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**THE IMPACT OF ECONOMIC DEVELOPMENT  
ON SECURITY IN SOUTHERN AFRICA \***

by

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## THE IMPACT OF ECONOMIC DEVELOPMENT ON SECURITY IN SOUTHERN AFRICA

### I. INTRODUCTION

In the international arena, Africa might actually have been better off during the cold war because it was a bipolar world. The two major camps had heightened consciousness of African states and their plight in relation to each of their own socio-economic goals. Though most of the new Africans chose the path of non-alignment, they were unable to avoid some form of substantive interaction because of the nature of the colonial legacy and their substantial dependence upon industrialized countries and great powers. The result was the intense battle for control of Africa between the Western world and the USSR and a period of relative economic and socio-political stability, except perhaps in a few hot spots of decolonization. With the breakdown of the Soviet Union came a relative continental disengagement of the great powers. Africa no longer held the role of importance it once held in the eyes of the West. Also the Eastern European countries are now in competition with the struggling African states for the limited sources flowing from these very same places. From the use of Western money to aid the development of Africa, to the emulation of the Eastern Bloc's uniparty one party state and African Socialism as a form of legitimate government, the African perspective on development strategies was colored by



the bipolarity of the world in which it existed.<sup>1</sup> The question being asked here is while Africans had their political existence partially directed by overwhelming outside forces, now that these forces appear to be retracting their talons, will Africa be able to lead itself toward new ideologies of development to overcome its deepening crisis. What are these ✓ ideologies of development/~~under-development~~? What is the impact of these development ideologies on security in Southern Africa? Because South Africa is so important economically, it is important to examine how it can change its governance while maintaining its prosperity and thereby not disturb the regional tranquillity.

## II. DEVELOPMENT/UNDERDEVELOPMENT

From geopolitics to geoeconomy, the world is unanimous in recognizing Africa's deepening crisis.<sup>2</sup> The crisis is characterized not only by weak economic growth, but by a decline in agricultural and industrial output, poor export performance, a colossal and climbing debt burden. Other signs of the crisis are deteriorating social indicators, institutions and environment, weak public sector management, low productivity and production, low investment returns, high wage costs relative to production, mounting unemployment, greater income inequalities, stagnation of real income levels



among the poor. There is also a deteriorating quality of government, with less popular participation, pervasive rent-seeking property owners, weak judicial systems and arbitrary decision-making. Those very characteristics have been associated with underdevelopment. What is the cause of the crisis?

1. The Root Cause of the Crisis in Africa:  
The Issue of Production

Africa's weak economic performances are blamed on many internal and external factors. Many of these factors are symptoms of the crisis, which could be validly explained by making a decision on what to produce. The blame regarding faulty decision-making in matters of production can be shared equally by both Africans and former colonial metropolises in the West. The latter provide insufficient aid that is not conducive to self-sufficiency in the future. This aid, which instills a taste for Western consumerism, is disbursed in projects aimed at assisting the donor's economies. The former are short on alternatives to foreign aid.

The issue of production is related to macroeconomic and microeconomic considerations.

2. Macroeconomic Issues in Foreign Aid  
And the Problem of Financial Scarcity

In the framework of self-sufficiency and sustainable development, the concern is how to solve the problem of scarcity of financial resources. For example, Africa's total



exports were \$74 billion in 1992, compared to 1991's \$72.7 billion. Imports, however, continued to rise sharply, and financial transfers only slightly up on 1991 levels. Indeed Africa's current account deficit rose to \$8.6 billion in 1992 compared with \$7.2 billion in 1991.<sup>3</sup> This in reality created a situation of little (0.03% over the period 1990-2000)<sup>4</sup> or no growth, therefore postponing Africa's development. It has also created a situation of disequilibrium which cannot correct itself so that many countries have had to appeal to the IMF.

The concern is also how to achieve financial stability to promote a sustained rate of economic growth, which depends on domestic capital formation, sound planning, pricing policy and monetary and fiscal policy measures. Economic growth must also depend on efficient operation of public and private enterprises and resource allocation based on a consistent rate of interest and an exchange rate that facilitates financial intermediation, and promotes domestic saving and an adequate level of investment.

The task of adjustment of the IMF in a financially difficult environment is delicate because it involves the determination of the exchange rate policy and the restrictions of current international transactions. The perennial remedy is a package of measures that includes trade liberalization, reduction of the size of the public sector, decentralization of services, stimulation of local private and foreign



investment, the raising of prices of food for urban poor, currency devaluation, control of population growth.<sup>5</sup> The long-term welfare of many people in Africa depends on how African governments successfully meet the challenge of adjustment and greater conditionality. There is the risk of serious disruption of societies in transition if the prices of consumer goods increase drastically. Therefore, the prices are maintained through provision of sufficient funds to ensure the delivery of commercial services and the uninterrupted supply of consumer goods. The human cost would be often high in the fact of the need to bring equilibrium into payment balance. Substantial bilateral and multilateral support is needed to help to solve the macro-economic problems of adjustment through massive additional finance at concessionary terms so that the African countries can achieve satisfactory levels of growth rates.

3. Microeconomic Issues in Foreign Aid and Rural Development

The microeconomic policy decision on agricultural pricing and exchange rates, for which many African countries have justifiably been criticized, are partly related to demographic development. The expansion of the rural population has pushed millions of people into cities that are already overcrowded; this has disrupted traditional agricultural methods and has encouraged government to pacify their people with cheaply imported foods. Several coordinated mechanisms of assistance



reminiscent of the U.S. response to the Sahel Drought, are required.<sup>6</sup>

The policies will include:

(i) The aid program should stimulate local productive sectors especially the rural development policy aimed at self-sufficiency in food, clothing and housing. It should help to renovate the traditional farming methods of small producers' units living side by side with modern programs.

(ii) Africa's manufacturing industry should be primarily linked to its agricultural sector.

(iii) The aid program has to contribute to the improvement of the water infrastructure plan especially in drought-stricken countries.

(iv) The extraction of raw materials and minerals must not be the main focus of foreign investment.

4. Africa's Potential for Recovery and Sustainable Development Within Market's Economies

All agree that Africa has vast potential resources and a productive base which are poorly developed. There are resources of land, water, minerals, oil and gas, as well as underutilized people and rich traditions of solidarity and cooperation to tap.

