



Three case-studies: Zimbabwe, Malawi, and Angola

Case-study 1: Zimbabwe

Development after independence

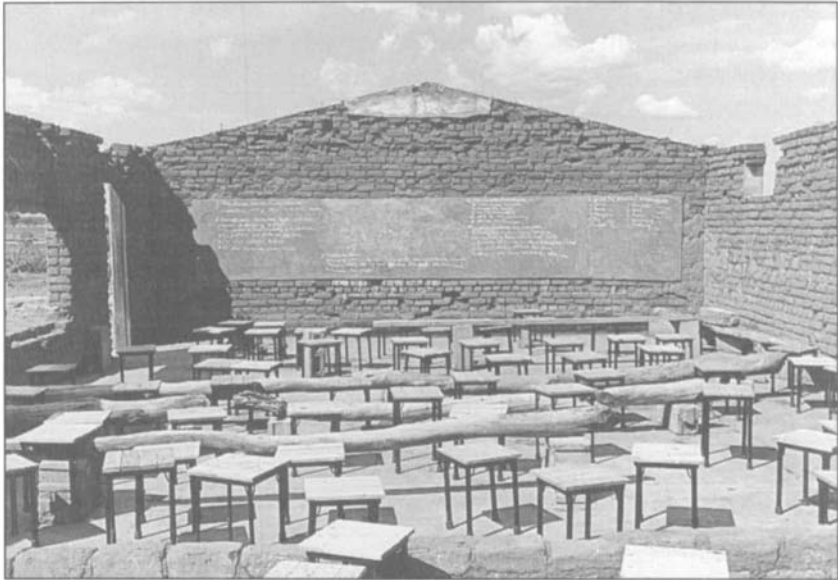
The first decade of independent Zimbabwe's development has been shaped by three main elements. Firstly, by its inheritance of deep inequality, together with a major degree of dependence on foreign interests and the skills of the white minority. Secondly, by various pressures on the economy beyond the government's control — destabilisation by South Africa, drought, and falling commodity prices. And thirdly, by internal political conflict which seriously affected development in Matabeleland during the mid-1980s.

Inherited inequality and dependence

In 1980, when the long struggle for majority rule and independence was over, the poor of Zimbabwe were left with a legacy of unequal access to land, employment, and basic services such as health, education, and agricultural support.

A daunting task confronted the independent government: how to balance the development of an outward-looking modern economy with a major redistributive programme to build up basic services and overcome inherited inequality.

Zimbabwe also inherited an economy which was heavily dependent on foreign investment, particularly South African and British,¹ and on the capital and skills of the settler community. Nevertheless, in comparison with the less-



Photographed in 1981 when it was back in use, this school in the Matabeleland Mzola Communal Area was destroyed during the war. A huge reconstruction programme was undertaken immediately after independence.

(Oxfam)

favoured colonial economies of the region, Zimbabwe also came to independence with a comparatively well-diversified and developed modern economic sector and infrastructure.

The terms of the Lancaster House constitution (on which significant Western aid and investment flows were made contingent) ensured that foreign and minority interests would be protected for the first years of independence. The most important provisions concerned property rights. No matter how land or mineral rights had originally been obtained, they could only change hands on a 'willing-seller, willing-buyer' basis. The protection thus afforded to settler and foreign investors meant that they would continue owning more than half of the economy, most of the productive land, nearly all the mines, and nearly all of the manufacturing industry and other businesses.

With investment in the productive sectors of the modern economy dominated by foreign interests, the imperative of profit maximisation in the interests of shareholders has naturally taken precedence over wider considerations of development in the interests of the poor. The government has expressed its desire to increase local control in the private sector, and measures have been adopted to reduce some forms of dominance of foreign investment.² Nevertheless, national development plans have sought to rely on

the inflow of foreign investment, because it is acknowledged that domestic resources are insufficient to finance the desired rate of economic growth. Little new investment has come in, however.

Together with the new government's policy of reconciliation, which added the vital political ingredient, the protection of foreign interests also meant that independent Zimbabwe was able to make the transition to majority rule without a head-on confrontation with international investors, and without losing all the skills and managerial experience of the white minority. Many settlers did leave around the time of independence, taking with them whatever assets they could, but enough remained to prevent dislocation on the scale which had been recently experienced in Mozambique and Angola.

Zimbabwe's political and legal independence was clearly constrained by its economic inheritance of inequality and dependence. The new government's scope of action to redress inequality was tempered by the vested interests which stood to lose. Nevertheless, the independent nation did inherit an economy which made its substantial programme of social investment possible, in spite of the generally adverse economic pressures of the 1980s. Much remains to be done, however, particularly in the area of land redistribution.

Development strategy — growth with equity

The Zimbabwean government has been faced with a complex set of dilemmas in the formulation and implementation of national development policies. On the one hand, the sheer scale of the inequalities still to be redressed nearly ten years after independence is daunting. On the other hand, the means of implementing the necessary changes have been fraught with a wide array of obstacles. By and large, therefore, the national development strategy — widely known as "Growth with Equity"³ — has been a delicate balancing act.

To meet popular expectations, the most important elements of the 'equity' side of the equation have been plans for large-scale investment in land, health, and education. Progress in transforming the health and education sectors has been substantial. However, this has not been matched in the complex area of land redistribution.

The 'growth' side of the equation has been necessary to finance the 'equity' dimension. Accordingly, the government has attempted to maximise productivity within the economic structure it inherited on independence, in order to create the resources necessary for a gradual transformation of inequality, as well as for reinvestment in the economy, especially the key export sector.

There continues to be vigorous debate about the "Growth with Equity" strategy. Some argue that the very maintenance of pre-independence patterns

The Hippo Valley Sugar Estate at Chiredzi, in which the South African company Anglo American has a large stake, is an important earner of foreign exchange for Zimbabwe. The air around the plant is filled with a sweet sickly smell, and the ground is covered with black ash ('Chiredzi snow'), as the dense clouds caused by cane burning gradually settle. "Hard is not the word for my work," commented this worker.

(Julian Quan / Oxfam)



of ownership and control is a betrayal of the expectations of the majority, and the terms on which the poor joined the independence struggle. Others argue that Zimbabwe's priority must be to consolidate and expand its modern economy, taking advantage of its comparatively well-developed manufacturing sector and diversified basket of export commodities. They argue that if Zimbabwe is to survive and pay for internal development in a hostile world economic climate, then it must promote, rather than alienate, international and local business interests. In 1989, government policy shifted further over towards the latter position as a new investors' code was unveiled prior to a large and prestigious London conference, organised by the Confederation of British Industry, the Confederation of Zimbabwe Industries, and the Southern Africa Association, aimed at reassuring the World Bank and foreign investors.

Obstacles to "Growth with Equity"

During the 1980s, much has been achieved in often difficult circumstances. But there have also been a number of key factors which have impeded progress towards the national "Growth with Equity" goal.

Table 9.1: Zimbabwe's percentage economic growth rate, GDP 1980-88

1980	1981	1982	1983	1984	1985	1986	1987	1988
10.7	9.7	1.5	-3.6	2.3	7.3	2.0	-0.7	5.3

National economic performance, although good in comparison with other countries of the region, has not consistently met the annual economic growth targets of eight per cent originally envisaged as necessary for adequate investment in equitable development programmes and services (see table 9.1).

The country experienced grave problems after the economic boom of 1980/1. Agriculture has been hit by two serious spells of drought, mining by falling world prices, and manufacturing by the consequent shortages of foreign exchange and the contraction in domestic demand. Zimbabwe's rising defence costs (incurred because the army is deployed in Mozambique to help defend the country's trade arteries) have been a major factor inhibiting economic progress.

Rising external debt-servicing obligations have also had an impact. This has been mainly due to external borrowing for the financing of parastatal and infrastructural development.⁴ Debt-servicing rose from 2.2 per cent of export earnings at independence to a peak of 32.3 per cent in 1983 (declining to 19.8 per cent in 1984). Shortage of foreign exchange has severely constrained economic growth, by limiting the capacity to import necessary inputs not just for reconstruction and development, but even for the maintenance of the existing economic structure.

Economic growth needs fresh international investment, and by and large this has not been forthcoming. One key inhibiting factor is the budget deficit, running at about 10 per cent of GNP in 1989. This has arisen mainly because of the massive costs of South Africa's regional policy. The government has pledged to reduce the deficit, but — since Zimbabwe's defence expenditure is necessary to keep its trade arteries open — the savings are likely to come from development investment.

Zimbabwe's budget deficit has been at the root of a prolonged dispute about economic development policy between the government and the IMF. Because of the costs of defending its trade routes through Mozambique, the government has had to run a deficit. The IMF could not agree to this strategy, concerned as it was only with Zimbabwe's balance of payments equilibrium and not with the consequences of South Africa's regional policy, nor with the

need to implement large-scale development programmes.⁵ Since March 1984, when the government broke with the IMF, it has therefore pursued its own economic reforms, without IMF assistance.

Finally, old political tensions between the ruling party, ZANU, and the main opposition party, ZAPU, led to serious civil conflict and state repression in Matabeleland during the mid-1980s.⁶ The government pursued a brutal military and political campaign to suppress armed dissidents in Matabeleland. Civilians and their development organisational structures suffered enormously. Oxfam partner organisations were directly affected, and the government's development investment and activities in the area were markedly curtailed. Even urgent relief operations were hampered by the emergency regulations and the army.

At the expense of democratic pluralism, the Unity agreement between ZANU and ZAPU of December 1987 was none the less welcomed. It was the much-needed political solution to this conflict, and it also removed the political barriers to Matabeleland receiving its fair share of development investment.

Progress in land, health, and rural development

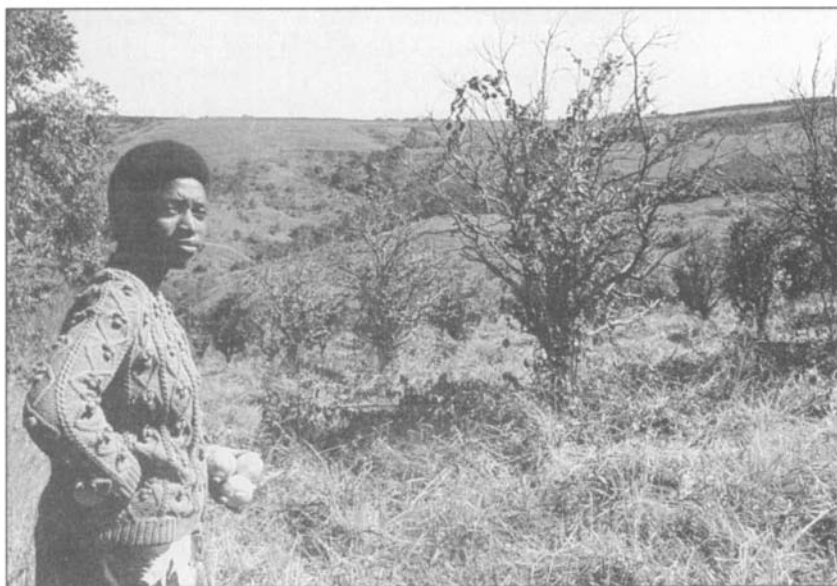
Oxfam's programme in Zimbabwe since 1980 has spanned a critical period, in which our partners and field workers have seen enormous reconstruction and development achievements, especially in the provision of essential services such as health, education, and agricultural support to people in the poor Communal Areas (known before independence as the Tribal Trust Lands).

But it has also been a time in which the early momentum for change in the interests of the poor has been slowed down by external and internal pressures. This has been particularly evident in the land redistribution programme, in the factors affecting health status, and in the narrowing of options facing self-help organisations committed to rural development.

Problems of land reform

A curious feature of post-independence Zimbabwe has been the lack of significant land reform. For decades the iniquitous nature of land distribution has been widely recognised. Black protests over land, including appeals to the British government, were first voiced over 70 years ago. During the nationalist struggles of the 1960s and the guerrilla war of the 1970s, both main political parties, ZANU and ZAPU, committed themselves to radical land reform on achieving political power. They attracted massive popular support from rural peasants because of this promise. So there was high expectation of rapid change in 1980.

Yet, after a decade of independence under a ZANU-led government, the



Cynthia Nhongo is the manager of Mutzarara Cooperative, established on a fruit farm formerly owned by settlers, near Harare. Like many other co-ops, this one lacks sufficient resources.

(Chris Johnson / Oxfam)

land issue remains strikingly unresolved, and the position of the white commercial farmers appears more secure in 1990 than at any time previously. Resettlement has not begun to reach the modest targets set in 1980/1. Numerous and often conflicting plans to reform the Communal Areas have remained for the most part on the drawing board. Blacks who have moved on to abandoned 'white' farm land have been dubbed 'squatters' and evicted with the full force of law, even in the most politically sensitive parts of the country. Lydia Sinimana, aged 62, complained,

We thought the liberation war was fought to give us back our land. My grandfather was born on that land (in Chimanimani), my husband died there, and now they throw us off.⁷

ZANU's promise "to re-establish justice and equity in the ownership of land" has manifestly not been fulfilled. Why?

In Kenya, where there was a comparable land problem and a guerrilla war fuelled by land grievance, the British government sought to defuse the situation by offering to buy out white farmers who were reluctant to continue living in the country after independence. This was duly done, and there were hopes at one time that a similar solution would be adopted at the time when Rhodesia became Zimbabwe.

The British government did recognise the political need for land reform and, to some extent, its own responsibility for purchasing land and compensating white farmers who wanted to leave. This was because the majority of companies and individuals who owned land in Rhodesia were of British origin.

In the mid-1970s, during the constant round of diplomatic manoeuvres, the notion of an Anglo-American development fund, to which Britain agreed to contribute at least £75 million, was put on the table. The fund was to help buy out white farmers and so, hopefully, end the war more quickly. The idea attracted broad support, not least from the ZANU/ZAPU 'Patriotic Front'. By 1979, however, when the contending parties sat down at Lancaster House to hammer out an independence constitution, there had been a change of government in Britain. The earlier proposal was dangled before participants as a bait to reach agreement, but it was ultimately put back on the shelf, not without Zimbabwean complaints of British chicanery. In its place was put the compromise — some would say capitulation — that land could change hands only on a 'willing-seller, willing-buyer' basis. In other words, whites who wished to keep their farms were free to do so; there would be no expropriation of land. Only 'under-utilised' land required for resettlement or other public purposes could be compulsorily acquired by the new government, but this would also have to be paid for immediately and at the full market price. In a last-minute amendment, it was agreed that compensation in such cases also had to be remittable in foreign exchange..

So the hands of the new Zimbabwean government were to a large extent tied by the Lancaster House agreement, which was to last until April 1990. They were tied also by the immediate need for reconstruction. The last few years of the war had devastated the countryside. One-fifth of the rural population had fled. Nearly half a million had flocked into the towns to escape the conflict; a quarter of a million had fled the country; and some three-quarters of a million had been rounded up into 'protected villages' by the Smith regime. Various disease-control programmes had broken down. The result was a severe dislocation of peasant production.

Historically, there had always been bitter competition between black and white farmers in Rhodesia, with the state providing extensive and crucial support to white agriculture. But, in some more favoured areas at least, peasant farmers had remained resilient. They were encouraged to produce maize for the home market during periods when white farmers were concentrating on export crops, such as tobacco. But after Prime Minister Ian Smith unilaterally declared independence in 1965, the subsequent sanctions imposed against his regime made it harder to export agricultural commodities,

so settler farmers switched back to domestic markets — at the expense of the peasants. This factor, combined with the severe rural dislocation caused by the war, meant that at the time of independence in 1980 the white commercial farmers were producing nearly 90 per cent of the country's marketed food requirements (and an even higher proportion of agricultural exports). At that precise moment, they seemed crucial to Zimbabwe's survival.

This view was endorsed by the strong advice which the new Zimbabwean government received from its staunchest wartime ally, Mozambique. When Mozambique finally became independent in 1974/5, there followed a mass exodus of Portuguese settlers. FRELIMO, which had done nothing to discourage this exodus at the time, soon came to regret it, and the very firm advice given to Robert Mugabe's new government in 1980 was that it should strive to retain white expertise and skills, notably on the land. The recent experience of famine in the Sahel further underlined the need for food self-sufficiency, and indeed the need to earn foreign exchange by exporting food, rather than spending it on food imports. All this combined to produce a policy of national reconciliation, which Robert Mugabe unveiled to the nation on the day of his electoral victory. The white farmers, who only a few months earlier had been the targets of guerrilla attacks because of their secondary role as part and parcel of the regime's security forces, had suddenly become a protected species.

At independence, some 42 per cent of the country's land was taken up by large commercial farms, then exclusively white-owned. As a result of past land policies and wholesale evictions of blacks, population densities were three times higher in the Communal Areas than in the commercial farming areas. As a matter of both social justice and ecological equilibrium, something had to be done.

The new government offered to resettle people living in the artificially overcrowded Communal Areas on land which it bought from white farmers, within the framework of the Lancaster House agreement. Ambitiously, it hoped to resettle some 162,000 families by 1984. Two schemes were adopted: Model A, where individual farmers received 5-6 hectare plots of arable land plus access to common grazing, the size varying according to region; and Model B, in which abandoned farms were taken over by producer cooperatives.

The costs of resettlement involved both buying land and developing the necessary infrastructure. The British government agreed to meet half the costs, provided the Zimbabwean Government matched them pound for pound. If the Zimbabweans should falter, Britain would not step into the breach. Britain pledged an initial £20 million, with more promised by Mrs Thatcher



Members of the Svimuri Cooperative in eastern Zimbabwe, established on a settler farm abandoned during the war. Many of the co-op members are ex-combatants, who have had to learn the necessary farming skills. (Chris Johnson / Oxfam)

during her visit to Zimbabwe in March 1989.

From 1980 to 1988, progress on land purchase was extremely uneven. By 30 June 1989 the total hectareage bought for resettlement had risen to 2,713,725, or about 16 per cent of the area owned by commercial farmers in 1980. But only 52,000 families had been resettled, about 416,000 people, or 32 per cent of the 1984 target of 162,000 families.⁸ A number of factors lie behind this pattern and explain why there has always been more land on the market than the Zimbabwean Government has taken up, and why there is a great deal of spare capacity on the land which has been bought for resettlement.

The initial burst of buying comprised virtually all the farms abandoned during the war, mostly in the war zones of the north-east, or land belonging to farmers who decided to sell up and leave after independence. Thereafter, few large blocks of land became available, making advance planning more difficult. The land which was on offer was not necessarily situated in areas where people wanted to live, and land prices started to rise, especially in the more favoured regions.

From 1983 Zimbabwe's domestic budget came under increasing pressure,

with the government being told to reduce its budget deficit by the World Bank, by the British government, and by other western governments. It was much easier for it to shut down a resettlement programme still at the planning stage⁹ than to starve the newly established schools and clinics of funds.

The severe droughts of the mid-1980s also impeded progress, with some people who had moved to resettlement areas returning to the Communal Areas in search, literally, of greener pastures. Moreover, the droughts affected national economic performance, and entailed costly relief expenditure. The droughts may also have reinforced the Zimbabwe government's initial response of treating the commercial farmers with kid gloves.

There was a strong tendency for white farmers who stayed on to offer for sale only the marginal remnants of their farms, which they wanted to get rid of, and to retain the much more productive core. This meant that the land offered for resettlement was unsuitable, while at the same time property values stabilised. The Commercial Farmers' Union (CFU) lobbied hard and successfully in favour of slowing down the whole process of resettlement.

The government tended, for ideological reasons, to support and push Model B, while the majority of the people hoping to resettle favoured Model A, or even more individualised settlement options. Incentives for people to move were also not great; they received only conditional, annual permits of occupancy, while disincentives included losing the right of access to land in the Communal Areas.

The post-independence boom¹⁰ in peasant production misled the government into thinking that a sustainable increase in Communal Area production, capable of meeting welfare needs, was possible without extensive resettlement. In fact, on closer investigation of the aggregate figures, it became clear that the bumper yields had been achieved by the better-off peasants, in the better-watered Communal Areas (particularly in Mashonaland). These farmers were in a position to respond to the improved price incentives on offer from the new government.¹¹ Many agricultural extension workers tended, having been brought up under the old regime, to be distrustful and contemptuous of peasant capacities and initiatives. There was also rivalry between ministries over control of the resettlement programme, and the planning ministries lacked the staff to support the programme.

