

## THE SADCC ECONOMIES AND SANCTIONS AGAINST SOUTH AFRICA:

### Notes Toward Cost Containment And Benefit Attainment

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We are gathered here today to try to chart a new course for the future of Southern Africa... We can wage a successful struggle for economic liberations provided we begin now, in the free states of Southern Africa, to plan together for our economic future.

- President Seretse Khama of Botswana  
1979 Arusha SADCC Planning Conference

We are aware that the fundamental aim of the actions of destabilisation against our countries is to render SADCC non-viable ... ports and railways, fuel depots and pipelines, bridges and roads, communications systems and other development projects are the targets...

- President Samnora Machel of Mozambique  
1983 Maputo SADCC Summit

The effects of sanctions will call for great sacrifices among our peoples. We cannot stand against the sanctions campaign; thus we call upon the rest of the world that as it exercises what it feels to be a moral duty it should... increase support to SADCC States so as to cushion the indirect effects of sanctions to us.

- King Moshoeshoe II of Lesotho  
1985 Arusha SADCC Summit

SADCC has repeatedly called on the international community to use its influence to deter and halt South African aggression and destabilisation against its neighbours... calls for effective international action against apartheid... several states individually or collectively have instituted limited economic sanctions against South Africa. SADCC member States encourage these initiatives and urge that more effective measures be implemented.

- SADCC, Overview Paper for 1986 Harare  
Annual Consultative Conference

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\* While Professor Green is a consultant to SADCC and to some of its member States this paper is not based on access to SADCC or member State secret sources nor does it necessarily represent their positions. The exploration, analysis and conclusions are the personal responsibility of the author.

## Introduction: The Broader Context

This is a review of the potential costs of, responses to and gains from sanctions against South Africa for the independent Southern African states (Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe) which comprise the Southern African Development Coordination Conference (SADCC). It is not a study on sanctions against South Africa more generally nor on South Africa's total regional strategy of destabilisation and determination.

The assumptions in respect to sanctions against South Africa are:

1. that a moral and material case for them can be made in respect of the occupation of Namibia, regional aggression and the apartheid system - a case which is accepted (indeed in a majority of cases championed by SADCC member States);
2. and that there is a significant possibility that the present scatter of selective sanctions by some states will grow in areas covered and states participating;
3. with definite direct and indirect consequences on the economies of the SADCC states;
4. consequences which depend not only on how South Africa reacts to sanctions but on how - and how promptly - SADCC member States respond to the costs and opportunities from sanctions (or the real possibility of sanctions).

If these assumptions are reasonable, then SADCC and its member States, as well as their external cooperating partners and friends, are well advised to be making contingency plans for responding to sanctions.

South Africa's total regional policy described in the title of a forthcoming study as Beggar Thy Neighbour (albeit an earthier spelling of the first word might convey the true viciousness of the strategy and tactics more clearly) and in another as "South African Hegemony" via preserved dominance, enforced dependence and aggressive destabilisation is relevant to the present preview

for reasons:

1. the costs of South African aggression and destabilisation are already real and large (over 10% of SADCC gross output in their absence and of the order of 33 to 50% for Mozambique and Angola);
2. and cannot be expected to be reduced radically unless there is a change of system in South Africa or a combination of national security measures, international sanctions against South Africa and regional economic delinking from RSA;
3. so that sanctions do not constitute a new cost and a new crisis injected into a previously stable, mutually beneficial context; but also because
4. South Africa will react against sanctions by seeking to pass costs on to its neighbours and - probably - by stepping up direct and proxy military and sabotage operations against them; so that
5. projections of the consequences of sanctions against South Africa on her neighbours necessarily involve at least some attention to assumed South African reactions and neighbour state security situations.

#### SADCC: The Cost Of South Africa

SADCC was founded as an integral part of the independent Southern African states' attempt to liberate and to reconstruct their region. It is the political economic arm of regionalism but the political is not a superfluous adjective for SADCC any more that it was for Adam Smith or Karl Marx.

SADCC is about economic liberation which, no matter how narrowly defined, conflicts with making Southern Africa safe for South African exports, investment, profits and procurement in particular and for the apartheid system more generally. South Africa's total strategy views regional hegemony as indivisible and domination of transport as the key to enforcing hegemony. In this its perceptions are the mirror image of SADCC's which - in declaration, in programme, in mobilisation of resources and in implementation - have put transport and communications delinking first because the sector was (and is)

perceived as the keystone of South African economic dominance and capacity to destabilise by non-military means.

The conflict between South African and Southern African regional strategies is therefore both basic and antagonistic. Further it centres in large measure on transport and communications. Because intra SADCC regional routes would in general be cheaper to use than ones via RSA, could be rehabilitated and up-graded over 3 to 5 years in the absence of military aggression/sabotage and proved under SADCC's aegis to have substantial external resource mobilisation pull, South Africa has increasingly resorted to naked physical violence to block economic liberation in this sector.

SADCC has estimated the 1980-84 cost of economic destabilisation and aggression by South Africa against its member States as of the order of \$10,000 million (well above total foreign aid for the period) and the present annual cost at the order of \$3,000 million. Other estimates - including one by the present author - are up to 50% higher on cost to date (partly depending on starting date) and place present annual losses at \$4,000 or even \$5,000 million. Any of these estimates implies that as of 1986 the cost of South Africa's undeclared war on its neighbours is running at 10% or more of what their output would be in the absence of that war.

