Endgame: The Colonial Economy Runs Down

1983 saw no improvement in Namibia's economic position, only a continuation of the stagnation and decline which has prevailed since 1979. Department of Finance estimates[1] show negative growth of territorial production of 2.2% in 1980, positive growth of 2.5% in 1981 and negative again by 1.6% iin 1982. 1983 showed a 7% decline. Overall 1983 GTP is probably of the order of 9% below 1979 or down over 20% per capita. 1984 prospects are for either stagnation or a further decline.

The estimates for the core of the economy - agriculture, fisheries and mining are -3.3% in 1980, -8.7% in 1981, -7.2% in 1982.[2] For 1983 the decline to -11% and in 1984 the fall might slow to -2% or bottom out. The per capita decline 1979-83 for the primary producing sectors is thus over 40%. For mining real 1983 output was at a 7 year low and for agriculture and fishing at a 15 year low. Rapid expansion - at least in official territorial accounts terms - of government spending, largely on 'Bantustans' and 'defence/security', masks much of this fall in the overall GTP.

The 1983-84 budget originally estimated at R1,036 million is now expected to come to R1,100 million[3] of which R230 million odd are borrowing and deficit, R286 million RSA grants, R560 domestic taxation and charges plus customs and excise from RSA. Most of the increases during the year appear to relate to salary increases and/or second tier authority ("homelands") misspending.[4] The Thirion Committee seemed to find improper practices wherever it turned, from white civil servants through "homeland" politicians to diamond price declarations by Consolidated Diamond Mines.[5]

Prime Minister Botha asserted that Namibia would cost RSA 1,143 million[6] in 1984/85 - excluding "SWA/Nambia external borrowing" from South African financial institutions. Indeed he offered to donate the territory to the Contact Group if its members would take over the cost of supporting it.[7] The drought broke only partially[8], karakul demand recovery was tentative[9], herds were down[10] and fishing recovery was from a very low base.[11]

The Observer's September 1983 headline[12] "Corrupt and broke Namibia a 'hostage' to Pretoria" summed up how the economy looked to many external and domestic observers. Neo-laissez faire liberal millionaire Eric Lang made two major 'disclosures' - the first his 'the party is over' address to the German Settler Interest Group attacking the rapid rise of government spending, especially in support of "homelands" of May 25, 1983 and the second his June 20 leakage of a 'Confidential' Department of Finance report to the Administrator General projecting a decline from de facto to total bankruptcy by 1987/88.

The Financial Mail[13] inquired "Is there life before independence?" and speculated that the costs to RSA of hanging on in Namibia would lead RSA to abandon "linkage" (to Cuban presence in Angola) and pull out in the forseeable future. The most positive statement seemed to be that of CDM Executive Director Doug Hoffe when he said (although slightly distancing himself from his own statement):[14]

> the present stagnation of the Namibian economy may be a great deal more satisfactory than the economic convulsions that could follow... a regime with strong socialist or Marxist objectives.

> In other words, better the uncertainty we know than the certainty that would follow unwelcome economic policies.

On the face of it the Namibian economy rather resembled a (presumptive) typo on the South African economy in the Edenvale News:[15]

> Although the South African economic position is not what we would like it to be at present, all the indications are there that it will improve but we must not expect this to be improvement, but we must not expect this to be.

Indeed so. The economy is wrecked and has no future. Or is that true? Real as the economic problems of the Namibian economy - buffeted by the long metal price recession, the delayed recovery of demand for high quality gem diamonds, the karakul market bust, depleted fish stocks, administrative and fiscal mismanagement bordering on lunacy and war are - some of the official documents and pronouncements appear to be disinformation.[16]

In particular the Department of Finance Report and Prime Minister Botha's speech seem to be seeking to demonstrate: a) that Namibia cannot be viable as an independent country and b) is a millstone on the RSA budget - a position equally useful in arguing for a strong RSA/Contact Group role after independence or for abandoning "SWA/Namibia" as an economic luxury South Africa cannot afford.

Mr. Hoffe[17] - on closer reading - appears to have been lecturing SWAPO on the need for 'moderation' as he actually concentrated on what an independent Namibia should and should not do from staying in the Customs Union through joining SADCC and the Commonwealth to attaining self sufficiency in food production. His stress on mining as an economic dynamo (Anglo-De Beers in addition to owning CDM indirectly controls Tsumeb/Otjihase as well as prime coal and uranium prospects) which, if given a tax structure that allows "proper returns on risk capital, especially high-risk capital in mining", can continue to be financed by South African companies so that "this country can enter a second and more advanced state of its economic development" sounds remarkably like a manifesto for CDM-Anglo-De Beer's playing an enhanced role in an independent Namibia and implicitly one he does not see as an 'economic basket case'. Whatever one may think of the realism of his strategic economic sketch plan it seems to be based on a belief that an independent Namibia could prosper and his corporate group prosper in it. Professor Wolfgang Thomas, sometime economic advisor to Dirk Mudge and the shrewdest analyst and most innovative proponent of a "moderate" (neo-colonial?) economy has done a devastating critique of the "Alleged Financial Crisis" as set out in the Department of Finance Memo[18] demonstrating that it is so technically ludicrous and so systematically over pessimistic as to past and future trends (and so divergent from actual policy as contained in the 1983/84 Budget by the same department) as to suggest that it was disinformation intended to be leaked via Lang and the Windhoek Observer who could be expected to give maximum publicity and credibility to its attacks on its own budget and policies without immediately suspecting they were being used.

