

DEVELOP  
IDEMOCRAU Y

Africa and Asia: â\200\230  
Issues for South Africa

## DEVELOPMENT and DEMOCRACY

Ann Bernstein:

Some people say that Africa has failed. How do you see that sort of description of Africa and what do you think

are the lessons, and the problems, of Africa?

Michael

Hollman:

Pmn dm wlhai  
some call the

category of Afro-

pessimists. It's a term I resent because it suggests that one either has some sort of hidden agenda or is predisposed toward taking a gloomy view, which is certainly not my position. If I'm going to have a label I'd like to be called an Afro-realist. I think much more harm is done by to use a pejorative term the Afro-optimists, who present a picture of the continent that is simply not in tune with either my perception, or indeed with the reports that one has

available from the World Bank or other institutions.

I think one begins with the bottom line; Africa isn't working. There is a great deal of statistical material to bear this out. To put it another way, structural adjustment isn't working. Now I'm a supporter of structural adjustment; as a policy, I think it's necessary, but not sufficient. If you want an empirical appraisal if that's possible in a continent where statistics are so

inadequate

you look at the World Bank reports. The star performer is Ghana which has achieved something like five to six percent average real growth over the past ten years. The World Bank appraisal of Ghana's future is one of the most devastating things I've ever read. It says

if this growth rate is the same for the next 30 or 40 years,

\* One of the first things that a new SA government should do is set up a Japan Aid development trade desk and get as much contact with that country as possible. \*

Â® The Japanese aid and development officials, and their representatives at the World Bank, and the IMF are going to demand a greater say in changing Africa.

Ghana will reach the per capita level that it enjoyed in about 1973. Now this is not a Ghana which has achieved self-sustained growth; this is a Ghana which has achieved growth of 5 to 6% with substantial external assistance. There is no indication that it can continue to manage this

level of growth without continued

substantial external assistance.

The two

problems are that the level of

fundamental

domestic savings are well short of what is necessary and secondly, that foreign investment has been limited to only one or two sectors, particularly mining. So the best example of success in Africa seems to point to a very gloomy future. We have got to come to the

conclusion that structural adjustment is essential but not

sufficient. What other ingredients are missing?

Ann Bernstein:

But what is the problem in Africa is it that Africa is different, or Africans are different? How do you see the

problem?

Michael Holman:

I think that if one is really going to go to the heart of it, one has to go back a long way. I'm not an Afro-apologist, but the impact of the slave trade, for example, is which Africa

experienced, which I don't think

a trauma

outsiders take fully into account. |  
sometimes think that Africans  
themselves, particularly in the  
regions most affected, remain traumatized. The tragedy  
is not recognized, publicly and symbolically, in the sort of  
way which will allow the trauma to be dissipated. The  
island of Gorée off Senegal is a rather seedy place because

the slave house, which is momentous in its atmosphere, is

not given the reverence that should be attached to an institution of that nature. Itâ\200\231s almost, for me, the Auschwitz of Africa. So the slave trade, the colonial carve- up, which weâ\200\231re all familiar with, the miserable record of post independence Africa, the consequences of the Cold War and the proxy battles

are all part of the problem.

Having listed these things, I am left with one fundamental problem to which I donâ\200\231t have an answer. The market ethos â\200\224 the capitalist principles, or whatever one likes to call it â\200\224 have not been taken on board. Not in Nigeria which is the most vibrant so-called â\200\230capitalistâ\200\231 economy, or in Kenya or anywhere else. Thereâ\200\231s not a raw, market-driven energy; at the end of the day that Africa

actually believes that there is a

thereâ\200\231s a sense middle way. Itâ\200\231s not comfortable

with market forces and itâ\200\231s certainly not comfortable with authoritarian socialist structures. I donâ\200\231t know where

this middle way is.