This background is critical to understanding why SADCC has consistently (from its 1981 Blantyre Annual Consultative Conference) called for international pressure on South Africa and has come to view sanctions as analagous to the pain of a woman in labour not to that of regular beatings by thugs wielding sjamboks because the latter situation characterises present reality and sanctions are perceived as crucial to ending or at least reducing the intensity of the beatings. It also explains the deep distrust for proponents of the line that sanctions should be opposed because they would result in South Africa acting in ways harmful to its neighbours. Especially in the mouths of those who preach "constructive engagement", assist South Africa in destabilisation and aggression by co-financing its proxy forces, see South Africa as being a region including Southern Africa and/or show little other evidence of concern for South Africans, the argument evokes irritation at best and frequently deep contempt and bitter anger as well.

### SADCC On Sanctions

SADCC is very much a creation and a creature of its member States not a supranational entity. Thus it cannot and does not have a position different from them. However, it is also true that as a channel, a forum and a coordinating process SADCC has become more than the least common denominator of its member States.

From its 1981 Consultative Conference onward, SADCC has mirrored the rising trend of South African aggression and destabilisation by condemning them and calling for international action to induce/force South Africa to call a halt to them in language of increasing firmness. The one apparent exceptions - the 1984 Lusaka Annual Conference - mirrors the false hope that the Lusaka/Nkomati Accord process represented a significant strategic change by South Africa, a hope which the Conference Communique expresses somewhat guardedly and which proved to be stillborn.

By mid-1985 six SADCC member States (the six Front Line States) were firmly on record as advocates of sanctions against South Africa as a means to force RSA to disgorge Namibia, half of its regional aggression and end apartheid. None saw international sanctions as sufficient conditions by themselves but as interacting with and complementing the actions of Liberation Movements and the independent states. Nor did any view them as essential to attaining the stated goals but as vital if the time, economic cost and - especially - human suffering and loss of life required to attain them were to be minimised.

Lesotho had also - in only slightly nuanced language - forcefully endorsed sanctions, an act of great courage on King Moshoeshoe's part given his country's geographic, economic and strategic context. It had in addition made the most forceful presentation of the case that sanctions should not be allowed to crush the neighbours and opponents of apartheid while Zimbabwe had earlier outlined why South Africa's neighbours could not be expected to introduce sanctions first nor as fully and fast as other states. Both points relate to the bitter fruits of sanctions against Rhodesia which were enforced most scrupulously by some of her neighbours and relatively speaking did more damage to the economies of Zambia and Mozambique than to that of Rhodesia (albeit they did in fact impose substantial and cumulative costs on the rebel regime which may well have contributed to or hastened its capitulation to

Lancaster House style negotiations for a basic change in regime).

Malawi - previously an opponent of sanctions - has preserved a total public silence on its own - including not disassociating itself from SADCC conference on spokesmen's pro-sanctions statements. Swaziland over 1984-85 did publicly oppose sanctions but apparently at the initiative of a clique led by Prince Mfiansabili which the renewed assertion of kingly and traditional power has now swept aside.

As noted earlier SADCC views the present costs of destabilisation and economic aggression by South Africa against its member States and their regional economic liberation project as intolerable. It is quite open in demanding effective international pressure on South Africa to halt them and by 1986 in characterising sanctions as labour pains for a new South Africa and a new regional context.

SADCC takes South Africa's threat to retaliate seriously - as it has said South African promises are not to be taken seriously but her threats are. It does not suppose sanctions would be costless to it nor that they would produce immediate results in/on RSA. On the other hand it does see the logical response to sanctions as including speeding up SADCC priority programmes and projects which are desirable in their own right (sanctions or no sanctions, apartheid or African South Africa) and therefore as yielding lasting benefits as well as entailing costs.

### A Typology Of Sanctions

Economic sanctions comprise all measures - public or private - which have a significant negative impact on the economy of the state against which they are directed and are intended to cause changes (not necessarily economic) policy changes by it. This is such a broad category that some brief sketch of its components is appropriate.

One division is official, business community, individual or non governmental organisation. The first group include present military equipment and oil sales bans and an array of lesser measures. These have had some economic impact - the cost of building up domestic armaments and artificial oil

capacity has been very large (of the order of \$15,000 million minimum on capital account alone) and that of evading them on remaining imports quite significant at least until the reemergence of a buyers' market for oil and 1983/84.

Ironically the most severe economic sanctions imposed on South Africa to date have been by foreign private sector investors in general and banks in particular. These relate to three factors, the first of which, general worsening of South Africa's growth and external balance position because of worsening terms of trade does not relate to apartheid. The second two do, however. One is that investors and lenders now perceive apartheid as being a drain on resources - both because it is inefficient in market economic terms and because it generates a 'need' for 'security' expenditure and because it is perceived as causing instability and disorder which are economically damaging and could escalate into a crescendo of violence which destroyed the present economic system. The other is the "hassle factor" - significant numbers of individuals, organisations and countries make difficulties for and seek not to do business with investors in/lenders to apartheid and these actions add to the cost of doing business with South Africa. The cost of lessened access to foreign finance and technology to RSA is severe and, if continued, will probably prevent a full scale, sustained recovery. It interacts with growing RSA large capitalist concern that digging in to defend apartheid (a secondary concern for them) will in fact be digging the grave of capitalism in South Africa (the preservation of which is their bottom line).