The Rich, The New Middle Class and The Poor

Namibia remains a country with huge disparities of income. For upper echelon whites[19] an administrative officer can get R11,433-21,720; senior nurses R12,369-21.720; a 'homeland' Department Director R23,634-27,462; a Central Department Deputy Director R34,239 and a Company Secretary R40,000 - all plus fringe benefits averaging perhaps 20%. For artisans and clerical personnel the rates are lower - perhaps R8-12,500 plus fringe benefits. Allowing for inflation this represents nothing new.

But the new black middle class - the beneficiaries of the "buy a bantustan policy" in the public sector and the drive to position themselves for the long haul by major companies[20] - is. By 1984 they numbered about between 30 and 40,000 (15-20% of all black households) with R3,500 - R15,000 a year. This - especially in the public sector - is a very recent phenomenon, largely post-1980.[21]

It is in many ways not a positive one with the possible exception of mining. First, the basic aim of the increases has been to divide the black community by buying off its most skilled and educated components plus some 'traditional' and 'self made' political leaders cum bodyguards, 'homeguards' and Koevet (literally crowbar - actually killer, terror komando). While this probably will not work in terms of political allegiance for the majority of those with real skills - especially in health and medicine -, it does create quasi-class divisions between them and the other 80% of black Namibians and make them likely political opponents of the more egalitarian income distribution strategy advocated - rather vaguely - by SWAPO. Second, while R3,500 is not a very high income in purchasing power terms by white Southern African or developed country standards, it is very much above the average wage or self employed income level possible in a country with a territorial output per capita of about R1,000 - 1,100. Third, the salary and employment number increases which created the public sector side of this middle class are the primary cause of wages and salaries rising to 60% of the Recurrent Budget (30 to 40% is a more normal share) and of the Budget's deficit. Pruning numbers and real incomes will be necessary if independent Namibia is to move to universal basic service provision without a continued huge Recurrent Budget deficit. That poses a problem - selling reductions of incomes achieved under colonial rule to the bulk of black clerical, skilled and professional workers as an immediate 'fruit of independence' is likely to prove difficult.

A recent IDAF study[22] and other work[23] suggest that for Namibians outside this 'new middle class' the situation is quite different. Those in regular non-mine urban employment seem to receive an average wage of R1,500 a year; those in domestic service and ranching work perhaps R600-800 and those in the 'residual' sector ('homelands', pensioners, unemployed) perhaps R200. As the latest Household Subsistence Level study estimates HSL for a family of 6 in Windhoek at R3,600 a year[24] and the cost of living increase has been in the 12-16% a year range for some years, these are all grimly low rates. Earlier studies suggested 86% of black wage earners in Windhoek and 99% of households in the North were receiving less than the HSL[25] as were 30% in Khomasdal (Windhoek's 'coloured location') in 1982.[26] While the "buy a bantustan" approach has probably reduced the per cent of households below HSL in the North to 85, the other percentages probably remain valid.

The economic decline has led to falling employment. Together with war related dislocation and looser enforcement of residence controls (in their housing/compound permit, 'vagrancy' form) this has boosted open (urban) unemployment to 30-80,000[27] or 6 to 15% of the economically active population and 15-40% of those in officially estimated wage employment (200,000). Declines in employment have been widespread including mining (down 13.6% to 16,903 in 1983),[28] engineering where two large firms retrenched (one as part of its takeover of another)[29], fishing and agriculture.

Fiscal Irresponsibility and Creative Accounting: "SWA/Namibia" Budgeting

The 1983/84 Budget as amended is likely to show an expenditure outturn of R1,100 million, locally collected revenues of R310 million, R250 million RSA transfers under the Customs Union formula in lieu of import and excise duties. R286 million RSA transfers (including about R150 million for 'security'), R195 million external borrowing, R32 million deficit (drawdown of balances) and R35 million of 1982-83 balances.[30]

The increases in expenditure above the initial budget[31] appear to be largely on wage and salary increments, 'security' and overspending by 'Representative Authorities'. The revised 'RA' or 'second tier' spending on central budget account seems likely to exceed R325 million (R250 million Recurrent, R35 million Capital, R25 million covering 1982-83 overspending) for 1983-84 versus R185 million in 1982-83.[32] This component of the budget is indeed out of control - neither value for money, administrative competence nor honesty in use is being achieved.

Total expenditure deflated by price changes is not increasing rapidly - pace the Department of Finance. The first reasonably integrated "SWA/Namibia" budget was that of 1981/82 at R837.5 million. Prior budgets did not include a variety of items then on 'RA' or South African accounts. By 1983/84 unit costs (including wgaes and salaries) had risen at least 30%. Therfore a constant real expenditure figure for 1983/84 at 1981/82 levels would have been R1,090 million odd or almost exactly the probable 1983/84 estimated actual. The reason government spending is rising as a share of current cost GTP is twofold: GTP is falling and the unit cost of the governments's spending is rising much faster than prices in other sectors.

