



South Africa's regional policy: recent developments and future prospects

Changing regional strategy

During 1988 and 1989, a rapid succession of developments, together with an accumulation of pressures over time, combined to alter South Africa's regional policy and bring it into a new state of flux.

With the South African government now adopting a much more defensive posture, the consistently aggressive phase of its regional policy has been adapted. It is not yet clear whether a fully consistent forward-looking alternative has emerged, or whether its strategy is more a matter of *ad hoc* responses to developments.

However, certain features are clear. Firstly, as stated in the National Party's 1989 election manifesto Five Year Plan, the government's key national objective is the establishment of a policy of 'group rights' of some kind. It follows that regional policy will be fashioned according to the view of the governments on how such a dispensation can best be pursued.

The evidence suggests that pressure is causing South Africa's policy to be reshaped in the following ways:¹ firstly, South Africa's international isolation (a result of apartheid) is forcing it to seek relationships with other nations and communities of nations. Secondly, the shift (from the mid-1980s onwards) in US policy away from 'constructive engagement'² prompted South Africa to seek to repair this and other international linkages by means of efforts to extend its 'formative' relationships within Africa. This involves an important shift away from its former emphasis on being part of 'the West'. As South

Africa's Director-General of Foreign Affairs (widely regarded as part of the 'verligte', or progressive, element of government) said of South Africa's regional relations in early 1989,

South Africa — we have to be honest — has also tended to allow relations with its neighbours to become polarised. Certain events over the last five years have added to the polarisation, to the animosity. We hope the time has now come where we can use the positive climate created by the Angolan/Namibian agreement to try to re-enter a period of talking and stretching out of hands across borders, and looking at the positive things we have in common.³

South Africa, it is argued, will pursue its perceived role as the regional 'leader' — a role based on its economic and military dominance. It will seek greater 'formative' political integration with the region through diplomatic contacts, economic linkages, and military protection'.⁴ At the same time, it will aim to use its integration into Africa as one way of extending its wider international diplomatic contacts, as has already happened to a significant extent during the Angola/Namibia negotiations.

Significant developments during 1988 and 1989

Actual events in the region during 1988 and 1989 demonstrate that South Africa is having to respond to increasing pressures, now seemingly beyond



South African children, detained during widespread school boycotts, being returned to their Soweto homes. The boycotts were organised after the clampdown on opposition groups (including five youth organisations) in February 1988.

(IDAF)

its control. Some of these developments have strengthened the influence of the 'verligte' viewpoint, commonly associated with Foreign Affairs personnel, somewhat tempering the 'verkrampte' (conservative) outlook, commonly associated with the Defence establishment.

South Africa's Director-General of Foreign Affairs, for example, explained his view of how international censure affects the balance of policy-forming views within government. When asked in 1989 how his government intended to deal with the issue of the detention of children, he said,

Yes; that is a very good example of the issues that have caused us a great deal of concern abroad. If you look at the last year in the US, the so-called detention of children was just about the number one issue on which people focused their attention in Congress. We see it as a very important task in Foreign Affairs to continually sensitise our domestic constituency on these issues. Hopefully, in that way, we will also be able to make a positive contribution to domestic policy formation.⁵

However, it is equally important to stress that the hawkish element in the formulation of policy on regional relations still has significant influence. For example, in February 1989, Commonwealth Foreign Ministers meeting in Harare learned that South Africa had recently finished building a number of 'Cheetah' military aircraft, which had been especially modified to increase their range northwards into Africa.⁶ Two days later, South Africa threatened Zimbabwe (which, it held, had been investigating the possibility of purchasing British Harrier jump jets). South Africa's Deputy Defence Minister said,

If we at any time feel that it is going to threaten our way of life or the stability of South Africa and the region, we will take whatever necessary steps seem fit at that moment. The only reason they want aircraft like that is to do something about the situation in South Africa.⁷

Angola and Namibia

Following a negotiated settlement (sponsored by the USA) between South Africa, Angola, and Cuba, South Africa and Cuba agreed to withdraw their forces from Angola, and South Africa agreed to implement the long-delayed UN Plan for Namibia's independence. These positive developments illustrate the extent to which South Africa's regional behaviour is adapting under pressure.

A number of key factors combined to unblock South Africa's intransigence in this area of the region. This intransigence, together with the escalating superpower rivalry over Angola, has had incalculable adverse effects on the people of Namibia and Angola. In Namibia, it prolonged conflict and caused widespread suffering and underdevelopment.⁸ In Angola, it certainly

*Namibians waiting to vote in
Ovamboland, in their
country's first free and fair
general election, November
1989.*

(Hugo Dixon)



intensified and has probably prolonged the civil conflict. The SADF invasions into Angola and the related presence of Cuban troops meant that all possibilities of finding a political solution to the civil conflict between the MPLA and UNITA were blocked. In turn, this has probably made the conflict all the harder to resolve.

Chief among the reasons why South Africa changed its strategy on Namibia and Angola were the following four factors.

Firstly, South Africa suffered military defeat on a grand scale in Angola during 1988. The military balance in the war between Angola and South Africa began to shift in Angola's favour from September/October 1987 onwards. Angola had achieved air superiority over South Africa, and military advances on the ground forced South Africa to negotiate, rather than risk widespread white casualties.⁹

Secondly, there were powerful economic factors at play, both in South

Africa and Angola. South Africa was experiencing long-term economic difficulties, on top of which the massive costs of its war in Angola, and its occupation of Namibia, were becoming unsustainable.

Meanwhile, the Angolan government's efforts to restructure the country's economy needed the resources of western governments and institutions such as the World Bank and the IMF. At the same time as the USA was blocking Angola's access to the IMF, the world oil price fell, thus undermining Angola's economic lifeline, its oil revenues.

Thirdly, the superpower dimension was important. The foreign policy implications of *perestroika* in the Soviet Union were being felt worldwide. In Angola, the Soviet Union began to see that it was in its domestic interests to seek a political solution to this long-running and expensive military stalemate. Moreover, the new relationship between the USA and the USSR, which involved cooperation over regional conflicts, based on what has been called 'a convergence of interests', helped reduce the superpower rivalry which had been a further block to progress for so long.

And fourthly, the failure of South Africa's long-standing attempts to foster an 'internal settlement' in occupied Namibia, in place of independence and majority rule in accordance with the UN Plan, had culminated in the handing back of power to the South African-appointed Administrator General for Namibia. This move ended years of South Africa's costly plans for an 'internal settlement', and highlighted the futility of its Namibia strategy. Although this was reported not to be a decisive factor, combined with other factors, it prompted Pretoria to reassess its Namibia policy. Nevertheless, the complex transition process in Namibia has shown that the strategy of South Africa is to maximise its political leverage over the independent nation. (The foundations for its economic leverage have been laid over the last century.) The tragic events of April 1989, when over 300 SWAPO guerrillas were killed by Koevoet forces at the official start of the transition process to independence, served to reinforce South Africa's influence over the transition process.¹⁰

In Angola, although the agreement to withdraw Cuban and South African troops largely unblocked the international obstacles to peace, the internal ones remained to be resolved.

In June 1989 it was widely reported that President Mobutu of Zaire had sponsored a ceasefire and the start of peace talks, in a deal apparently sealed by President dos Santos and Jonas Savimbi, the leader of UNITA.¹¹ However, it soon became clear that the seven-point peace plan which the Angolan government had proposed had not in fact been accepted by Savimbi, mainly because of the government's condition that he should be removed from the

scene for a period of 'exile', and its insistence that UNITA should be integrated into the MPLA.¹² Continued US support for UNITA, reportedly to pressurise the Angolan government into abandoning one-party rule, has undoubtedly prolonged and further complicated the prospects for peace.

Tragically, fighting has intensified since the failure of Mobutu's initiative. Despite the efforts of other African governments to resuscitate peace talks, the political differences between the government and UNITA are being fought out on the battlefield. The civilian casualties continue to mount. Oxfam field reports towards the end of 1989 stressed a marked increase in conflict.

Mozambique and Zimbabwe

Despite the developments in Angola and Namibia in 1988/89, there was no sign of any let-up in the conflict in Mozambique. In fact, MNR brutality in Mozambique and eastern Zimbabwe persisted. Towards the end of 1988, for example, as the Angola/Namibia peace talks were nearing conclusion on the other side of the region, an Oxfam worker reported from eastern Zimbabwe,

On 23 October (1988), there was an MNR raid some 40 km from one of the Primary Health Care centres Oxfam supports. They killed a chief, his wife and four others. One Zimbabwean soldier was killed.

On 16 November, in an MNR raid just 10 km away, 20 people were abducted, and two Zimbabwean soldiers killed by a landmine.

On 30 November, the MNR burnt down 20 houses along the border in the Rusitu valley. Nobody was killed, because the people there have been sleeping out in the bush for fear of night-time attacks.

An immaculately typed letter, purportedly from the MNR, ordered the Rusitu religious mission (a United Baptist Mission station, which includes a secondary school) to shut down by 29 December, or be attacked.¹³

It was not until well into 1989 that it started to become accepted that the South African government, partly because of diplomatic pressure and led by international opinion, was probably no longer supporting the MNR. South Africa claims that improving relations with Mozambique is now high on its foreign policy agenda.¹⁴ But, as most observers agree, little can be done to bring about lasting solutions in Mozambique — with rural development as a key element — until MNR aggression ceases. Whether the South African government can prevent the private support for the MNR emanating from South Africa remains to be seen. MNR atrocities in Mozambique and eastern Zimbabwe continue, emphasising the urgent need for a resolution of conflict. In October 1989, for example, an Oxfam field worker reported on a visit to eastern Zimbabwe where one of the Oxfam-supported doctors had just carried out *post mortem* examinations on seven MNR victims. All were Zimbabwean villagers, and all but one were children.

Prospects for peace in Mozambique

In June 1989, months of behind-the-scenes diplomatic work by the Catholic and Anglican churches in Mozambique culminated in the public announcement that both the Mozambican government and the MNR were prepared to agree to a ceasefire, and negotiate an end to 14 years of bitter war. This move was backed by the USA, the Soviet Union, the UK, and South Africa. President Moi of Kenya and President Mugabe of Zimbabwe emerged as mediators.

Two rounds of talks were held in Nairobi in August and October 1989. However, in spite of the earlier intention to agree to a ceasefire, the fighting intensified during these months. At the end of 1989, the peace talks appeared deadlocked, largely over the issue of mutual recognition. The MNR insisted that the FRELIMO government should recognise them as a genuine political party; FRELIMO insisted that the MNR must accept the "established order" in the country. But with so much at stake, not only for Mozambique, but also for other Front Line States, and for western interests in southern Africa, there is substantial pressure for the peace talks to resume.

Judging from what is understood about the nature of conflict in Mozambique, it is probable that a range of measures will be needed to establish peace. The war is unlikely to be won by military means.

First, international support for the MNR must be stopped. This would require a coordinated international effort.

Second, as FRELIMO's fifth Congress in July 1989 agreed, a number of far-reaching political and economic policy reforms must be implemented, alongside the amnesty for MNR guerrillas and the government's commitment to peace talks. In particular, it was agreed that broadening democracy and thus establishing a more stable society was a national priority. However, the MNR's claims to recognition as a political party are likely to be a key obstacle to the emergence of a multi-party basis for democracy in the foreseeable future.

Thirdly, it is also clear that massive reconstruction and rural development programmes are needed to re-establish a degree of social, economic, and therefore political normality within the country. This presents an enormous national, regional, and international challenge. As the catalogue of destroyed aid projects and government services shows, continued MNR sabotage means that reconstruction and economic development cannot progress in the midst of armed conflict.

Thus, although a peace agreement between the government and the MNR is an essential first step, it is unlikely that lasting stability can come as a result of this alone, even if the MNR leadership is able to order all its regional

commanders to obey a ceasefire. This is largely due to the rural banditry which has become a way of life for groups outside MNR control (or minimally within it);¹⁵ it is also due to the inability of civil administration structures to prevent the MNR's feudal, coercive control over large numbers of rural people. It is therefore likely that a major programme of rural development (to counteract the breakdown in rural life which encourages conflict and banditry) will be needed, alongside the development of structures to guarantee civil law and order. Yet both these options are blocked by the very conflict they could help to resolve, and it is not yet clear how this vicious circle can be broken.

At the beginning of the 1990s, the prospects for peace are mixed, and much depends on the pressure which can be brought to bear on the MNR. As one writer put it,

RENAMO demands political recognition on a par with FRELIMO. Perhaps the degree to which it is accorded any such respect should be contingent on a reversal of its strategy of destruction and terror, within the context of some structured system of workable democratic institutions which link civil society to a responsible and accountable Mozambican state. This would allow RENAMO, by contributing through a grassroots democracy to the remaking of a country it has done so much to destroy, the opportunity to earn credit as a genuine political force. Nevertheless on present evidence it would have a very long way to go to attain credibility as a political party.¹⁶

Meanwhile, the fighting continues, and a number of MNR massacres in southern Mozambique were reported during the last few months of 1989. During her visit to Africa in March 1989, Mrs Thatcher expressed a view identical to Oxfam's when she said,

No country can develop peacefully and constructively while it is riven by terrorism, and terrorism of a particularly brutal and cruel kind.¹⁷

Inside South Africa

There were also significant developments in South Africa over this period. In particular, there was movement towards unity among the anti-apartheid organisations.¹⁸ A gulf remained, however, between Inkatha on the one hand and COSATU, the UDF, and the ANC on the other, with Inkatha unwilling to agree to a third round of proposed peace talks in 1989. There also remains a gulf between the organisations allied to the ANC, and the 'Black Consciousness' organisations allied to the Pan-Africanist Congress (PAC). Nevertheless, as developments in the late 1980s have confirmed, the ANC has clearly emerged as the political party with the largest following.

In the aftermath of the popular uprising, which was at its height between 1984 and 1986, the internal anti-apartheid movement reassessed its strategy.