A major problem was that of paying for resettlement infrastructure. The Zimbabwean government claimed that while the British government was prepared to put up money for the purchase of land, the conditions it laid down — in terms of detailed planning and surveying before resettlement could take place — were far too strict. Zimbabwe simply did not have sufficient surveyors to meet such restrictions. There were those too who argued that

British conditions were particularly onerous in the case of the Model B areas, because of their disapproval of the socialist ethic embodied in the cooperative movement. The British in turn argued that the Zimbabweans had always been slow in matching the money which Britain had provided. Zimbabweans countered that because they had created political stability, land prices had risen. This meant that far too much of the money allocated to the land programme had been spent on buying land, rather than on the 'follow-through' costs of resettling people.

The statistics do not of course reveal the complete picture. Any white farmer wishing to sell land had first to offer it to the government, which could then decide to inspect the land. If it did not want it, it issued a certificate stating 'no present interest', which left the owner free to sell on the private market. Literally hundreds of farms changed hands in this way, many to senior members of the government and the new ruling elite. In the late 1980s, as the government slowly deliberated over land reform, the debate was certainly complicated by the fact that for some of its members land redistribution meant grabbing land for themselves. At least ten government ministers were known to be members of the Commercial Farmers' Union.¹²

Land reform in the 1990s

The lack of adequate resources and organisational capacity has hampered the resettlement programme, but the political constraints are perhaps the biggest threat to land redistribution in the 1990s. Powerful commercial vested interests are pitted against the basic needs of the poorest.

The government has been tentatively considering a new resettlement phase for implementation during the 1990s, when the Lancaster House conditions expire.¹³ But so far, all that has happened is the emergence of a powerful counter-lobby composed mainly of the CFU, the British government, and the World Bank.

In August 1989, Joshua Nkomo, by then a senior Minister in the President's office, himself reported to be a landowner on an extensive scale, told the CFU's annual congress that the situation was "morally unacceptable, economically unjustifiable and politically untenable".¹⁴ He also told them that white commercial farmers would be "persuaded" to sell their unused land to the government after 1990.¹⁵ The commercial farmers were alarmed to the point where high-level shuttle diplomacy was privately undertaken to reassure them that in spite of politicians' speeches, there would be no dramatic change in government policy over the next year.¹⁶

Also in 1989, the new British High Commissioner to Zimbabwe did not endear himself to Robert Mugabe when he advised him of Britain's concern at the prospect of land being seized from commercial farmers after 1990.¹⁷ And

the World Bank, which has been making loans to Zimbabwe since 1980, and since 1987 has led a powerful lobby to liberalise Zimbabwe's trade,¹⁸ also stresses the view that export farming efficiency will be compromised by land redistribution to the poor.

The main argument of those opposed to substantial redistribution of land centres on the issue of 'efficiency'. It is held that the government's 1982 resettlement target (of 162,000 families) would require an estimated 60 per cent of the Large Scale Commercial Farming sector's land, and that this in turn would lead to a 'proportionate drop' in production and employment, only partially compensated for by the benefits to the resettled families. Within this body of opinion, an 'environmentalist' lobby has emerged, taking up a theme familiar from colonial times. Its proponents (mainly western governments, white commercial farmers, and black technocrats) argue that resettlement would simply extend environmental mismanagement, and therefore low productivity, and that land degradation would be exported from the Communal Areas to commercially-farmed land. An article in the *Economist*¹⁹ summed up the conflict as seen by this lobby, which believes that investment in the Communal Areas is a preferable option to land redistribution:

... the commercial farmers like their scrublands and their water catchment areas. In the communal lands, by contrast, the soil is losing fertility and eroding. That is where most voters live and where most of Zimbabwe's population growth — of 3 per cent a year — takes place. The return on new investment would be even greater there, mainly because the high cost of buying land from the white farmers would be avoided.

... Land redistribution may win votes next year. But if it scared away foreign investors ... it would lose many votes in 1995.

Yet the anti-poverty lobby in Zimbabwe argues²⁰ that there need not be a 'trade off' between equity and efficiency, and that those with vested interests have deliberately masked important facts:

First, that the 'proportionate drop' (between land given over, and agricultural production plus employment) would in fact be far less because the land given for resettlement is, and has always been, underutilised.

Second, the process of resettlement to date demonstrates that in more marginal, semi-arid areas (half of the resettled areas to date have fallen into this category) the number of resettled people outnumbers those formerly employed in commercial agriculture by factors ranging from five to ten.²¹

Third, that production on resettlement farms is already surpassing the long-term targets, and in some cases rivalling the yields of comparable commercial farms, thus leading to greater agricultural productivity.

And lastly, detailed research shows that indigenous conservation methods

are far more sustainable and ecologically sound than much commercial farming technology.²² The major cause of declining soil fertility in the Communal Areas is overuse. Until substantial land redistribution takes place, the majority of rural Zimbabweans will have no other land.

Indications at the end of 1989 were that the government appears to have accepted the CFU's argument — bolstered by the second-best tobacco crop in the country's history²³ — that serious land reform would undermine white confidence, reduce exports and employment opportunities, threaten the business community and the new drive for foreign investment, and lead to a white urban exodus. At which point the tap of Western and multilateral aid would be turned off.

Immediately after Zimbabwe's independence in 1980, an Oxfam consultant toured the country to ask rural people for their views of development and reconstruction priorities. She wrote:

Land is the major country-wide issue. People claim that they primarily fought for a fair distribution of land and economic opportunities. Most people would like to move back to their original land or be given better land elsewhere. This is a sore point in most rural circles, especially among those who live very close to large, private farms. They see their land deteriorate every day, their area getting more crowded as their children grow up and share the little land there is with their parents, their cattle thin and dying because of inadequate grass and water, and yet next door to them is vast, under-used, private land.²⁴

The commercial farmers now have more powerful local allies than ten years earlier. So peasants may have to wait much longer for land reform.



Workers' housing on a commercial farm near Harare, 1989.

(Chris Johnson / Oxfam)

Inequality in health: the background to today's challenge

The link between poverty and poor health was dramatically evident in the year of independence, when the ratio of infant mortality rates between whites, urban blacks, and rural blacks was 1:3.5:10, corresponding to a 39:5:1 ratio in income.²⁵

Despite the inadequate nature of health status data collected during the colonial period, research demonstrates that the disease pattern prevalent in colonial Zimbabwe was rooted in the distorted economic system. Hence much of the pre-independence pattern of ill health persists, and it is widely thought that it will continue until the process of equitable economic distribution is taken much further.

While the affluent minority showed disease patterns similar to those of the better-off people in industrialised western economies, the majority of the population of Rhodesia — the black urban workers and rural subsistence farmers — suffered the nutritional deficiencies, communicable diseases, and problems of pregnancy and childbirth which are all characteristically associated with poverty. Undernutrition, which from historical accounts appears to have increased after colonisation, was particularly prevalent in the Tribal Trust Lands (now called Communal Areas), and among the children of workers on the commercial farms. As is now well documented throughout the developing world, poor nutrition increases susceptibility to infection, especially among small children.

War and poor health

The liberation war created new dimensions of poverty and ill health, as well as conflict-related civilian casualties.

People in the rural areas suffered most. The widespread undernutrition long established in the rural areas turned into mass hunger.²⁶ Thousands of able-bodied people left rural production, either to join the guerrilla armies or to seek the relative safety of the towns. This, combined with widespread insecurity, affected the ability of those remaining on the land to produce food. In many rural areas, the local administrations collapsed, and transport (of essential agricultural supplies and everything else) was curtailed.

Furthermore, in an attempt to prevent the rural population from assisting the nationalist guerrillas, the government introduced a number of policies which severely disrupted the lives of the rural poor, and increased their poverty. Chief among these was the forced removal of people into 'protected' and 'consolidated' villages, especially in the east and south of the country. By early 1978, an estimated 750,000 people had moved into 'PVs' (protected villages), so that their movements could be better monitored and curtailed by the security forces.



During the war, 'Protected Villages' were established in an attempt to prevent civilian support for the nationalist guerrillas. Here a member of the Rhodesian security forces searches people on return from their fields before curfew. (Camera Press)

Life in the PVs involved not only severe restrictions on people's subsistence livelihoods, but also the widespread destruction by the security forces of their water sources, homes, property, foodstores, standing crops, animals and poultry, which the villagers were forced to leave behind.

Towards the end of the war, according to the International Red Cross, two million rural people (conservatively estimated) were dependent on emergency relief. By the time of independence, the long-standing pattern of chronic poor health among the black majority had given way to suffering of crisis proportions.

Health services

The provision of health services during the colonial era began with a network of hospitals concentrated in the urban areas to serve the settlers. Thereafter, mine hospitals and infectious diseases hospitals were established for certain sections of the black population. This was done both to minimise the risk of epidemic diseases spreading to the whites, and because the economic prospects of the colony depended on a healthy workforce, particularly in the mines, where dangerous underground working conditions and appalling living conditions in the mine-labour compounds had become the subject even of official controversy.

From 1909 onwards, rural dispensaries and hospitals began to be

established by missionaries and government, and in 1931 the government divided the country into large areas, providing each with a rural hospital and several dispensaries. Preventive services began in 1948, but always received a minute proportion of state health expenditure.

Reflecting the way in which the Rhodesian colonial process created and sustained the division between rich and poor, health service trends up to the time of independence created a gap between white and black, urban and rural, curative and preventive, private and public. Medical training was orientated towards hospital-based curative care, while the educational system limited the entry of black students into medical studies.

Government facilities in the Tribal Trust Lands (TTLs) were rudimentary, and most of the health services on offer to the black majority were provided by mission hospitals and staff. Not only did the missions provide a much-needed service, albeit with a bias towards curative care, but, until independence, they were responsible for the training of most black Medical Assistants. For many years, because of an acute shortage of doctors in the TTLs, it was the mission-trained Medical Assistants who provided most of the simple curative care at the primary level for the rural poor. The missions also provided an important preventive medical service, particularly in the areas of ante-natal care, child-growth monitoring, and immunisation.

During the war, these rural health services were severely affected. By the end of the war in 1979, many hospitals and clinics had been destroyed or shut down, while those that remained open were only partly functioning. From a former total of 50, only four mission doctors were still working in the TTLs.²⁷

Although people's need for health services had become more acute, the widespread insecurity meant that hospital staff, health outreach staff, and patients alike were afraid to travel. The introduction of martial law, covering most of the TTL areas, further restricted travel. Beds lay empty, clinic attendances dropped, sick people did not get treated, women went without ante-natal and post-natal care, and children were not vaccinated.

The establishment of a National Health Programme²⁸

When the independent government came to power in 1980, its health policy faced a two-fold challenge. The first priority was the rehabilitation and restoration of the war-torn health infrastructure. Oxfam was asked to help by recruiting doctors and nurses to be placed in a number of government-supported mission hospitals in the Communal Areas. Their job was to help rebuild the service offered by rural hospitals, and to help develop a national Primary Health Care programme relevant to the needs of the poor. Because of the widespread social and economic dislocation experienced during and



A simulation exercise under way as part of a training course for community health workers at Kunaka Hospital, in Zimbabwe's Seke Communal Area. (Chris Johnson / Oxfam)

directly after the war, when rural food production had to be reestablished, and when hundreds of thousands of uprooted people were returning to their homes with little or no foodstocks or cattle, the Oxfam health workers were also involved in a country-wide supplementary feeding programme for those most at risk.²⁹ As sufficient numbers of Zimbabwean health personnel have become qualified, Oxfam has gradually reduced its staffing programme.

The government's second, longer-term, task was to transform the inherited health services from their former racial, urban, curative bias into a service relevant to the needs of the poor majority.³⁰ The government planned for a health service accessible to all. Oxfam-supported health workers were also involved in this longer-term work. In September 1980, health care was made free to anyone earning less than Z\$150 per month, the majority of the population.³¹

The new health service was to be integrated with other development services, and the introduction of a national Primary Health Care programme was an important innovation, aimed at directing resources and appropriate services to the most impoverished areas of the country.³²

Achievements since independence

Dramatic achievements in health provision in the early years of independence, together with improvements in agricultural and other development services undertaken shortly after independence, resulted in a

significant reduction in the national Infant Mortality Rates. These fell from the pre-independence estimate published in the late 1970s as between 120 to 220 per thousand live births³³ to an estimated 83 per thousand in 1982.³⁴

In 1981, a national Expanded Programme of Immunisation was introduced to combat the six major childhood infectious diseases, and perinatal tetanus. Coverage studies showed that the proportion of rural children immunised grew from 25 per cent in 1982, to 42 per cent in 1984, and up to 69 per cent in 1986.³⁵ Other appropriate health services were introduced — including programmes to combat childhood diarrhoeal disease and malnutrition, and to improve hygiene. Expenditure on preventive services rose to 15 per cent of the (greatly expanded) total health budget in 1984/85.³⁶ Provincial and district hospitals were upgraded, and by January 1987, 224 rural health centres had been completed.³⁷

Poverty, health, and the economy

However, since widespread poverty is the root cause of ill health, Oxfam's health workers agree that the health improvements brought about by improved services cannot, of themselves, create and maintain overall good health among people living in poverty. The key factors which determine good health are economic security, educational attainment, and adequate and appropriate health services.

In response to the large deficits first experienced in 1980/81, the government adopted its own programme of economic stabilisation and restraint, before reaching an agreement with the IMF, which it broke off in 1984. These stabilisation measures have had a direct impact on the rate of development investment, the pace of land reform, and the cost of living — all of which are key factors affecting the health status of poor people.

Investment in health

The real value of state expenditure allocated to the Ministry of Health soared after independence as government began to implement its commitment to a rapid expansion of health services in a buoyant economic climate. However, it then dropped in 1983 as economic stabilisation measures were introduced to reduce the impact of external economic pressures on the country's balance of payments deficit.³⁸ Fortunately it has since recovered, and is on a slow growth trend, with a rising proportion being spent on primary health care.

Other stabilisation measures such as wage freezes and the removal of subsidies on basic food commodities have also adversely affected the poorest, both urban and rural. For example, in 1982/83 prices rose by some 100 per cent for the staple mealie meal, 50 per cent for milk, and 25-30 per cent for bread.³⁹ The urban poor are dependent on wages and bought food, and in the rural areas the families who cannot grow enough for their own subsistence

requirements need to supplement their own production with bought food.⁴⁰

Oxfam fears that the adverse effects on the national economy of an unfavourable world economic climate, together with the costs of conflict in Mozambique, risk reversing the government's substantial achievements in the health sector, and increasing the cost of living for the poor. Persistent and widespread poor health will be one of the most visible consequences.

Oxfam's experience

The experience of Oxfam's health work in Zimbabwe is that the huge task of establishing and running accessible and appropriate health services for the rural majority involves sustained, long-term investment if the achievements already made in health care since independence are to be maintained and built on. The following extracts from Oxfam field reports illustrate the day-to-day problems faced by rural health teams.

One of Oxfam's medical team reported in 1988 that, in spite of a well-coordinated national system for the rationalisation of essential drugs, and a decentralised drugs supply structure, serious shortages of essential drugs in remote rural areas have been a persistent problem.

National economic problems have caused shortages of essential drugs ... recently, the clinics in our area have only received 11 per cent of the drugs they have ordered from the Provincial medical stores. The situation is so serious that most of the clinics are without essential items like procaine penicillin, paracetamol, aspirin, and gauze.

Reporting on his work during 1988, one of the Oxfam-recruited doctors employed by the government in a remote area of Manicaland, bordering on to Mozambique, decided to illustrate his working life with a diary extract. Typical of health workers' problems in poor countries, his diary notes illustrate the way in which the overall shortage of resources acts to the detriment of curative care.

2.00 a.m. I receive a phone message from the clinic: "Doctor, we have admitted a patient with suspected poisoning. She is unconscious and gasping. The oxygen cylinder is empty as the District Council had no money to pay for oxygen. A second patient was brought in on a wheelbarrow and her blood pressure is difficult to record because our equipment isn't working properly. She delivered a baby yesterday at home, retained the placenta and is bleeding heavily."

2.10 a.m. Arrive at the clinic. Suction machine not working, no oxygen. Assist the only trained nurse on duty and one voluntary nurse to resuscitate the patient.

2.45 a.m. A car from Rusitu arrives with two patients. One is a woman in labour with her eighth child, and the position of the baby is obstructing labour. The other is a young man who has been wounded by MNR shooting

on the border. Two of these new patients need to be taken immediately to hospital in Mutare, but the car which brought them here has run out of petrol and the petrol station doesn't open until 6.30 a.m.

3.00 a.m. The clinic does not have its own transport, so I phone the District Administrator for help, after suturing the MNR victim.

4.00 a.m. Transport not yet here, the only District truck has gone to deliver food relief and is stuck with a puncture 100 km away.

4.15 a.m. A child is admitted with convulsions, presumed to be caused by malaria; resuscitated.

4.30 a.m. Put the critical patients on the open truck for Mutare.

4.40 a.m. Home for a cup of tea.

5.10 a.m. Call from a local white farmer: "I've had a cough for the last five days and I saw my private doctor in Mutare who gave me some medicine, but I am not yet OK. Can I come and see you, Doctor?"

7.45 a.m. In office to chair District Health Executive Meeting.

10.00 a.m. Attend full District Council meeting.

1.20 p.m. Telephone message from the hospital: "Doctor, we have a long queue here and the patients are complaining. Are you coming to see them?"

2.00 p.m. Hospital work until 8.00 p.m., then home.⁴¹

Rural development — fighting marginalisation

Underdevelopment is a process in which poverty and powerlessness are increased in people and their nation. It is to control nothing of your own, to have no say and no role in matters and actions that may improve your life.

(Excerpt from a development education seminar of rural people in Zimbabwe who have formed their own development organisation, The Organisation of Rural Associations for Progress (ORAP)⁴²)

Another major part of Oxfam's Zimbabwe programme has been support for community-based rural development through ORAP, a Zimbabwean non-governmental development network, founded in 1981. ORAP links together some 300 village groups in Matabeleland and the Midlands, and has a small staff of development advisers.⁴³ ORAP reports illustrate the way in which rural people analyse and act on the development issues facing them. Their experience offers invaluable insights into the way that national pressures combine with local ones to affect rural people.

A vital part of ORAP's work has been its programme of 'development education', the process of facilitating meetings and seminars in which rural people can meet to discuss and analyse their problems, and plan their own strategies to deal with them.⁴⁴ Through this process, ORAP groups have formed clear perceptions of the development constraints faced by rural people. As one ORAP development worker explains,



Delegates from ORAP groups meet regularly so that information can be shared and decisions reached democratically.

(Julian Quan / Oxfam)

What's interesting is that ORAP groups are clear that dependency cripples, that it opens the way for manipulation, exploitation, and control from those who give resources. ORAP members' consciousness for self-reliance is very strong.

Now, as part of the process of planning a development project or activity, we discuss all the implications. As far as resources are concerned, we first discuss whether the necessary resources are available within the village itself. If not, then we try to secure resources from our government, either at local or national level. Only in the last resort do we turn to foreign funding sources. Our groups want to take full advantage of the Zimbabwean resources available to them. ORAP believes that development is about integrating rural people into mainstream national life, empowering them to have bargaining muscle within our economy. We believe that this process of integration, of 'citizenship', begins with the way you run your own life and village development affairs. So, in this way, ORAP groups want to play a full part in national life, but not on terms which tie them up with exploitative structures.

For example, three ORAP groups in Matabeleland have started up their own beef production schemes, with the aim of empowering the groups so that they have control and bargaining power over their economic assets.

Keeping cattle has long been a strong economic tradition in Matabeleland, but people have come to believe that the increase in beef exports to Europe under the Lomé Convention threatens their self-reliance. Taking advantage of the beef trade, commercial farmers have been buying villagers' cattle at low prices, fattening them, often using bought feed, and then selling them on to the Cold Storage Board for a profit. This is a typical example of how our village economy is being exploited.

The groups have studied our traditional resources, they have rediscovered which grasses, roots and tree pods are good for fattening indigenous cattle, and have agreed that by using our own resources in an organised way, they can fatten cattle and sell direct to the Cold Storage Board without needing the middlemen.

This activity started in 1987, and it's really working well. It has removed dependency on imported feed, and by using local feedstuffs, we feel that the programme relates directly to our ecology. People are protecting their grassland and trees: they see the economic importance of doing so. The villagers are also benefitting directly in cash terms: whereas they would have been selling an animal to a commercial farmer for between Z\$50 and Z\$150, now they can get between Z\$400 and Z\$1,000. They have to pay for veterinary supplies, and during the drought they had to pay for some fodder, but they still came out on top. We hope that other groups will take this idea up, and earn resources which can then be circulated in their local economies.⁴⁵

In this way, rural people are engaging more profitably in a mainstream economic activity - the beef trade. They have at least removed one layer in the handling process from producer to consumer.

