non-existent in Angola and Tanzania, they are found in Mozambique. Such ventures also appear to be continuing, e.g. with a RSA-backed scheme to produce ammonia from natural gas to make fertilizer for RSA due in 1983.

Direct. Private and Portfolio Funds

Understandably, the investment situation is also one which is constantly changing; yet it is worthwhile recalling the size and impact of these investments (taking the case of Zimbabwe), and to distinguish the various different forms of investment placement applicable.

The most recent (albeit crude) estimates for 1979 suggest that of the private capital stock of around US$ 3,400 million in Zimbabwe about 24% had direct South African origin, i.e. US$ 816 million. In current price terms at replacement cost, the sums would be even higher. The Republic's share of total foreign investment thus probably ranges around 30-35%, a share size which cannot really be ignored.

Moreover, existing investments in Zimbabwe by South African owned or operated firms are important in all productive sectors but notably in mining, manufacturing and agriculture. Of singular significance are the investments of Anglo-American Corporation (Zimbabwe), controlled from Bermuda with a 47.5% stake held by Minorco, the international company directed by Mr. H.O. Oppenheimer.

Anglo-American is not the sole interest in Zimbabwe or its mining sector even though it is also widely spread elsewhere in southern Africa. Messina (Transvaal) Development Ltd., Asbestos Investments (SA), AE & CI (SA), JCI (SA) and many others have substantial operations in mineral and allied industries.

The AAC (Zimbabwe) corporate pattern is both complex and considerable, covering the strategic Wankie Colliery, Hippo Valley Estates, agricultural enterprises, Zim Alloys, nickel and copper ventures, investment companies, a merchant bank subsidiary, and other financial institutions (including Founders Building Society). Similarly, MTD is heavily involved in mining, investments, motor industries, finance and property. The size and significance of mining operations is, therefore, largely mirrored in the industrial and tourism sectors.

South African portfolio investments on the Zimbabwe Stock Exchange are equally substantial. Many quoted stocks are for South African owned companies and RSA-held shares are a sizeable element.

This involvement elaborated for Zimbabwe is not unique. It is also replicated (albeit less prominantly) in Zambia, notably for the copper and mineral sectors. Morevoer, there are major South African business interests in minerals, forestry, agriculture, banking, insurance, industry and tourism in the BLS countries and Malawi as well.

In the case of Zimbabwe, however, there has developed a "dis-investment" trend on the part of South African firms. This has been concommitant with a "de-linking" process undertaken by international firms based or headquartered in the Republic. In the former case RSA companies (e.g. Nedbank) have been selling their Zimbabwean operations via equity transfer to local (private or public) or international interests. While this corresponds broadly to Zimbabwean government desires, the situation probably blocks the flow of much potential new investment funds from RSA to companies already with South African equity.

In the case of international corporations many have decided to sever their RSA/Zimbabwe linked operations (e.g. Ciba-Geigy). Others have downgraded the former pre-eminence of RSA head-quarters in decision-making, either replacing this role by activities from UK or US companies or else up-grading the local enterprise.

Still other essentially Southern African firms have attempted to sell equity to government. Not all have been successful (e.g. Anglo-American Corporation) and a similar fate was experienced by Union Carbide in its equivalent tender of equity.

Even if RSA dis-investment from Zimbabwe continues to occur it will take quite considerable time for the RSA stock of investment capital to be diminished through market-oriented transfers to new owners. For one thing, the public sector supply of acquisition funds must be estimated as limited. Already government faces a sizeable deficit on budget current account, is heavily committed in the loan sphere, and can hence only engage in limited, probably selective market-prices transactions. This problem is, however, much diminished by the low share quotations on the Stock Exchange - probably in most cases below net fixed asset values.

The private sector faces similar constraint (notably for foreign exchange). Many investors would probably only be attracted if RSA equity was floated at considerable discount and at the same time there were assurances forthcoming about the future place of the private sector in Zimbabwe.

International corporate acquisitions of RSA holdings, on the other hand, continue to be seriously restrained by investment risk appraisal. Zimbabwe's economic policies currently provoke perceptions of long-term uncertainty for foreign investors while limited financial returns for external shareholders derive from present dividend remittance policies.

Investment linkages, therefore, thread a financial and economic pattern of regional interdependence which is deeply rooted. Although, as shown in the case of Mozambique and Angola, earlier established patterns cannot be considered inviolate to change, it has only been where strongly non-Western interests have predominated that existing relationships have been substantially reduced in importance.

Public Bilateral Liabilities (Loans and Supplier Credits)

In the public domain, too, various SADCC governments retain public debt obligations which are still outstanding with the Republic.

The full extent of public loan commitments is difficult to document. At least Malawi, Zimbabwe and BLS countries have such obligations. The ramifications relate not only to the fact of borrowings on external account but budgetary policy and the future schedule of anticipated amortisation payments.

The full extent of outstanding liabilities (principal plus interest), terms of loans and maturity structure of the debt are not known.

At Independence, however, Zimbabwe acknowledged liability for its South African debt (excluding arms purchases). It is believed that this acknowledgement is still current. The value of supplier credits is not known. Some private obligations may well also be in existence.

Malawi took direct official loans from RSA during the 1970s and also held supplier credit obligations. As of 1976 outstanding supplier credits due were fairly small ($53,000) while private debt stood at $ 7 million and bilateral commitments came to $19 million.

Swaziland has utilized RSA supplier credits in the past. Its official loans have mostly been with the UK and USA. Additionally, it depends to some extent on cover provided through the Credit Guarantee Insurance Corporation in RSA.

Lesotho has had, until last year, fairly low debt debt obligations since it is heavily aided and does not normally approach the market for commercially-rated funds. However, in 1980/81 Lesotho borrowed in the commercial markets to a degree that debt service is rapidly becoming a problem. As of 1976, it had a small outstanding private debt of $ 350,000 with RSA and official bilateral monies due were only $ 290,000.

Botswana only held supplier credit obligations ($ 23,000) and privately placed bonds ($2.1 million) with RSA as of 1976. This position could well have altered in the interim.

No record has been found for Mozambique and Angola but it is presumed that liabilities are primarily restricted to small sums for supplier credits. In the case of Mozambique it is not impossible that other funds could be involved in respect of services contracts, SAR+H operations and railway connections.

While loan funds contracted must be assumed to have financially helped SADCC countries, these sums appear not to have been relatively large either in aggregate nor against total external obligations. Most SADCC countries (Angola and Mozambique because of unwillingness to join Lome II and accept the "Berlin Clause", are exceptions), probably have little difficulty in accessing both official (multi- and bilateral) and private loan markets.

Moreover, Botswana and Lesotho fall into the Least Developed Country category. They are thereby favored by certain aid donors (e.g. West Germany) which offer low interest loans, long period maturities with sizeable grace periods, and often the prospect of mid-term debt re-scheduling or write-off.