It had sustained serious organisational setbacks due to state repression. Leaders also identified a key tactical error in some of their actions, especially the prolonged consumer boycott actions — and strategy was changed accordingly.¹⁹

The Mass Democratic Movement emerged in 1989, partly to fill the political vacuum which followed the 1988 restriction orders on the UDF,²⁰ and partly as a deliberate attempt to frustrate state repression by forming an outwardly amorphous movement, whose leadership structures are deliberately obscure. From mid-1989, leading up to the September 'general' elections, the MDM started up a successful and imaginative 'defiance campaign' which attracted much international media coverage. Restricted organisations 'unbanned' themselves, black people demanded treatment at 'whites only' hospitals and rides on 'whites only' buses, and some 'whites only' beaches were declared non-racial. This period of intense organisational activity culminated on election day in a mass stayaway from work organised by the Congress of South African Trade Unions (COSATU) and the National Confederation of Trade Unions (NACTU). Some three million workers stayed away in protest at the 'apartheid elections'. This was the largest demonstration of trade union organisational effectiveness ever seen in South Africa.

The years 1988 and 1989 also spanned a crucial period in the development



Members of the Mass Democratic Movement Defiance Campaign protesting against apartheid on Cape Town's beaches in August 1989.

(IDAF)

of ANC diplomacy. Negotiations and consultations inside South Africa have produced major pressures on the South African government, with significant international support.

In 1988, the ANC produced its "Constitutional Guidelines for a Democratic South Africa", which developed the vision of the 1955 Freedom Charter.

In June 1989, representatives from the ANC, COSATU, and the UDF held a consultative meeting to discuss a common position on negotiations, as a basis for widespread consultation within South Africa. Arising from this meeting, the ANC drew up a comprehensive policy on negotiations (which included their constitutional guidelines and the measures needed to establish a climate for negotiations). This has become known as the "Harare Declaration" (see Appendix 2), following its complete approval by the OAU summit which took place in Harare in August 1989.

The Declaration was subsequently approved by the Non-Aligned Movement, and was then put forward as the basis for a common UN General Assembly position, adopted on 14 December 1989 (see Chapter 10). Inside South Africa, the Harare Declaration was the centrepiece for debate at a mass consultative conference held from 9 to 11 December 1989. This Conference for a Democratic Future was attended by an estimated 4,600 delegates from anti-apartheid organisations throughout South Africa, including many of the organisations which Oxfam supports. Although the conference failed to bridge the political rift between the mainstream MDM/ANC alliance and the (much smaller) Black Consciousness/PAC group by as much as had been hoped, it demonstrated widespread democratic support for the Harare Declaration.

Future prospects

The key to South Africa's changing role in the region in the late 1980s lies in the nature of the remarkable pressures which have come to bear on apartheid and white minority rule.

Pressure from the people of South Africa has come about in two key, related, ways: firstly, through mass, organised, political resistance to apartheid, and secondly through what are sometimes called 'demographic' and 'socio-economic' pressures.

On the organised political front, the ANC's dominance of the South African political scene is becoming increasingly accepted, even by the National Party. And the remarkable growth of the trade union movement has significantly increased the capacity for internal mass organisation and for black people to use their economic power.



The MDM Defiance Campaign, Cape Town, 13 September 1989. This mass, peaceful march against apartheid defied all the repressive legislation and the Emergency powers of the South African government. (IDAF)

The demographic and socio-economic pressures stem from the structural weaknesses of an industrialised society in which a white minority, constituting 13 per cent of the population, rules over a black majority.²¹ The political and economic effects of mass urbanisation have helped to erode apartheid legislation through sheer pressure of numbers. Similarly, the growing consumer strength and entrepreneurial power of black people must now be taken into account. This has happened against a backdrop of organised resistance to apartheid legislation and practice.

South Africa is also undergoing considerable economic difficulties. These have been largely caused by the costly need to restructure the economy (in the face of falling terms of trade and rising debt-servicing obligations), against the background of falling confidence among foreign investors. The slowdown in economic growth is due primarily to political instability; the economic 'braking effect' of apartheid;²² substantial capital flight;²³ the cumulative effect of sanctions; and recession. The economic situation has increased the impact of international sanctions and made the government more receptive to international pressure.²⁴

The international dimension has also been important, both Soviet and western. Largely led by public reaction to developments inside South Africa and within the region, the international community became markedly more vocal during the 1980s in its criticism of South Africa. Most importantly, the USA, the Commonwealth, and the European Community adopted targeted economic sanctions against South Africa.

In the USA public pressure, largely from the powerful black lobby, led Congress to approve the first sanctions legislation in 1986. The Bush administration believes sanctions are a useful tool to back up its policy. This is in direct contrast with the view of the British government.

The Commonwealth put South Africa high on its agenda again when it adopted the Nassau Accord sanctions in October 1985. These specific, limited, and mostly voluntary measures were followed in 1986 by the Commonwealth's much-publicised Eminent Persons Mission to South Africa in 1986. A key issue has been Britain's reluctance to agree to a Commonwealth package of increased sanctions. In response, the other 48 Commonwealth leaders have opted for a strategy of collective action without Britain on this issue.

The European Community adopted its Common Policy on South Africa in 1985, which introduced the 'dual-track' approach. As originally stated, the dual track combined sanctions (specific, limited, mostly voluntary) with 'positive measures' (including aid to black South Africans and increased aid to SADCC). (Chapter 11 deals in more detail with EC policy.)

Finally, SADCC has achieved considerable progress, especially in the rehabilitation of Mozambique's transport routes, and in attracting international political and financial backing.

All this has caused the South African government to reassess its position. Realising that the status quo cannot survive under such pressures, the National Party has chosen to reform the apartheid system in South Africa so that it becomes more streamlined, adaptable, and, ultimately, defensible. As the September 1989 elections results indicate, the National Party accepts that much of the apparatus of apartheid which has grown up over the years will have to go, so that the essential feature — some form of institutionalised white supremacy — survives.²⁵ The key issue for the international community, therefore, is whether enough coordinated pressure can be brought to bear to ensure that the political leadership of the disenfranchised majority have the backing they need to see that apartheid is fully negotiated away, and replaced by democracy.

The first steps are to create an acceptable climate for negotiations. The MDM/ANC's demands of the South African government have been clearly



In December 1989, 4,600 delegates from anti-apartheid organisations all over South Africa attended a conference to discuss negotiations for democracy. The conference gave full backing to the 'Harare Declaration'.

(IDAF)

laid out in the Harare Declaration, and all these demands were ratified by the UN General Assembly in December 1989.

By the end of 1989, the South African government had taken some initial steps in response to this agenda. Eight political prisoners had been released, the government had effectively authorised a number of mass anti-apartheid demonstrations (including an ANC rally of some 80,000 people in Soweto to welcome the released prisoners), as if testing the water for lifting the State of Emergency. Some apartheid practice was abolished, notably the particularly 'visible' racial restrictions on beaches, buses, parks, and libraries; and President de Klerk announced his intention to repeal the Separate Amenities Act.

As the wealth of international comment has made clear, these advances are encouraging, and further demonstrate the central role which pressure is playing. But those who have suffered under apartheid are at pains to point out the immensity of the task ahead, and the continuing need for strong international support for democracy. At the end of 1989, some 98 organisations remained banned or restricted,²⁶ with their members liable to prosecution for "furthering their aims". There were over 700 political prisoners, including an estimated 60 on 'Death Row', and over 600 individuals remained restricted (i.e. prevented from taking part in political activity, with many subject to twelve-hour house arrest). The rights of assembly, free speech, and a free press were denied under the State of Emergency.

However, even if these conditions are lifted, the hardest task will undoubtedly be the abolition of apartheid in all its forms, the establishment of a non-racial democracy, and the transformation of the distorted economic structures which have been created by apartheid.

Thus, the key issue for the 1990s is that of maintaining pressure on the South African government. As Allan Boesak, a prominent South African church leader, said of President de Klerk on the eve of the October 1989 Commonwealth Conference,

He is a man who responds to pressure. He had not even thought of the possibility of a black government: now he thinks about it, but does not yet do anything. We must go on concentrating his mind.²⁷

Section II

Global and national constraints on development



8

Trade, debt and problems of national policy

What poor countries and poor groups need is the type of development that is not modelled on that of the richer countries and regions. Indeed, a major element in the real development of the poor is that the rich should be stopped from imposing misdevelopment on the world. The notion of liberation through development needs then to be complemented by that of development through liberation.

(Excerpt from the Gilbert Murray Memorial Lecture, given by Father Smangaliso Mkhathshwa, Oxford 1985¹)

As we have seen, South Africa's regional policy has had devastating effects on the people and economies of southern Africa. However, it would be misleading to suggest that all the SADCC region's development problems relate to South Africa. There are many other factors which have undermined equitable development in the region. The enduring effects of colonial economic policies, distorted North/South economic relations, external debt, and post-independence failures of development policy have also come together to make development in the interests of the poorest an elusive goal. This chapter examines some of these other structural and policy issues, and the way they combine with South Africa's regional policy to frustrate equitable development in the interests of the poorest.

The SADCC region bears a double burden: not only does it suffer from the range of economic pressures currently affecting most of sub-Saharan Africa, but it also shoulders the consequences of South Africa's regional policy. It follows that the advent of majority rule in South Africa will be a necessary



An adult literacy class in Katatura, Namibia. Widespread illiteracy has been one of the most damaging legacies of colonialism throughout southern Africa.

(Chris Johnson / Oxfam)

but not a sufficient condition for equitable development in the SADCC region. While it is essential to establish peace and a more fairly structured regional economy (which would include a majority-ruled South Africa), other development constraints must also be addressed.

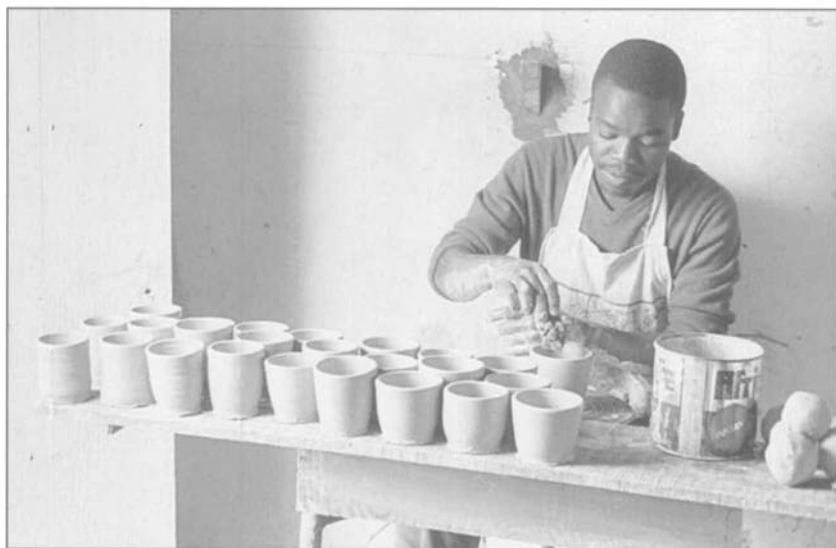
An effective response to suffering, poverty, and underdevelopment in the region must tackle a whole range of factors. North/South economic relations and inappropriate domestic policies in the SADCC states must also be challenged, alongside apartheid and minority rule in South Africa, if real progress is to be achieved.

Colonial legacies

Southern Africa's colonial history is especially well documented, and there are many detailed studies which examine the links between poverty and colonial development policies.²

Many of today's development problems stem from colonial factors: inherited inequalities and the neglect of basic services for the majority of the population; severe economic dislocation on independence; reconstruction needs following liberation wars; and the inheritance of distorted production structures and external trading relationships.

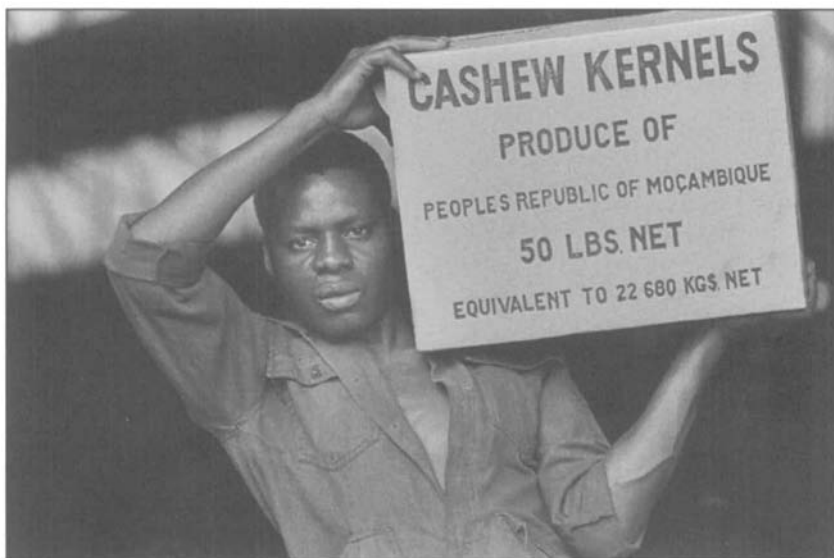
It should be stressed from the outset that colonial history in the SADCC



A pottery workshop in Lichinga, northern Mozambique, set up to re-establish artisanal skills, which had been largely destroyed by the colonial system.

region is not part of the distant past. Tanzania, the oldest SADCC state, came to independence in 1961, while Namibia's independence has been delayed until 1990. Nor was colonial experience uniform throughout the region. However, all the SADCC states have grappled with some or other of these issues, in different proportions, and in relation to the different colonial powers involved in the region (Britain, Portugal, Germany, and South Africa). To avoid misleading generalisations, it is important that each country's set of circumstances is examined individually.

