

manner remain to be addressed for solution.

Table 9: 1991 monthly household income distribution by race and income bracket

Income bracket in rands/month	Black	Colored	Indian	White
1-399	36.1	17.5	4.1	1.5
400-699	22.0	13.8	5.6	3.0
700-1199	25.8	21.8	19.9	6.0
1200-1999	9.1	20.5	20.5	9.5
2000-2499	3.1	7.4	11.2	8.1
2500-3999	2.6	10.4	24.0	20.9
4000-5999	1.0	6.7	9.3	24.0
above 6000	0.2	1.8	5.4	27.0

All figures above from Reference #D-10.

We must also consider the four 'independent' homelands, which although a political relic of the system of apartheid created through the forced relocation of blacks, never granted international recognition, and dependent on South Africa for their very lifeblood, do possess a ten-year history in which they have created their own independent systems of law and taxation. The problem of how to reintegrate these homelands into the Republic of South Africa and how to institutionalize local authority, the problem of how to integrate the national army and police with the forces of the black freedom fighters of the ANC and other anti-government forces into a single military complex, and a host of other political problems awaiting solutions, remain.

(3) The economic problems facing South Africa

i. The deterioration of economic fundamentals

South Africa recorded rates of economic growth of 5.7, 3.8, and 1.4 percent in the sixties, seventies, and eighties, respectively, and the rate of growth in per capita income also showed a similar decline from 2.9, to 0.7, to -1.2 percent over the same period.¹⁹ This economic decline led to an accompanying increase in unemployment where, according to the 1991 census,

as much as 19 percent of the working-age population listed themselves as being unemployed.²⁰ (Note that blacks constituted 83% of the total.) According to figures from the Development Bank of Southern Africa, in 1991 the number of people employed in the formal sector was 46.5 percent of the working-age population, a figure which was even worse than the 54.2 percent recorded in 1985²¹ and which forced the remainder of the population to remain unemployed or to find work in the informal sector of the economy. Furthermore, the rate of new job absorption in the formal sector stood at 8.4 percent²² during the years 1985-90, meaning that on an annual basis no more than 8.4 out of every new 100 entrants into the labor market were able to find employment.

The two principal causes of this decline in the South African economy are most probably the drawn-out process of import substituting industrialization and the effects of the worldwide economic sanctions.

South Africa had been proceeding with a program of import substituting industrialization since before the Second World War, and a variety of policies had been put in place to protect its indigeneous industries. While this did enable it to raise the proportion of its GDP accounted for by the manufacturing sector to a value of 25 percent (1991 figures)²³ exceeding all other economic sectors, the nation still retained a trade structure dependent on the export of primary products (63.4 percent of all exports [1991 figures]²⁴), the import of capital goods and intermediate materials (51.9 percent of which was comprised of general machinery, chemicals, and shipping equipment [1991 figures]²⁵), and all the other trademarks of a developing country's economy. This means that the inefficiencies and high cost of the manufacturing industries making products for the protected domestic market have been maintained, and also that South Africa has not yet finished its transition to an industrial structure capable of competing on the world market. On top of this, South Africa's primary export products, such as gold and other mineral resources, flourished under the favorable terms of trade the nation enjoyed in the seventies and early eighties, and the resulting trend towards appreciated exchange rates weakened the competitive position of South African goods and lowered the import cost of capital goods. Moreover, the ease with which the nation was able to increase its foreign reserves through the export of primary products may also be viewed as a disincentive for the country to increase the export competitiveness of its industries. These factors worked

tuating market prices to gain export revenue and to make it difficult to obtain a steady source of income. In point of fact, today's gold market is marked by a pervasive feeling of oversupply that shows no signs of abating anytime soon and terms of trade have continued to worsen in recent years, thus contributing to the creation of a state of affairs where it is hard to expect the acquisition of a stable supply of foreign reserves.

Furthermore, a number of factors, such the negative real interest rates existing over the period from the seventies to the early eighties, nominal wages indexed to match high rates of inflation, and decreases in the import cost of capital goods, have all contributed to increased capital intensiveness in manufacturing industries in spite of rising unemployment rates. Another factor contributing to these worsening conditions is that, as an indirect effect of the international trade sanctions, South Africa has been forced to respond to international export restrictions by adopting policies to support the growth of its arms, steel, chemical and other basic heavy industries as strategic industries capable of lessening its dependence on imported goods. An industrial policy such as this one, based on the government-run industries, with the necessary limitations imposed on it by the need to operate in a limited domestic market where the economies of scale cannot come into play, was continued without regard for efficiency and became another major contributor to the increasing fiscal burden borne by the government.

Recent increases in social service expenditures and other factors have contributed to an increase in government spending from its level where general government expenditures in 1972 were 26 percent of total GDP to a new level of approximately 34 percent in 1990²⁶. Other indices such as the ratio of current government expenditures to GDP also increased from 17 to 31 percent over the same period²⁷, giving the government a role of ever-increasing importance in the national economy. South Africa has recorded thirty straight years of fiscal deficits up until the present day²⁸, and the official debt has risen to where it corresponded to approximately 38 percent of GDP in 1991. And on top of all of this, the ratio of expenditures used to service the debt each year to total expenditures has risen to over 16 percent²⁹, robbing the government of its ability to work to balance the budget.

One of the effects of the economic sanctions on the South African economy, in addition to the trade restrictions noted above, was that of restrictions placed on flow of financial resources in the country. In 1985 the

United States announced that it would impose sanctions on South Africa, and the major industrial democracies followed suit. The declaration of a state of emergency then caused investors to assign South Africa a rating as a high-risk country, and foreign banks joined together in unison to demand repayment of their loans, forcing the South African government to declare a moratorium. With this began the flight of capital from the country, and the capital accounts balance went into the red and remained there from 1985 onward. This made it necessary to maintain a current account surplus to finance the capital account deficit, and the government was forced to take steps to reduce domestic demand. This, together with the effects of the sharp decrease in the flow of direct investment from abroad brought about by the sanctions, resulted in decreased levels of investment. And since, as noted above, South Africa was suffering from chronic budget deficits, it was those in private industry who were asked to tighten their belts, until the ratio of gross domestic investment to GDP fell from its average of 24.1 percent over the period from 1980-89 to 16.3 percent in 1991, with the ratio of net investment adjusted by deducting replacement investment to GDP falling to a mere 0.4 percent in 1991 (as compared to an average of 8.5 percent over the period from 1980-89)^{30,31}.

ii. The need to eliminate economic inequality

As noted above, while we can expect South Africa to complete the democratization of its political system sometime in the near future, it is also clear that the social and economic inequality under which blacks have been forced to live must be eliminated in order to overcome the long years of suffering as political outcasts to which they were subjected under the system of apartheid and actively and effectively participate in the management of the nation as full citizens. One need hardly even look at the examples of the recent history of the Soviet Union and Eastern Europe to realize that the period of transition will in all likelihood be a painful and unstable one, and the elimination of economic inequality is a must to ensure that the transition be made as smoothly as possible.

The following three problems may be cited as those most requiring significant improvement:

- (1) While the 1991 average subsistence-level household income for blacks living in South Africa's urban areas has been estimated to be some-

where around 700 rands³², figures from the sample survey shown in Table 9 show that 50 percent or more of all black household incomes fall somewhere below that level. The difference in income levels between races is also extremely high. There is also a 1992 survey which shows that 66 percent of the entire black population, 80 percent of the black farming population, or 50 percent of the total population, are living below the poverty level³³.

- (2) While on the periphery of South Africa's main cities there exist black residential areas known as *townships*, living conditions in these townships are extremely poor, and nearly five million blacks live there in barracks, squatter's houses, and other informal dwellings³⁴ under an acute shortage of housing. The South African power authority ESKOM also reports that in the 208 existing townships at least 70 percent of all households have no access to electricity³⁵, and the Development Bank of Southern Africa estimates that, with the exception of the independent homelands, only 20 percent of the entire population is being supplied with their minimum needs for water³⁶. (Note that it is expected that this percentage would fall even lower if the independent homelands were to be included.)
- (3) South Africa has until the present employed an extremely complicated system of education in which, while it is difficult to obtain exact figures, the percentage for each race of people of all ages who have undergone the five years or more of standard education required as the standard for literacy stands at 98.4 percent for whites, 73.4 percent for coloreds, 84.8 percent for persons of Asian background, and 53.1 percent for blacks³⁷, thus indicating extremely low rates of literacy and schooling for blacks. Also, government figures indicating that educational expenditures per student are four times higher for whites than for blacks³⁸ show that drastic gaps exist between the races here as well.

In addition to the above, one can expect to find acute inequalities in medical care and other social services, and the number of areas requiring improvement is quite high. Yet, as noted above, the problem remains that these improvements must be made in a fundamentally weak economy and a fiscal environment that lacks the strength and flexibility to address these issues.

6. The increasing fluidity of the regional order

The end of South African apartheid regime and the tremendous role it played in defining the regional political order of Southern Africa in the post-colonial age is expected to have an affect on the existing regional order fully in proportion with the way in which apartheid and the actions taken by South Africa to maintain it more or less defined the role played and actions taken by the other nations of the region. In fact, this change is already considered to have begun, and if we may view regional organizations as having institutionalized a certain part of the political order of the region, then we may expect changes in the regional order to necessarily influence the structure and makeup of its regional organizations.

(1) A description of the regional organizations of Southern Africa

Since the time of their independence, considerations of the economies of scale and other similar factors in the process of industrialization has led African nations to assign a high priority to the ideals of regional cooperation and integration. It was as early as 1960 that calls began to be heard for the creation of an African Common Market, and from the latter half of the sixties further calls for action came to be heard from the United Nations Economic Commission for Africa. Later, the Lagos Action Plan was adopted at the 1980 OAU summit meeting, a plan in which separate economic communities were to be established in western, central, northern, and southeastern Africa, and a proposal was adopted to use this as a stepping stone to the creation of a comprehensive African Common Market by the year 2000.³⁹ With this background, it is easy to understand why, according to World Bank figures, there now exist over 160 international regional organizations in Africa.⁴⁰

This movement has extended itself to Southern Africa as well, and the following three organizations exist, each with their own personality and character, through an intricate mix and interleaving of the various nations in the region. (See Table 10 for a list of the countries belonging to each organization. Also note that since the MMA (Multilateral Money Area) listed in this table is limited in scope and function, we will limit ourselves to a brief description of it in Item 6.(1).i below.)

**Table 10: Membership in South African Regional Organizations
(As of August 1993)**

	MMA	SACU	SADC	PTA
Angola			√	√
Zambia			√	√
Zimbabwe			√	√
Swaziland	√	√	√	√
Namibia	√	√	√	√
Botswana		√	√	√
Malawi			√	√
South Africa	√	√		
Mozambique			√	√
Lesotho	√	√	√	√
Others			Tanzania	see note below

MMA: Multilateral Monetary Area

SACU: Southern African Customs Union

SADC: Southern African Development Community

PTA: Preferential Trade Area for Eastern and Southern African States

Note: The PTA includes the following member nations

Eastern Africa: Uganda, Ethiopia, Kenya, Comoro, Djibouti, Sudan, Somalia, Tanzania, and Mauritius

Central Africa: Rwanda, Burundi

i. Southern African Customs Union (SACU)

Established in 1910, the Southern African Customs Union is the oldest organization of its kind in Africa. The current SACU is based on a new treaty signed in 1969 (with the addition of Namibia after it had gained its independence). The SACU imposes common tariffs on goods from outside the region, and the South African Department of Finance acts on behalf of the member nations in collecting tariffs and sales taxes on imported goods for the member nations. The South African government then pools the collected taxes and adds a set amount of supplementary funds to the tariffs collected and distributes the monies to the member countries. The movement of production and imported goods within the union is free, and it has served to provide South Africa with a enclaved market in the region protected by high tariffs. Seventy percent of all of South Africa's exports to other African nations are to this region. In actual operation, the rates for tariffs and sales taxes are largely determined by South Africa, and the other countries

of the region effectively give up a great deal of autonomy in return for receiving the money gained from preferential treatment. While it is possible to protect infant industries to a certain extent, with the exception of South Africa the industrial development of the member nations has had to be sacrificed to maintain the union. In addition, with the exception of Botswana, all member nations use either the rand or an equivalent as their currency and belong to the Multilateral Monetary Area currency union which guarantees the free movement of capital between South Africa and their own nations. While the union does include provisions mutually profitable to both sides such as the underwriting by the South African government of bond issues from the other member governments, membership in the union means that member countries are drastically affected by South African monetary policy and that they give up as well the right to autonomous control of their own currencies.