For developing countries, however, loan terms are hardening (even from IBRD and IDA). The Eighties will inevitably usher in a period of more stringent loan requirements.

The SADCC group is nonetheless able to access Gulf monies and institutions (e.g. Saudi Fund, BADEA and the Kuwati Fund). These institutions have become more active in African loan finance although disbursements are still relatively modest in southern Africa. Angola and Mozambique's standpoints, however, appeal far less to the disposition of the bulk of Arab financial institutions.

It is probable then that few significant new RSA/SADCC country loan arrangements can be foreseen. These will tend to be related to conventional loan recipients. More likely, there may continue to be use made of supplier credits for trade contract finance and as occurs now inter-company (parent-subsidiary) cross-border private placements will continue.

Development assistance agencies could nontheless help in various ways in loan policies towards SADCC countries. One such measure (based on the $ 50 million US Commodity Import Program for Zimbabwe, 80% linked to private sector import procurement) could even be related to intra-SADCC area (or specified country) private trade. This could help overcome current foreign exchange difficulties, stimulate trade and have a direct effect on regional business development.

Companies

Investment links provide one perspective on the linkages present in southern Africa. These are mostly cross-country private sector relationships although important private/public sector arrangements and agreements are found (e.g. in Zambia's semi-nationalized copper industry and the joint-venture Debswana mine in Botswana).

Most investment funds pass through corporate structures and only a small portion rests in the hands of private individuals. This immediately widens the scope of common interest on both sides of the divide since equity holdings are usually dispersed in some degree. In consequence, a wide business and investor constituency exists which is directly or indirectly affected by the existence and successful operation of corporate ventures and investment in the region.

Given that South African owned or operated firms in SADCC countries must comply with both domestic law and public policy - which often includes localization practices - there are sizeable numbers of private and public sector officials having connections to such enterprises. This is found amongst management and executives as well as at Board level.

Nor are company links only inter-firm in nature. De Beers for example, which has a 50% share in Debswana, effectively regulates diamond sales and stockpiling policies from its RSA headquartered operations.

Corporate relations across the RSA/SADCC boundary are typically backed up by various supply, trade, technical training or management arrangements. It is not a usual practice for subsidiaries to be wholly independent or act outside the common organizational interest. In mining industries in particular there still remains considerable interchange of personnel and perhaps more important exchanges in the sphere of equipment supply and technical know-how. Manufacturing, and to a lesser extent banking services, act with similar (but sectoral-specific) connections.

It would be an imprudent government, therefore, which sought to impair these operating links in the absence of alternative cost-efficient substitutes. The latter could not be anticipated in all cases to be available in the short-term at zero cost and could even be excessively expensive in certain spheres, e.g. R + D, adapted technologies, mining techniques and equipment, patents and licences, and on-call financial facilities.

On the technical side, it needs to be acknowledged that South Africa stands largely apart from the SADCC group (except Zimbabwe in selected instances). This is evidenced by its annual outlays on R + D university-backed research capacities and industry innovation rate.

The above observations are relevant across a wide range of activities - e.g. veterinary and crop science, medical treatment, fertilizers, energy technology, machine utilization, and so on.

The severence of corporate links, therefore, does not merely imply a potential change in financial flows. Corporations normally provide more than merely funds. The establishment of replacement arrangements for in-place institutions would require commensurately greater cost than that reflected only in accounting terms.

A not insignificant number of quoted companies listed on the Johannesburg Stock Exchange, and South African firms listed on the ZSE, are actively engaged in more than one SADCC country. Regional prosperity is, therefore, an element in corporate viability and in their shareholders' position.

Nor are corporate shareholders merely South African - either by citizenship or locus although for the majority of JSE counters this must surely be the case. The BLS countries, Malawi, Zambia and Zimbabwe all have residents and/or citizens holding equity on (and receiving dividends from) the JSE or in RSA companies quoted on the JSE. This fact distinguishes the six above named economies from others in the region. Finally, major institutional investors are increasingly constituted by Pension Funds which themselves have become more applicable to a wider group of SADCC citizens.

Banking and Financial Institutions

Banking and financial institutions plev a cardinal role in regional trade finance, investment, merchant banking, credit and financial services (e.g. letters of credit, insurance, corporate broking, trustee accounts, leasing and hire purchase).

Concommitant with its overall economic significance, South African-based institutions dominate these sectors (whether they be local or international - although even the large commercial banks are strongly "localized").

The banking sector's links are strongest between BLS countries and South Africa. None of these economies is large enough to support locally-based commercial banking. There is neither the money nor capital market base to make such propositions viable. Moreover, the SACUA and old (as well as current) Rand Monetary Area arrangements have encouraged this financial interpenetration.

At the same time, RSA/SADCC financial links are strongest with the "international banks" (e.g. Standard and Barclays). A much lower profile exists for truly RSA institutions (e.g. the Bankorp Group, Nedbank and Volkskas). In both Zambia and Zimbabwe too, this position is also applicable. Indeed, it was only in 1981 that the Zimbabwe government bought out Nedbank's 68% interest in the Rhobank Group (now Zimbank) and for operational requirements concluded a two-year management contract to facilitate transition in ownership and functions.

In Mozambique where private banking is severely limited, Standard has a small (indeed, the only private) interest in the Standard Tota Pank.

The scope of inter-country bank services between RSA/SADCC economies is augmented in importance when correspondent banking relationships are taken into account. Moreover, the Standard and Barclays linkages - being the strongest - do not only have impact in the commercial banking arena. Both operate or act for numerous subsidiaries or companies in which minority holdings are held either directly or on a nominee basis. And these institutions lend locally to governments as well as act internationally to provide syndicated funds.

Private sector financial institutional interdependence is therefore a major element within the regional economy. Moreover, this is reinforced by the very nature of financial transactions, requiring intermediaries and usually being linked to trade flows or investment sources. The economic impact of changing financial variables such as the trading exchange rates for the independent currencies (Rand, Z dollar, Kwatcha, Metical and Pula) and the non-convertability status applicable to the Maloti and Emalangeni (both Rand-backed), as well as the financial effects of balance of payments movements and differential national inflation rates and monetary policy, also act to generate an integrated system basis.

All this is of basic importance even though it finds little direct place in the SADCC program. In financial fields this is restricted to examination of proposals for a Southern African Development Fund (which appears defunct at this stage). The latter was being conceived largely on East African Development Fund lines, as a public sector instrument and adjunct to Central Bank operations, not as an institution with intended impact on private markets.

Finally, mention should be made of RSA's Credit Guarantee Insurance Corporation (CGIC) which acts to re-insure (regional) trade, thereby providing financial lubrication to what on occasions may be considered as "risky business". CGIC funds have recently backed a $ 8 million expansion in Swaziland's sugar wharehouse capacity. Zimbabwe has a similar institution. The effect of the operations of re-insurance facilities is to encourage existing economic links in the face of estimated risk and uncertainty. Indeed, the absence of any such arrangements would undoubtedly harm regional trading activities.

