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NEO LIBERALISM AND THE POLITICAL ECONOMY
OF WAR: SSA As A Case Study Of A Vacuum

By Reginald Herbold Green

To fight the military and the economic
fronts of the war separately will
assuredly result in losing both.

- David Martin

The struggle continues.
The dream lives.

- Mozambican Mobilizing Slogans

I. Introduction: A Vacuum And A Query

Neo-liberal economics has almost nothing to say about the economic consequences and policy implications of war and development economics says very little more. In Sub-Saharan Africa (SSA) this is a remarkably odd state of affairs. In two regions, Southern Africa (the SADCC states) and the Horn (Somalia-Ethiopia-Djibouti-Sudan) war is the largest single economic fact and seeking to understand or influence these countries without analysing the economic consequences of war is an example of willful tunnel vision. The same can be said of the Saouri Democratic Republic, while the political economies of Uganda, Chad and Zaire are warped or dominated by the consequences of past civil and/or regional wars and by the very real danger of their rekindling.

This paper is not a study of militarism nor of conflict/disorder in general, but of the economic consequences of war (or of safeguarding against it). Riots, strikes and small scale localised conflicts fall outside its scope unless directly related to actual or potential civil and/or interstate war.

In that sense the food riots on the Zambian copper belt are not part of the topic. However the activities of the Mshala Gang and border clashes with and raids by South Africa's occupation forces in Namibia are part of it. That is so because real or realistically feared aggression by South Africa has created many of the burdens of a full scale war. Similarly, economic tactics short of overt violence are covered if they form (as in the case of RSA) part of a "total strategy" which quite clearly does involve actual or threaten military action.

A problem arises in arriving at an operational definition of neo-liberalism in Sub-Saharan Africa. Economic theory and analysis has always treated SSA as ultra marginal. With the exception of a limited number of African and foreign specialists little serious attention is paid to the contextual application of economic analysis (or of political economy) to SSA. Thus the locus classicus of neo-liberal economics in SSA is the International Financial Institutions: the International Monetary Fund and the World Bank. We should note, however, that the Fund and Bank approaches are in tension and the Bank is very far from monolithic. This interpretation, therefore, has limitations, as indicated below.

The Fund operates on the basis of a monetary, demand driven, short-term model. This does not incorporate, and cannot be directly related to, real output, at least not at a disaggregated level. Therefore the basic Fund goal is adjustment by demand contraction and its principle tools are devaluation and credit constriction. In SSA the Fund is willing to allow for supply expansion through soft external finance, but primarily it sees adjustment as laying the base for subsequent larger external resource inflows, exports and domestic output rather than as including them as essential components of stabilisation

per se. The economic logic for this is uncertain; its political and economic naivety is not.

The Bank operates on the basis of a sectoral and macroeconomic medium term supply side model. Its present perception is that in SSA growth is a necessary part of both stabilisation and adjustment to provide augmented resources to continue the process; to provide domestic incentives; and to avert massive civil disorder and the general withering of state authority. As a result the Bank has a more varied and articulated set of policy demands (suggestions is too mild) than the Fund. As regards trade liberalisation, freeing selected prices (the prices of labour, capital, exports and imports are normally required to be manipulated - thus the demand is not for laissez faire pricing) and either privatising or operating public sector agencies as if they were private, it is not so much that the two institutions disagree as that the Bank's approach provides a firmer base for specific proposals than the Fund's and that the Bank's time frame is considerably longer.

These two different models underlying the Fund and Bank approaches lead to inevitable tensions. Reducing trade and budget gaps (as opposed to financing them in sustainable ways) and reducing the constant price levels of total bank credit are not consistent with short term growth in severely depressed (let alone war-torn) SSA economies. This is independent of whether either of them are neo-liberal. The Fund's model long pre-dates neo-liberalism and the Bank's present variant is now more eclectic than its starting point in the Berg Report (World Bank, 1981) would have suggested (or approved).

The last point poses another problem. The Fund has a history of remarkable coherence at any time and over time. This is true even when its Articles,

and, probably, its dominant members, would permit more flexibility. That history can be interpreted as unity of purpose and freedom from faddery or as a monolithic continuation of past errors. The Bank is much more varied in approaches and personnel both at any time and over time. This can be pictured as contextual realism, informed by flexibility and a pragmatic reading of the lessons of experience, or as faddism and expediency escaped from a coherent framework but regularly reined in by the lessons of non-success. Nevertheless it is not unreasonable to argue that from 1980 the Fund and the Bank taken together have been the leading overt heralds, tools and paymasters of neo-liberalism in SSA.

This said, the supposed SSA governmental conversion to economic neo-liberalism is much more apparent than real. In the first place the basic causes of the selective "retreat of the state" turn largely on real resource constraints. Second, many pronouncements and some actions are based on two premises: external resources are essential for survival and reconstruction; they will not come in adequate amounts unless selective consolidation of state activity and some pricist policies are followed. Third, orthodox Marxist-Leninist doctrine is very conservative (neo-liberal?) on deficits, both budgetary and external. Equally, 'New Economic Policy' reforms may appear market and foreign investment oriented, yet do not constitute capitalist neo-liberalism. Thus Algeria and Angola are arguably pursuing parallels of Lenin's NEP or Gorbachev's glasnost/perestroika, rather than neo-liberal economics - even if in some respects they appear to be to the right of the IMF. Even the present Ghanaian policy could be interpreted as NEP plus F'eldmanite investment maximisation with the liberalisation of tariffs and exchange rates partly enforced by the size and openness of the economy and partly by the need for substantial net external resource inflows.