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[ think there would be nothing more beneficial to South Africaâ\200\231s prospects over the next year than the resolution of the war in Angola. I think it was the single most damaging thing that has happened to this part of the world since apartheid itself in 1948. #

Africa is ill-informed about the nature of its economic predicament and about the solutions that are put forward. The debate is conducted behind closed doors, between senior civil servants, politicians, and the IMF and World

documents being presented to the

Bank, instead of the

public, so that they understand, for example, why subsidies are being removed. The Nigerian

public still don't quite grasp the fact that removing petrol subsidies in Nigeria is demonstrably a good thing. One of the first steps to converting Africa to market driven principles, is to inform the citizens who are at the receiving end of bad policy why these policies are failing. And they're failing, in my view, not because of shortcomings within the policies themselves, although they're not perfect, but because they're not

adequately implemented.

The one example of where these policies were put on the table is Mauritius, where the finance minister in the

late-1970s, had a radical, trade union background, when

#### WHAT IS STRUCTURAL ADJUSTMENT?

Structural Adjustment is a package of economic policy reforms which must sometimes be adopted by developing countries as a condition of receiving IMF or World Bank loans. They are imposed in countries where the lending institutions feel that the state has played too interventionist a role, sending the wrong signals to the economy and creating a climate unfavourable to investment and economic growth. Structural adjustment is a complete overhaul of the economy and state action within it, not just tinkering with the margins.

Structural adjustment has two main objectives: deregulation and getting prices right.

The main policy measures for getting prices right are :

- @ devaluation (jointly with the abolition of exchange controls)

- @ raising interest rates

- @ abolishing subsidies and price controls which distort prices.

Deregulation is achieved by:

- @ getting the state to cut its expenditure, for example by reducing social services;

- @ raising revenues, for example by imposing user fees for services; and

- @ Dprivatisation.

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the NMN swept the board. He brought in the trade union movement and said "here is the IMF's letter of intent, here is the World Bank document, these are the terms on which the finance is available, this is the state of our reserves, we've got no alternatives". Mauritius put structural adjustment into effect and had a booming economy within 10 years; one which continues to boom today. Give Africa the information to stimulate debate and perhaps out of this there will emerge an African alternative or at least an

African modification.

Moeletsi Mbeki:

"Isn't the problem in Africa that the powers that be are not actually in control? It is not that they are

democratic or undemocratic, but that they don't really run the country...and you can't have economic development under those circumstances.

Michael Holman:

This I think goes to the heart of it "the distinction between government and state. Unless people have the sense that they're paying taxes to the state and that

the government runs the budget

and that there's a distinction between the two concepts "they won't take part in the overall body politic. They will see government as a form of patronage distributed within the ruling class. The idea of 'state' doesn't come up. This problem goes back to the circumstances under which so many African countries came into being. They in fact divided nations and put them within arbitrary boundaries and consequently the sense of civic responsibility "loyalties which transcend the

\* The experience of  
SADEC was  
lamentable: Thereâ\200\231s  
not a single example in  
that ten year period  
where any of those  
countries set aside self  
interest and acted in  
regional interest.

government of the day â\200\224 either isnâ\200\231t there or is very  
weak.

Michael Spicer:  
To what extent does your Afro-pessimism extend to

South Africa â\200\224 in part or in

\* Unless you set your whol  
minds on abolishing  
exchange controls as a  
clear, urgent  
objective, you  
undermine everything  
else that you do. Â¥

Michael Holman:

In part. I think this is a really  
critical period andt S see  
opportunities being missed already.  
I detect a sense of intr()spccti()n  
which is inhibiting. I see a lack of  
forthrightness on the part of the  
private sector. These things worry

me

and there were examples

which struck me from the moment |  
arrived. The first thing | did was attend a conference  
arranged by Finance Week, featuring representatives of the  
business community and the ANC. It was billed as a full,  
free and frank debate. In fact it was nothing of the sort.

There was â\200\224 it seemed to me a notable inclination on

the part of the business community to roll over onto its  
back and want to have its tummy  
tickled. There certainly was not a  
vigorous, constructive discussion of  
the issues; furthermore vision was  
lacking. It was all so introspective.  
There was nobody standing up on  
the platform putting forward a  
vision of South Africa in the outside  
world, whether in the markets of  
Asia or in Africa. And there were  
also one or two issues that should  
have been on the agenda but  
werenâ\200\231t. The failure to address  
corruption at this stage in the



proceedings suggests to me that you

chaps have got absolutely no idea of

whatâ\200\231s going to hit you â\200\224 and is already hitting you â\200\224  
there are already signs of this â\200\224 people walking around

selling the contents of their contact books. That is a very

dangerous development.