ii. Southern African Development Community (SADC)

As noted above, the predecessor of the Southern African Development Community, the Southern African Development Coordination Committee, was established in 1980 centered around the front-line nations bordering South Africa with the objective of helping them free themselves from Southern African economic rule, and the primary method for reaching this goal was to mobilize resources from the member nations and aid from nations outside the region in order to implement national and regional development policies. In the sense that it succeeded to some extent in concentrating and coordinating aid from international organizations and bilateral donors, the community did achieve its objective, and it succeeded in implementing projects centered around the construction of communications and transportation infrastructures as well. SADCC members and donors held conferences to coordinate their aid efforts once a year at which the donors would announce their aid plans. While a small secretariat office was established in Gaborone, the capital of Botswana, the SADCC headquarters itself lacked the ability as an organization to implement projects, and instead it was organized in a decentralized fashion in which organizations assigned by sector within the governments of individual member countries were empowered to perform the job of coordinating the development plans formed between its member countries. (Note that the member countries did contribute money to establish subsidiary organizations for agricultural research and for the communications

and transportation sectors.) Yet while the SADCC was a loose, flexible regional organization not based on any international treaty, it was reborn in August of 1992 as the SADC through the signing and ratification of such a treaty by its member countries with the objective of providing them with a common market and transforming the organization capable of integrating the regional economy.

iii. Preferential Trade Area for Eastern and Southern African States (PTA)

Headquartered in the Zambian capital of Lusaka and with nineteen member nations as of August 1993, the PTA, centered primarily around its Eastern and Southern African member states, is the largest regional organization in Africa outside the OAU itself. The primary function of the PTA is to stimulate trade within the region, and committees have been established for individual economic sectors with the ultimate objective of bringing about the economic union of all its member nations. The PTA may well be regarded as Africa's most strongly institutionalized organization, and among its fringe organizations may be counted the PTA Tribunal and PTA Clearing-House based in Zimbabwe for intraregional trade payments; it has also established the Unit of Account of PTA as a common trading currency equivalent to the SDR, the PTA Trade and Development Bank, the Trade Information Center, and the PTA Federation of Chambers of Commerce and Industry. In addition to working to stimulate trade within the region by lowering tariffs, removing nontariff trade barriers, and trying to simplify the procedures to be followed in shipping goods across international borders, it has also worked to smooth the payment of intraregional trade through dealings at the PTA Clearing-House by allowing member countries to pay only their trade balance in hard currencies. In addition to this, PTA members have decided at their January 1991 summit meeting to establish a common market in Eastern and Southern Africa.

(2) The possibility for transformation of regional organizations

As can be seen from their descriptions above, these three regional organizations have a different color of their own; while the SACU has a strong touch of an aspect of what might be called an extension of a classical

colonialist union, the SADC and PTA were formed as a sort of collective self-help effort for aimed at economic development. As for the SADC, its predecessor, the SADCC, was established in an environment of opposition to South Africa, and donors have made correspondingly significant efforts towards supporting the organization in its former guise. It is for this reason that the reorganization of the SADCC as the SADC, motivated by a state of affairs in which its very reason for existence as a regional organization was being called into question by the end of apartheid, may be viewed as an attempt to free itself of its former guise and provide a firmer foundation for the organization by moving towards a policy of placing greater emphasis on the economic aspects of its existence.

Yet the fact that, with the exception of Botswana, all of the member nations of the SADC also belong to the PTA means that its reorganization as the SADC has led to a situation where both organizations aim to reach the same goals and fulfill the same functions. This means that the coexistence of both organizations introduces the problem of an overlap in their decision-making, in their burdens in managing their regional organizations, and in virtually all their fields of action, which leads to an extremely inefficient state of affairs. Thus it is required for them to address the problem of merging the two organizations or to allocate the roles to be played by each, and in point of fact dialogues on this problem have already taken place between the two organizations.

Moreover, the transition to a post-apartheid South Africa means that the SADC and the PTA no longer have any reason to exclude the country from their organizations, and observers have noted that they are looking forward to having South Africa join their organizations, all of which is closely tied with the problem of just how South Africa will interact with the region as a whole in the future and that of how South Africa will relate to regional organizations, including any which might be formed in the future. And finally, when one takes into account all of the above and recognizes the existence of South Africa as the preeminent superpower of the region one sees that the future vicissitude of regional organizations in Southern Africa will be greatly influenced by trends in South Africa itself.

Thus it is that now is the time when the region has begun to consider the questions of just how the regional order can be institutionalized in the future and just how the existing regional organizations can change their

makeup and character and just what kind of regional organizations might be newly formed; one can certainly say that, as seen in the reorganization of the SADCC into the SADC, that movements to prepare for the state of the future have already begun.

While the advantages of regional integration in Africa for economic development has been recognized, in experiences thus far there are many cases which would be hard to call successful, and problems such as the following have been pointed out: (1) African countries tend to have a vertically integrated trading structure with their former colonial powers, and their dependence on regional trade is low and the benefits to be gained from integration correspondingly few (e.g., trade between the member nations of the SADC accounts for roughly 5% of their total trade, with roughly 6% for the PTA); (2) there exists within the region a mixture of countries which follow policies of export-oriented economic development based on free-market economies and countries which follow policies of economic development which stress the importance of the domestic market based on socialistic protectionism, with different attitudes towards the concept of international division of labor; and (3) continuous calls have been heard for the incorporation of an appropriate mechanism for the redistribution of the profits of integration to counter the tendency for these profits to be concentrated upon certain nations when differences exist in their levels of economic development. These are the questions which must be answered in order for regional organizations to function effectively in the Southern Africa of the future.

When this does happen, we should bear in mind at the same time that the mutual interaction of the countries of Southern Africa, their historical backgrounds, and other factors all contribute to the fact that Southern Africa has a relatively high sense of unity and common purpose as a region.

7. Toward the stabilization and development of Southern Africa

As we have seen above, Southern Africa is, in many ways, in the midst of a great process of change like none ever seen before in its history. The end of the Cold War and the international environment that came with it, the economic crisis of the eighties and the irreversible reforms in economic structure which it wrought upon the countries of the region, the end of

apartheid and other movements towards democracy, and the future direction of regional organizations and changes in the regional order being thrust upon Southern Africa as a result of the transition of South Africa to a post-apartheid regime have all without a doubt contributed to the state of affairs where in Southern Africa all the countries of the region are now proceeding to change simultaneously and in parallel both their existing economic and political structures and the existing regional international order.

While all of these changes without exception imply necessary and major changes in existing structures, the issues of structural adjustment and democratization are minor examples of internally motivated change than they are of discontinuous change brought about by external factors. While this means that the process of change is inherently an unstable one in its essence, the direction in which this change is proceeding is a desirable and hopeful one, and it will be necessary for the countries of this region to pay the costs of that change themselves. Yet even so, international society must fully recognize that the shadows cast upon the region in the form of the Cold War order and Cold War thinking has delayed until the present time the liberation of the black peoples of the region from colonialism and racism.

Yet no matter what is said, Southern Africa is now at a time when it must build the foundations for the creation of a new 'region', and at this time it is absolutely essential that the international community pool its concern and supports the remaking of this region into a stabler and more desirable one.

However, in doing so the first thing that should be noted is that within this period of transition it is the regional superpower of South Africa which will be the center of change. Support for South Africa in the post-apartheid era is important for two reasons. The first of these is that, in the end, support for South Africa will contribute not only to the stability and development of South Africa itself, but also to that of the region as a whole. Factors such as the existence of a number of landlocked countries and the economic dependence of the other nations of the region on South Africa imply that Southern Africa has a relatively high degree of unity and interdependence as a region, and historical experience shows that Southern Africa has a structure where the instability of a single nation can easily affect the other parts of the region. Yet South Africa, with the greatest power in the

region with which to form a regional order, and whose movements have an extraordinarily large effect on the region, is, as noted above in Section 5, *Developments in South Africa*, currently in the midst of a process of transition that is politically difficult in the extreme, and the economic restrictions that will be placed upon in proceeding with that transition are severe. South Africa is, on the other hand, the focus of all attention as the country with the greatest potential for growth, and a great many of the countries within the region which are currently proceeding with their own programs of difficult political and economic structural change are placing their hopes for the possibility of their own development on that of the post-apartheid South Africa. It is for this reason that, even if South Africa does not become unstable during the current process of change, we can be sure that the prolongation of its economic stagnation will not fail to exert a tremendous influence on the other nations of the region.

Thus we can say that the stability of South Africa, its earliest possible economic recovery, and the remaking of the country into the center around which the regional economy may grow is critical in ensuring the stable development of the region.

Another reason for the importance of support for South Africa is the existence of blacks, coloreds, and Asians who have suffered as discriminated classes over the long years of apartheid rule. A part of the responsibility for the continued existence of the racism that has persisted to this day must be borne not only by the current ruling class of South Africa, but also by international society as well. The prolongation of the rule of apartheid has created a wealth of social, economic, political and emotional barriers between social groups in South Africa that can no longer be easily crossed. While it may take a considerable amount of time and concentrated effort on the part of the people of South Africa themselves to destroy these barriers, there will be many things which the international community can do to support them, including, as noted above in Item 3.i of Section 5, *Developments in South Africa*, the reconstruction of South African economy, which will require tremendous amounts of capital, and the elimination of their economic inequality, which will require³⁹ to make it possible for what have been the oppressed classes to gain the technical skills and knowledge needed to promote the fullest possible participation of these people in the economic life of their society.

The second point which must be considered in order to turn Southern

Africa into a better, more balanced region is the continuation and strengthening of the support needed by the LLDCs and other countries of the region which are currently recipients of aid. The LLDCs suffer from a particularly large number of constraints on their development through the fundamental weakness of their economies, and we can be certain that their path to development will be a long and difficult one. It is for this reason that special consideration will be required to support their development. The loss of the meaning of the front-line formed in opposition to South Africa may well lessen the interest of donor nations in the countries of the region. Whatever the international environment, the need for aid in these countries will remain as high as ever before, and it will be necessary for the countries of the region to build their countries on firmer ground to be able to resist the factors of uncertainty in the development of South Africa and in the world outside. In other words, the nations of Southern African must stand on a firm foundation of their own making so that they can build between South Africa and themselves a wiser and better relationship of mutual interdependence. For this reason too we can expect that concentrations of even greater levels of international assistance and concern will be required. As for the regional cooperation and creation of regional organizations that the countries of Southern Africa are struggling to create, we must offer an honest evaluation of the collective effort at self-help that this represents, and provide the aid needed so that these efforts may, to no matter how small a degree, loosen the constraints placed on the development of the countries in this region. And finally, so that this region may orient itself towards sound development as a region, that the new regional international order may become a stable one, and that the regional organizations may function fully and freely, we must give all due attention to the stable development of the LLDCs and other nations of the region.

In Southern Africa, the linkage between the stability and the development of the region is a close one. That is why it is imperative that the international community act at the proper time to contribute its support to the countries of this region now in the midst of the building of a new regional order, a reformation of the economic and political structures of their countries, and the building of a foundation for their future.

In the Official Development Assistance Charter noted above, Japan has declared that it will pay all due concern to issues such as the promotion

of democratization and trends of military expenditures. Without a doubt, all of Southern Africa, including South Africa, is moving through a dramatic process of democratization. Developments such as the end of the civil war in Mozambique and the end of apartheid in South Africa and the accompanying relaxation in regional military tension have made it possible to demilitarize Southern Africa, and this is a necessary step in stabilizing the region. In its Fifth Mid-term Plan, Japan revealed that in net disbursements it would provide 70 to 75 billion dollars in official development assistance to the developing countries over the five years from 1993 to 1997, illustrating its resolve to increase even further its international contributions. For Japan to consider all the points above and do everything it can to support Southern Africa now at this time when it is at a critical juncture in regard to the stability and development of the entire region would be deeply meaningful not only as an effort to fulfill the obligations placed on international society, but also for the stability and development of Southern Africa itself.

