

SANCTIONS AND SOUTH AFRICA'S NEIGHBOURS

It is often argued that imposing or extending sanctions against South Africa will cause or significantly increase the suffering of millions of people living in the neighbouring countries of Southern Africa. South Africa's economic dominance of the region is such, it is claimed, that any contraction of its economy induced by sanctions will have adverse ripple effects on the neighbouring states. Furthermore, it is argued that South Africa will respond to tightened sanctions by imposing its own sanctions against the independent states of the region, causing additional and severe economic hardship.*

Yet the majority of South Africa's neighbours and most Commonwealth countries support sanctions against South Africa. While it is generally accepted that increased sanctions will have adverse effects on the countries of the region — at least in the short-term — they consider these costs to be worth bearing compared with the higher costs of a 'no-sanctions' or 'mild-sanctions' policy. No independent nation of southern Africa has declared its opposition to any of the sanctions imposed by western nations over the last few years, and most have declared publicly their support for international sanctions against South Africa. Furthermore, in August last year Zimbabwe and Zambia were signatories to a Commonwealth declaration committing them to implementing a number of specific sanctions in the sphere of transport, trade and investment.

These opposing views provide the backdrop to this Briefing Paper, which focusses not on political decisions but on the economic factors which must be considered in judging the impact of increased sanctions on South Africa's neighbours. However events unfold, South Africa's relationship with its neighbours will crucially affect their overall development prospects.

Southern Africa's Dependence on South Africa

South Africa dominates the southern African region, in terms of the size of its economy, and in the extent of economic and financial interlinkages with its smaller and more vulnerable neighbours. The relationship between South Africa and many of the countries of the southern Africa cone can be summarised by comparing indicators of the South African economy with those from the nine members of the Southern African Development Coordination Conference grouping (SADCC) (see Box 1).

The combined gross domestic product (GDP) of the SADCC countries amounted in 1985 to only a third of South Africa's GDP, while South Africa's GDP per capita was over six times greater than SADCC's combined GDP per capita. The SADCC countries themselves differ greatly in their level of development; however the individual GDP of the three largest — **Angola, Tanzania and Zimbabwe** — amounted to less than 8% of South Africa's GDP. Not only does South Africa have an economy far larger than that of all the SADCC economies combined, it is also the major trading partner and a crucial transport conduit for most SADCC countries. For some, it is a significant employer of labour, a major supplier of

Box 1:

The Southern African Development Coordination Conference (SADCC)

SADCC is a loose but formal economic grouping of nine of the independent states of southern Africa: Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe. Established in 1980, policies are determined by a Heads of State meeting each year, supported by an annual consultative conference at which SADCC projects are presented to donors for funding. Policies and projects are co-ordinated by a small secretariat located in Gaborone, Botswana, in co-ordination with individual member countries which are each responsible for a particular area of socio-economic development. SADCC's four development objectives are:

the reduction of economic dependence, particularly, but not only on South Africa;

the forging of links to create genuine and equitable regional integration;

the mobilisation of resources to promote the implementation of national, interstate and regional policies;

concerted action to secure international cooperation within the framework of SADCC's strategy for economic liberation.

Transport, communications, regional food security and, most recently, investment in production constitute four fields which SADCC has been most active in promoting.

Basic Country Data, 1985

Country	Area 000 Sq km	Population Million	GDP \$ Billion	GDP/ Capita
Angola	1,247	8.7	4.3	505
Botswana	600	1.1	0.6	554
Lesotho	30	1.5	0.2	151
Malawi	118	7.0	0.9	135
Mozambique	802	13.8	1.8	134
Swaziland	17	0.7	0.3	463
Tanzania	945	21.2	4.2	198
Zambia	753	6.6	2.6	400
Zimbabwe	391	8.1	4.1	501
Total				
SADCC	4,903	68.7	19.3	280
(South Africa	1,221	32.3	54.4	1,684)
(Namibia*	824	1.1	1.2	1,100)

*1983 data

Source: Economic Commission for Africa, Survey of Economic and Social Conditions in Africa, 1985-86, Addis Ababa, February 1987, World Bank, *World Development Report 1986* and IMF, *International Financial Statistics*, February 1987, Economist Intelligence Unit, *Namibia's Future*, Special Report No. 197.

power and fuel, the dominant source of foreign investment and an important collector of customs union revenue, through a customs union arrangement.