Personal and organisational economic sanctions fall into a different category. Rarely will they even cummulatively - impose severe economic costs on the target state. What they can do is raise consciousness so as to put pressure on businesses and governments to impose sanctions.

Sanctions can be partial or total (albeit the feasibility of truly total, global sanctions is problematic - notably in respect of gold on the export side). The partiality can relate to participating states - e.g. the oil sanctions have never been applied by all exporters nor enforced rigorously by some who nominally apply them. It can also relate to coverage. Partial sanctions may be:

a. symbolic - e.g. bans on individual, highly visible items by a few

countries (say Outspan oranges);

- b. serious but far from total - e.g. military and dual purpose goods, petroleum and products, fruits and vegetables, new investment and loans as is the emerging pattern in Scandinavia;
- c. strategic aimed at securing the full effects of sanctions with lesser organisational and implentational difficulty, e.g. military, dual purpose and transport-electronic-data processing goods and services (e.g. technology), petroleum and goods services to produce it or its substitutes, TNC investment and operations as implicitly proposed in the recent United Nations Centre on TNC's (UNCTC) eminent persons report.

#### And Impact On SADCC Economies

How sanctions against RSA would affect SADCC economies depends on six factors:

First, how far reaching, effectively enforced and speedily applied they are. By and large greater coverage, implementation and speed of introduction - other things being equal will increase costs.

Second, how long they last. However, unless one assumes a very brief period indeed this may be less significant that it appears. The inital capital costs of offsetting sanctions will over time yield increasing delinking and regional integration gains.

Third, whether they work. Failed sanctions - especially if at the end of the day RSA is still operating broadly as before and the SADCC economies are left to its untender, unmercies - would probably have the highest medium term costs and the least benefits.

Fourth, whether SADCC states impose full sanctions and if so how rapidly. Full instant impostition would maximise costs while partial, phased imposition as alternatives were built up would minimise them.

Fifth, how RSA reacts. At one extreme it might merely end exports of goods with a high import content (notably petroleum products), phase out non-mine



labour, cut out all non-strategic imports from the region, allow sealed car transit traffic to Lesotho and reduce regional military aggression to concentrate on the home front. At the other it might end all economic links and transactions (including deporting all SADCC state citizen workers) and step up sabotage and military aggression to create wastelands in Zimbabwe, Botswana, Lesotho, Swaziland and Zambia to add to its 'achievements' in Mozambique and Angola. The difference in costs - and in opportunities to contain them - would be immense. Neither extreme is likely but the resting point in the spectrum is very uncertain.

Sixth, how much assistance SADCC's cooperating partners provide for the capital costs of delinking, the operating costs of replacement employment creation for 'returning' migrant workers and enhanced security provision and the initial institutional and transitional costs of changing sources and routes. Again the range is wide and the resting place problematic. For example, the USA says it opposes sanctions and, therefore, if they are imposed after SADCC/member State advocacy it will pay nothing to offset neighbours' costs. The Nordic States take almost the opposite view - they favour international sanctions and minimisation of costs to independent Southern African states. In practice no position is clearcut - the USA is supporting Beira transport corridor projects which are objectively crucial to sanctions cost reduction as well as dependence reduction more generally; were initial 2-3 year costs of sanctions to neighbours of the order of \$5,000 million (\$2,000 million capital investment, \$250-500 million transitional, \$300-450 million a year income and employment support for ex-migrant workers and \$500-750 million a year to block South African and proxy sabotage and military aggression) it is not clear how much finance the Nordic states would perceive themselves as able to supply.

#### An Anatomy Of Costs, Cost Containment And Gain Achievement

The sectoral areas requiring attention are: imports, labour exports, other exports, transport and communications, security and Lesotho. Each of the first three categories requires sub-division because, e.g. the issues in respect to petroleum products are significantly different from those relating to general consumer manufactured goods. Transport and communications is surveyed last among the economic sectors not because it is least important but

for the opposite reason - it is absolutely crucial to determining what can and cannot be achieved in terms of cost containment and gain achievement in the other sectors.

Security is not treated in full - if only because of the author's limited knowledge of and still more limited expertise on the topic. However, it cannot be left out as non-economic because the main obstacles to a number of delinking initiatives (over 1985-86 as well as in the event of future sanctions) relate to protecting what has been built and the economic context in which it operates (or is prevented from operating).

Lesotho is clearly not an economic sector. However, because of its geographic location and much greater dependent integration into the South African economy its situation in respect to almost every sector diverges significantly from that of any other SADCC member State. Therefore, it is more convenient to group the Lesotho sectoral impacts and treat them separately from the more general sectoral survey.