Zimbabwe's European Community beef quota, first agreed in 1985, is a significant foreign-exchange earner. Most of Zimbabwe's beef exports go to the EC. Zimbabwe's EC market quota was raised from slightly over 8,000 tons to 9,850 tons in 1988, but reports in mid-1989 indicated that supply cannot keep up with demand.⁴⁶ In 1987, Zimbabwe earned Z\$478.4 m. from its meat exports, although the high costs of protecting its trade routes through Mozambique have affected its net export earnings.

Through the ORAP 'development education' process, member groups have become well aware of the factors outside their control, and outside their government's control, which limit the scope of rural people's development — as the following extracts from ORAP reports make clear:

The economic system and the investment pattern have perpetuated minority control of the nation's resources, leaving the vast majority, who are based in the rural areas, poor and with little chance to break out of the system.⁴⁷

... it is important for us to note that the poor are not developing in isolation. The fact that they are late-comers in this game of development puts them at a very big disadvantage in that, unlike the developed sectors, they are having to struggle against domination, manipulation, poverty and powerlessness.

Therefore, all those who support us in our work have to be clear whose side they are on. They have to understand the local as well as the global structures under which we live, in which developed countries are directly involved in our local politics and development strategies, for the most part to ensure that their interests are not threatened.

Rural people want to develop. For them, development is a process in which

(the factors causing) underdevelopment are stopped and reversed ... there is no neutral partner in development. If we are all to be on one side, some local and international interests will have to give up some of their power and control over village people and the resources they need for development.⁴⁸

Describing the ways in which popular participation in development is limited by forces beyond village people's control, ORAP's coordinator wrote,

Zimbabwe has, over the last few years since Independence, recognised the need for people to participate. But it inherited economic structures which inhibit popular participation. Like all Third World countries, although not to the same extent as many, Zimbabwe is often forced to pay its external debt first, before it responds to some of its most needy rural sectors. This ... is partly responsible for government's cut back in national subsidies on basic foods and other commodities, as well as foreign currency allocations necessary for importing some of the materials and machinery and materials which may be needed to boost rural development efforts. These are some of the obstacles which are not only beyond rural people but also beyond government. They are international problems ...⁴⁹

Development and destabilisation

Landlocked, with minority and foreign interests dominating its national economic affairs, and tied by its export orientation to a global trading system which favours developed economies, Zimbabwe is vulnerable both to South Africa's regional policy and to the precarious world of international trade.

It is against this background that the adverse effects of South Africa's regional policy should be seen. The whole process of "Growth with Equity" has been directly affected by the war in Mozambique and by South Africa's hostile economic and military actions against Zimbabwe. Destabilisation has cost Zimbabwe an estimated \$8,000 m. between 1980 and 1988.⁵⁰ It has been estimated⁵¹ that without war in Mozambique, and with the same rate of foreign resource inflows as have come into the country, Zimbabwe would have averaged an economic growth rate higher by some 2.5—3.0 per cent during the 1980s. This would have enabled the government to have sustained its investment in health and education, and it would also have been possible to settle many thousands more families on the land which the government has bought for resettlement. Lynda Chalker, then Minister responsible for southern African affairs at the Foreign and Commonwealth Office, said in May 1989,

It is ... undeniable that Zimbabwe and its landlocked neighbours remain vulnerable to South African economic pressure. These are very real problems, and they should not be glossed over.⁵²

Case-study 2: Malawi

Malawi has always been a very poor country, with one of the highest mortality rates among children under five in the world.⁵³ Without any exploited mineral resources (except coal), it relies on its agricultural potential and on its other principal resource — labour.

A number of factors lie behind the poverty in Malawi. By far the most important is the growing problem of land hunger in the 'customary land' areas where 80 per cent of the population live, dependent on small scale-agriculture.

Malawi has long been densely-settled, but successive national economic development strategies, both before and after independence in 1964, have exacerbated poverty. This is because the country's land and labour resources have been exploited in the interests of the ruling authorities, rather than in the interests of the poor.



Drying pounded cassava at Mponda Village in central Malawi. Many of the poorest households in Malawi are headed by women.

(Jeanne Fitzsimmons)

Tea pickers weighing their baskets at a tea estate in Mulanje District, Malawi. Working on the commercial agricultural estates has long been an important way of surviving land hunger.

(Jeanne Fitzsimmons)



From the late 1970s onwards new pressures on the poor have emerged. Falling world commodity prices have undermined the Malawian economy (Malawi depends on the export of agricultural commodities for over 90 per cent of its foreign earnings). This has been a key factor leading the country into debt. In order to meet its debt-servicing obligations, Malawi has embarked on a structural adjustment programme supported by the IMF and World Bank. Although this did not involve major shifts in existing government economic policy, nevertheless the poor have been adversely affected by some of the structural adjustment measures, and it is still far from clear whether Malawi's economic health will ever recover. All this has coincided with the enormous social and economic costs which Malawians are paying for the conflict in Mozambique.

Land hunger, migrant labour, and export-crop dependency

Land hunger, affecting the poorest people, has reached alarming proportions in much of southern and central Malawi. About a quarter of rural households are nearly landless,⁵⁴ and about two-thirds of the population live on land holdings which are too small to provide a full year's food requirements.⁵⁵

Esme Justin's story

Esme Justin is a woman living in Mulanje District of southern Malawi. She is one of the many people involved in an Oxfam-funded action research programme aimed at helping rural people to identify the development obstacles that confront them. Her story illustrates the complex barriers to development which countless poor Malawians face: problems which are getting worse with time.

Esme is in her mid-twenties. She is the head of her household and has four children. Her husband works in Blantyre, but Esme has not heard from him for seven months and now believes that he has simply "run out" on her. Esme worries that if her husband does not return soon, his relatives may ask her and the children to leave their home, because the land belongs to them. She does not know where she will go if this happens, because her own family have left the area and she does not know where they have gone. Even if she did know, she would find it difficult to afford the transport costs to go very far.

Three of Esme's children are of school age, but none of them attends school, because she cannot afford the fees. Last year, they ran out of food two months after their annual harvest. Esme has a small 'garden' (landholding) of approximately one quarter of an acre, in which she cultivates maize and beans. In addition to the small size of her garden, another factor which affected her harvest was drought during the previous growing season. Worse still, Esme was reaching the end of her most recent pregnancy during last year's cultivation season, when all the heavy work had to be done. As a result, she was unable to look after her garden as well as she had hoped.

For nine or ten months of each year, Esme relies on 'ganyu', the informal means whereby better-off peasant farmers employ the labour of the poor in need of 'off-farm' incomes, normally on a seasonal, piecework basis. But because of the drought, ganyu has been scarce; and this year, as a result, Esme's family has had to go without food, often for two days at a time. This coming harvest is likely to be worse than last year's, because Esme and her children have begun to eat the maize cobs from their garden even before they were ripe.

Esme says that land shortage is her main problem. She stresses that the drought and her pregnancy last year worsened their situation, but that the core of her problem is lack of access to sufficient land. Esme cannot afford fertiliser, which could give her higher yields, and she is too poor to be eligible for government credit with which to buy fertiliser.⁵⁴

At the same time, about 14 per cent of cultivated land is thought to be in the commercial estate sector.⁵⁷ Even in the very unlikely event of this land being redistributed to peasant farmers, it has been estimated that this would only alleviate land hunger for ten to fifteen years, unless sustainable methods for improving smallholder agricultural productivity can be found.

There is a long-standing tradition of labour migrancy. Driven by rural poverty, most migrant workers stay within Malawi, working on the large commercial agricultural estates which produce mainly for export. This is one way in which the poorest rely directly on the country's commodity trade. Others rely on the commodity trade via the local system of informal rural employment — known as 'ganyu' — whereby the poor do casual piecework on richer peasants' land, some of which is used for growing export crops.

A historical overview will illustrate how Malawi's modern political economy retains many essential features from the past.

The colonial era, 1891—1964

The British Protectorate of Nyasaland was established in 1891. Under colonial rule, three economic categories were deliberately fashioned to help the colony pay its way: the commercial plantation sector; the peasant sector, which included cash-crop as well as subsistence production; and the migratory labour revenue sector. Poverty was woven into all three of these interlinked sub-economies.

The plantation sub-economy was the first to develop, and it helped to create both land hunger and the highly disruptive institution of migrant labour. The plantation economy was encouraged by the early colonial authorities, who wanted to make the colony self-sufficient, and believed that African agricultural practice, based on shifting cultivation techniques (which are now widely acknowledged to be environmentally sustainable, where there is sufficient land), were primitive and wasteful. Accordingly, the colonial government facilitated the transfer of large areas of 'customary land' from the peasant population to European settlers.⁵⁸

But even then, world commodity prices were unstable, and the territory's landlocked position meant that the costs of transporting produce to the coast were high. The colonial government saw that the future of its enclave, export-oriented, plantation economy depended on plentiful supplies of very cheap labour. Accordingly, it pursued a number of policies to force men away from traditional production cycles and into the export crop sector. Much of the land given over to the European settlers was not expected to come under plantation cultivation. Rather it was appropriated so that the colonial state could exact rent from the large numbers of people living on it. The rent thus 'owed' was payable in labour. This much-hated system of

labour recruitment was, and is still, known as 'thangata'.

Wherever Africans occupied good land which the settler farmers wanted to bring under cultivation, they were moved either to less productive parts of the plantation or to 'Crown Land'. People living on Crown Land were subject to a 'hut tax'.

Given that selling one's labour was virtually the only way to earn cash, the end result was the same, whichever category of land people happened to be living on. African males were forced to seek waged employment in the European economy. However, even then Nyasaland was a weak state compared with others in the region, and this was to give rise to an ironic conflict of interests..

The demand for labour from Nyasaland's own plantation economy was substantial: by 1895, for example, some 17,000 acres were under coffee.⁵⁹ However, the very measures which the state had taken to force people to work on the plantations were so exacting that many men chose to earn their cash in neighbouring colonial economies instead. The high level of peasant taxation, the state's heavy-handed methods of tax collection (which amounted to forced labour in many instances), and its low-wage policy created enormous stresses on the rural poor. They made the recruitment offers from the mining and commercial agriculture sectors in South Africa and Rhodesia seem attractive alternatives.

Thus, from the early 1900s, a tradition of 'out-migration' from Nyasaland (which had already started even before the imposition of colonial taxation) was firmly established. It was to remain a key feature of Malawi's political economy up until the mid-1970s: by 1972, approximately 30 per cent of the adult male population was working outside the country.⁶⁰

The tradition of out-migration began with the colonised people exercising rational choice between the limited options open to them. However, the colonial government was to capitalise on it, as the revenue from migratory labour became an important sector of the economy.

Rising out-migration, from 1903 onwards (when the Witwatersrand Native Labour Association first began to recruit labourers in Nyasaland), led the white settlers in Nyasaland to complain afresh that they were short of labour; but the colonial government saw advantages to it. The local coffee industry had collapsed in 1902, due to drought, plant disease, and competition from Brazil, and having largely destroyed the cohesion of the local African agricultural systems, the colonial government had a labour glut on its hands.

Although the government made some attempts to control out-migration (under pressure from the settler community, who were turning from coffee to cotton, tobacco and tea), over the next four decades its policy was to prove

inconsistent. For economic and political reasons, it was impossible to reconcile the contrary pressures of labour needs for the plantation sector and the benefits to government revenue from migrants' remittances.

On the economic front, Nyasaland's plantation sector was dogged by cost inefficiency, unstable commodity prices (cotton and tobacco prices collapsed in the early 1930s), and by the high transport costs created by the territory's landlocked position. On the political front, Nyasaland was always a low priority for Britain in a region where it had much more important stakes — in labour-hungry South Africa and Rhodesia.

As a result of land theft and the damage done by colonial interests to the traditionally evolving peasant agricultural economies, particularly those in the southern and central areas of the territory, a deep crisis of social dislocation and poverty had been engineered. Village households were suffering from man-made shortages of labour, land, and food. From the early 1900s, as the plantation sector declined, the government abandoned its previous policies towards smallholder production, and began to encourage peasant production for export. For those peasants still living in the well-watered areas of the country, this became a preferable alternative to migrant labour as a way of paying taxes. However, in most of the country it meant a reduction in the quantity of subsistence crops which could be grown.

Thus, the colonial government's attempts to foster economic development by finally turning to the African farming households for the production of export crops came too late to be an unqualified success. Largely as a result of the excesses of former strategies, and inadequate extension resources, the policy of building up the peasant export-crop sector was unevenly implemented. A disaster brought home the point that economic development based on such extreme levels of exploitation cannot be sustained.

In 1949, a famine, probably the worst in the region's history, laid bare the extent to which African society had been undermined by colonial policies, and forced a reappraisal of sorts. Although the official famine relief measures were seriously inadequate and misconceived,⁶¹ the colonial authorities were at least forced to realise that food security must be assured as a precondition for further development of the plantation- and peasant-sector export trade. Also, the 1950s saw an improvement in world commodity markets.

In the late colonial period, when Nyasaland was part of the Central African Federation (1953-1963), along with Northern and Southern Rhodesia, it was seen as the 'poor cousin' — not much more than a picturesque labour reserve. Although the peasant cash-crop sector had become established (and 'thangata' was officially abolished), nevertheless it was difficult for the poorest to benefit from it, and migrant labour remained an important option.

Post-independence, 1964 — 1980

When Malawi came to independence in 1964, it had a highly distorted economy oriented to the export of crops and labour, and based on deep, structural poverty. Yet Malawi's fast economic growth during the 1970s earned it a reputation as an African 'economic miracle'. This reputation, which lived on longer than it deserved to, was achieved by effectively reversing the policies of the later colonial period. Beginning in the late 1960s, the plantation (estate) sector was boosted at the expense of the peasant smallholder sector.⁶² Tobacco, tea, and sugar were identified as the export crops most suitable for production.

Investment during the 1970s in the large export-crop estates was made possible by changing the pattern of labour migrancy, and was funded by taxing peasant agricultural production, as well as by raising big loans from the country's two commercial banks. Malawi's 'economic miracle' was therefore achieved at the expense of not investing in sustainable economic development and food security for the poor on their own land.⁶³

During the 1970s, labour migration trends altered dramatically, as out-migration largely became replaced by internal migration. Out-migration peaked in the early 1970s, and the consequent reduction in numbers has been due to a number of factors. Key among them were changes in South Africa's Chamber of Mines employment policy; the long liberation war in Zimbabwe, which deterred migrants from Malawi; a plane crash in the mid-1970s in which a number of migrants returning from South Africa lost their lives; and supply constraints imposed by the Malawian government so as to redirect labour back to the estate sector.

The expansion of the estate sector successfully absorbed the thousands of migrant workers returning from abroad, and during the boom years it also managed to absorb labour from the land-hungry areas.

Peasant crop production was taxed through the operations of ADMARC (the Agricultural and Development Marketing Corporation), the parastatal company which then had sole responsibility for the marketing of cash crops and the provision of credit and inputs to the peasant sector.⁶⁴ During the 1970s, the considerable profits which ADMARC had accumulated through its taxation of peasant produce were mainly invested in the estate sector,⁶⁵ thus further undermining the viability of peasant production.

Government economic development policy in the 1970s: effects on the poor

The rapid development of the estate sector during the 1970s deepened Malawi's structural poverty in three main ways. Firstly, by paying deliberately low prices for peasant agricultural produce, and by granting

private individuals and companies the ownership of leases on 'customary' land, the economic development strategy of the 1970s undermined the peasant agricultural sector, which had begun to get established during the late colonial period. In turn, this reduced rural people's economic options and security. Overall, national *per capita* food production declined between 1960 and 1980, and recurrent localised food shortages became commonplace.

Secondly, the economic development policy pursued during the 1970s increased dependence on waged labour in the estate sector. During the 1980s, this proved to be a liability for the poor. Peasants (men and women) moved into estate employment because of the state's deliberate manipulation of pricing structures in the peasant sector (making most cash-crop production on limited land holdings uneconomic), and because of land hunger.

But Malawi's post-independence 'export boom' was short-lived, lasting only from 1964 to 1978. Following the second 'oil shock', the country's terms of trade declined by a third during 1979 and 1980. A financial crisis was immediately precipitated in the tobacco commercial estate sector, and the country's two commercial banks were found to be particularly exposed — with over 40 per cent of their portfolio out on loan to the tobacco estates. It rapidly became clear that this strategy offered little more sustainable security for the land-hungry poor than the emphasis on the plantation sector had done nearly a century before.

And thirdly, the development strategy of the 1970s wasted scarce resources which could otherwise have been invested in diversifying the economy, and in the development of crops and cultivation methods which could help overcome the principal development constraint facing the poor — land hunger.

Official development aid fails the poorest

Alongside the deliberate expansion of the commercial estate sector ran a parallel programme for the peasant sector, largely paid for by foreign aid. Based on the mistaken assumption that a separate rural development programme for the poor could compensate for the massive emphasis on the estate sector in national economic policy which effectively squeezed them, this approach could not yield the hoped-for results.

Although moderate improvements resulted for the better-off peasant families, little was achieved for the poorest. The World Bank was to reach much the same conclusion when it reviewed its Malawi aid policy towards the end of the 1980s.⁶⁶

Initially, from 1968 to 1977, there were four large Integrated Rural Development Projects (IRDPs) in the country, three of which were financed by the World Bank, and the fourth by the West German government. The

main IRDP, in the Lilongwe area, was the first-ever IRDP to be supported by the World Bank, and was an important testing ground for future World Bank policy.⁶⁷ The idea behind these programmes was to raise the living standards of the poor by simultaneous investment in various rural sectors, mainly agricultural production. In all four of the IRDPs, the two key areas of emphasis were investment in agricultural services (in which credit was an important component) and training, as well as infrastructure — such things as roads and crop-storage facilities.

By and large, the IRDPs failed to meet their own objectives. The Lilongwe scheme, however, at least fared better than the Lower Shire Valley scheme, which attempted to increase cotton and food production. In this scheme, the better-off farmers benefitted at the expense of the poorest. The poorer households, those which lacked enough land on which to grow both their year-round food needs and cotton, were forced to withdraw from the scheme: it presented them with unacceptably high risks.

Those who decided to give over some of their land to cotton then had to rely on their cotton earnings to buy food. Because of a declining national food surplus, food prices were rising higher than cotton prices. Furthermore, the Lower Shire area is drought-prone, and for those who could not afford any form .

The better-off farmers benefitted for two main reasons: firstly because they could afford the risks without compromising their household food supply; and secondly because, overnight, the poorer farmers who had withdrawn became cheap agricultural labourers. Overall, the IRDP phase of Malawi's development aid history was found to be unsatisfactory by the donors, principally because it was too costly for the proportion of the population that it managed to cover (about one-fifth). In its place a cheaper model was planned, and extended to the rest of the country. The key components of the new model continued to be infrastructure development, extension and credit.

Thus, the National Rural Development Plan (NRDP) was launched in 1978. It too failed according to its own objectives (and in the judgement of World Bank evaluation reports of the late 1980s), because much stronger forces were pulling in the opposite direction from a consistent national emphasis on investing in sustainable development for the poor. The country's need to adjust to the deteriorating macro-economic trends of the 1980s conflicted directly with the long-term development needs of the poor.

Debt

By the end of the 1970s, Malawi had started to get into debt. By 1987 Malawi's total external debt was \$1,363 m., a figure greater than the country's

GDP for the same year (\$1,110 m.).

The country's debt-servicing problem dates back to its economic crisis of 1979/80, when it became obvious that the government's economic development policy of the 1970s was unsustainable. The main elements of the 1979/80 economic crisis were the country's extreme vulnerability to falling tobacco prices; the generally declining international terms of trade; financial mismanagement in the estate sector; a series of major investments in non-productive prestige projects during the late 1970s; and a failure of the rains in the 1979/80 season. Malawi's 1979/80 economic crisis could not have come at a worse time. Just after the government had started to borrow heavily on commercial terms,⁶⁸ international interest rates spiralled upwards in response to recession in the North and the growing US budget deficit.

As a consequence, Malawi's debt burden grew particularly sharply from 1979. Debt service had climbed to \$89 m., equal to 27 per cent of the export of goods and services by 1981. Recognising that this level was unsustainable, the government negotiated the first rescheduling of its debt repayments through the London and Paris Clubs⁶⁹ for 1982 and 1983, and entered into structural adjustment agreements with the World Bank and the IMF. Since then, the external forces affecting the national economy have also worsened the debt burden. The 1980s brought a further deterioration in the country's international terms of trade (due in part to the grave economic consequences of conflict in Mozambique), together with a cyclone, earthquake, drought, and floods.