The SADCC states are not the only countries in the region dependent on South Africa in various ways. Apart from **Namibia**, occupied by South Africa and dominated by it in all its major external and financial relations, **Zaire** is dependent on South Africa for major imports and as a transport route, and this dependence has increased significantly in recent years. In 1985, 45% of Zaire's

*The effects of sanctions on the South African Economy were discussed in a previous ODI Briefing Paper, *Sanctions and the South African Economy* published in December 1986.

copper exports were routed through South African ports while over 75% of all its imports came from South Africa or Zimbabwe. Of the island states off southern Africa, South Africa has important economic links with **Mauritius** and increasingly close ties with the **Comoros** — after France, South Africa is the single most important source of imports into Mauritius and a major contributor to its tourist industry earnings, while South African investments in tourism and other facilities in the Comoros will further cement economic links between the two countries.

SADCC'S Vulnerability to South Africa

In 1984, the SADCC countries obtained 30% of their total imports from South Africa while 7% of their exports went to South Africa. Many of their imports consist of intermediate products, machinery and spare parts essential to production, which are often unobtainable elsewhere in southern Africa, or can only be bought from overseas more expensively with far longer delivery times. The value of South African-SADCC trade was over four times as great as intra-SADCC trade, and for six countries — **Botswana, Lesotho, Malawi, Swaziland, Zambia** and **Zimbabwe** — South Africa was the single most important source of their imports.

In a number of SADCC countries, trade relations have been cemented by particular agreements and institutional arrangements. **Zimbabwe**, which accounts for over 50% of all SADCC exports to South Africa, has a special trade agreement with South Africa, providing for lower tariff levels for a range of goods traded. **Botswana, Lesotho** and **Swaziland** (BLS) are joined together with South Africa in the Southern African Customs Union (SACU) which provides for a unified customs tariff and a sharing of revenue from a common customs pool based on the level of imports from all sources. Additionally, **Lesotho** and **Swaziland** are members of the Tripartite Monetary Agreement (TMA). In practice their currencies are effectively fixed at parity to the South African Rand, and common exchange control measures apply to the flow of funds outside the TMA. The importance of these ties with South Africa is apparent in that for **Botswana, Lesotho** and **Swaziland**, in 1985/86 respectively, 14%, 74% and 62% of government revenue originated in receipts from the customs union agreement.¹

1. If the BLS States withdrew from SACU they would still obtain customs revenue receipts from external trade.

Important though the direct trading links between South Africa and its SADCC neighbours are, their use of South Africa's road and rail routes for trade external to the region is even more significant. Whereas in the mid 1980s, 18% of all SADCC's external trade was *with* South Africa, over 80% of the extra-regional land-based trade of six of the SADCC countries (the land-locked ones) *passed through* South Africa, (in the cases of **Botswana, Lesotho, Malawi** and **Zimbabwe**, over 90%). In addition, South African locomotives and railway wagons are in continual use throughout the rail systems of the SADCC states. All SADCC states, other than **Tanzania** and **Angola**, have direct air links with South Africa although only a minimal share of their total trade is air-freighted either to South Africa or to other markets, as most consists of high bulk, low-value products.

South Africa is also the major supplier of petroleum products and electricity to four of the nine SADCC countries. **Botswana** receives all its petroleum products and until this year obtained 30% of its electricity from South Africa,² **Lesotho** gets all its electricity and petroleum products and **Swaziland** acquires 60% of its electrical needs and all its petroleum fuels from South Africa. **Mozambique** is dependent on South Africa for over 30% of its electrical requirements while **Zimbabwe's** supplies of lubricants and aviation fuel are channelled through South Africa. Over 30% of **Malawi's** oil-based fuels come up from South Africa.

Many SADCC countries have been critically dependent on South Africa as a source of employment for their labour, although this is now less so for most of them. In 1983 some 300,000 SADCC workers were legally employed in South Africa, almost all as migrant labourers. In addition, there are estimated to be between 250,000 and 1.2m illegal immigrants from the neighbouring states in South Africa.