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About a year ago I asked a leading South African businessman what he thought were the most pressing problems for the future. He listed inadequacies in management, shortcomings in the civil service and so on. His list of the top five priorities did not include corruption. Well chaps, let me warn you. Once it takes root endemic corruption will be very difficult to eliminate. Unless it is very high on your agenda, that will push you down the path of the rest of Africa sooner than

anything else.

On the plus side I always come away absolutely astonished by the resilience of South African society. It is heartening to talk to the so-called black radicals who form this great wave of expectation and to discover what they actually want. They want peace, dignity, stability, water, electricity, schools and, yes, they certainly want jobs. But if one can harness these characteristics, learn from the lessons of Asia, then you have a chance. The problem is that I don't feel that there's the necessary sense of urgency, forthrightness and frankness. As a result, you are drifting into a state of affairs where it will become progressively harder to compete with Asia. My last point is that when people like Leon Sullivan start talking about attaching terms to investment in South Africa as if you're standing back and saying, 'well we might have you, if you're lucky, if you do this and that' it is well meaning but crazy, in a tough, competitive world. I don't think you're showing signs of being competitive enough.

Moeletsi Mbeki:

Michael, coming back to what I think is an absolutely correct position that Africans are not happy with the capitalist system, and they don't see capitalism as being a way forward. I agree with you that nonetheless they don't

% What worries me about the government coming into power is that one can't underestimate the contrast between the circumstances in which they come to power and those in which previous nationalist movements have come to power.

have an alternative model. The reason for this absence is that the nationalist movements, because they had strong egalitarian aspirations, removed the dynamism of the capitalist system. That dynamism was rooted in class division. How do we reintroduce this? In South Africa the class division is present, although it's overlaid with race complications. But in Africa generally how do you reintroduce this class division, which then creates the

energy necessary for economic

growth?

Michael Holman:

I think that phrase you used 'the egalitarian instincts' of the nationalist liberation movements is very telling. My answer is, in part, the need for centres of

The

approach to education, which

excellence. egalitarian

continues in Zimbabwe for example, is enervating. It deprives society of a talented corps of people who can cope with their counterparts around the world on equal terms. I suppose you could say that it is very easy for me to criticize egalitarian systems while

implementing the alternative is a

harsh and cruel thing to do.

It also seems to me that there's no alternative; unless you have the resources to put into this upper section of the pyramid, you are not going to have the managerial staff, in either the civil service or the private sector, to implement the blueprint. What worries me is that, in association with this, I have seen a widening technological gap between the Africa in which I grew up and the Africa of today. When I was at school, you needed pens and pencils and you dealt with steam engines and Dalkotas. There was a gap between developed and underdeveloped countries, but it was one which could be closed by pens and pencils. Today we're in the world of satellites and computers, and children need to have computers on their

desks. In Africa the poor buggers often still don't even

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have pens and pencils. There are a generation of Africans who are growing up without these fundamental tools, and until these are provided, no part of Africa will be at the cutting edge.

Michael Spicer:

Some commentators, who argue that there is a moral imperative to redress the past, also appear

to argue that this

need transcends

economic rationality. They get irritated when people talk about the dictates of the international economy, and the cruel realities to which you referred.

Do you see the existence of attitudes like this in South Africa and, if you do, how can they be

overcome?

Michael Holman:

Yes I do. I think the problem is illustrated in the RDP which is not only capable of almost infinite interpretation, but also promises objectives that are clearly out of reach. The disparities between the ANC's that

programme and other costings of

costing of

it are so wide that one has to wonder whether the ANC's calculations are governed by basic market principles. Have they assessed how much is available, how many people or programmes those resources can fund, and in what way? Is the assessment of whether those resources are available based on the egalitarian principle Moeletsi was talking about or on the centres of excellence principle? The answer is clear it is on the former. I feel that this approach is certainly not

going to place South Africa at the cutting edge.

Moeletsisi Mbeki:

I think I should make a point, coming from the left.

\* What is unique to South Africa is that you have a very powerful trade union movement, that has achieved wage levels which make you uncompetitive in the outside world. How Mr Keyes or Mr Mbeki are going to handle that is going to be the real challenge in the months to come.