II. Government Expenditure and Its Scope

Neo-liberalism in principle views government expenditure (with the partial exception of infrastructural investment which is viewed as a base for the private directly productive sector) as a drag on the economy, but - up to some point - a necessary one. In general it views both current public consumption of goods and services and transfer payments (to individuals or, especially, public enterprises) as well beyond that point. The state's expenditure is seen as crowding out the private sector in investment and the household in consumption.

There are, in practice, qualifications of this approach. Education and health (especially the former) are sometimes viewed as investment in labour productivity as, on occasion, is accessible pure water. More particularly the law and order roles are, with very limited exceptions, viewed as irremediably within the proper ambit of the state. Privatisation of security and especially of violence is not on the whole a goal of economic neo-liberalism.

In practice neo-liberalism - at the theoretical and often even at the applied level - has little concrete to say about state recurrent spending (other than about subsidies to public and - less vehemently - private enterprises). It does tend to play the mirror image of Oliver Twist, saying "less" fairly regularly. Here, the World Bank is an exception believing that in many African states public recurrent spending is too low (absolutely and as a proportion of GDP) to provide an adequate foundation for directly productive enterprises or a stable social fabric. The Bank is not entirely consistent on this stance, which appears to represent a significant change in perception

from about 1985. It amounts to a more cautious and pragmatic variant of Robert MacNamara's emphasis on the 'elimination of absolute poverty' during the 1970s.

Neo-liberalism is nominally concerned with greater efficiency in, and on occasion, with broader access to, basic public services. (This is of course not a distinguishing characteristic.) The former is frequently used as an argument that expenditure cuts can be consistent with enhanced real services. This is true, albeit not within the time frame of an IMF programme. The latter seems to turn on providing a minimum level of services to all (in practice not even approximately attained in more than a handful of SSA states) with anything further paid for by the user. In general neo-liberalism (except when tax revenue is below 10% of GDP) opposes higher taxes but advocates higher fees. To the argument that the latter - especially in respect of basic health, education and drinking water - are regressive, the reply is that in many cases (e.g. university education, expensive hospital treatment) the poor almost never have access at present so that subsidisation or free provision is in practice regressive. (Important qualifications to this argument are given in Chapetes - and - of the present volume.)

The problem in evaluating this position on government expenditure both in general and in SSA, is, that, like the curate's egg, it is good in parts. It finds partial support from a somewhat surprising range of non- neo-liberals. For example, African Ministers of Health and UNICEF appear to agree on fees as a desirable, substantial source of finance for primary health care as set out in the 1987 Bamako Declaration. At a different level of difficulty, the Fund tends to advocate little in detail: it wishes to reduce spending, and has a bias against "subsidies" (sometimes defined to include financing fixed

investment even in profitable public enterprises). Thus, any detailed examination must focus up on World Bank prescriptions. Since 1985 these are arguably more Smithian than neo-liberal. A substantial state role is defined and considerable stress is placed on increasing the quantity of resources used to provide services as well as on the efficiency with which they are deployed.

III. Military Spending: Silence And Whispers

As regards military budgets the Fund and the Bank rarely have much to say - either openly or in camera. Since the wish to preserve political neutrality seems not to prevent their intervention on basic health charges, cutting food subsidies on staples or delaying universal primary education there must be some other explanation. It may be that they view (not by any means wrongly) defence/security spending as the hardest to control or to cut, and judge attacking it to be an inefficient way of reducing overall government spending. Further, the Bank's post 1985 perception that adjustment which rends the fabric of society is not sustainable clearly applies to contexts, processes and measures leading to civil explosions (as in Zambia). This may be seen to imply the need for caution in cutting the budgets of men with guns lest the result be not fiscal efficiency but a coup. If that is the explanation, however, rather more overt analysis of the constraints involved would be useful to planners and negotiators in both the Bank and SSA governments.

Nevertheless, there have been a number of cases where the Bank has challenged military spending levels - at least three in the context of war. These include Tanzania's border defence operation in Mozambique over 1986-88, the similar but larger Zimbabwean operation from 1983 and the general level of military spending in Morocco. (The Bank almost certainly takes a negative

view of military spending in Ethiopia and the Sudan but has not had the scope to express it in the first case and it probably despairs of having any impact if it did so in the second.) It may not be coincidental that the three cases cited all relate primarily to spending in respect to a war outside the countries' borders (albeit in two cases clearly a defensive one).

IV. War As An Economic Actor - Terra Incognita

Neo-liberalism in general and the World Bank more specifically do pay marginal attention to military expenditure, albeit less so than to some other categories. However, they do not analyse war as an important exogenous (whether civil or external) variable with major political and economic content.

The fact is clear enough. World Bank studies on Tanzania allude in passing to the cost of the war pursuant on Amin's 1978 invasion, and those on Zimbabwe to costs of creating a national defence capacity and of defending transport routes in Mozambique. Prior to 1988, studies of Mozambique mention the war there three to five times, have no analysis of its attendant problems and devote to it perhaps one quarter of one per cent of the space in the main country report. Later ones, while looking at some consequences in an ad hoc manner, still neither analyse coherently nor seek to consider how the causes may constrain remedial action vis a vis specific symptoms. The recent Angolan studies mention war more frequently and attempt to highlight the burden of defence on the budget but still en passant. War is very much "noises offstage" (like Fortinbras in Hamlet) not a lead actor.