In Zambia and Malawi, for example, independence in 1964 not only meant majority rule and self-government, but it also meant coping with the consequences of breaking away from the Central African Federation (1953-1963), which had been created by Britain. Under the Federation, these two territories had been used to develop Southern Rhodesia. Zambia's labour and mineral wealth, and Malawi's labour, had been exploited and extracted for this purpose. Moreover, as many as possible of the Federation's services and institutions were located in Southern Rhodesia, home of the Federation's government. As a result, on independence, Zambia and Malawi lacked such things as parliament buildings, a university, a Central Bank, and a national teaching hospital. Even Zambian psychiatric patients needing hospital treatment had to be referred south. But, most critically for the decades to come, Zambia and Malawi inherited economies which were heavily



Storeroom worker at Xai-Xai cashew factory, southern Mozambique. Most SADCC states depend heavily on the export of primary commodities for foreign exchange earnings. Cashew nuts are Mozambique's single most important export crop.

(Ron Giling / Panos Pictures)

dependent on the export of primary commodities and migrant labour.

In Zimbabwe, the massive social and economic inequalities left by colonial rule still act as a major brake on development. The costs of repairing the damage done by a century of discrimination have been massive, and are proving increasingly hard to sustain. In Angola and Mozambique, inherited inequalities were coupled with the severe dislocation of commerce and government caused by the mass exodus of the Portuguese settler community around the time of independence. (The development problems of Zimbabwe, Malawi, and Angola are illustrated in case-studies in Chapter 9.)

However, the most topical case in point is Namibia. Over the next decade, the independent nation will have to begin confronting the complex set of development constraints it has inherited from its colonial past.³ Although nobody expects Namibia to be able to tackle all its inherited problems quickly, nevertheless the nature and pace of change during the 1990s will be crucial for the impoverished majority. Namibia's post-independence development options are particularly constrained by its economic dependence on South Africa.

Commodity trade

At the root of the deep economic crisis affecting most developing countries is the collapse in the prices of many commodities during the 1980s. Between 1981 and 1985, for example, the cumulative loss in the commodity export earnings (excluding oil) of developing countries was \$57 bn., nearly double the total value of those countries' commodity export earnings in 1980. In 1986, average real commodity prices (excluding oil) were at their lowest level ever recorded, with the possible exception of 1932.⁴ The southern African region is no exception.

SADCC's trade with the industrialised North

Chapter 5 looked at the SADCC region's trading relationships with South Africa, but it should be noted that overall the region's trade with the industrialised countries of the North is also important (see table 8.1).

The injurious trading relationship which has grown up between Africa and the industrialised world has its roots in the slave trade. Southern Africa was affected by the trade both to the East and to the West. A leading historian had this to say about the 'Atlantic trade' (from Africa's western seaboard to the plantations in the Americas), which particularly ravaged Angola:

Essentially, the Atlantic trade was a large and long-enduring exchange of cheap industrial goods, mainly cottons and metalware and firearms, for the 'raw' material of African labour. (The inverted commas are ... necessary because the labour was in fact often skilled in those very techniques most required in the Americas: tropical farming and metal working.) Every question of humanity apart, this trade struck at Africa in two ways, both of which spelt impoverishment. By providing Africa with cheap substitutes, it undermined the local production of cotton goods and metalware; against this partial benefit, it discouraged expansion from the handicraft stage.⁵

The overseas slave trade could be regarded as an early type of colonial economy, of the exchange of European goods for African 'raw material'.

Today, the SADCC region trades extensively with the OECD countries,⁶ of which the European Community forms an important part (see table 8.1).

Dependence and diversification

In our analysis, the agenda for southern Africa is patently clear. The challenge is to eliminate the senseless dichotomy which makes us wholesale exporters of raw materials, and wholesale importers of finished goods, under terms determined entirely by the industrialised countries, terms that compel us to increasingly produce and sell more of our raw materials in order to afford less of their products.

(Dr Simba Makoni, Executive Secretary of SADCC, October 1989)

Table 8.1: SADCC's main trading partners (latest available year) (% of total)

DESTINATION OF EXPORTS

	1	2	3	4
Angola (1988) *	USA (13)	FRG (13)	Brazil (12)	Bahamas (12)
Botswana (1987)	Rest of Europe ** (90)	SACU *** (4)	Other Africa (4)	UK (1)
Lesotho (1983)	S. Africa (85)	Other Africa (5)	FRG (3)	USA (3)
Malawi (1987)	UK (23)	USA (11)	S. Africa (11)	Netherlands (10)
Mozambique (1987)	USA (17)	Japan (15)	GDR (9)	Spain (7)
Namibia (1988) ****	UK ***** (30)	S. Africa (20)	FRG (15)	Japan (10)
Swaziland (1986)	EC (34)	S. Africa (33)	Canada (8)	S. Korea (5)
Tanzania (1986)	FRG (17)	UK (12)	Japan (7)	Italy (6)
Zambia (1985)	Japan (26)	China (11)	UK (7)	USA (7)
Zimbabwe (1987)	FRG (16)	UK (13)	S. Africa (10)	USA (7)

* Angola figures from EIU report, based on IMF Direction of Trade Statistics; figures exclude trade with Eastern bloc and should be treated with caution.

** Mainly diamond exports via Switzerland.

*** Southern African Customs Union, i.e. the SACU members' trading links have not been differentiated, but it can be assumed that the major partner is South Africa.

In common with other African countries, the SADCC region's⁷ dependence on the export of primary commodities (see table 8.2) to the North for foreign exchange earnings with which to buy imports is a major structural vulnerability. It is a key factor which has led to the external debt trap of the 1980s. It has its origins in the way that colonial economies were deliberately fashioned to create wealth for the imperial powers and the European settler minorities. Post-independence policies in most SADCC states have exacerbated the problem. The sharp drop in the prices of many primary commodities experienced during the 1980s, together with the steadily rising

ORIGIN OF IMPORTS

	1	2	3	4
Angola (1988) *	Brazil (15)	France (12)	Portugal (9)	Netherlands (9)
Botswana (1987)	SACU *** (97)	Other Africa (8)	Rest Europe (7)	UK (2)
Lesotho (1983)	SACU *** (79)	UK (1)	Rest EC (1)	-
Malawi (1987)	S. Africa (35)	UK (20)	PTA countries ***** (10)	Japan (6)
Mozambique (1987)	Italy (14)	S. Africa (12)	USA (10)	USSR (9)
Namibia (1988) ****	S. Africa (75)	FRG (10)	USA (5)	Switzerland (5)
Swaziland (1986)	S. Africa (90)	UK (4)	Australia (1)	Japan (1)
Tanzania (1988)	UK (15)	Japan (9)	FRG (9)	Italy (7)
Zambia (1985)	USA (21)	S. Africa (12)	FRG (12)	UK (7)
Zimbabwe (1987)	S. Africa (21)	UK (12)	USA (9)	FRG (9)

*** Estimates - no breakdown is published in official data (EIU).

**** Mainly diamonds exported via Switzerland for sale in London.

***** Preferential Trade Agreement Members (Southern and East Africa).

(Source: EIU Country Profiles 1989-90)

prices of the North's manufactured exports and services, have meant that Africa's terms of trade (the purchasing power of its exports) have declined significantly (see table 8.3).

SADCC's terms of trade have likewise deteriorated (see table 8.4). This in turn has slowed down development progress (and in many cases reversed it), as national earnings dwindle and as countries have fallen into debt.

The loss to poor countries represents a transfer to their richer trading partners in the form of cheaper imports and profits from exports. Between

Table 8.2: *Primary-commodity dependency in SADCC countries*

Country	Commodity	% of national export earnings	% of national export earnings derived from primary commodities
Angola (1985)	oil products	95.6	100.0
Zambia (1987)	copper	84.0	100.0
Malawi (1987)	tobacco tea	60.4 10.4	92.9
Mozambique (1986)	prawns cashews	38.0 17.0	95.0 *
Zimbabwe (1987)	tobacco gold cotton nickel	18.0 17.0 5.0 4.0	82.0
Tanzania (1985)	coffee cotton cloves	40.0 8.0 5.0	92.9
Namibia (1987)	diamonds uranium base metals cattle fish products	40.0 24.0 18.0 7.0 4.0	95.0 **
Botswana (1987)	diamonds copper-nickel matte meat	85.0 5.0 4.0	95.0
Lesotho (1984)	mohair	24.0	46.2 ***
Swaziland (1986)	sugar woodpulp	42.0 17.0	95.0 (est.)

* However, migrant labour remittances and transport revenue are key foreign-exchange earners for Mozambique.

** 1986

*** However, only 6% of Lesotho's foreign exchange earnings comes from trade.

(Source: Economist Intelligence Unit reports, latest data available)

Table 8.3: Changes in terms of trade for sub-Saharan Africa 1965-1988 (average annual % change)

<u>1965-73</u>	<u>1973-80</u>	<u>1980-85</u>	<u>1986</u>	<u>1987*</u>	<u>1988**</u>
- 8.5	5.0	- 2.3	- 23.2	3.3	- 5.3

* estimated

** projected

(Source: World Bank, *World Development Report*, 1989, p.151)

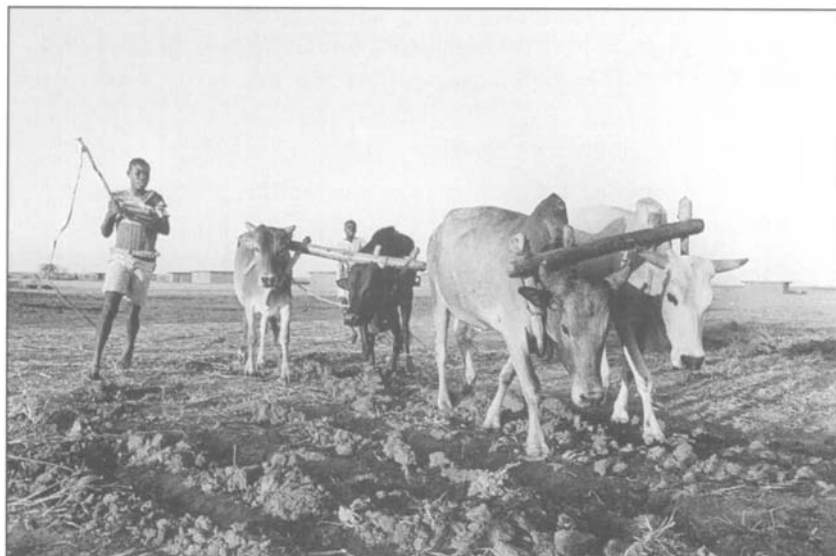
Table 8.4: Terms of trade in the SADCC countries (1980 = 100)

	1982	1983	1984	1985	1986	1987
Malawi	107	113	137	101	88	67*
Tanzania	88	91	94	90	104	90
Mozambique	84	...	104	...	...	...
Zambia	72	78	74	72	69	79
Zimbabwe	...	...	96	84	86	84
Angola	106	...	102	...	...	...
SACU**	87	86	86	85	64	71*

* estimates

** Southern African Customs Union (comprising South Africa, Namibia, Botswana, Lesotho and Swaziland).

(Source: World Bank, *World Development Report*, tables for Growth in Merchandise Trade, 1986, 1987, 1988 and 1989 editions.)



Daodi Paulo (left) with his brother, preparing land for cotton, the only cash crop which grows well in Tanzania's Meatu District. But the costs of fertiliser and insecticide are rising faster than the producer price for cotton. (Geoff Sayer / Oxfam)

1981 and 1986, the transfer on the trade account through the deterioration in the Third World's terms of trade amounted to more than \$90 bn.⁸

Despite efforts to industrialise and diversify their economies,⁹ most SADCC countries are heavily dependent on the export of primary commodities, as table 8.2 illustrates. While the SADCC states share a considerable degree of dependence, clearly some are far more vulnerable than others to depressed world prices.

In comparison with the other SADCC economies, Zimbabwe is the most developed in terms of a diversified economic base. Zimbabwe has well-functioning manufacturing industries and a developed agricultural export sector, and it exports minerals.

War-torn Mozambique, on the other hand, no longer has an adequately functioning industrial base; its mineral resources are not exploited (apart from coal), and it depends on the export of agricultural and fish products as well as on its transport revenue and migrant workers' remittances.

Before independence, Angola stood to inherit a well-diversified economy, comprising the production of a wide range of primary products, with a comparatively well-developed industrial sector. However, the economic chaos and the skills vacuum caused by the mass exodus of settlers around the

time of independence, weak economic management after independence, and war have reduced Angola's economic base to the lucrative oil sector, and a handful of foreign-dominated enclave enterprises in mining and construction.

Zambia did not inherit a diverse economic base on independence. On the contrary, copper was and still is its only developed export asset.

Malawi is another case in point. It relies on agricultural commodities for over 90 per cent of its export earnings;¹⁰ it has an import-dependent and underdeveloped industrial sector;¹¹ and its mineral deposits remain unexploited (except for coal). Although Malawi has a wider range of main export commodities than, for instance, Zambia or Angola, nevertheless it largely relies on three commodities, all of which have experienced falling and fluctuating prices on the world market during the 1980s..

The costs of dependence

Such a high degree of dependence on the North, and on a narrow economic base has direct implications for people. A recent example occurred among the workers on the tobacco estates in Malawi, where tobacco is the single most important export. (In 1988, it accounted for 64 per cent of the value of agricultural exports.)