Monetary Arrangements

While formal monetary arrangements in Southern Africa have undergone significant change in recent years linkages to the Rand remain strong. The Rand Monetary Area (originally comprising BLS and South Africa) now consists of only Lesotho, Swaziland and the Republic. Botswana has since floated its independent currency (the Pula). The RMA permits each state to have independent monetary policy. But RSA manages the Rand, gold reserves and foreign currency in the RMA. Article 8 of the RMA Agreement allows the Republic to invoke unilateral decisions without consultations with RMA partners. For Swaziland and Lesotho, monetary policy takes the form of a fait accompli.

Since June, 1980 the Pula valuation basket has comprised the SDR and the Rand (replacing the US dollar). In Botswana's case currency independence does not mean wholly Rand-independent monetary and economic policy. Much of Botswana's trade (within SACU certainly) is Rand-denominated. The (Central) Bank of Botswana, therefore, occupies itself in no small measure with the Pula-Rand exchange rate. Nor can the country remain immune to imported inflation and/or the effects of boom or slump in its more powerful neighbour's economy.

In the RMA zone the Rand is of course paramount, quite apart from it being legal tender. Monetary policy is established by the South African Reserve Bank (SARB) the policies of which are formulated independently of the Swaziland and Monetary Authority (SMA) and the Lesotho National Bank. Both the latter are intermediate stage institutions established en route to a more independent monetary regime.

Undoubtedly the existence of the SMA (set up with RSA expertise involved) could eventually assist Swaziland to take better account of its own requirements - in policy formulation, representation to the RMA authorities, in contingency action and the like. Even so, it is difficult to envisage how in the medium-term the Swaziland economy could be insulated from cross-border monetary change.

At present Swaziland and Lesotho actively engage in periodic meetings of the RMA Commission. South Africa's role here is duly acknowledged by all parties. Not least of its responsibilities relates to guarantees for the external value of SARB reserves.

Zimbabwe's currency is also Rand-influenced. This factor has recently been strongly noticed following the Rand/US dollar parity change, when the Rand slipped below unity in March 1982. The effect was to disadvantage Zimbabwean manufacturers in RSA markets.

Although the Zimbabwe dollar is determined on the basis of fixed relationships to a transactions-weighted basket of currencies, and the US dollar is used as the intervention currency, the Rand figures strongly in the six currencies making up the composite. Inevitably, given RSA's dominant trade relationship amongst Zimbabwe's commercial partners, the weighted effect will remain significant. On the other hand, more marginal currency linkages could be said to apply to other SADCC countries, except that Malawi and Mozambique have sizeable RSA-destined trade. Both must indirectly account for Rand conversion rates in all such transactions.

Monetary policy and financial institutional development are not areas singled out by the SADCC for immediate priority, apart from the establishment of regional security printing facilities in Harare. Yet, their importance cannot be denied. Central Bank institutions and the sound monetary frameworks required in each country are not creations which appear in functional form overnight. This is certainly one area in which bilateral donor assistance could be valuably applied in conjunction with that from Central Banks and international institutions (e.g. IMF, IBRD and ADB).

Economic Aid

Little data exist in detailed form on RSA aid disbursed in the SADCC region. Soft loan terms are found and are akin to financial aid. This has been applicable to some RSA/SADCC country arrangements. One recent case concerns the RSA government's 1982 $ 1.3 million loan to Malawi's National Seed Company at 15 years, 2% interest.

However, grant form aid has generally been a rare phenomenon. More visible have been occasional RSA technical assistance facilities, e.g. as provided to Maputo Port and CFM railways. Repair facilities in RSA provided under locomotive loan agreements with transit users of Zimbabwe's rail system (viz, Zaire and Zambia) are of similar character. Since these activities have also had commercial terms attached, the "pure aid" element may well have been relatively small.

Electricity and Power Supply

Electrical energy supply is a vital element for developing countries. South African power generation and consumption understandably dwarfs that of the SADCC Nine combined.

The RSA/SADCC trade (export/import) in electric power supply is confined to a few particular links for which transmission facilities exist. These exclude direct power links with Angola, Tanzania, Malawi and Zambia.

The most significant link on the SADCC export side is that for Cabora Bassa Hydro Electric Power (HEP) project in central Mozambique. Completed in late 1974, the Cabora Bassa plant was expanded to five generators in 1978-79. It represents an investment of $ 500 million and principally supplies the South African Electricity Supply Commission (ESCOM) grid, from which part is fed back to Mozambique.

ESCOM's offtake amounts to 1,450 MW of power, constituting ± 10% of RSA electrical energy consumption. Payments for imports were previously made to the Portuguese government-owned company Hidroelectrica de Cabora Bassa which until only recently had outstanding project loan liabilities to cover. Only in the last two years have payments gone to the Mozambique government.

It has only been since 1980 that HEP export has been a revenue earner. This depends entirely on RSA willingness to import (1979's import level was 10,303 kwh).

The only other potential client which could be envisage is Zimbabwe which has a forecasted electricity shortage in the Eighties. However, Zimbabwe has already committed itself to sizeable domestic coal-fired thermal and hydro-project developments on the Zambezi, implying unwillingness to engage in long-run import dependence even with its existing electricity supplier (Zambia).

Nor could Zambia absorb Mozambique's HEP in the medium-term future. It already has excess capacity and only exhibits slow growth in demand. Meanwhile it is likely to soon shed exports to Zimbabwe and in the longer-term Zambia would still have other domestic options based on further Zambezi HEP development.

Naturally, all this posits certain economic difficulties for Mozambique. Cabora Bassa power capacity well exceeds domestic demand (1,104 million kwh, 1979) and even the current utilization rate is reportedly well below full capacity. However, implementation of recent decisions by Electricidade de Mozambique to supply the Northern and Central Provinces of Mozambique with Cabora Bassa HEP (via the construction of transmission lines to these areas of consumption) could well alter the future state of affairs. This nonetheless is a longer-term issue and nothing significant could happen until 1983 when construction is scheduled for completion. Indeed, a second stage North Bank 1,750 MW development has been projected for the Cabora Bassa Dam (at an estimated $ 1 billion cost). When on-stream much of this capacity would have to depend on RSA imports.

The problems for Mozambique's power export program are compounded by RSA's own rapidly developing resource capacity in thermal and hydro-electricity. Moreover, under the ESCOM contract for Mozambique an electricity price has been fixed for 35 years in Portuguese Escudos (at $ 0.04/kh). This arrangement is of concern to Mozambique but RSA is in a fairly strong bargaining position until domestic Mozambican demand significantly rises and/or new importers are found.