These employment opportunities and the foreign exchange remitted home are important to the economies of **Swaziland** and **Malawi**, more important for **Botswana** and essential for **Mozambique** and **Lesotho**. In 1983, migrant labour from **Botswana** accounted for 23% of its total domestic formal sector employment. For **Mozambique**, foreign labour migrants working in South Africa totalled

2. With the recent coming on stream of the Morupule Power Station, Botswana's electrical energy dependence upon South Africa has been reduced to about 15% of peak demand.

**Table 1:
Estimates of Dependency of SADCC States on South Africa¹**

	Angola	Botswana	Lesotho	Malawi	Mozambique	Swaziland	Tanzania	Zambia	Zimbabwe
A. Trade									
% Exports to South Africa	0	8	40	7	3	37	0	1	10
% Imports from South Africa	0	81	97	40	12	83	0	21	18
of which, % SA supply									
Petroleum Products	—	100	100	30	0	100	0	0	all aviation + lubricants
Electricity	—	30	100	0	30	50	0	0	0
B. % of extra-regional transport through South Africa	0	95	100	95	0	70	0	60	92
C. Migrant Labour (000)	0	26.6	139	30	60.4	17	0	1	5
Remittances									
as % GDP	0	3	126	3	2	2	—	—	—
as % Imports	0	4	70	8	10	3	—	—	—
D. Customs Union Revenue \$m	—	88	80	—	—	65	—	—	—
as % government revenue	—	22	66	—	—	65	—	—	—
as % imports	—	9	22	—	—	20	—	—	—
E. South African tourists (000)²	0	19	123	3	—	47	0	4	70
as % total	0	67	70	—	—	60	0	0	24

1. Accurate data on all these different variables is difficult to obtain and different sources contain widely differing numbers. Additionally some entries can vary widely (20% or more) from year to year. Thus this table should be viewed more as representing orders of magnitude rather than as providing precise and up-to-date figures. Most data refer to 1984 unless data for more recent years is available. In some instances 1983 data have been used.

60,000 in 1985 and their remittances, valued at \$57m, accounted for nearly 30% of total foreign currency earnings. It is, however, in **Lesotho** that the contribution of labour migrancy to the national economy has been and remains of greatest significance. Over 70% of the total male labour force works in South Africa and in 1985 remittances were valued at \$42m, over four times the foreign exchange receipts from commodity exports.

Implications of Dependence

The smallness of the SADCC country economies and the range of their economic dependence on South Africa provides the context for arguing that economic decline or contraction in the South African 'core' is likely to have negative effects on the southern African 'periphery'. Thus, to the extent that sanctions against South Africa lead to lower growth rates in its economy, the demand for SADCC's imports and its labour will be reduced. In turn this will tend to reduce domestic demand within the SADCC economies which will decrease their demand for South African exports and set in motion a regional deflationary spiral. For both South Africa and the BLS countries, the overall effect will be to reduce their customs union revenue. But not all SADCC states will be affected in the same manner or to the same degree. As the summary data in Table 1 indicates, **Botswana**, **Swaziland** and particularly **Lesotho**, are most vulnerable, and **Angola** and **Tanzania** least vulnerable, with the other five SADCC countries variously affected.

South Africa's control of crucial elements of many SADCC economies also fuels fears about its threat to impose its own sanctions against the neighbouring states in the event of increased moves by the international community to impose sanctions against it. Indeed South Africa has repeatedly used its dominant economic position in the last 18 months in precisely this manner. For example, in January 1986 South Africa blockaded **Lesotho**, cutting off food, fuel, normal external trade and most international transactions, bringing the economy to a temporary stand-still until the intended coup had taken place. In August, following the Commonwealth accord on sanctions, South Africa caused a major slowdown in **Zambian** and **Zimbabwean** goods traffic at the Beit Bridge border by demanding a cash in advance levy on all extra-territorial goods destined for Zambia and Zimbabwe passing through South Africa and by demanding that all Zimbabwean goods entering South Africa be subject to detailed search in a 'monitoring' operation which lasted for three weeks. In September, South Africa announced that all **Mozambique's** migrant labourers would be repatriated, although in January this year it was subsequently announced that only half the estimated 60,000 workers would in fact be affected. And most recently just before the commencement of the 1987 tobacco auctions in April, South Africa imposed a R2 (95 US cents) per kg import tax on **Zimbabwe** leaf exports to South Africa (Zimbabwe's fourth largest market). **Malawi** leaf was exempted from the tax.