There were high hopes for Malawi's 1989 tobacco earnings. The previous year had seen record prices and production levels for the Burley variety, in which Malawi specialises. (This variety alone accounted for over a third of Malawi's total foreign earnings in 1988.) As a result, 1989 production levels were increased by a further 10 m. kg, equivalent to double the 1986 crop. But expectations were dashed on the auction floors as the bumper crop attracted hopelessly low prices. The problem was that mould, caused by the particularly heavy rains during the 1988/1989 growing season, had spoiled the crop's quality.¹²

This was bad news for the rural poor. Although peasant production of Burley, normally a high-quality tobacco type, has been largely restricted to enhance the earnings of the large commercial estate owners, nevertheless thousands of families are dependent on the wages of labourers on the Burley-producing commercial estates.¹³

Towards the end of 1989, as the social consequences of the slump in Malawi's Burley prices were expected, initial reports of the effects on workers and their families indicated that Mozambican migrant workers employed on some of the tobacco estates may have been the first to be laid off. UNHCR personnel in Malawi believe that this was a contributory factor behind the sudden increase in the population of the country's settlements for Mozambican refugees. The settlements' population suddenly shot up towards the end of 1989.¹⁴

What makes this structural dependence a problem is the fact that the market prices of many primary commodities are not only falling (though the trend is often a long-term one), but some also fluctuate wildly. In spite of international efforts to stabilise prices and provide cushioning finance, uneven commodity earnings continue to make systematic economic planning very difficult.

Zambia's copper (on which it heavily depends) is a good example not only of a commodity whose price in the long term has been falling, but also of a commodity whose price can fluctuate wildly. During the first decade of independence (1964-1974), the price of copper was buoyant, but between 1975 and 1986 it fell sharply.¹⁵ Then, in 1987 and 1988, the world price rose significantly, to over \$1 per pound (although this is widely regarded as a 'blip', rather than a long-term trend). During 1989, although still high, the price of copper again fluctuated considerably from one month to another.¹⁶

In Zambia, it is the urban and rural poor who bear the brunt of rising unemployment, spiralling prices, and cut-backs in basic public services.¹⁷ Zambia's fatal dependency on copper, and its deep structural economic distortions are largely to blame.

Angola's oil is another example. Since 1973, oil has been the country's chief export (though it does not yet export oil to other SADCC states). By 1985, when the oil sector had been successfully built up, Angola's oil earnings accounted for 96 per cent of its total exports,¹⁸ and enabled it to maintain a trade surplus, although the 1985/86 drop in oil earnings suddenly and seriously upset the government's debt-management strategy. Even though oil is undeniably a great asset, Angola has become over-dependent on its oil revenue following the decline in its diamond and coffee exports, and the ending of its iron ore exports in 1975.

Although the massive costs of war overshadow life for its people, and are a key reason why Angola's oil earnings are not invested in development, the fluctuations of the world oil market since late 1985 have also seriously affected Angola's economic stability.

Up until 1980, Angola's oil export receipts grew rapidly, because of the steep rise in world prices. The country's oil earnings then stabilised in 1981, declined in 1982, resumed an upward trend in 1983/4 (due to increased production as world prices were weakening), came to a halt in 1985, and dropped precipitously in 1986, despite another large increase in production. In 1987, Angola sustained a dramatic recovery, with its exports doubling in value. Behind this lay a recovery of oil and diamond prices, and an increase in oil production.¹⁹

The reasons for the fall in commodity prices

Like all prices, those of commodities are determined by the laws of supply and demand. Changes in both sides of the equation during the 1980s have resulted in an unstable and generally depressed commodities market.

A number of influences have affected the prices of major commodities produced in the SADCC region.²⁰ The level of economic activity in the major industrialised countries of the world has played a key role in determining commodity prices. The growth rate of industrial output in the OECD countries has exerted a strong influence. Apart from year-to-year fluctuations, OECD growth over the 1980s slowed down from an average of 3.4 per cent between 1970 and 1979 to 1.8 per cent between 1980 and 1986. An UNCTAD study of 19 commodities experiencing declining growth in demand in recent years showed that this accounted for three quarters of the decline.²¹

Agricultural protectionism among the countries to which the SADCC states export has also had an impact. Most northern industrialised countries protect their agricultural sectors from competition with internationally traded products, such as sugar, beef, and vegetable oils. The result is frequently a reduction in imports and, as in the case of sugar, an increase in exports. By paying farmers a guaranteed price of between 18 and 22 US cents per pound from 1980 to 1988, the European Community's sugar regime was designed to protect the income of EC farmers and processors and ensure a steady flow of home-produced beet sugar on to the market. The net result was a tremendous increase in European production. In 1986 the EC produced a surplus of 5 million tonnes.²² All the surplus sugar is disposed of by exporting it on to the free, world market.

Another form which protectionism has taken is an escalation in tariffs. In order to protect their own processing industries, industrialised countries erect tariff walls around a commodity, which increase at each step of the processing operation. This makes it harder for the poorer Third World producer nations to develop their own processing industries to 'add value' to their primary products. Coffee is a case in point. While processing industries have nevertheless been established in many countries of Latin America and Asia, in general African countries have been adversely affected by this trend.²³

The use to which biotechnological developments in the industrialised world are put is also affecting primary commodity prices. The world price of sugar, for example, has been greatly affected. Developments in the USA made it possible to convert maize to a sweetener known as High Fructose Corn Sugar (HFCS) in western factories. By 1984, a number of major soft drinks manufacturers had switched from using sugar to HFCS. This meant that the USA, the world's largest single market, no longer needed to import

vast quantities of Third World cane sugar. It slashed its import quotas accordingly.²⁴ Other crops traditionally grown in the Third World are likely to be affected by biotechnological developments, including tobacco and vegetable oils.

Technological changes in the industrialised world have also had an impact on commodity prices. One aspect is material substitution. Many traditional materials are being replaced or made obsolete as First World technology becomes increasingly sophisticated. Copper, for example, was largely replaced by modern alloys in armaments manufacture, and is now being replaced by optical fibres in telecommunications. A 45 kg length of fibre cable can transmit as much as a tonne of copper wire.²⁵ Partly as a result of this, copper prices went through a period of depression from 1982 to 1986. This had a profound effect on copper-dependent Zambia.

Technological advances in the North have also enabled the phenomenal development of the micro-chip. To be involved in this trade requires sophisticated component and assembly industries and an appropriately skilled workforce. In the present climate of instability and economic uncertainty, it is unlikely that the SADCC region could attract the investment and provide the skilled people necessary for this form of industry.²⁶

The shift to service industries in the North has meant a reduction in the overall share of world trade for those countries in the South which depend on exporting primary commodities. The comparatively underdeveloped nature of the SADCC economies means that they are also failing to benefit from the growing share of world trade represented by the service sector.

The fierce competition between the world's two most powerful trading nations, the USA and Japan, has meant that the world's trade has increasingly become a matter of transactions between developed, industrial economies. This trend has been reinforced by the increasing power of northern transnational companies (TNCs). As Europe moves towards 1992, its sights are on its position in relation to these giants. Improving North/South trading relations is not the EC's priority.

Future prospects for the SADCC region

As we have seen, economic trends in the industrialised North are increasingly jeopardising the economies of those Third World countries, including most SADCC states, which depend on exporting primary commodities.

Trends in primary commodity prices leave little room for optimism. Some experts believe that the world's primary-products economy has become uncoupled from its industrial economy. The IMF, while not so pessimistic, believes that there will not be a major recovery in the foreseeable future,

expecting commodity prices to remain roughly unchanged into the early 1990s.²⁷

The prospects of effective international action to reverse the decline in North/South terms of trade are also bleak. Four major internationally commissioned reports²⁸ on North/South economic relations over the last 30 years have highlighted the disastrous consequences of allowing distorted global trading structures and relations to continue unchecked. Nevertheless, despite the fact that it is not in the industrialised countries' interest to starve the Third World of adequate foreign exchange with which to buy their exports, the North has effectively failed to implement the recommendations of these commissions, and it is unlikely that concerted measures will be taken to reverse the decline in commodity prices.

Furthermore, the SADCC region faces immense problems of low production levels and undeveloped local markets. (In 1987 only 4.4 per cent of SADCC's total trade was conducted between member states, and within this small proportion, Zimbabwe's trade was dominant.²⁹) As SADCC's Executive Secretary, Dr S.H.S. Makoni, has explained,

(A key) constraint arises from our small and truncated national markets, with very low buying power, which have resulted in the establishment of small and non-competitive production structures with limited capacity to respond to changing market trends. For this reason our products have great difficulty breaking into the highly competitive international markets. To crown it all, because of the small size of our economies, we are unable to provide the necessary institutional support at an affordable cost necessary for structural transformation to take place. It is in this context that regional cooperation and integration provide a potent force for development.³⁰

Dr Makoni has further argued:

Our approach to trade in the region is not based on the orthodox trade liberalisation strategies. We believe — in fact, we have observed — that reduction or even elimination of tariffs and other barriers to trade does not always yield increased trade, in the absence of tradeable goods. How can tariffs inhibit trade when there is nothing to trade? In our view, the greatest single barrier to trade is lack of production. Hence our motto is "Let production push trade, rather than trade pull production".³¹

Southern Africa's future is indeed gloomy, when viewed from the perspective of the trading relationships of individual underdeveloped nations with the industrialised countries of the North. At the regional level, there is at least greater room for improvement.

Firstly, as has been argued in Chapter 5, when majority rule comes to South Africa, the region as a whole stands to benefit economically — both from a reduction in tension and from the results of wider economic

cooperation.

Secondly, SADCC's recently approved economic strategy ("Investment in Production"), which stresses the need for regional cooperation and integration, could go a long way to building a stronger regional economy. With its accent on improving skills training, on balancing out structural economic distortions (both nationally and regionally), and on expanding markets by promoting intra-regional trade, this programme could help in two main ways. It could reduce unnecessary North/South trading dependency; and it could enable SADCC, as a comparatively strong economic bloc in place of several, individually weak, nations, to participate in global trade on more advantageous terms.

It is clearly acknowledged, however, that the SADCC region's trade with the North is necessary to finance regional development — in particular its Investment in Production programme — and also desirable in an interdependent world. To this end, a number of measures are planned to improve the SADCC region's overseas trade.

SADCC intends to establish revolving export funds in each of the member states, to help overcome the foreign exchange shortage which constrains industrial production. An Export Credit Fund is also under study which would allow exporters in the region to offer trade credits competitive with those offered to South African and European companies.

SADCC is also seeking easier access to overseas markets for its exports. Like other developing countries, the SADCC states face increasing levels of protectionism in the industrialised North. Tariff and non-tariff barriers inhibit trade expansion and economic diversification, especially in sectors like textiles and processed agricultural products, where the SADCC states have good potential.

Although the preferential access to markets afforded by the European Community's Lomé Convention is valuable, increased access is needed. One example is provided by the Nordic countries, which as part of the special 'Nordic-SADCC initiative' have agreed to treat the SADCC region as a special case on political grounds, with possible preferential reductions in non-tariff barriers. The Swedish government has funded a special import-promotion drive to encourage the purchase of SADCC products.

Countertrade — exporting goods in return for essential imports — is also thought to have potential for overcoming the lack of foreign exchange which partly constrains the development of the SADCC region's foreign trade. Joint marketing arrangements between SADCC states could cut costs.

SADCC's donors, especially since they are also among its key trading partners, could do more to help build up the region's trading strength and

economic sustainability. Aid alone is not enough: other ways must be found to translate the North's economic growth into development resources for the South. Apart from increased levels of aid to the vital sectors of transport and production, greater efforts should be made to provide untied aid where this would help to stimulate local production and employment. Following the Nordic countries' example, other donor countries could adopt more enlightened trading and purchasing policies. There needs to be a reversal of Northern protectionist measures which adversely affect the SADCC region's efforts at trade and economic diversification.

Given that the South will remain dependent on primary commodities for the foreseeable future, it is also necessary to develop ways whereby the substantial resources devoted to research and development in the interests of the industrialised countries and their TNCs can equally benefit Southern producers. More research must be financed to develop new uses for primary commodities, rather than looking for ways to do without them.

Finally, in line with UNCTAD's "Common Fund" proposals, ways must be found for Third World countries to participate far more fully in the processing, marketing, and distribution of commodities — a domain currently dominated by Northern TNCs.

Packing tea for export on a commercial estate in the Honde Valley, eastern Zimbabwe, 1986. The labour force of over 3,000 people is supplemented by a further 1,000 women, working on a casual basis.

(Chris Johnson / Oxfam)



However, although SADCC's programme aims to tackle the major constraints on the region's economic development, it remains to be seen whether the position of the poor within the SADCC states will be improved as a result. One great danger is that yet more national resources will be concentrated in the large urban centres, at the expense of rural people and their production. Another danger is that land reform in the interests of the poor will be neglected in favour of land usage for export-led growth.

Debt and arrested development

The South is tired of being the world's Taker — whether of import and export prices; of interest rates and political conditionality for financial and commercial transactions; of technology; of ideology; and of self-interested advice; and even of charity and benevolence.

(Julius K. Nyerere, speaking as Chairman of the South Commission³²)

According to UNICEF, 400,000 children in Africa die each year as a result of the debt-induced economic crisis. In per capita terms, the income of sub-Saharan Africa fell by a quarter between 1982 and 1987, and per capita investment levels were lower in 1987 than in the mid-1960s.³³

As an analysis of the principal causes of the 'debt crisis' shows, the Third World's debt is a responsibility shared between the debtor and creditor countries alike. However, the debtor countries, and in particular the poorest



Children scavenging on a Maputo rubbish dump. Urban poverty in Mozambique has been made far worse by war, and the urban poor are particularly vulnerable to structural adjustment measures.

(Ron Gilling / Panos Pictures)

people within them, shoulder a wholly disproportionate amount of the burden. Furthermore, it is a burden which grows heavier with time, as indebted economies deteriorate and as the outstanding loans, even those made on concessional terms, stretch away into the future, accumulating compound interest.

Debt in the SADCC region

The 1990s bring the chance of real movement towards an end to apartheid and, therefore, the chance for the SADCC region to recover from the enormous economic damage which South Africa's regional policy has wrought. After a decade of disruption, the SADCC region's prospects for recovery are finally brighter. However, the cumulative impact of the SADCC states' external debt undermines their prospects for economic recovery. (See table 8.5.)