Do you think that there is anything we can learn from hard Marxism, like that of the Chinese?

Ann Bernstein:  
If I could add to that. China, in recent years, has had fantastic economic growth, especially in the South, in the absence of democracy. That seems to be one of the major

themes coming out of the Asian experience you can have a very positive record of without

economic growth without  
democratic government.

Michael Holman:

Initially...

Ann Bernstein:

And then to unleash the pressures for democracy and civil rights later. Now what does that

mean for South Africa?

Michael Holman:

Moeletsisi's question gives me pause for thought, because one can approach the experience in Asia, and China in particular, in different ways. One should look at the most important book written about Africa since the 1979 World Bank report on Africa. I am referring to The East Asian

Miracle. This spells out the common ingredients in the success stories of East Asia; ingredients which are, not coincidentally, becoming increasingly apparent in China. What are these? Firstly, a high quality civil service, insulated from political interference, is essential for international competitiveness.

Secondly, while leaders of the Asian miracle have tended to be either authoritarian or paternalistic, they have also been willing to grant a voice of genuine authority to a technocratic elite and key leaders of the private sector. Like authoritarian leaders in many other

countries, they realized that economic development was impossible without cooperation. The point is that leaders have to first convince economic elites to support pro-growth policies and thereafter, to persuade those elites to share the benefits of growth with the middle class and the poor. Finally, to win the cooperation of the middle class and the poor, the leaders

had to show them that they would

indeed benefit from future growth.

A couple of the other

ingredients for success. The Asian countries have actively sought foreign technology through a variety of mechanisms. They all welcome technology transfers in the form of licences, capital goods imports, foreign training and openness to direct foreign

investment. This openness has speeded technology acquisition in Hong Kong, Malaysia, Singapore, Thailand and Japan, and to a lesser extent, Taiwan and China.

The last ingredient is getting the fundamentals right in

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Â® There is another danger with aid. It can distort the economy in many ways. You end up building your budget on too many assumptions about the level of aid both in your current and capital spending. \*

terms of economic growth. Without high levels of domestic savings, broadly-based human capital, good macro-economic management and limited price distortions, there would have been no basis for growth and no means by which the gains of rapid productivity could have been

realized.

When you add to that list the points that Lee Quan Yew makes about a competitive exchange rate; the need to pay civil servants market driven salaries â\200\224 a permanent secretary in Singapore gets around 100 000 dollars â\200\224 which is what is needed to keep corruption at bay; trade liberalization; and so on, you get a

picture of what is needed. There are about 10 features that are common to the success stories of all these Asian countries none of which have anything to do with the conventional interpretation of democracy. I think that South Africa has to measure itself against those

10 yardsticks. How is South Africa currently doing by

#### WORLD LOSING INTEREST IN AFRICA

â\200\234Africaâ\200\231s crisis, identified by the World Bank in its 1981 Report, has a further element today. Africa is not only in danger of losing the battle; the world is losing interest. The countries that led the scramble for Africaâ\200\231s resources some 100 years ago are now disengaging.

Freed from Cold War rivalries, distracted by Bosnia, attracted by Asia, hardened by Africaâ\200\231s unending tragedies and frustrated by its failures, less dependent on its commodities, the world is drifting away, leaving the continent to its troubles.

The US, France, and Belgium have abnegated responsibilities in Zaire. Britain is distancing itself from Nigeria and Kenya; Washington abandoned Liberia, the West shrugged off Angola.

Africaâ\200\231s fears that Operation Hope [in Somalia] marked the start of neo-colonialism now appear to have been wishful thinking. "If only the West cared enough to want to recolonise usâ\200\231, an African diplomat ruefully observes, "but we are hardly an attractive propositionâ\200\231, he adds.

Ties are being cut in other ways: diplomatic representation on the continent is being reduced, by Britain in particular; the best and the brightest in diplomatic services or international business seek to make a career in Asia, Europe or North America - seldom in Africa.

To the outside world, Africa presents a sorry picture.â\200\235

Michael Holman



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these standards? To be blunt, I reckon your current  
...And frankly,

unless you're scoring in the late-1970s, you're never  
bl 9

performance is less than fifty percent.  
going to be internationally competitive.