It is increasingly hard to see how Malawi will ever be able to achieve sustainable growth and equitable development while attempting to manage its foreign debt. Despite a number of substantial rescheduling agreements with its creditors, and favourable concessional flows, current projections are that a substantial proportion of the country's revenue will continue to go on servicing obligations over the next decade.⁷⁰

National economic policy 1980 — 1990: adjusting to a hostile economic climate

National economic development policy during the 1980s was mostly concerned with trying to cope with the effects of worsening terms of trade, debt, and destabilisation on an unsustainable economic structure. Malawi has embarked on a long-term structural adjustment programme with the IMF and the World Bank, in return for sizeable loans.⁷¹

This programme has been complex and diverse in nature, as indeed are the macro-economic shocks it is designed to help Malawi to adjust to. The structural adjustment prescription, aimed at enabling the economy to meet

balance of payments targets, has involved a number of measures.⁷² Some have been singled out for their adverse effects on the poorest.

In order to make Malawi's traded commodities more competitive on the world market, there have been currency devaluations. In an attempt to enhance production from the smallholder sector, the nominal producer price for maize has risen. In order to reflect the 'real costs' of agricultural production, and 'liberalise' government involvement in the economy, the subsidy on fertiliser has been removed and the prices of some basic household essentials, such as cooking oil, have been decontrolled. Further, the local marketing operations of ADMARC (the parastatal organisation responsible for the inputs and marketing of hybrid maize in the smallholder sector) have been curtailed. In the hope of promoting efficiency in the internal marketing of maize, the staple food, ADMARC's monopoly over outlets was broken, so as to legalise and increase private traders' share of the internal maize market.

However, from the point of view of helping the poorest now and in the future, there are three serious problems in Malawi's economic situation which have not been addressed.

Firstly, as is the case with all structural adjustment programmes, debt-distressed Malawi has undergone far-reaching economic reforms, yet many of the underlying reasons for its indebtedness are the product of the global economic and trading system dominated by the industrialised North.

Secondly, as has been the case with most of the structural adjustment prescriptions experienced in the SADCC region, insufficient account was taken of the economic realities of the regional situation after 1983, when MNR sabotage of Malawi's trade arteries started to take effect. Malawi's structural adjustment policies were not modified with an eye to the costs of conflict in Mozambique, nor with an eye to SADCC's development priorities — both of which have profound implications for Malawi's economy.

And thirdly, insufficient consideration was given to the nature of poverty in Malawi, least of all by government. The importance of land hunger was not taken into account, particularly how it limits people's ability to respond to agricultural production incentives, and makes them vulnerable to some liberalisation measures, such as the removal of subsidies.⁷³

The effect of adjustment on the poor: Oxfam's experience

Some of the policy changes led by the structural adjustment programme were welcomed by the development community. For example, pressure was brought to bear on the operations of Press Holdings, the large holding company owned by the President, which had controlling interests in numerous agricultural estates, businesses and services. Also, the focus of

A polio rehabilitation programme in Malawi which, alongside a mass immunisation scheme, concentrates on children.

(John Clark / Oxfam)



government economic policy has been redirected towards giving greater priority to the smallholder sector.

However, as has happened in other poor African countries, a conflict has emerged between the need to adjust to macro-economic pressures and the need to transform the country's economic structures in favour of the poor. Furthermore, it is Oxfam's experience that the process of adjusting to the macro-economic factors has had adverse effects on the poorest.

Currency devaluations

Currency devaluations, together with the decontrolling of prices on basic commodities, have led to a marked fall in the real value of officially controlled wages (since Malawi's local manufacturing base is heavily import-dependent). For example, by June 1987 the cost of soap had risen by 25 per cent against the previous year; the price of cooking oil — now well beyond the reach of the rural poor — went up by over 100 per cent over the same period.

At that time, the government's low-wage policy meant that the official minimum wage was pegged at the rate of 77t (21 pence) per day for rural workers, and MK 1.05 (28 pence) per day for urban workers. Thus, to keep a family in maize meal for a month was costing rural people up to more than four times their total monthly earnings (assuming that they could find full-time work, which many could not).

The government announced a rise in the minimum daily wage, effective from May 1989, to help compensate for the high increases in the cost of living over the previous three years.⁷⁴ However, over the same period, there were three major devaluations of the kwacha, and the rate of inflation rose from around 15 per cent to almost 32 per cent.⁷⁵

Price incentives for the smallholder sector

The raising of the producer price for maize will indeed have brought some benefits to the better-off smallholders. By and large, those who have enough land for both subsistence and cash cropping, who can afford a margin of risk in undertaking cash-crop production, and can attract the credit necessary for the inputs to produce hybrid maize have been able to take advantage of this price incentive measure. In so far as these better-off smallholders will be in a position to supply 'ganyu' work to poorer people, these measures will have had some 'trickle down' effect.

However, the rise in fertiliser prices (caused by destabilisation sending up import prices, the removal of the fertiliser subsidy, and the effects of devaluation — all of Malawi's fertiliser is imported) has meant that the rising cost of the inputs necessary for the production of hybrid maize has offset the incentive to a considerable extent. In October 1989, for example, the government announced sharp increases in the prices of fertiliser and maize seed which outstripped the modest rise in the maize-producer price (even though world prices for fertiliser fell by over 50 per cent in the 1980s).⁷⁶

Liberalising agricultural markets

The 1987 cutbacks in ADMARC's maize-selling operations have also had adverse consequences for the poor. World Bank experts were correct to conclude that ADMARC's poor financial performance during the early 1980s needed attention. The root of the problem lay in the fact that ADMARC had been obliged to add a number of commercial agricultural production operations, including the management of some estates, to its former role of providing inputs, taxing, and marketing output from the smallholder production sector. But there was no corresponding change in its budget and management structures..

Oxfam's experience of ADMARC's rural maize-marketing operations, the aspect which is most relevant to the needs of the poor, was that it provided a comparatively efficient service. ADMARC depots, located throughout the rural areas, sold maize to all comers at the official fixed price. Oxfam fieldworkers felt that the rapid cutting back of ADMARC's role as an outlet for maize in the rural areas, especially during the 'hungry season' when the poorest need to buy food, was a serious error which affected food security.⁷⁷

Partly as a result, the price of maize rocketed in 1987.⁷⁸ The price of a bag

of maize, sufficient to feed one family for a month, rose as high as four times the official price in the last few months of 1987.⁷⁹ Oxfam's local assessments of the factors governing maize sale prices during the 1987/88 season indicated that, in spite of nominal controls on pricing, private traders selling maize for consumption had taken full advantage of scarcity in some areas.

Oxfam's overall conclusion is that the results of the adjustment programme, while mixed, have not yielded the breakthrough needed to address the structural nature of poverty in Malawi.

Although the government's track record in supporting poverty-focused development strategies has not been good, the development needs of the land-hungry poorest have also been a casualty of the macro-economic adjustment which Malawi is having to undertake in a hostile external environment.

It is also thought that land hunger has been worsened by the structural adjustment programme during the 1980s. This is because increased export-crop production in the commercial sector, as a spontaneous response to the IMF-designed currency devaluations, has resulted in further erosion of customary land tenure. However, according to a 1989 study,⁸⁰ the most recent structural adjustment programme recognises the role of land hunger as a constraint on economic growth, and a freeze on estate expansion in densely populated areas has been proposed. Also, in 1989 Oxfam received the welcome news that the World Bank, in its dealing with the Malawian government, is "emphasising the need to halt further land transfers to the Estate Sector, intensify land use by estates, and return underutilised estate land to the smallholder sector".⁸¹ But it is quite possible that this is too little, too late. It is most unlikely to be made a conditional issue, because of the vested political interests in the commercial estate sector, and because it conflicts with the export-led growth model which is at the centre of the adjustment prescription for Malawi.

What choices are left for the poor? — Oxfam's experience

In 1987, Oxfam decided to undertake an action research project⁸² in six villages in Mulanje District, an area in south eastern Malawi which is particularly affected by land hunger. The findings illustrate the very limited range of survival options available to the poorest. With land hunger expressed as the principal economic constraint facing poor villagers, the survey found that local people's analysis of their economic survival options were limited to two — both of which present great difficulties for the poorest.

People identified the need to maximise their crop yields on what land is available to them. And they pointed to the need to find sustainable 'off-farm' income-earning opportunities which did not require them to divert scarce

labour resources away from their own farming activities during the peak cultivation season. Migrant labour and 'ganyu', on which so many of the poorest rely for their survival, normally has this distinct disadvantage.

Problems of boosting crop yields

Concerning the potential to maximise yields on small land holdings, various techniques have been tried. These include increased intercropping of nutritious legume crops with the staple crops, and the application of fertiliser and of organic composted materials.

Given the pressure on customary land holdings, Oxfam fieldworkers were not surprised to learn through the community survey that many villagers believe the fertility of their land is declining. One fieldworker reported,

We came across many instances where people, particularly elderly people, informed us that up to fifteen years ago land was more readily available in the area. Hence farmers generally used to be able to leave certain sections of their land fallow each year, and by rotating their cultivation the problem of soil depletion was minimised. With increasing population pressure, whereby land holdings are sub-divided with each new generation, farmers are forced to cultivate their land more intensively, and to over-use marginal lands. Many elderly people informed us that the result of this had been increased pressure on traditional community mechanisms for coping with social stress. They pointed to the increasing number of land disputes brought before the village courts in recent years, and more theft of people's fieldcrops ...

In addition we noted a few cases where, because of land shortage, the traditional system of husbands moving to the wife's village on marriage had broken down, and some women had instead had to move to their husband's village. This, of course, implies a change in gender power relations.⁸³

Intensive intercropping of local varieties of beans and peas with staple crops (principally maize, but also cassava, sorghum, and millet) is practised, and is an important food-security strategy for those with small land holdings. However, Oxfam found that poverty is undermining even this practice.

Many people do extra ganyu after the first rains have started, often for seeds or as a means of earning enough to buy seeds. But people often have to eat the seeds they were saving for planting, and we estimate about 30 per cent of the households in our survey were in this situation. In some places we found that seeds for haricot beans, kidney beans, pigeon peas, and sweet potatoes were particularly difficult to find locally, and this meant people were not able to intercrop and thus lessen their dependence on maize.⁸⁴

Malawi imports all its fertiliser, and this is one of the major imported commodities whose cost has risen as a result of the war in Mozambique and as a result of structural adjustment, wiping out much of the value to producers of the rise in maize prices. The application of chemical fertiliser could have useful results for the poor. This has been recognised by the World Bank's

International Fund for Agricultural Development which, in 1988, funded external costs of \$12.8 m. for a new fertiliser drive aimed at reaching smallholders on government seasonal credit. The fertiliser is sold in packages as small as 10 kg, with the two-fold aim of improving its availability to the poorer smallholders, and of raising the number of smallholders using official credit from the 1988 level of about 200,000 to 400,000.⁸⁵

Although this initiative is welcome, some of the detailed findings of Oxfam's village survey indicate that even this measure will not, of itself, help the poorest. Oxfam reports,

Almost all the farmers in our survey felt that the application of fertiliser on their land would improve yields, but most were unable to purchase chemical fertilisers or to obtain credit to purchase it ... Recently, as a result of the new fertiliser programme, smaller credit packages have been offered, together with 10 kg fertiliser packs (costing MK 14.75, equal to £3.90). But this represents the equivalent of three months' total household income for many people, and is therefore a substantial risk. Many of the farmers felt that the fertiliser pack should come as small as 5 kg, as this would bring the financial risk down to more manageable proportions.

We also found that government credit was often not available for poorer farmers wishing to buy the 10 kg fertiliser packs. The reason for this is that, although in theory credit is available to all, in practice the system used to disburse credit only benefits the better-off villagers — those with holdings of 1.5 hectares or more ... This is because government credit for agricultural inputs is disbursed through a network of Farmers' Clubs, to which only about 10 per cent of farmers belong, because the Clubs are self-limiting. They operate by making each member responsible for indirectly guaranteeing the seasonal loans taken out by other members. As a result, only those with some degree of land security receive credit. Existing Club members consider that poorer people are too risky. The argument given is that if people cannot afford to buy the new size of pack outright, then they would probably have difficulty in paying back the credit.⁸⁶

Problems with 'off-farm' employment

As far as opportunities for 'off-farm' income generation are concerned, the general outlook for the poorest is also bleak. The underlying economic trends have already undermined the commercial agricultural estate sector, which, as the largest employer of labourers from land-hungry or landless families, was at least capable of acting as a 'safety net' for the poor during the more profitable years of the 1970s. Nowadays, however, those lucky enough to earn the minimum rural wage paid on the agricultural estates are no longer working in a boom industry. The former growth in employment opportunities has tailed off, and so the 'safety net' can no longer be expected to catch the new generation of work seekers.

Ganyu labour, on richer peasants' land, is one option open to the poorest. Although ganyu labour means that all but the absolutely landless have to divert their labour away from their own land holdings at critical periods in the cultivation season, nevertheless it is becoming an increasingly important survival option for the poorest. But, because it is an informal mechanism, ganyu is acutely sensitive to local conditions of supply and demand, and is therefore an insecure form of employment. A season of poor rains can mean less ganyu employment when it is most needed. And, as the cumulative effects of national economic decline and population growth result in more work-seekers coming on to the market, ganyu rates of pay may decline because of an oversupply of labour.

Oxfam's survey found that land-hungry people are desperate to find alternative and sustainable 'off-farm' activities to generate income as a supplement to ganyu. However, the very lack of purchasing power in the rural areas makes most forms of local artisanal production precarious.

Longer-term family strategies include making sacrifices to put children through school, in the hope that this will increase their adult earning-power. But this course of action requires cash in hand, and is out of the reach of people in Esme Justin's position. Further, it requires expanding white-collar employment opportunities, and sustained state investment in education — neither of which is happening at present.

International action needed

A number of factors have combined to thwart the hoped-for results of the IMF/World Bank structural adjustment programme in Malawi. The effects of destabilisation (worsened by Malawi's former support of the MNR), land hunger, geographical limitations, low wages, and insufficient secure employment have combined to show that poverty in Malawi has more roots than can be tackled by the IMF/World Bank prescription.

What the poor in Malawi need is structural adjustment in the interests of sustainable development for the poorest. Immediate measures are needed. These should include debt cancellation; land redistribution and a halt to further estate expansion in the most populated areas; economic adjustment programmes which fully take into account the political and economic realities of the southern African region; and a thoroughgoing commitment by the government to widen the survival options facing land-hungry people, and to invest in basic services for the poor.

Case-study 3: Angola

Food, agriculture, and hunger

Agricultural production in Angola has long been affected by upheavals in the country's history. In particular, the devastating consequences of the Atlantic slave trade and of the colonial forced-labour policy caused major disruption to production and economic survival patterns.⁸⁷ Yet Angola has the natural resources to be one of Africa's largest net exporters of food. Indeed, during the 1960s and 1970s, under colonial rule, Angola was exporting sizeable volumes of agricultural produce.⁸⁸

However, during the 1980s, food production in Angola has been declining (see table 9.2). The reasons for this decline can be traced to three interlinking issues: the colonial legacy, policy errors made since independence, and war.

By 1985, household food security had dropped to the point where Angola's Under-5 Mortality Rate was one of the highest in the world, along with Mozambique's and Afghanistan's.⁸⁹

The complex social and economic relationships between food production levels and people's food security require research of a sort which is not possible in war-torn Angola. However, some links are clear. As the UN African Emergency Task Force pointed out in 1988, "The nutritional status of children is overwhelmingly poor, because of insecurity and the agricultural and economic deterioration that causes food scarcity, not only in the war-torn areas, but throughout the country."⁹⁰

The colonial legacy

During the Portuguese colonial era,⁹¹ a dual system of agricultural production was created, consisting of commercial and subsistence sectors. The country's productive land was divided between large, commercial estates, run and

Table 9.2: Angola: indices of food and agricultural production (1979/1981 = 100)

	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
Agricultural production per head	94.31	91.95	89.99	87.49	86.29	85.84
Food production per head	95.81	94.22	91.44	89.77	88.34	87.34

(Source: EIU Country Profile, 1988-89, p.15, compiled from FAO monthly bulletins, broad estimates only)

controlled by settlers; smaller commercial settler farms; and peasant holdings. The commercial farms grew most of the export crops (coffee, cotton, palm oil, sugar, bananas, citrus fruits, sisal, maize, and tobacco). They also grew much of the cities' food requirements. The peasant producers grew mainly for their subsistence needs, but from the mid-1950s to the early 1980s, as the market economy developed, the peasant sector also marketed food and export crops.

Various colonial policies had ensured that both sectors grew to be heavily dependent on the skills and resources of the settler community. The commercial sector was deliberately developed by the Portuguese colonial authorities to encourage white settlement, and to make the colony pay its way through agricultural exports. Substantial measures were taken to build up the export sector. In many reported cases, peasant communities were forcibly moved from their traditional land holdings to make way for commercial farming enterprises. Economic incentives included investment in land grants, large irrigation schemes, infrastructural development, agricultural research and extension facilities, and various loans and subsidies, most of which were available to settlers only. Cheap and, in many cases, free African labour was also guaranteed by the colonial authorities, to the detriment of peasant production. Furthermore, the policy of job reservation ensured that much of the semi-skilled work on the commercial farms went to illiterate and unskilled settlers, thus blocking any opportunity for African farm workers to gain managerial and technical expertise. Lastly, preferential credit and marketing facilities policies ensured that settler farmers were generally paid a higher rate for their produce than African farmers were.

The peasant sector was also dependent on the settler community, because the rural marketing system was entirely run and controlled by Portuguese 'bush traders'. These traders travelled the country to buy up surplus produce around harvest time. They knew what crops were ready when, and where they were grown. They also traded in basic consumer goods from their village stores. Using a barter system, which sometimes involved extending credit to be redeemed at harvest time, the traders exchanged crops for goods such as cloth, lamps, blankets, seeds, fertiliser, and agricultural tools, and essential commodities such as salt and sugar. Like other settlers, the traders also left in a hurry. They took with them their knowledge of the crop cycles and marketing circuits, and whatever capital and assets they could. Thus the rural market economy was thrown into confusion. Peasant producers were suddenly left with little or no incentive to produce surplus crops.

As a result of the way in which the commercial sector had been developed, it collapsed when the settler farmers left after independence in 1975. Tens of



Pounding maize at a resettlement centre for war-displaced people in Angola's Huila Province, 1987.

(Akwe Amosu)

thousands of farm labourers were suddenly without work, farm machinery lay idle, and large herds of livestock were unmanaged.

Against this background, war could only make disaster a certainty. Since the liberation struggle began in the early 1960s, the only peaceful period Angola has known were the years between 1976 and 1980. It is therefore hard to separate one set of causes from another when apportioning weight to the various factors involved. However, as successive development and relief assessments have recently pointed out,⁹² not only has warfare directly affected agricultural production, but it also presented enormous obstacles to the implementation of any new policy measures to improve production.

Post-independence policy failures

The independent government's early policies to rehabilitate the large estates and the rural trading network, through state enterprises, failed disastrously. The massive economic dislocation of the immediate post-independence period, combined with the acute shortage of appropriately skilled people, compounded policy errors and undermined agricultural production for years

to come.

The commercial farms became registered state companies, but the state could not provide the experienced and skilled personnel necessary to manage them, and to maintain the mechanised equipment. Productivity rapidly dwindled, as did national earnings from export crops. By the early 1980s, it was clear that the few remaining commercial farms had only survived because of costly state subsidies.⁹³ Independent Angola had not had the opportunity to invest in training and education to the required level.

The nationalised marketing system has been dogged by inefficiency and lack of resources. Transport was inadequate, and the state could not maintain sufficient supplies of consumer goods in the rural areas. When a private trading system of sorts resurfaced, often providing goods which were not available within the state marketing system, government responded at first with unpopular attempts to force peasants to sell surplus produce only to the state. Later the black market became more widely tolerated.