The World Bank believes that sustained economic growth at the minimum rate of 4–5 per cent is necessary "if Africa is to avert hunger and provide its growing population with productive jobs and rising incomes".³⁴ The massive economic costs of destabilisation mean that this target level of growth is well

Table 8.5: The SADCC region's external debt (1987)

Country	Total external debt (\$m.)	Total debt per capita (\$)	GNP per capita (\$)	Total long-term debt as a % of GNP	Total long-term debt service as % of:	
					GNP	exports of goods and services
Angola*	1,849	208	1,020***	13***	2.6***	13.1****
Botswana	518	470	1,050	38	5.2	3.7
Lesotho	241	150	370	37	2.3	4.4
Malawi	1,363	172	160	98	6.0	23.3
Mozambique*	2,001	137	170	129	11.4	135.2****
Swaziland	293	418	700	46	5.2	6.1
Tanzania	4,335	181	180	144	2.9**	18.5**
Zambia	6,400	888	250	228	6.7**	13.5**
Zimbabwe	2,512	279	580	37	6.8**	23.2**
Total	19,512					

** Relates to external public debt service only.

*** Using 1986 GNP data (latest available from OECD).

**** To OECD countries, CIF (Cost, Insurance, Freight).

(Source: World Bank, except for those countries marked *, where OECD data are used)

Table 8.6: Average rates of real change in GDP, 1980-1988

Angola*	2.4
Botswana	11.3
Lesotho	2.5
Malawi	1.8
Mozambique**	-2.1
Namibia	-0.2
South Africa	2.2
Swaziland	4.1
Tanzania	1.6
Zambia	0.8
Zimbabwe	3.9

* no data available for 1987, 1988

** no data available for 1980, 1981

(Source, EIU Quarterly Review 1/1986, EIU Country Profiles, 1986-87, 1987-88, 1989-90)

below the minimum needed for reconstruction and essential development in the SADCC region, especially if a more open and responsive style of government is to emerge. Yet the rate of economic growth in key SADCC states between 1980 and 1988 fell consistently below the required level (see table 8.6), although in 1987 and 1988 there was some improvement³⁵.

In 1987, the total external debt of the SADCC countries (\$19.5 bn.) was only a small proportion of sub-Saharan Africa's debt of \$128.8 bn.,³⁶ and only a tiny proportion of the total debt of the world's heavily indebted countries (\$472 bn.³⁷). Nevertheless, under current conditions, honouring the debt-servicing obligations of the debt-distressed SADCC countries and meeting the terms of debt-management strategies have proved particularly difficult, especially for Mozambique, Malawi, Tanzania, Zambia, and Angola.

Furthermore, some aspects of the economic adjustment programmes which key SADCC states have had to adopt have caused direct harm to the poor. Without an immediate, radical reduction of its debts, leading to outright cancellation, the region is unlikely to make the economic progress its people so badly need.

*The leader of
Khuzana Village
Women's
Cooperative,
eastern Zambia,
1987.*

*"We took out a loan
to grow maize for
sale, so that we
could have some
extra money to
spend on our
families. But then
the price of
fertiliser shot up,
and the things we
wanted to buy
became too
expensive."*

(Susanna Smith / Oxfam)



The causes of debt distress in the SADCC region

A number of underlying causes have led to debt distress among key SADCC states. The extent to which they have affected each of the SADCC countries varies considerably. Hence, each country needs a separate 'diagnosis' and 'treatment' according to its particular circumstances. By the same token, however, where there are common underlying causes, whether regional or global in nature and origin, these also need to be taken into account when national debt-management and internationally supported structural adjustment policies are being drawn up.

There are three broad reasons for the SADCC region's debt crisis: the effects of political and military conflict in the region; the effects of North/South economic relations; and the effects of national economic policies (see the final section of this chapter).

The effects of conflict in the region

As already discussed in Chapter 6, conflict has most seriously affected the war-torn economies of Mozambique and Angola, but the knock-on effects for their SADCC neighbours — especially for Zimbabwe, Malawi and Zambia — have also been significant.

The enormous defence costs arising from foreign-backed conflict and direct South African aggression have been a particular drain, not least because they absorb a large amount of foreign exchange. In 1986, for example, Mozambique was spending 41.9 per cent of its national revenue on defence, and Angola 40.4 per cent.³⁸ The Economist Intelligence Unit reports that about half of Angola's debt has been borrowed for defence purposes from the Soviet Union.³⁹

The conflict in Mozambique also lies behind Zimbabwe's substantial defence expenditure. Zimbabwe's defence costs are roughly equivalent to its current account deficit, or approximately 10 per cent of the gross national product.

Moreover, in Mozambique and Angola especially, the barely calculable damage which war has done to production, and therefore to national earnings and prospects for economic recovery, creates a spiral of decline. This makes continuing defence expenditure and debt servicing — neither of them productive in nature — increasingly burdensome.⁴⁰

It is also important to look briefly at the economic impact of the war in Rhodesia during the 1970s. Zambia and Mozambique paid a high economic price for the war and the decolonisation process in Rhodesia. Alongside other factors, the economic consequences of this turbulent period of history live on in those countries' external debt burdens.

Like Malawi's, Zambia's economy was closely linked to Rhodesia's. During the late colonial period this was because the Central African Federation was designed with Southern Rhodesia as the economic centre of gravity. By the time of its independence in 1964, Zambia depended on Rhodesia Railways for most of its import and export trade.

Zambia was therefore very vulnerable to the imposition of international sanctions against Rhodesia, and had to make urgent and costly contingency arrangements. In 1968, when UN oil sanctions against Rhodesia were adopted, Zambia's oil supplies were also cut off. The consequent stream of heavy tankers plying between Dar es Salaam port and the Zambian copperbelt

and capital caused the linking road to be called the 'hell run'. Even so, expensive airlifts of oil supplies were also necessary. An oil pipeline had to be quickly built, linking Zambia to the Indian Ocean port of Dar es Salaam in independent Tanzania.

In 1973, Zambia closed its border with Rhodesia in compliance with UN sanctions against the Smith regime. This meant that all Zambia's trade had to travel by road to Dar es Salaam, a costly necessity. In 1976, the Great Uhuru Railway, linking Zambia to Dar es Salaam, was completed. After being turned down by Britain, the USA, the UN, and the World Bank, Zambia received an interest-free loan for construction of the line from China, and Chinese workers and equipment were imported to build it. Repayments were initially deferred until 1983, but by that time Zambia was already in deep economic crisis.

In 1976, at the time when Zambia's copper earnings had started to drop (see below), UN officials estimated that the closing of Zambia's border with Rhodesia had cost it \$450 m.⁴¹ However, during the 1980s, despite the many difficulties of maintenance and joint management (with Tanzania), Zambia was to benefit from having the rail link and the oil pipeline to Dar.

The diversion of the government's attention and the economic price Zambia paid for the decolonisation process in Zimbabwe were major factors which contributed to its failure to diversify and strengthen its economic base during the years immediately after independence. At the same time the government was undertaking costly infrastructural projects to break away from its economic dependence on Rhodesia. Therefore, regional factors have played a role in sustaining the country's structural economic vulnerability, and its current economic crisis, of which debt is an important part.

However, Mozambique paid and was later to pay an even greater price. Not only did compliance with international sanctions against the Smith regime cost independent Mozambique some \$556 m. in lost transport revenue (transport and port revenue is Mozambique's main source of foreign exchange earnings),⁴² but this came at a time when the newly independent country was trying to redress the colonial neglect of infrastructure and services. Worse, the MNR and the economic destruction it has wrought are a direct legacy from the Rhodesian regime.

The effects of North/South economic relations

Many of the SADCC countries came to independence inheriting an external debt from their colonial governments. Thereafter, loan finance was needed to begin the massive task of 'nation building', that is transforming a colony into a modern, self-governing state. Finance was needed to develop basic infrastructure and services; to increase energy supplies; to build improved

transport links; and to invest in economic development. The rights and wrongs of each SADCC country's early economic development model have been vigorously disputed ever since, often with the benefit of hindsight and without analysing the limitations of the available options. Nevertheless, the fact remains that each of the newly independent governments faced massive development and infrastructural needs which required very considerable investment. During the 1960s and the early 1970s, when the South African economy was receiving large amounts of direct private investment, the emerging independent nations of the wider region had to seek loan finance for their development needs.⁴³

A study of the way in which Zambia's debt has accumulated shows that during the last few years of the country's comparatively prosperous period (1964—1974) when copper prices were high (on average), there was an increase in loan procurement in order to finance costly infrastructural projects, mainly in the transport, energy, and industrial sectors.

Examples from the early 1970s include a World Bank loan of Kwacha 29 m. towards the costs of building a hydroelectric power station on the north bank of the Kariba Dam, and a loan from China of K287 m. towards the construction of the rail link to the Tanzanian coast. In 1973, the government decided to redeem the bonds it had issued in order to get majority participation (51 per cent) in the copper mining industry formerly controlled by the South African company Anglo American, through a loan raised on the Euro dollar market — a market which was later to be vulnerable to increases in interest rates.⁴⁴

From the mid-1970s onwards, however, major economic factors came into play which entirely disrupted the economies of non-oil-producing nations, hitting the developing countries particularly hard. The debt trap was set. Poor countries had first to borrow to stay afloat, and thereafter were sunk not only by the continuing hostile global economic environment, but also by their external debt burden.

The two oil shocks of the 1970s caused the price of oil to rise from \$1.30 per barrel in 1970 to \$32.50 in 1981. During the 1970s, this factor alone accounted for 70 per cent of the increase in Third World debt.

The two periods of global recession, in 1973-75 and 1980-83, which originated in the industrial North, upset the world's trading and financial systems. The recessions contributed to the depression of primary commodity prices, price increases for manufactured goods, and falling levels of net capital flows to the Third World.⁴⁵ In spite of the North's subsequent economic recovery, OECD economic activity has been at a lower level, and most primary commodity markets have not recovered. This has left those

countries dependent on primary commodity exports with worsening terms of trade, and therefore less earning power.

External debt repayments are normally payable in foreign exchange. Debtor countries worldwide — particularly those with declining terms of trade — which are attempting to honour their debt-servicing obligations have experienced serious shortages of foreign exchange. This has reduced their ability to pay for essential inputs to maintain their export sectors' productivity. Unless they borrow the foreign exchange necessary to secure these inputs, their foreign exchange earnings will fall all the faster, and so on.

Thus the structural deformities in the South's economic and political relationships with the North have been aggravated by the debt crisis. Naturally, the impact of all these global factors has been felt in the SADCC region.

In Zambia's case, for example, 1975 was the turning point in its fortunes. It was the year in which copper prices collapsed after two years of oil price rises. As a result, independent Zambia registered its first trade deficit, of K76.5 m. By the end of 1976, Zambia's foreign reserves had dropped to register an all-time low of -\$42 m.⁴⁶ These reserves were principally needed for importing essential inputs for the mining industry. As foreign exchange became scarcer, so the productivity of the mining industry, Zambia's main foreign exchange earning sector, was affected. Zambia increasingly resorted to borrowing to cover its balance of payments deficits, getting deeper into debt all the time. The problems of falling national earnings and rising debt obligations, together with seriously deficient economic management policies, have hobbled this highly distorted economy ever since. Zambia is now the most debt-distressed country in the SADCC region.

For Malawi, the danger point came at the end of the 1970s, when the country began to experience balance of payments deficits. Falling concessional flows from Malawi's industrialised donors, and declining agricultural export earnings meant that the country could no longer finance the rising prices of the imports needed for industrial and infrastructural development. The government resorted to external borrowing as a way of both financing projects and balancing its books (see the case study in Chapter 9).⁴⁷

The failure of international debt-crisis management

To date, the creditor countries, those with the power to help the debtor nations escape the debt trap, have failed to tackle the problem effectively. A number of crisis management plans have been unveiled, each one a cautious extension of the former (see box)

International debt-crisis management

For bilateral debt

Unilateral initiatives have cancelled some aid debt owed by low-income Africa. The UK, Canada, West Germany, and the Scandinavian Group have adopted aid debt cancellation schemes. The 1987 'Lawson Initiative' makes debt relief conditional on acceptance of IMF-approved economic reform programmes, and a good debt-servicing record.

There have been two agreements for rescheduling official non-concessional bilateral credits through the Paris Club (the group of western creditor nations), the first following the 1987 Venice economic summit, and the second following the 1988 Toronto summit. The 'Toronto Plan', which finally convinced the USA and West Germany that relief should be provided for non-aid debt, broke new ground in creating a major exception to a key rule that had previously governed all Paris Club reschedulings. An 'option' was agreed which would permit the rescheduling of non-concessional bilateral loans at concessional interest rates. A 'menu' of options was agreed:

- a. cancellation of 33 per cent of debt service covered by the agreement, and rescheduling of the rest, with an eight-year grace period and 14-year maturity; or
- b. reduction of interest rates by either 3.5 percentage points or by 50 per cent, whichever is less, and rescheduling of debts over 14 years with eight years' grace; or
- c. extension of grace periods to 14 years and maturity to 25 years.

As development agencies have pointed out, option (c) (introduced at the insistence of the USA) provides no real debt relief, as few countries could ever repay principal; so it should be cancelled. Moreover, the Toronto Plan is available only for some 18 countries which are both classified by the World Bank as debt-distressed and undertaking IMF/World Bank structural adjustment programmes.

However, as a policy of debt reduction, the Toronto Plan is a useful first step towards the longer-term necessity of debt cancellation, and it recognises that creditors should share the burden of Third World non-concessional debt. Malawi, Mozambique, and Tanzania (as officially classified 'low-income' countries following approved adjustment programmes) have benefitted from the Toronto Plan. Zambia has yet to conclude a new IMF-backed economic reform programme, while Zimbabwe and Angola are not classified as 'low-income'.