South Africa's Dependence on the Region

SADCC's dependence upon South Africa, however, is only part of the total picture of economic relationships and vulnerability within the region: there is also an important dependency link in the opposite direction. Not only is South Africa economically dependent upon the SADCC states but to the extent that international sanctions against South Africa increasingly affect its own economy, that dependence is likely to become increasingly important.

In 1984 the SADCC states purchased 10% of all South Africa's exports and 20% of its non-gold exports; in that year, South Africa's exports to SADCC were valued at \$1.7bn, \$135m more than South Africa's total exports to the EEC of all food, agricultural and coal products. With substantially fewer SADCC imports, South Africa had a net trade surplus with the SADCC states of \$1.3bn. To put this figure in perspective, it was equivalent to 44% of South Africa's worldwide trade surplus in that year and exceeds the \$1.2bn a year to 1990 that South Africa will have to pay to foreign banks following the March 1987 foreign debt re-scheduling agreement. Over the longer term South Africa's dependence on SADCC markets has increased significantly: in the 1970s, South Africa's exports to the SADCC countries expanded fivefold but SADCC's exports to South Africa increased by only 126% at current prices, raising South Africa's trade surplus with the SADCC states from \$250m in 1970 to \$1.8bn in 1979.

South Africa's overall balance of payments position is also enhanced by other major flows from the SADCC states. The most important invisible revenue source is that earned by the South African Transport Services (SATS) — the state-owned port and rail authority — for carrying SADCC's extra-regional trade goods. Even excluding sizeable insurance costs and handling charges, South Africa is estimated to earn between \$200m and \$300m a year as freight revenue from the SADCC countries. Other significant invisible earnings, which vary from country to country, include payment of dividends and profits of South African companies operating in the SADCC countries, energy purchases and pension remittances, the latter being especially important from **Zimbabwe**. There are no reliable estimates of the total amounts of these particular flows, but a conservative calculation would put the aggregate amount at between \$200 — \$300m in 1984.

The main reverse international payment flows from South Africa to the region are derived from migrants' remittances (judged at about \$165m in 1984) and from customs union payments to the BLS countries which amounted to \$284m in 1984/85. Balancing out all these various invisible flows, it appears that on top of the visible trade surplus South Africa has with the SADCC states, it could be running an overall invisible surplus as high as \$150m. At worst, these figures suggest that the customs union and migrant remittances outflows are almost balanced by an invisible inflow from the SADCC countries. In fact the overall gains to South Africa are even greater than these latter figures suggest because it, too, benefits from migratory labour income of its nationals working in the SADCC states. Indeed in the last two years remittance income *into* South Africa has exceeded the total outflow.

What these figures suggest is that South Africa has an important long-term economic interest in not retaliating within the region against sanctions imposed internationally. Indeed it would appear to be advantageous to South Africa to encourage expansion and growth of the SADCC states, provided that the type of development that occurs does not lead to any major reduction in SADCC's trade and payments deficit with South Africa. It was for this reason that South Africa attempted but failed to institutionalise its 'constellation of states' to encourage greater economic links between itself and the neighbouring countries of the region.

Two further dependency-related questions must be examined more carefully. The first is whether the economic effects of sanctions against South Africa are as wholly negative for the SADCC states as is commonly perceived; the second is whether any easing of the sanctions pressure on South Africa would be sufficient for

the long-term decline in its growth rate to be reversed.

While there can be little doubt that the slowing down of the South African economy will tend to contribute to deflationary pressures within the SADCC economies, these need to be weighed against some of the positive effects of South African sanctions on the region. For most SADCC states, South Africa is a major supplier of imports rather than a major market for their exports. As shown in Table 1, for six of the SADCC states, South Africa accounts for less than 10% of their export markets. Only in **Lesotho** and **Swaziland** would recession in South Africa significantly affect export prospects. A far more important external influence is the price of and demand for SADCC exports *outside* the southern African region.