As the supply of consumer goods for barter became more erratic, the state tried unsuccessfully to monetise the rural economy. Immediately after independence, the producers, used to the economic security of the barter system, and aware that cash earnings were of limited value when there was so little to buy, responded by opting out of surplus production. Occasionally, when consumer goods became available, farmers offered limited quantities of produce for barter. Between 1976 and 1980, the years of comparative peace, surplus market production rose again, only to vanish after 1980 as a result of war. The government had to start importing large quantities of food to feed the cities. On top of this, the government's war-induced economic austerity measures of 1985 further curtailed the importation of both essential consumer goods and staple food for the growing urban and uprooted rural population.⁹⁴

Drought

Given the extent of economic breakdown and population displacement in Angola, the regularly occurring periods of drought are of special concern. Moreover, given the dominance of the black market and the barter trading system over any more conventional means of internal marketing and trade, grain has become an important currency in many areas as well as a subsistence food crop — so a poor harvest is a double blow.

In late 1989, several provinces in the south began their fourth consecutive year of drought, and the situation was described by many relief agencies as a potential disaster of major proportions. The 1988/89 drought affected many areas which normally produce a surplus to feed the southern towns. The crop loss was estimated at 60 per cent. Insecurity in the whole area has made it

extremely difficult to assess this disaster adequately. Conflict has also hampered the effective distribution of relief supplies. In 1989 Oxfam approved over £40,000 to help with the warehousing and transport of food aid, and to strengthen the government's emergency coordination service.

Economic reform

In August 1987, prompted by the 1986 fall in oil prices on which Angola depends for 95.6 per cent⁹⁵ of its foreign earnings, and following on from a 1985 reform package, the government announced a new programme of economic reform. The *Saneamento Económico e Financeiro*, the "SEF", which acknowledges many of the past policy errors.

The economic reform plan was reported to have been welcomed in Angola, not least because people hope it will help to eradicate the powerful black market economy which feeds off the lack of effective internal marketing and trading structures. It is intended that the huge and 'invisible' private sector should be legalised, permitting private interests to offer goods and services which were previously heavily restricted by the centrally planned, rigid economic structure. It has also been welcomed by Britain.

In order to gain access to the international financial backing necessary to implement its reforms, the government also applied for membership of the IMF and the World Bank.

For the following couple of years, however, the implementation of the SEF was constrained. There were two reasons for this, both of which would have been virtually sufficient on their own. In combination, they paralysed progress.

Firstly, continuing conflict has not only destroyed food production, but also ensured that the country's skilled personnel, resources, and transport facilities are consumed by the defence effort. If there were an end to the war, trained personnel, vehicles, fuel, foreign exchange, and — most important of all — government priority could all be redirected to national reconstruction and development.

The second reason for the delay in implementing the economic reforms was that, using its power within the IMF's decision-making structures, the US administration blocked Angola's accession, despite being Angola's major trading partner. It is widely thought that the USA used its position of dominance in the IMF, together with its support for UNITA* and its refusal to recognise the Angolan government, as a bargaining chip to exert pressure on the pro-Soviet Angolan government to accommodate UNITA, which it sees as a pro-Western party.

According to Ministerial statements, Britain took a different view, but was



Angola is a country of great economic potential, but government services have broken down because of war and economic policy failures. This is the entire drug supply at a village clinic near the northern town of Uige.

(Jenny Matthews / Oxfam)

not prepared to criticise the US Administration openly. In February 1989, when asked whether the UK government would press the US Administration to recognise the Angolan government and to cease opposition to Angola's membership of the IMF and the World Bank, Lynda Chalker, then Foreign Office Minister responsible for southern African affairs, replied,

United States policy must be a matter for the new President and his team, who are well aware of our position. We see that Angola is looking for sensible ways of becoming financially more robust. We are sure that in the longer term it will need help to do that. We have provided some aid for a number of years, but it is nothing like what will be needed for the change that it will have to undertake. I do not believe that any country will stand in the way of Angola when the right time comes.⁹⁷

Angola's IMF membership application was finally approved in September 1989. The USA was outvoted on the IMF's executive board; the UK voted for Angola's membership.

Peace and effective emergency assistance first

Although the 1987 economic reform programme has been welcomed by many, nevertheless its implementation rests on further reinforcing the government's stabilisation measures. This is at a time when over three

million people within Angola are highly dependent on government and international relief assistance. Many of them would otherwise be producing food in the rural areas.

An end to the war is needed before economic recovery and development for the rural poor can be realised. Rural production in large areas of the country cannot be revived until the transport routes are secure, and people feel safe to return to their land and farm. Even those who have been resettled on land in more secure areas are not able to make a full economic contribution. Research shows that among the displaced people who have been resettled, few are capable of meeting even their subsistence needs. The most fertile central highlands have been the areas most affected by war. In the generally less fertile resettlement areas, land holdings (which rarely exceed one hectare per family) are insufficient for year-round subsistence, and conflict continues to affect the supply of agricultural inputs.⁹⁸

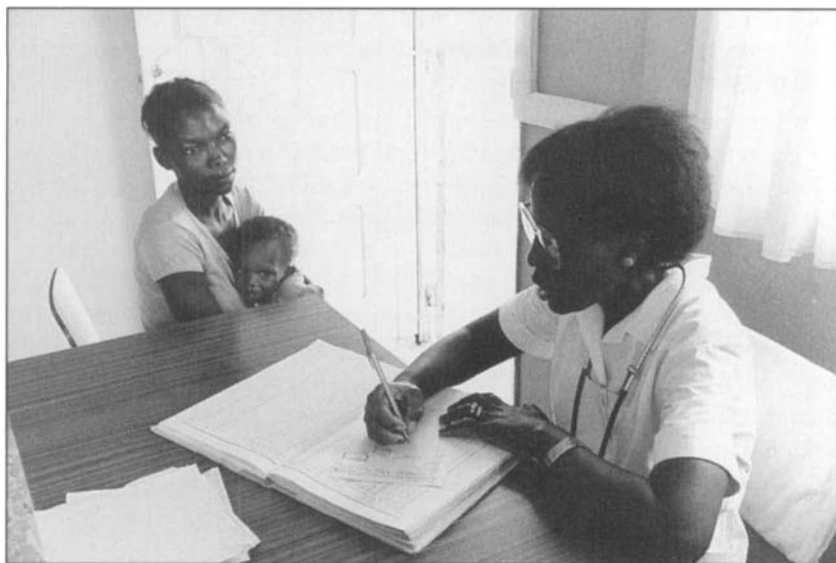
Despite the country's economic potential, the millions of people who have been impoverished by war badly need more relief and reconstruction assistance before long-term economic adjustment programmes can benefit them. They also need the government to give much greater priority to small-scale peasant producers. Current government policy focuses on large production units and industrial workers.

Until there is peace, and a chance for reconstruction and development to make progress, it is important that appropriate international emergency aid is given to help the people most in need. In the long term, however, Angola's vast economic potential should obviate the need for large amounts of development aid.

In the short term, Angola's particular circumstances make even the effective use of relief aid difficult. As various assessments have pointed out, over the last few years the needs for relief, let alone reconstruction and development, have been so great that they could not be properly met by the existing government structures.

Again, the combined effects of colonial history, conflict, and domestic policy have a direct bearing. Still struggling with the enormous handicap left by the colonial authorities' neglect of education and other basic services, the government diverted many of its best-skilled people and organisational resources into defence and the oil industry. In spite of the UN's special focus on the need for resources and personnel to strengthen government relief structures,⁹⁹ inadequate attention is paid to this critical constraint by the Angolan government. This was one of the key reasons why the 1988 UN Emergency Appeal for Angola failed to fulfil expectations on the ground.

Whether the conflict in Angola is ended soon or not, the planners of relief



A clinic run by the national women's organisation in Angola. There was an acute shortage of trained people when the country gained independence. (Jenny Matthews / Oxfam)

aid programmes must seek more constructive ways of ensuring that their assistance reaches those who need it most. In particular, much greater priority must be given, firstly by the Angolan government, to building up the institutions, skills, and management capacity of the relief and development structures. This urgently needed aid should not be seen as a short-term measure. Investment now in strengthening these institutions will be of great help in the enormous longer-term task of reconstruction and development facing the people of Angola, once peace is finally achieved.

Section III

The roles of Britain and the European Community





The role and responsibilities of Britain

Britain plays a particularly significant role in the affairs of southern Africa, because of its colonial past, its present-day links, and its membership of key international groupings. Besides belonging to the European Community, the Commonwealth, and the 'G7' grouping, Britain is an ally of the USA, a permanent member of the UN Security Council, and an influential member of the IMF and World Bank. Moreover, when the Reagan Administration came to an end in 1988, British diplomacy on southern Africa assumed even greater significance, marked by the Prime Minister's visit to the region in March 1989, and the emergence of a new phase of British diplomatic activity on South Africa.

No other country has stronger links with the southern African region than Britain. Given the consequences of South Africa's regional policy, Britain's especially strong links with South Africa heighten its responsibilities towards the whole region, to help resolve the interlinked issues of apartheid, conflict, and economic decline.

Historical links with South Africa

As the colonial power in South Africa, Botswana, Lesotho, Swaziland, Malawi, Zambia, Zimbabwe, Tanzania, and Namibia,¹ Britain bears responsibility for creating those aspects of today's structural development problems which are rooted in the colonial past.² British economic interests were also involved in colonial Angola and Mozambique, both directly and indirectly (through British investments and political leverage over Portugal³).

British interests in Mozambique were particularly strong.

Of all the elements of Britain's long and complex colonial history in southern Africa, its history in South Africa, especially its role in laying the foundations for apartheid, is perhaps of greatest significance to present-day southern African affairs. Although apartheid was introduced by the National Party after it first came to power in 1948, nevertheless the foundations of disenfranchisement and institutionalised racial discrimination at all levels of society had already been laid.

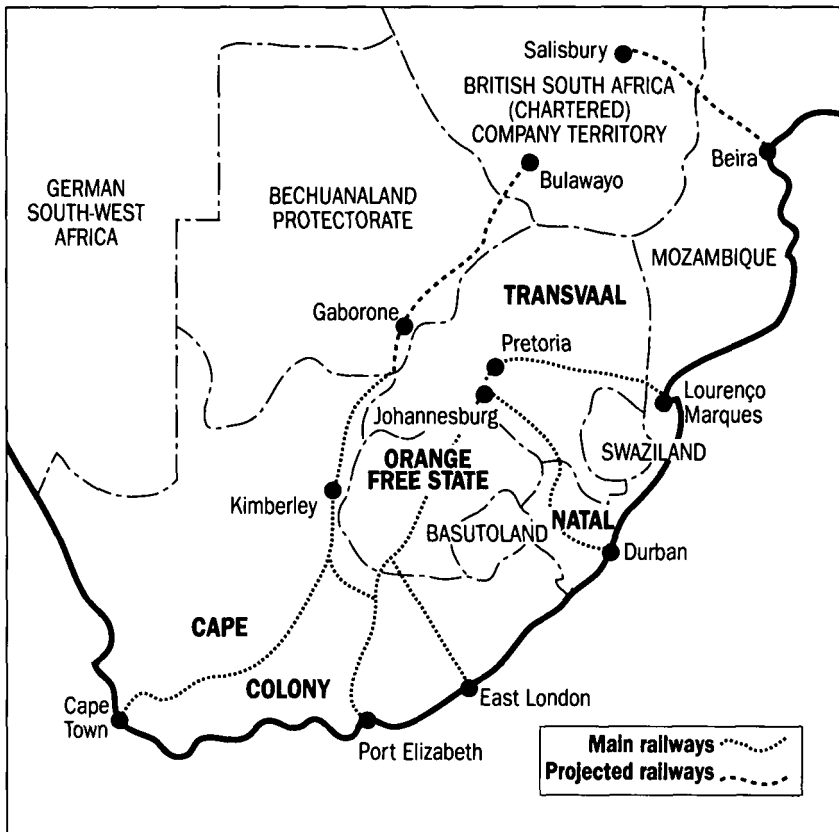
British colonial rule in South Africa, 1806-1910

When Britain took the Cape Colony by armed force from the Dutch in 1806, it was in order to guarantee the security of the sea route around the Cape, on which its lucrative oriental trade, mainly with India, depended. The white settler farmers of Dutch origin (known as 'Afrikaners', or 'Boers' — 'farmers' in Dutch) stayed on, and in the late 1830s they moved northwards en masse to settle land away from British control. They wanted to maintain their accustomed mode of agricultural production, which depended on the labour of slaves imported from overseas Dutch possessions, and from Mozambique. After the Great Trek, the Afrikaners founded the Transvaal and the Orange River Boer Republics (now the Transvaal and the Orange Free State Provinces of the Republic of South Africa) in the 1850s. Britain recognised the status of the Boer Republics, although future conflict over economic spoils was to follow.

The British colonial plan was to relax Afrikaner control over the labour market, and encourage the development of a wage-labour system, in order to fuel industrial expansion at home. Britain wanted to create more overseas markets to buy the goods produced by its booming industrial sector, and it wanted to develop commercial plantation-style farming in its colonies in order to provide its industrial economy with cheap raw materials and to make the colonies self-financing. Hence, slave trading by British subjects was outlawed in 1807 when the moral arguments dovetailed with the economic requirements of the newly industrialised imperial state. In the British Cape Colony, however, slavery was not finally ended until 1838.

Anglo-Boer political relations were already poor when gold was discovered in 1886. As far as the British colonial outlook was concerned, the discovery transformed South Africa from an unpromising outpost necessary for the oriental trade to a key colonial possession of great economic significance. However, the gold-bearing reef was in the Transvaal, and although substantial British investments were pouring into the gold industry, nevertheless political control rested with the Afrikaner government, which was regulating and taxing British mining interests in pursuit of its own

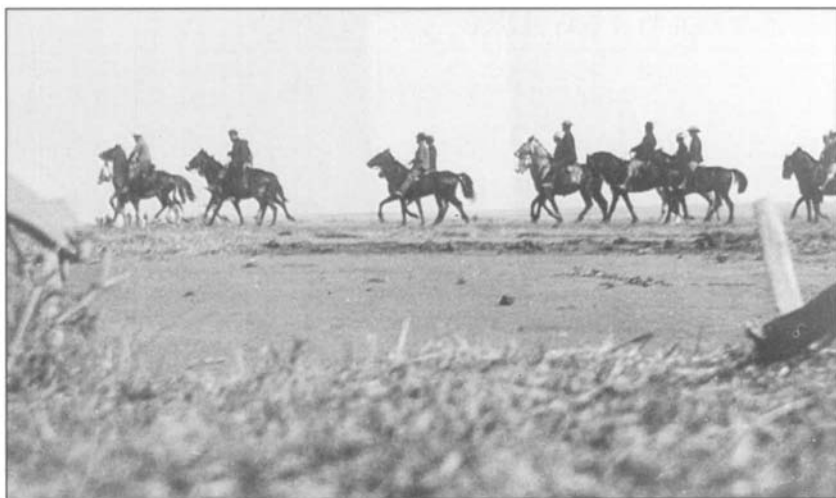
SOUTH AFRICA AS IT WAS IN 1896



political goals. Britain's chief aim in prosecuting the Anglo-Boer War (1899-1902) was therefore to secure full control over the gold mines in the Transvaal.

The terrible brutality of the war was one of the key factors which reinforced the anti-British strands of Afrikaner nationalism. Harsh tactics were used against the civilian Afrikaner population. In particular, the British army attempted to break the Afrikaners' support system and fighting morale by interning thousands of women and children. Over 20,000 people died of starvation and disease while in captivity.

The terms on which the war was settled laid the foundations for present-day apartheid and white minority rule. The 1902 Vereeniging Peace Treaty enabled Britain to consolidate its influence over the mineral-rich Afrikaner



Boer delegates arriving at the peace conference camp at Vereeniging. Photographed in May 1902 from inside a British soldier's tent.

(Leslie Pryce)

territories. But the Boer leaders bargained hard with the British, determined to secure the greatest possible degree of independence, and one of the concessions which the British granted was that of postponing the question of franchise for black people.

In spite of the British crusade against slavery, and British criticism of the Afrikaners' abuse of black people, Britain negotiated a peace treaty which betrayed the interests of the black population of the Boer Republics, and effectively prepared the ground for lasting white-minority rule in the most economically powerful nation of the region.

Many of the black people in the Boer Republics and Natal had assisted the British war effort on the understanding that their political position would improve as a result. (The British had already introduced limited franchise for black people in the Cape Colony — later to be abolished in 1936.) But contrary to their expectations, the relevant clause in the peace treaty read,

The question of granting the franchise to natives (in the former Boer Republics, Transvaal and Orange River Colony) will not be decided until after the introduction of self-government.⁴

Having won the Boer War, Britain gained control of the Boer Republics, and thus extended its rule to cover all of the territory now known as South Africa, which was incorporated into four British colonies. In 1908, a National Convention of white representatives from the four colonies (Cape Colony, Transvaal, Orange River, and Natal) was established to plan the details of a united South Africa.



The all-white Inter-Colonial Conference at Pretoria, 1908.

(The Hulton-Deutsch Collection)

A major issue on which the white Convention could not reach agreement was that of the franchise. Delegates therefore agreed to let the existing systems in the various colonies continue under the Union. Only whites were to be members of the new parliament.

In 1909, the South African Native (National) Convention was called by some prominent black South Africans to counter the conclusions of the white National Convention. They demanded a colour-blind franchise, to include all adult males, and an end to racial discrimination. A delegation of the African People's Organisation (formed in 1902, the first nation-wide political organisation to demand full equality for all South Africans) went to Britain to press their case, but found that few British politicians would support them.

In 1909, the South Africa Act was passed by the British Parliament in preparation for the granting of white self-rule, and became effective as the constitution of the new Union of South Africa in 1910. It closely followed the white Convention's recommendations, except that it maintained the limited franchise for non-white males in Cape Province. Together, the terms of the Boer War peace treaty and those of the Act of Union meant that black South Africans' political rights were given away, for reasons of economic self-interest, by the British colonial administration to the white settlers.

The South African Native National Congress (SANNC) was founded by black South Africans in January 1912, changing its name in 1923 to the African National Congress. Its main goal at the outset was the maintenance of the Cape African franchise and its extension to other provinces, as well as

an end to racial discrimination. In 1914 it sent a delegation to Britain to protest against the Natives Land Act of the previous year, which destroyed the independence of African peasant farmers.

In 1931 British legislation conceded full sovereignty to the Dominions, among them the Union of South Africa, in which white minority rule had become firmly, institutionally, entrenched. When the National Party came to power in 1948, the foundations for their policy of apartheid were already laid.

In 1986, the report of the Select Committee on Foreign Affairs on South Africa summarised the responsibility stemming from Britain's part in the evolution of white minority rule and apartheid as follows:

Despite the United Kingdom's subsequent good record in the process of granting independence, the means by which the white minority in South Africa obtained exclusive control over the government and economy of what is now the Republic of South Africa were largely facilitated by the inadequacy of the legislation adopted by our own Parliament, and the development of apartheid as a legal system was made possible by the British Parliament's release of its responsibilities for the non-white population in 1909.

The re-establishment of the rights of the non-white majority in South Africa must therefore remain a primary concern of the British Government and Parliament. Although the United Kingdom Government has no residual legal powers in the matter, one cannot deny our continuing responsibility to try to ensure that this post-colonial aberration is resolved according to the moral and political criteria to which all the main political parties in the United Kingdom subscribe.⁵

Economic links

Because of its colonial history, Britain has extensive economic links with most countries of southern Africa, especially with South Africa. From the nineteenth-century discovery of diamonds and gold onwards to the present day, Britain's policy towards the wider region has been largely determined with reference to its interests in South Africa.

Although Britain's trade and investment in southern Africa are diminishing in relation to its economic interests in other parts of the world, nevertheless British economic links continue to rank highly as far as most of the southern African countries are concerned. Southern Africa, especially South Africa, continues to be a high-priority foreign policy issue for Britain.

Trade

As we have already seen, the SADCC states and Namibia are highly dependent on international trade. The same is true for South Africa, which

Table 10.1: UK trade with southern Africa (1986-88)

Country	Exports to (£m.)			Imports from (£m.)			Rank by value of 1988 UK exports to Africa
	1986	1987	1988	1986	1987	1988	
South Africa	850.0	949.0	1,075.0 (1,065.0)	829.0	658.0	808.0 (4,632.0)	1
Namibia	3.0 *	4.0 *	4.0 *#	7.0 *	8.0 *	3.0 *#	
Angola	31.0	30.0	26.0	43.0	2.0	10.0	20
Botswana	9.0	10.0	27.0	17.0	12.0	8.0	18
Lesotho	2.0	1.0	1.0	0.2	0.5	1.0	49
Malawi	29.0	18.0	28.0	57.0	44.0	30.0	17
Mozambique	13.0	21.0	24.0	1.0	7.0	6.0	21
Swaziland	4.0	2.0	2.0	48.0	37.0	33.0	48
Tanzania	63.0	92.0	88.0	40.0	26.0	26.0	7
Zambia	78.0	75.0	85.0	28.0	30.0	25.0	10
Zimbabwe	62.0	63.0	58.0	81.0	80.0	86.0	11
SADCC total	291.0	312.0	339.0	315.2	238.5	225.0	
TOTAL	1,144.0	1,265.0	1,418.0	1,151.2	904.5	1,036.0	

* Data unreliable because DTI statistics do not properly differentiate between South Africa and Namibia.