There is agreement in reversing the social, political, and economic decline of the past two decades.

There is a general agreement that African development must include the creative and innovative participation of



Africans, peasants, urban workers, and the poor. Also agreed is that development projects must consider cultural issues and the needs of the people. A successful development project is the one created by the people themselves, as it is adapted to local needs.

In the newly designed schemes of effective and functional governance, participatory pluralism is expected to interact with the roles of participation, self-organization, decentralization, and accountability, the legal framework, and the rule of law. Pluralism becomes not only a moral requirement, but rather an economic necessity for development.

As in most government development policies, the market-oriented approach is the Bretton Woods institutions' method for creating prosperity, for raising the living standards for all, including the poor. The people orientation as advocated by the World Bank means giving the people an environment that allows them to make their own economic choices in the free market. The private initiative guides this once a local framework has been enacted.

This follows all the assumptions of economic liberalization within the market approach. Some of these assumptions are perfect competition, long-term harmony of interests between rational producers and consumers, human behaviors being governed by a politically neutral set of economic laws especially supply and demand laws, and that economic growth is not necessarily connected to war and



imperialism.

Free market systems are certainly efficient in achieving greater productivity and production, but they can also create a multitude of other problems. The expansion of the free market without proper antitrust laws can cause further harm to the environment, ecological degradation can worsen as competition increases, and as firms attempt to cut costs by adopting environmentally unsound policies. Monitoring systems to verify compliance with environmental regulations are expensive. This stretches further the already overextended African economies. And monitoring is not always effective.

Other reforms, though correct in their fundamental design, are far more problematic in regard to application. The desire for downscaling of the public sector in deference to the private sector is far more difficult than it sounds. Large segments of the African population depend upon the public sector for their livelihood. A system of long established patronage among its members makes the public system hard to uproot. It would be very socially destabilizing if it were to be drastically uprooted.

The reorientation of public expenditures to more profitable return investments also faces potential problems. Economic dependence is often great upon certain public expenditure programs. The loss of funding to these projects causes job losses and economic hardships long before new projects can alleviate much of the incurred suffering. Again



the result may be a destabilized and unhappy population. In many political systems, leaders tend to be reluctant, with legitimate reason, to initiate fundamental changes such as these. The political cost can often be very high.

Coordination of the aid effort between donor and recipient presents itself as an axiomatic proposition. Of course, there should be greater participation by both parties in the decision-making process. Yet, the structural changes required to make this mutual participation a viable reality need to happen first. As much input as an aid donor may have, it cannot physically oversee the application of all the given monies. There must be a base level of trust between the donor and the governmental bureaucracy which is in charge of dispersing these funds for their specific projects.

There should be continued and increased aid to Africa. The question is how to persuade a wary industrialized western world that the investment is worth the risk. The ability to convert the West's skepticism resides in the African continent's power to subdue its liabilities and accentuate its assets. This will be governmental tenacity, personal sacrifice by the population, and most importantly western financial resources; therein lies the problem.

There certainly should be change in the way external aid to the African continent is dispersed and utilized, if Africa is going to survive economically into the 21st century. Problematic are mounting debt, enormous refugee problems, the



political upheavals of the type tearing Somalia apart in the last quarter of 1992, which are extracting a heavy toll from the continent. First and foremost to correct the plight of Africa, one needs to bring the debt burden under control. To do so, one needs to do some restructuring of the international finance which precipitated the debt crisis. The precipitous drop in commodities prices on the international market, which was prompted by growing competition and shrinking markets, has to be reversed. The drastic increase in interest rates above the historical two percent which had favored developing nations during the 1960s and early 1970s has to be reversed. The growing reluctance on the part of private international financial institutions to extend new capital flows towards the developing world has to be reversed.

The general consensus for a solution requires following four major premises. First, because the paying-off of the debt has reversed the cash flow which moved from the North to the South, 1960 through the mid-1970s, there must be extensive and significant debt relief in the form of debt forgiveness. Both governmental and non-governmental agencies should accept this as a prerequisite for the debt crisis. Second, the debt burden that is not forgiven should be rescheduled at low interest rates to allow African nations to use their export earnings allocated to debt servicing for internal structural changes to improve their competitiveness and productivity. Third, the unfavorable trade arrangements between the North



and the South should be constructed in order to increase the flow of the South's commodities toward the North and increase their prices. Fourth, there should be a return of capital inflows into the African economies from the West's industrialized countries, directed into high return, long range profits that will contribute to improving Africa's economic standing in the world. Unquestionably legitimate are many strategic policy reforms suggested by the World Bank, IMF, the United Nations Development Programme of Action for African Economic Recovery and Development 1986-1990.<sup>7</sup> They include: increased spending on education, health, and infrastructure rehabilitation. Another valuable reform would be policy making and resource allocation to address the fundamental problems that impede many African nations' efforts toward social betterment. Still another is increased funding to agricultural research and material resource conservation in the face of such ecological calamities as desertification and drought. All of these propositions are clearly thought out, realistically implementable, and absolutely elemental to a sustained economic growth.

There is a general consensus today to have a people-based approach to implement all these genuine policy reforms. There is also a consensus on the goals of human resource development. There is a general agreement on renewed states' coordinated efforts towards overcoming Africa's interlocking crises: economic, political, debt and energy. Also parts of this are



crisis of consensus, crisis of low outside assistance, the crisis arising from the rapid pace of scientific and technological progress.

From the late 1970s to now, an increasing number of African countries has adopted stabilization and structural adjustment programs (SAPs). These have been done with the support of the World Bank, the IMF and multilateral agencies. As African countries see more and more the need to articulate and be guided by long-term development objectives, and as the negative impact of the structural adjustment programs are felt more and more severely by the populations, concerns have been focused on programs of economic cooperation and integration and social survival as an inevitable vehicle of economic growth and sustainable development.