Zimbabwe by contrast only has a minor interface with the RSA grid at Beit Bridge at which point Zimbabwe's Electricity Supply Commission imports purchased electricity from ESCOM (10.1 million kwh, 1980-81). The Beit Bridge area thus depends exclusively on RSA energy supply and is not directly connected to the Zimbabwe grid system. Connection costs would require the finance of a transmission link from the luli area, a distance of about 80 km.

In principle, main transmission linkage could provide Zimbabwe with ability either to import more power from RSA (for areas outside Beit Brdige) or even in the longer-term export electrical energy to the Republic. The latter is not, however, within the current intent of government. For the period beyond a date when RSA/Zimbabwe relations were wholly normalized, this could be envisaged. In such an eventuality, Zimbabwe would emerge as a potential competitor to Mozambican electricity supply. Such a supply arrangement could even be a jointly developed export operation based on shared Zambezian resources with Zambia and/or Mozambique.

The BLS states, too, are net importers in varying degrees off the ESCOM grid. The Botswana Power Corporation (BPC) initiated arrangements in 1980 for power imports to come on-stream as of 1 January 1982 in order to meet medium-term demand in its Southern Division including the requirements of the Jwaneng diamond mine. Moreover, the BPC contracted a P 2.4 million loan in 1980 (at 7.5% over 2 years) with Industrial Development Corporation (SA) to partly finance the Fourth Boiler at Selibi Bikwe power station. RSA imports, however, will still only be a small element of Botswana's annual electricity consumption (largely satisfied by a domestic production of 420 million kwh, 1979).

Lesotho has a major energy sector dependence on the Republic - for coal, petroleum product supply (mogas, aviation fuel, paraffin and diesel oil), domestic gas and electricity. The latter's import value alone amounts to around R 1.5 million annually. Lesotho is intensely vulnerable to any RSA decisions on energy supply or pricing. It will remain so until HEP development on the Oxbow Scheme takes place (which itself would require RSA interest, as the major potential consumer).

Swaziland is more propitiously placed than Lesotho. The Swaziland Electricity Board (SEB) and private producers (international companies) generate around 40% of total requirements. The balance is imported off the ESCOM grid. This element of demand cannot, therefore, be sacrificed although it shows some likelihood of diminishing in future. SEB has a program to reduce dependence on RSA, based initially on a new 20 MW HEP plant costing $ 59 million on the Little Usutu River in the Ezulwini Valley. Due for completion in 1984 the project is financed by IBRD and ADB amongst other sources. This will reduce use of the RSA grid to about 50% of total demand.

Petroleum Products and Refininf Industries

However critical electrical energy may be, there is nothing as crucial to manufacturing, transport, agriculture and basic industries as crude petroleum and/or product supply. In this area RSA plays a vital intermediary role to many SADCC states.

The Republic is not yet an oil producer, although Southern Oil Exportation Corporation's (SOLKOR) exploration program, both off- and on-shore, has operated for some years. RSA is, however, a major oil-from-coal (synfuel) supplier (from SASOL). It has a significant refining industry based in Durban and Cape Town and is one of the continent's principal coal producers and exporters. As a transit country for refined products for BLS, Zimbabwe (and on occasion Zambia), RSA's role is not one to be underestimated.

All Lesotho's petroleum product requirements are drawn from Durban refineries (by rail). Moreover, the country has insignificant oil storage facilities which make assurances of supply continuity - sought and acquired from Algeria, Libya and Nigeria -

of little national consequence since crude would need to pass through RSA refineries and product along its transport system. Even an airlift would not be feasible for any length of time. Insulated Lesotho is, however, an exceptional case, although its basic predicament is repeated in varying degrees elsewhere.

Botswana's petroleum requirements are wholly satisfied via trade. It lacks a refinery and has no domestic oil or gas resources. But the country's options are in principle variable since the rail route from Zimbabwe could be utilized for emergency supply. In practice all product needs are derivative from SA through the oil majors and trading organizations with operations centered on Johannesburg. Although Botswana, unlike Lesotho, has substantial coal reserves, the prospect of synfuels development does not realistically exist at present. The Zimbabwean product supply option is also currently rather illusory given Zimbabwe's own on-going petrol shortages, supply route complication, the "moth-balling" of Feruka Refinery, and the instability of pipeline supplies from Beira to Umtali.

Swaziland is mostly dependent on RSA for product deliveries although some diesel and fuel oils are acquired from Mozambique's Matola Refinery. At present neither synfuel output nor oil discovery can be anticipated for Swaziland. In principle, however, Matola could expand its volume and product range supply for Swaziland require-ments. But this could only prove to be an incomplete substitute. Swaziland must also consider whether the swapping of one "riskier" dependence for its existing reliable supply/trade network make economic and strategic sense.

Zimbabwe by contrast has recently successfully shifted its policy focus from RSA to draw supplies of product through Mozambique - currently via rail from Beira and Maputo (both limited reliability and capacity routes). In future, product is to be routed via Beira through the LONRHO owned pipeline pending tariff policy agreement between the government and the Company. Feruka Refinery looks most unlikely to be re-commissioned (the worldwide trend being for more economic refining to take place at source, i.e. the Gulf or elsewhere). It is now used for storage and in principle the annual Zimbabwean requirement could soon derive from this source on the basis of an annually renewable supply agreement struck in 1982 with Algeria (with delivery for Beira, Nacala and Maputo optional). Zimbabwe also has ethanol expansion options - one plant currently in operation, another under discussion, based on Lowveld sugarcane inputs derived from South African producer companies (Triangle Ltd and Chisumbanje respectively). As a general proposition, Zimbabwe could survive lesser or non-dependence on RSA, although not yet, that is if all went well with its alternative produce supply agreement, supply routes and contract prices for transit and port utilization.

As a seaboard state with its own refinery (one at Maputo formerly owned by SONAREP and another for crude at Matola near Maputo), Mozambique is in effect independent of the Republic in respect of petroleum. Moreover, the Secretary of State for Oils and Hydrocarbons (SLCH) has formulated policy to attract Western and other oil company exploration. Seismic survery contracts for exploration offshore on the Continental Shelf have already been signed while Royal Dutch/Shell has commenced an aeromagnetic survey between Beira and Inhambane. Additionally, appraisal of the Pande gas field is in process. Matola, however, has a 16,000 b/d capacity while Mozambique's own offtake is 973,000 tons annually. Hence in the longer term, given domestic demand increases, new capacity could be required. As of 1979-80 Iraq was the main crude supplier (exporting $ 102 million in petroleum to Mozambique) although the Gulf war may have disturbed this arrangement. Mozambique is unique in another respect, however, since it exports product (diesel and fuel oils) to both Swaziland and South Africa.

Malawi has no direct connection with South Africa in the petroleum product field. Supplies are railed from Nacala or Beira on tank cars by CFM. The country's Rift Valley areas have recently become the subject of exploration activity by Shell although no imminent discoveries are anticipated.