Imports: Petroleum Products, Electricity, General, Customs Revenue

Botswana, Swaziland (and Lesotho) are totally dependent on petroleum products supply from or via South Africa, Malawi significantly and Zimbabwe, Mozambique and Zambia marginally. Effective sanctions will cause South Africa to halt exports.

Rerouting and resourcing is possible. The Beira-Mutare and Dar-Ndola pipelines plus the Nacala-Malawi and Maputo-Manzini rail lines have more than enough capacity to handle the needs of all SADCC States except Angola which has its own refinery and Lesotho which is covered in a separate section.

The requirements for supplies to Botswana via Mutare or Ndola are additional tank wagons and locomotives. Additional tankage would be needed at Beira and Mutare or Ndola and in the main Botswana depot albeit Botswana does have 90 days storage. Parallel considerations apply to supplying Swaziland via Maputo and Malawi via Nacala. Alternative product sources will be readily available and are likely to be up to a third cheaper before and a quarter after than South African.

Electricity dependence on RSA is total for Lesotho, dominant for Swaziland, significant for Mozambique (Maputo area) and Botswana, minor for Zimbabwe. Grid links could remove the Swaziland, Mozambique, Botswana and Zimbabwe imports from RSA with cost savings over present RSA or alternative national sources. Basically they involve a high tension Cahora Basa - Maputo - Swaziland link plus high tension lines linking Cahora Basa to the Zimbabwe grid and Bulawayo to the Botswana grid. The capital cost would be likely to be of the order of \$150 million and the construction time up to 24-30 months.

General import dependence on RSA is major (over 75%) for Lesotho, Botswana and Swaziland, substantial (over 25% for Zimbabwe and Malawi) and significant (over 5% for Zambia and Mozambique). Alternative Sources - in several cases (e.g. grain, pulp, textiles, steel) regional ones and on average global sourcing is likely to prove at least 10% cheaper than present patterns if transport is available and import sourcing is handled by knowledgeable commercial houses.

The absence of import houses or other enterprises able to source globally is near total in Lesotho, Botswana and Swaziland. The evident solution would be joint ventures with European or Japanese - or perhaps Zimbabwean - firms with experience in and knowledge links for global, least cost purchasing. There is reason to suppose such ventures could be viable now even with the B-L-S states in the South African Customs Union.

SACU is a major revenue source for B-L-S. However, for Botswana and Swaziland the cash flow from it does not exceed what could be collected from a national import and sales tax system which - given functioning transport from SADCC ports and global least cost pricing - would not raise average costs to users. (The supposed 41% uplift in revenue allocation is offset by other factors including the two year lag in payment and higher RSA prices). The requirement therefore is for functioning duty collection system (the recording, valuation, statistical and sales tax branches exist).

In respect to general SADCC State imports (and probably electricity) RSA is unlikely to cut off sales as a reaction against sanctions. It is more likely to wish to retain them to earn foreign exchange for pay for sanctions busting imports and to limit the damage to its export oriented agricultural and manufacturing sub-sectors.

Labour Exports - Mines And Others

Official South African and SADCC member State figures suggest 280,000 to 300,000 migrant workers in RSA in 1984. This is an underestimate since seasonal (especially agricultural) and illegal (general and domestic) migrants are not counted on either side. A full time equivalent figure might be 400,000 to 450,000. The countries to whom this source of employment and remittances (totalling perhaps \$200 to \$250 million in 1985) are Lesotho (for whom remittances plus SACU revenues related to them are of the same order of magnitude as Gross Domestic Product and wage employment in RSA exceeds that in Lesotho by at least 6 to 8 to 1), Mozambique (whose labour and transit services export earnings have usually exceeded those from goods and for whose southern zone rural households wage income from RSA has been and remains crucial), Botswana (on employment account, remittances total perhaps 10% of export earnings), Swaziland (somewhat analagous to Botswana) and Malawi (perhaps less critical to employment but comparable as share of earnings).

The gold mining core of the migrants are - despite Pict Wappen Botha's threats - unlikely to be repatriated except over an extended period. They are skilled and critical to sustaining gold output - presumably a priority for RSA as the only sanctions proof export. Most of the others might be sent home very rapidly subject to the caveat that the 'illegals' and seasonals might take time to find as they are, by definition in the first case, not registered.

There are two aspects of this problem - the loss of say \$100-125 million a year of remittances and the need to create up to 300,000 wage or productive self employment opportunities over three years. The second - assuming targeted support to peasant agricultural opportunities for returners and their households, labour intensive construction, informal sector encouragement and labour intensive full time or seasonal public works and basic services (from reafforestation to primary health care) should run on the order of \$300 million a year for supporting capital, complementary inputs and public sector wages. Assuming it could be financed it would generate comparable additions to GDP as well as offsetting loss of half of remittances in domestic income (but not foreign exchange earning) terms.

Exports - Other To And Through RSA

Non labour exports of SADCC to RSA are under 10% of total exports, perhaps \$350-400 million a year. They are significant for Lesotho (except that her merchandise exports as a whole are minute absolutely and relative to imports), Swaziland, Zimbabwe and Botswana. Of the total perhaps a quarter we re-exported by South Africa so would be either rerouteable or probably continue to be saleable via RSA.