Moeletsi Mbeki:

I hope you'll give some  
thought to the Chinese model  
because in South Africa it is seen  
by a large part of the urban black

population as being a model.  
populat I g lel

Michael  
Holman:

I think we  
should spell out

what for me is

the bottom line.

China is

going through a

phenomenal economic boom despite the Marxist  
authoritarian statist orthodoxies, not because of them.  
The emergence of the market in China is in fact a form of  
resistance to what the state has been trying to do over the  
past three decades. I strongly disagree with the suggestion  
that the policies of the Chinese  
administration over the past three  
or four decades have provided  
the basis, framework or roots for

this economic development.

Moeletsi Mbeki:

I want to raise  
the question of  
expectations.

There is an

enormous fear in South Africa and in the

western world about the expectations of the newly

enfranchised. I see the issue differently. I think Africa's

problem and I've lived in Tanzania, Zimbabwe and Zambia, and travelled in many other countries is that

the people have low expectations. They're willing to accept low standards, live off subsistence agriculture, wear the same set of clothes for weeks on end and walk

instead of riding a bicycle or a motorbike. I would argue

\* China is going through a phenomenal economic boom despite

the Marxist authoritarian statist orthodoxies, not because of them.

\* Despite this wave of democracy that is sweeping the continent, the calibre

of African leadership

is still abysmal. It

that we should in fact be encouraging expectations in South Africa and then challenging people like Michael

Spicer to meet them!

Michael Holman:

I agree that those expectations are modest, but that in itself is not a bad thing. What is absolutely ecritical is not the fact that South Africa will fall short of meeting those targets, but if it does so because of corrupt, incompetent government, which loses its integrity, then you'll be in serious trouble.

Africa needs to be given a new

vision more broadly, and I think this is what South Africa will, in

part, provide. You have of course

to remember that self- confidence does not come from setting targets which are grossly unrealistic, without clear development strategies. But vision is essential! I didn't have any sense of vision during the election campaign. I didn't hear a single phrase in which a realistic but at the same time inspirational vision, not only of post apartheid South Africa but of post apartheid Africa, was presented. It is also disturbing that there is no resonance on the other side of the Limpopo. There is no voice in the rest of Africa to say that, with the political transition in South Africa now over, the ambitions of the rest of the continent are much more attainable. I have looked for a suitable figure to enunciate that vision and, frankly, can't find one. There is nobody with sufficient integrity, proven probity and, generally, the necessary track record to speak for Africa. This suggests to me that despite this wave of democracy that is sweeping the continent, the calibre of African leadership is still abysmal. With due respect to the individuals, I do not believe that the leaders of Kenya and Nigeria are models of modern statesmanship.

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In part, Africa must make a better job of selling itself. Its diplomats are generally useless. The continent is far too dependent on the lobbying of its friends â\200\224 Oxfam, the World Bank and other NGOs â\200\224 who do a good job. Africa needs to allow its businessmen to speak. This mean being more open to outsiders. Why do I need a visa to go to Mozambique and Nigeria? African countries, in order to put themselves on the should abolish

requirements for residents of the

map, visa  
European Community. ... And  
they shouldnâ\200\231t even think of  
demanding reciprocity, because  
they simply wonâ\200\231t get it. No  
European businessman is going to  
Âço and live in Angola. Africa has  
to galvanize itself. It has to  
abolish expatriate quotas and  
visas for foreign nationals, and  
start selling itself with a sense that  
post apartheid Africa offers  
opportunities for the whole of  
Africa to take stock and set up

new targets

Michael Spicer:  
To take a  
slightly different

tack; how should

we respond to

the aid issue?

Should South Africa seek aid or

should we be worried about aid?