The Lagos Plan of Action, a plan for economic cooperation and integration, and the African Priority Programme for Economic Recovery (APPER), adopted respectively by the Organization of African Unity (OAU) in 1981 and 1985, the United Nations Programme of Action for African Economic Recovery and Development 1986-1990 (UNPAAER), and lately the establishment of the African Economic Community (whose treaty was signed in Abuja, Nigeria, in 1991), have all to be situated in this framework of economic cooperation and integration as a vehicle of development.<sup>8</sup>

The Khartoum Declaration on Human Resources Development,



the Abuja Declaration on the Role of Women, the Arusha Declaration on popular participation, the Kampala Declaration on Sustainable Development, the African Alternative Framework to Structural Adjustment Programmes for Socio-Economic Recovery and Transformation have highlighted the same prospects of growth and development with people's participation. They call for participation by poor, peasants, and women in the political process. There must be economic growth and development objectives of food self-sufficiency and security. These are to be developed on a regional basis. There must be the reduction of poverty, provision of basic needs, such as water, health services, and education. These declarations set the tone for Africa's continental sustainable development strategies. Would the nationalist perspective of a new South Africa under majority rule, subordinate economic activities to the goal of state building and interest of the state? The resolve of the new nationalist leaders of South Africa will determine the impact of sustainable development in South Africa. The direction of their impact will be indicated by their choice of a strong nation state with a big military power or their choice of economic and social development and closer relations with their neighboring states and the international community.

It will be difficult to have both, because to a certain degree, they are mutually exclusive. What has been the conduct of South Africa's traditional diplomacy with its neighbors before the country initiated the new reform policies



in 1990?

### III. SOUTH AFRICA'S HISTORICAL RELATIONS WITH THE STATES IN THE SOUTHERN AFRICAN REGION

In Southern Africa, South Africa is by far the dominant economic and military force.<sup>9</sup> (See Tables 1 and 2.)

There are ten countries in Southern Africa which include Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, South Africa, Swaziland, Zambia, and Zimbabwe. Of the ten, South Africa's Gross Domestic Product (GDP) of approximately \$112 billion is at least 22 times that of the next largest national GDP - in the area, of approximately Angola's \$5 billion. In fact, the South African GDP is over four times the total GDP of all nine other Southern African states.<sup>10</sup>

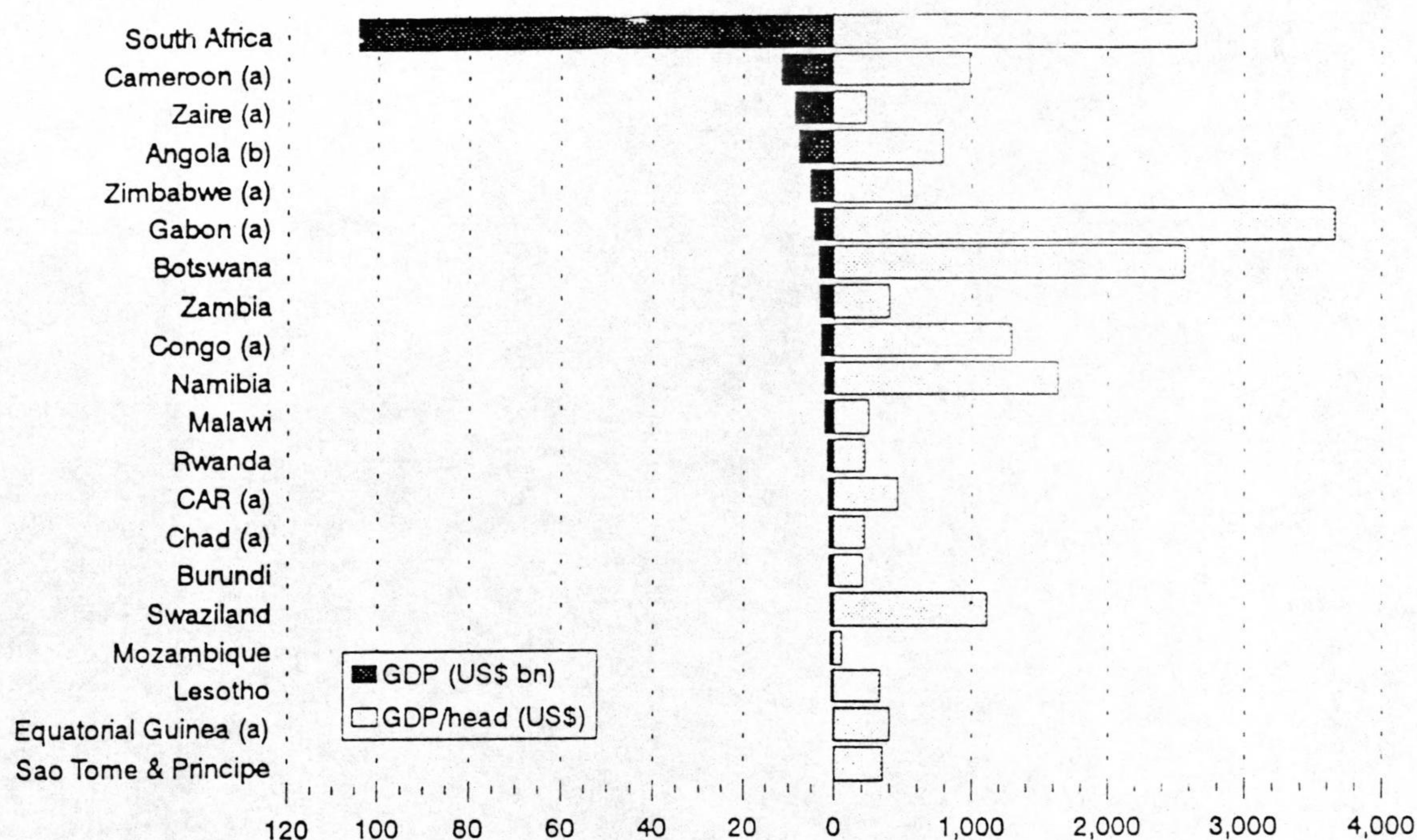
For example, 75 percent of Southern Africa's railings are owned and operated by South Africa.<sup>50</sup> 50 percent of Zambia's traffic as well as most of Zimbabwe's exports use these South African rails.<sup>12</sup> There exists a two way relationship between South Africa and many countries of the African continent. Most of South Africa's neighboring countries import most of their consumer's goods and agricultural tool implements from South Africa. In return, South Africa needs labor from other African countries, markets for its goods and transportation outlets to other cities and sea routes of Africa.