Angola stands apart from other SADCC countries as a net oil producer and exporter. It has refining capacity but only moderate domestic product demand. Angola is also the SADCC country designated to attend to regional energy planning and policy. Meetings have twice been held in Luanda on the topic at the most recent of which (1982) Angolan proposals were made for the development of extra refining capacity (with a hydrocracker plant) to permit product supply under agreement to other SADCC countries. At present Angola remains outside OPEC and is enjoined with Gabon and Nigeria in the West African Oil Producers Association. Various Western companies are engaged in Angola's oil business - viz. Gulf, Texaco, Braspeto (a Petrobras subsidiary), TOTAL-CAP, Elf Acquitaine, Cities Services, Marathon, HDC, and Agip.

The oil situation in southern Africa is, therefore, primarily dictated by trade requirements. But on-going exploration in RSA, Mozambique and Malawi as well as potential future Angolan linked supply agreements could individually or in combination much alter future arrangements.

While it is imperative for national policies that countries be strategicially protected, it is equally imperative that cost-efficient situations be pursued for high-priced imports such as petroleum. Despite present downtrends in crude prices, the commodity will always be of cardinal importance.

Road Links

All states neighboring RSA have some road dependence on that country either because of trade, tourism and transit needs or because of requirements to utilize RSA ports and airports for imports and exports. RSA's road network is substantial, the RSA/SADCC ratio of road kilometers per capita being about 2.8:1

(tarred roads 5:1) and the ratio of road kilometers per square km being 2.7:1.

The quality of roads also varies considerably between countries. This holds implications for maximum axle loads, speed limits and maintenance costs. Vehicle density is another variable and is closely related to GNP per head (Swaziland and Zimbabwe being in the upper SADCC range).

Of SADCC countries, Lesotho is the most reliant on RSA roads. While its own domestic network needs improvement, upgrading and extension, this requires integration with RSA.

Road inter-connections (despite non-uniformity in grades) are however only one facet of the existing situation. Road transport services (particularly provided via SAR +H) are extensive. Much use is made of this fleet by BLS countries. Substitution on the basis of similar (required) tonnages with specialized plant facilities, containerised systems, refrigeration units, dry and wet bulk tankers, abnormal load units and articulated combinations would be very costly, if not prohibitive.

Swaziland is another important user of the RSA road system for both passenger and freight traffic, in respect of requirements for the hinterland and RSA ports. Undoubtedly, however, better road connections with Maputo would be of mutual advantage.

Botswana is in a similar position to Swaziland. There is heavy traffic utilization on the southern link from Gaberone. As with Zimbabwe link via Beit Bridge, the route is of satisfactory quality. It remains vital to road cargo traffic, tourism and passenger movements.

Countries not adjacent to RSA (e.g. Malawi and Zambia) do not have direct links with the Republic. Nonetheless they exhibit some derived demand for usage of the RSA road system.

Rail Network Utilization

Considerable dependence on the RSA railway system exists on the part of SADCC countries (with the exception of Angola and Tanzania). Especially for landlocked countries with bulk export trade requirements (including Zaire), this access is critical. At the same time, all countries except Lesotho have alternative SADCC only rail options.

SADCC Railway Administrations have generally agreed that emphasis should initially be placed on improvement rather than costly, new route construction except if and when bulk mineral requirements call for such developments. Maintenance requirements are acute, especially given the generalized problem of inadequate skilled/ technical staff in SADCC countries. Moreover, wagon turnaround times are still too long and there is inadequate locomotive power for all demands. Shortages of spares and considerable non-standardization (e.g. for loading gauges,axle loads, rail sections, signals, electrification components, rules, rates and wagon utilization) compound coordination difficulties. Furthermore, no regional rail organization exists although some administrations are members of the Union Internationale de Chemins de Fer and/or the Union of African Railways.

The high-cost character of additional rail investments, let alone outlays needed for rehabilitation (SADCC rail projects were costed at $ 592 million in 1981) probably implies at least the continued medium term utilization of RSA rail routes by BLS, Zimbabwe, Mozambique, Zambia (and Zaire). This is to be expected notwithstanding a shift on emphasis to Mozambique ports in accordance with future expanded capacity and improved rail/port system efficiencies.

SA rail system utilization has long existed on long-standing Business Agreements and the availability of common gauges south of the Equator (permitting the interchange of rolling stock). Indeed, the 1980 Northbound flow from RSA (N and S directions) was 3.3 million tons whilst the Eastern flow (W and E directions) was 3.5

million tons.

Most of Botswana's exports (notably chilled beef carcasses shipped in refrigerated trucks) passes by rail through Cape Town to EEC markets. The Botswana line, now owned by NRZ, is due eventually to revert (in 1986) to the Botswana government. Operations are currently covered by a Business Agreement between SAR and NRZ.

Lesotho has only one direct external rail link with RSA (terminating in Maseru) and it depends on SAR for surface cargo and passenger conveyance, notably in the latter instance for the extensive flow of migrant workers. Both the line and Maseru Railway station are registered in the name of (and operated by) SAR, on own account. Lesotho citizens are employed at the terminal. The line handles trade mostly via Durban and East London. Other proximate railway stations on the SAR system exist between Tweespruit and Fouriesburg. They receive freight (± 40,000 tons annually) from Lesotho which is cleared by private road cartage from within Lesotho. Four SAR road transport services operate to points inside Lesotho (conveying around 12,500 tons of goods and 615,000 passengers annually).

Swaziland has its own railway line connected via Goba through Mozambique to Maputo and onto the SAR system indirectly via the Maputo-RSA link. A direct alternative outlet has been constructed to Richards Bay and Durban. A Business Agreement applies between SAR and the Swaziland Railways which hires sixteen class 14R SAR steam locomotives as well as 100 SAR goods wagons of various types. Managerial assistance has also been involved in the past. SAR road transport services function to Swaziland (carrying ± 60,000 tons of freight annually). In early 1982 Swaziland Railways confirmed a decision to proceed with a new rail link to RSA (to reduce the distance to Richards Bay by 250 km). Completion date is expected to be 1984.

Zimbabwe's only rail link with RSA is via Beit Bridge and indirectly through Botswana. A Business Agreement pertains to NRZ/SAR operations. This involves inter alia SAR's operation of a current account in RSA for all revenues accruing to NRZ, Zambian Railways (ZR) and Zaire National Railways (SNCZ). Scheduled passenger services also function and in addition cater for Botswana traffic. SAR has in the past hired locomotives to NRZ (now indirectly, on the NRZ system, to ZR and SNCA) for transit activity within Zimbabwe. The Beit Bridge route is generally used for Zimbabwean traffic, other regional cargoes going via Botswana. Part of the reason for Zimbabwe's continued use of RSA routes still lies in their cost-effectiveness and the problems with the Maputo link (evidenced for example, in sugar shipment problems in 1981).