¹ In addition to the definition in this report, current classifications of the countries making up the region of Southern Africa include geographical classifications by which Madagascar is added to the countries in our definition and classifications which include all member nations of the SADC (see Table 10) together with South Africa. (Note that the latter is equivalent to our definition, with the addition of Tanzania.) However Madagascar was originally a French colony, and until now it has suffered little or no influence from trends in the regional order of the countries on the continent. Moreover, while the definition in this report essentially includes the member nations of the SADC and South Africa, Tanzania has a history of belonging to the East Africa Community together with Kenya and Uganda, and it has a quite close relationship with these countries in terms of its administration, infrastructure, and similar factors. Thus while Tanzania has played a certain role in the Southern Africa region, we decided to differentiate it from the other countries which have all been subjected without choice to suffering together from changes in the region.

² Some statistics quote Angola as having a population in excess of 10 million as of 1991.

³ Reference #A-3, p. 5

⁴ Reference #A-4, pps. 215-6

⁵ Reference #A-3, p. 11

⁶ According to p. 8 of Reference #E-11, the amount of compensation in other member nations expressed as a percentage of their fiscal revenue is estimated at approximately 43% for Swaziland, approximately 29% for Namibia, and approximately 25% for Botswana.

⁷ Reference #B-18, p. 47

- 8 Reference #C-20, p. 8
- 9 Reference #A-13, p. 17
- 10 Reference #A-13, p. 18
- 11 All figures in this section are taken from the attached tables in Reference #A-14.
- 12 Reference #A-14, p. 10
- 13 Computed from Table A.II.5 of Reference #-14
- 14 Reference #A-13, p. 11
- 15 Reference #A-13, p. 24
- 16 Reference #B-17
- 17 Reference #C-20, pps. 6-7
- 18 Reference #D-12
- 19 Reference #D-6, p. 3
- 20 Reference #D-11, p. 179
- 21 Reference #D-7, Table 1
- 22 Reference #D-7, Table 2
- 23 See Table 1 of the current report
- 24 World Bank, World Table 1992, p. 542
- 25 Reference #D-8, p. 46
- 26 Reference #D-6, p. 4
- 27 Reference #D-6, p. 4
- 28 Reference #A-10, p. 638
- 29 Computed from Table 4.1 of Reference #D-5
- 30 Reference #D-6, p. 5
- 31 In Table 7 of p. 23 of Reference #D-10, the 1992 gross national investment ratio to GDP is 15.1%, and the financing on that with depreciation reserves 15.3%, with personal savings 1.8%, corporate savings 4%, government savings -4.8%, capital flow -1%, and foreign reserves -0.2%.
- 32 On p. 191 of Reference #D-11, computations from Port Elizabeth University of the September 1991 minimum household income of black households (assuming 6 persons per household) in 24 cities; according to these figures the city of Peddie has the lowest income at 629.64 rands/month and the city of Kimberly the highest at 808.57 rands/month, and seventeen of these cities fall within the category of 700 to 800 rands/month.
- 33 Reference #D-11, p. 198

II. The issues of regional development

- 34 On p. 215 of Reference #D-11, the Urban Foundation maintains that over half of the population of the major cities, or approximately 5 million persons live in makeshift dwellings.
- 35 Reference #D-11, p. 234
- 36 Reference #D-11, p. 237
- 37 Reference #D-8, pps. 16-7
- 38 Reference #D-11, p. 588
- 39 Note that at the 1991 summit meeting held in Abuja, the target date for the establishment of the African Common Market was extended to 2025.
- 40 On p. 149 of Reference #A-13, the World Bank maintains that there are over 200 organizations in Africa created with the objective of promoting regional cooperation, 160 of which are intergovernmental organizations, with the remaining being NGOs.
- 41

II. The issues of regional development

In Part I of this report we examined the basic characteristics of Southern Africa, followed by a discussion in which we tried to make as clearly as possible the internal and external factors which are working to force the region to change into a new order through a process of transformation towards the goal of what will in the end become a new region altogether, while retaining a certain continuity with its past. The conclusion reached was that one should always consider Southern Africa as a single region even when examining the issues of the provision of aid to individual countries of the region, and that one should always consider the region-wide *needs* before taking action.

Here in Part II, in order to clarify the needs of the region, we will discuss in Section 1 below such factors that we believe must be considered when studying the development of the region as factors capable of bringing about structural or systemic change in the region —or in other words, those issues that ought to be studied as *Issues related to the structural factors for regional development*. We will also discuss under this title those factors that may be directly related to the strategic and policy frameworks for the development of individual countries of the region, but indirectly capable of bringing about a change in the nature of the region as a whole. We have also provided a further examination of issues related to both multiple and individual sectors in regional development in Section 2, *Issues related to regional development*. We decided in that section to address mainly common issues among LLDCs in the region under consideration of the important role to be played by those countries in underlying stability of the region, although it might have been better if we recognized the differences of the conditions that the countries hold. We also tried to divide the issues of development under each sub-title in the Sections into those which should be addressed immediately and those which may be addressed later over the long term. The main issues discussed here as requiring immediate solution are (1) the need to be able to respond to unpredictable emergencies (e.g., measures to deal with droughts), (2) the creation of a foundation for the basic requirements of life (e.g., education, health care, etc.), and (3) the creation of a basic foundation for industry (e.g., programs to help small farmers, professional training, construction of infrastructure, etc.).

And finally, the examination of these issues here will be used as a basis from which to discuss in Part III the management of Japanese aid for the Southern African region.

1. Issues related to the structural factors for regional development

(1) The South African agenda and the issues it presents for regional development

i. Overview

With a population that accounts for slightly less than 40 percent of the total population of Southern Africa and a GDP that accounts for 80 percent of the entire region (excepting Namibia), South Africa is, in every sense of the word, a regional superpower, and the nature of its existence is such that every movement it makes can have a tremendous effect on the other nations of the region and on the economic development of the region as a whole. The strength of its influence on the region means that we cannot consider the development of the region without considering first the impact of the end of the age of apartheid in South Africa. While this impact may take many forms, we believe that it is necessary to begin our examination of the region by considering it from the two aspects of (1) its influence on the political and economic order of the region and (2) its influence on economic activity.

Since the political order of the region in the past was ruled by what might be called a structure of dependence on and opposition to South Africa on the part of the other countries of the region, change in South Africa necessarily implies a change in the regional order in which everyone will have to ask themselves what the new role to be played by South Africa will be, and this in turn will introduce the necessity of considering the reformation of the structure of the regional organizations of Southern Africa to match that change.

Since the question of the new role to be played by South Africa is essentially one of just what it can do for the development of the region, we will have to consider just how much strength South Africa will have left

after its transformation, thus forcing us to view economic trends in South Africa as another aspect of the problem. Our examination must center itself around economic trends in South Africa and examine the prospects for trade, overseas investment, transportation, and the transmigration of workers in the region. However at this time when we know nothing of the economic policies that will be adopted under the administration of majority rule expected to be inaugurated sometime the year 1994, we will instead draw a simple scenario based on what we deem to be the most likely developments.

Since under this scenario we will presume (1) that process of the transfer of power will be a basically peaceful one, (2) that the new government will form its policies in accordance with the will of the majority of the people, (3) and that it will adopt a relatively liberal economic policy, we may expect that the black-centered majority presumed in (2) will demand better access to national services and a fairer distribution of national income. Since requests for equality such as these will constitute the very *raison d'être* of the new government, we can assume that it will probably be forced to greatly increase the quality and quantity of social services and other national services provided and perhaps even to greatly increase overall government expenditures. Yet even at the present time the government's fiscal resources are badly stretched, and it is likely that the government will have to ignore the difficulties involved in realizing their plans and work instead to increase fiscal expenditures as far as possible to reach their goal of equalization, thus causing the fiscal deficit of the new South African administration to grow even further. And in the private sector, there is a strong possibility that the high expectations of the black laborers centered around those belonging to politically influential unions will lead to an attempt to raise the wages in secondary and tertiary industries from their present levels of one-third that of whites (from a 1990 estimate) to radically higher levels. And finally, it will be necessary to implement structural adjustments of those noncompetitive and import substituting industries which have been protected during the period of economic sanctions in order to provide a source of goods that could serve as an alternative to imports.

Furthermore, while the level of investment currently required for economic development is in need to increase from the quite low level of investment currently held (see footnote 31 in Part I), unless private industry can make a significant contribution, the difficulty the government will face in signifi-

cantly improving its fiscal condition means that it will be virtually impossible to hope to find the necessary capital within South Africa itself. This means that unless there is a significant amount of direct investment or a flow of capital into the country from overseas, for the time being it will probably remain extremely difficult to lift the economy out of the doldrums. If one looks at the scale of the adjustments that must be made to the South African economy, it is only fair to assume that their realization will require a significant period of time, and this allows us to conclude that over the short and middle terms South Africa will have to continue to expend a great deal of its resources and energy on solving its own domestic problems.

This in turn means that what we can expect South African interest in regional problems and funding to support their solution will be limited at best. In fact, if there is a significant wage increase in spite of the current high rates of unemployment, it will only work to increase the concentration of capital in industry, destroy all hopes for increased employment, and introduce the possibility of restrictions being placed on the number of laborers from the other countries of the region who will be allowed to come to South Africa to work. There is also a strong possibility that the programs of subsidies which have allowed the South African national railroads to maintain cheaper transportation rates will be abolished and cause the price of shipping to rise, that inflation in South Africa will spread to the rest of the region, or that other negative effects of the restructuring of the South African economy will exert an adverse influence on the other countries of the region.

On the other hand, the countries of Southern Africa may also expect something like a peace dividend to come from the end of South Africa's policies of destabilization and the normalization of South Africa's ties with the rest of the countries of the region in the form of a revitalization of production and a reduction in military expenditures in the region. This dividend could further be augmented by increased investment by South African corporations within the region driven by factors such as the transfer of its labor-intensive industries to the other countries of the region.

This is why we assume that over the short and medium term it is likely that the positive and negative influences exerted by South Africa on the economic development of the region might cancel each other out and end in simply maintaining the status quo. Yet if, over the long term, South Africa does become politically stable and succeeds in its structural reforms,

the wealth of resources with which South Africa is endowed, the benefits to be gained from its use as a focal point for the shipment of goods to and from throughout the region, its relative strength in human resources when compared to the rest of the region, and its well developed financial markets will all contribute to a situation where, potentially speaking, we can expect a significant flow of capital into that country which would enable South Africa to act as an axis of growth for the rest of Southern Africa. Thus in considering a strategy for the economic development of Southern Africa and preparing suitable programs of aid, we believe that it would be appropriate to make a distinction between long-term issues against the short and mid-term issues for which there will be no clear indication of how economic conditions will develop in South Africa nor of what effect the post-apartheid South Africa will have on the regional level.

ii. Future issues

(1) Short- and mid-term issues

Over the short and middle term, steps must first be taken to reduce the financial gap between domestically available resources and requirements for the creation of a more equal society, economic recovery, and the solution of other similar problems. However, at least for the time being, since we cannot expect much in the way of direct investment or other capital flows into South Africa, it would be best if the financing needed for this could be provided through international support. International support is also needed to build the social infrastructure and implement the programs of vocational training that will be needed to foster the increase of skilled black labor and to create opportunities of employment for blacks. We must remember, however, that such support will probably be provided only on the condition that it be accompanied by realistic increases in wage rates, the balancing of the budget, and the streamlining of industry required to ensure that South Africa can reach its goal of sustainable economic growth.

The other countries of the region must also do their part by creating an environment welcoming investment from South Africa. They must also prepare for the time when South Africa's interest in the region rises. We would do well to remember that when the PTA called for a merger with the SADC it gave as one justification for the merger that it would result in an

economic expansion which would increase the bargaining power of its member countries over South Africa; thus we should strengthen the existing regional organizations and prepare a way for South Africa to gain a smooth entry as a full member of the region.

(2) Long-term issues

Full and active participation of South Africa in the affairs of the region will enable the country to act as a leader and as an axis of growth which can contribute to the development of the region by opening its domestic markets, supporting smaller nations, and stimulating regional cooperation, and it would also enable us to look to South Africa to utilize its rich stock of human resources to promote the training and education of human resources in the other countries of the region. This kind of participation will also probably be requested as a means of complementing the limited available funding by the conventional donors for to be divided amongst the countries of Southern Africa.

In the final analysis, however, in order for the countries of the region to form a sustainable economic region, we must also find a framework in which it will be possible to guard against the profits of integration being concentrated in South Africa, to limit the concentration of overseas investment in that country, to prevent a brain drain of persons seeking higher wages and economic opportunities there, and to otherwise reduce the costs which integration will incur upon the region.