Estimated

(Source: UK Overseas Trade Statistics, DTI. Eurostat data given in brackets.)

has the general trade profile of an exceptionally well-developed exporter of primary products. Table 10.1 illustrates the level of UK trade with southern Africa between 1986 and 1988.⁶

South Africa's foreign trade (visibles)

South Africa's economy is highly dependent on international trade. Although it has a developed manufacturing sector, this is not geared up to export on a scale which challenges the country's reliance on the export of its raw and processed primary products and the import of capital goods. Foreign trade accounts for some 60 per cent of the country's gross domestic product (GDP),⁷ and because new sources of investment in the economy are drying up (see below), South Africa has come to rely increasingly on generating a trade surplus to earn foreign exchange.



South African citrus fruit being loaded for export at Durban docks. (GideonMendel/Reflex)

Seventy per cent of South Africa's exports are mining products, with gold contributing over 40 per cent of export earnings (1987 figures). Coal, iron, steel, and uncut diamonds account for a further 5 – 7 per cent of export earnings each.

The profile of South Africa's imports shows that it is highly dependent on the import of high-technology products, capital equipment, and components for assembly operations. Machinery is the largest import category, followed by transport equipment and chemicals. Oil imports are also vital.

Six industrialised countries (Japan, West Germany, the UK, the USA, Italy, and France) account for some two-thirds of South Africa's visible foreign trade. During the 1980s, however, the ranking of South Africa's main trading partners changed,⁸ as the level of some countries' trade increased, and that of others decreased. According to the UN, comparing 1987 with the 1983-85 average, Japan, Taiwan, West Germany, Italy, Spain and Turkey significantly increased their level of trade with South Africa. Over the same period, South Africa's trade with the UK, Denmark, and the USA decreased.⁹

In 1987, Japan replaced the USA as South Africa's largest export market and first trading partner. In third, fourth, and fifth places were West

Germany, the UK, and France.¹⁰ According to 1988 data given by the statistical office of the European Community, which differ significantly from those of the British Department of Trade (see below), the UK was South Africa's first trading partner, with West Germany in second place.¹¹

Britain's trade with South Africa

Despite Britain's sanctions against South Africa, which were stepped up in 1985 and 1986, and despite decreasing levels of British trade with South Africa from 1985 to 1987, British trade increased in 1988. According to Department of Trade figures, exports rose by 13 per cent, and imports rose (for the first time since 1985) by 19 per cent. However, according to the statistical office of the European Community (Eurostat), the value of Britain's imports from South Africa in 1988 was revealed to be over five times the total value reported in official British statistics for the same year,¹² and seven times the value (as given by official British statistics) of imports for the previous year. The difference is thought to be due to the way in which transit trade in gold and diamonds is accounted for.¹³ In August 1989 the US General Accounting Office, which monitors the Government and the Administration, issued a report which found that South African gold bullion was being imported into the USA, in contravention of US sanctions legislation passed in 1986, via the UK and Switzerland.¹⁴

According to the Eurostat figures, the UK was South Africa's foremost trading partner in 1988. According to Commonwealth statistics for the first nine months of 1988 (based on Department of Trade data), the UK is South Africa's third largest trading partner after West Germany and Japan.¹⁵ Again according to Eurostat data, in 1988 South Africa was the seventh largest source of imports to the UK, and the eighteenth largest destination of exports.

Britain's trade with the SADCC states

The nine SADCC states and Namibia are dependent on South African and Northern trading partners, and do not have large enough economies and populations to provide markets capable of sustaining even the present level of industrial production. Grouped together, they form a bloc capable of sustaining enhanced growth and economic development, and better able to adjust to the changing global environment. SADCC's trading links with the industrialised world remain vital, both now as an essential source of earnings to boost regional integration and national development, and later once the region has been able to develop on an integrated basis.

UK trade with South Africa alone is about nine times greater than its trade with the entire SADCC region (excluding Namibia). However, the UK is also an important trading partner of the SADCC states. Overall, it is a major

source of imports for the region, and a key destination of exports from Malawi, Tanzania, and Zimbabwe (see table 8.1).

Trade credit insurance

UK exports to (and investment in) southern Africa are helped by the insurance facilities extended by the Export Credit Guarantee Department (ECGD). Although it is run on commercial lines, this is a governmental department responsible to the Secretary of State for Trade and Industry. Its chief aim is "help[ing] British exporters to overcome many of the risks in selling overseas", and with an annual turnover of £15 billion, it covers some 20 per cent of the UK's visible, non-oil exports worldwide each year.¹⁶ ECGD insurance covers suppliers' and purchasers' credits taken out by British firms, as normally extended by banks and other finance houses, and can guarantee short, medium, and long-term credit. It fixes its rates of cover for each country according to the commercial risk it judges to be entailed. This is evident in the disparity of ratings given for southern Africa (see table 10.2).

Although the UK government does not provide direct export credits for trade with South Africa, it does, through the ECGD, provide export credit guarantees for privately extended credit. Outstanding export credit debt owed to Britain by the SADCC states totalled £493 m. in 1989.¹⁷ In 1988, the

Table 10.2: ECGD credit insurance ratings for southern Africa

<i>Country</i>	<i>ECGD insurance surcharge (£)</i>
South Africa:	0.37
Namibia:	0.37
Angola:	4.59
Botswana:	0.37
Malawi:	1.24
Mozambique:	Credit insurance unavailable
Swaziland:	0.37
Tanzania:	Confirmed Irrevocable Letter of Credit
Zambia:	Credit insurance available
Zimbabwe:	0.37

(Source: *Africa Analysis*, 1989)

officially guaranteed portion of UK-based banks' South Africa trade credit exposure stood at well over half a billion pounds sterling.¹⁸ While Japan supplies South Africa with the largest amounts of insured non-bank credits, the UK (through the ECGD) supplies the highest level of insured bank credits.¹⁹

Investment and loans

For the last century, South Africa has been the magnet for foreign investment in the region, with Zimbabwe in second place. Most of the private investment which has gone into the SADCC region has come either from Northern-based transnational companies (TNCs), often via their regional headquarters in South Africa, or from South African companies. During the 1980s, there has been a marked disinvestment trend throughout sub-Saharan Africa as Northern-based TNCs have changed their method of operating and their geographic areas of focus.

While the SADCC region has had to rely increasingly on concessional, official sources of finance (see Chapter 8), South Africa has attracted substantial commercial financial flows. However, although South Africa's debt is far less burdensome than that of most SADCC economies, nevertheless it too has reduced the government's room for manoeuvre and is widely thought to be a key factor behind recent political shifts in National Party outlook.

Investment in South Africa

The high international exposure of the South African economy is as strong in the 'invisible' spheres of investment and loan finance as it is in trade.

Foreign direct investment plays a major, although diminishing, role in four of South Africa's key economic sectors. In 1980, foreign ownership in the mining, manufacturing, and trade sectors accounted in each case for about a third, while in finance it was about a fifth. Between 1978 and 1984, long-term foreign investment contributed a third of Gross Domestic Fixed Investment in each of mining, manufacturing, and trade, and just over half in finance.²⁰ However, changes in the world's financial and trading institutions and structures, and the disinvestment trend of the 1980s are altering the nature of foreign involvement in South Africa's economy. This has been helped by the growing levels of indirect (loan) investment coming from abroad.

Since the discovery of gold a century ago, when the technical and financial requirements of the mining industry enabled large foreign-owned companies to flourish and dominate the economy, foreign TNCs have played an especially important role in South Africa's political economy. They facilitate

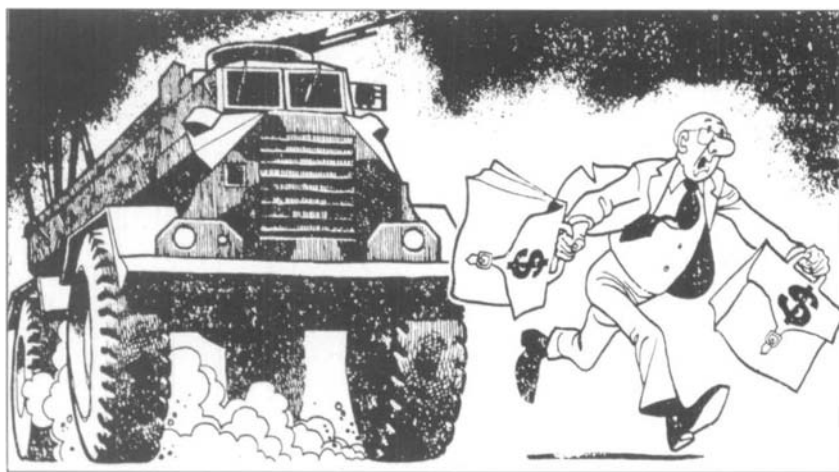
financial flows to South Africa (through transnational banks), and they are especially active in the production, distribution, and external trade operations of mining and manufacturing. In September 1989, after a marked spate of disinvestment, the UN Commission on TNCs reported there to be 535 TNCs with equity interests of more than ten per cent in a company or companies in South Africa.²¹

Foreign TNCs have sustained and strengthened the South African economy, and therefore the country's ruling structures, in a number of ways. They have been instrumental in the process of capital formation and in many other areas: facilitating capital inflow to the private sector; mobilising domestic capital; financing import substitution; introducing advanced technology; introducing technical and managerial skills; providing capital intensive investment; making international trade links; funding, through their taxes and purchase of government bonds, apartheid and state repression (including military expenditure); and helping the government to protect the economy against sanctions.²²

Disinvestment from South Africa

Foreign direct investment started to tail off after the Soweto uprising of 1976, which meant that South Africa then had to increase its international borrowing. During the 1980s, there has been a growing and complex 'disinvestment' trend, particularly marked among US companies. The International Chamber of Commerce estimates that over 500 foreign companies sold their South African holdings between 1985 and 1989.²³

The UN Commission on TNCs finds that there are a number of reasons for



From The Guardian, June 1986

(Peter Clarke/The Guardian)

TNC disinvestment from South Africa. Key among them have been the deteriorating economic situation in South Africa, and public pressure, especially where this has been translated into actions against companies with South African links. In the USA, for example, the anti-apartheid selective purchasing and contracting policies adopted by a number of cities, counties, and states have been effective in causing companies to disinvest. The disinvesting TNCs are concerned to project a more positive public image; to maximise foreign-currency returns on investment, and to keep enough control over their former subsidiaries to allow re-entry into South Africa at a later date.²⁴

According to each disinvesting company's mix of motives, objectives, and opportunities for altering its operations, a number of different modes of disinvestment have been adopted. The most common modes of disinvestment have included selling up to a local South African company, selling to local management or employees, closing down, and selling to another foreign company.²⁵

A substantial proportion of disinvesting companies (about 50 per cent of disinvesting US companies) have retained non-equity ties with their former subsidiaries. So, for example, foreign companies have maintained franchising and licensing arrangements in South Africa after ending their direct investment. This generally permits continued profits at a reduced level of risk.²⁶

A 1989 report prepared for the Commonwealth Committee of Foreign Ministers on Southern Africa found that the impact of foreign disinvestment on financial flows out of South Africa was mitigated by the financial rand system, whereby money leaving South Africa is valued at a far lower rate of exchange than money entering the country. It found that the most significant effect was the undermining of prospects for new direct foreign investment, which is a key reason why loan finance has, during the 1980s, become increasingly important to the South African economy.

Britain's investment profile in South Africa

Detailed official data for the level of British investment in South Africa are not available,²⁷ but estimates based on various sources²⁸ give Britain's total investment (direct and indirect²⁹) as £8,586 m. in 1986, £7,924 m. in 1987, and £6,400 m. in 1988.³⁰ Britain is the largest foreign investor in South Africa, providing around 40 per cent of all overseas investment (80 per cent of the European Community's total investment) in 1986.³¹

UK-based TNCs are the most prominent of all foreign TNCs investing in South Africa. According to the UN Commission on TNCs, of the 535 foreign TNCs with equity interests of more than ten per cent in South African

companies in 1989, 216 were UK-based.³² Furthermore, of the largest (in terms of numbers of employees) ten TNCs operating in South Africa, eight are UK-based. They are Lonrho Plc, BTR Plc, Unilever Plc, BET Plc, BOC Plc, British Petroleum, Northern Engineering Industries Plc, and Royal Dutch/Shell (UK/Netherlands).³³

British companies have been slower than those in the USA to disinvest. In the opinion of the UN Commission on TNCs, this is mainly because South African business represents a larger proportion of the global operations of UK companies than that of US companies. According to a spokesperson from the US Investor Responsibility Research Center, it was also due to three other factors. Firstly that US companies had been exposed for a longer period to shareholders' campaigns; secondly that there was a higher level of adoption, at local level, of selective purchasing and contracting measures targeted against companies with South African interests; and thirdly that US sanctions legislation was more advanced, particularly in respect of the 'Rangel Amendment', which eliminated tax credits for taxes paid on earnings to the South African government.

Nevertheless, some 132 UK-based TNCs disposed of their equity interests in South Africa between 1985 and mid-1989, a further 16 reduced their equity interests, and a further seven were reported to be in the process of disposing of their equity interests.³⁴ The sale of the South African subsidiaries of Barclays and Standard Chartered alone resulted in a 10 per cent reduction in the book value of UK investments in South Africa.

South African investment in the UK

For many of the same reasons that have caused the international trend towards disinvestment from South Africa, South African-based companies have also been investing abroad, although the momentum of the early 1980s has been curbed by the financial rand control on the export of capital. South African investment has gone particularly to Brazil, West Germany, the UK, and the USA. The International Confederation of Free Trade Unions has identified 88 South African-based companies which control 437 companies in 44 countries.³⁵

Loan finance and debt

South Africa's economy is now particularly constrained by the shrinking level of international finance coming into the country. The economy cannot sustain the rate of growth necessary even to keep pace with population growth and its debt-servicing obligations, without substantial new sources of foreign exchange. Moreover, the government's room for manoeuvre in restructuring

the economy to meet the demands of an increasingly hostile external environment is similarly constrained.

According to the Commonwealth Committee of Foreign Ministers on southern Africa,³⁶ the squeeze on loan finance arises for several reasons. Foreign banks are uninterested in new lending to non-OECD countries; foreign trade credits provide only a short-term and one-off increase in borrowing; and major capital-exporting economies have banned new investment in South Africa. Potential foreign investors are discouraged by the political uncertainties caused by apartheid, the associated poor economic outlook, and the economic uncertainties stemming from disinvestment pressures, and trade and financial sanctions. Gold, the country's key export, faces fluctuating and uncertain price prospects; and there are limited opportunities to increase non-gold exports.

Unable to use any but very short-term foreign borrowing to finance economic growth, the country has been required to run a substantial trade surplus to meet both interest payments and capital repayment on foreign debt.

During 1985 and 1986 a number of countries, including the USA, Japan, the Nordic states, and the Commonwealth (with the exception of the UK) introduced bans on new loans to South Africa, and some stopped export credit guarantees. In 1989, all Commonwealth Heads of Government (except the UK) called for a 90-day limit to trade credits, which it is estimated would halve total outstanding trade credits and be equivalent to obliging South Africa to pay an extra \$2 bn.³⁷ Although these governmental decisions were prompted by rising international public outrage against the South African government's brutal repression of extra-parliamentary opposition, they were also following the lead of the transnational banks, which had already begun to regard South Africa as a bad commercial risk.

At a time of falling commodity prices, substantial foreign disinvestment, and capital export by domestic companies, South Africa was thus unable to secure access to long-term finance, including official multilateral loans. Short-term borrowing, especially trade credits, is therefore even more important.

South Africa's debt crisis

South Africa's debt profile (see table 10.3³⁸) is quite different from that of the SADCC region. South Africa has no debt to multilateral organisations (its IMF loan was paid off in 1987), and no bilateral debt apart from what it owes to foreign government export-credit banks. Its debt is owed principally to foreign-based transnational banks, and its rescheduling agreements have therefore been conducted between the government and the creditor banks.

Table 10.3: Foreign creditors of South Africa by type of creditor (US\$ bn.)

Foreign creditor	12/85	6/86	12/86	6/87	12/87	6/88
Bank	17.459	16.725	16.145	16.324	16.876	16.052
Gov't-insured portion	1.996	1.776	1.802	1.796	2.232	1.787
Non-bank	2.0	...	2.5	...	2.1	...
Gov't-insured portion	1.076	1.113	1.353	1.294	1.618	1.475
IMF	0.851	...	0.468	...	0.0	...
Bonds	3.2	...	3.5	..	3.7	...
TOTAL	23.473		22.593		22.618	

(Source: United Nations Commission on TNCs, Public Hearings of September 1989, op. cit., E/C. 10/AC.4/1989/6, p.7)

Over 80 per cent of South Africa's debt to transnational banks is held by UK, US, French, West German, and Swiss banks in descending order of exposure (see table 10.4³⁹). As is the case with trade, there have also been marked changes in the levels of exposure of the banks of each of the five major countries. Between 1985 and 1988, the UK and Swiss levels of exposure have increased, while the US, French, and West German levels have decreased.⁴⁰

Although it became severe in 1985, South Africa's debt crisis dates back to the late 1970s, when foreign borrowing — undertaken, among other things, to invest in large projects to circumvent the UN oil and arms embargoes — was stepped up during a period when commodity prices had started to decline and

Table 10.4: Money owed to banks by South Africa at the beginning of 1989

Country	US\$ bn.
UK	4.1
USA	2.5
France	2.0
West Germany	2.0
Switzerland	1.7
Japan	1.2
Italy	0.5
Netherlands	0.2
Belgium	0.1
Others	0.3

when the South African government, despite its centralised control over the economy, was not adjusting effectively to the country's deteriorating terms of trade. Its foreign debt rose from \$6 bn. to \$24 bn. between 1980 and 1985. A substantial proportion of the borrowing was in the form of short-term loans, and South Africa was dependent on the creditor banks agreeing to 'roll over' the loans — that is, lending new money as these loans fell due, to help service them.

In 1985, the imposition of the State of Emergency in South Africa led US banks, followed by European banks, to refuse to 'roll over' their loans. South Africa was suddenly faced with repayment obligations that it could not meet, and announced a moratorium on repayments of commercial bank loans.⁴¹ The crisis has been temporarily resolved by three rounds of negotiations between the government and its major creditors.

In the first round of negotiations, in 1986, the creditor banks' demand for political reform featured strongly in the negotiations. However, by the time of the second round, in 1987, political issues had apparently dropped off the banks' agenda. The 1987 agreement allowed the South African government to draw on part of the funds it was to hold for loan repayment. The Pretoria government used its access to this finance to fund military and other state expenditure.⁴²

The third round of rescheduling occurred in 1989 and gave the South African economy significant breathing space. It also drew widespread criticism, because it directly contravened the demands of a large international campaign which included the OAU, the ANC, the Mass Democratic Movement, the South African Council of Churches, the World Council of Churches, and the UK-based Southern Africa Coalition.

Instead of rescheduling one year at a time, as requested by the Commonwealth Committee of Foreign Ministers on Southern Africa and other organisations, the banks agreed to a period of three and a half years (up until December 1993). For the time being at least, South Africa's debt crisis has slipped again from international public view.

South Africa's debt: Britain's profile

British banks have been the largest lenders to South Africa, followed by the US, West German, and Swiss banks. At the end of 1987, the exposure of UK-based monetary sector institutions amounted to 26 per cent of the total bank exposure, and 23 per cent of South Africa's total foreign debt.⁴³

There has also been substantial lending to South Africa by UK branches of foreign banks, such as Swiss and Japanese banks, significantly increasing the value of British exposure in South Africa. For example, in June 1988 there was \$4,557 m. in outstanding loans made by UK-based banks to South

Africa, and \$3,024 m. in outstanding loans made by UK branches of non-UK based banks.⁴⁴

UK-based banks hold the majority of the South African public sector (state and parastatal) bank debt, while US-based banks hold most of South Africa's bank-to-bank debt.⁴⁵

The level of UK exposure is reported to be increasing, mainly in the form of export credit guarantees. The UN Commission on TNCs reports that the British government's Export Credit Guarantee Department is insuring a general-purpose line of credit for £70 m. to cover an eight-and-a-half-year period for UK credits. This will help British exporters to profit from the large Mossel Bay 'oil from gas' project in South Africa, an import substitution project which will help circumvent the UN oil embargo.⁴⁶

The leading British banks with outstanding South African loans are Barclays, Standard Chartered, and National Westminster.⁴⁷ Barclays and Standard Chartered have both sold their local banks in South Africa, but, as a legacy of their direct involvement, they have retained the largest exposures of any creditor banks. All three of these banks sit on the Technical Committee which negotiates rescheduling with the South African government..