Contemporary events also provide contrasting evidence of the indirect effects of South African sanctions on its neighbours. The major recent impact of sanctions against South Africa's economy has not been to reduce its aggregate trade levels (the trade surplus actually rose to a record \$7bn in 1986) but rather to depress dramatically the value of the Rand, which fell from 93 US cents in the first quarter of 1983 to a low of 38 US cents by the fourth quarter of 1985, rising to 50 US cents in April this year. Given most SADCC countries' high level of dependence on South African imports, (Table 1) as well as South Africa's surplus on the invisible account, the fall in the value of the Rand will have benefitted rather than harmed SADCC states outside the Tripartite Monetary Agreement running a payments deficit with South Africa, either by enabling them to outlay fewer US dollars to pay for South African goods and services or to purchase more goods from South Africa for the same amount of foreign exchange. Even Swaziland will have benefited since its non-Rand exports earnings exceeded increases in the costs of its largely South African-sourced imports. Thus at least seven SADCC countries will have benefited from recent South African sanctions. However, the impact on **Lesotho** will certainly have been adverse, while the increased competitiveness of South African goods in other southern African markets will be likely to have reduced **Zimbabwe's** regional trade surplus.

Finally, alternative economic futures for the economies of the region need to be placed in a rather narrow medium-term context; as the recent ODI Briefing Paper on *Sanctions and the South African Economy* concluded, if apartheid continues, the historically low current rates of economic growth in South Africa are most likely to persist even without the successful implementation of increased international sanctions. To the extent that lower economic growth in South Africa leads to lower economic growth in the SADCC countries, any halt in the pressure to extend international sanctions against South Africa would be unlikely to lead to dynamic economic expansion in the southern African region. In this context, choosing between a 'sanctions' or 'no sanctions' policy towards South Africa would not mean the difference between economic contraction and expansion in the countries of the region but merely between varying degrees of economic contraction.

The Wider Context

Even if increased international sanctions against South Africa do cause a slow-down of the regional economy, the resulting effects need to be assessed not just in relation to increased marginal losses but also in relation to accumulated past losses and expected future costs and benefits. The current level of economic dependence of the SADCC economies upon South Africa reflects neither past levels of dependence nor the optimal relationship for the

SADCC countries in the future. Since its inception in 1980 one of the principal objectives of SADCC has been to reduce the economic dependence of the member countries, particularly on South Africa. However despite this major goal, economic dependence has grown in the critical area of transport, reinforcing a general pattern visible at least since the early 1970s.

Rising Transport Costs

The routing of extra-territorial trade has changed significantly and rapidly in the early 1980s, largely because of sabotage of roads, rail-links, port facilities and oil pipelines, predominantly in **Angola** and **Mozambique**, carried out by South Africa or its allies. This has resulted in far greater use of the South African transport system and a consequent and dramatic reduction in the use of SADCC's transport system. In 1981, 50% of the extra-regional trade of the land-locked SADCC states passed through South Africa but by 1985 this had risen to 85%. The changes, shown in Table 2, reveal the dramatic shift in the extra-territorial trade routes used especially by **Malawi**, **Zambia**, **Zimbabwe** and **Swaziland**.

The switch in extra-territorial trade routes has had three major effects. First, transport costs for those SADCC countries directly affected have increased significantly. For example the extra transport costs incurred by **Zambia** having to use the ports of East London and Dar es Salaam for its copper exports rather than the Lobito railway and port route amounted to \$172m in the ten year period from 1975. For **Malawi**, the direct costs of using South African transport routes amounted in 1985 to between 350 and 700 Kwacha per tonne compared with 200 Kwacha per tonne if the nearer ports of Nacala and Beira in **Mozambique** were still being used. For **Zimbabwe**, with total extra-territorial trade in 1985 valued at \$1.6bn, of which over \$1.2bn is now transiting through South Africa, the absolute costs are even greater. For instance the extra cost of exporting tobacco from Harare via Durban rather than directly to Maputo in 1984 was \$345 a tonne (box rate), raising the rail tariff by 70%.