(2) Regional organizations

i. Overview

There are in Southern Africa three principal regional organizations consisting of different combinations of the regional constituent countries, each of which has one or more functions which overlap those of the others: the Southern African Development Community, the Preferential Trade Area for Eastern and Southern African States, and the Southern African Customs Union.

While the SADC is viewed as having been an effective organization ever since the time of its previous existence as the SADCC for its ability to

mobilize aid resources for individual sectors and especially for the transportation and communications sectors to promote regional development projects, observers have also pointed out the following problems: (1) it also possessed a strong element of political meaning in its opposition to South Africa which helped it to gain support from donor nations, and today's change in South Africa has brought about a new state of affairs in which the organization may have lost its political reason for existence; (2) its secretariat offices are small-scale operations based on a decentralized structure in which individual member countries were assigned responsibility for individual sectors and empowered to develop their assigned sectoral development policies, thus meaning that it would have to drastically expand its organization to realize its aim of growing into an economic community; and (3) the organization shows insufficient mobilization of its own resources to development projects and insufficient ability in maintaining its existing ones.

The PTA, with a relatively full-functioned structure, consists of a number of sister organizations which include a clearing-house for the settlement of intraregional trade, a regional development bank, and a chamber of regional commerce and industry, and measures such as that by which payment for approximately 50 percent of all trade in the region is settled through the use of a common currency have enabled the PTA to play a certain limited role in stimulating trade between those countries in the region belonging to the organization which otherwise tend to suffer from chronic shortages of foreign reserves. Yet the efficacy of the PTA is also questioned on the grounds that (1) intraregional trade originally accounted for only 6 percent of the total trade of its member nations, meaning that the economic benefits gained were limited, and (2) that the organization covers a vast area of Eastern and Southern Africa which makes observers doubt that the constituent countries of the PTA can summon together the necessary political will to work towards the future goal of economic integration.

In the SACU, South Africa collects all customs duties and sales taxes on behalf of the other member nations and adds supplementary funds to the moneys collected and distributes the sum to SACU members (note that while in theory these supplementary funds are supposed to total 42% of the collected taxes and customs duties, it is estimated that the actual figure is 62% or more), and the countries of the SACU depend on this system for a major part of their government revenues. However the present economic

stagnation in South Africa and the lack of hope for a recovery sufficient to allow it more leeway in the future makes it questionable whether or not South Africa will be able to maintain the system in the future.

In addition to the problems facing each of the organizations noted above, there also exists the problem of the increasing illogicality of individual member countries to belonging to a number of different regional organizations, illogicality which has been more puzzled by the transformation of the SADCC into the SADC. The contradiction here lies in the fact that if all three of these organizations really intend to aim for an economic integration that goes beyond the scope of a mere customs union (and the SACU has already reached this goal), those countries belonging to two or more of these organizations will be unable to simultaneously abide by the agreements of both organizations. The coexistence of organizations of essentially the same nature is also extremely illogical and inefficient for the region in terms of the increased burdens it imposes on the member countries in managing the organizations, making decisions on regional development, and implementing overlapping programs.

The donors in attendance at 1992 annual SADC conference have also joined together in pointing out these problems, and on the basis of points made here the SADC and PTA have established a ministerial-level committee in which they have agreed to study ways in which they can streamline relations between the two organizations and address the problem of unification.

ii. Future issues

While it is necessary to streamline the operation and address the problem of integrating the SADC and PTA into one organization, and while PTA sources indicate that there are some signs of progress such as the agreement between the PTA Conference on Commerce and Industry and the SADC Regional Corporate Council to join together and form an Eastern and Southern African Corporate Forum, these problems are complicated by the existence of South Africa as a newly democratic nation. Although both the SADC and PTA have welcomed the admission of South Africa into their organizations and have expressed high hopes for its as yet unrevealed strength, the ANC and other South African organizations have already participated as observers in the SADC, and the Conference on Commerce and Industry

has already done the same with the PTA, all of which makes unclear the path that South Africa will select in the future. While it is possible to envision a maintenance of the status quo, the admission of South Africa to either the SADC or the PTA, or its admission to an organization formed through the integration of the two, no matter what happens South Africa will remain an economic power head and shoulders above the rest whose movements will greatly affect the existing regional organizations.

Yet no matter which regional organization South Africa chooses to join, one must expect that the benefits of freer regional trade will be relatively advantageous to South Africa, and this in turn allows us to envision a state of affairs where the other member countries will demand financial assistance and trade concessions from South Africa in return. While the lessons learned from previous attempts at regional integration in Africa, where the profits gained therein have tended to be concentrated within a minority of the nations of the union, might make these demands seem essential to the continued existence of regional organizations, the poor outlook for economic conditions in South Africa over the short and middle terms makes it unclear just how far South Africa can go to meet these demands. The possibility therefore exists that over the short and middle term South Africa may not choose to enter any of these regional organizations at all. And furthermore, while the SACU has served an important function in that it provided an exclusive market for South African exports, the fact that South Africa is even now struggling under the burden imposed on it by the payments distributed to the other member nations means that it would probably be very difficult to maintain the current system while seeking to expand membership in the union.

It is for all of these reasons that it is extremely difficult to discern exactly what structure or form regional organizations will take in the Southern Africa of the future. Yet in spite of this we can still expect that over the long term South Africa will fulfill its role as a leader in the region, and we must begin to work towards a solution in the hope that things will proceed accordingly.

(3) Structural adjustments

i. Overview

Increasingly worsening terms of trade beginning from the latter half of the seventies and other factors have contributed to a state of affairs where a great many African countries now suffer from chronic shortages of foreign reserves and increasing amounts of external debt, and this in turn resulted in the World Bank, the International Monetary Fund and other international organizations playing an important role in providing financing for those countries suffering from insufficient inflows of private capital funds. In other words, after the initiation in 1980 of its Structural Adjustments Lending program the World Bank issued in 1981 what is known as the Berg Report¹ in which it focused on Africa in trying to establish a logical justification for its structural adjustments approach. In 1985, the World Bank also established its Special Facility for Sub-Saharan Africa in which it tried to improve on previous programs and make it easier for African nations to gain access to the Bank funds. And beginning from the late seventies, the IMF also moved to increase the amount of funding it provided to Africa. While this funding was originally intended for use a short-term relief of international balance of payments debts, since the initiation of the Structural Adjustments Facility in 1986 the Fund has been providing funding to meet almost the same objectives as those targeted under the World Bank's SAL program.

Designed to work over the short term (i.e., normally over a period of three years or less), the IMF's economic stabilization policy is designed to reduce domestic disequilibrium such as inflation and fiscal deficits and reduce international imbalances in current account deficits, and its main objectives are to reduce aggregate demand through fiscal and monetary policies and use exchange rate policies to reduce imports and switch that demand to domestic goods, all of which is intended to reduce external imbalances. The World Bank's structural adjustments program, on the other hand, focuses its attention on the short-term supply side and attempts to remove obstacles to long-term growth through the introduction of principles of free competition in the form of deregulation, privatization, liberalization, and decentralization, all of which is intended to increase productivity and reduce external imbalances through what is primarily a supply-side approach.

The IMF and the World Bank have in the past actually provided funding to Southern Africa with these objectives to Malawi (11 times since 1979), Mozambique (4 times since 1987), Zambia (10 times since 1981), and Zimbabwe (3 times since 1983).

ii. Future issues

(1) Short-term issues

It is difficult to deny that the implementation of major economic reforms such as these structural adjustments cannot be performed without imposing accompanying heavy social costs. The negative effects of structural adjustments tend to appear in the form of increased class inequality, and its most serious adverse effects tend to be felt by the poorest and other socially vulnerable people. These aspect of the program are referred to as the *social dimensions of adjustment*.

A more specific description for the demand contraction such as for reducing fiscal deficits would include higher taxes, the elimination or reduction of subsidies, a shrinkage in the allocation of budget resources for welfare, education, and other social programs, unemployment caused by the privatization of public or government-run industries, increases in prices of daily necessities brought about by the devalued currencies or the removal of price controls, and increases in unemployment in the private sector caused by the resulting recession. These policies tend to affect most strongly urban dwellers. And since urban wage laborers can join together easily when compared to peasantry or workers in the informal sector, there may be many possibilities that the policies in turn lead to political instability and uncertainty.

While the United Nations Economic Commission for Africa, UNICEF, and other international organizations have also taken note of these problems², in recent years the World Bank has also begun to display a greater awareness of these issues and it has taken steps to supplement the weaknesses of existing social welfare programs through the creation of what it calls 'social safety nets' and a Social Development Fund designed to support efforts to create jobs, steps which indicate that it has begun to consider the social aspects involved in the implementation of its structural adjustment reforms and adopt its plans to allow for these contingencies from the very beginning. Questions remain, however, in that the Social Development Fund

established for Zimbabwe does not seem to have been utilized effectively in accordance with the original objectives of the plan, even when one accounts for the effects of an unexpected drought. Measures such as these cannot be said to be sufficient in themselves, and we must instead find a way of responding with policies that are more in keeping with actual conditions in the country in question; observers at the Overseas Economic Cooperation Fund pointed out that "a well-balanced program pursuing more than just economic efficiency is required."³

(2) The middle and long term

Many people have criticized the structural adjustments approach⁴ for focusing too heavily on short-term goals such as the recovery of economic equilibrium and stabilization and lacking the vision needed to ensure long-term growth and development, and others have maintained that it places too much emphasis on distorted pricing structures and other mistaken policies as the obstacles to growth, pointing out that the approach pays insufficient attention to the structural causes such as that seen in dual economic structures and political and social structural problems.

1) Stimulating investment

The implementation of structural adjustments tends to be accompanied by a pause in investments caused by the suppression of aggregate demand that comes from a tightening of fiscal and monetary policy, increases in prices of imported capital goods caused by depreciation of exchange rates, uncertainty about the future on the part of business leaders, and other similar factors. The lifting of price controls also exerts a negative influence until the pricing mechanism can settle into its new structure.

While the World Bank has maintained that the implementation of structural reforms brings with it a recovery in private capital investment⁵, the actual extent of recovery differs in accordance with the amount and quality of private capital available. (The countries of sub-Saharan Africa stand out for having on the whole extremely poorly developed private capital resources.) Furthermore, as can be seen in the fact that a number of countries have continuously implemented successive programs of structural reform, there are cases when it takes significant amounts of time before the effects of structural adjustments begin to be felt. This is why we must instead sup-

port efforts to build infrastructures through public or external funds and take whatever other steps are needed to stimulate investment.

2) *Increasing the effectiveness of organizations*

We could not ensure automatic economic growth simply by implementing programs of structural adjustments and eliminating distorted pricing mechanisms; we must first create a basis for this growth through the creation of a framework in which the market mechanisms can function.

We could not ensure that an economy will function smoothly and efficiently simply by privatizing public and government-run corporations and enacting a legal transfer of ownership to new hands.⁶ Organizations must be made capable of functioning in an economically rational manner. There are even actual examples such as that of Zimbabwe, where observers note that a publicly run corporation which had been privatized under the name of economic efficiency forgot its mission to serve the people and decided to pursue commercialization instead, placing high prices on its services and transferring the economic burden onto the people. It is also important, in order to ensure the effectiveness of policies accompanying structural adjustments and designed to protect farmers and the poorer people, that a sure and effective means of delivery exist even at the lowest levels of society. The abilities of lower reaches of administration becomes a crucial issue when introducing policies designed to apply differentiated approaches by income and social groups, and aid donors must provide the advisory services needed to ensure that the organizations implementing these policies can do so effectively.

(4) *Democratization and good governance*

i. Overview

Until the end of the 1980s, the overwhelming majority of all African countries were under single-party, authoritarian, or military rule. However 1990 came to be a turning point in which many of these nations began to move towards the creation of a democracy resulting in the present political transformation continuing to this day. This can be seen in that of the thirty countries under single-party rule in 1989 as many as twenty-nine have

either moved to a system of multi-party rule or have publicly declared their intentions of doing so. Five other nations have also transferred ruler ship from military to civilian authority, and are now on their way to moving towards a multi-party system. The most dramatic example of this in Southern Africa was the holding of multi-party elections in Zambia in 1991, the result of which was an overwhelming victory by the opposition allies which brought an end to the single-party government which had ruled the nation since 1973. Yet in addition to this, there is a strong movement towards democratization as can be seen in the following examples: in 1990 Mozambique and Angola followed in close succession with the adoption of multi-party systems, the government of Zimbabwe gave up its plans to move to single-party rule, a June 1993 election was held in Malawi to decide whether or not the country would move from single-party rule resulted in a 63 percent majority voting for the introduction of a multi-party system, and Lesotho's military government began to move towards the transfer of power to civilian rule.