The cost inefficiency of "SWA/Namibia" spending is all too evident. "RA" and "National" Education in 1983-84 will come to about R140 million on recurrent and capital account and Health to over R100 million. Adding 20% for voluntary agency and consumer/user payments yields R155 million and R120 million or about 10% (Education) and 8% (Health) of probably current price 1983/84 GTP.[33] These are very high shares of GTP for a low or middle income country to expend on education and health but - with the exception of lower standard primary education - they do not yield even an approximation of universal access to basic services. Similarly the wage and salary to recurrent spending ratio of 60% is astounding - 30 to 40% is more normal. It implies either grossly too high (relative to average output per capita) salaries, gross overstaffing relative to other heads of spending (and perhaps absolutely) or both. In fact in the "SWA/Namibia" case both appears to be the answer.

The 'decrease' in per centage local funding over 1981/82 - 1983/84 is not so self evident. In 1981/82 direct RSA transfers and external borrowing were R374 million or about 46% of total spending. In 1983/84 they are likely to be R480 million or 44%. Further the Customs and Excise revenue has been static despite an apparent 20% odd increase in the import/exciseable production base. Had it risen proportionately transfers/external borrowing would have been R50 million less or 39% of expenditure.

39% is a high level but one clearly boosted by fiscal irresponsibility, lack of value for money, drought, world recession and a worsening war situation. In the absence of these, tax revenue (especially on minerals) might have been R100 million higher (plus the R50 million on customs/excise), emergency drought relief and security expenditure R50-100 million lower and savings on a less fragmented and more competent administration/service delivery system at least R100 million. That would have reduced expenditure to R900-950 million and the need for external funding and local borrowing to R130-180 million or 15 to 17% of total spending. Further had external loans been on semi soft terms debt service would have been at least R30-40 million lower. The resultant 11-13% financing requirement could not be viewed as particularly unusual for a small, relatively poor country.

The external debt by the end of calendar 1984 is likely to be of the order of R700 million with gross borrowing R200 million plus a year. At an average interest rate of 14% and term of 10 years this would imply a 1985 debt service burden of over R175 million - more than twice 1983/84 estimates. The implications of such a progression - if an independent Namibia chooses to accept liability - are serious. R175 million is of the order of 20% of export earnings and over 25% of probable 1985 local revenue. By the end of 1986 the debt would probably have passed R1,000 million and debt service (depending on RSA interest rates) in 1987 could be about R300 million. The crushing burden servicing this paper would entail, combined with its patent invalidity at international law following the 1971 International Court of Justice decision[34] and the fact that it has all been issued by the Administrator General and unconditionally guaranteed by South Africa and is nearly all held by South African financial institutions despite RSA claims to the contrary, strongly suggest that repudiation of responsibility for the AG's paper is practicable, prudent and probable.

1984/85 Budget flows are likely to be of the order of R1,200 million with increases concentrated on debt service, security and "RA's". Excluding debt service and assuming a 12% unit cost increase this would imply a real decrease of 4 to 5 %. RSA transfers (excluding the still unchanged customs/excise element) are likekly to be about R320 million[35], external borrowing R200 million and locally collected revenues about R400 million including R10 million on an increase in the general sales tax from 7% to 9%[36] and a continued recovery of mineral taxation relating to CDM and Rossing. The external finance share at R520 million would in that case fall slightly to 43.3%.

Mining: Holding On

"A year of consolidation, rather than a year of progress" was the President of the Chamber of Mines summary of 1983.[37] Output remained fairly constant - although with the 1983 closing of Matchless in the Tsumeb group[38] and the 1984 cave in which reduced the ex-Falconbridge Oamites mine to one year's life expectancy the downward trend must be expected to be renewed in 1984 and 1985 unless the spotty diamond recovery entends to high grade, large gems thus justifying CDM's raising output from a 1982-84 flow of about 1 million carats, the lowest levels in 30 years. As Mr Hoffe had pointed out a year earlier[39] over 80% of the sector's output comes from three mines - Tsumeb which is an old base metal mine with limited (5 to 8 year) reserves, CDM an old diamond mine but with proven reserves to post-2000 and Rossing, a young uranium oxide mine with reserves to 2006 and prospects for additional provings.[40]

Mineral prices fared badly in 1983 as the industrial economy recovery failed to restore demand - albeit the sinking rand did raise local revenues in 1983 and will do so dramatically in 1984. Costs continued to rise sharply fuelled by the high inflation rate Namibia imports from South Africa. As a result only CDM and Rossing earned significant profits and most mines had severe cash flow problems. Mining tax (excluding diamond export levy) in 1983/84 recovered from R20 million to R73 million in the estimates and R84 million in the estimated actuals but only because Rossings tax allowances were finally exhausted and CDM's profits recovered somewhat more than anticipated. By comparison in 1979/80 - when Rossing was still tax free - the tax take was R142 million.