One would not realise from this treatment that, in the absence of war Tanzania would probably have had a growth rate of GDP which was higher by two or three per cent per year from 1979 onwards, or that Zimbabwe would have had a negative domestic government borrowing requirement on combined recurrent and capital accounts. Nor could the casual reader intuit that Mozambique's actual GDP is less than half the level it would probably have achieved had the 1979-81 lull in RSA aggression continued or that the very marked contrast between managerial and technical capability in defence and civil institutions in Angola suggests that a not insignificant portion of administrative capacity in that country is the direct result of war.

Why this reluctance to face the obvious? Treating war as a one line 'given' without any further articulation or analysis is not typical of the way other major exogenous events - e.g. drought, terms of trade shifts - are treated. Nor is it self-evident that analysing the direct and indirect economic impact of war is inherently 'political' or amounts to 'interference'. (In any event the Bank does not shrink from such 'interference' in other sectoral policies and programmes). One possible explanation is that war economics - even in capitalist economies - tends in large part to be the economics of intervention, rationing other than by price. Modern wars are not run on laissez faire economic bases (albeit defence budgets sometimes appear to be). Therefore, neo-liberals and the World Bank may feel both a lack of expertise as to war economics and that to admit the magnitude of war impact would reopen the door for state economic interventionism in a fashion which they would find harder to challenge. Finally, in analysing civil wars or conflicts with neighbouring states it is very hard to avoid making normative judgements about the conflicts themselves. Understandably the Bank and the Fund wish to avoid placing themselves in that position.

This is not to say that the Fund and Bank oppose emergency relief programmes following war damage. Their general attitude to them is benevolent. But both view them as somehow extra-economic and at best parallel to stabilisation, recovery, structural adjustment and renewed development. They do not involve themselves in their planning or funding, nor seek to view survival, rehabilitation, adjustment and growth as an integrally interlocking continuum.

In fairness neo-liberals and the Bank are not alone. Sectoral and macroeconomic studies of war impact and ramification in SSA are few and far between. A handful have emerged in respect to Southern Africa (and to a lesser extent South Africa and Namibia) from the mid-1980s. Even national governments - judging by their budget speeches, economic reviews and published plans do not give serious attention to war as a major economic parameter/variable. Since 1985 Mozambique has become something of an exception to this generalisation as, less clearly, has Angola. In some cases states do not seem to realise the full economic impact of war - e.g. Tanzania; in others they have tended to view it as beyond economic intervention and therefore not needing detailed applied economic analysis - e.g. Zimbabwe; in some the need to relate the economic and military fronts of war to achieve efficiency on either has been overlooked - e.g. pre-1985 Mozambique. In still others the general principle of preserving security in relation to war activities seems to have come to encompass analysis of its articulated economic impact - e.g. Angola, Ethiopia, Somalia and probably Morocco; while in a last group the capacity for analysis and the data to analyse are so limited that adding a new 'sector' may be virtually impossible, e.g. Sudan, Uganda, Chad. Perhaps a mix of these factors plus an absence of focussed academic or international agency economic concern with the field is the basic explanation in most cases.

Whatever the cause, the result is unsound. For about 16 countries - Angola, Chad, Egypt, Ethiopia/Eritrea, Malawi, Morocco, Mozambique, Namibia, Somalia, the Sudan, the Saouri Republic, Tanzania, Zambia, Zimbabwe and arguably the Republic of South Africa and Libya - war (external or civil and including preventative defence against the danger of war) is the largest exogenous economic variable. (Arguably, in the cases of Ethiopia, Morocco, the Sudan and a fortiori South Africa, war is substantially endogenous but this is not so economically.) Other states have been similarly affected in the past - notably Mauretania, Nigeria, Burundi, Uganda and Zaire. 21 countries out of 53 African states is a substantial proportion and they account for the majorities of continental population and GDP.

A closer examination of the economic impact of war in SSA is therefore appropriate on purely economic grounds. Since 1980, it has probably caused losses of GDP and foreign exchange availability for non-military purchases which have been substantially greater than those from drought, and comparable to those from declines in terms of trade.

V. Economic Components of War Costs

The most evident and cited aspects of war costs are military expenditure above some minimum 'normal' threshold (say 5% of budget in many cases) and/or their foreign exchange content. Less frequently direct war damage is cited. However, these would appear to be only two of eight components of macroeconomic war cost:

- excess military expenditure and especially its foreign exchange content;
- direct war damage;

- non-maintenance or non-replacement of capital stock as a result of limited financial or foreign exchange resources consequential on war costs;
- the multiplier (or divider) impact of the three previous items on non-military GDP especially in the presence of severe budgetary and/or foreign exchange constraints;
- economic spill-over costs (e.g. transport blockages or cost increases and refugee inflows) from wars in adjacent countries;
- the shock impact of a large, sudden leap in war costs (analogous in macroeconomic terms to a severe deterioration in the terms of trade or a major drought) on fragile macroeconomic systems;
- strategic and policy distraction: during a major war it is not possible to focus government attention on medium term macro and sectoral economic strategy, and military expenditure is harder to control than any other category;
- priority allocation of skilled, trained personnel (especially managerial and technical) to military institutions significantly limiting the scope and efficiency of the civil sectors.