30 to 40 percent of the Southern African region's



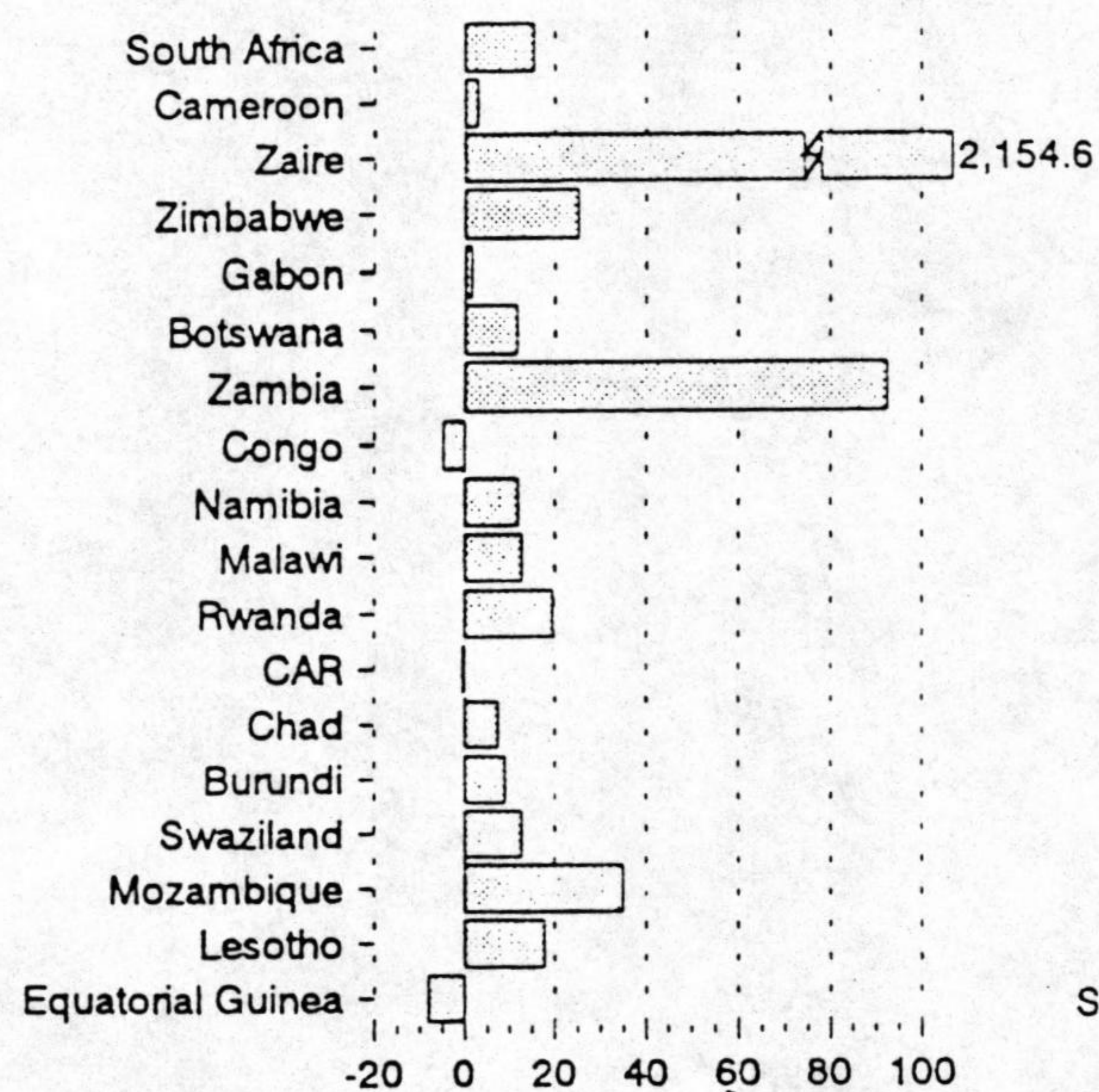
# Southern Africa in 1991

## Gross domestic product

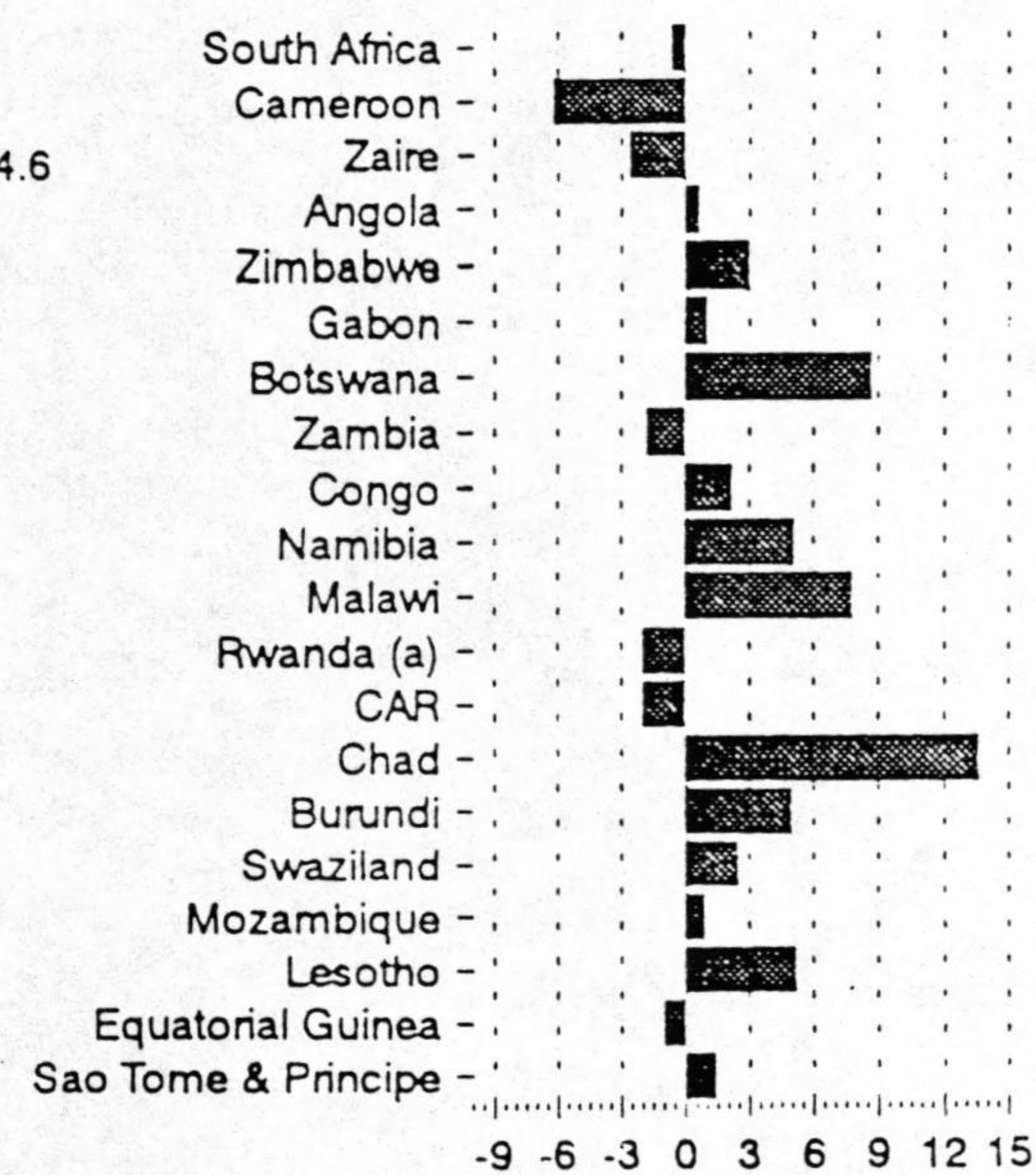


(a) 1990. (b) 1989.

## Consumer price index (% change on year earlier)



## GDP growth (% change on year earlier)



(a) 1990.

Sources: National actual and estimates; EIU estimates.



**TABLE 2: ESTIMATES OF THE SIZE OF THE ARMED FORCES IN SOUTHERN AFRICA**

	Armed Forces Number	Conscripts	Reserves	Naval Force	Con- scripts	Anforce	Con- scripts	Medical Service	Budget	Para- Military
South Africa	106,000	50,000	380,000	5,500	1,000	11,000	4,000	8,000	10%	38,000
Angola	52,750			1,500	2,000					
Zimbabwe	51,600					3,000				
Botswana	6,500								1.8%	
Zambia	16,000					200				
Namibia	10,000									
Malawi	7,250			1,000		150				
Swaziland	2,700									
Mozambique	50,000								32%	
Lesotho	1,500								6.5%	

Sources: London Based International Institute for Strategies Studies  
and Jo Sullivan (Ed) Global Studies: Africa, Guilford,  
Connecticut: The Dushkin Publishing Group, 1989.



nationals incomes come from wages paid to migrant labor working in South Africa.<sup>13</sup>

Many of the Southern African region's countries trade in South African currency (the rand: R 3.198 = \$1 on March 15, 1993).

South Africa contributes expertise to the region. For example, South Africa is building railroad in Botswana, water projects in Lesotho. The goal is certainly to increase regional dependence in a fair, beneficial and positive way.

But on the negative side, South Africa has sponsored anti-government forces in Mozambique and Angola which continue to pose serious problems for government there. It has made armed incursions into Botswana, Zimbabwe and Zambia. It has waged extensive war in Angola. It was instrumental through the imposition of an effective border closure, in precipitating a change of government in Lesotho, at the beginning of 1986. All the countries in the region, except Angola remain economically dependent on South Africa to some degree for transport, migrant labor remittances, trade, etc. In an effort to reduce such a dependence, the Southern African Development Coordination Conference (SADCC) was set up in 1980.<sup>14</sup>

The objectives of SADCC include: the reduction of economic dependence (primarily on South Africa), the building of genuine regional integration, and the mobilization of support for national and regional projects. Each member state



has responsibility for coordinating project in a particular sector.