Yet the question remains as to why the continent began to move so quickly towards democratic government, and while our description in Section I.4.(3), *The relation of structural reform to democratization and good governance*, dealt with the matter in relation to aid and economics, here we would like to supplement that explanation and describe it in terms of a division between the domestic and international causes driving this change.

Domestic causes

The two primary justifications given by African countries for their adoption of authoritarian systems of government have generally been (1) that having accepted the borders drawn in the colonial period upon their independence, a centralized and authoritarian party system is required in order to overcome the difficulties presented by the mosaic of different peoples within their borders, to help prevent intertribal conflict, and to promote national integration, and (2) that they had virtually no native capitalist financiers or major landholders at their time of independence and that, without a class of people who could do the work of industrializing the nations of Africa, a nationally led program of economic development was needed in order to proceed with programs of rapid economic modernization. However the economic crisis which continued in Africa from the latter half of the seventies until the eighties and the resultant acceptance of economic liber-

alization proved that implementation of those policies which had been adopted for the latter reason had been a failure, thus removing a justification for their existence. Yet another cause was that the distortions introduced by long periods of authoritarian rule had begun to reach their limit, and the dissatisfaction of the people had simply risen beyond the level of endurance.

International causes

The end of the Cold War had a tremendous influence, both direct and indirect, on the move towards democratization. The collapse of the socialist bloc of nations which preceded and followed the end of the Cold War also served to destroy the justification of the single-party dictatorial rule of those African nations which had adopted socialist philosophies. These circumstances also influenced the actions of the nations of the Western world in that it removed any remaining international justification for the recognition of single-party dictatorial governments. And finally, the rapid rise in the demand for aid and the increasingly slow growth in the ability of donor nations to provide that aid served as a background from which the demands for democratization and liberalization from the World Bank, the IMF, and the Western donor nations accelerated this trend even further.

This progress towards democratization was accompanied by an increase in the attention paid to the political aspects of development. The importance of this aspect of development came to be recognized as consisting of the political and administrative problems which had to be solved in order to reach the goal of sustainable economic and social development. These problems include the need to develop a political and administrative framework which would make it possible for the people to participate at all levels of government, assurance that programs of development were politically and administratively capable of execution, and the need to improve government administration—or in other words, the problem came to be seen as the problem of good governance which encompasses all of the above. This concept of governance is a very broad one, and it is normally held to include institutional and structural functions within a given national system, its process of decision making, the formation and implementation of policy, the flow of information, the ability of a nation's leaders, and the relationship of the ruling and the ruled.

In concluding, we can say that the nations of Africa have begun to

make major moves towards democratization, that the World Bank, the IMF, and other international organizations and donor countries have begun to support that move, and that consideration of the problem of good governance has resulted on an increased focus on a broader sense of the political aspects of development.

ii. Future issues

Even now it is difficult to set a common standard for democratization, and even if a common standard did exist, we would still have to face the problem of just how much time ought to be allowed for its realization. Furthermore, the possibility also exists that not everyone could agree on the form that the process of democratization should take. This is why we believe that, with the exception of particularly severe suppression of democracy and human rights, rather than adopting a system whereby we punish those who fail to democratize their societies, we should work instead to offer positive support like that described below to support and stimulate those who are moving towards the creation of a democracy.

Furthermore, while the wave of democratization is sweeping across the entire African continent, the racial problems which have been given as justifications for the use of authoritarian systems of government have not yet been solved. Depending on the results that democratization brings, these interracial conflicts could in the end drive the newly formed democracies into extremely volatile social conditions. This is why we believe that international society should work to encourage the process of democratization and offer its active support until the concept of democratic government has firmly taken root. And as part of this program, it would be well to give thought to the possibility of offering aid for the management of national parliaments, the management of government facilities, the training of journalists, and similar measures.

We should also offer direct support during the process of democratization when national elections are held through the dispatching of personnel to monitor and manage the election process, training programs, and the supply of vote-counting machines and other necessary materials.

And finally, with respect to the problems of democratization and non-institutional aspects of government, we must continue to do whatever

we can to work towards fostering the development of administrative personnel and any other elements needed to ensure the efficient administration of government.

2. Issues related to regional development

(1) The agricultural sector

i. Agriculture

(1) Overview

The eighties are known as what is called 'the lost decade' in African development, and agriculture was no exception. In all the nations of Africa, the rate of growth of agricultural production was lower than that of population, further during the period from 1979 to 1991, with Botswana reporting a loss of 3.7 percent and Mozambique of 3.1 percent in their annual average per capita production of food. All the nations of the region followed suit with similar drops in production.

The causes of this drop in production are seen to lie in the maintenance of terms of trade between urban and rural areas that favored the urban areas, as well as in natural and man-made causes such as a reliance on rain as the only source of water, depletion of the soil leading to decreased productivity, high rates of population growth, the civil wars and internal conflicts occurring in Angola, Mozambique, and other nations of the region, and the existence of all the refugees fleeing from those conflicts, and this complex of factors all worked together to create a situation where the production of food suffered more damage than anything else in the region. In addition to this, farming in the region has always relied on rain as its only source of water, and unexpected droughts on a regional scale have occurred not only in the eighties, but also in 1992 when virtually the entire region was affected by a drought which the World Bank notes caused harvests to drop from 30 to 60 percent of their usual levels, a drought recorded as the worst of the history of the region and which brought millions of people to the very brink of starvation. This is why for Southern Africa the assurance of a stable supply of food has become a major problem of national security. The SADC

has undertaken to strengthen a regional effort by taking measures against such disasters through programs such as that in which Zimbabwe is acting in coordination with other countries to develop an early warning system against droughts and in which the SADC member countries are working on a plan to allow for the shipment of foods to other members in cases of emergencies.

Commercial farming, on the other hand, still reflects its colonial past in that it is centered around the production of a limited number of cash crops, maintaining a system wherein export revenues are drastically affected by price trends on the world markets. This reliance on volatile markets, however, has meant that the worsening terms of trade that began from the latter half of the seventies has dealt a heavy blow to agricultural industry as well.

(2) *Future issues*

1) *Short-term issues*

The issues of ensuring a stable supply of food is more important than any other facing the region, and we should take steps like those outlined below not only to ensure stable food production, but also to create reserves of foodstuffs and develop a system for their smooth and efficient distribution.

- a) To provide funding for the creation of small and mid-scale irrigation facilities that take into consideration the environment, low population densities and the often insufficient funds for the maintenance and management of these systems, as well as the rehabilitation of existing systems, and the development of underground water sources and the development of all the other elements needed as a physical foundation for food production.
- b) To increase applied agricultural research in order to develop appropriate technologies for the breeding of improved crop strains and other measures aimed at increasing food production, to diffuse these technologies and crop strains, to stimulate the active participation of women in production, and to take whatever other steps are needed to increase productivity.
- c) To use structural adjustment programs and other policies to correct

economic policies inconducive to farming and to provide incentives for increased production.

- d) To develop the physical infrastructure and distribution networks needed to build a system for the efficient storage, distribution, and shipping of food throughout the Southern African region or throughout a more extended area, and to improve food security through the use of more effective means of distributing food aid.

2) *The middle and long term*

For the future, we should work to create a stable foundation for agricultural management through a program of agricultural diversity that will reduce the effects of market conditions for individual crops on the countries of the region. We should also work to organize agriculture through farmer's unions and other agricultural cooperative associations, introduce and foster a system for the small scale financing to the farms, and encourage greater self-reliance to make it possible to ensure sustainable agricultural development. And finally, we must also work to transform agriculture in the region from its current reliance on extensive farming practices which require an increase in the amount of land farmed to increase the amount of production, and instead work to increase the productivity of the land through intensive farming practices capable of reducing pressures on the surrounding environment.

ii. Forestry

(1) Overview

While, with the exception of parts of Botswana, desertification on the tremendous scale seen in the Sahel region does not exist in Southern Africa, the total area of forested land in the region is decreasing as a result of expanded farmlands, overgrazing, constantly moving slash-and-burn agriculture, and the logging of forests for wood, charcoal, and lumber for industrial and household use, and there is growing cause for concern for the effect that all of this will have on the environment.

While it is said that, excepting South Africa, the amount of timber being harvested each year in the region amounts to 83 million square meters of timber for wood and charcoal and 7.7 million square meters for industrial use, the amount of trees planted thus far come to no more than 610 thousand

hectares in all, and most of these were targeted for industrial use. Although when looking at the region as a whole it does seem to be capable of providing all its own timber for industrial user, two-thirds of all the paper consumed in the region is imported.

Wood provides 70 to 80 percent of the region's total energy needs (again excepting South Africa), and the greater part of this is consumed for rural household uses such as cooking, heating, and light and for rural industrial uses such as the production of blocks, dried tobacco, and smoked fish. The rapid rise of urban populations has also resulted in a sharp increase in the amount of wood consumed by families in urban areas. In fact, the ensurance of a sustainable supply of wood and charcoal fuels has become a matter of life and death for residents of both rural and urban areas.

While the SADC is currently in the proposal or planning stage for as many as nineteen forestry projects, a lack of necessary funding has resulted in no more than four of them (for the production of tree seeds, increased forestry research, the supply of wood and charcoal to cities, and the training of forestry personnel) being actually implemented, and in addition to the issues noted above this lack of funding is continuing to throw a shadow over the efforts being made towards finding solutions to the problem.

(2) Future issues

While coal, kerosene, natural gas, and electricity are given as possible alternatives to wood as a source of energy, consideration of the price of such fuels and the difficulty of supplying them make it difficult to hope for their use to spread to the average household anytime in the near future, and the region will probably have to continue to rely on the use of fuel wood as a source of energy for quite some time to come. This means that we must implement and promote programs of planting and forestry maintenance in order to ensure a stable supply of fuel wood and to preserve and improve the soil base by planting trees. In doing so we should consider to adopt measures stressing participation from which the forestry program will be designed to benefit local residents and involve them in the implementation of the plan. This would be most effective if these programs were designed as social forestry programs in which the planting of trees would be linked together with the farming of the local residents, programs which might include the creation of windbreaks for fields, agroforestry-style farming practices,

the planting of shade trees in villages, the supply of fuel wood, a source of livestock feed, and as a way of improving the quality of the soil. We should keep in mind our first objective of getting residents to participate in this program and work on developing new and better ways of raising seedlings and educating and training forestry personnel.

We should also proceed at the same time with the development of charcoal production techniques capable of offering better heat efficiency and ways of designing better stoves and ovens. (Note that Japan is already working on what is known as the Zambia Mini-Project designed to increase the use of earthen charcoal braziers and charcoal briquettes.)

And finally, over the long term we should work to promote the switch to coal, kerosene, natural gas, and electricity as alternative sources of energy to wood and charcoal fuels.

iii. The fishing industry

(1) Overview

The total amount of fish caught in Southern African ocean waters amounts to approximately 1.2 million tons per year, and the corresponding figure for freshwater fish (over an area of approximately 900,000 km²) is estimated to be somewhere around 400 thousand tons. The amount of fish caught in ocean waters hit its peak in the 1970s and entered a period of decline thereafter, and the reasons for this decline are said to be the overfishing and the resulting failure of the countries of the region to perform proper resource management, the overfishing of certain fish by foreign ships, and the deterioration of the fishing infrastructure of the region due to civil war and unrest.

Yet in this time when the region is heading for a period of political stability, it is expected that these resources will recover if the proper resource management measures are taken, making the potential high for the development of this industry.

As for freshwater fishing, while some of it is done by commercial fishermen, the vast majority is done by small household fishermen who rely on traditional

fishing methods. It should be noted that while freshwater fish are a valuable source of inexpensive animal protein in the landlocked nations of the region, the lack of processing techniques, refrigeration technologies, and distribution systems mean that there are a great many cases where it is difficult to ship these fish from the source of the supply to the internal areas where they are consumed.

(2) *Future issues*

In addition to looking for ways to reform the fishing practices of household and traditional fishing, we should consider ways of organizing fishery cooperative associations, incorporating small-scale fish-ponds operation in small farms management programs, building transportation systems, and making better participation of women.