The second effect has been to increase South Africa's foreign exchange earnings, forcing the land-locked SADCC states to increase their absolute foreign exchange spending on freight and in particular to cut the foreign exchange earnings of **Angola** and **Mozambique** from their rail, road and port facilities. For example, if it had been possible to transport ferro-chrome to Maputo via the direct Chicualacuala rail route in 1985, it would have cost **Zimbabwe** \$8 per tonne in payment to the **Mozambique** rail authorities. But because the rail route was blocked, **Zimbabwe** had to ship the ferro-chrome to Durban, and pay South Africa \$32. In aggregate, Mozambique ports handled 13.8m tonnes of international goods traffic in 1975 but by 1985 this had fallen to a mere 4.0m tonnes. Lost revenues have run into hundreds of millions of dollars, as

Table 2:
Comparative Estimate of Use Made of SADCC and South African Land Transport Routes for Extra-Regional Trade (% Volume)

	SADCC	South Africa	SADCC	South Africa
Botswana	5	95	5	95
Lesotho	—	100	—	100
Malawi	95	5	5	95
Swaziland	67	33	30	70
Zambia	64	36	40	60
Zimbabwe	33	67	8	92

Source: C.W. Davids, 'The Impact of Economic Sanctions Against South Africa on the SADCC States', Ottawa, CIDA, 1986 and Economist Intelligence Unit, London, country reports.

indicated by Maputo port revenues which fell from \$93m in 1980 to \$20m in 1985.

The third effect of the transport switch to South African routes has been to make the purchase of goods from South Africa rather than other SADCC countries or alternative sources more attractive for the SADCC states, thereby increasing their dependence on South African suppliers and indirectly raising the transport costs of exports.

This increase in dependency on South Africa for commodity trade and transport routes has not been accidental but the result of sabotage action carried out either directly by South Africa or indirectly by its allies in the SADCC countries. SADCC's aims and objectives have not changed from those proclaimed at the birth of the organisation: to reduce use of the more expensive South African port and railway system by rehabilitating SADCC routes and facilities that are currently unusable, inefficient or underutilized, upgrading or rebuilding those which cannot be repaired.

Within this overall programme, top priority is being given to the Beira corridor, both to facilitate a voluntary switching of goods from the South African route and to enable the land-locked countries to cope more effectively with a sudden increase in traffic if South Africa places restrictions on the southern routes. Work on the port of Beira, due to be completed this year, would increase its capacity to 3m tonnes a year compared with 1m tonnes handled in 1985. The benefits in terms of foreign exchange saving will be quick and significant. For example, **Zimbabwe** alone will save between \$35m and \$50m a year by switching freight to the port of Beira once rehabilitation has been completed.

The success of these strategies will depend on the ability of the railways to service the rehabilitated ports. This will depend critically on the security situation and the ability of SADCC military and technical personnel to open and keep open these lines of communication in the face of attack from South Africa or its allies. If past experience is any guide, this will fall far short of SADCC's expectations.

The Costs of De-Stabilisation

Economic losses to the SADCC countries caused by direct or indirect South African action have not been confined to the sphere of trade and transport. War damage inflicted on civilian and economic targets has reduced production and diverted scarce funds to repair and rehabilitate plant, machinery, schools and hospitals and to provide food and basic services to more than five million displaced persons and refugees. It has been necessary to raise defence expenditure, both to increase the ability of SADCC states to withstand attack and to attempt to defend key economic and transport routes. For instance, at present **Zimbabwe** has over 10,000 troops in **Mozambique** defending its routes to Beira at an annual foreign exchange cost of some \$50m while **Tanzania** and **Malawi** have also recently committed troops to northern parts of Mozambique. Directly and indirectly production and trade losses have been incurred while regional unrest has additionally led to a contraction in tourism and both foreign as well as local investment.