Economies included reducing employees 13.6% from 19,564 in 1982 to 16,903 in 1983. Total wages fell by 4.2% implying an increase of about 13.5% per employee. While existing capacity was kept maintained and operating, exploration - especially by prospective entrants as opposed to firms already producing in Namibia - was low. Training was emphasised in the report as critical to the industry's future with the industry commissioned Verster Report seen as a foundation for identifying needs for company run training programmes.[41] The same theme had been stressed by Hoffe who argued more generally that "Skills shortage is Namibia's main handicap."[42]

The AG continued to take a harder line than South Africa on unregistered trade unions, stating that agreements with them were not binding and implying that they were dangerous and radical. His points evidently relate to the SWAPO linked National Union of Namibian Workers which was broken by RTZ but maintains _de facto_ working relations with CDM and to a lesser degree Tsumeb. The (white, albeit formally non-racial) SWA Miners Union has begun to talk of applying to join the International Metalworkers Federation, a move which would appear to be designed to limit NUNW-SWAPO links with the international trade secretariats, but also unlikely to be swallowed by the Federation.

For CDM 1983 saw output fall to 962,752 carats (from 1,014,464)[43], the lowest level in over 30 years. 1984 output is unlikely to be much higher unless the high grade end of the diamond market recovers more than it had by mid-1984. Even at these levels CDM had been stockpiling and may hold over R100 million in 1981-1983 production in excess of its Central Selling Organisation quota. The low CDM quota relates partly to its high proportion of large, quality stones for which the slump was greatest and the recovery is slowest but also to its apparent role as a "swing mine".

It was politically easier to cut the CDM than either the Botswanan or South African mine quotas. This also had the advantage from the De Beers viewpoint of raising doubts about claims that CDM was seeking to mine out before independence. In fact the record does not support that contention. The highest recorded output was 2,034,000 carats in 1969 and over 1969-1980 output fluctuated in the 1,500,000-2,000,000 range (2,001,000 in 1977) averaging about 1,750,000. Reserves are now given as 17 years[44] - high by De Beers practice which usually proves only 12 years ahead - and exploration and testing, especially upstream on the Orange, is being pursued intensively and viewed as promising.[45]

In addition to the low key, worker oriented publicity CDM has sought from supporting a Technical Institute and Concordia College (a non-racial secondary school)[46] as well as inservice training and from being a wage leader - 1983 mumimum R281 per month from R260 keyed to the South African Minimum Living level estimates of the University of South Africa, average unskilled R464 per month from R402[47] and all African workers probably about R500-550 per month - it achieved unwelcome high key notoriety in Namibia in 1984. The first hint probably came in November 1983 when Eric Lang mysteriously muttered about secret mining figures which he described as a "bombshell" and asserted he had suppressed from a speech only after intervention by the AG and a South African Cabinet Minister.[48] The item might have been a rerun of the persistent claim that Rossing's capacity is 6 or 8 or 10,000 tonnes versus the original design capacity of 5,000, but is likely to have been the discrepancey between US Department of Mines data on per carat value of US diamond imports and CDM's declared selling prices to the CSO. This was the subject of a special report to the Thirion Commission of Inquiry which suggested that over 1979-83 CDM had underpriced by R1,000 million or over 40%,[49] CDM's answer was rejected by Justice Thirion with considerable annoyance. In the absence of both the memo and CDM's data a judgement is hard to reach. CDM pays at least a 10% discount - possibly plus a stockpiling surcharge - to the CSO from the CSO's selling price. The US landed price is higher than the CSO selling price by one or two wholesaler's margins and costs. However at most this would seem to explain two thirds of the stated difference. If the USA prices are correct, either CDM is transfer pricing below true value or is paying a total discount and stockpiling surcharge in the 20 to 25% range. While this might not lead to any tax saving for the Anglo-De Beers group (as opposed to a loss for "SWA/Namibia") it could put the profit outside the Rand Monetary area and its exchange controls, thus facilitating the group's strategy of diversifying to reduce concentration of investment in a South Africa it apparently views as both cyclically unstable and politically risky.

Rossing - despite continued weakness in spot uranium oxide prices which rose from $17 a pound in September 1982 to over $20 at one point in 1983 but then fell back to $17.5 by February 1984 - continued to be highly profitable with the fall of RTZ's share from £32 to £14 million[50] largely accounted for by Rossing's becoming fully taxable, secondarily by exchange rate fluctuations and only marginally by upward cost creep. Output continued to be near the

5,000 ton stated installed capacity. Rossing proved new deep reserves to lengthen the life expectancy of the mine/processing plant and engaged in prospecting for gold, copper and tungsten.[51]

Tsumeb on the other hand remained in deficit with 1983 losses reaching R9.8m from R8.8m in 1982.[52] However, at least R3 million was in fact smelter rehabilitation cost and R5.1 possibly non-recurring interest and excahnge rate fluctuation costs, so that the underlying position probably improved.

The smelter continued to do substantial contract work - 26,000 of a total of 54,000 tonnes of blister copper - and the manager expressed faith it would continue to operate on that basis long after Tsumeb was exhausted.[53] The company's glacial progress in upgrading African workers - 9 up in posts "traditionally" held by Europeans (175 from 166, still under 25%) and 27 out of 76 apprentices at its technical training centre.