While the fishing industry remains an industry with great potential for development in coastal areas, in inland areas fish remain a valuable source of protein, and both of these facts imply that we should work towards the recovery of the fishing resources of the region and encourage their effective long-term use, and to achieve these goals we must help to enact an appropriate fishing management system for the regulation of fishing licenses and the setting of limits on the size of catches, and impose controls on fishing grounds and regulate the length of fishing seasons. As a basis for this program we will also have to perform regular research and surveys to gain an understanding of the state of fishing resources, and the creation of a resource management plan will be required to ensure the protection of fishing resources as well.

In the landlocked countries of the region, the breeding of freshwater fish will be important as part of a food resource program, and since it will be expected to serve as a creator of jobs, research on breeding techniques within the region will remain as another issue to be addressed over the long term.

iv. *The livestock industry*

(1) *Overview*

While Southern Africa is relatively rich in the water resources needed

for livestock breeding and has been viewed as a region with high potential for the development of its livestock industry, it has suffered from a chronic onslaught of livestock diseases which has reduced the size of herds and played a major role in blocking the development of the livestock industry.

One of the most damaging of these diseases is trypanosomiasis, a disease carried by the tsetse fly which lives in a large expanse of the region and infects livestock in virtually all of the areas which it inhabits, making it extremely difficult to raise cattle. It is also difficult for people to settle within this region, and the existence of this disease acts as an obstacle to the expansion of farmlands and regional development. These regions, however, are rich in water and plant life, and they remain one of the principal remaining habitats for wildlife in the region.

While some people view trypanosomiasis as a line of defense against the movement of humans or herds of cattle into wildlife areas, these areas would provide an excellent environment for men and livestock if only the disease did not exist, and the losses it thus causes are believed to be enormous.

A look at the means used for raising livestock shows that it can be divided into commercial farming designed to supply the market with meat and dairy products through modern production and management methods aimed at increasing income and traditional farming that uses older customary traditional methods of letting livestock graze freely, and separate programs of livestock hygiene instruction are required to deal with both the intensive commercial field and the more extensive traditional one.

Since the commercial farmers deal with the care and prevention of livestock diseases without relying entirely on the government and by hiring veterinarians and buying the necessary medicines to prevent disease, there is no need for the government to provide direct assistance to commercial farmers except for the taking of measures designed to prevent serious epidemics of contagious disease.

Since the development of the traditional livestock industry, however, is tied up with the problem of development of the entire agricultural community, it is judged that it would be difficult to hope for the process of modernization to proceed rapidly. While the problems involved in the development of the traditional livestock industry include the lack of measures to deal with insanitary livestock conditions, a shortage of natural pasturage (i.e., overgrazing),

shortages of drinking water in the dry season, breeding disabilities, and poor marketing practices on the meat market, it will be necessary to address these issues by performing the appropriate instruction and providing the necessary aid.

In addition to this, with the exception of just a few countries of the region, Southern Africa also suffers from a serious lack of veterinarians involved in administration and the research and prevention of livestock diseases, and it is therefore urgent that we work to train more of them.

Another problem exists in that while all the countries in the region record a rising demand for meat and dairy products centered around the cities, the distribution networks for the supply of the same have failed to function smoothly, and this problem is further complicated by the lack of refrigeration facilities and other necessary infrastructure. It should also be noted that since milk is particularly important as a basic food for the people of the region, it is also necessary to create a system to provide regular supplies of milk, to develop livestock feeds that would not come into competition with human foods, and to address other similar problems.

(2) Future issues

- 1) The establishment of a system of monitoring that extends beyond the individual borders of the countries of the region is essential in order to prevent and stop the spread of contagious diseases, and this will require concerted action to ensure the regular exchange of information, to administer vaccine injections when epidemics occur, to slaughter and dispose of infected livestock, and to impose restrictions on the movement of herds, and this in turn will require a further strengthening of the cooperative efforts between the countries of the region.

To deal with the problem of trypanosomiasis, we should work to promote joint research between the countries of the region and with Kenya's ILRAD on the development of anti-trypanosomiasis drugs, vaccines, and ways of eliminating tsetse flies.

- 2) While Japan has already implemented a program of educational and research cooperation with the veterinary school at Zambia University, we should also work to promote the development and training

of people to work in this field. The fact that a number of diseases exist which are equally contagious to both livestock and humans, the development of this field would also affect public hygiene (i.e., drinking water, food hygiene, etc.), and help in the protection of wildlife, all mean that the training of people in this field would be of tremendous benefit to all. In this time when, in recent years, governments have begun to take another look at the budgetary funds allocated to higher education, it is more necessary than ever before for the countries of Southern Africa to act together to make effective use of the existing veterinarian doctors and supporting institutions in the region.

(2) The industrial sector

i. Overview

(1) While the degree to which the countries of the region are industrialized differs widely—from the highly developed South Africa to the nations of Angola and Mozambique whose national lands have been destroyed by civil war and strife—South Africa, Zambia, and Zimbabwe possess manufacturing sectors that account for a relatively high percentage of their national GDPs (at 25%, 24%, and 30% respectively according to 1991 figures), and the average percentage of GDP accounted for by the manufacturing sector of all the countries of the SADC is no more than 12 percent. This is, however, higher than the average of 10 percent for all the nations of sub-Saharan Africa. A look at the past record and present state of the manufacturing sector for the majority of the countries of the region (excepting South Africa and Zimbabwe) yields a view like that outlined below.

1) In aiming to free themselves from their colonial economic structures, the countries of the region have adopted policies of government led import substitute industrialization based on grand-scale national development Plans, and while their manufacturing sectors recorded tremendous growth in the period from the mid-sixties until the seventies, in the latter half of the seventies and on into the eighties they then entered into a state of decline in which growth slowed down to minimal levels (or fell below zero) and

began to act as a drag on further economic development.

- 2) Primary import substitution has been achieved partially, and import dependency remains high not only for capital and intermediate goods but also for a large part of consumer goods.
- 3) While the reason behind the increased capacity of the manufacturing industries in these countries in the sixties and seventies was in large part due to increased lending from the financial institutions in the Western developed countries or development financing organizations, from the beginning of the eighties financial adjustments throughout the world resulted in a major drop in the amount of capital provided to the nations of sub-Saharan Africa. The major factors contributing to this are seen to be the flight of international capital from the region driven by the deterioration in the economic performance of the sub-Saharan nations caused by drastic falls in prices of primary commodities beginning from the latter half of the seventies, and the general shortage of international savings of the eighties (which also resulted in a sharp rise in international interest rates). This in turn resulted in increased current and capital account deficits and forced the countries of the region to embark on programs of structural adjustments. It was in these circumstances that people began to view the strategy of developing industries through import substitution in a protected economy, and the World Bank is said to have taken a position in which it stresses that, "Development in the agricultural sector is important, and there is no need to rush with industrial development."
- 4) The governments of these nations, driven by regrets over their past records of having pursued their goals of trying to increase their new production capacity without giving sufficient thought to issues of economic efficiency, or forced into positions of having to accept programs of structural adjustment, took steps both to stabilize their economies, reduce demand, and deregulate, and to reduce the amount of government investment in the industrial manufacturing sector, privatize publicly held industries, and abolish programs of subsidies, but they were unable to rid themselves of

the ideas that had over the long term made manufacturing industries the most important of all strategic sectors, and instead began to look for a path to the revitalization of these industries through help from trade and investment within the region.

(2) The common causes presently limiting the growth and development of manufacturing industries in the region may be summarized as follows:

- 1) Demand-driven causes: while excessive stress is placed on the domestic market, low levels of income, its unequal income distribution, and the effects of droughts in recent years have resulted in insufficient domestic demand. These countries are also unable to enter the markets of the other countries of the region.
- 2) Supply-driven causes: production facilities have become worn or out of date, and the lack of capital goods and/or spare parts driven by insufficient foreign reserves has resulted in an increase in idle capacity. There are also problems from shortages of skilled labor, poor technological development, and the prices and quality of goods lack competitiveness on the world market.

(3) While the most common point of view—not only on this region but also on all the nations of sub-Saharan Africa—is that the outlook for industrialization is poor, there are also sources who point out that the overall efficiency of Zimbabwean manufacturing firms is not as low as everybody says (from the EIU) or that South Africa and Zimbabwe have the possibility of being the first countries in Africa of joining the club of NIES (from an English ODI research report), and we can expect that there will be room for further research in the future. Now with this in mind, let us offer a list of those countries excepting South Africa which are viewed as having recorded something of a success (note that we realize that there may be some who disagree with the connotation of this word):

- 1) Zimbabwe: the nation with the highest ratio of Manufacturing Value Added / GDP in sub-Saharan Africa (30% in 1988)
- 2) Zambia: the country with the highest rate of growth in its MVA/GDP ratio in sub-Saharan Africa (from 6% to 20% over the period

from 1965 to 1980)

- 3) Botswana: the country recording the highest rate of MVA growth in sub-Saharan Africa (13% over the period from 1965-80, 6.2% over the period from 1980-86)
- (4) Next, the characteristics of the region in terms of the structure of its trade may be outlined as follows:
 - 1) In trade outside the region, South Africa exports primary commodities and imports industrial products centered primarily around capital goods and intermediate inputs; in trade within the region it exports manufactured products and imports primary commodities, and the percentage of trade within the region relative to total trade is low.
 - 2) While the member countries of the SACU show a heavy reliance on South Africa for trade, and a particularly heavy reliance for imports (so much so that the figures for Lesotho and Swaziland are believed to exceed 90%), Angola stands out from the other members of the region in that it has an extremely low reliance on South Africa for both imports and exports. Furthermore, in local trade both the total amount of trade between neighboring countries and its percentage of total trade (roughly 5%) between the SACU member nations are also quite low for the SACU member countries.
 - 3) Regional organizations such as the SACU, SADC, and PTA exist which are partly political in nature, and these organizations have exerted an influence on the internal trade and investment patterns in the region. Moves have already begun towards the creation of a new framework for regional economic cooperation in response to the process of democratization now proceeding in South Africa.
- (5) Finally, for strategical problems of development which must be considered when thinking about the future of manufacturing industries in the region, we can note the following:
 - 1) Consideration of the problems of expanding the size of domestic markets, ensuring a supply of industrial materials, and assuring

sufficient foreign reserves leads us to conclude that development in the agricultural sector must be given the highest priority. Consideration of the past failures of strategies aimed at protecting industry to provide substitutes for imported goods also leads us to conclude that, for the most part, market liberalization and privatization are largely inevitable. The question remains, however, as to whether policies aimed at promoting the growth of industry through government intervention have failed or not, and we believe that the problem lay in the actual implementation of these policies and that further examination of the proper division of responsibilities between government and the market remains an important question that must be examined when considering development strategies for the region.

- 2) In an environment when moves to create a new customs union or regional economic community including the member nations of the SADC or South Africa have already begun, the problem now is whether the people of the region can forego the exercise of policies of economic nationalism and instead agree upon exactly what form a regional development strategy should take. While this strategy will probably include elements such as the carefully planned regional distribution of investment in manufacturing industries, the questions will remain whether those industries are economically viable and whether they can avoid falling behind in competition with the increasingly global and competitive nature of the world's markets.

ii. Future issues

If we assume that there will be no major flight of capital from South Africa, that its production facilities remain largely intact, and that it can maintain its basic economic foundation, and if we further assume that over the middle and long term there will be an improved degree of political stability, that the liberalization of the international movement of labor, services, and capital within and without the region proceeds at a pace greater than that of the present, and that at the same time the common regional physical and institutional infrastructure needed to ensure that movement comes to be built, then there is a strong possibility that cross-border investment

aimed at the regional market will be concentrated in the countries with a relatively well-developed infrastructure (i.e., South Africa, Zimbabwe, and Botswana), and that this will act as an axis from which to drive the economic growth of the region as a whole. We believe, however, that the following issues concerning the manufacturing sector must be addressed in order to make this scenario a reality:

- (1) The streamlining of industry based on the principle of free competition; the rationalization of management and improved productivity at the corporate level; rehabilitation of factories and capital equipment.
- (2) The creation of a proper environment for investment and the welcoming of direct investment from abroad.
- (3) Promotion of the growth of small and mid-sized businesses and government assistance to the informal manufacturing sector in the form of the creation of areas for factories and/or financial support. (Note that there is one report which notes that South Africa has already succeeded in regularizing parts of the informal manufacturing sector.)
- (4) Education and training of personnel and a greater supply of skilled labor.
- (5) The introduction of new technologies and a strengthening of the ability to absorb these technologies and put them to use.
- (6) The creation of a transportation and communications infrastructure.
- (7) The creation of capital markets.