The relative importance of these cost categories varies widely as do their levels relative to GDP. Each is significant in some SSA economies and at least the first and fourth are important to most.

The first point presumably does not require illustration nor does the literal military destruction component within the second. However, the damage to roads of military traffic (especially tracked vehicles), the dislocation of production or its transportation and the opportunity costs of diverting scarce high and middle level personpower to war are often passed by. The first two were very significant in Tanzania/Uganda and perhaps to a somewhat lesser extent in Nigeria/Biafra, Ethiopia/Eritrea and Rhodesia/Zimbabwe. They are at

their highest in Mozambique/South Africa and Angola/South Africa. The personnel cost was particularly evident in Rhodesia where all white males were full or part-time soldiers. It is obvious, too, in Angola where the high technological and managerial capacity of many military institutions contrasts sharply with those of the social and non-hydro-carbon economic sectors.

Non-maintenance and non-replacement of fixed assets over 1974-79 (and to a lesser extent 1965-73) by Rhodesia, primarily because of the war and sanctions has imposed very heavy burdens on Zimbabwe. Because the domestic financial constraints were less severe, maintenance and replacement of low import content assets was largely kept up so that the deferred cost manifested itself in an explosive rise of the investment imports/Gross Fixed Capital Formation ratio in the four years after independence. The Nacala-Malawi railway provides an even more extreme case. Completed by Portugal at the end of the 1960s (as the liberation war in Mozambique reached a high level of intensity albeit rarely directly disrupting the line) it was nearly non-functional over much of its length by 1980. The reason was that maintenance and replacement was negligible throughout the decade because of both budgetary and foreign exchange constraints imposed by war.

Spill Over Costs: Dislocation of People and Production. Spill-over costs of adjacent wars have three main aspects - military incursions, transport or other cost raising dislocations and refugee flows. Several major examples result from South Africa's systematic destruction - directly and by proxy forces - of Angolan and Mozambican transport routes. For Zimbabwe, Malawi, Zambia and Zaire this has resulted in very sharp increases in freight costs (reflected in lower fob prices for exports and higher cif prices for imports) because they are forced to use more distant ports - primarily East London and

Durban in South Africa. Semi-official cost estimates for Zimbabwe and Malawi each exceed \$100 million a year (on some estimates approach \$150 million) and the total for Zaire and Zambia together may be of the same order of magnitude. In the case of Malawi this cost represents about 30 to 50% of export earnings. As a result the macroeconomic cost of war is very heavy despite there being a small army and no significant combat. Indeed Malawi arguably, could best reduce its war costs by totally interdicting MNR forces transitting its territory to attack Mozambique and by acting jointly with Mozambique to defend the corridor to its natural ports of Nacala and Beira. Since December 1986, Malawi has taken substantial steps toward such a strategy.

Refugee flows from major wars have been a particularly heavy burden for the Sudan, Somalia, Malawi and - during the Rhodesia/Zimbabwe independence war - Zambia. War, expulsion of aliens, drought and economic disaster have driven refugees to a majority of SSA states. In the absence of other significant war costs they do not usually represent a crippling burden at macroeconomic level but they represent a major human cost of war.

The Macro-economic Implications of Shock and Distraction. The multiplier effect is a widely used macroeconomic tool whose relevance to any autonomous decrease in supply or increase in non-productive demand should require no explanation. However, it has to date very rarely been applied to direct war costs in SSA. Given marginal import/GDP ratios and the dislocative impact of war expenditure on inflation and production generally, and the external balance (or more accurately imbalance) in particular, an estimate of total GDP loss (or at any rate non-defence GDP loss) of the order of three to five times the foreign exchange costs of war does not appear to be an unreasonable starting point.

Shock impact has been little explored in the macroeconomic analysis of SSA economies. It has, however, been increasingly seen as significant both in relation to major natural disasters (e.g. Sahel droughts) and sudden, massive negative terms of trade movements. The basic proposition is that, beyond some level, increased resource demands become unmanageable and macroeconomic and policy deteriorates into an increasingly fragmented series of measures to postpone disaster. War is particularly likely to have this effect - especially as over-optimism about the duration and level of war costs, as well as underestimation of its indirect costs, appears to be endemic.

Strategic and policy distraction from macroeconomic concerns, once stated, is presumably both self-explanatory and non-controversial. The history of Rhodesian policy as the liberation war grew indicated decreasing ability to pay attention to non-military issues or to contain military spending. The lag in Tanzanian strategic response to the 1978 export price collapse (in contrast to its very rapid response to 1973-74 oil and drought shocks) relates directly to the distraction of the Amin invasion in 1978 and subsequent efforts to provide a security frame within which Ugandans could reconstruct their policy.

Human Costs - Lives and Misery. Constricted vision and underestimation of costs have also characterised the human price of war. Combat and crossfire civilian deaths are the only regularly mentioned aspect (with the exception of the six Southern African studies alluded to in the source notes to this chapter, and in particular the UNICEF reports). It is possible to identify six main aspects or components of these costs:

- direct military/combatant casualties, including militias and semi-organised forces;

- civilian casualties including crossfire victims as well as those massacred by terrorist tactics, killed in selective sabotage attacks and falling victim to unselective over-reaction by government and/or invader or insurrectionist forces;
- victims of increased mortality - especially infants and young children - resulting from destruction or breakdown of health and pure water services as a direct or indirect effect of war;
- victims of starvation resulting from war caused dislocation of food production or blocking of relief food distribution;
- non-lethal human costs of the dislocation of people, production and services;
- the multiplier (divider) effect on production, incomes and access to basic services.