Even though some of the SADCC members have since endorsed calls for international sanctions against the Republic of South Africa, because of its abhorrent internal policy of apartheid and its military ability in destabilizing neighbors policies, they have not been able to impose sanctions themselves. The region needs South Africa. All members would be affected by an effective international sanctions campaign in significant measure as a result of the retaliation South Africa has threatened if such actions were to occur.

The Organization of African Unity (OAU) has been staunchly anti-apartheid, had banned its members from having diplomatic relations with South Africa. Since the 1960s, South Africa has become increasingly isolated and subject to economic, cultural and political sanctions.<sup>15</sup> Bloody riots in 1976, and 1984-86 resulted in new low points in international relations.

Since 1973, South Africa suffered from series of international sanctions, boycotts and the divestment movement. For instance, the less effective oil embargo by OPEC, the aims embargo, all induce South Africa compensate for its lack of imports by developing a strong and sophisticated armaments industry to become the tenth world largest arms producer and exporter.

The symbolic measures taken by the European Economic



Community, the USA (Comprehensive Anti-Apartheid Act of 1986) and the Commonwealth in late 1985, involved bans on some exports such as coal and steel, and on new investment. In reality none of South Africa's major trading partners has adopted comprehensive trade sanctions.<sup>16</sup>

Other sanctions by a number of international banks in 1985, not to renew short-term credits to South Africa, became the most effective, by precipitating the country's debt crisis which was solved, but it was a heavy toll to the economy.

South Africa, under de Klerck, started to work on friendlier relations with its South African neighbors. One major development in 1989-90, was the process which brought independence to Namibia. Namibia had been ruled by South Africa for 72 years, first under a League of Nations mandate but illegally for the latter three decades. The UN independence process was outlined in Security Council Resolution 435. This culminated in Namibian independence on March 2, 1990.

Another important change occurring at the same time was South Africa's withdrawal of its forces from Angola. This was in conjunction with an agreement by Cuba to withdraw 50,000 troops from Angola.

Since 1990, South Africa has benefited from a temporary moratorium on sanctions which has ended the country's isolation. This was the result of several events. The first was South Africa's President de Klerk's release of Nelson



Mandela, the ANC leader who spent 27 years in prison. Another was his unbanning of the ANC, PAC and all other political organizations. A final factor was the president's apparent eagerness to engage serious and substantive negotiations.