Michael Holman:

In your place, I would be very, very concerned about aid. Iâ\200\231ll be provocative â\200\224 but also at least half serious â\200\224 and suggest that for the next two years, or at least until youâ\200\231ve taken stock of your own resources, you should avoid visiting experts, consultants or aid. The record shows that African countries are incapable of efficiently using available aid. Two years ago I encountered a large

World Bank delegation, one of whom I knew to be a proven incompetent, corrupt politician who had managed

% | agree that expectations are modest, but that in itself is not a bad thing. What is absolutely critical is not the fact the South Africa will fall short of foreign assistance. meeting those targets, but if it does so because of corrupt, incompetent government, which loses its integrity, then youâ\200\231ll be in serious trouble.

to get onto the World Bank consultant gravy train, coming to advise South Africans on what to do about shortcomings in your primary education system. Now I know that when Iâ\200\231ve had to write about the South African education system, my heart sinks, because in your libraries one finds shelf after shelf of analysis of what is wrong with South African education. The fact is that you are the most self analyzed society in the world. Youâ\200\231ve got more insights into your own shortcomings than any other country in the world. Youâ\200\231re more critical and youâ\200\231ve got very good ideas about what you want to do. Well Iâ\200\231d be inclined to say to South Africans, for at least the next year or so, â\200\230get on with it chapsâ\200\231. If you need specific help, like

demographics, you can call in greater expertise in

There is another danger with aid. Itâ\200\231s not simply that aid is usually used inefficiently. More problematic is that it can distort the economy in many ways. You end up building your budget on too many assumptions about the level of aid both in your current and capital spending. An incident which was like a road to Damascus conversion for me occurred in Tanzania fifteen years ago. I read a World Bank press release about a loan which would be providing for the maintenance costs of a road that had itself been built by the World Bank. Now if you build a road which you arenâ\200\231t capable of maintaining without aid, you have reached the stage of aid dependency. While Iâ\200\231m not suggesting that is an imminent danger for South Africa, your attitude ought to be much more cautious and selective than it is at the moment. You

are not going to be able to coordinate aid, it will distort your budget and I think it could be profoundly unhealthy.

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Moeletsisi Mbeki:

Do you think that the levels of concentration of ownership and control in the South African economy are a problem?

Michael Holman:

My response to the issue of structure and concentration in the South African economy is rather like Winston Churchill's response to democracy; it is a pretty poor system, but can you think of anything better? Until you can, I'd caution against tampering. Competitiveness is another matter - the claim is often made that these high levels of concentration South Africa

uncompetitive. I would approach

make the competitiveness issue differently. I agree with Tony Hawkins, who has for years been making the point that South Africa cannot possibly have export led growth while the economy is so highly waged and policy makers refuse to do something fairly drastic to the exchange rate. How the new government approaches these two issues is going to be fundamental in determining your competitiveness. What

is unique to South Africa

which is partly a strength and partly a problem - is that you have a very powerful trade union movement, who have achieved wage levels which make you uncompetitive in the outside world. How Mr Keyes or Mr Mbeki are going to handle that is going to

be the real challenge in the months to come.

Michael Spicer:

Where do you locate exchange controls? How

important is the abolition of exchange controls?

Michael Holman:

Top of the list. The example of Asia shows that these

are always disruptive and painful. You've simply got to

grit your teeth and have a cool head and strong nerves.

This is one of the real challenges to the statesmanship of your new leaders. But it is absolutely fundamental to the record of growth in the east Asian successes. These show that there are a number of ways in which it can be done. Indonesia was a particularly interesting example. But unless you set your minds on abolishing exchange controls as a clear, urgent objective, you undermine

everything else that you do.

Â® The Asian countries have actively sought o foreign technology through a variety of mechanisms. They all welcome technology transfers in the form of licences, capital goods imports, foreign training, and openness to direct foreign investments.

Michael Spicer:  
you believe political parties are committed to the abolition of exchange controls?

Michael Holman:

No I don't. I don't see the necessary willingness to bite the bullet. The record shows the risk of dislocation. But if you're raising your eyes beyond convenient policies â short term policies â and looking beyond the mid-term, you've got to do it. But I don't detect a commitment on the part of either government or people in

the private sector. What has struck me is that this is often treated as a truly bizarre suggestion â not something to be seriously discussed.

Moeletsisi Mbeki:

When you look at the ANC leadership, do you see any among them who has the two necessary qualities which you mention â strong nerves and the capacity to suffer pain?