As with macroeconomic costs, the absolute and relative significance of these components vary widely but all have been at very high levels in five or more SSA states. Military and combatant casualties are in fact usually a small proportion of war related deaths - under 5% in Angola and Mozambique and 2% in Tanzania. Genuinely accidental crossfire victims are probably an even smaller proportion.

Terrorist tactic victims are much more numerous in some wars - notably Mozambique and Angola/South Africa but also the Ugandan, Chadian and Sudanese civil wars. Terrorist tactics are here defined as attacks on human or material targets designed to cause fear and dislocation, to wipe out highly valued services (e.g. health posts, schools, shops, local transport) and their staff and/or to use enforced starvation as a political weapon. Their goal is killing the dream of development and undermining perceived legitimacy by reducing both service and security provision. Their direct military or

economic impact is totally secondary. In other terminology they are aimed at "soft targets". Over-reaction by combatant forces is very common - especially when the area is perceived as basically hostile by the forces in question.

The largest single war related death toll, especially in the case of combat within a country, is usually increased infant and child mortality. This arises from the destruction of health services, or their increased inaccessibility as a result of combat, and from their deterioration because of war claims on fiscal and foreign exchange resources. For Angola and Mozambique the UNICEF (1987/89) studies estimate a total of 800,000 war-related infant and young child deaths, between 1980 and 1988. This is now equivalent to one every four minutes or, as UNICEF Executive Director James Grant put it, comparable to crashing a fully-loaded jumbo jet of under fives daily. Even in Tanzania where the mortality deterioration (relative to pre-1978 trends) is the result of the divider effect of war-deepened macroeconomic malaise, the 1979-88 death toll certainly exceeds 25,000 souls and may be up to 125,000. War related increases in older child and adult mortality - except for mass starvation - are significant but significantly smaller (and harder to estimate) than for infants and young children because older children and adults (except the aged or already infirm) are less physically vulnerable.

Mass starvation because of destruction of crops, dislocation of farmers, armed intervention to prevent food distribution and the divider effect on food import capacity have killed several hundred thousand Africans over the past two decades. Unfavourable climatic conditions have often been a catalytic factor. The vast majority of the victims have been Angolans, Mozambicans, Sudanese, Ethiopians/Eritreans/Somalis, Chadians, Biafrans, Nigerians, South Sudanese and West Nile and Karamojang Ugandans. Except for refugees from

Ethiopia in Somalia camps and Ugandan and Ethiopian/Eritrean refugees in the Sudan, all of these cases involve bitter, long duration wars (whether civil or externally generated) within the country experiencing famine.

Dislocation - of up to half the rural populations of Angola, Mozambique and the Southern Sudan and perhaps over a quarter in Chad and Uganda, - has high human costs at the non-lethal level. Refugees from war - as from drought - have usually lost literally everything: home, land, household equipment, tools and seeds, livestock, access to public services. Even if they survive, they are in abject poverty and frequently unable even to begin reconstructing their lives and household incomes without substantial direct and infrastructural support. War makes the resources for adequate levels of such support quite literally unavailable for more than a small minority. Security concerns (of the dislocated human being and/or of the state) may force those dislocated to remain in overcrowded or agriculturally unsuitable areas because there they may have some protection whereas if they returned to their homes they would have none.

Trans-border refugees are an extreme case of dislocation. For example, of over seven million displaced Mozambicans somewhat over one million have fled to Zimbabwe, Malawi, Zambia, Swaziland and the Republic of South Africa. There are practical differences: they may be in greater danger of expulsion back into the combat zone (e.g. Mozambicans in South Africa); they cannot fully begin rehabilitation of their lives and livelihoods until they are able to return home (as most Zimbabwe refugees in Zambia did after independence) or until they decide, and are allowed, to integrate into the host country (as 100,000 Rwandais and Burundians have in Tanzania); because of the

international definition of refugee they may receive more international assistance than refugees (dislocated people) in their own country.

The divider effect of macroeconomic war costs can also be documented in human terms. Access to basic services deteriorates (as does their quality), inputs and markets for production shrink as do job opportunities and goods to buy. The percentage of households in absolute poverty rises. These human costs can be very marked even in an economy like Tanzania which has had very little combat within its territory.

VI. War In Southern Africa: South Africa's Total Regional Strategy

The regional impact of war in Southern Africa has been studied more than other cases and is larger than elsewhere in the continent. A sub-regional perspective is necessary not only on account of its importance, but because the external cause of the wars - South Africa's "total strategy" - is common and because a substantial amount of military, political and economic coordination in defence against South African strategy has been regionally organised through the Front Line States (Angola, Botswana, Mozambique, Tanzania, Zambia and Zimbabwe) and their political/economic affiliate the Southern African Development Coördination Conference (FLS members plus Lesotho, Malawi, Swaziland). However, the nature and economic consequences of war in the region are by no means uniform, with fighting occurring mainly in two states. The economic consequences are felt mainly in the same two countries, but are very severe in four more and low in the other three.

South Africa's regional strategy has sought to make the Southern African region safe and profitable for apartheid. Both are security considerations but the possible methods used to pursue them are not identical and are possibly contradictory.