Control of Tsumeb passed to Goldfields of South Africa/Anglo with about 46% of the shares versus 30% for US based Newmont Mining.[54] Surprisingly Anglo (which effectively controls Consolidated) which had done a 1975 report highly critical of Tsumeb allowed Newmont to remain managing agents and to hold 5 of 13 Board seats versus Condolidated's 3.

Growth of the mining sector and even maintenance of output depends on development of new mines following exploration and proving. That process has been halted for several years because of political uncertainties and the implications of the ICJ decision for mines begun after its decision in 1971 (or 1966 when the Mandate was revoked). The outgoing Chamber of Mines president termed exploration and investment as far below the level Namibia's mineral potential deserved and warned that only a political settlement of a type which would end uncertainty and attract capital could save Namibia from descent into "third world penury".[55] Britain's Ambassador to South Africa, Ewen Ferguson at the same dinner spelled out - perhaps unwisely - what he saw such a settlement as requiring. That included close links with South Africa to provide the finance and personnel to maintain the existing infrastructure and to attract the expertise and capital of the international mining industry.[56]

During 1983/84 four studies appeared on the Namibian mining sector which is rapidly becoming relatively well studied from an applied economic point of view. These included: <u>Mines and Independence</u> by Paul Spray in the Catholic Institute for International Relations, "Future for Namibia" series[57]; a revised edition of the Commonwealth Secretariat's <u>The Mineral Industry of Namibia</u>[58], a study <u>TNC-State Relations: Fiscal and Financial Issues</u> by Mike Faber, R. H. Green and C. Harvey of IDS (Sussex)[59] and a UNIN "Namibian Studies" series monograph by H. S. Aulakh and W. W. Asombang[60]. All concentrated on evaluating the sector's role in the present economy, its potential in an independent Namibia and how a transition for the first to the second could be achieved following independence.

<u>Agriculture - Running Down</u>

The rundown in agricultural output which began in 1977 has continued unabated.[61] In 1975 prices 1983 output was of the order of R55 million versus about R100 million in 1976. Cattle herds are down by from one third to one half and karakul by over one half. These trends have been disguised to date by abnormally high slaughter rates to avoid death from lack of grazing, to keep up cash flow or in closing down sales - probably at least a quarter of all farmers have sold out since 1980.

Administrator General von Niekirk estimates the state subsidy per ranch at R35,000[62] - if true over R150 million a year or of the same order of magnitude as the sector's total value added.[63] That figure appears in fact to be an amalgam of "SWA/Namibia" agricultural and water affairs recurrent and capital budgetary expenditure plus Land Bank and ENOK (Development Corporation) support.[64] Even so it implies that the agricultural sector is totally non viable. In addition to drought, slow price increases - falls for beef in 1983 and 1984 and over 50% falls for karakul over 1977-82 before a small recovery to R13.5 per pelt in early 1984 - and lack of security in most of the ranching areas north of Windhoek have severely damaged the sector. In fact even at its 1976-7 peak it was not economically efficient - despite very low wages to its Africn labour force and substantial state supporting services it yielded at best an 8% return before tax on capital employed.[65] By 1979 the net return had gone negative and has remained there. Most farmers are heavily indebted and carry on only by grace of ENOK and Land Bank credit and/or amalgamations, doing so because they cannot recover their capital and do make a living managing the properties.

While the very severe drought of 1978/9 - 1982/3 was partly broken in 1983 conditions - especially in the north remained dire through early 1984. So much so indeed that UN Secretary general de Cuellar, after consultation with SWAPO, appealed to voluntary agencies - especially the Red Cross - to make food relief available.[66] In 1984 some - but by no means all- of the northern and central areas did receive rain in April but after the Otavi area commercial maize crop had already been downgraded to 50% of output by the earlier dry period.[67]

Livestock marketing and slaughtering capacity - now in fact well above plausible offtake levels except in relation to northern African mixed farmers - became more and more underutilised during 1983-84. The R17 million new abbatoir at Gobabis completed early in 1983 by ENOK was de facto mothballed after test slaughtering.[68] The Otavi plant was operating only five months a year[69] and at the low season in 1983 live exports were down to 2,150 a week and slaughter to 500.[70] As peak figures were of the order of 3,500 slaughter and 2,500-3,000 live a week, this suggests that 1983 offtake may have been as low as 250,000 versus over 400,000 in peak years and that, given stock rundown 1984 may be lower still.

Fishing - Looking Up?

Inshore fishing data are increasingly confused by the division between "SWA/Namibia" in whose water they are caught and Walvis Bay (nominally part of Capetown) where they are landed and processed. The 1970's and early 1980's rundown of the inshore and to a lesser extent the deep sea industry by over-exploitation was well documented in Exploiting the Sea by Richard Moorsom published by the Catholic Institute for International Relations.[71] The Department of Economic Affairs in Windhoek's 1983 report was also highly critical of overfishing albeit it concentrated its criticism - as did the AG in his gloss on it - on the foreign vessels which dominate the deep sea fishing and in particular on the Soviet, Cuban, Rumanian, Polish, Bulgarian and German Democratic Republic fleets.[72] The scientific committee report stressed that both pilchard and anchovy - the dominant inshore catch varieties before their near extinction forced a shift to concentration on the cape horse mackerel - are "endangered species" and that a cautious quota policy was needed for them as a matter of urgency within a broader fish resource information, management and quota system.[73] Such advice has been given before but ignored as soon as catches recovered.