Investment and finance in the SADCC region

Although foreign TNCs (particularly those operating from a regional base in South Africa) have played an important role in shaping the economic structures of the region, it has generally been the case that while private investment flowed into South Africa, the other southern African countries were starved of sufficient productive investment on which to generate resources for their development plans. Instead they had to borrow, and beg for aid.⁴⁸ More recently, during the 1980s, when all the SADCC member states have agreed they want foreign investment, net transfers of private investment have been falling. SADCC's crucial Investment in Production programme depends on foreign investment and concessional flows, among other things, for its success.

Investment in the SADCC region: Britain's profile

In 1984, direct private investment by British companies in the SADCC region totalled over £100 m.,⁴⁹ about 3.6 per cent of the value of British direct investment in South Africa for the same year,⁵⁰ and it has fallen sharply since then as economic instability has undermined business confidence.⁵¹

In most of the SADCC region, British investment has been prominent alongside investment from South Africa (see table 10.5⁵²). After South Africa, Zimbabwe has been the second destination of British private investment in the region.⁵³

Table 10.5: Key private foreign investments in SADCC states, by country of investing company

Angola

Oil: USA, Belgium, Brazil, Italy, France, Spain, UK, FRG
Mining: South Africa, Belgium, Austria, Yugoslavia
Transport: Belgium
Import/Export: Nigeria

Botswana

Mining: South Africa, USA, UK
Agribusiness: South Africa, UK (CDC*)
Other manufacturing: South Africa, Zimbabwe
Construction: South Africa, UK
Freight: South Africa
Wholesale and retail: South Africa, UK
Hotels: South Africa, UK
Banking: UK
Insurance: South Africa and UK

Lesotho

South African investment dominates all sectors

Malawi

Agribusiness: UK, USA, South Africa
Manufacturing: UK
Freight and forwarding: South Africa
Construction: South Africa

Mozambique

Freight and forwarding: South Africa, Belgium, Portugal
Industry: Portugal, USA, South Africa, UK
Energy: Portugal (state and private), UK
Agriculture: UK, Norway, Algeria, Portugal

Swaziland

Sugar: UK (private and CDC), Nigeria (state), USA, Japan
Timber: UK (private and CDC), South Africa
Mining: UK, South Africa
Industry: South Africa, UK (private and CDC)
Banking: UK, South Africa
Wholesale and retail: South Africa
Road transport: South Africa

Tanzania

Agriculture: UK (private and CDC)
Manufacturing: UK, USA
Mining: South Africa

continued overleaf....

Zambia

Mining: South Africa

Engineering: South Africa, UK

Other industry: UK (private and CDC), South Africa, Italy

Breweries: South Africa, UK

Freight and forwarding: South Africa, Belgium, UK

Hotels: South Africa, UK

Energy: Italy, UK

Banking: UK

Agriculture: UK (private and CDC), South Africa

Zimbabwe

Agriculture: UK, South Africa, USA

Manufacturing: South Africa, UK

Mining: UK, South Africa

Distribution: South Africa, UK

Transport: UK, South Africa

Finance: UK

* Commonwealth Development Corporation

Table 10.6: Total gross bilateral aid from the UK to the SADCC region and Namibia

	1988 (£000)	Aid per capita (£) 1988	Total aid 1980-88 (£000)
Angola	505	0.05	1,624
Botswana	8,251	7.20	100,152
Lesotho	4,898	3.01	40,156
Malawi	46,494	6.09	186,166
Mozambique	30,512	2.09	87,019
Swaziland	5,058	7.09	46,716
Tanzania	33,502	1.40	245,877
Zambia	16,683	2.32	209,371
Zimbabwe	24,127	2.68	182,280
Namibia	2,033	1.67	5,483
Total aid to SADCC region	170,030		1,099,361

(Sources: "British Aid Statistics 1980-84", "British Aid Statistics 1984-88" (Overseas Development Administration))

Aid

Because Britain's aid programme has traditionally been focused on its Commonwealth partners, substantial amounts of aid have gone over the years to its ex-colonies in southern Africa. (See table 10.6 for details of Britain's gross bilateral aid to the SADCC region and Namibia.) In 1988, five SADCC countries ranked among the top 20 recipients of UK bilateral aid: Malawi ranked third, Tanzania fifth, Mozambique seventh, Zimbabwe eleventh, and Zambia nineteenth. British aid contributions to SADCC totalled £60 m. from 1980 to 1988.

In 1987 and 1988, official British bilateral assistance to refugees and displaced people in southern Africa totalled £8.67 m.⁵⁴

Table 10.7 gives details of British multilateral aid to SADCC countries. Britain has contributed to the IMF and World Bank's facilities for assisting the structural adjustment programmes of low-income African countries, with a pledge of £327 m. over 14 years to the IMF's Enhanced Structural

Table 10.7: UK share of multilateral aid to SADCC countries, 1980-87 (latest year available)

	1987 (£000)	Aid per capita (£) 1987	Total aid 1980-87 (£000)
Angola	1,660	1.03	9,230
Botswana	1,370	7.21	7,930
Lesotho	1,630	8.28	13,240
Malawi	5,830	4.75	37,490
Mozambique	5,790	1.97	28,730
Swaziland	840	9.01	6,310
Tanzania	8,680	3.06	73,190
Zambia	4,780	5.35	38,510
Zimbabwe	1,690	2.09	18,830
Total aid to SADCC countries	32,270		233,460

(Source: Statistics Division, Overseas Development Administration)

Adjustment Facility, and £250 m. over three years to the World Bank's Special Programme of Action for Sub-Saharan African Countries.⁵⁵ Britain's contribution to the World Bank's concessional facility — the International Development Association (IDA) — totalled £485.5 m. over the period 1986-1988. An increasing proportion of British bilateral aid is conditional on the recipient country undertaking an IMF/World Bank-approved adjustment programme, and Britain has been pressing for more EC aid to be made conditional on this factor.

In line with government policy, some of Britain's aid to the SADCC region has boosted British business. Between 1984 and 1988, elements of 'Aid and Trade Provisions' (whereby UK companies are entitled to apply for contracts involved in the development programme supported) have featured in UK bilateral aid pledged to Botswana, Malawi, Mozambique, and Zimbabwe.⁵⁶

UK aid to South Africans

Britain also provides aid resources to individuals and non-governmental organisations in South Africa. In 1988 total UK bilateral aid to South Africans was £4,288,000, of which £3,351,000 was for South African students and trainees;⁵⁷ total UK aid to the European Community's 'Special Programme' (see Chapter 11) was £3.5 m.; and total UK multilateral aid to the UN and Commonwealth scholarship schemes for South Africans was £125,000.⁵⁸

The British Council has been working in South Africa since 1958, and the Overseas Development Administration's programme of support started in 1979. However, the level of Britain's aid programme to South Africans was significantly stepped up in 1987, following the EC's adoption of 'positive measures' as part of its South Africa policy, formulated in 1985 and 1986.⁵⁹

Diplomatic links

Britain maintains direct diplomatic links with all the nations of southern Africa.⁶⁰ These direct diplomatic links are reinforced, and sometimes strained, by shared membership of the Commonwealth, in which Mozambique has been granted informal observer status, and to which Namibia is widely expected to accede. South Africa and Angola remain the only nations in the region quite outside the Commonwealth. (South Africa resigned in 1961, in the face of mounting pressure from the other members for its expulsion.)

Another important link is through the European Community. The principal instrument which links the EC and the SADCC states is the Lomé Convention. All the SADCC states are signatories, which entitles them to benefit from a range of trade and aid measures. (See Chapter 11.)

In response to calls for Britain to withdraw its diplomatic representation from South Africa, British government officials argue that it is the depth of Britain's engagement in South Africa which, combined with its senior diplomatic representation, places it in a unique position to influence the South African government. It is also argued that Britain's diplomatic presence in South Africa permits wide-ranging contacts with the diverse sectors of South African society. Lynda Chalker, as the Foreign Office Minister then charged with southern African affairs, argued in February 1988, "You do not convert a country to Christianity by withdrawing the missionaries."⁶¹

British interests and policy considerations

As we have seen, the key to British interests in the region is South Africa. A policy perspective in which South Africa figures as the epicentre of the region has long dominated the formulation of British policy towards the other countries. But Britain also has interests at stake in each of the SADCC states, which determine policy at a lower level.

Britain's interests in South Africa

The key 'British interests' which shape the UK government's South Africa policy are the protection of British trade, investment and loan finance interests in South Africa as well as in the wider region; the desire to maintain access to strategic minerals; and a determination to ensure that there is not a mass exodus of whites to Britain.⁶²

According to a 1985 Foreign Office statement, the broad aim of British policy towards South Africa is "... to promote early and peaceful transition to a genuinely non-racial democracy and to further the considerable British interests in South Africa".⁶³ When asked why Britain's relations with South Africa remain important, Sir Robin Renwick, the British Ambassador, explained,

Primarily because what happens here is the key to future prospects for the whole region. Of course, we have quite important economic interests here, but to put those in perspective, our trade here constitutes about one per cent of our exports world-wide. The same goes for our investments here. If we believed that sacrificing that one per cent would end apartheid, then we would do it tomorrow. But we know that it wouldn't have that effect. Another very important link is the fact that there are at least 350,000 British passport holders here, and at least another half a million probably entitled to them.⁶⁴

In 1986, a delegation from the British Council of Churches stated their view that Britain's South Africa policy "... reflects much too clearly the views of the English-speaking business community with whom British business has close ties based on self-interest ... (but which) politically

constitutes a small minority, whose motives are distrusted by urban blacks.”⁶⁵

Britain’s ‘special relationship’ with South Africa adds to British responsibilities for the whole region, not only because of Britain’s role in laying the foundations for apartheid, but also because the extensive and long-standing British economic links were instrumental in building up South Africa’s economic power. This has enabled South Africa to dominate the region economically and militarily, and to use both these levers in pursuit of its narrow national interests. South Africa’s economic power has also paid for the complex apparatus of internal political repression and brutality.

British interests and relationships in the SADCC region⁶⁶

Britain and Zimbabwe

After South Africa, Zimbabwe is the most important country in the region as far as British interests are concerned. As well as looking after the interests of the estimated 30,000 British passport holders who live there,⁶⁷ and honouring its commitment to the post-independence training and reorganisation of the Zimbabwe National Army (which arose from the need to integrate the opposing factional armies after independence), British policy also seeks to protect and further its investment and trade interests. In her speech to the Zimbabwe Investment Conference in London in May 1989, Lynda Chalker, then Foreign Office Minister with responsibility for southern Africa, said,

Overseas investment, and in particular British investment, can make a major contribution to Zimbabwe’s future economic development. We believe that new investment will follow if the conditions are right.

Britain’s aid programme to Zimbabwe has focused on the land redistribution and resettlement programme which has come to a virtual standstill, due to a variety of pressures. Although Britain is the major foreign donor to the resettlement programme, it also has significant interests in the commercial agriculture sector. As discussed in the Zimbabwe case study in Chapter 9, there is a sharp conflict between the commercial farming sector and the pro-resettlement lobby. According to governmental sources in Harare, Britain is urging that land in the most agriculturally productive areas of the country, where commercial farms dominate, should not be allocated as part of the resettlement programme to small-scale farmers.⁶⁸

Britain’s relations with Mozambique and Zambia were greatly enhanced by the support these two states gave to the Lancaster House negotiations in 1979. They helped to resolve one of Britain’s major foreign affairs problems of the time. Using their substantial influence with ZANU (PF) and (PF) ZAPU respectively, Presidents Machel and Kaunda were able to mediate with the Patriotic Front.

Britain and Mozambique

For this reason, and because the conflict raging in Mozambique undermines the international trade of Zimbabwe, Malawi, and Zambia (where Britain has trade and investment interests), British aid to Mozambique has been greatly increased as the conflict in Mozambique, backed by South Africa, has escalated.

British aid to Mozambique rose from £6.3 m. in 1979 to £30.5 m. in 1988. In 1987, at the height of Mozambique's emergency needs, Britain was Mozambique's sixth largest bilateral aid donor,⁶⁹ and in the same year Mozambique ranked fourth among the SADCC states as a recipient of British bilateral assistance. Britain's programme of military assistance to Mozambique is also significant, not least because it was approved at a time when other western nations were reluctant to provide defence for their aid investments. Now, a number of other countries have followed Britain's lead.

Britain also supports Mozambique's structural adjustment programme. By 1988, 44 per cent of the UK's total bilateral aid to Mozambique was allocated under ODA's 'programme aid' category, which is approved expressly to support structural adjustment programmes approved by the IMF and World Bank.

However, Britain's trade with Mozambique is negligible in comparison with other of its trading partners, such as the USA, Italy, the Soviet Union, and Japan. If Mozambique joins the Commonwealth, as it reportedly hopes to do, and if stability and therefore business confidence can be restored, this situation may alter.

Britain and Malawi

British trade and investment is significant from Malawi's point of view (see table 8.1), although not from Britain's. Since Zimbabwe's independence, Malawi's importance as a diplomatic post has fallen away.

However, Britain is one of Malawi's main aid donors, and bases its Southern Africa Aid Division in Lilongwe. Official statements have often expressed Britain's commitment to helping Malawi overcome its critical trade disruption problems, caused by conflict in Mozambique, and Britain has funded SADCC projects designed to overcome this crippling constraint.⁷⁰

Britain and Zambia

Britain is of crucial importance to Zambia, not least because the world's copper trade is managed by the London Metal Exchange. Since its precipitous economic decline, Zambia's main value to Britain is its political role as a key Front Line State.

Substantial links were built up during the liberation war in Zimbabwe, when the British Embassy in Zambia was upgraded because of the country's strategic importance. The 1979 Commonwealth Conference was held in Lusaka, shortly after Mrs Thatcher became Prime Minister. At this conference, President Kaunda facilitated significant progress towards setting up the Lancaster House negotiations. However, two factors have combined recently to cool bilateral relations.

Firstly, in May 1987, Zambia unilaterally terminated its structural adjustment programme with the IMF. In response, Britain cancelled 'programme aid' worth £30 m. for the year, and was unsympathetic to the Zambian government's subsequent requests for help with its own economic reform programme.⁷¹

Secondly, President Kaunda's publicly hostile reception of Sir Geoffrey Howe in 1986, during his controversial⁷² and largely fruitless mission to the Front Line States (in his capacity as President of the EC Council of Ministers) has apparently had lasting adverse effects on bilateral relations. It has been cited as the main reason why Mrs Thatcher did not wish to visit Zambia during her trip to southern Africa in March 1989.

In 1989, as Zambia reopened discussions with the IMF, there were indications that Britain was beginning to increase its aid to Zambia. Britain also offered to cancel Zambia's outstanding aid debt, totalling £56 m.,⁷³ if the Zambian government reaches agreement with the IMF.⁷⁴

Britain and Angola

Despite British trade and investment in colonial Angola, and the responsibility for post-independence reconstruction conferred on all the member states of the NATO alliance (which gave military support to Portugal during the long and brutal liberation war), British bilateral links with Angola have been minimal since its independence in 1975.

This is mainly due to independent Angola's alliance with the Soviet Union and Cuba, and the Marxist development pathway which it adopted; but it is also due to the dominance of US, French, and Italian interests in the oil sector, and the fact that, unlike Mozambique, neither Angola's geographic position nor its political position is central to other British interests in the region.

Although there are growing British trade links with Angola (mainly due to the opportunities for British exports to the oil and military sectors), official government statements remain cool. For example, in late 1987, Lynda Chalker was challenged in the House of Commons to explain why Britain was sending aid to a close ally of Cuba and the Soviet Union. Mrs Chalker, then speaking for the Foreign Office, replied, "I assure my hon. Friend that in

no way are we assisting Angola, other than in a humanitarian sense.”⁷⁵

Underlying British diplomacy is the fact that it has largely been influenced by the USA's highly antagonistic policy towards Angola. For example, during the 1980s, although Britain dismissed as irrelevant the US concept of ‘linkage’ (whereby international cooperation over Namibia's independence was made conditional on the withdrawal of Cuban troops from Angola), nevertheless Britain allowed its Namibia policy to be stalled by this factor.

British policy on South Africa

On ending apartheid and minority rule in South Africa

A lasting solution to the region's complex problems depends essentially on the establishment of majority rule in South Africa. The enormous pressures and tensions generated by the political and economic dispensation in South Africa are a continuing source of instability. As Margaret Thatcher has said, “I do not see how, in the modern world, it is possible to achieve political stability except on a basis where all adults have the vote.”⁷⁶

A post-apartheid South Africa could greatly enhance southern Africa's economic development. Much depends on how, how soon, and at what cost



Candlelit vigil held on the steps of a church near the South African embassy in London's Trafalgar Square to protest against detentions, December 1986

(Camilla Garrett-Jones / Oxfam)

the end of apartheid is achieved. However, positive economic cooperation between all the states of the region could contribute greatly to a lasting resolution of political tensions and economic decline. In as far as the economic breakdown in Mozambique gives oxygen to the banditry and terrorism spawned by the MNR, economic development in that country is doubly needed.

The 1990s bring an unprecedented opportunity for international pressure to make a major contribution to the eradication of apartheid, and the establishment of full democracy in South Africa. However, in its strategy for helping to defeat apartheid, the UK government has so far failed to give full support to the mass popular movement for democracy, and has unilaterally opposed the idea of maintaining targetted economic pressure, at a time when maximum international cooperation is needed.

British response to popular demands for democracy

In the words of Sir Robin Renwick, Britain's Ambassador to South Africa, Britain is committed to an active role in South Africa's affairs:

So far as Britain is concerned, we do not believe in disengagement. We do not intend to walk off the pitch. We are determined to help defeat apartheid. And we intend to demonstrate that we too do not lack staying power.⁷⁷

Official statements have also stressed the view that the potential for international pressure is limited, but that Britain has a key role to play in facilitating internal movement towards democracy. As Sir Geoffrey Howe, then Foreign Secretary, explained in 1988:

The power of outsiders to influence events in South Africa is limited. They have to find courses of action which will be effective. ... The lead for change must come from inside South Africa. We can only give advice and encouragement. And the best form our help can take is pressure and persuasion, doing all we can to bring South Africans to start a genuine dialogue between the communities.⁷⁸

Much has been said and written about British influence on the South African government.⁷⁹ Because of the extensive historical and present-day links between the two countries, Britain is indeed in a strong position of influence. However, as developments in South Africa rapidly unfold, it is important to examine what British policy means to the wide-ranging and politically vital alliance between the Mass Democratic Movement and the African National Congress which, despite the many divisions and rifts in South African society, has clearly emerged as the central mass movement for full democracy. Although the Foreign Office claimed in a policy statement in 1988 that "The Government are pursuing policies designed to promote

internal forces for change which will have a positive, practical influence", nevertheless, UK policy is widely interpreted, most importantly by the MDM/ANC alliance itself, as negative.

There have been some positive signals. For example, although Britain insists on making representations to the South African government over political trials on a case-by-case basis only, where protests have been made, they have been greatly welcomed. The last-minute reprieve of the 'Sharpeville Six' in 1987, for example, is widely thought to have been helped by Margaret Thatcher's intervention.⁸⁰

However, in overall terms, Britain has consistently refused to heed the MDM/ANC call for tougher pressure on the South African government. This reluctance to lend full backing to the mass movement for democracy was most recently illustrated in December 1989, at a special session of the UN General Assembly, where the ANC sought support for the Harare Declaration (which embodies the MDM/ANC political strategy on negotiations, and their constitutional guidelines — see Appendix 2). A key tactical aim of the exercise at this critical point was to secure consensus agreement, since yet another UN anti-apartheid resolution backed only by a majority would not, in the words of one observer, "be worth the paper it was written on". Britain and the USA, however, declared in advance that they could not agree with crucial aspects of the Harare Declaration.