(3) Development of mineral resources

i. Overview

Southern Africa possesses a rich variety of mineral resources which include gold, diamonds, and other precious metals and jewels, as well as platinum, cobalt, and other rare metals extremely important for use in industry. Of these mineral resources, South Africa excels over even the other nations of Southern Africa in its production and reserves of major metals, so

much so that its production of gold, platinum, and cobalt accounted for as much as one-third of all international production of these metals, and South Africa exerts a tremendous influence on the international mining industry. Botswana also stands out from the rest of the nations of the region for possessing diamond beds which are among the richest reserves in the world. It is known that there are enormous reserves of platinum not only in South Africa, but also in Zimbabwe, and Zambia possesses both reserves of copper ore which not only exceed by three to four times those of North America, but also large quantities of high-quality cobalt as well. Growth in mining productivity in Southern Africa, however, has lagged behind that in other regions, and the development of its mining industries has been constrained by insufficient investment and exploration for minerals. In reality, with the exception of South Africa and Botswana, new capital investment in Southern Africa over the past fifteen years has been dulled by the high risks posed to foreign capital by civil wars in Angola and Mozambique, the instability of the region as a result of South Africa's policy of destabilization, the nationalization of the mining sector as a result of the movement towards Africanization, and other similar factors. According to the World Bank statistics, the share of total world production bauxite, copper, and eight other major metals being produced by sub-Saharan nations has fallen by 2 percent each year since 1970, and the degree of exploration for resources and the amount of capital invested in the region account for no more than 5 percent of the world total. While there have been virtually no discoveries of major ore beds in Africa over the past thirty years, this is not so much due to the lack of promising sites but rather more to the lack of sufficient explorations to find them.

Upon independence, most governments in the region nationalized their mining enterprises, and they have operated them for maximum short-term rent collection, failing to enact programs of effective reinvestment. In some cases, political and/or economic instability brought about the withdrawal of foreign capital, and this in turn led to a decline in production as a result of the deterioration of existing mining equipment and the lack of sufficient ore. The productivity of large-scale state-controlled enterprises began to gradually decline in performance, and they are subjected to government intervention for reasons often unrelated to productivity, making them less productive than private companies. The failure to reinvest sufficient capital in maintenance and modernization has resulted in out-of-date methods

of operation which lack in competitiveness and the ability to respond flexibly to changes in market conditions. However while private enterprises, especially those that were managed and operated on foreign capital, did succeed in making effective use of available mineral resources, they kept their personnel with the specialized knowledge needed for mining development within foreign companies, and failed to train local personnel for management jobs and develop ties between their enterprises and the local economy of their regions.

The problem also exists that the environment for investment in many of the nations of Southern Africa is, for political, legal, or policy-based reasons not always an inviting one for foreign investors, and insufficient functioning has been regarded as nature of the government agencies in control of the administration of the mining industry (including the setting of environmental and safety standards in operation) and the geological survey agencies and research centers which provide technical support to these agencies.

The nations of Southern Africa possess a great many geological characteristics in common with South Africa (where mining productivity increased significantly during the seventies and eighties), they have rich resources of rare and precious metals, and they have a tremendous potential for mineral development. Yet they also lack the policies, legal protection, and political stability to ensure that sufficient research or mineral exploration is performed and to ensure that the necessary infrastructure for the mining industry is built, all of which has led to a lack of investment in resource development, and this in turn has led to a decline in the degree to which the mining industry can contribute to economic growth, reconstruction, foreign exchange earnings, and increased government revenues in the nations of Southern Africa.

ii. Future issues

If one considers the role that the mining sector has played in the economic development of Southern Africa and its potential for the future of the region, it is easy to understand the importance of the position which the development of mineral resources holds for the nations of Southern Africa, and to ensure that these resources are developed in the future, the following issues must first be addressed.

First, in order to ensure effective development of mineral resources, a sense of confidence must be established by the governments of the region so as to guarantee the environment, based on which private corporations and enterprises can bring their capital, technology, and management and operations expertise to bear on the problem. Generally speaking, private investors pay attention not only to the quality of the ore, the amount of reserves, market prospects, technological feasibility, and economic viability, but also to political stability, prospects for macroeconomic development, the risks of currency fluctuations, guaranteed access to profits, rational tax systems, and the general quality of the environment for investment. Under this interpretation we can expect for the time being the direct investment of private capital in the South African mining industry or joint efforts with South Africa for investment in the other nations of Southern Africa. And in this case what will be required of the governments involved will be the creation of an environment for investment based on clear mining industry policies that take into account not only these intangible factors, but also the development of the infrastructures so important to the profitability of these enterprises in the form of roads, railroads, ports, and all other necessary elements of a transportation system capable of stimulating private investment.

In order for the governments and related organizations of the region to create an environment capable of stimulating private investment, we should work together with the SADC and other regional organizations to provide assistance in the form of aid to help in privatizing those publicly-run corporations targeted for privatization under the structural adjustments program currently being implemented under the policies agreed with the World Bank and other international organizations, provide advice on how to implement related policies and modernize systems of legal regulations and fiscal policy, strengthen the capabilities of organizations overseeing the management of the mining sector and those responsible for performing surveys and technological development, and propose and implement programs to offer technical assistance and promote the growth of small-scale mining enterprises and the rest of the mining industry. And finally, as a means of stimulating private investment, we should also consider providing aid for resource surveying and the creation of infrastructure, or the financial assistance which will be required to stimulate private investment or form JV enterprises.

(4) Energy

i. Overview

The lack of a reliable supply of energy has been one of the major causes of economic stagnation in Southern Africa.

While South Africa is well known for its energy resources, the rest of Southern Africa is also rich in natural resources like that seen in the crude oil and water resources of Angola, the natural gas and water resources of Mozambique, and the coal found in Botswana, Swaziland, Zimbabwe, and the other nations of the region. The state of development of these energy resources, however, differs from country to country. This situation has resulted in the creation of a structure in which the nations of the region rely heavily on South Africa, the most developed country of all, which has a particularly significant lead in the development of its energy resources. South Africa boasts the world's sixth largest quantity of coal reserves, and exports 25 percent of coal production to gain foreign currency. The electricity generated in South African power plants also accounts for as much as 50 percent of all the electricity generated on the African continent, and is provided to neighboring countries such as Botswana, Zimbabwe, Lesotho, Mozambique, and Swaziland. This heavy reliance on South Africa for energy also means that while roads and other transportation links are plentiful along the north and south routes linking the other nations of the region to South Africa, a transportation network from east to west is virtually nonexistent.

While many of the nations of Southern Africa have drawn up energy development plans, political and economic instability and the withdrawal of foreign capital have resulted in a situation where these plans are not being implemented on schedule. Moreover, even in relatively well developed countries these energy plans have failed to address the actual conditions of the country, resulting in an excess of generation facilities where the actual capacity utilizations are far below plant capacities. The organizations in charge of implementing projects have shown a lack of sufficient capabilities to manage these facilities, placing all available investment first into generation plants and virtually ignoring the laying of power lines or their upkeep and management. Notwithstanding this has resulted in power stoppages and frequent periods of idle time, no steps have been taken to deal with these

problem. Instead, the nations of the region have relied on foreign aid and other sources to invest in the creation of new generation plants which results in the repetition of the same vicious cycle. While the difficulty of purchasing parts due to declining foreign exchange rates and increasing interest rates may be cited as a cause of this lack of proper upkeep and management, the main causes may be found in the price levels being kept below actual market rates and the low rate reported by the World Bank of no more than 20 percent of total billed services actually being collected.

Furthermore, a look at the lifestyle of the people of Southern Africa shows that they principally use wood, charcoal, and other traditional forms of fuel. If we look at the example of Malawi we see that the total amount of overall energy consumption accounted for by traditional fuels comes to 93 percent of the 1990 energy consumption. This reliance on fuel wood is rising ever higher and higher, and the governments of the region have been driven by the fear of losing their forests into taking steps such as promoting tree-planting enterprises and looking for ways to increase the efficiency of use of fuel wood.

Southern Africa as a region is characterized by an imbalance in the degree of endowment with energy resources, and the degree of energy consumption within the region. As is the case with other developing nations, commercially produced energy is consumed primarily by the modern industrial sector in urban areas and the transportation sector. The poorer household in the cities and the people of rural areas rely almost entirely on traditional forms of fuel. Their consumption is limited primarily to their needs for heat and cooking.

ii. Future issues

Southern Africa shows an overall high potential for energy development. We believe that this development will contribute greatly to its growth in the future. The issues of energy supply which must be addressed to ensure that this becomes a reality may be summarized as follows.

- (1) If one considers the imbalance of energy resource endowment, energy consumption and its sector development among the nations of Southern Africa, the countries of Southern Africa should work together on a multinational level to ensure energy supplies. Whiel South

Africa already has a record of supplying electricity to its neighboring nations, even in the other nations of the region there is great potential for the sharing of extra capacity between, for example, energy-poor countries such as Zimbabwe and countries like Zambia and Mozambique with rich hydroelectric and natural gas resources. While it is only natural that countries without resources suitable for development be supplied energy from neighboring nations, we should do the same for resource rich countries as well if cost-benefit analyses do not justify, building new dams or power plants. To do this we must promote cooperation between the nations of the region to strengthen the transportation links from east to west, which are relatively underdeveloped, for energy supply and shipment of energy resources under the coordination and planning of the SADC and other regional organizations. International cooperation should be subject to the existence of an energy sector development plan that takes into account growth in future demand and the compatibility of those sector plan with the overall national development plans of the participating countries. While energy development is currently given high priority in the national development plans of many Southern African nations, experiences of many of previous plans seem to indicate faults such as insufficient forecasts for demand or slipshod work in the creation of plans resulting in the excessive and wasteful extension of power lines or the construction of economically nonviable facilities in areas with insufficient demand. It is, therefore, necessary that plans are created from a comprehensive viewpoint that fits the conditions found in each country.

- (2) The entities responsible for the supply of energy in Southern Africa are formed as the government agencies or public corporations which are allocated the state budget, resulting to many cases where the authority to set prices lie with the government. While prices are restrained under the name of public good or as a policy for the public welfare, the foundation of any program designed to increase the efficiency of the use of energy must be the setting of prices in accordance with the economic costs of supplying that energy. Setting prices to their proper levels ensures the long-term financial stability of utilities and makes it possible for them to secure the necessary funds to replace spare parts when needed and to expand their operations

to meet demand. The setting of proper pricing levels would contribute greatly to the solution of the energy problems facing the nations of Southern Africa today.

- (3) While Southern Africa also has a number of major rivers, including the Zambezi, the Kafue, the Cubango, the Limpopo, and the Orange rivers, and the area near the Indian Ocean coast from the interior areas of Malawi and Zimbabwe to South Africa receives an annual average of nearly 1000 millimeters in precipitation, water resources are by no means plentiful in Southern Africa as a whole. It is nevertheless clear that development of new water resources is required not only for energy (i.e., hydroelectric power plants) but also to meet future growth in demand for farming, ranching, drinking water, hygiene, and promotion of industrial development. At the same time it is required to establish a system for the observation of annual precipitation and river flow and collect and analyze the basic data needed to gain an understanding of the needs of the region with a view to ensuring these limited water resources to be used effectively.
- (4) Environmental protection has now become an issue that concerns the entire world. To the people of Southern Africa who rely directly on the environment for their hunting, farming, livestock raising, and entire way of life, the destruction of the environment means the destruction of the very foundation of that way of life. We must take concrete steps not only to prevent the exhaustion of tropical forests and to implement forestry projects to deal with the loss of trees that accompanies the use of traditional fuels, but also educate the residents of rural areas who are the main cause of that loss to help them better understand the need to protect their environment. We must also work on the research and development of new renewable resources such as solar energy, wind power, biomass, and small-scale hydropower facilities as alternatives to the use of wood, charcoal and other traditional fuels. Small-scale, independent sources of energy such as these can be applied effectively outside urban areas as they are effective even in isolated areas far from the cities. Finally we must also study ways to protect the precious flora and fauna of Southern Africa from the danger to which they may be so easily

subjected to as a result of the destruction of the rain forest of the region.