Ironically, 1983 and 1984 have seen a partial recovery of inshore stocks and an apparent rise in deep sea catch with the 1984 International Commission of Deep Sea Fisheries quotas raised to 1.2 million tonnes.[74] In 1983 SWA Fishing Industries raised its profits 47% to R5 million on moderate increases in mackerel and anchovy catches, a small (quota constrained) increase in pilchards and a marked recovery in lobster landings.[75] In April 1984 the three remaining (of ten) operational processing factories in Walvis Bay were operating at capacity as a result of the return of what appeared to be much larger pilchard schools than in any of the three previous years.[76]

The administration and the companies are notably querulous over who gains. The latter condemn the deep sea vessels for eroding schools before they reach inshore waters while the former also complain that "SWA-Namibia" does not benefit from Walvis Bay based trawlers catching "SWA-Namibia" fish for landing and processing at Walvis Bay. Indeed the Secretary for Economic Affairs implied that on the end of 1984 expiry of quotas held by Walvis Bay plants either these would be shifted to Luderitz factories or fees would be charged to lead to "greater benefits financially for SWA".[77]

The Cost Of Occupation And The Case For Withdrawal

South Africa has over the past year been more willing than before to say how much Namibia costs it to hold[78] - partly to prepare its own white population for withdrawal when and if it decides to do that, partly to give the impression of wanting to get out to the international community and partly to give the impression that Namibia will inevitably be an economically unsound and unstable place after independence (a useful ploy either for deterring pressure on RSA to leave or for mashing that post-independence problems are resulting from RSA destabilisation).

South Africa's asserted 1984/85 cost is R1,143 million - Defence R663 million, Customs payment R250 million, Budgetary transfer R318 million, South African Transport Services Deficit R95 million.[79] Other estimates of Defence tend to be higher, e.g. R800 million by the Financial Times.[80] However, a rather more complete matrix of economic costs and benefits is needed to get a net figure.

First, defence costs relating to Namibia - including Angola adventures unnecessary if Namibia were independent and the partly built "Orange River" line including its command air base at Upington put into operation - are at least a third of defence, security service and national level police, and defence related (buildup of production infrastructure) costs or - say - R1,500 million. Second, the likelihood that the "external borrowing" from RSA financial institutions can or will be repaid is very slim so R200 million needs to be added on that head largely offsetting the transfer in respect to customs/excise which is basically a (rather cost effective) purchase of an export market. The gross cost of holding Namibia is therefore running at about R2,100 million a year equivalent to 9% of total South African 1984/85 government spending estimates. Against that can be set private capital outflows to RSA, profit and salary remittances and imports at below world prices (fishmeal and - perhaps - diamonds). These may total R350-400 million reducing the net cost to R1,700-1,750 million but it is clear that since 1979 SWAPO, recession and weather have turned Namibia from a valuable economic asset into a significant burden for South Africa. The answer "It pays" to the question "Why does RSA hold on?" is no longer valid and is never likely to be again.

That fact alone might well not cause RSA to decide to withdraw - albeit at a time of severe economic malaise at home it is a consideration especially to the Treasury. But it does not stand by itself. South Africa's security force internal debate between advocates of "into laager" (compact defence perimeter plus low cost destabilisation) versus "strike komando" (move into the enemy's country, practice high profile destabilisation, seek to install 'friendly' governments based on the destabilsation units) seems to have swung toward the laager advocates who fairly clearly now include Defence Minister Malan, Army Commander (sometime "SWA/Namibia" commander and Mariental born) Geldenhuys and the new Commanding Officer "SWA/Namibia". The Orange River Line and its key command air base at Upington are being built - they make no sense if RSA is sure it intends to stay in Namibia. Both internal security considerations (spare troops to hand to put down mass strikes, boycotts or riots in several towns at once without resorting to massive killing) and the morale effect of the death toll are considerations. RSA figures of 77[81] killed in action in 1982 may be true so far as they go. However, RSA case by case announcements of military personnel dying in Angola/Namibia in 1982 from all causes (in action, wounds, disease, transport accidents, shooting selves or fellow troops, etc) add up to about 850.[82] If about 60% were white that is 500 and suggests a 1975-1983 toll of 2,000-2,500. As a proportion of the white South African community that is 3 times the lives the USA lost in Vietnam, which suggests that despite announcement management to avoid the total being publicised the seepage of morale in the armed forces and of political conviction generally must be significant.