Michael Holman:

They haven't been tested yet. They've shown strong nerves and the capacity to suffer pain in a different arena, under different circumstances. In the future they will have to display those qualities in a different arena. What worries me about the government coming into power is that one can't underestimate the contrast





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between the circumstances in which they come to power and those in which previous nationalist movements have come to power. In the past, the incoming government had enormous patronage at its disposal, because it was able to nationalize industries, expand the civil service and so on. That was very useful, not least because nationalist movements are a coalition which can be kept together by dispensing patronage. That patronage should not, in theory, be available in the new South Africa. But it will be very tempting to the ANC to keep the

% There are about 10

features that are common to the success

stories of all these Asian countries none

of which have anything to do with

Zimbabwe. Thereâ\200\231s not a single example in that ten year period where any of those countries set aside self interest and acted in regional interest. The most effective use of the money was on the ports of Mozambique. SADEC had their

chance

particularly in the energy sector, to coordinate â\200\224 and they failed. Now theyâ\200\231re up against the big boy â\200\224 and this is a big boy without the rest of the world sitting on him, holding him back. Theyâ\200\231re going to have to compete. They canâ\200\231t ask for special treatment. They canâ\200\231t, for example, engage in protectionist

coalition together by looking for forms of patronage. The temptation to serve the interests

of the ANC instead of the

the conventional interpretation of democracy. South

policies to protect their industries. Theyâ\200\231ve been in the real world for long enough and had their chance.

I say, if you can't take the heat,

country, will be the biggest problem. If the ANC's leaders have foresight and the statesmanship, they will put the country before party. It remains to be seen whether this will

happen.

Ann Bernstein:

What kind of player in the Southern African region is South Africa likely to be and what kind of player do you

think we should

try to be?

Michael Holman:

The reality is that SA is the dominant power and that dominance is going to increase, rather than decrease. The experience of SADEC was lamentable: there was an opportunity then for this group of countries to operate on regional principles. If they decided, for example, that a

paper mill was needed, it should be in Malawi rather than

Africa has to measure itself against those 10 yardsticks. Å

\* I'm a supporter of structural adjustment; as a policy, I think its necessary, but not sufficient.

eat out of the kitchen. I feel fairly forthright about this. SADEC was a squandered opportunity. Part of the blame lies on the donors, who were tolerant to a disgraceful degree. To this day they present SADEC as a successful example of regional integration. It is not! It is a failure by any yardstick you apply and the bloody donors won't speak up and say so, because they're inhibited, paternalistic and don't want to rock the boat. SADEC is a warning; the inhibitions that undermined SADEC must not infect South Africa's regional

strategy.

My only qualification here is to say, don't swagger through Africa, and bear in mind that you fought your war against apartheid in Southern Africa. Hundreds of

thousands of people died in  
Angola, Zimbabwe and Mozambique in the cause of  
liberating South Africa. It would not be a bad thing if you  
made acknowledgement of this and had a reconstruction  
programme in your budget. The battle for apartheid was

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fought in the neighbouring countries as much as it was here. You owe us something, and you haven't made any

recognition of that. Shame on you!

Ann Bernstein:

In a sense you and other senior foreign journalists are going to be the interpreters of what happens in South Africa to outside investors and to the important markets of the rest of the world. What are going to be the key short term indicators you will be using to interpret where SA is going, the

high road or the low road?

Michael Holman:

In no particular order, I will look for; stability; continuity - one wants a sense that there's an administration that hasn't been traumatized, that there's a coalition administration that's going to work; and efficient civil service; clear policy objectives set out very firmly at the earliest possible opportunity; an acknowledgement of the competitive state of the world; a sense of the regional role that you have in galvanizing Africa; not digging up the old ideological bones, because it will be the worst possible thing if there's a sense that there are still lessons which should have been learned in the past once again having to be learned; an open enthusiastic approach to foreign

investors, a recognition of their

contribution to technology, management and marketing

expertise; and again, high on the list, integrity in the administration. If you start to go down the road of corruption that is going to be, not only bad for SA, but bad for your international image and bad

for the foreign investors.

