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IN
SOUTHERN AFRICA

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STRATEGIES FOR ECONOMIC COOPERATION AND DEVELOPMENT IN THE SOUTHERN AFRICAN SUB-CONTINENT: TOWARDS 2000

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INTRODUCTION

Paul Johnson, the renowned historian, ends his book "A History of the Modern World" with the following statement: "A prime discovery of modern times is that reason plays little part in our affairs." This by way of introduction serves to remind us to be humble when trying to predict the possible outcome of various forces which will have a major influence on future events.

One way of increasing the accuracy of such predictions is to look to history to assist us in identifying these forces. For this reason, this paper attempts to derive scenarios for the 1990s from a historical perspective.

A HISTORICAL PERSPECTIVE

It is not possible to identify all the events of the past which may have a bearing on the future, nor is it necessarily desirable. In this section the approach will rather be directed towards statements of a rather subjective view of what is important.

Statement 1: The present economic dispensation in the Southern African region is the outcome of "power games" rather than economic logic.

The railroad was of great significance in the development of the world economy during the 19th century. The spatial location of rail lines has likewise been important in the Southern African economy. The great gold discovery on the Witwatersrand took place when the main rail link between Cape Town and Kimberley had been completed. Economic logic would dictate an immediate extension of the line to Johannesburg, yet this was only accomplished in 1892. Political leaders such as John Merriman fought for these rail links as a precursor to a united South Africa (Lewsen, 1982).

They believed that the economic unity resulting from an integrated railway network would lead to political union. Cecil John Rhodes also fought for the union of the railways, but with other goals in mind (Rotberg, 1988). President Paul Kruger allowed the construction of the line from the Vaal river to the Rand, but also for reasons other than economic logic. Rhodes wanted his Cape to Cairo link, and Kruger needed funds to complete the Maputo line. So expediency brought them together: Rhodes, as Prime Minister of the Cape Colony, saw to the funding of both the lines. Kruger, having obtained his rail link to the east coast, and no doubt realizing that Rhodes was not being driven by altruistic economic motives alone, slapped a tariff wall on imports from the Cape. The result differed little from not having a rail line at all. The tariff wars continued until the end of the Boer War, and Rhodes built his rail line to Rhodesia. Control and power considerations therefore directed the spatial layout of what was supposed to be the "Cape to Cairo" rail link. A consequence of this was an economically illogical rail network missing the Transvaal gold

Strategies for economic cooperation and development in Southern Africa

fields at first, while linking the then Rhodesia with Cape Town, both British colonies, through Botswana.

In later years Jan Smuts saw the British Commonwealth as a means of ensuring that South Africa could contribute to spreading 'civilisation' throughout the world, and share in the resulting benefits. To him the British African dominion, stretching from Cape Town and Windhoek up to Nairobi, would encompass virtually all Africa's mineral wealth outside the then Belgian Congo, together with the best farming land. Another feature of this plan, of course, was a transportation network over which South Africa, as one of the main actors, had maximum control (Johnson, 1983.)

One legacy of these developments was a substantial degree of trade liberalisation that reached a pinnacle during the fifties. This resulted in 80% of trade passing through the Angolan and Mozambique lines with 20% through South Africa. By contrast, about 70% of the region's trade volume passes through South Africa today (Economist, 1989).

The reason for this shift from the natural transport lines to those controlled by South Africa should be sought partly in the inability of the newly independent states to administer and run the network. More important, however, is the political leverage which control of these transportation routes gives South Africa. The transportation "weapon" was, according to evidence, often activated through actions ranging from accidental mislaying of railway trucks containing essential imports (as in the case of Rhodesia in 1977), the closing of transportation links (Lesotho in 1986) to the destruction of both the Benguela and Beira railway lines (Economist, 1989). Recently, in line with events in South and Southern Africa, indications are that South Africa is increasingly practising a policy of "building roads and bridges" rather than "blowing them in the air". Constructions in Maputo harbour, building of bridges on the Maputo-Komatipoort line, recent negotiations on Cahora Bassa and the Lesotho Highlands Water Scheme are all manifestations of this change. However, it is not surprising that the highest priority of the SADCC states is only now turning away from securing alternative transportation routes for their landlocked states. One of the central issues which will influence the regional economy will be to what extent South Africa will "allow" "normal" transport routes to be developed.

Statement 2: The economic interdependency of the region is based on economic considerations.