Since the start of the reform process, South Africa has enjoyed unprecedented international acceptance. Some states have lifted sanctions hoping that their gesture would encourage the democratization process. The USA's Comprehensive Anti-Apartheid Act was repealed in 1991. But several U.S. states continue to impose sanctions under federal laws. Canada has voted to ease control over exports of strategic goods to Africa. The Commonwealth Heads of State agreed to scrap "person to person" sanctions at their summit meeting in Harare October 1991. The European Economic Community seems set to lift trade and investment sanctions. The ANC has accepted without any joy the end of trade sanctions in April 1992. But it remained adamant that financial sanctions must be maintained until an interim government is in place.

Meantime South Africa has established diplomatic ties with several East European countries. Relations with many African countries are gradually getting warmer. This is a result of South African trade mission's presence there and South African exporters increasingly seeking new markets in Africa.

It is undeniable that South Africa is a regional power in



the Southern African region. The evidence is clear. It is due to South Africa's relatively strong economic, political and military power. The South African government has always enjoyed the sovereignty of a strong state. It has effective civilian government. It has reliable intelligence institutions. It has adequately carried out physical and psychological warfare against neighboring states. More recently, it has been initiating diplomatic relations which have lessened the tensions on the state. The question is how far the reform movement initiated by President de Klerck will remove South Africa from what the country's predecessor leaders used to identify as their "civilized Christian universalist Western ways?" How well can South Africa's new leaders embrace the non-aligned transformationist trend reflected by most African leaders? How well will they fare in their inclination to transform the international division of labor for more equity locally and internationally, for more debt reduction, for more popular participation and fulfillment of all citizens' basic human needs?

#### **IV. THE IMPACT OF DEVELOPMENT OF THE POST APARTHEID SOUTH AFRICA ON SOUTHERN AFRICAN REGIONAL SECURITY**

Apartheid was a regulatory system designed to effect redistributions in favor of white workers and farmers at the



expense of Black workers. It had the unintended consequence of harming white capitalist employers.<sup>17</sup> An analysis using competitive interest group theory of the apartheid state sees apartheid as an endogenous variable which is effected by uncontrollable exogenous variables. The relevant exogenous variables are:

(i) parameters of the defense and administrative costs of apartheid;

(ii) the share of workers versus owners among the whites;<sup>18</sup> and

(iii) the price of gold.

The level of apartheid can be conceived of as a continuous variable. It is determined by the relative strength of competing interest groups within the white polity and by the costs of maintaining and defending apartheid institutions. While points (i) and (ii) appear evident because of the inefficiency factors, the less obvious point (iii) is shown to be important in a study by Anton D. Lowenberg. This study has concluded that the success of the sanctions may be severely limited because of the importance of the price levels of gold in world trade, the depreciation of the rand and the establishment of dual commercial and financial exchange rate by the government.<sup>19</sup>

#### 1. Political Economy of a Strong State

The South African political economy has been



characterized by the professed commitment of the Nationalist Party leaders to free enterprise and market oriented economics, on the one hand, and on the other to an inevitable contradictory leaning towards state managed economic policies inherent in the strong state (dirigisme).

South Africa was able to achieve substantial economic growth (averaging almost 6 percent a year) in spite of all kinds of policy deficiencies in the earlier times of the 1960s when buoyant world demand for South African metals and minerals ensured almost continuous, firm export-led growth. A similar situation occurred in the dazzling gold booms of 1973-74 and 1979-81.

South Africa slumped to an average real economic growth of less than 2 percent in the 1980s,<sup>19</sup> due to the disruption of growth in the major Western economies occasioned by oil shocks and belated anti-inflation drives. Another factor for South African economic decline was the destruction of property and economic activities by the liberation movements of the African National Congress (ANC) and the Pan Africanist Congress (PAC). Also took their toll, the sanctions, boycotts and divestment drives in the World. Very important was the reluctance of the banks to renew short-term credits to the apartheid government. Economic growth was below the rate of population growth, causing a decline in per capita living standard.

The South African government reacted to the continuing



violence in Natal - not to mention outbreaks of fighting between ANC aligned and black consciousness oriented groups elsewhere and the violence spawned by white vigilante groups in Welkom - by imposing the state of emergency in Natal in 1985. Later, this state of emergency covered much of the country, including Cape Province, much of the Orange Free state and large parts of Natal.

South Africa experienced low points in international relations, caused by bloody riots in 1976, and 1984-1986. These disturbances may have been due to the hardships and frustrations of the poor economic situation in the squalid urban shanty towns, or to the manipulation of the law of supply and demand on labor employment market, or to the desires for self-determination for Africans. South Africa saw these events as threats to its national security.

To meet the threats South Africa tried to consolidate its cooperative schemes with, or tightened its grip on its closest "allies", especially Botswana, Lesotho, Namibia and Swaziland:

(i) South Africa consolidated its hold on the Southern African Customs Union (SACU), the oldest regional economic grouping in Southern Africa, dating back to the beginning of the Union.<sup>21</sup>

(ii) South Africa signed a secret February 1982 security agreement with Swaziland. It was directed against the ANC.

(iii) South Africa signed the March 1984 Nkomati Accord with Mozambique. It resulted in ANC cadres being expelled



from Mozambique.

(iv) South Africa, Lesotho and Swaziland signed the Trilateral Monetary Agreement, which transformed the former Rand Monetary Area (CMA) into the Common Monetary Area. The currencies, lipangui in Swaziland, loti in Lesotho, and the rand in Namibia were kept at par with the South African rand. The rand is freely convertible in the area. Foreign exchange regulations and monetary policies continue to reflect the influence of the South African Bank.

(v) In December 1988, there was an agreement in New York between Angola, Cuba and South Africa, agreement which negotiated Namibian independence, but also involving South African and Cuban troop withdrawal from Angola and the expulsion of ANC cadres from Angola. The ANC loss of guerrilla bases in neighboring countries was the result of South Africa's destabilization policy in meeting what the country considered as a security threat.

The South African government was later compelled to make fundamental changes in its economic thinking. By 1989 the government has accepted the privatization deregulation and economic restructuring, commercialization of parastatals and public authorities as these policies were practiced elsewhere in the early to mid-1980s.<sup>22</sup> The radical black groups from the membership of trade unions, ANC and PAC have been voicing their opposition to these policies. They judged that they will weaken the scope and role of the state just before they



get control of it.