For multilateral debt

Far less has been achieved on this front. In 1986, the IMF's Structural Adjustment Facility was created, and in 1987 its Enhanced Structural

Adjustment Facility was established, both offering softer terms than former IMF loans to low-income countries. The main drawbacks to these facilities are that the recipient has to undertake an official IMF stabilisation programme; that the drawings on this facility have been disappointingly low; and that these new facilities, although useful, have added a new rescheduling horizon to recipients' debt-servicing commitments, falling due in the mid-1990s. The problem is therefore merely postponed until a later round of rescheduling.

Some concessional finance has been made available to refinance non-concessional World Bank loans. In 1988, the World Bank announced interest payment relief for 13 low-income African nations on Bank loans they had received in previous years. The Bank also pledged \$400 m. a year of additional loans from the International Development Association (IDA — established by the Bank in 1960 to provide soft loans to poor countries), to be cofinanced by \$950 m. yearly of new bilateral aid. An initiative has been launched by the Nordic countries to subsidise World Bank debt.

For private, commercial debt

The Baker Plan and other commercial debt initiatives were aimed at the Highly Indebted Countries, because the possibility of default posed a threat to the western financial system. Commercial creditors have taken no policy initiatives towards low-income Africa, although several middle-income African countries have had their commercial debts rescheduled by the London Club (the group of private western creditors).

The notable lack of initiatives from the international banks also constrains progress on official debt reduction. The governments of the 'Group of Seven' (the USA, UK, West Germany, France, Japan, Canada, and Australia), anxious not to 'bail out' the banks any further, are opposed to putting more money into debt reduction until they see the commercial banks making parallel moves.

The cumulative failure to address the problem has brought serious problems in its wake. It has made world trade more unstable because of the shrinking import and export capacities of the debt-distressed world. Former debt strategies, based on the notion that the Third World's main problem was liquidity and that the solution was therefore to provide more loans and extend repayment periods, have succeeded only in increasing indebtedness in the low-income countries. Worst of all, the failure to tackle the debt crisis has seriously undermined poor countries' economic fabric and prospects of recovery.⁴⁸



Martha Lamek (right), a community health worker in Isunga village, part of a programme supported by the District Hospital at Sumve, Tanzania. The doctor in charge, Dr van der Feltz, says the country's structural adjustment policy is undermining health care: "The supply of drugs is deteriorating. We can't even get iron tablets or injectable penicillin — or tetanus vaccine, at present. Government Zonal Stores can provide us with less and less since their expenditure was cut again this year (1988)."

Geoff Sayer / Oxfam

In general terms, international debt management policies have slowly moved from rescheduling to reduction. However, none to date has been sufficiently far-reaching to achieve the two essential concurrent targets which Oxfam believes must be met: sustainable and sustained national economic growth, together with a flexible level of debt servicing which ensures that debt payments do not take precedence over provision for people's basic needs.

For the SADCC states, with all the additional economic problems they shoulder, nothing short of radical measures aimed in the first instance at substantial reduction, and thereafter at cancellation, could achieve these two development-orientated requirements.

More debt measures needed⁴

Because of the tremendous economic stresses and challenges facing the SADCC states as a group, debt relief should be an integral part of a comprehensive international policy to tackle underdevelopment in the region. If there is to be real economic progress as a result of the advantage of

'economy of scale' which the SADCC region could enjoy over and above its separate members, then the policies of the region's main creditors must take account of the SADCC regional identity.

In conventional debt analysis, there is no scope for such regional economic groupings. Rather, indebted countries are separately categorised according to their economic status only. For example, the World Bank makes a distinction between sub-Saharan African countries of 'low income' and 'middle income'. Among the SADCC states, the World Bank classifies Lesotho, Malawi, Mozambique, Tanzania, and Zambia as 'low income', whereas Angola, Botswana, Swaziland, and Zimbabwe are categorised as 'middle income'.

It is widely acknowledged that these distinctions are somewhat arbitrary, in the sense that the 'middle income' category frequently fails to reflect the poverty in which large numbers of a given country's population live. Angola and Zimbabwe are good examples of this. Consequently, in looking at the nature of debt and the types of debt-management policies needed for the SADCC region, it is the working assumption here that all the economically destabilised SADCC countries should be regarded as having a 'low income available for development'. Likewise, the World Bank's inclusion of Malawi, Mozambique, Tanzania, and Zambia in its 'debt-distressed' category is wholly correct. However, largely due to the costs of conflict, Zimbabwe and Angola should also be considered 'debt-distressed'.

As far as the SADCC region is concerned, Angola, Malawi, Mozambique, Tanzania, Zambia, and Zimbabwe should all be regarded as debt-distressed. As SADCC's regional economic identity develops, the state of each national economy will have increasing consequences for the others.

On this issue, the first step must come from the SADCC states themselves. By the end of 1989, SADCC had not produced a debt policy statement, although it is understood that this matter is under consideration.

On bilateral debt

Creditor governments are the major potential source of debt reduction for Africa as a whole, including the SADCC region (see table 8.7). A step-by-step approach is needed in the first instance, and should be internationally coordinated so that all the OECD, OPEC, and CMEA⁵⁰ creditor countries are working in harness.

All outstanding concessional (aid) credits should be cancelled outright. Britain took a lead in this respect in 1978, and is well placed to coordinate an international programme. Some donors, notably the USA and the Soviet Union, have not cancelled any aid debt.⁵¹ Angola, Malawi, Mozambique, Tanzania, and Zambia in particular would benefit — jointly their official bilateral aid debts owed to OECD creditors totalled \$3.2 bn. in 1987.⁵² Any

Table 8.7: *SADCC external debt profile (1987), % of total debt by category*

Country	Long-term debt				Short-term debt			
	Debt owed to OECD countries							
	Bilateral:		Multilateral:		Debt owed to non-OECD countries, OPEC, CMEA, + others		IMF	
	Aid	Non-concessional bank and export credits*	Private commercial	Conc./Non-conc.			Trade credits	
Angola	10.8	49.9	3.1	<u>2.3</u> 1.6 0.7	3.0	18.8	11.7	0.0
Botswana	6.4	37.4	1.2	<u>44.8</u> 9.0 35.8	4.0	3.7	0.8	0.0
Lesotho	1.2	6.8	1.2	<u>81.9</u> 70.3 11.6	0.4	2.0	0.4	0.0
Malawi	14.0	7.0	4.1	<u>60.6</u> 49.3 11.3	2.0	1.9	1.1	8.2
Mozambique	25.6	26.5	4.4	<u>11.8</u> 9.6 2.2	11.7	5.8	12.7	0.8
Swaziland	28.6	11.4	2.9	<u>51.7</u> 14.3 37.4	2.9	1.3	0.0	0.9
Tanzania	13.7	21.2	1.1	<u>28.2</u> 21.5 6.7	22.0	3.9	7.7	1.9
Zambia	17.7	17.4	1.5	<u>20.4</u> 8.4 12.0	12.0	11.4	3.7	15.4
Zimbabwe	20.3	22.6	13.1	<u>19.5</u> 3.8 15.7	5.9	9.9	1.1	5.8

conc. = concessional non-conc. = non-concessional

* Officially supported

** Other unidentified liabilities account for the fact that totals for concessional and non-concessional debt do not add up to 100%

(Source: OECD world debt tables)

even-handed cancellation of aid debt should involve dropping the insistence of some creditors on adherence by debtors to a rigid, orthodox, IMF-approved stabilisation programme in order to be eligible for aid debt cancellation. While it is of the greatest importance that structural economic deformities are urgently addressed, the standard IMF approach to correcting balance of payments deficits incurs unacceptable social costs.

Non-concessional bilateral loans (largely medium-term project export credits) are a major burden on debt-distressed countries, because they lead to excessive build-up of interest and penalty charges which accrue on rescheduled obligations and arrears. In the SADCC region, Zambia, Tanzania, Angola, Zimbabwe, and Mozambique in particular would benefit from a substantial reduction in this category of debt. For these countries, the total debt burden of this type was \$4,195 m. in 1987.

It has been calculated that the world's low-income debtor nations need to have some two-thirds of this category of debt cancelled simply in order to return to 1982 levels.⁵³

On multilateral debt

Multilateral debt is a key component of the SADCC region's debt, accounting for an average of 35.6 per cent of the region's total debt.

Experience has shown that establishing effective measures for tackling multilateral debt in sub-Saharan Africa is far more politically awkward than it is for bilateral debt. This is because a large measure of international political cooperation is needed, and also because the IMF and the World Bank in particular cannot finance substantial debt reduction without extra resources being supplied by their OECD member states.

To help promote the right pre-conditions for sustainable economic growth and development, the creditor multilateral institutions must provide net inflows of resources, on softer terms than before, so that development is possible alongside multilateral debt-servicing obligations. They must also seek to reduce future servicing burdens.

The SADCC states owe money to a number of multilateral organisations, including the IMF, the World Bank, the African Development Bank and Arab/OPEC multilateral creditors. (Table 8.8⁵⁴ shows SADCC's debts to the World Bank and the IMF.)

The September 1989 annual IMF and World Bank meetings in Washington were particularly disappointing for those countries which were lobbying for substantial, additional measures on multilateral debt reduction. Although there was general support for a proposal to increase the funds of the World Bank's International Development Association, the USA and Britain, in particular, rejected the 100 per cent increase in the IMF's Enhanced Structural

Table 8.8: Total outstanding disbursed debt owed by SADCC countries to the IMF and World Bank (concessional and non-concessional), as at end of 1987 (\$ m.)

<u>Country</u>	<u>World Bank</u>	<u>IDA</u>	<u>IMF</u>	<u>Total</u>
Angola	0	0	0	0
Botswana	180.4	14.4	0	194.8
Lesotho	0	81.4	0	81.4
Malawi	104.0	509.0	110.0	723.0
Mozambique	0	87.0	17.0	104.0
Swaziland	68.5	7.3	3.0	78.8
Tanzania	325.0	801.0	95.0	1,221.0
Zambia	555.0	260.0	957.0	1,772.0
Zimbabwe	373.0	58.0	156.0	587.0
TOTAL	1,605.9	1,818.1	1,338.0	4,762.0

(Sources: for concessional and non-concessional World Bank debt, World Bank debt tables 1989/90; for IMF debt, OECD data)

Adjustment Facility (ESAF), called for by the 'G24', the group of developing countries representing the indebted Third World.⁵⁵ Bernard Chidzero, Zimbabwe's Minister of Finance and the Chairman of the World Bank's Development Committee, explained that the G7 countries perceive multilateral debt reduction and debt-service reduction as issues which are already being tackled

... within the context of structural adjustment programmes. These are being used by the G7 as an instrument to influence the policies of developing countries which conflict with the expectations of the industrialised countries. The industrialised countries are pre-occupied with inflation and the need to harmonise their industrial policies.⁵⁶

In 1987, the SADCC countries owed the IMF a total of \$1,338 m., with by far the largest share owed by Zambia (\$957 m.). However, in view of subsequent adjustment agreements reached with the IMF by Tanzania and Mozambique, the total figure will since have risen.

The IMF's ESAF should be strengthened, on condition that the IMF relaxes harsh conditionality, and ensures that there is a net inflow of resources

to the debt-distressed countries. In the longer term, however, far more durable solutions need to be found to the underlying causes of debt crisis in Africa's low-income countries, and in this regard the OECD creditor countries should seek ways to write off outstanding IMF debt.

Likewise, for a number of SADC states, the key issue is how to cancel outstanding balances owed to the World Bank (listed in table 8.8), rather than simply receiving concessional credit to subsidise interest payments on them. A concerted effort by the OECD community is needed to put up sufficient resources to write off debt-distressed countries' debts to the World Bank.

On commercial debt

In line with most of sub-Saharan Africa, private commercial debt is not a large proportion of the SADC region's total debt, accounting for some \$2,428 m. altogether in 1987. In terms of the percentage of total long-term and short-term debt, commercial debt was most significant for Angola, Zimbabwe, Zambia, and Mozambique respectively in 1987.

Nevertheless, it is important to achieve substantial commercial debt reduction, because commercial interest rates are a significant proportion of total debt-service obligations, and because progress made on reducing official debt risks being consumed by commercial debt servicing.

European commercial banks have a high exposure in sub-Saharan Africa, and should be urged to take substantial debt reduction initiatives in the SADC region.

The SADC region's short-term, trade-credit debt totalled \$1.1 bn. in 1987, and was almost totally composed of debts owed by Tanzania, Mozambique, Zambia, and Angola. Trade credits accounted for 7.7 per cent, 12.7 per cent, 3.7 per cent, and 11.7 per cent respectively of those countries' total debt in 1987.

With commercial interest rates attached to it, trade-credit debt accounts for a higher proportion of debt service than concessional debts. Furthermore, failure to pay up often means future credit is blocked and, in the case of essential imports, economic growth and efforts to meet basic needs are affected accordingly.

These are the key debt-reduction and cancellation initiatives which the poor in the SADC region, and indeed most of low-income Africa, need. However, it must be stressed that debt-service reduction is not an end in itself. It is a critical step to restore the flow of resources from the North to the South. As such, it is a necessary, although not a sufficient, condition for the resumption of economic development and the rise in per capita incomes in indebted countries.

Managing indebted economies: adjustment or transformation?

Throughout the 1980s, more and more debt-distressed Third World countries have had to turn to economic adjustment measures (that is, the restructuring of their economies to reduce balance of payments deficits) in order to try and cope with debt and structural economic problems.

As we have seen, following the first oil shock at the end of 1973, and the subsequent world economic slump, many developing countries faced financial disaster, and borrowing was one temporary way out. However, many of these debts then fell due in the late 1970s, at the same time as oil prices quadrupled for a second time, and as interest rates began to rise.