Mozambique's rail link with RSA is vital to both countries (it at one time handled 17% of RSA's total trade). Arrangements are covered by a long-dated (subsequently revised) bilateral agreement. A new Business Agreement was concluded in February 1979 between SAR and CFM to rationalize common operations. This superceded earlier guarantees of traffic volumes from the Witswatersrand Competitive Area under the lapsed Mozambique Convention. Other previous RSA assistance has related to the hire of locomotives (now no longer required), the provision of equipment, the acquisition of spares and technical advice.

Zambia too has great need of its southern link. This now carries much of its copper exports to East London - due to operating problems with the Tazara line, port congestion in Dar-es-Salaam, commodity stockpiles held en route, and slow turnaround times. The Tazara route tariff also exceeds alternative options southwards.

Return traffic flows from RSA include fertilizers, agricultural products, machinery and consumer goods. SAR hires locomotives to ZR, has provided technical advice in the past and has undertaken repairs to its rolling stock. Zaire's utilization of Zambian rail routes is principally for the purposes of southbound shipments of copper and cobalt.

Malawi has three potential rail outlets to the sea, one of which (via Umtali-Maputo) connects to the SAR system. Moderate rail freight cargoes are moved from RSA-Malawi, the route having been largely superceded in the late 1970s by airfreight movements (including for fertilizers). However, Malawi Railways has purchased equipment from the RSA private sector. This is normally sent by sea via Durban to Nacala and then railed to Malawi.

Railway system links therefore form important binding elements in the regional economy. These patterns are not normally amenable to short-term alteration. Changes depend on fixed (lumpy) infrastructural investments while rail systems are not easily or cheaply substitutable by alternative transport modes, especially for bulk cargoes.

Considerable improvement could nonetheless take place within the SADCC components of the existing integrated system. This would also benefit the landlocked export-dependent states. The efficiency or otherwise of rail services has widespread impact - on government financing, investment returns, asset utilization, exporters and importers, consumer prices and enterprise viability.

Ports and Shipping Services

One-third of SADCC countries have ports which serve the landlocked economies. Maputo is the largest and most important but stands only second to Durban in size and falls behind the other six South African ports in efficiency,throughput of tons handled per crane hour, bulk handling facilities and specialized services.

Angolan ports have very little linkage to other SADCC countries except Zambia. And this is via the problematic Benguela Railway.

The East Coast ports all suffer from serious deficiencies in terms of port infrastructure, entrance channel water depth (notably Beira), lack of specialized/bulk cargo handling terminals, shortages of modern equipment, and so on. Whilst SADCC government (notably Zimbabwe) intend to shift traffic away from RSA ports, this prospect is conditioned by the port systems, their rail connections to the hinterland and the economics of port selection.

The revealed preferences of most private sector importers/ exporters tend to operate against complete dependence on existing SADCC ports alone. At least this is so at current levels of efficiency. Since there exists an evident differential between SADCC/RSA port operations, the primary emphasis should be in making existing SADCC port capacity competitive. This will help ensure their fuller utilization. Attempts to "guarantee" capacity utilization by fiat under non-competitive conditions will probably only exaccerbate inter-country economic relations (as has happened with Zambia/Tanzania). It will also lead to increased "concealed costs" elswhere in the trading and economic system.

On the other hand, most of the funds (91%) identified for SADCC ports and waterways projects relate to Maputo and Beira capacity expansion. In the case of Beira this is required in order to permit larger vessels to enter the channel and for the installation of infrastructure capable of handling bulk minerals and large cargoes. The finance for this development is yet to be fully committed. Hence there will remain definite limits to the extent to which Beira port can receive (diverted) RSA-destined traffic.

In the case of Maputo calculations depend on a rather more complex array of inter-related factors - the Zimbabwe trade share carried by the NRZ-CFM railway link; Swaziland's requirements and alternative port choices; RSA's continued use of Maputo; the decisions of Lesotho, Zambia and Botswana; and port systems efficiencies. In 1980 the volume throughput was still 30% under the 1975 level and more so below full capacity. Of this, RSA alone accounted for 40%. In the case of the Matola coal terminal (handling 1 million tons annually), 70% represent RSA coal for export and 20% is internal RSA traffic for the Cape Town power station. Only 10% is SADCC (viz. Swaziland exports).

It is rather difficult for the 1980's to foresee the Mozambican ports operating economically with expanded capacity and no dependence on RSA while at the same time differential productivity influences exist with respect to RSA ports and the latter thereby attract significant traffic from hinterland economies. On the other hand, port system developments (viz. encompassing rail and road access with actual port operations) taken with respect to competivity improvement could yield results over the longer-term to the benefit of all SADCC countries.

Air Transport Services

Regional air transport has only developed moderately in southern Africa (if SAA services are excluded). But intra-SADCC links are expanding and are being supplemented by those provided through other international carriers. Even so, Jan Smuts Airport and SAA still play a major role in flight connections, not only to BLS countries but Mozambique and Zimbabwe.

National air carrier costs are typically increased by the small size of current operations. Here scope for improvement and rationalization should exist. However, common problems of technical staff shortages, training inadequacy and infrastructural requirements will need to be overcome.

A basic reliance on South African airports and SAA as well as other technical and flight control facilities could continue for quite some time. This applies particularly for the BLS countries which have small national airlines.

Telecommunications

Numerous telecommunications development projects fall under the aegis of the Southern African Transportations and Communications Commission's agenda. In all likelihood, however, national telecommunication entities will remain the main decision-making authorities in this field. This requirement stems from the strategic and technical dimensions of telecommunication investments.

Whilst SADCC (and its SATCC) should foster regional network integration, it is not realistic to contemplate the SATCC developing a supra-national role. Consequently, most inter-country arrangements will continue to be determined on a bilateral basis where it can be expected that national preferences will be exhibited (this has already been evidenced in the demand for INTELSAT earth station facilities in countries which could, if needed, merely link to neighboring stations).

Traffic requirements will largely influence capacity and installations. At present because of trade and economic factors, an important traffic share continues to be directed to and from RSA. This is particularly high for Lesotho (with 80% of cross-border traffic to and from RSA) but is also important for Botswana, Swaziland and Zimbabwe.

The development of independent satellite communications on a national basis in SADCC countries will not itself substantially affect the traffic pattern. It will, however, partly affect routing (now via RSA for various classes of traffic).

The requirement for an improved regional network has been widely recognized. This objective is generally valid though care needs to be exercised to avoid over-investment and duplication of capacity. Recognition was implied not only in the formation of the SATCC but also operationally in the regular meetings of the Southern African Telecommunications Administrations (inaugurated in 1981). This grouping comprises Botswana, Malawi, Swaziland, Zambia and Zimbabwe.

The re-organization of telecommunications systems is necessarily a continuous but long-term activity. Inappropriate short-term decisions can prove costly to basic network design and planning. Moreover, the installation of terrestial fixed capacity must correspond to anticipated demand trends. Otherwise, there is the risk of operating at high cost and with an unviable utilization of circuits. Since all telecommunication entities in the region are charged to operate as commercial entities, there is added institutional pressure not to develop in uneconomic directions.