The main instruments of South African military aggression have been:

- direct overt use of RSA armed forces against the victim state - primarily in respect to Angola;
- limited use of RSA armed forces for terror raids against African National Congress personnel (but with wider psycho-military goals) in seven of the states;
- similar long distance sabotage operations - with or without proxy force involvement - notably Angola, Mozambique, Zimbabwe;
- use of proxy forces organised, trained, supplied, financed and often supported by key RSA/mercenary personnel - massively in Angola (armed rebels/"UNITA") and Mozambique (armed bandits/"Renamo") and to a lesser extent in Lesotho ("Lesotho Liberation Army"), Zambia ("Mashala Gang") and Zimbabwe ("Super Zanu");
- manipulation of domestic armed forces to achieve political change - Lesotho;
- threatening to use any or all of these tactics - thereby creating a need for massive defence expenditure to deter or limit the impact of the threatened action.

The first, fourth and sixth of these measures are the most economically damaging. The first and fourth have been concentrated against Angola and Mozambique where the goals have been destruction of key economic facilities - especially those providing transit traffic routes for the five core landlocked states (Botswana, Malawi, Swaziland, Zambia and Zimbabwe) - and mass terrorism

to destroy the rural economy, isolate the towns and create large refugee populations. The sixth by itself is not economically devastating but it has crippled Tanzanian and Zambian efforts at recovery, severely reduced Zimbabwe's growth rate and slowed the buildup of Botswana's external assets.

The selectivity in the use of large scale, overt military action creating economic devastation appears to have been deliberate - Botswana, Zambia and probably Zimbabwe could have been crippled economically just as readily as Angola and Mozambique. Blocking the non-South African routes from the landlocked states to the sea and forcing their attention (and expenditures) towards defence in the face of military threats was seen as sufficient to prevent their acting against South Africa. This strategy was also consistent with expanding captive markets for goods and services as well as creating new transport markets (and leverage over economic policy) by replacing the severed Angolan and Mozambican links.

Through 1986 the combined strategy clearly worked reasonably well from a South African perspective. Trade with the SADCC states (dominated by manufactured exports) grew rapidly. Vulnerability of the landlocked states - despite their individual and regional efforts, especially at alternative transport route rehabilitation - increased. Together with the devastation (economic, social and military) of Angola and Mozambique, this increased dependence ensured that there was no serious security threat to RSA from within the Southern African region. To this broad pattern of success there were three limitations. The Angolan adventure had grown from a forward defence of Namibia to a much larger, more costly and open-ended venture without halting the deterioration of the economic, political or even military position of RSA in the occupied territory. Increased transport costs and refugee flows undermined the economy

of Malawi. Most important perhaps, the war bill (economic, foreign exchange, budgetary, human and political) was large and may well have reduced South Africa's economic growth from 1980 by 1 or 2% a year whilst also increasing the growing tendency of external enterprises and governments to distance themselves from it economically.

More recently the strategy has worked much less well. Indeed as 1988 ended it was arguably in ruins. Militarily the Mozambican proxy force had been broken, even though remaining deadly as a terrorist presence, and the military position for South Africa - and potentially for the UNITA proxy force - in Angola had become untenable. Transport rehabilitation was nearing the point at which dependence on RSA routes would become secondary. The region had managed to return to average growth rates in excess of three per cent per year. Regional commitment to economic disengagement (and external support for it), far from being broken, had increased and was showing results. The war bill to RSA had continued to rise and the low growth trend of 1981-1988 seemed to be an increasing threat to domestic security.

VII. War In Southern Africa: The Price of Pretoria

There are three basic ways of estimating war costs. The first is to make up a list of items. In the case of the SADCC economies these include direct war damage, extra defence spending, higher transport costs (e.g. Malawi to Durban or Port Elizabeth as opposed to Nacala or Beira), loss of transport revenue (on routes damaged or closed by South African and proxy action), higher energy costs (e.g. South African vs Cahora Basa power), looting and smuggling (basically from Southern Angola), destruction of exports from destabilisation

preventing production (e.g. in terrorised rural areas) or transport (e.g. from Moatize colliery), support for domestic displaced persons and international refugees, trade boycotts and embargoes (overt or covert) by South Africa, excess costs of South African goods and refusal to renegotiate inequitable trading arrangements, loss of existing production (consequential on war damage), and loss of growth (from diversion of resources from new investment to military, relief and reconstruction spending).

SADCC's estimate for these costs over 1980-84 came to \$10,120 million and a revision by Carol Thompson and R. H. Green to \$12,940 million. Carried through 1986 (UNICEF 1989) they came to \$25,120 and \$27,240 million respectively. Through 1988 the total on this basis is of the order of \$44,000 - 46,940 million on a historic price basis and over \$50,000 million, in 1988 prices. Defence spending and lost economic growth are the dominant heads, with war damage, transport and energy costs, refugee relief and existing production losses; also significant are export losses (including transit traffic) for Mozambique and, outside the petroleum sector, Angola.

The chief problem with this first approach is that it is likely to produce double counting, e.g. among loss of exports and production losses. It is also likely to underestimate the indirect losses from lost growth. While all of the heads can be roughly estimated none is really subject to precise calculation. Furthermore, several items (e.g. excess defence spending, loss of output from new investment) depend on problematic estimates (e.g. non-war basic defence budgets, and "normal" incremental capital/output ratios).