The IMF negotiated the rescheduling of many loans at this time, on condition that debtor nations adjusted their economies according to plans drawn up by the Fund. By February 1989, 28 African countries had outstanding agreements with the IMF under the categories of Stand-By, Extended Stand-By, Structural Adjustment Facility, and Enhanced Structural Adjustment Facility arrangements, and in June 1988, 19 African countries had structural adjustment agreements with the World Bank.

Although it is unclear to what extent the effects of recession are implicated,⁵⁷ there is now substantial evidence⁵⁸ to show that some aspects of economic adjustment, particularly where the IMF has insisted on rapid change, have caused considerable hardship to vulnerable sections of society, particularly the urban poor and the landless or near-landless rural poor. Linked to this, in Tanzania, Zambia, Zimbabwe and Malawi, it has been Oxfam's experience that the immediate effects of economic adjustment programmes on basic social services and the economic survival options of vulnerable groups have made local-level development work all the harder.⁵⁹ Moreover, in the long term, as far as the countries dependent on primary commodities are concerned, it is also questionable whether the type of adjustment programmes financed by the IMF and the World Bank will eventually lead to sustainable economic and social development in the interests of the poor. Within the SADCC region, some countries (Angola and Zimbabwe, for example) have followed their own economic adjustment programmes independent of the IMF, while others (Malawi, Mozambique, Tanzania, Lesotho, and Zambia) have turned to the IMF and the World Bank for finance conditional on their adopting 'structural adjustment' programmes. However, the special economic context of the southern African region, in particular the costs of South Africa's regional destabilisation, has not been adequately allowed for in the Fund's and Bank's 'prescriptions' for adjustment and economic recovery.

Mrs Jere lives in Jack Compound, one of Lusaka's shanty areas. She supplements her family's income by breaking stones for the building industry, and by growing vegetables on wasteland near her home. Her husband, a driver in government service, has seen the value of his earnings sharply eroded by economic adjustment measures.

(John Clark / Oxfam)



Adjustment and conditionality

What do economic adjustment programmes consist of? There are two basic policy packages available to countries attempting to adjust to adverse external economic developments. These are not mutually exclusive options.

Stabilisation programmes, normally pursued by countries not undertaking IMF-supported adjustment programmes, are those which attempt to reduce domestic demand (in order to meet a reduced level of external resources) through a range of austerity measures. Zimbabwe and Angola and, formerly, Zambia and Tanzania, have adopted their own stabilisation programmes.

Structural adjustment programmes are normally supported by the IMF and the World Bank, and seek to reduce the current account deficit through a number of measures. These include reducing public expenditure levels; increasing domestic savings levels; liberalising the economy to remove state controls on imports, prices, and distribution; promoting private foreign investment; and promoting exports, especially in sectors where the country is

considered to have a 'comparative advantage'.

The concept of 'conditionality' is now central to adjustment planning. Loan finance from the IMF and the World Bank is tied to the recipient country's acceptance of a programme of structural adjustment approved by these financial institutions, whose decision-making structures are dominated by the Northern industrialised states. But the introduction of conditionality in 1971 (it was not codified until 1979) marked a major departure for both the Fund and the Bank, and caused considerable controversy. Some criticisms challenged the notion of conditionality, while others centred on the substance of the conditions.

Once again, a new generation of 'conditionality' is provoking controversy as more bilateral and multilateral donors are insisting that their aid should itself be tied to recipient governments' acceptance of IMF stabilisation programmes. For example, in the negotiations running up to the Lomé IV Agreement to define the terms of European Community trade, aid and cooperation with the 66 African, Caribbean and Pacific signatory states during the 1990s, some EC states, Britain and West Germany in particular, pressed the view that some EC aid should be made conditional on a country's adoption of IMF-approved economic reform programmes.

The IMF and the World Bank

The World Bank (International Bank for Reconstruction and Development) and the IMF (International Monetary Fund), known as the 'Bretton Woods' institutions, date back to a 1944 conference held in a US village of that name. They were conceived by the western powers as twin intergovernmental pillars supporting the structure of a new global financial and economic order after the depression of the 1930s and the reconstruction needs arising from World War 2, especially in Europe. These organisations were not originally set up to cope with the economic problems facing Third World nations, and many believe they are ill-suited to that purpose.

Although they have separate functions, there are also many similarities between them which create confusion. The key difference between them is that the World Bank intends to be primarily a development institution with a long-term outlook, whereas the IMF seeks primarily to maintain an orderly system of receipts and payments between nations and has a short-term outlook. Underlying both is the western economic philosophy of promoting the free movement of capital and goods throughout the Fund's and Bank's member countries (virtually all the world's nations apart from the

Soviet Union and some of its allies).

IMF adjustment loans

Stand-By Arrangement Facility: allows a member country to draw a stated amount of foreign currency from the IMF — valid for a limited period of time. These resources are supposed to help restore confidence in a member's currency when it has a deficit and/or is under pressure from speculators. Disbursements are tied to specific performance criteria.

Structural Adjustment Facility, and *Enhanced Structural Adjustment Facility*: designed to provide medium-term assistance to those members of the IMF who find themselves in greater balance-of-payments difficulties than can be solved by an ordinary tranche drawing on the Fund. This facility is meant to correct major structural imbalances.

World Bank adjustment loans

Structural Adjustment Loan: an injection of untied credit which can be used for almost any type of import, or for the repayment of foreign debts falling due. It is a comprehensive tool for promoting policy change, reaching into almost all sectors of the economy, and focusing on both macro-economic and sectoral reforms. The World Bank defines the purpose of SALs as "to support the implementation of policies and institutional changes necessary to modify the structure of an economy so that it can maintain its growth rate and the viability of its balance of payments in the medium term". Defined by one leading critic of the World Bank as "An attempt to combine large quantities of untied aid ... with an unprecedented degree of meddling in the formulation of ... policy."⁶⁰

Sector Adjustment Loan: Like Structural Adjustment Loans, these are designed to support adjustment programmes, but are quicker to disburse, and are focused on particular sectors of a nation's economy — agriculture, for example.

Power and influence in the Bretton Woods institutions

The leaders of developing countries are abdicating responsibility for improving the lives of their populations because the centres of decision-making are outside their countries; economic policy depends on outside developments more than internal ones.

(A.M. Osman, Minister of Finance, Mozambique⁶¹)

Although, by definition, all countries which have World Bank and/or IMF

programmes are paid-up members of those organisations, nevertheless the World Bank and the IMF are widely seen as representing the interests of the First World, rather than those of the Third World.

In the case of the World Bank, the poor member nations have slightly more voting power than in the Fund.⁶² Nevertheless, greater power is given to those nations which make the largest contributions to the Bank's capital. This is because voting power in both institutions is proportionate to each nation's financial contributions, which in turn is determined by a country's wealth.

In 1989, the World Bank's votes were divided up as follows: USA (16.33 per cent), Japan (9.43 per cent), West Germany (7.29 per cent), UK (6.99 per cent), France (4.76 per cent), Canada (2.78 per cent), and Australia (2.10 per cent). In the same year, the countries with the biggest share of the votes in the IMF were: USA (19.91 per cent), UK (6.88 per cent), West Germany (6 per cent), France (4.98 per cent), and Japan (4.69 per cent). Canada and Australia, the other members of the 'G7' group, controlled 3.27 per cent and 1.80 per cent of the votes respectively.⁶³

This voting power, together with the way in which the decision-making structures are formed, means that the main western industrialised nations dominated 49.6 per cent of the Bank's vote and 47.5 per cent of the Fund's vote in 1989. It is not, therefore, surprising that many developing countries question whether there really is a commonality of interests between all the members of the Bretton Woods institutions. However, as the turbulent relationships between the Fund on the one hand and Tanzania and Zambia on the other have shown, the lack of alternative sources of international finance for debt-distressed countries leaves those nations with little choice but to accept the IMF's terms.

A key reason is that other sources of vital western aid and investment, concessional and commercial, tend to dry up if an indebted country has not accepted the IMF 'medicine'. In mid-1987, Kebby Musokatwane, Zambia's then Prime Minister and former Minister of Finance explained, "The main reasons why countries go to the IMF is not to get money, it's to get credibility to satisfy the donor community."⁶⁴

At the time (May 1987), Zambia had just prematurely terminated its IMF agreement because of the high political costs of the strict austerity measures it had been forced to impose. Street riots broke out in the copperbelt, where strong trade unions have long been in a position to challenge the government. In response to Zambia's unilateral decision to break off relations with the IMF, the British Government announced it was cutting its programme aid to Zambia, aid worth some £30 m. for that year.⁶⁵

Adjusting the world's economy to development: the need for structural transformation

This section is mainly concerned with the effects on the poor of the internationally-sponsored structural adjustment approach towards the economic difficulties of poor, indebted states in the SADCC region, as promoted by the IMF and the World Bank. However, 'home-grown' economic adjustment programmes have also caused hardship, not least because they do not benefit from external funding on soft terms to ease the process.

Adjustment programmes should be assessed both in terms of the short-term effects on the poor, and in terms of the long-term prospects for development. Although the World Bank and the IMF have increasingly come to acknowledge that poverty may be exacerbated by the short-term effects of adjustment, nevertheless, it is argued, adjustment necessarily involves undergoing a period of hardship before the benefits of growth can be realised. As the World Bank puts it,

... one clear lesson from experience with adjustment programmes has been that failure to adjust is likely to hurt the poor and that an orderly adjustment process is indispensable to improve the long-term position of the poor.⁶⁶

Furthermore, just as the economic structures of adjusting countries are not homogenous, so the effects of interventions will differ from one country to another.

Oxfam is particularly concerned with the effects on two particularly vulnerable groups: the urban poor, and the rural landless and land-hungry.

The social effects of adjustment measures also depend on the degree to which the poor are integrated into a country's 'money' economy. Of the SADCC states undergoing adjustment programmes, Malawi, Tanzania, Zambia and Zimbabwe are (comparatively speaking) highly monetised economies. By contrast, Angola and Mozambique have been reduced, mainly by war, to economies typified by very limited surplus agricultural production. Barter is the main means of trade in rural areas; widespread destitution has replaced economic production; and in a few urban centres the black market economy dominates what remains of the monetary economy. For adjustment programmes to deliver benefits to the rural poor in these countries, basic economic structures must first be revived, and an essential pre-condition for this is peace. A major drawback to the far-reaching structural adjustment programme being undertaken in Mozambique is that war continues to prevent the effective re-establishment of rural/urban trade.

An important background factor affecting the way in which some

adjustment measures have harmed the poor is the pace at which they have been implemented. Where structural adjustment programmes are concerned, this is largely dictated by the limited amount of finance available to the IMF and the World Bank to support adjustment programmes. If adjustment measures are to be more gradual, the industrialised North must make more resources available. However, most bilateral donors have indicated that they are unwilling to expand support for adjustment in the poorest countries.⁶⁷

The immediate effects of economic adjustment on the poor

A key aim of structural adjustment policies for sub-Saharan African countries has been to redirect the economic focus away from the urban, consumer-led economy towards a rural, producer-led one, building on the so-called 'comparative advantage' of primary-commodity producing economies which are locked into exporting to the North.

As a result, many rural producers, especially those well served by rural infrastructure and with sufficient land for surplus production, have benefitted in terms of their net earnings from the rise in producer prices and improved rural/urban terms of trade. But without special compensatory measures, this has proved to be a blunt instrument. Unintentionally, it has harmed both the urban poor who depend on wages, and rural people who are either landless or have insufficient land on which to satisfy their subsistence needs and produce cash crops.

There are three main elements of adjustment programmes which are of general concern to development agencies, and which are causing hardship in the SADCC states undergoing rapid economic adjustment.

Firstly, stabilisation measures aimed at reducing domestic economic demand (in order to help quickly restore external balance of payments equilibrium) have seriously affected some people's real incomes — either through changes in wages and employment or through price changes which alter producers' net earnings. In Zimbabwe, for example, the government's own stabilisation measures included wage freezes which, together with rising prices, hit the low-paid urban workers and their dependants particularly hard. In Malawi, although the better-off rural producers have benefitted directly from the increase in maize prices, the hundreds of thousands of land-hungry rural people have not (see the case-studies in Chapter 9).

Secondly, consumer price increases introduced to benefit agricultural producers have harmed the urban poor and those rural households who are net food purchasers. In Zambia, for example, the price of maize meal, the staple food, was raised by 50 per cent overnight in 1985. This was the first stage of removing the long-standing state subsidy on mealie meal, one of the few



An overcrowded class at Mwabuzo Primary School in Tanzania's Shinyanga Region, 1988. The head teacher commented: "We have very few reading books; Standards 1 and 2 have none. The children have to buy most of their own exercise books."

(Geoff Sayer / Oxfam)

'safety nets' the government had consistently provided for the poor since independence. Its removal caused particular hardship for the urban poor, who have no land on which to grow their own food, and for whom there is no cheaper alternative than mealie meal.⁶⁸ In Mozambique, as a result of its structural adjustment programme, basic commodities are at least now available in the shops of Maputo and some provincial towns, but priced way out of the reach of the poor. And in Malawi, the price of maize, also the staple, rose steeply in 1987, partly as a result of the structural adjustment programme's liberalisation of internal trade. In some cases, Zambia and Malawi for example, a rise in the price of fertiliser, fuel, and transport has partially offset the benefits of increased maize producer prices.

Thirdly, in support of financial stringency, adjusting governments have to choose which expenditure items to cut. Where social programmes are affected, the poor are likely to suffer disproportionately. Cuts in health and education expenditure are compounded by the generally deteriorating levels of maintenance in infrastructure and services.

In Zimbabwe, for example, government restraint in health spending during

the 1983 to 1985 period was reflected in a loss of momentum in the spectacular improvements in child nutritional status and welfare which were taking place (although real health spending levels have since been restored). In Zambia, where universal access to health and primary education was a key achievement of post-independence development, government expenditure has been cut back.⁶⁹ As a result, services have deteriorated, and fees have been introduced for state schools and health services. Mozambique and Tanzania are now managing to reverse the former declining trends.