South African demand for the balance would fall sharply except for those which are non available from RSA sources (probably trivial). This would be true even with no retaliation - effective sanctions would reduce RSA demand, increase capacity underutilisation and force economising or hard currency purchases. The bulk could be retargeted - perhaps 15 to 25% to SADCC markets to replace RSA exports - but in many cases at less net export proceeds and subject to building up or establishing links with enterprises possessing global marketing expertise. Perhaps 10 to 20% of the exports would prove unsaleable (except to the extent that domestic demand rose), e.g. certain Zimbabwe labour intensive manufactures albeit the falling South African demand and plummeting rand over 1984-86 may already have squeezed out most of these.

Exports through RSA are in one sense a pure transport problem. Sometimes the problem is a very limited one as with Botswana diamonds which transit Jan Smuts Airport but could perfectly well go on a quarterly charter flight to London or a direct Gaborone-London flight once one is established. In others - e.g. Botswana chilled beef - it is more serious because specialised handling facilities not now existing on SADCC railways and at SADCC ports will be needed.

The reasons for concern in this sector are twofold. For some exports RSA will seek to apply retaliation - as it already has, e.g. by putting Botswana meat export wagons on sidings until the contents become putrid. For others it would be happy to ship them not simply to earn transit revenue but to create flows of SADCC goods into which falsely documented South African products could be inserted.

### Transport And Communications

This is the key area. South Africa handles the bulk of the external traffic of Lesotho (100%), Botswana (over 90%), Swaziland and about half of that of Zimbabwe and Zambia - as well as of Malawi when its proxy MNR forces had blocked both links to Mozambique ports and before the highway to Tazara link to Dar had been opened.

This is the result of armed aggression and sabotage. Of the five main port corridors (Maputo - three lines, Beira - to Zimbabwe and Malawi, Nacala, Dar es Salaam and Lobito Bay) only Dar has not been attacked repeatedly. South Africa via UNITA has kept the Lobito Bay route closed for over a decade and via the MNR has at times shut down each of the Mozambique routes although Nacala, Beira-Zimbabwe and Maputo-Swaziland are currently functional again. SADCC's priority transport sector programme would if even largely rather than wholly implemented virtually eliminate the need to use and the economic logic of using RSA land transport links except for Lesotho and (on the economic side) Swaziland.

The SADCC Transport and Communications programme over 1985-86 has concentrated mobilisation of resources on the Dar and Beira corridors (the Nacala corridor and the Maputo-Swaziland projects already have substantial commitments). These would cost perhaps \$750 million for projects needed to achieve basic rehabilitation and upgrading, implementable over 36 to 48 months.

They would create a situation in which Dar es Salaam (Tanzania, Zambia, Malawi), Beira (Zimbabwe, Botswana, Mozambique, peripherally Zambia and Malawi), Nacala (Malawi, Mozambique) and Maputo (Mozambique, Swaziland only) could handle on the order of 12 million tonnes of dry cargo and 4 to 5 million of petroleum products and their corridors channel these to their destinations (from their sources). That would cover the basic external trade requirements of the seven states (Angola has its own parts, Lesotho's traffic could go via Maputo if an onward route existed). That does require higher levels of operating and maintenance efficiency than have been attained in the recent past and above all security at least comparable to that Zimbabwean and Mozambican forces have provided to the Beira-Zimbabwe corridor since 1983. Were the Limpopo Valley Line (Maputo-Zimbabwe) or the Lobito Bay Line (Zambia-Angola) to be rehabilitated, reequipped with rolling stock and

traction power, restaffed and kept secure there would be enough leeway in capacity to make transport dependence a thing of the past but at least the Lobito Bay Line's reopening is most unlikely until there is a major change in the Pretoria-Washington strategies in respect to Angola.

In respect to air transport infrastructure and to telecommunications SADCC and its member States have already achieved or are about to complete a set of projects which render use of South African facilities unnecessary and - in the case of telecommunications generally less convenient or economic than national or regional ones. There are today - unlike 1980 - no major problem areas in the event of sanctions so long as they can be protected from sabotage.

The final transport sector problem is a specialised one - clearing and forwarding. The traffic of the six southern SADCC States (excluding Angola, Zambia and Tanzania) is dominantly cleared and forwarded by Renfreight, a subsidiary of SAF Marine which is controlled by Old Mutual with a minority Anglo American holding. In the context of sanctions this is a very dangerous situation. Withdrawal of RSA personnel and head office support could lead to chaos - clearing and forwarding are specialised, complex, vital functions. If Renfreight carries out business as usual, first it has a bias toward South African sources and routes; second, it has (even now) a 'habit' of mislabelling South African cargo as from another country of origin and shipped from a SADCC port; third, its centralised data system means that detailed data on the bulk of six SADCC member States external trade is available on South African computers to which only the most innocent could suppose the South African military cannot have access.

The cure - which is desirable for the same reasons plus cost and transfer pricing ones even without sanctions - is to build up smaller domestic or non RSA owned clearers and forwarders and to form joint ventures with major international firms in that trade - as Mozambique has recently done with AMI of Belgium.

#### Security - Room To Delink

Security as noted is not a SADCC topic. Nor is it an area of expertise of the present author. Finally putting detailed security contingency plans on paper

for public advance examination would be remarkably foolish.