(5) The transportation and communications sectors

i. Overview

While with its landlocked and coastal nations, civil wars, and wide economic gaps between the countries of the region, Southern Africa is geographically, politically, and economically diverse region, when we compare that region to others we see that it is also poor in infrastructure, and especially poor in the roads, railways, ports, and communications structures as distribution and economic infrastructures that form the basis of nations. The region does include, however, countries like South Africa and Zimbabwe where the infrastructure is comparatively well developed, and this wide gap between these countries and the rest of the countries of the region may be cited as one of the characteristics defining the Southern African region.

However while within this environment of poorly developed infrastructures, there does exist a single transportation network connecting the mines and plantations, to ports originated from the colonial age, there is as yet no transportation system linking today's major cities, and what parts of this system do exist were not designed in accordance with the current concentration and distribution of population, leaving us with the problem of having to say that there is no efficient system of transportation, nor is there a distribution network for the shipment of goods from their site of production to that of consumption.

Furthermore, generally speaking, one can say that, with the added influence of environmental conditions and thinly concentrated populations, national transportation networks have not been built for functionality and have left rural areas without transportation systems.

As for communications networks, while those linking the nations of the region with America and Europe are relatively well developed, little effort has been made to integrate the international networks within the region, leaving the countries of Southern Africa behind the times here as well.

There are also drastic differences between the amount of infrastructure available in urban and rural areas, with imbalances existing along geographical and economic boundaries, and the lack of sufficient planning and budget funding for the construction and maintenance of infrastructure are major reasons which have delayed the creation and modernization of the infrastructure of the region.

We must also recognize that many of the countries of the region are landlocked, with an extremely limited access to ports that acts as an obstacle to their economic development, and with guerrilla activity in the region and civil war in Mozambique added to this, the countries of the region have been forced to increase their reliance on South Africa for ports and shipping routes, resulting in shipping costs for Southern Africa being higher than those in most other regions.

An understanding of these circumstances makes it obvious that the construction of transportation and communications networks is essential not only to stimulate trade with other countries for economic development, nor only for the domestic shipping and acquisition of basic material goods, but rather to serve as a basic precondition of the basic elements of life, to ensure safety, and to integrate regional economies. It is important that we create favorable conditions for the investments which will support economic development, and build the kind of transportation and communications infrastructure that can be a basic and integral part of the lives of the people of the region.

Note, however, that in creating this infrastructure we must consider issues of economic efficiency and budgetary constraints in making our decisions, and of the repair, reconstruction, and upgrading of existing facilities in terms of their urgency and priority before planning or implementing new programs. The reason for this is that all of the countries of the region suffer from national fiscal restraints which force them to hold back from any investments which would increase their fiscal burden. Hence it is especially critical that implementation plans be created to ensure that proper maintenance can be done, with sufficient financial backing to ensure that proper maintenance can be done, and, that making it possible to proceed with these plans, the basic data and statistics be collected and analyzed. And finally, it will also be important to work to educate and train personnel and improve the organizational efficiency of the infrastructure sector in each of the coun-

tries of the region.

ii. Future issues

The first problems that need to be addressed may be given in the order of their highest priority as the maintenance of port facilities, the rehabilitation of main roads and highways, and the maintenance of railway networks and inland shipping. At the same time, the need for the repair and upgrading of transportation equipment is also acting as a bottleneck limiting development of transportation in the region, and these steps should be taken in concordance with the cooperative efforts noted above. While cooperation and action will be required from each individual country of the region to do so, a consideration of the problems of economic efficiency and benefit, the nature of the project in question, and compatibility between different systems and standards between the countries of the region also implies that it would be most effective to look beyond national borders and view the region as a whole. Since a failure to stabilize the region would force the donor nations to hold back from investing large scales of money in major projects, there will also be a strong need to pay due attention to developments in the democratization and economic development of the countries of the region, their integration, and regional cooperation.

Furthermore, when one considers the political and social stability of the region, one sees that the existence of many alternative transportation and shipping routes is also a critical element in building a safe and stable transportation system both for individual countries and for the region as a whole. The construction of the infrastructure needed to extend and diversify the existing international ports and transportation networks with their high reliance on South Africa would also contribute to helping the nations of Southern Africa become economically independent and reduce the existing economic inequalities of the region.

Furthermore, on a more intangible level, there is also the problem of there not being sufficient data on the transportation and communications sectors collected and collated, and we should create a master plan or a comprehensive action plan to address this issue. On an organizational level, demands will grow to support efforts to streamline management, privatize public corporations, and educate and train regional workers, and we must

also establish transportation and communications networks, promote regional cooperation, and work to link the networks of the region together. In doing so we must pay all due attention to the development potential of the region and keep in mind the goal of creating an infrastructure that will link different subregions together in a natural manner to develop new management technologies and create systems that meet the needs of the region.

(6) Urban issues

The problem of urbanization in Southern Africa represents, in a sense, the problem of the socio-economic status of blacks in urban Africa. The long history of 350 years of colonial rule has created in many African cities distorted urban structures with sharp divisions between white and black residential areas. While the white areas have achieved the goal of the creation of an environment equivalent or even better than that of the cities of the colonists' mother countries, black areas were provided only with the barest of facilities needed to sustain life (e.g., as in the South African townships), or sometimes with even less, and there are many living areas which consist of nothing more than collections of ramshackle huts to ward off the wind and rain (e.g., the slum/squatter areas seen in many cities of the region). Referred to as 'peri-urban' areas by European and American specialists, the existence of these areas is one of the most serious problems facing the cities of Southern Africa today.

i. Overview

When we look at the trend towards urbanization in Southern Africa we see that as of 1965 the percentage of the urban population was the highest in the region at 47 percent, followed by Zambia at 23, Namibia at 17, Zimbabwe at 14, and Angola at 13, and the rest of the countries of the region at less than 10 percent. When we contrast this to the figures for 1991, we see that the urban population of South Africa rose to 60 percent, that of Zambia 51 percent, and that in the rest of the countries of the region to an almost even level of slightly under 30 percent. It should be noted that the speed of this trend towards urbanization is remarkably high for low-income third-world nations.

Generally speaking, the cities of Southern Africa tend to be widely

dispersed and their population densities relatively low. Yet in spite of this, uncontrolled population growth in major urban areas in recent years is increasing to the point where the size of their slum and squatter settlements has begun to expand. While the exact form taken by the problem of urbanization differs according to conditions in individual countries, a rough division allows us to classify these problems as those corresponding to the four patterns seen in South Africa, Botswana, Zambia, and the remaining nations of the region.

One of the more representative of the urban problems in the cities of South Africa resulting from this trend is that of the sub-standard living environment of the Townships which were built in clusters in the suburbs of the cities; another problem exists in Cape Town and other major cities in the form of the expansion of slum and squatter settlements.

Botswana has used its wealth of economic power to promote site-and-service projects and other measures which give it a place amongst the black African nations as one of the countries with particularly well-developed housing policies. Yet even in Botswana the urban-style dwellings being built and the land allotted to them have begun to shrink, making it difficult to maintain traditional lifestyles with large families and resulting in demands for a better response to the problem.

Zambia's cities, on the other hand, may be characterized by their tendency to form along the periphery of copper mining regions, and in some of these mining towns, the progressive spread of slums has in recent years become a significant social problem.

The seriousness of the problem of urbanization, however, looks as if it is going to grow above current expectations in the future, and the percentage of population living in urban areas for the region as a whole, which was 40.5 percent in 1990, is expected to exceed 54 percent by the year 2025, resulting in the creation of a massive new urban population. Factors backing up this forecast include the poor socio-economic ability of Southern African rural areas to support heavy concentrations of population which lead forecasters to expect that the flow of the people from these areas to the cities will continue, the fact that cities will only continue to draw black laborers as long as the manufacturing sector, service industries and other urban-style industries continue to develop, and the natural tendency of urban populations to rise as long as there are no dramatic improvements in

income or change in cultural factors such as traditional lifestyles or levels of education.

A look at the major cities of South Africa shows that there is perhaps a particularly serious problem in that the end of the system of apartheid will bring with it the right for people to live where they want, and if people really do begin to move in large numbers these policies themselves will make the social impact of apartheid felt as an acceleration of the flow of black residents to the cities, and the end result may simply be the expansion and growth in the population living in slum and squatter settlements. In other countries as well, out-of-date management and urban policies are expected to result in the formation of the same sort of depressed urban areas, and we should hurry to create as soon as possible the basic urban socio-economic foundations needed to prevent this problem.

A look at these trends reveals that the cities of Southern Africa will in all probability be the victims of a two-tiered structure of urban poverty, a structure consisting of the 'primary poverty' created through the transfer of the poverty of rural areas to the cities (i.e., poverty brought to the cities and recreated in an urban environment), and the 'secondary poverty' (i.e., poverty resulting from increasing gaps in income amongst the urban population) resulting from changes in economic structures accompanying the growth of the cities.

ii. Future issues

(1) Short-term issues

The first thing to be learned from an examination of the present situation is that we must formulate proposals for comprehensive economic development and industrial siting policies aimed at holding back on the concentration of population in urban areas. Of particular importance here will be the creation of comprehensive regional development policies consisting of integrated development strategies for the improvement of both rural and urban areas. In order to eliminate as far as possible the factors driving population away from rural communities, we must work in rural areas to both simultaneously increase the ability of agriculture to support the population and work to promote the development of rural agro-industries. At the same time, we must also work to promote the growth of downstream industries aimed to

increase even further the added value of agricultural products through programs to promote industrialization in the processing of the products of agro-industrial and other rural industries.

We must also work to increase urban literacy rates and foster the economic growth and social stability of sound urban communities, and to this end we must do all we can to develop a wide range of educational and vocational training programs and to create the facilities needed for their implementation. It is particularly important that we draw up a development program for slum and squatter settlements to work towards the creation of a resident-led local society, and as part of this program we should encourage the development of the organizations needed to foster the healthy growth of children and young adults and a spirit of cooperation in the community. An example of this might be the creation of an organization for the promotion of sports and other recreational activities, which although perhaps lacking in glamour, can for the most part be expected to be effective.

The next step will then be to work to improve the ability of local society to maintain itself through programs for general and practical training in public administration and managerial training for workers in government organizations and particularly for officers in local governments. The creation of a trustworthy government must begin with strict moral discipline on the part of the administrators who must do the actual work of government.

It will also be necessary to develop a public housing policy which is capable of ensuring the development in certain stages of a proper housing environment, and as part of that policy we must work along the lines of a plan that divides housing into that for government housing, private housing, and third-sector housing, defines the income classes targeted for each, and raises the capital needed for their construction.

In order to improve engineering and planning technologies, we must also work to establish the public administration systems that will serve as the foundation for the development of plans for the creation of public facilities, infrastructure, parks, and land use at the urban and rural levels, and it should also be noted that it is particularly urgent that we create the roads, water systems, sewage systems, electric facilities, and social services needed for the existing slum and squatter settlements.

(2) Long-term issues

When we think about the issues of mid- and long-term development, we see that urban issues too should be addressed from an economic and social perspective that encompasses a vision of the development of nations as wholes. It should be noted that the nations of Southern Africa have begun to transform themselves in a highly intricate fashion in response to the external changes wrought by the political and economic transformation of South Africa and the collapse of the political structure of the Cold War era. To respond to these changes and establish a new order of political, administrative, economic and social stability, policies of national land development must be created to eliminate the many forms of inequality existing within the nations of Southern Africa, reduce the economic disparities between regions, stabilize production, ensure self-sufficiency in food, and improve agricultural and industrial technologies. Of these programs it will be particularly important to establish local institutional systems of administration for urban areas and to develop methods for their effective implementation.

To do so we must first work to establish sound local governments and systems of development administration. We must address the issues created by the questions of just what local government can do to work effectively in a traditional society, what form that local government must take, and what the goals of these governments should be, all in an effort to clearly define the roles and responsibilities to be borne by local government in development administration and create the legal structure needed for its implementation.

It is also critical that we gather the information needed for the creation of master plans for the development of urban and rural areas. We must work to gather reliable statistics and construct data processing and updating systems, and we must gather census data, create and manage the local data needed to monitor population movements and collection of taxation, and create planning and capital management information systems.

And while many of the nations of Southern Africa have proposed national development plans that call for economic and social development at the national level, there is still a lack of national land development plans which call for integrated development in terms of national land use or dis-