Indeed the Democratic Party has urged that privatization and deregulation be pursued with great caution and that especially sensitive areas - health, education, and mass commuter transport services - be left alone. Nevertheless, the debate on future economic options has continued, while the ANC has advocated anti-trust policies. The National Party's leader, President de Klerck is mending fences by having his Economic Advisory Council (EAC) draw the Economic strategy.

2. South Africa's Economic Policy Reforms  
During the Transition to Majority Rule

The struggle against apartheid was intensified in the past decades of the 1970s and 1980s to take different forms in the late 1980s. Defiance campaign and acts of sabotage by the Black nationalists, political isolation and, economic sanctions by Western countries have initiated the current reforms in South Africa. Reforms also can be ascribed to the willingness to change by certain white South Africans.<sup>23</sup> As far as this momentum of cordiality continues, the National Party leaders, must seize the opportunity to initiate irreversible change towards majority rule. South Africa's overall economic policy reform in the early 1990 is rooted in the Central Economic Strategy drawn by the president's Economic Advisory Council (EAC).<sup>24</sup>

In 1990 this strategy consists of two crucial themes. While the policy should be strongly market-oriented, it should



be interventionist where socio-political needs demand it, or where political or other factors bring market failures. The second, related, theme is that there should be particular emphasis on "inward industrialization". The idea here is that by placing special emphasis on advancing labor intensive industries with special relevance to the Black population - such as low-cost housing - economic growth can be encouraged with less threat to the balance of payments. This will be accomplished through a high marginal propensity to import, than is the case in the relatively developed sector. The emphasis for the developed sector is placed on the development of exports, particularly through the increased local processing of exported raw-materials and the establishment of downstream industry through the associated forward linkages.

There seems to be a slight shift from the National Party's main objective of full-fledged industrialization toward a qualified industrialization, i.e. "inward industrialization".

The South African industrialization has had a spill over effect throughout the national economy at the expense of the black workers. It has especially favored white workers and families and marginally the economies of the region.<sup>25</sup>

The manufacturing sector is the largest in the economy in terms of contribution to GDP. Its growth has resulted from import-substitution as well as growth in the domestic markets themselves. The most important sectors of manufacturing in



terms of turnover are food, chemicals, and basic iron and steel production. This industrialization has had a spill over effect throughout the economy, leading to an overall development especially for white workers and farmers. This industrialization has enabled South Africa to build a relative self-sufficiency and autonomy in several industries, even at the height of the sanctions. Industrialization in the face of the arms embargo has enabled South Africa to develop a strong and sophisticated local armaments industry.<sup>26</sup> Such an industrialization had become the basis for South African military power. Such a military power is possibly backed up by South African developed nuclear weapons.<sup>27</sup> The military power supports a strong dominant economic state. The old military strength was consistent with a policy of a relative gain of a single strong state. The older military development seems in sharp contrast with the current objectives of South Africa's new economic strategy, which is social and economic development for mutual national gains, while the previous strategy under apartheid emphasizes self-sufficiency, the new one seems to be aimed at economic interdependence with other states.

The strengths of the apartheid state seem to be to focus on nation-state as a primary actor; to stress security and political interest in terms of international economic relations; and to stress the political framework of economic activities.



The weaknesses of the apartheid state were to have the tendency to see international economic relations as a zero sum game, to visualize a conflict between the pursuit of power and wealth; to lack a good understanding of domestic society, the state and foreign policy. There are tariffs protecting the infant industries owned by a wealthy few. But this created an economic burden on the general populace. This economic burden was a major cause for the unrest of the populace, and therefore, threatened internal harmony and security. That industrialization was biased toward industry and against agricultural development.

A draft new strategy was issued in March 1992. It lists three main objectives: (1) an increase in the country's long-term economic growth performance and its employment creating potential; (2) a reduction in the inflation rate to levels comparable to South Africa's major trading partners; and (3) an improvement in the standard of living of the poorest section of the population by implementing policies directed at creating employment and addressing the basic needs of the poor.<sup>28</sup>

It is clear that these declarations have a mix of supply side exhortation and demand side redistribution, which is getting closer to the platform of the new International Economic Order of most African member states of the OAU in their objective of attaining sustainable development.



## V. TOWARD SUSTAINABLE DEVELOPMENT, REGIONAL COOPERATION AND THE SETTING OF AN EFFECTIVE MECHANISM FOR CONFLICT RESOLUTION

If political peace could come to South Africa and that apartheid could be abolished, the economic future of South Africa would look great, and indeed economic prospects for all the ten countries of the Southern African region would look bright. But this bright future is preceded by prerequisites. They include the achievement of a national consensus; South Africa's building on the strengths of the economy while minimizing the weaknesses; solving its economic problems; maintaining a humanist social position which digs deep down into Africa's cherished values and social attitudes; designing and implementing a constitution for all its citizens; redistribution of land and property rights; emphasizing the human aspect of development, i.e. education, health, provision of drinkable water to the people, and clean environment; managing diversity; avoiding risks leading to chaos; the cultivation of avenues leading to revitalize the Southern African region, and the OAU through the transnational approach.

### 1. Building a National Consensus Along a Gradualist Path

The goals for a new South Africa are the elimination of apartheid and the creation of a new non-racial, democratic and united South Africa. The goals are also a better and peaceful life for all citizens, equal opportunities and freedom.



Negotiations involve all political organizations in order to attain a national consensus on governance. Action will certainly be at the center for the negotiations to be a key to the fundamental law, or the constitution, to reconciliation, peace and a just society. The future constitution of a new South Africa will protect the human rights of all its citizens. A Bill of Rights, will certainly guarantee the protection of human life, individual and group's rights. From the media reports in 1992, it seems that the negotiations are moving slowly towards designing a gradualist course for the transition to majority rule.<sup>29</sup>

2. Building on South Africa's Economic Strengths

South Africa has well-educated and sophisticated group of the populace who is a strong asset and very effective financial networks and systems. The country has a "good climate" and a good geographical position for carrying out trade in Africa and the World. The country disposes of an abundant source of gold and other mineral resources. These are not all.<sup>30</sup>

The weaknesses of the South African economy come from the effect of political uncertainty on the ability of the country to attract investments or keep a skilled workforce and management.