The dominant position of the South African economy in this region is evident. It would, however, be incorrect to argue that South Africa exploits its hinterland without benefit to the neighbouring states. Economic ties do not endure unless loosening or breaking them entails more immediate costs than benefits. The governments of the region are all sovereign and free to accept an economic cost for a political benefit. The size of the cost is clearly critical. The magnitude of trade between South Africa and its neighbours indicates material benefits which clearly outstrip the political benefit which South Africa could potentially generate.

It could therefore be argued that the present linkages exist on grounds of economic logic, not so much because of deliberate policies but often in spite of such policies. In fact, the deployment of the transportation weapon is indeed dependent on the economic rationale of utilising transportation routes!

Statement 3: Outside interests and pressure groups are of less importance for Southern Africa's future

The industrial countries do not have many vital interests in Southern Africa. The importance of this area falls well behind that of regions such as central Europe and the developing countries of the Far East. From a military and strategic point of view, Southern Africa is not as important as in the past, *inter alia* in terms of control over shipping lanes. One area of importance, however, is that of strategic minerals which are indispensable to the West for various industrial and military processes. Gold is also important, not as direct source of wealth, but rather through its linkages to financial markets and its role as a store of wealth in the Middle and Far East.

The whole position is of course rather fluid at present with the independence of Namibia, withdrawal of Cuban troops from Angola and the recent political restructuring in South Africa and Mozambique increasing short-term uncertainty. It appears as if the present emphasis by the superpowers to promote change through negotiations rather than military conflict provides a unique opportunity for cooperation in Southern Africa. It can also be argued that bilateral action, involving South Africa, provides a more productive form of interaction and liaison (Van Rooyen & Fényes, 1985).

Statement 4: Something new out of Africa?

The generally negative view of Africa is well backed by arguments on both qualitative and quantitative levels. There are, however, other sides to the story, with glimpses of economic progress and growth, as well as evidence of people responding to the same sort of incentives as rational people in other countries. Many examples exist, especially in smallholder farming, the largest economic sector in most of the Southern African states (cf. the Economist, March 4, 1989).

Something new out of Africa? Perhaps. In 1980 the African heads of state in Lagos claimed that their economic plight stemmed from "the political constraints caused by colonial and racist domination and exploitation". By contrast, in 1986 the African group of the UN stated that Africa has taken the main responsibility for its own development. This attitude with a strong commitment to applying sound economic policies, especially towards broad-base support of small-scale entrepreneurs, could be the key to unlocking Southern Africa's potential to the benefit of all states, with South Africa playing a crucial role in this process.

OPTIONS FOR THE 1990s (THE "HISTORICAL" FUTURE)

Historical forces in the 1990s

The main forces which will shape the Southern African environment through the 1990s can readily be derived from those which created the present day situation. In this sense, the course of the immediate future has already been set through certain historical events and trends, related to (a) the "power play" in Southern Africa; (b) the reality of economically beneficial interdependency in the region; and (c) the knowledge that economic progress and productivity can be obtained through the support of market processes on local, national and international levels.

Scenarios

Within this context, alternative scenarios can be generated, using as a frame of

reference the differing levels of cooperation and trade between South Africa and the other Southern African states, as illustrated below:

| | | COOPERATION | |
|-------|------|-------------|----------------------------------|
| | | LOW | HIGH |
| TRADE | LOW | STAGLATION | ALL DRESSED UP BUT NOWHERE TO GO |
| | HIGH | ENSLAVEMENT | GOOD NEIGHBOURS |

The various scenarios can be described as follows:

- **"Stagflation" (stagnation and isolation).** This scenario describes limited cooperation between South Africa and the other Southern African states, with movement towards minimised trade linkages. This will lead to stagnation in diplomatic, political and economic relations, isolating South Africa from any influence in the subcontinent.
- **"Enslavement".** This scenario describes the situation of the immediate past. The high dependency of Southern African states on the South African transport network relates this scenario to a form of enslavement, but with mutual benefits to both parties.
- **"All dressed up but nowhere to go".** A high cooperation/low trade linkage scenario describing the present day SADC scene with much political rhetoric and little economic substance.
- **"Good neighbours".** This scenario describes the best case for regional stability and economic growth through optimal cooperation and trade policies between Southern African neighbours.