It is not easy to assess accurately the economic costs of direct and indirect South African action against the SADCC countries, not least because it is so difficult to estimate the ripple effects of productive investment and trade losses. But SADCC data puts the total direct and indirect costs of South African action between 1980 and 1984 at \$10bn. Adjusting these figures on a consistent basis for 1985 and 1986 would add an additional \$9bn.³ On an annual gross basis these costs are equivalent to about 10% of SADCC's combined GDP — in the case of Mozambique over 25% of GDP — and about one third of SADCC's total export earnings over the period. These extra costs also

exceed the total official and voluntary aid channelled to the SADCC countries by all bilateral and multilateral agencies since 1980 and represent an immense burden to the SADCC economies. The totality of all foreign aid injected into the region over the past few years has not been sufficient even to offset the extra costs incurred by the SADCC states by South Africa's destabilisation policies. That these costs have to date fallen disproportionately on **Angola** and **Mozambique**, whose GDP accounts for less than one third of total SADCC GDP, indicates the still greater economic costs that further South African action could inflict on the region.

It is against these longer term costs that the SADCC countries assess their future economic prospects. Their immediate goals include: eliminating the economic costs of South African aggression against them, reversing their increased dependence on South Africa and reducing their present vulnerability to potential South African sanctions against them. And it is in this context that they view the international sanctions debate. While they all acknowledge that their present South African-induced dependence on their southern neighbour leaves them open to South African action, the majority favour sanctions because they believe that increased international pressure provides the best hope of bringing apartheid and its regional costs to a rapid end, bringing SADCC's efficient transport and trading routes back into action again and making possible higher levels of economic growth.

It is their assessment that the potential cost of further sanctions against south Africa must be weighed against the extremely high cost of widespread south African action and its increasingly debilitating overall effects on their economic and social life.

An Uncertain Future

Such is the range of uncertainty that it is impossible to detail the future costs of sanctions and related policies. But the prospects for the SADCC economies will depend *inter alia* on:

the degree, extent and duration of sanctions imposed upon South Africa in relation to trends in the world economy, especially trade, commodity prices and currency levels;

the degree, extent and duration of measures imposed in retaliation by South Africa on the different SADCC economies and the level of their individual and differing dependence on South Africa and varying scope for responding to such action;

the extent to which South Africa escalates the military conflict in the region;

whether, to what extent and how the SADCC states retaliate or initiate their own individual or co-ordinated action against South Africa;

the degree and extent to which South African policy vis-à-vis the SADCC states is determined by short or medium term domestic economic self-interest as against often contradictory politico-military considerations; and, finally, the amount, timing and type of external assistance SADCC states receive from the international community either to compensate for South African action or, in the military/security field, to help prevent that action from being sustained and indeed from escalating.

It is possible, however, to point to some of the key

3. 'The cost of Destabilisation: Memorandum presented by SADCC to the 1985 OAU Summit', reprinted in J. Hanlon, *Beggar Your Neighbours*, London, James Currey, 1986, pp 265-270. Green & Thompson reach a slightly higher figure of \$28bn from 1980 to 1986. See R.H. Green and C. Thompson, 'Political Economies in Conflict: SADCC, South Africa and Sanctions'; in D. Martin & P. Johnson, *Destructive Engagement*, Harare, ZPH, 1986 pp 271-273.

problems facing each SADCC country and their individual room for manoeuvre. The data in Table 1 pinpoint key areas of economic vulnerability for each SADCC country. **Lesotho**, for instance, stands out as the SADCC country most vulnerable both to international sanctions against South Africa and action South Africa has the power to take against it, while **Tanzania** and **Angola** remain the least vulnerable. For its part, the extent of **Mozambique's** links with South Africa suggests that economic action by South Africa would not cause major problems, in part because its economy has already suffered such severe contraction and disruption in recent years (GDP fell by nearly 40% from 1981 to 1985 with exports falling from \$281m in 1981 to \$75m in 1985). However specific targeted action, such as the expulsion of half of Mozambique's migrant workers currently in South Africa, will cause yet another severe blow to its attempts to rebuild its war-torn economy, highlighting, too, the extremely limited long term effects of foreign aid in raising growth rates without tackling the root causes of its debility.

Botswana's dependence on South Africa for oil-based fuels is total while its dependence on electrical energy has exceeded 30% of domestic requirements. But a simple closing of the South African-Botswana border would not lead at once to the economic disruption these isolated figures might suggest, because most oil-based products could be obtained from **Zambia** or **Zimbabwe**, while **Botswana** is now almost entirely self-sufficient in electrical energy. Yet this is an improbable scenario, since South Africa would be unlikely to take such a dramatic step as to close its border with **Botswana** without also disrupting northern outlets to the sea, even if there is little to indicate that South Africa is currently planning such action. If it did, it would be virtually impossible to sustain beef exports while the lucrative copper-nickel project could only be continued with large subsidies to offset increased transport costs.