In the diplomatic negotiations between the ANC and key Security Council members preceding the special session, a draft declaration was drawn up for submission to the General Assembly. It differed from the Harare Declaration on major issues, but was unanimously adopted at the General Assembly. Perhaps the most important omission, at the insistence of the British government,⁸¹ was the Harare Declaration's concept of an interim government to rule South Africa during the transition period from white minority rule to full democracy.⁸²

Recent experience over the negotiations of the terms of Namibia's independence, and afterwards of Namibia's transition period, was thought to be a key factor in the ANC's inclusion of the concept of an interim government in its strategy. The 1988 tripartite agreement, which removed the obstacles to the implementation of UN Security Council Resolution 435 on Namibia's independence, was agreed between Angola, South Africa, and Cuba; it was therefore a deal made over the head of SWAPO (the South West Africa People's Organisation).⁸³ Although it was, by then, in South Africa's wider international interests to promote Namibia's independence, events have shown that South Africa's actions were not consistent with the provisions of the UN Plan, and that South Africa's effective political control greatly

contributed to military tension, and frustrated the complex legal procedures during the transition process.⁸⁴

In South Africa itself, where the UN has no special authority as it did in Namibia, a situation permitting the government to remain in full control during the period of negotiations and transition could be detrimental to prospects for a peaceful move to full democracy. For its part, the National Party has made clear in its Five Year Plan its intention to remain in control of the pace and nature of any negotiating process. Its views on the nature of negotiations are quite different from those expressed in the Harare Declaration.

Nevertheless, British policy is being shaped, to some extent, by pressure from the democratic movement. One key respect in which British policy has been refined concerns the future constitution of South Africa. The view of the Foreign and Commonwealth Office, repeatedly stressed, had been as follows:

We seek the abolition of apartheid. We want to see it replaced by a non-racial, representative system of government. It is not for the British Government or any outsiders to prescribe details.⁸⁵

And, as Margaret Thatcher has explained,

At every stage I have made it clear that future constitutional arrangements for South Africa must be worked out by South Africans. They cannot be laid down by outsiders.⁸⁶

However, in voting for the UN General Assembly's "Declaration on Apartheid and its Destructive Consequences in Southern Africa" of December 1989 (see Appendix 3), the UK signalled its support for all the main elements of the ANC's constitutional guidelines for a future South Africa, including the following vital clause:

All its people shall have the right to participate in the Government and administration of the country on the basis of universal, equal suffrage, under a non-racial voters' roll, and by secret ballot, in a united and non-fragmented South Africa.⁸⁷

It remains to be seen whether the UK's support for the UN Declaration — a non-binding statement — will be carried through in terms of practical diplomacy and action.

Britain claims to be acting as a force for mediation between the opposing political forces in South Africa. As Lynda Chalker, then FCO Minister, explained in February 1989, "Britain is engaged in South Africa at all levels and with all sides. We cannot be otherwise if we hope to seek to influence those in power in that country."⁸⁸

However, as a consequence of British policy over the years, the MDM/ANC alliance doubts whether Britain would act as honest broker in the

process of ending apartheid. Rather, Britain is seen as having its own agenda, because of its substantial economic interests in South Africa and the wider region.

In May 1988, Sir Geoffrey Howe, then Foreign Secretary, said,

No one's good faith should be questioned because they disagree with the advocates of punitive sanctions. There is nothing intrinsically moral about punitive sanctions: nothing intrinsically moral about disinvestment. Opposition to sanctions does not mean support for apartheid.⁸⁹

However, as an ANC spokesperson explained to Mrs Chalker (when she was Foreign Office Minister) in a public meeting, it has to be understood that Britain's international anti-sanctions crusade is widely viewed in South Africa, by people of all political persuasions, as a policy which protects the South African government and undermines the right of the disenfranchised South African people to determine their own future.⁹⁰

Key Oxfam partners in South Africa have consistently expressed a critical view of British policy — Church, UDF, and COSATU leaders in particular. For example, in January 1989, the only two UDF leaders not restricted at the time visited London and met Mrs Chalker at the Foreign Office. Afterwards they said that it was "... still early days to think of policy changes. More meetings will be needed for the British government to change their position."⁹¹

In May 1989, a senior South African church delegation (Archbishop Tutu, the Reverend Allan Boesak, the Reverend Frank Chikane, and the Reverend Beyers Naude) asked President Bush to take back the lead role in western diplomacy, on the grounds that British policy lacked credibility with the democratic movement.⁹² In June 1989, on the occasion of F.W. de Klerk's visit to Britain, COSATU and the UDF criticised the visit, saying that it reduced the likelihood of Britain's becoming the "honest broker".

In January 1989, a World Council of Churches delegation led by Frank Chikane — the General Secretary of the South African Council of Churches — met Sir Geoffrey Howe, then Foreign Secretary, to press their view that Britain should step up its sanctions against apartheid. After the meeting, Sir Geoffrey Howe told the House of Commons,

... no voice arguing the case for change in South Africa is heard with more attention than that of the Prime Minister of this country. There are two simple reasons for that - our opposition to apartheid is unqualified, but our opposition to sanctions is equally unqualified. In our judgement the imposition of sanctions would make the matter a great deal worse, not better.⁹³

Frank Chikane was reported as saying that he had wasted his time.⁹⁴

Aid and diplomacy

The British government points to its aid programme as evidence that it is engaged with the victims of apartheid. In early 1989, Lynda Chalker (as Foreign Officer Minister) explained, "We see our programme of aid to black South Africans as an important way of promoting the internal forces for change in South Africa."⁹⁵ Indeed, it is Oxfam's experience that support is much needed in a country where poverty and vast inequalities are deeply rooted, and where organisational support and training are important tools for change. However, there are a number of objections to this aspect of the British government's position.

People in South Africa are well aware that the British aid programme was rapidly stepped up as part of the concept of 'positive measures', designed expressly as an alternative to sanctions. Moreover, Britain has tried to change the focus of the European Community's Common Programme away from its original 'dual-track' approach (which prescribed both positive and restrictive measures) towards its 'positive measures' element, in a way which has strengthened the MDM's view that their political legitimacy is not properly supported by the British government. (See Chapter 11 for more details of the EC special programme.)

Public diplomacy gives strong signals. In 1984, Mrs Thatcher received President Botha, and in June 1989 she received Mr de Klerk (then leader of the ruling Nationalist Party and widely expected to become President of South Africa), considerably boosting his chances in the forthcoming 'general' election. However, although official statements have acknowledged that the ANC is an important political organisation,⁹⁶ and although Mrs Thatcher has frequently called for the release of Nelson Mandela, and the unbanning of political parties in South Africa, at the end of 1989 the British government had still not officially met the ANC at Secretary of State or Prime Ministerial level.⁹⁷ In this way, the ANC leadership is prevented from having direct political access to the foremost decision makers at a critical period in South Africa's history, and the view is conveyed that the British government does not accept the ANC's position as the focal point for extra-parliamentary opposition.

Developments indicate that this stance may be softening, however. A high-level delegation from the United Democratic Front (UDF) (a key organisation in the MDM, and one strongly linked to the ANC), including Albertina Sisulu (Co-President of the UDF) was received by Mrs Thatcher in July 1989. Following their meeting, the UDF delegation issued a statement saying,

The delegation regards the meetings with both President Bush and Mrs



The ANC's 'Freedom Charter', demanding equal rights for all in South Africa, was first ratified by a Congress of almost 3,000 delegates from across the country, meeting in Kliptown in 1955.

(Eli Weinberg/IDAF)

Thatcher as significant as it is the first time that an Anti-Apartheid organisation from inside South Africa has been received at this level in both the White House and Downing Street. Both meetings constitute acknowledgements by these governments that the future course of South Africa cannot be determined by the white minority alone.⁹⁸

The need for international coordination

As Sir Geoffrey Howe, speaking as Foreign Secretary, has urged,

... the sooner white South Africans accept the need for negotiation and change, the greater the odds that change will be peaceful and democratic ... The South African Government have to take the lead. Dialogue cannot take place against a backcloth of violence and repression.⁹⁹

However, in spite of the growing evidence that external economic pressure has contributed to the National Party's recognition that it must adapt its strategy,¹⁰⁰ Britain remained opposed to applying further economic pressure. As a result, UK policy on South Africa has been widely criticised for undermining other international and internal strategies to hasten the South

African government to the negotiating table.

Britain and West Germany have weakened the European Community's Common Policy on South Africa (explained in detail in Chapter 11). Further, in the two Commonwealth Heads of State summits since the Nassau summit in October 1985, when Britain agreed to specific, limited, and mostly voluntary sanctions, Britain has refused to cooperate with other member states on proposals to increase sanctions. Britain's limited programme of economic pressure has also lagged behind other states', including the USA and the Nordic countries.

The 1989 Commonwealth Heads of Government summit at Kuala Lumpur, when Britain issued its own unilateral communiqué after signing the official consensus communiqué, provided another forceful illustration of British unilateralism on the question of South Africa.¹⁰¹

International differences over what levels of economic pressure to apply to South Africa mean that those who apply least measures undermine the efforts of those who apply more.¹⁰²

The 1990s — a key opportunity for coordinated international diplomacy

The rapid developments which have taken place in South Africa and the wider region since 1988 have, as the Harare Declaration notes, given rise to the real possibility of a negotiated end to apartheid.

In particular the change in the Soviet Union's foreign policies permitted improved international cooperation on southern African issues. The regional log-jam started to break up around the edges, with agreement over Namibia and Angola and a perceptible reduction in South African aggression. There was a change of leadership in South Africa, with clear signs that the pressures on the political and economic structures of apartheid had stimulated the beginnings of a change in outlook in the National Party.

The outcome of this period of flux is not possible to determine at this stage. Whether a refined form of apartheid or full democracy emerges is impossible to predict, and much depends on international reaction to events.

Following the change of leadership in South Africa in the summer of 1989, international expectations of the South African government were raised to new heights. The UK and USA stressed to Mr de Klerk that his government must quickly make significant move towards negotiations. Most political commentators agreed that the South African government had no more than 18 months in which to meet western expectations. This grace-period was sharply defined in October 1989, when the US Administration announced that it wanted to see significant developments by the start of the February 1990

session of the South African parliament. It was therefore widely understood that the potential for international influence and leverage over the pace of developments in South Africa had greatly increased.

By the end of 1989, as if testing the water, the South African government had taken some initial steps towards satisfying the first set of demands outlined in the Harare Declaration (and presaged by the Commonwealth Eminent Persons' 'negotiating concept' of 1986): that of creating the democratic space necessary to begin the central political process of negotiations (see Chapter 7). These initial shifts were seen as important evidence of progress. But they also brought into sharper focus the most crucial task: that of negotiating full democracy in place of the deeply-entrenched system of apartheid.

Minority rule, a fragmented state, and a complex edifice of apartheid legislation (including the 'cornerstone' laws — the Population Registration Act, the Natives Lands Act, and the Group Areas Act) are the most obvious, immediate targets. But the destructive legacy of apartheid will take years to overcome. The challenge of removing the deep inequalities in wealth, education, housing, health provision, and employment opportunities will be immense.

A democratic system of government, which enables all South Africa's people to shape their future, is clearly essential for equitable development and regional stability. The daunting scale of the tasks which lie ahead — of establishing political democracy and balancing out the enormous inequalities of South African society — require full international support.

A more enlightened British policy could make an immediate concrete contribution to the struggle for democracy. If increased pressure were brought to bear in support of the ANC/MDM's specific demands for the creation of a climate conducive to negotiations (in accordance with section III of the Harare Declaration), the chances for the establishment of lasting democracy would be enhanced. High on its list of priorities, the MDM stresses the need for a free political environment if it is to maximise its potential as a force for democracy. As Jay Naidoo, COSATU's General Secretary, has explained,

... the (condition) we stress is freedom of association and freedom of speech. In order for us to have negotiations, organisations will have to put their programmes to the people, to canvass the people and get mandates. That implies that any negotiations have to be open.¹⁰³

In the longer term, full British support for the democratic movement would greatly enhance the prospects for a transition to the stable form of democracy needed to redress three centuries of exploitation.

British policy on southern Africa

On destabilisation and dependency

Britain's policy towards the consequences of South Africa's regional policy has been a two-pronged strategy. On the one hand is British policy to end apartheid (as discussed above), and the application of diplomatic pressure to persuade the South African government to stop destabilisation. And, on the other hand, Britain has provided 'positive measures' aid to the SADCC states and SADCC projects. In the words of a statement issued by the Foreign and Commonwealth Office shortly before the 1987 Vancouver Commonwealth Heads of Government summit,

Southern Africa is one of the major challenges facing the international community today.

Instability and economic difficulties in the region are largely attributable to the unjust and immoral apartheid system, and the tension this has engendered between South Africa and her neighbours.

The British Government is determined to do all it can to alleviate these problems. We intend:

- to work for peaceful dialogue in South Africa leading to the elimination of apartheid and its replacement by a non-racial representative system of government;
- to help promote the peaceful, stable and prosperous development of all States in the region.

These two aims are inextricably linked — only through the abolition of apartheid will South Africa be able to forge stable, friendly relations with her neighbours.¹⁰⁴

British policy has been helpful in some important respects which deserve recognition. British aid for the transport sector of SADCC's dependency-reduction programme has made a much-needed contribution. And key aspects of British policy towards Mozambique, in particular, have been welcomed. For example, Margaret Thatcher has used the tool of public diplomacy to maximum advantage in condemning the brutality of the MNR. Britain also took the lead in supplying military training and non-lethal military aid to the Mozambican government, which has helped to protect the convoys carrying relief aid. British defence support to counter destabilisation has also been given to Zimbabwe, Tanzania, and Malawi. And, despite the markedly circumspect nature of official comment on the issue of South African support for the MNR¹⁰⁵ until late 1988,¹⁰⁶ private British diplomatic pressure has been directed towards persuading the South African government to change its policy. As Robin Renwick explained in an interview published in May 1989,



Children with toy instruments and microphones which they have made at a Resources Centre established in Lichinga, in Mozambique's war-torn Niassa Province.

(Keith Bernstein / Oxfam)

We have worked very hard over the past year to contribute to the Namibia agreement, and to encourage and contribute to improved relations between South Africa and Mozambique. As far as South Africa's initiatives in the region are concerned, some are consistent with what I have described. These initiatives show what positive results can be achieved by negotiation.¹⁰⁷

Nevertheless, the weaknesses of British policy on ending apartheid have undermined the effectiveness of its policy to mitigate the effects of destabilisation and dependency. British relief and dependency-reduction aid, alongside other donors' assistance, has been attacked and destroyed by the MNR, and destabilisation has prevented relief aid from reaching many of those in most need.

The reduction of dependency is a necessary but not a sufficient condition for sustained economic growth and equitable development. It is a first and necessary step, but other factors need to be addressed alongside it. Most importantly, for as long as foreign support fuels the war in Mozambique and Angola, and political instability in South Africa threatens the region, "stable and prosperous development" will be an elusive objective.

On the issue of the SADCC region's economic domination by South Africa, it is fitting that British aid should be going to the SADCC programme of dependency reduction, given that Britain helped to oil the wheels of the

lopsided regional economic integration with South Africa in the first place.

But although British aid to SADCC's transport sector programmes has been extremely useful, much more could be done to support SADCC's priority focus for the 1990s: Investment in Production. As we have seen, the economic independence of the SADCC states depends on transport routes. But it also depends on a halt to the economic decline which has affected most of the region, and the promotion of sustainable economic growth in its place. This, in turn, hinges on a widening of the region's productive, industrial, and market base, for which peace in the region, and economic cooperation with a majority-ruled South Africa are needed.

The weaknesses of Britain's South Africa policy have, likewise, undermined other elements of policy towards the rest of the region, especially policy in respect of economic adjustment, trade, and investment.

On debt relief and structural adjustment

As we have seen, key SADCC states are facing unprecedented levels of economic dislocation as a result of destabilisation, on top of which they are also suffering from a crippling debt burden which inhibits economic growth and starves those countries of the resources necessary to relieve poverty and promote development. From 1978, at a time when Britain was increasingly giving aid on grant or concessional terms, most of Britain's outstanding aid credits were written off under the 'Retrospective Terms Adjustment' agreement. The southern African countries which then benefitted from Britain's aid debt forgiveness were Botswana (by £20.7 m.), Lesotho (by £0.4 m.), Malawi (£30.7 m.), Mozambique (£22.5 m.), and Tanzania (£3.4 m.).¹⁰⁸

Nearly a decade later, the British government's 'Lawson initiative' on the official bilateral debt burden of Africa's most debt-distressed countries stimulated the 'Toronto agreement' of 1988, which focused on the needs of low-income African countries. Chancellor Lawson proposed a three-point debt relief strategy at the April 1987 IMF meeting. The package was on offer to low-income countries undertaking internationally acceptable economic adjustment programmes. It consisted of the conversion of all aid loans into grants; the extension of repayment periods for non-concessional official debt; and the cutting of interest rates on official debt to below commercial levels.¹⁰⁹

However, Britain was not prepared to act alone. The British Treasury argued that if the UK operated independently of the other G7 nations, then the debtor nations would simply use the savings to repay their other creditors. By the time of the Toronto G7 summit of June 1988, although some other G7 members backed the British plan, US intransigence (mainly because of the

strict Congressional controls on government spending aimed at reducing the national budget deficit) effectively reduced the scope of Britain's initiative.

In order to present a common programme which would include the USA, the G7's Toronto Plan ended up as a compromise. At the insistence of the USA, a third 'option' was added, which simply provided for the extension of the grace and maturity periods on non-concessional bilateral debt, without providing any real debt reduction.

Britain's lead in cancelling aid debt and in forging the Toronto Plan puts it in a good position to work for more bilateral debt reduction. A good start would be to press for G7 agreement to cancel the 'third option' of the Toronto Plan. Thereafter, a continued programme of debt reduction must urgently be pursued. The debt-distressed SADCC countries need special consideration. The SADCC region's trade-credit debt to Britain alone is £493 m.¹¹⁰

On the relief of multilateral debt, since Britain primarily views its contribution to the IMF and World Bank facilities for low-income countries (facilities which are tied to the recipients' acceptance of structural adjustment measures) as an important part of its policy to extend structural adjustment,¹¹¹ it is therefore unlikely to press for across-the-board cancellation of multilateral debt.

The internationally sponsored structural adjustment measures which have been undertaken to manage indebted economies have created additional hardship for some vulnerable groups. Further, in determining the economic targets to be achieved by the structurally adjusting countries, there has been insufficient regard for the particular economic stresses created by destabilisation in the region, and they are not designed to stimulate long-term solutions for nations dependent on exporting primary commodities.

However, British policy on structural adjustment is firmly committed to encouraging the form of economic adjustment favoured by the Bretton Woods institutions throughout the debt-distressed countries of Africa.¹¹² An increasing proportion of Britain's aid to debt-distressed countries is offered on condition that the recipient country undertakes such a structural adjustment programme.

On trade and investment

The major forum for direct measures to improve SADCC's foreign trade potential is the European Community's Lomé Convention (discussed in Chapter 11).

British statements argue that SADCC's long-term aims for integrated economic development depend on the adoption of the economic reforms promoted by structural adjustment, which will stimulate increased investment

and trade. As Chris Patten, then the Minister for Overseas Development, explained to SADCC's 1989 Annual Consultative Conference,

Let me now turn to production — the well-chosen conference theme. This region, with its large market and vast natural resources, must aim at economic advance through development of production for both consumption and export. Aid donors have an important role to play in fostering what can be called the "enabling environment". We can help provide the necessary infrastructure; we can help provide resources for structural adjustment and for institutional reforms.

But ultimately private investment will only be attracted if the economic climate is right. And this is something that only SADCC member states themselves can foster — with investment codes and protection agreements, and freedom for the remittance of profits.

When conditions are right, both domestic and foreign private sectors will respond ... there is no doubt that private sector decisions are influenced by their perception of the national and regional investment climate.¹¹³

While it is unquestionably true that the SADCC states must adjust their economies to the changing external environment, and address the structural weaknesses which block equitable development, more is needed from the industrialised world. Far higher levels of concessional finance are needed, greater 'burden-sharing' on debt and economic adjustment, and a coordinated international programme to enhance the commodity-dependent nations' prospects of economic diversification.

Further, as we have seen, the region's best hope of achieving a sustainable and attractive investment climate requires, among other things, an early end to political instability in South Africa, so that a majority-ruled South Africa can fully participate in the regional economy. In this respect, the flaws in Britain's South Africa policy undermine the logic and long-term progress of its policy towards development in the SADCC region.