Assumptions

In order to select the most likely scenarios and possible options within a scenario, it is necessary to establish a set of assumptions on interaction in the early 1990s in Southern Africa. These are: (i) South Africa will continue to play a dominant role in the subcontinent, especially through bilateral trade and diplomatic and political actions; (ii) The main volume of intra-regional trade will still be directed through the South African transportation system; (iii) South Africa's internal situation will continue to move towards a society operating under rules of more equitable access to opportunities and resources as well as political decision making. The present views of the ANC on nationalisation are expected to be softened, with emphasis given to affirmative action programmes. This will result in a growing domestic market for food and consumables. Increased urbanisation in South Africa will also provide further economic opportunities; (iv) The independence of Namibia has introduced a major and important new player in Southern Africa; (v) The present level of military action and deployment of the transportation weapon will be scaled down in favour of the maintenance of internal order in South Africa. The reduction of military conscription already gives indications of such moves. Military activities are thus not expected to escalate and the transportation weapon will only be used as a reactionary or retaliatory measure if so forced; (vi) A decrease in sanctions against South Africa depending on progress towards an internal settlement can be expected. Recent developments in respect of Namibia, Mozambique,

Angola and especially South Africa will strongly deter major moves against South Africa. In essence these assumptions imply a switch of the sanctions focus from "apartheid punishment" to aid towards economic restructuring and eventual regional integration.

A most likely option

From the above assumptions it can be expected that the present level of economic linkages and interdependency of Southern African states will at least continue and probably increase into the early 1990s. Restructuring in South Africa's neighbouring economies is likely to increase rather than decrease these economic interlinkages. Despite political considerations such as the uncertainty of transition of political settlement in South Africa and the emotiveness of the apartheid theme, resulting in a trend towards low level cooperation, strong trade linkages renders the STAGLATION (stagnation and isolation) scenario most unlikely.

The ALL DRESSED UP BUT NOWHERE TO GO (high cooperation low trade) scenario can be viewed as irrelevant for the Southern African situation for the present. It should also be evident that the most optimistic scenario for regional progress (GOOD NEIGHBOURS) is not likely to materialise in the near future. This leaves the basic present-day situation as the most likely outcome of the foreseeable future.

The exact position within the ENSLAVEMENT scenario would critically depend on a continuation and even increase in bilateral actions between South Africa and other Southern African states and on the acceptance from these states of a shift in emphasis from sanctions against apartheid to aid for restructuring. The public rhetoric against South Africa will most likely continue but should almost at all costs be countered by open-line private communications between heads of state.

A very important determinant of the ENSLAVEMENT option will be the process of political change in South Africa and the resultant degree of restraint by South African authorities in the use of military action and the deployment of the transportation weapon. Such actions could easily force individual and group positions within the ENSLAVEMENT scenario towards the STAGLATION scenario. On the other hand, the establishment of markets in Southern Africa will strengthen trade linkages and cooperation towards, but not reaching, the GOOD NEIGHBOURS scenario.

The most likely outcome within the ENSLAVEMENT scenario depends largely on the regional governments themselves. A workable and stable position requires cool heads on all sides, calculating self-interest rather than emotional reaction.

From the above analysis, it is also clear that the ENSLAVEMENT scenario in itself does not have enough stability to develop as a long-term option. The decade of the 1990s will be critical for all the players in the Southern African subcontinent, determining whether long-term movement will be towards the STAGLATION or GOOD NEIGHBOURS scenario.

SHAPING THE FUTURE

Certain features have been described which have shaped the Southern African environment. A prognosis of economic cooperation and development through to the early part of the 21st century requires a decision as to whether these historical forces will continue to influence the situation in a linear manner or whether new forces will increasingly come into play. It is argued here that some new forces will become increasingly relevant.

Internal political settlement towards democratic options

The political stalemate in South Africa has been broken, and the transition to a new political dispensation has started. It is also evident that a process of economic restructuring has been under way for some time. The outcome of this transitional period of political and economic restructuring is not certain, but will critically influence the future economic geography of Southern Africa. Two important trends have already surfaced in this respect.

First, the current debate in South Africa indicates a convergence of positions on the nature of the future South African economy. The two extreme views of either privatizing or nationalizing "all that moves" have largely been taken off the table. Although the exact nature of a mixed economy will be the result of the negotiation process, some measure of uncertainty has already been removed.

Second, there is a distinct possibility that the restructuring of the South African political economy will lead to a period of "isolation" in relation to the subcontinent. The need to reach a political solution, coupled with the rather large needs for development capital and expertise are important determinants in this respect. The effects of isolationism are not necessarily negative (especially political isolation) but there is a real possibility that support for development in the subcontinent will have to be found from other sources.