A second method is to compute estimated non-war growth rates for gross domestic product and compare them with actual outturns. In UNICEF 1989 this

produced estimates of \$5,500 million for Mozambique and \$13,000 million for Angola over 1980-86 in 1986 prices assuming non-war growth rates of 5% and 8% respectively.

The regional total estimated in the same study, of \$25,000 - 30,000 million over 1980-86 includes \$5,000 - 8,000 million for the other 7 SADCC states calculated on a modified list basis. This total is somewhat misleadingly similar to the 1986 list total of \$25,000 - 28,000 million. The list includes, while the GDP calculation excludes, loss of capital stock except insofar as it is reflected in current production losses and expenditure with some GDP impact (e.g. refugee relief, military salaries and local purchases) represents a shift in actual GDP makeup not a direct loss of GDP. The similarity of the two figures therefore tends to confirm orders of magnitude implying either gaps in the list estimation or assumptions about the growth rates of non-war expenditures in the GDP calculation that are too high.

As of the end of 1988 on a GDP loss basis (the third approach to measurement) war costs were of the order of \$60,000 million at 1988 prices or about twice achieved GDP. The impact on regional growth was to reduce it from a probable peace time rate of 5 to 6% to an actual 2 to 3%, i.e. less than the rate of population growth. In short in the absence of war waged against it by South Africa the SADCC region would have had far less serious output declines in the early 1980s and far more marked and sustainable recoveries in the mid and late 1980s, even had all other factors remained unchanged.

It must be stressed that the end of South African aggression would not end this stream of losses, it would merely reduce it. Even on the list approach the largest cost component is loss of potential growth. The coming of peace,

an ability to cut defence costs and attaining access to lower cost transport routes and import sources could - if backed by rehabilitation support - restore regional growth to a 5 or 6% annual trend rate. But that would not alter the fact that the base income level would be at least \$10,000 million lower. Thus an annual loss of \$500 to \$600 million would continue to accrue indefinitely. Nevertheless this is a different order of magnitude entirely to \$10,000 million per year.

Human Cost Of War. The economic damage described above itself entails widespread and severe human costs. The standard of living of a majority of the people of the SADCC states is very close to the absolute poverty line. Were current GDP 25% higher and growing at 5 to 6% a year, the numbers in absolute poverty and/or lacking access to basic education, health and water services would be substantially lower. However, war - as waged by South Africa - has three even more telling consequences: loss of food security, massive displacement of people and death.

Proxy and regular South African military force attacks have not seriously sought to set up new South African installed governments - with brief exceptions in Angola in 1975 and possibly Mozambique in 1986. Their activities have focussed on sabotage aimed at specific (usually transport and power) targets, on mass terrorism designed to destroy governmental authority and rural production and on smaller, briefer murder raids and kidnappings by RSA's own forces. While financed, supplied, planned, directed and often led by South Africa the first two aspects have been carried out primarily by South African proxy forces notably the armed bandits of Renamo in Mozambique and Unita in Angola but also the Lesotho Liberation Army in Lesotho, so-called Super-Zapu in Zimbabwe, and smaller gangs in Zambia. Renamo has also

attempted terror operations in Tanzania, Zambia and Zimbabwe with limited success, and has sought to coerce the government of Malawi to allow the use of its country by South Africa/Renamo as a transit and resupply base.

The terrorism has aimed at and resulted in keeping rural populations in Mozambique and Angola on the move, unable to settle down and restore production. The results have included massive food shortages resulting from production shortfalls of up to 1,500,000 tonnes of grain a year. The economic consequences of war (exacerbated in the case of Angola by the 1986 petroleum price collapse) have prevented commercial imports being substituted, while food aid to the two states has never exceeded 600,000 tonnes a year and - because of transport sabotage and rural terrorism - has proved very difficult to distribute.

Furthermore about half the populations of Angola and Mozambique - 14,000,000 souls - have been driven out of their homes at least once (usually with virtually total loss of all possessions and often of the lives of some family members). About 1,500,000 are now international refugees, 4,000,000 are registered rural displaced persons with no significant ability to restore their production and incomes, up to 2,000,000 are urban migrants largely in slum or shanty areas with very low incomes, and about 7,000,000, nominally again self-supporting, are unlocateable because of the degree of rural dislocation or are held as slave labour by the armed bandits. It is noteworthy that the armed bandits do not carry out basic service provision or food relief operations (they destroy services, killing, maiming or driving out personnel as prime targets and steal or destroy food). No one flees to them, rather large numbers cross borders or take refuge in government controlled urban or less insecure rural areas. That in itself is adequate comment on the

Renamo and Unita claims to be liberation movements with popular bases, rather than what they are - proxy South African terrorist and sabotage forces.

By the end of 1986 UNICEF estimated (probably conservatively) the numbers dead at the hands of South African aggression as 1,000,000 people in Mozambique and Angola. Half were infant and child victims of war-caused malnutrition and of the destruction or running down of health services. Another 200,000 were famine victims and 100,000 older child and adult victims of medical service collapse. The 200,000 estimate for direct civilian and military war victims is shown an AID (US) estimate of 100,000 for Mozambique alone over 1986-87 to be an underestimate. A conservative re-estimation through 1986 would be at least 325,000 (200,000 in Mozambique and 125,000 in Angola). War related deaths over 1987-88 can be estimated as of the order of 500,000 (325,000 infants and young children, 50-75,000 older health and malnutrition victims, 125,000 war casualties) for a 1980-88 death toll of 1,900,000 human beings now dead who would have been alive in the absence of war.