Political considerations - at least once the Executive President and triple

Parliament cum Presidential Council are in place - also have elements favouring a withdrawal. First, the Foreign Ministry clearly finds Namibia an albatross around its neck (perhaps especially in terms of capitalising on Nkomati and the 'new constitutional dispensation') - a point Prime Minister Botha may take more seriously after discussion during his June 1984 European trip. Second, while 'Who lost Namibia?' will be a rallying cry for the 50% of Afrikaans voters who said "No" in the referendum and now vote CP/HNP, it is hard to see how they can be won back and the rallying cry will be less useable in a 1988 election if the settlement is in 1985. Finally the business community - including at least some of its Afrikaner fraction - wants a settlement to cut government costs and to ease their pursuit of regional markets and investment opportunities. The <u>Financial Mail</u>[83], usually a valid spokesman for the main line business community, speculates that RSA will settle soon and that for it "linkage" is not the bottom line, because with Namibia independent and not providing bases or military transit to the ANC, Cubans in Angola are no more relevant than in Ethiopia. It pretty openly suggests RSA is likely to 'sell out' to the USA after the November US election - a fear Undersecretary Crocker shares if his rattled denunciation of the Lusaka talks, and possible future RSA-SWAPO talks without a US presence, is anything to go by.[84]

But even if RSA's leaders are moving toward a decision to leave Namibia even if that means 435 and a SWAPO government - the latter they must by now consider an inevitable consequence of an internationally saleable withdrawal and election process - what do they see as the relationships between RSA and independent Namibia? One bottom line is clear - no foreign troops, no ANC bases or military transit routes. Beyond that the assumption that RSA would seek either a tight neo-colonial control to make a SWAPO government a <u>de facto</u> puppet or a modus vivendi on the Botswana model with substantial freedom of

Namibian manoeuvre so long as profitable (to RSA) economic links were at worst slowly eroded and no real RSA security interests were directly threatened may be wrong. The tight neo-colonial pattern seems unlikely to be feasible. Namibia has more room to manoeuvre than Botswana - and via a route to the sea can increase Botswana's. Further Botswana's step by step broadening of its room for manoeuvre and quiet but increasingly tough political stance toward RSA cannot be viewed with equanimity by Pretoria.

There is another strategic option open to RSA. That is planning and building the infrastructure for destablilsation of Namibia before its independence. That might not be very fruitful in terms of economic gains, but it could - if it worked - ensure that Namibia was nearly paralysed at little out of pocket cost to South Africa and that Botswana remained effectively cut off from the Atlantic. Once that strategic option is seen as conceiveable, closer inspection suggests that South Africa may very well be pursuing it already.

<u>Pre Independence Destabilsation</u>?

Whether by design or side consequences of decisions taken for other reasons, South Africa has since 1979 set up what amounts to a pre independence infrastructure for destabilising an independent Namibia.

First, it has built up a purported external debt which will be a heavy burden on the government and foreign exchange budgets if accepted and a possible lever to use to reduce international confidence in Namibia if repudiated as void ab initio.

Second, it has created a budgetary position that creates the impression that independent Namibia must be a fiscal "basket case" and - unless radically and promptly overhauled - could make that impression valid.

Third, it has - via the "RA's" created an administrative monstrosity which is inherently cost inefficient, bureaucratically incompetent, subject to corruption and hard to dismantle and reorganise rapidly.

Fourth, it has via its creation of an administrative, professional, political, "security service" black middle class - created a group some of whose skills will be critical to an independent Namibia but who will have vested interests in maintaining real income levels inconsistent with regaining fiscal balance, extending basic services to the whole population and raising the real income of the other 85% of the African population.

Fifth, it has via this middle class, the Koevet - Home Guard - SWATF black "security personnel" and the more disreputable of the Multi Party Conference politicians created the class base, gunmen and political cover for a Namibian MNR, UNITA or "Super Zapu" immediately to hand and with existing links to RSA personnel and institutions at independence.

Sixth, by reinforcing its practical position in respect to Walvis Bay it has ensured that it has a choke point to control Namibian policy or to turn on and off to destabilise at its pleasure unless and until Namibia devotes scarce time, personnel and finance to reactivating Swakopmund or building a new port.

Seventh, the sea bastion of its new "Orange River Line" - at Alexander's Bay - is within random mortar or launch based naval paracommando range of Namibia's greatest economic asset - the Oranjemund diamond mining headquarters - while a reactivated Swakopmund would stand in the same relation to Rooikamp on the peninsula north of Walvis Bay and to any positions on the south bank of the Swakop estuary.

Each of these actions can be explained on grounds either of mobilizing support for staying in Namibia and/or for exerting influence over an independent Namibia consistent with letting it prosper if it does not threaten South Africa too directly (the use of South African power vis a vis Botswana to date). But taken together they add up to such a complete infrastructure for destabilisation as to suggest that they are - at least at one level - intended for that purpose. South Africa's leadership on that evidence is at least considering the option of systematic destabilisation of Namibia from the day of independence whatever Namibia does and is not (or at least tentatively not) interested in a Botswana type modus vivendi. This, if it is in the event South Africa's strategy, bodes ill for independent Namibia and seems to require specific pre-independence contingency planning both to minimize economic, social and political damage in Namibia and to maximize international perception of South Africa as a terrorist aggressor and Namibia as an innocent victim - the latter being a very clear element in Botswana's strategy of giving RSA as few pegs on which to hang excuses for destabilisation as possible.