The probable slow growth of SADCC inter-state traffic (largely of an inter-capital character) needs also to be borne in mind in regional project design. The pressing need for telecommunication systems to develop away from existing network configurations, notably into rural areas, represents a competing if not priority claim in most countries. The risk in SADCC emphasized "regionalism" is that this dimension will be submerged to the "higher-profile" imperatives of inter-state linkage.

None of the telecommunication entities in SADCC countries is fundamentally dependent on RSA managed operations if this is understood as direct control. Lesotho's transit arrangements are clearly closely linked to RSA (although it has unused VHF capacity to Nairobi) and final destination of most of its traffic is oriented to the Republic. Both Lesotho (through a 7-year arrangement with Swedtel) and Botswana (under a 10-year contract with Cable and Wireless, UK) depend on internationally managed operations.

Telecommunication industry suppliers are well established in RSA. The country is also a major source of technical advance in rural and other fields of telecommunication enterprise (often based on adapted conventional techniques - and partly mirrored in Zimbabwe). On the other hand, certain European industries in RSA are now considering the de-linking of some of their equipment supply arrangements for SADCC countries from the Republic.

Employment and Migrant Labor

Migrant labor and inter-state employment links (contract and non-contract) have been an important and long-established institutional feature of southern African economies. The 1970's brought major changes in migrant labor demand, supply arrangements and strategic policy in the region.

Recent developments have included the following: slower expansion in RSA mining sector labor demand coupled with capital-intensification and stabilization in employment, leading to larger average contract lengths and higher skill requirements; an increasing use of local employees drawn from "Homeland" areas facing significant unemployment, thereby reducing the total demand for foreign migrants; the application of national-specific supply quotas by the mining industry in attempts to balance sources of supply; higher mine wage policies to encourage stabilization, attract and retain skilled workers and compete against other industries; and the strategic continuation of bilateral inter-state contract labor supply agreements with BLS, Malawi and Mozambique (Zimbabwe's was terminated in 1981) in order to minimize industry costs and provide leverage in domestic labor policy fields.

It is also important to recognize that the 250,000 foreign migrants employed on RSA gold and coal mines (as well as others) represent only part of the numbers of foreign (SADCC) workers employed in the Republic. Non-contracted labor ("independent flow", for example, from Lesotho to agricultural sectors in RSA, estimated at 30,000 annually, and "clandestine employees", often long-resident in the Republic) form relatively important ingredients in the overall supply pattern.

Under Agreements contract supply is accompanined by regulated financial flows - for deferred pay (usually 60% of basic rates); payments to supplier governments for attestation; recruitment taxes levied by suppliers; and expenditures by various recruitment organizations (notably the Chamber of Mines, the Employment Bureau of Africa - IFBA).

Non-regulated flows encompass voluntary remittances and transferred savings at the end of contract.

Taken together these payments and transfers constitute major elements in the national income, foreign exchange earnings and balance of payments of BLS countries; and (to a lesser extent) Mozambique and Malawi. The indirect impact of foreign migrant earnings is also considerable on the budgets of supplier countries (e.g. in terms of contributions to direct taxation and Customs Union receipts attributed to migrant spending) as well as in respect of the rural areas and households from which migrants are typically drawn.

Not all SADCC countries find themselves in this employment relationship with RSA. The degree of economic reliance varies considerably, as do options for future policy.

Angola, Tanzania and Zambia have long ceased to supply contract labor to RSA. Zimbabwe revoked its contract in 1981; and at the same time provoked a repatriation of non-contract Zimbabweans employed in other occupations (mostly) on the Rand. Malawi has substantially reduced its supply flow from historical peaks in excess of 120,000 annually to current levels around 15,000. Mozambique's numbers are down, too, (to 39,000, 1980). This flow consists of relatively skilled and higher paid miners. The BLS economies, however, remain the most dependent in relative and absolute labor market terms given the small levels of domestic employment and the magnified significance of remittance flows for their overall economic performance. Of the BLS group Lesotho (with ± 110,000 migrants or 60% of adult labor force) is in the most problematic position. Botswana (18,000, 1980) and Swaziland (8,500, 1980) both have better economic prospects and smaller migrant labor supply commitments.

These circumstances have prompted considered caution on behalf of the key supplier countries which (excluding Zimbabwe) came together in January 1980 to sign a joint Agreement constituting a Southern African Labor Commission. Initially established at BLS Ministerial level (but open to others), the SALC seeks to harmonise policies and practices, operate regular bi-annual meetings, exchange information, and act as a conduit for solicited ECA/ILO support services in its initial stages.

Supplier countries have consistently articulated their interest in the cessation of migrant labor supply to RSA. Their practical circumstances require contract continuation.

For full-scale disengagement to occur massive investment in employment-creating industries would be needed. The capital and operational liabilities of revenue-equivalent substitutive mechanisms are simply beyond the medium-term capabilities of the individual states. This will probably remain the situation for the rest of the century notwithstanding prospective diminuation in the volume of labor exports which could be occasioned by volitional action or a host of inter-related factors - for example, low mining employment growth in RSA and/or accentuated domestic labor substitution in that country.

Internal developments in RSA itself will probably act in directions which either limit or systematically reduce future contract labor inflows. Supplier countries will, therefore, need to adjust at least as rapidly as these eventualities might occur.

While development aid can assist the adjustment process there are limits to aid as a potential alternative. It would be wise not to ignore this fact. The implications that domestic policy adjustments will be required should be kept in mind if net economic adjustment losses are not to be sequenced in potentially damaging patterns. Indeed, whilst the costs of dis-employment, reduced foreign exchange and lost revenues can partially be "absorbed" (such has been the limited experience in Malawi, Mozambique and Zimbabwe), they cannot be wholly concealed and will inevitably be commensurately greater in impact on the BLS countries.

Tourism Links

Southern Africa offers a wide variety of tourism prospects, the basis of the industry having been built on a combination of international, inter-state and domestic traffic.

Tourist development is in general a nationally competitive sector. Of late, however, initiatives have been taken to establish an Eastern and Southern African Tourist Organization (ESATO) designed to coordinate tourist development activities amongst Kenya, Mozambique, Malawi, Zambia, Zimbabwe and Botswana. This grouping compares with the (older) Southern African Regional Tourism Conference (SARTOC) which includes BLS, Malawi and South Africa.

The present sectoral structure of regional tourism requires a considerable inter-RSA/SADCC movement of tourists whether they be southern African nationals or foreigners. The viability of hotels, tourist services, hire companies, airlines, handicraft industries and Parks is strongly influenced by this traffic and its growth. The impact of changes are felt on foreign exchange earnings, employment, rural incomes, Game Park revenues and government taxes. The SADCC countries are not in a similar position either in respect of tourism dependence or linkage to the RSA market.