That said, certain comments are germane:

First, better defence of key transport routes and other major economic units is crucial to cost containment and benefit attainment - SADCC's failure to break the transport dependence stranglehold South Africa has created is not the result of technical, operational or financial considerations but of the use of naked military force (including sabotage and international terrorism, particularly but not exclusively in Angola and Mozambique and involving proxy, mercenary, special unit and regular RSA forces).

Second, selective better defence can be achieved - especially through coordinated action - as the reopening of the Beira and Nacala port corridors and Malawi-Zimbabwe highway demonstrate.

Third, more can be done along these lines - e.g. reopening the Limpopo Valley Line, making Maputo-Swaziland routes secure, cutting down (or radically raising the cost of) support to proxies by the more effective use of airpower.

Only in Angola are hostilities on a scale out of proportion to coordinated independent state action's potential impact.

Fourth, but to be reasonably effective such action would probably cost on the order of \$500 million a year minimum.

Fifth, international symbolic or trip wire forces (e.g. the March 1986 Botswana - UK SAS joint manoeuvres) might have a deterrent effect if RSA was genuinely concerned that the powerful external party meant business.

Sixth, an international deterrent force with airpower superior to RSA's (which centres on a limited number of ageing Mirage jets) backed up by specialist units (communications, detection artillery) and limited ground forces probably would deter if it were militarily credible and not of a political character allowing South Africa to characterise it as a Soviet advance convincingly to northwestern opinion.

Seventh, a larger, less sophisticated force which could and did fight could be an effective defence subject to the same capacity and political image



constraints.

At present it is hard to see more than symbolic external military support in terms of personnel deployed. The generally acceptable sources - middle level European and Commonwealth states, other African states, India - are either unwilling to risk actual combat, unable to provide convincing forces and/or unable to pay or to secure international finance for a peacekeeping force that had to deter and/or fight (roles few if any UN peacekeepers have played since Conor Cruise O'Brien's Katanga campaign). However, in a context in which sanctions came to be adopted this rather pessimistic assessment might need reconsideration.

#### Lesotho - The Hostage In The Mountains

Lesotho's economy is basically a long distance bed-sitting room for the rand. The nation is geographically not merely land locked but also South African locked.

In 1986 a brief and partial South African economic blockade was followed by a para military coup. Granted Leabua Jonathan's attempt to create a Tonton Macjonathan youth guard responsible only to himself was the underlying cause and granted that the accession to sovereign power of King Moshoeshoe means South Africa has scored an own goal in facilitating the substitution of a more nationalist and more popular government - the potential for turning Lesotho into an isolated, starving concentration camp exists.

In only a limited number of sectors are practicable domestically based solutions identifiable. Electricity self sufficiency and some agricultural output enhancement could be secured from the Oxbow project (not the RSA linked Highland Water project). A re-employment programme - which would have to be externally funded - could improve (rehabilitate) the ecology, increase food production and enhance basic services but not lay the foundation for a diversified economy or alternative sources of foreign exchange earnings.

To break a blockade would require an international airlift of up to 400,000 tonnes a year (i.e. a shuttle service from Maputo to Lesotho's new international airport requiring fifty odd 20 tonne capacity cargo planes

including back up as almost all the volume would be inward bound imports dominated by food and petroleum). Technically this is feasible. Politically, RSA would be unlikely to shoot down western commercial aircraft flying pre-announced routes. The evident problem is financial as costs could easily exceed \$150 million a year.

But would such an Armagedonesque scenario take place? Crushing Lesotho and starving the Basotho would appear to offer South Africa few gains and significant costs. It needs the gold miners and if it continues to employ them presumably would wish to sell an equivalent (to remittances) value to Lesotho. A starving mob of over a million Basotho would in fact increase security risks as well as bringing international obloguy and anger which might result in tighter sanctions and/or other measures against RSA.

Therefore it is conceivable that RSA would continue to hire many Basotho (at least in gold mining) and to supply most imports (if paid in remitted rand or hard currency). It might even allow some sealed transit traffic (e.g. petroleum products from Maputo) over its railway system. That scenario would not be costless - at least half the Basotho employed in RSA would probably lose their jobs - and is probably too optimistic just as the first tilts too far toward doomsday.

The conclusion would appear to be that technically a great deal can be done to contain costs to Lesotho but only with very high levels of external support. Even then net costs will be more severe than for any other SADCC member State.

#### Total Costs: A Guesstimate

Any estimate of total costs is a guesstimate because so many factors which will influence the actual outturn are problematic in the extreme. The following order of magnitude ranging shot assumes:

1. reasonably comprehensive, effective global sanctions;
2. lasting at least three years and not abandoned in despair or renewed "constructive engagement" (destructive collaboration from a SADCC perspective);

3. phasing in of sanctions by SADCC States;
4. South African economic reaction against SADCC States largely determined by its own economic interests not by damage to neighbours maximisation;
5. a significant SADCC programme of alternative construction and operation as well as resourcing/redestining and rerouting external economic transactions;
6. security measures adequate to allow operation of all main Indian Ocean SADCC transport corridors and to reduce general economic distabilisation via aggression radically in Mozambique and to limit its increase from present (very low) levels in Botswana, Zimbabwe and Zambia.