Furthermore, this precipitous run-down in a nation's investment in its 'human capital' has serious consequences for its future development. SADCC's development emphasis during the 1990s is to be centred on 'enterprise, skills, and productivity'. Simba Makoni, SADCC's Executive Secretary, explained why the SADCC states themselves must make greater efforts to maximise the skills and training of their people. It follows that the next generation must not be held back.

In my five years with SADCC, I am now convinced that the most immediate constraint on development is not the shortage of funds, but our capacity to foster the necessary conceptual framework for development, to identify, design, and implement projects and to operate and maintain them efficiently thereafter. At this point in time, in our region, the human factor remains the weakest link in the development chain. This factor does not only manifest itself in the shortage of professional and skilled personnel *per se*, but more so in the under-utilisation and even misallocation of the limited and skilled professional people we have.⁷⁰

In its November 1989 report on sub-Saharan Africa, the World Bank acknowledges the central importance of people in the development process, and calls for higher rates of investment by governments and donors in education and health. While this is a welcome development in the Bank's outlook, it fails to acknowledge the role of the Bretton Woods institutions in pressing for substantial budgetary cutbacks. Further, it is unclear how the Bank envisages that higher rates of social spending can be achieved when there is a continued emphasis from donor governments on the need for poor countries to cut public spending.

In the short term, it is clear that in order to protect and compensate those sections of society vulnerable to the process of adjustment, special measures are required. A number of initiatives are needed in the SADCC region.

For the urban poor, it is vital to increase employment, and introduce targetted food subsidies (which are being implemented in Zambia and Mozambique). In Malawi it is essential that land reform be undertaken to alleviate the plight of the landless and near-landless, and that more is done to ensure that food prices are pegged within the reach of the poor. Likewise, in

Zimbabwe, the slow-down in the land resettlement programme must be reversed.

Government spending on essential social services must not be cut back: on the contrary, support is needed to help these services develop and to deliver services more appropriate to the needs of the poor, particularly children.

The full impact of the special economic consequences of conflict in Mozambique and Angola must be recognised and allowed for when international approval is sought for adjustment programmes. Not only should especially concessional terms be available for adjustment loans (as has happened in the case of Mozambique), but also the disruption which war causes to commerce, internal trade, and production must be allowed for. Further, the substantial humanitarian costs and responsibilities borne by the governments of the war-torn economies should be more fully recognised. While they are actively pursuing a resolution to conflict, the governments of Mozambique and Angola (if and when Angola reaches adjustment agreements with the IMF and the World Bank) must have special adjustment agreements for as long as millions of their people are destitute and largely dependent on handouts.

The long-term development prospects of economic adjustment policies

Some aspects of adjustment programmes have been useful in addressing internal structural constraints on development in the SADCC countries. In Malawi, for example, adjustment measures have gone some way to redirect government's economic development focus away from the privately owned agricultural estates towards the peasant sector. In Zambia, the need for economic adjustment has caused the government to redirect income away from the urban sector to the rural producers.

However, in two major respects the IMF/World Bank structural adjustment model (the only one with substantial resources behind it) has failed to address key development constraints for the South in general, and the SADCC region in particular.

Sharing the burden

The poor countries of the South have had to carry a wholly disproportionate share of an economic crisis which largely originated in the North, and for which North/South responsibility should be actively shared. Increasingly, the North's chief answer to poverty and underdevelopment in the South is to press for structural adjustment. The most powerful actors on the stage, the IMF and the World Bank, have approached what is fundamentally a global economic problem⁷¹ from the supposition that remedial work on the

economies of the South alone would be sufficient to resolve matters.

Furthermore, it has been the poor within the adjusting countries who have suffered most. This is not only because they are more vulnerable to rapid economic change, but also because of poor government. In key SADCC states, the institutional checks and balances necessary for democratic government have been eroded; in others they were never in place. This has meant that development in the interests of the poorest has often not been a political priority. Vulnerable sections of society, lacking political influence, do not figure in the government's political power base. So when it comes to the hard political choices forced on governments by the need for economic stringency, effective poverty-alleviation and sustainable development are often the casualties of other political priorities.

In Malawi, for example, the World Bank's modest suggestions for land reform have not been taken up, as is also the case in Kenya. In Zambia, another society with an extremely uneven distribution of wealth,⁷² comparable to Kenya and Brazil, government cut-backs in expenditure on health and education in response to the IMF's demands for financial stringency have hurt the poor in two main ways. Firstly, it is the poor who need the state health services most; there is a well-established private sector available for those who can pay. And secondly, along with subsidies on basic foodstuffs, state investment in health and education was the main element in the otherwise limited post-independence efforts to create an egalitarian society. Zambia's own economic reform programme, instituted after its 1987 break with the IMF, maintained cut-backs in social spending.

Investing in decline and dependency?

In the indebted countries which are dependent on exporting primary commodities, structural adjustment programmes have failed to stimulate the major structural changes needed to help these countries survive the long-term decline in commodity prices.⁷³ This is demonstrated through the resulting increased dependence on external financial flows, and greater emphasis on production for the export market. The World Bank's policy of encouraging exports has sometimes contradicted the view taken by the Bank's commodities specialists.⁷⁴

As the World Bank now agrees, there needs to be a commitment to an industrialisation strategy providing greater equity between rural and urban producers.⁷⁵ Linked to this is the need to diversify the range of the South's trading partners. For as long as the South is locked into producing primary products, there will be limited trading complementarity between Southern countries. However, since the developing world is recognised as a major market for manufactures, the potential exists for increased South/South trade.

But hitherto, structural adjustment programmes have tended in practice towards improving the existing model of commodity dependence. As UNICEF has put it,

Adjustment is designed to remove the wedge driven between farmers and world markets by governments to finance their rather unproductive investment and consumption. Due to excessive margins, farmers in Africa throughout the 1970s suffered progressive immiseration [sic] — it took longer and harder work to produce the same return. The problem is that by removing one set of constraints, one may simply replace one kind of problem for another. Adjustment may produce a more externally oriented agriculture, but if it remains simply that, the immiseration process will continue, as well as removing land and labour from domestic food production.⁷⁶

These considerations underline the urgent need for diversification of commodity-dependent economies, either into more processing of agricultural exports to 'add value', or into exporting manufactures, or into import substitution. Regardless of which mix of adaptations is considered, certain vulnerable sections of society stand to suffer in the transition process unless more resources are available to help ensure gradual, orderly change.

Prospects for change

As far as regional economic groupings like SADCC are concerned, the international financial institutions and donors may need to adapt their conventional procedure of negotiating with each recipient country individually.

As more has become known about the effects of rapid economic adjustment on the poor (and due in part to the pressure brought to bear by research initiatives and development agencies like UNICEF, Oxfam and its sister non-governmental agencies), the World Bank and the IMF have become increasingly concerned about the social consequences of adjustment. The governments of adjusting countries have also come under pressure to ensure adjustment with equity. This brightens the prospects for growth with equity in the 1990s.

However, much depends on increasing the level of cooperation from the OECD countries, and present indications are gloomy. The industrialised North is preoccupied with avoiding another period of recession, and with sizing up the enormous economic opportunities presented by rapid political change in Eastern Europe. There is marked 'aid fatigue', and a reluctance to review the structural adjustment model, the pace at which it is applied, the resources behind it, and the need for the North to share more of the South's burdens.

Policy failures in the SADCC states

Pressures from South Africa and from the industrialised North have been mostly responsible for the SADCC region's current economic difficulties which are undermining development. Nevertheless, government policy errors and failures have also played an important part, and must also be addressed if development in the interests of the poorest is to become a reality.

In Zambia, poverty is on the increase as a result of a complex set of factors.⁷⁷ National policy errors must be highlighted among the catalogue of causes. The government failed to diversify the country's economic base when it could have afforded to do so during the first decade of independence (1964 — 1974), at a time when copper prices were high and before its international terms of trade had begun to falter.⁷⁸ Instead of investing in a sustainable programme of economic diversification, particularly in agriculture and rural industries, a number of inconsistent and flawed economic development programmes were attempted.⁷⁹

The pressing political imperatives of the time resulted in Zambia taking a different economic and political path. With no other readily available source of income, and a great deal of local and foreign (including South African) vested interests in the copper industry, Zambia continued to let the mining sector dominate the economy, thus perpetuating its fatal dependence. Rural development, which all along has clearly been the most neglected development sector, was compromised in favour of the powerful demands of the urban population, particularly of the growing middle class. The needs of the rural poor did not match the political leverage of the urban elite, nor even that of the urban poor.

A comprehensive 'welfare state' structure of public services — itself ultimately dependent on copper earnings — was established, and through it the 'fruits of independence' were delivered. In many senses, Zambia's emphasis on providing services to the poor, such as health, education, and subsidies on staple foods, brought great rewards, but they were not enough to offset the shortcomings in government policy on rural production and the increasingly inequitable distribution of the country's wealth. The underlying malaise of declining rural/urban terms of trade, which had first grown up in the colonial era, was not reversed by government policy. Instead, a wealthy urban elite came to dominate national political priorities, and their interests did not lie in rural development.⁸⁰

During the 1980s, much of Oxfam's long-term anti-poverty work throughout the region has focused on helping poor people to organise for a greater say in the decisions that affect them. The key issue here is the process



Vusisizwe Rural Development Centre, Zimbabwe, built to facilitate local people's meetings and discussions. Here a group of rural pre-school workers are attending a training course.

(Chris Johnson / Oxfam)

of democratisation — in the sense of widening people's participation in decisions about their own development. For example, in Zambia's copperbelt, where the social impact of the country's economic decline is most apparent, township youth have organised to identify the causes of their poverty. In addition to criticising the vested interests in the IMF, they have also recognised how the wealthy elite of their own country act against the interests of the poor.

In Malawi there is an urgent need for greater popular participation in identifying and addressing poverty and development issues. Long-term strategies to cope with the consequences of land hunger, for example, cannot begin to be addressed in a society where it cannot be officially considered or openly discussed as a major development constraint.

Injudicious government policy has also contributed towards Malawi's economic problems and to the country's substantial debt. Detailed research has demonstrated that many aspects of government development policy during the 1970s created new dimensions of economic vulnerability for the poorest in the interests of boosting Malawi's export-crop earnings. Now that

Malawi's period of macro-economic prosperity is over, the results are laid bare.

The following specific aspects of the export-led drive for economic growth have had a particularly damaging impact on the poor:⁸¹ the taxation of peasant farming to subsidise the commercial estate sector; the use of direct controls on production to discriminate against small farmers, for example largely restricting the growing of Burley tobacco to the commercial estate sector;⁸² a low-wage policy aimed at assisting agricultural estate development; and the government's direction to commercial banks to support estate agriculture beyond the limits of commercial prudence. Furthermore, because government policy favoured the large company estates at the expense of smaller family holdings, whatever potential the smallholder sector once had to provide an employment safety net capable of meeting the growing needs of the poor has been consistently eroded (see the case-study in Chapter 9).

In Zimbabwe, where there is much greater scope for land redistribution than in Malawi, in practice the government has not sided unequivocally with the land-hungry poor. Even allowing for all the constitutional, technical, and economic constraints which have impeded the land programme, nevertheless it also appears that government's decisions have further delayed implementation (see Chapter 9), with harmful consequences for the poorest.

The democratisation of economic management and planning, so that the poor have a greater say in national agricultural and other development policy, especially in Mozambique and Angola, are also vital. In Mozambique, heavy-handed attempts at collectivisation in the rural areas shortly after independence, and over-centralised organisation of agricultural production during the early years, alienated people from the government in some areas, and depressed rural production. This dissatisfaction is widely thought to be one of the factors which work in the MNR's favour.⁸³ FRELIMO's 1989 Congress recognised the need for important policy changes to facilitate a greater degree of democracy at local level.

In Angola, the independent government's nationalisation of the commercial agricultural sector and the country's internal trading structures had disastrous effects on export production and national food security, mainly because of the country's particularly disruptive colonial legacy.

Another weakness in economic management has been profligate spending. In some SADC states, scarce resources have been spent on prestige projects which were neither productive in nature nor relevant to the needs of the poor. In Malawi, for example, during the late 1970s, the government undertook a series of major investments, mainly of a non-productive kind. An expert on the economy of Malawi has cited the examples of President Banda's personal

'palaces', military aviation facilities, and a new international airport.⁸⁴

Another example occurred in Zambia in 1984, when it was already quite clear that Zambia's economic problems were deep and long-term. It was announced that contractors had been commissioned to build new Lusaka headquarters for the nation's only political party, UNIP (United National Independence Party). Conservative estimates at the time put the cost at £20 m.⁸⁵ Meanwhile, Oxfam reports were highlighting the poor condition of rural services: clinics were short of essential drugs, village schools could not be staffed for lack of Ministry resources, and crops from many areas could not be collected, because trucks and rural roads had not been maintained.

Furthermore, during the 1980s, international credit encouraged the widespread trend in sub-Saharan Africa towards consumption at the expense of production.⁸⁶ Zambia is just one example of a government allowing the importation of luxury goods to satisfy wealthy urban consumers. As the *Guardian* noted in 1988,⁸⁷ the IMF-inspired 'kwacha auction' distributed precious foreign exchange to the highest bidder, when even the most essential commodities were in very short supply. At that time, South Africa was the source of many of the luxury imports which became noticeably more available in Lusaka's shops.

On the central issue of the need for regional integration towards a brighter economic future, as SADCC spokespeople have pointed out, there is an urgent need for greater practical commitment among the member states to regional integration and cooperation, if SADCC is to help the region face up to the massive economic demands of the 1990s.

The following chapter looks at the issues raised here in the context of three very different SADCC states: Zimbabwe, Malawi, and Angola.