\* The World Bank appraisal of Ghana's future is one of the most devastating things I've ever read. It says if this growth rate is the same for the next 30 years, Ghana will reach the per capita level that it ought to be a foreign

enjoyed in about

1973

[ think thereâ\200\231s going  
to be new alliances at  
the UN between Japan  
and the African  
nations backing  
Japanâ\200\231s claim for a  
place on the security  
council. \*Â®

Finally I think that you are linked, whether you like  
it or not, to the region, in terms, not only of the  
development of your economy, but in international  
market perceptions, and I think there would be nothing  
more beneficial to South Africaâ\200\231s  
prospects over the next year than  
the resolution of the war in  
Angola. I think it was the single  
most damaging thing that has  
happened to this part of the world  
since apartheid itself in 1948.  
Again, the responsibility lies not  
simply on Savimbi, who is an  
erratic, volatile character, who  
may never be curbed, but on the  
Western powers that neglected  
their responsibilities in  
implementing the transition. The  
sooner Angola is settled â\200\224 and 1  
policy priority in the new  
administration â\200\224 the better. The  
impact of a stable Angola would  
be enormous â\200\224 it is the only  
African country that can fund its own recovery  
programme with its 400 000 barrels of oil a day,  
diamonds and coffee. When I was there during that  
wonderful period of peace, the  
potential for an Angolan-South  
African axis was enormous. [t was  
thrilling. And if thereâ\200\231s any one  
thing that would inspire  
confidence, itâ\200\231s for SA and Angola  
to cooperate in a strong healthy  
trading relationship, based on a

stable Angola and a stable SA.

Ann Bernstein:  
What about the Japanese

interest in Africa?  
Michael Holman:

I think Japan is absolutely fundamental â\200\224 and this  
should be added to my list. One of the first things I would

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do is set up a Japan desk. I would speak to the Japanese foreign ministry and ask them to help with a language training programme. We want to have a corps of Japanese experts among the SA trade and diplomatic representatives. Because Japan, apart from the fact that its the largest bilateral donor, is going to start flexing its muscle in several ways. Its looking at the western record in developing Africa which, to put it crudely, failed. It looked at East Asia â\200\224 which succeeded. The Japanese aid and development officials, and their representatives at the World Bank and the IMF are going to demand a greater say in changing Africa. I think thereâ\200\231s going to be new

alliance at the UN between Japan and the African

group, with the African nations backing Japarâ\200\231s claim for a place on the security council.

Japan is going to be flexing its muscles in the international aid and development arena and we should be preparing for that. There is an appalling lack of informed interest in Japan on the part of African governments. This is a great mistake. I do not know a single African government whoâ\200\231ve done justice to the potential that Japan represents. That should be one of the first things that a new SA government should do â\200\224 set up a Japan Aid development trade desk and get as much contact with that country as

possible

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### AID AND INVESTMENT IN AFRICA: LESSONS FOR SOUTH AFRICA

Tony Hawkins

Professor Tony Hawkins is professor of Business Studies and Director of the MBA Programme, University of Zimbabwe, Harare. He grew up in Zimbabwe, studied at the University College of York, > 8 I Y & O,

Rhodesia and Nyasaland, and was a Rhodes Scholar at Corpus Christi College at Oxford. He has

lectured at the University since 1966 and writes for a number of financial publications such as The

Financial Times and The Economist.

Political transition in South Africa coincided with a change of gear and marked shift of mood in the aid industry. As befits an industry reaching the maturity phase of its life cycle, the aid business is plagued with self-doubts, wondering whether, as growth slows, decline might not be just around the corner. It is hardly surprising then, that recent surveys of aid by the OECD's Development Assistance Committee, the European Union, the United Nations Development Programme and a number of independent agencies are unanimous in one

crucial respect – the need to rethink aid strategies.

Clearly, if aid programmes were succeeding, the

industry would not be in this soul-searching mode, nor

would its growth have slowed to snail's pace. Its failure is most apparent, not just in its increasingly poor reviews worldwide, but in the international community's inability, under the glare of global publicity, to meet the challenges of successive political and humanitarian crises in Somalia, Bosnia and Rwanda, as well as its longer-running record of failure to foster self-sustaining

economic development in Sub-Saharan Africa.

Aggregate net real transfers to Sub-Saharan Africa averaging more than \$10 billion a year (1992 dollars) between 1980 and 1992 were associated with a decline of 0.8 per cent a year in real income per head. With this

record of failure under its belt, it is hardly surprising

Jid)