On that basis the costs might be:

- A. Capital \$2,000-2,500 million over three years dominated by Dar es Salaam, Nacala, Beira and Maputo corridor transport projects (including rolling stock, lorries and the two pipelines plus associated tank farms) with electricity transmission facilities second.
- B. Initial Dislocation and Institution Creation \$250-500 million over three years relating primarily to initial higher costs of stop gap sourcing, selling and transporting while alternatives are built up and secondarily to institution building costs and replacement of South African export credits.
- C. Alternative Employment Generation for 'returned' migrant workers (at assumed levels of 200,000, 250,000 and 300,000 over the first three years) \$1,000 million (\$350, \$350 and \$300 million about one half capital and are half wages not covered from sale of output). This is a very rough guesstimate indeed assuming that most - but not all - non gold mine workers will be repatriated but few of the latter and that an average capital cost of \$1,600 an employee will generate labour intensive agricultural, urban informal, construction and public service employment with total employee/self employed income by year three of perhaps \$400 million of which \$150 million public service (full time and seasonal)

wages.

- D. Security Enhancement \$1,750 million over three years (\$750, \$500, \$500 million including equipment and installations). This is in one sense an unrealistic figure in that it is not clear that the independent state armed forces could train the numbers of personnel and utilise the equipment implicit in these figures if it is assumed no foreign forces are brought in as 'block forces'. However, it could roughly cover a 10,000 - 15,000 addition to first line combat ready personnel in Mozambique (to reopen the Limpopo Valley Line and put South Africa's MNR proxies business as a macro-economic or macro-security threat), a 5,000-10,000 augmentation of Zimbabwe-Botswana forces on that combined border which could probably limit escalation of aggression albeit not prevent hit and run strikes and a modest increase in jet fighter (especially night fighter) capacity to block support of proxies by unarmed night flights and of raids by helicopters or propeller craft unescorted by front line jet fighters (which RSA is probably unwilling to risk). The cost of a 'block force' depends on what troops are used (e.g. Indian would be less cost than Swedish) and whether it is seen as a trip wire (minimum cost but not likely to work), a deterrent (higher cost but little fighting if effective) or an actual combat force (the hardest to raise and the costliest in casualties). It would probably be substantially higher than the figure cited but would presumably be borne internationally not by SADCC member states.
- E. Lesotho - \$250 to \$500 million over three years over and above support of employment creation. The higher estimate assumed a major airlift operation and the latter a selective one plus sealed rail wagon transport of other imports via Maputo through the RSA rail system to Maseru. Either would require significant initial investment - in rolling stock and traction power, warehouses, air freight handling facilities and/or cargo aircraft - as well as higher annual transport costs especially as either operation might well need to be 'Foreign Flag' as to equipment and foreign staffed at top levels to force RSA to give it grudging acceptance.
- F. Subtotal - \$5,250-6,250 million over three years direct costs. The indirect cost total and the net cost total depend on two factors - how

much of the direct cost is internationally financed as additional support for the independent states of Southern Africa (and thus does not have opportunity costs from diversion) and how many gains can be achieved. No meaningful estimates of the level of international support can be made at present. If attempts were made doubtless a 'realistic' estimate would be below \$1,000 million. But at present sanctions, as defined, are not 'realistic' either. When and if they become so then the support for the regional economic liberation project would probably be significantly higher.

G. Gains would come on net lower import costs, net additional export markets or prices for existing production (probably a small negative), replacing RSA exports in overseas markets, lower transport costs, benefits of additional regional import substitution and the output of the newly employed workers. Rough orders of magnitude by year three might be:

1. import cost savings - \$200 million  
(10% average on imports from or through RSA)
2. export gains (existing products) - (\$ -25 to -50) million  
(some existing existing exports to RSA would be hard to redestine and in general prices would be lower)
3. export gains from replacing RSA in overseas markets - \$25 million  
(real possibilities exist in metals, steel, coal, asbestos, etc., but capitalising on them over three years would be limited by existing production and available transport capacity)
4. lower transport - \$75-150 million  
(for Zimbabwe alone of the order of \$75 million on full division; achieved level depends on transport sector capacity and security)
5. additional regional production to replace South African - \$50 million  
(as with "c" three year result limited by capacity)

6. Output of returned workers (net) - \$300 million  
(of which say \$150 public sector wages, \$125-175 million peasant production, \$75-100 million informal sector output and \$50-75 million enterprise wages assumed justified by higher output less \$125 million remittances loss)
7. Improved security - \$200 million  
(a conservative estimate of \$250 million gain in Mozambique, partly offset by losses in other neighbours of RSA. This is a by-product of the security improvement necessary for transport sector alternative to work).

Total \$750 - 900 million

H.	<u>Net Cost Year Three</u>	Recurrent	\$25 to Gain \$125 million
		Total Cost	\$1275 - 1425 million.

These are very rough estimates indeed. They may be on the optimistic side. However, they are a not totally unrealistic set of 'target' levels.