Even more difficult to evaluate is the case of **Zimbabwe**. With the largest land-locked SADCC economy, as South Africa's most important SADCC trading partner and with an almost complete dependence on South Africa's transport routes for its extra-regional trade, **Zimbabwe** would appear to be in an extremely weak position to withstand significant trade or transport action by South Africa. In the absence of viable alternative transport routes, an immediate closure of the Zimbabwe/South Africa border would lead to severe economic contraction. However, revamping Mozambique's transport routes, most immediately the Beira corridor link, would significantly reduce Zimbabwe's vulnerability, and the country would benefit from a cutback in SADCC imports of primary commodities from South Africa since it could provide significant substitute supplies of some (but by no means all) of these goods.

In short, under this scenario, GDP and exports could again start to grow, albeit at lower levels than if there had been no South African-induced disruption. Yet it is by no means certain that this, or other even more alarming scenarios, will actually happen. If events were to deteriorate to the extent that either Zimbabwe or South Africa were prepared to risk escalating the conflict by initiating new measures against each other, the effects could be catastrophic for both countries. South Africa would probably lose much of its remaining support from western countries, increasing its economic and financial isolation. For its part, although it is the weaker economic partner, **Zimbabwe** does have the ability to act against South Africa in a number of increasingly influential ways. For instance it could halt the outflow of South African profits, interests and dividends (valued at over \$20m a

year), freeze the interest and principal repayment of the \$120m loan owed to South Africa, interrupt the over \$35m-worth of annual pension and annuity remittances of former residents now living in South Africa, confiscate the remaining financial assets of the 60,000 people who have emigrated to South Africa since Independence in 1980 or, even more dramatically, nationalise the over \$850m worth of South African capital assets in the country, confiscate the South African locomotives and rolling stock on **Zimbabwe's** rail system and take action against the upwards of 4,000 people in **Zimbabwe** who have South African citizenship or the right to South African passports.

Conclusion

South Africa is able to inflict economic damage and destruction on the independent countries of the region, and it has done so. But the imposition of international economic sanctions against South Africa will not necessarily push it into stepping up its destructive action or changing its relationship with its neighbours. So far international sanctions against the South African economy have been minimal, but South African action has already inflicted major economic costs on the SADCC countries. If and when international sanctions begin to hit South Africa's economy seriously, the links of dependency it has nurtured will become increasingly important.

On the other hand, most SADCC countries would face substantial economic costs if they were to support the international sanctions effort with their own sanctions against South Africa, especially if they were unable to reduce their transport dependencies significantly. The BLS countries, **Zambia**, **Zimbabwe** and **Mozambique** would be especially hard hit. To date, however, no SADCC country has taken unilateral action against South Africa causing major new financial or economic costs to its own economy. Even **Zambia** and **Zimbabwe** have apparently only raised the issue within the context of a broader Commonwealth initiative.

The repeated efforts of SADCC countries to reduce their dependence on South Africa have been thwarted by South African action, and if past history is any guide, their increased attempts to cut their transport dependency are likely to meet with renewed South African efforts to maintain it. Over the past eighteen months the donor community has stepped up its aid to SADCC and the individual countries of the region. Part of this increase is to help SADCC reduce its dependency on South Africa, especially by increasing funding for transport and communications projects, and part to address worsening social and economic problems, eg. by giving emergency aid to **Mozambique**. But herein lies the dilemma. The ripple effects of more effective sanctions against South Africa will create a need for further aid. But the costs for the SADCC states of South African action to date exceed present aid flows and they will certainly need additional external aid even if there is no escalation of sanctions. Western donors will be reluctant to commit even greater funds to South Africa indefinitely. But they will have little alternative unless they use their influence to help to create in South Africa the conditions for establishing a democratic government, able to live at peace with its neighbours, and work with them to achieve regional economic prosperity.

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