3. Can South Africa's Economic Problems Be Solved

The South Africa's Consultative Business Movement (CBM),



a South African Consortium of business persons has looked into the impact of apartheid on liberal market economics. Several conclusions were reached from examining the cost of keeping apartheid; the security features of the strong state, the large bureaucracy to look into the reserve land affairs. The CBM came to the conclusion that billions of dollars were involved by the South African government, monies that might have been spent in better ways.<sup>31</sup> It is evident that what is often referred as the "peace dividend" needs to materialize in South Africa in terms of reduction of the costs of the machinery of control to improve the social overhead costs.

Other South Africa's economic problems include: slow growth, low investments, the AIDS epidemics. The gold minings are reported to be gradually winding down; the shafts get deeper; and the ore gets poorer. Unemployment is very high (quoted figures vary from 25 to 50 percent). South Africa's post-apartheid period may experience more investments once confidence has been restored in the country's future. President de Klerck's economic strategy has initiated the reforms aimed at growth and development, which intervene in areas of "market failure".

4. The Social Position of South Africa Black Majority

The ANC, the majority party to be is not revenge-oriented. It seems committed to work with all the South



Africans, including the white South Africans. The ANC is committed to building a South Africa in which all the citizens could live together peacefully and prosperously,<sup>32</sup> a South Africa whose constitution will have the Bill of Rights, the separation of powers, checks and balances, a diversely constituted executive, devolution of power, a two chamber parliament

5. Management of Diversity.

The season of violence seems over. Many thoughtful analysts of the South African situation have speculated on the future of South Africa. A variety of political scenarios have been proposed covering the future of South Africa in optimist, pessimist and realist perspectives. Some suggest the road that the de Klerck government is already following, i.e. decentralizing the government power structure, with massive deregulation, privatization and power sharing.<sup>33</sup> Other suggest the nationalization syndrome of the strong state, increased economic control and state's involvement in the production process. Others will suggest a welfare state. Other would suggest a South Africa prone to equity for all its citizens.<sup>34</sup>

In terms of managing diversity, the successful leaders need to be flexible. They need to be able to embrace new ideas, and challenge old ones and live in this paradox to guide a smooth ship, with riddles certainly, but



simultaneously putting everything up for grabs, which is itself a fundamental paradox. The very essence of leadership is to have a vision. Mandela seems to have a high vision for South Africa when he states for instance:

I have cherished the idea of a democratic and free society in which all persons live together in harmony and with equal opportunities. It is an ideal which I hope to live for and to achieve. But if needs be, is an ideal for which, I am prepared to die.

6. Black Ownership of Land and Property Rights

A key to peaceful development, integration and unity in diversity, and security in South Africa will be ownership of land. Blacks must own more productive farmland. It would not be easy to shift land to them. It would involve the current large land owners, the government, the transnational corporations operating in Southern Africa, and the international donor community being generous in their terms for transferring land to the impoverished Black populations and especially the more productive ones.<sup>35</sup> The experiences of land redistribution in Kenya and Zimbabwe need to provide South Africa with some inspiration.<sup>36</sup>

7. Education

Education is very important for the dispossessed. It enables him/her to contribute economically and to benefit from



his/her work. The government will have to support strong educational programs. They will be expansive but necessary.

The legacy of landless people in apartheid South Africa may have contributed to making many Blacks passive. They have to be encouraged to work. They have to be provided jobs. they need above all to be educated.

To achieve the goals of black economic empowerment and economic parity, three structural changes are suggested:

(i) the expansion of black ownership of productive assets;

(ii) increased black representation on boards of directors of large corporations in the private and public sectors; and

(iii) a more reasonable presence of blacks in the professional and managerial cadres.<sup>37</sup>

Education is one key sector to promote equal economic opportunities to fulfill the parity imperatives without necessarily hurting conservative constituencies.

#### 8. A Responsible, Accountable and Disciplined Leadership

Many in post-apartheid South Africa may be waiting upon a miraculous liberation to solve their problems (poverty, unemployment, social and health care). Political discipline can make a difference and the South African leaders need to reestablish it from the ashes of sanctions, boycotts, and divestment movements and marches.



The transition period between the apartheid and post-apartheid era will teach blacks that politics is more the art of compromises, than the miracle of liberation which may have set their expectations very high. The leaders need to avoid making any extreme promises, and try to educate the people (who have known no peace of mind since 1948 and perhaps before since the color bar<sup>38</sup>) about the reality of the modern world, growth and sustainable development.

9. The Challenge of the Peace Dividend and Its Consequence in Reduced Military Expenditures

The main objective of sustainable development is to help one another, by virtue of traditional African solidarity, and the cherished values of tolerance, association and adhesion to the work ethics. The government of post apartheid South Africa does not need a strong military, hence is justified in reduction of military expenditures.<sup>39</sup>

The strong organization of the military can contribute to assisting in the organization of physical production rather than physical destruction. Strong military leaders could help to inspire people to work together, and set them at different tasks. It is hoped that the military would not get disenchanted if they were used to build channels or helping in road, railroad and bridge construction.

10. Toward a More Effective Regional Cooperation and Interstate Conflict Resolution

In the context of new developments in international



economic, and geo-political realities, where the strategy is to build an effective working integration scheme of cooperation and integration South Africa could energize the existing Southern African Regional Organizations such as SADCC and its successor the Southern African Development Community (SADC) and/or the Preferential Trade Area of Eastern and Southern Africa (PTA) and assist them in the harmonization of national development initiatives at the subregional level. Southern Africa and Africa's present survival, progress and security require strong cooperative structures in trade, food security and agricultural development industries, transports and telecommunications, etc.

South Africa will also claim its seat in the committees of conflict resolution within SADC or/and PTA, and the OAU.

Within SADC or and PTA, the Southern African region has an historical opportunity to reconstruct larger entities, to set aside its conflicts and ideological differences and draw up a joint program of reconstruction, including regional development projects, railroad rehabilitation, port reconstruction and telecommunication development.<sup>40</sup>

#### 11. The Transnational Approach

South Africa and the Southern African region did suffer from the movement of divestment, sanctions and boycotts. Yet, there is a strong need for investment funds and projects in post-apartheid Africa under majority rule. South Africa has