Several points arise from inspection of these cost data. First, by year three the recurrent net cost is the result of Lesotho and security operations; without them there would be recurrent net gain of \$575-725. Second, after the third year, costs should not (in real terms) rise while benefits should. Third, excluding security and Lesotho operations, the overall additional cost (financing requirement for capital investment) is of the order of \$475-625 million and should thereafter decline as the initial hump of transport and power substitution capital expenditure was surmounted and net recurrent benefits rose. Four, the gross annual costs - let alone the net - are much smaller than the ongoing costs of South Africa's present level of destabilisation and aggression and are therefore logically well worth incurring - if financeable - in support of measures which have a real chance of ending those actions.

Assuming either that sanctions forced the disengagement of Namibia and cold

detente in the region with limited change - i.e. not a true majority rule state in South Africa - the SADCC member States would be large net gainers from that point on as the security and (presumably) Lesotho costs would fall away, most of the gains continue to rise and the present destabilisation bill run down moderately rapidly as the new damage ended and the consequences of the old were overcome.

Assuming South Africa did become a majority rule state - presumably under an ANC and UDF led government - SADCC would still have lasting gains. The capital spending would have been on transport and production capacity justified even assuming natural economic relations with South Africa. The trade links justified on long term mutual interest grounds could be relatively easily restored. No majority rule government in South Africa would agree to the return of the migrant workers given South Africa's block unemployment and underemployment position so the funds deployed to reintegrate them into their home economies would remain justified. Finally, only once SADCC as a region has built the degree of economic integration and autonomy required by the measures sketched earlier would a regional economic grouping with South Africa (either as an 11th SADCC member - Namibia being the 10th - or as a partner in a two member South Africa/SADCC grouping) be likely to avoid building in dominance and dependency relations inherited from the old RSA however much both the SADCC members and the new South Africa wished to avoid it.

#### What Is SADCC Doing?

SADCC is well aware of the need to contain costs and attain gains when and if effective sanctions are imposed against South Africa. It is also aware of the problematic nature of many of the projections which are heavily dependent on timing, coverage, RSA reaction and security assumptions. Until 1985 little SADCC contingency planning for sanctions (and after 1978-79 little member State contingency planning for them) was done because the degree of consensus in favour of sanctions within SADCC was not as strong as it became at the 1985 Arusha Summit and - even more - because there was no realistic prospect of serious international economic sanctions in the foreseeable medium term after 1979/80 and before 1985.

From the Arusha Summit, SADCC has begun work on contingency planning and its

pre-sanctions implementation. Details are - quite appropriately - secret and the work is still very much in progress but several elements and directions are known, indeed made public by SADCC.

First, a SADCC member State subcommittee has been created to prepare an overall strategic approach for SADCC responses to sanctions against South Africa and has held several meetings at official and ministerial level.

Second, several detailed background papers have been prepared and specific topical consultancies commissioned - with a limited number of exceptions from SADCC state citizens and institutions.

Third, a comprehensive draft sanctions response project is expected to be presented to the 1986 Luanda SADCC Summit for consideration by Heads of State and of Government whose decisions will guide its further refinement.

Fourth, while the anatomy of areas of vulnerability to costs and opportunities for gains (and especially the cost and benefit estimates) are those of the present author many (probably most) are known to figure on SADCC's list.

Fifth, in particular SADCC is known to be giving priority attention to transport routes allowing delinking from South Africa and to providing security for them, to petroleum and electricity questions and to developing institutional (enterprise) alternatives to South African or South African focused firms in the import/export and clearing and forwarding sectors. Similarly Lesotho's requirements as a special (extreme) case have received attention at the SADCC Summit and the 1986 Harare Annual Consultative Conference (including reference to an airlift) and would therefore presumably be articulated by the sub-committee.

Sixth, the 1985-86 emphasis on the Dar es Salaam and Beira transport corridors is in effect selective speeding up of the two project groups which are most crucial for making cost containment and benefit attainment possible and which have the longest load time before operationality. Highly desirable in any event they become crucial in the sanctions context if RSA is at that point still blocking the Limpopo Valley and Lobito Bay lines.

Seventh, while security is not a SADCC sector, the member States have begun to



take actions to upgrade security especially for key economic units. The most evident are the joint Mozambican-Zimbabwean operations which have secured the Beira corridor, reopened the Malawi-Zimbabwe highway, and - perhaps less securely - allowed restarting of upgrading/rehabilitation of the Nacala corridor rail line as well as reopening it to traffic. The March 1986 Botswana-British SAS joint manoeuvres (clearly designed to play a war game against potential trans-border incursions and/or 'contrived insurgency') is the most notable example of an attempt to secure at least a symbolic 'trip wire' involvement by nations whose diplomatic, economic and military strength South Africa cannot afford to ignore.

In total therefore SADCC appears to have moved rapidly to act on its new perception that sanctions against South Africa were becoming a real possibility. Its attention is now focused on cost containment via speeding up of key elements of SADCC's Lusaka Programme of Action. By definition that approach to cost containment can be expected to lead to benefit attainment. As of early 1986 the process of contingency planning had shifted from generalities to specific topics - indeed two of SADCC's 1985-1986 focal areas for securing external support, the Dar and Beira corridors are among the most essential components of a coordinated response to sanctions.

(This paper was written by  
Prof. R. H. Green and  
transcribed in his absence)

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