Looking Toward And Planning For A Future

As cited above[85] CDM's Hoffe has done a perspective on an independent Namibia - economically and in relations with South Africa like 1970's Botswana - he believes would be good for CDM and politically saleable and has set out to sell it. In that repect CDM is the most forward looking of the transnationals in Namibia - after Tanzanian, Zambian, Botswanan and Angolan experience it believes it can influence, or at least find common ground with, almost any independent African state.

In that it is not typical - RTZ blandly asserts and reasserts that anybody pitching it out would be foolish but could only be reminded to start on decent housing when an Anglican bishop dragged its late Chairman out to Arandis, thought breaking the NUNW a contribution to long run labour stability, broke off semi-formal talks with SWAPO and has apparently forgotten the lessons of its Bougainville Mine in Papua-New Guinea where major revision of a highly unequal pre-independence set of arrangements during the transition to full independence has proved the key to a stable relationship and continued (if reduced) RTZ profits. Its response[86] - via the Rossing General Manager - to Mines and Indpendence[87] was typical "mining engineers should read this booklet to be made aware that mining consists of far more than the extraction and sale of minerals. It will give them an excellent insight into the need to employ good public relations officers to protect them from such unwarranted criticism". Some observers might think that an odd - not to say counter productive - way to plan to meet a SWAPO negotiating team and its technical advisors at independence.

Similarly the settler community was also divided on how to face the future. Aktur and the DTA appeared to want to do it by retreating to 1904 Sudwest Afrika and 1979 "Zimbabwe/Rhodesia" respectively. The Federal Party was paralysed seeing no hope in the MPC and no evident future as a club of English speaking managers and professionals. The German Interest Group and the German led Christian Democratic Party were more innovative. The former ditched the DTA and entered into dialogue with SWAPO ending as an "associated group" in SWAPO's delegation to the Lusaka talks and with one of its prominent members an open SWAPO member and on its Lusaka delegation.[88] The CDP first went to the MPC, then pulled out denouncing them as a fraudulent, sterile anti SWAPO cabal. It too ended as a SWAPO "associated group" at Lusaka. These two groups' broad goals are clear - to assure a place in independent Namibia for their rancher, professional, technical civil servant and small business members perhaps rather like that which has evolved in Zimbabwe. From 1981's Geneva talks on, they have been learning that on that range of topics SWAPO is quite willing to enter into dialogue with them as spokesmen for clusters of potential white Namibians.

However, the main body of pre-independence planning centres on SWAPO and those working with it. SWAPO itself has continued to participate in topical and sectoral planning seminars, e.g. with the United Nations Institute for Namibia on mining and on health, with the UN Centre on Transnational Corporations on negotiations with TNC's, with the Commonwealth Fund for Technical Coorperation on the teaching of English. It also is sending - directly and via UNIN - a growing number of its cadres to university, post graduate and specialised short courses. Finally it has embarked on elaborating and articulating its economic policy which - partly for tactical reasons, partly for lack of time and partly because independence seemed very distant - has to date been clear on principles and some priorities and acceptable approaches but decidedly incomplete or undetailed on a number of key issues and time sequences.

UNIN by the end of 1984 will have expanded its "Namibian Studies" series to eight titles ranging from constitutional options through health to overall economic strategy as well as producing an annotated bibliography of political economic publications and theses on Namibia. In addition it is pulling together its own work and using consultants for a comprehensive study designed to provide basic information and pose key questions and options to inform the independent Namibia government's elaboration and adoption of a transitional development plan.

On a smaller scale CIIR has expanded its "Future for Namibia" series to five volumes - general, agriculture, education, fishing and mining - with two more - women and overall economic - planned. A seminar of researchers on Namibia was held in July 1984 at the Commonwealth Institute of the University of London with the cooperation of the Namibia Support Group who also organised a December 1983 seminar on health care. The 100th Anniversary of the German flag over Windhoek in September 1984 will be marked by a conference sponsored by individuals associated with or sympathetic to SWAPO from Hage Geingob through Sean McBride and Archbishop Huddlestone to Randolph Vigne and Terence Ranger. Its aim is to focus academic, political and media attention on the liberation struggle, on the issues which will confront Namibia on independence and on the pre-planning and research on the transition already done by SWAPO and its associates.

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6. Africa Economic Digest, 20-VII-84.

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13. "Namibia - A Survey", 22-VII-83 and "How Constructive Is The Engagement", 13-IV-84.

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26. Holst and Roberts, op cit.

27. AG's 1984/85 Annual Budget presentation.

28. "Mining chief reviews" 1983, WO, 7-IV-84.

29. WO, 2-II-84, 21-II-84, 7-IV-84, 26-V-84.

30. WO, 7-IV-84, op cit.

31. See ACR 1982-83, "Namibia"; Department of Finance, Report to AG, op cit.

32. Report...., op cit.

33. Based on data in UNIN and CIIR health and education studies.

34. See ACR 1982-83, "Namibia".

35. AED, 20-VII-84, op cit.

36. AG's 1984-85 Budget presentation.

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60. Lusaka, 1983.

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86. *op cit*.

87. Review in *Institute of Mining and Metallurgy Bulletin*, 931, June 1984.

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