Angola and Tanzania are virtually separated from the RSA tourist complex. They will probably remain so. Mozambique is now more closely linked. Mostly this applies for selective (package) tourism. The other SADCC countries are far more closely dependent on each other and on the Republic.

One 1978 estimate has it that 60% of Swaziland's hotel visitors came from RSA. The comparable figure was 70% for Botswana and Lesotho. The strength of the RSA tourist link for BLS countries should not be underestimated. Combined with tourist movements are cross-border investments in hotels and services (a phenomenon equally evident in Zimbabwe) which underpin the business. These links have been facilitated by previous currency arrangements permitting ready convertibility although as with visas (e.g. now required by South Africans, for Mozambique and Zimbabwe) this aspect now acts as a restraint on RSA-originated tourist flows. Zimbabwe in particular has felt the impact of this type of demand downturn in recent times.

Most SADCC countries have either substantial undeveloped tourist potential and/or underutilized capacity in the sector. One difficulty is that of location. The region is greatly dependent on international air traffic and tourist fares which are costly for individual tourists. Hence multi-destination circuits are often required and these typically include South Africa, the largest tourist market in the area.

Countries neighboring RSA cannot, therefore, afford to be indifferent to RSA-originated or RSA-linked tourist flows. This will remain the position for many years to come, independent of the success of ESATO which appropriately is seeking an enlarged (and direct) market share of the region's total tourist flows.

Another facet of tourism relates to SADCC country tourism to RSA. This business mostly relates to expatriates and/or white nationals of SADCC countries or RSA citizens employed there. BLS and Zimbabwe's traffic forms the core of this flow.

Tourism links in the southern African region are, therefore, not economically inconsequential. The labor-intensity and development potential of the sector hold implcations for most SADCC countries. Again this is an area in which more competitive policies could yield substantial results, especially if pragmatically inclined approaches are adopted. The role of the private sector in tourism is not simply important; it is vital. The sector is not as yet an explicit element on the formal SADCC Agenda.

Technology Transfer and Research

Technology transfer is acknowledged as an important element in the growth process and in the retention of competitivity in production and the securement of markets. South Africa is undoubtedly a regional leader in technological absorption and adaption although Zimbabwe, too, following UDI, has selective capacities to offer SADCC neighbors.

The question for SADCC in technology fields is whether it can rely on its own indigenously developed capacities and those imported from overseas in contradiction to also utilizing applications derived from RSA.

Most technology transfers in the region probably relate to private sector or corporate activities. There could, therefore, be scope for extension in this field if specific programs of technical cooperation, research and development were designed for SADCC private sector requirements.

SADCC has already considered some pragmatic arrangements for regional advancement in technical areas. But it is necessarily limited, e.g. to veterinary services and crop sciences. While this represents a valuable first step it could in future be augmented, ideally on selective issues in which acknowledged capabilities exist.

Road Freight Services

A number of RSA-based transport firms operate international haulier services in the region. For example, the Johannesburg-centered Carriers (Pty) Ltd. transports goods to Zaire, Zambia, Malawi, Mozambique and Botswana.

Zimbabwe also has road freight companies which operate southwards.

Medical Services

Emergency medical services and pharmaceutical supply are obtained from RSA by SADCC countries. In the case of infectious diseases RSA has as much interest in containment and eradication as any other country.

Humanitarian requirements would normally dictate that access to medical facilities and services remain unimpaired. The use of RSA medical services largely reflects that country's well-developed medical institutional base and existing differentials with other countries. Higher levels of medical specialization and investments in RSA permit the Republic to act as "residual supplier".

Inter-State Postal Services

The pivotal role of RSA in regional postal services has modified in recent years with the development of international and intra-regional air services by the SADCC countries. The spread of national airline destinations to multiple points in Africa and Europe has further facilitated this change.

Even so, a considerable volume of postal traffic is still routed via Johannesburg - notably for Botswana, Lesotho and Swaziland. A fair share of the flow probably consists of business communications from outside southern Africa. Equally important is traffic from RSA to neighboring states.

Both SADCC and RSA are mutually dependent on postal services. The costs of interrupted communications could be estimated as high even if they are not quantitatively predictable.

Transit Facilities

Air passenger traffic throughput via Jan Smuts International Airport to Botswana, Lesotho, Swaziland, Zimbabwe, Mozambique and elsewhere is considerable. Under long-standing practices this flow is largely unimpeded since passengers to third-country destinations are normally accorded transit facilities.

The absence of transit facilities would seriously affect the flow of business visitors and tourists to SADCC countries. Costs could also be envisaged for South Africa.

Third Party Linkages

It is usual when examining bilateral links (or RSA/SADCC economic relations) to focus on direct connections. This procedure could, however, obscure other links which operate through third parties.

Various types of third-party linkages can be identified between RSA and SADCC countries. All SADCC countries (except Mozambique and Angola) are members of the International Monetary Fund (IMF) and IBRD-IDA (World Bank). For IBRD-IDA purposes South Africa usually abstains from casting its vote for the appointment of Executive Director representatives. SADCC members usually vote in the Anglo-phone African group.

RSA and SADCC countries are also members of other international bodies. One of the most important is the General Agreement on Trade and Tariffs (GATT). Of equal significance is the Bank of International Settlement (BIS) in Basel and in selected sectors bodies such as IATA provide indirect linkage. Zimbabwe and RSA are connected via the International Sugar Agreement.

South Africa is not, however, a member of the Lome Convention or ACP group of states. Hence, RSA companies cannot bid for EEC financed projects in SADCC countries. This predicament would radically alter if RSA, after political change, became a Lome member.

Third-party linkages could also be drawn with respect to international companies (primarily from the OECD area) which have investments as well as markets in both RSA and one or more SADCC countries. Here the major interests are British, West European (notably German and French), US and Canadian. The Japanese presence is much less significant.

Corporations are now more attentive to both substance and nuance in regional trends. While the state of RSA/SADCC relations is relatively unproblematic, operations continue in both quarters but in the event of major divergences corporate interests could well be "forced" to opt in or out of one sphere. Such choices would affect supplies, management links, corporate registration, dividend remittability, funding, technology transfers and licensing, inter-firm trade, and access to important inputs (e.g. rare metals).

Diplomatic-cum-Economic Relations

Diplomatic relations result from bilateral interests and are frequently established for economic requirements. This is the case in much of southern Africa in regard to formal RSA representation in the region.

Malawi has a full Diplomatic Mission in RSA. This is reciprocated and RSA has a Commercial Section in Lilongwe.

Zimbabwe/RSA relations were recently scaled down from Consulate status to Commercial Attache level. Such links remain important to both countries.

BLS countries have close and frequent official exchanges with the RSA government and its institutions. While this is rarer at the highest levels, the frequency of contact increases as commercial relations are considered.