There are two important qualifications to the likelihood of an "isolationist" stance by South Africa which have implications for Southern Africa. Development support from South Africa will probably still be forthcoming where either the political or the economic interests of South Africa are served. The second qualification emanates from economic restructuring in the other countries of Southern Africa and the attractiveness of foreign investment there. Given that measures to eradicate inflation from the South African economy (and therefore also the regional economy) are successful, a resurgence of private sector investment from South Africa in these countries is also probable.

"Freeing the markets"

There are strong indications that the emphasis towards support and incentives to small businessmen, farmers, contractors, etc. will further continue worldwide as a strong theme. World Bank/IMF supported restructuring programmes in Southern Africa will also increasingly follow this line.

This, in fact, could change the structure of cooperation from multilateral and/or bilateral government action to a freer association of businessmen both small and big, with government parastatals and smallholders/entrepreneurs.

Events over the next decades will probably be guided by a continuous movement towards individual freedom and the freeing of markets. This will be in strong contrast with the social engineering actions ("revolution from above") and collectivistic models which controlled the lives of individuals during the past 20 years and in general turned economic surpluses into deficits (Johnson, 1983).

Settling for local options

The failure of markets to solve allocation problems on an equitable basis is well known. This problem is especially pertinent in the areas of common resources, public goods, and ecological and environmental considerations.

Recent approaches towards problem-solving in these areas emphasize local options, where affected parties determine the "rules of the game" as well as criteria for compensation

(Vink, 1986; Livingstone & Von Witzke, 1988). The link-up between economic liberalization and political freedom will in all likelihood encourage governments to allow "local option" solutions to local problems.

The food-security battle and the hunger equation

A fundamental assessment of the food security issue in Southern Africa (Eicher, 1988) reveals growing empirical support for two premises about linkages between food availability, poverty and access to food. The first premise is that increasing food production, storage and trade can ensure food availability.

Food availability will, however, not end hunger and ensure that people have enough to eat. The second premise is that, because poverty is a central cause of hunger and malnutrition, special efforts are needed to support the poor to gain and increase their access to food. From the above the Hunger Equation can be formulated, emphasizing the need to tackle the hunger problem from both sides simultaneously, viz. food supply and food access. On the food supply side, the critical role of small producer access to markets and support systems can be argued. Evidence also clearly points to the importance of increased human capacity and institutional development as the prime movers (Eicher, 1988).

On the demand side, access to food seems dependent on securing or guaranteeing food entitlement (or the ability to command food) (Sen, 1985). This approach clearly steers away from short-term food aid situations, although these might still be important to relieve immediate needs. The emphasis shifts to a long-run strategy where the hunger problem is solved through policy measures in support of broad-based access to employment and income-generating strategies, again favouring small-scale enterprises in developing areas. These strategies can confidently be assumed to be followed as a substantial decline in enthusiasm for collective farming models and big projects can be expected in view of increasing successes by small farmer support approaches.

CONCLUDING REMARKS

How realistic is it to propose an optimistic scenario for economic cooperation and development in Southern Africa? The argument is based on certain realities, namely that i) the food security issue is real and will remain so for the next 30 years. The "Hunger Equation" must be solved; ii) the movement towards "freeing markets" by primarily supporting and structuring access in favour of small-scale entrepreneurial activities is a worldwide phenomenon supported from Moscow to Washington, from Harare to Budapest. It can also readily be assumed that Africa's experimentation with the collectivistic models of the 60s and 70s has reached the end of the line; iii) economic linkages in Southern Africa, although historically determined, are still based on economically rational considerations. Increased trade and henceforth cooperation appears to be a reality; iv) the international movement towards negotiation for peaceful solutions and constitutional processes of change has created a climate of optimism.

South Africa's strategy to exploit these forces and create opportunities to structure its role in Southern Africa should proceed through two phases: The first phase should mainly entail "getting things right" within South Africa to ensure a broad-based democratic society while at the same time, through selected financial and technical support, bilateral communication and trade, create an environment during the 1990s to enable South Africa to play a leading role in the next phase.

The attainment of a sound platform for increased South African interaction will also depend critically on the manner and frequency with which the transportation "weapon" is used and to what extent financial and technical cooperation can be achieved with the international development aid community.

The second phase will entail the broad-based stimulation of economic linkages, inter alia through the creation of local capacities with technical support from South Africa and institutions such as the World Bank, the IMF, etc.

Did this paper propose realistic, logical expectations of economic cooperation and development for the 21st century? Does it really matter? What is important in this regard is whether the people of Southern Africa really want to move towards being "GOOD NEIGHBOURS"!

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