That figure relates to Angola and Mozambique alone. In the other seven states direct calculation is less easy. In several - but not all cases - war costs have enfeebled the economy and the budget, eroding food security as well as medical and water services. A cautious estimate of these deaths plus those of terror raids and limited proxy terrorism might be 25,000 - 100,000 over 1980-88 depending primarily on how much war costs have eroded the basic health care systems of Tanzania, Malawi and Zambia.

As with the economic costs, ending South African aggression can - especially in the short run - only reduce human costs. Rehabilitating health and water services and restoring rural production and livelihoods is a task which will

require at least five years of peace and the reversal of the negative infant and child mortality trends and bringing their levels down to those pertaining in other low income SSA countries, will take yet longer. However, by the second year of peace the death toll could be halved and by the fifth reduced by perhaps 80% assuming priority attention to food security, mass immunisation, access to pure water and basic health care services.

Policy Implications - Domestic, Regional And Global. The level of the price of Pretoria to the SADCC region means that it must be seen as of central economic and human concern. It is necessary to take its impact into account in all sectors - especially but not only in Mozambique and Angola - and to relate priorities in resource allocation to its reduction and alleviation.

Increasingly the independent Southern African states have understood and acted on this brutal reality both individually and collectively. National prioritisation of food security, rehabilitation and relief (emergencia), basic health care, restoration of regional transport routes and defence do speak to this as, perhaps slightly less directly (and, to date, less effectively) do attempts to increase intra regional trade, partially as a substitute for trade with RSA.

The SADCC Programme of Action focusses squarely on the economic side of the price of Pretoria especially in its priorities for transport, power and telecommunications rehabilitation and expansion to break South Africa's non-military grip on the region. So too do the emphases of SADCC and the PTA (Preferential Trade Area of Eastern and Southern Africa grouping 14 states including 6 SADCC members) on bolstering intra-regional trade as a means to re-sourcing imports and re-targetting exports away from RSA.

The Front Line States have increasingly coordinated regional defence and international diplomatic offensives against South Africa. The solidarity shown in the defence of Mozambique demonstrates the reality of that cooperation. So does the leadership they have taken in calling for effective international action - especially sanctions - against South Africa to hasten the end of its regional policy of total aggression and of apartheid itself.

This external role of the FLS, like the resource mobilisation one of SADCC calls attention to the fact that by themselves the independent Southern African states cannot meet the costs of ending unilateral economic dependence on South Africa, blocking direct and proxy military aggression, sustaining existence and beginning rehabilitation for refugees and displaced persons, restoring growth and development. Poor and beset with most of the other exogenous shocks (including drought, debt and terms of trade) which have overwhelmed most of SSA since 1980 this is not surprising. They are - with the exception of Botswana - foreign exchange constrained, indeed in several cases import capacity strangled, economies. The annual foreign exchange cost of excess defence spending, higher cost transport routes, lost exports, survival relief and rehabilitation of direct war damage is - regionally - of the order of three-quarters actual annual export earnings.

Regional Costs: A Summary. The total regional cost of South African destabilisation and aggression is now running at about \$10,000 million annually or of the order of 40% of achieved regional GDP. Over 1980-88 it totalled about \$60,000 million in 1988 prices or over twice present annual GDP and about three times gross external resource (grant, soft loan, export credit and commercial loan) inflows over the same period.

That cost was very unevenly distributed by country with Angola bearing the largest absolute burden - \$4,500 million in 1988 and \$27,000 to 30,000 million over 1980-88 - and Mozambique next with \$2,500 to 3,000 million in 1980 and \$15,000 million for the period. Between them the two lusophone states bore 70 to 75% of the GDP losses. However, no state escaped a significant loss, \$30 million for Lesotho and Swaziland being the lowest in 1988, and \$200 million for Swaziland the lowest of the 1980-88 estimates. Over the period, six states had cumulative losses of over \$1,000 million.

The current rate of losses also varied sharply as % shares of achieved GDP from around 100% of actual GDP for Angola and Mozambique to 10% or less for Botswana, Tanzania, Lesotho and Swaziland. However, even 5 to 10% of GDP must be seen as significant for a small, poor economy with narrow fiscal, foreign exchange and food security margins at the macroeconomic level and with a majority of households with yet narrower margins of abject poverty and a very real danger of premature death. The main elements in the losses were excess defence costs, loss of merchandise exports, excess transport costs on external trade and loss of transit traffic revenue. Loss of rural production and remittances had a smaller macroeconomic impact albeit they were the most burdensome economic factors for poor households especially in Mozambique and Angola.

The losses suggest that in the absence of war the region's annual GDP growth trend would have been of the order of 5% and perhaps 6% as opposed to 3% or less actually achieved over 1980-88. In the cases of Angola and Zimbabwe healthy per capita growth - up to 5% a year - could have been achieved and in the cases of Mozambique, Tanzania, probably Malawi and perhaps Zambia, GDP

growth would have been able to be held at levels equal to or in excess of population growth.

Human costs are harder to summarise quantitatively. The most shocking is that for "excess mortality" - over 1,900,000 lives lost over 1980-88 as a direct or indirect consequence of South Africa's regional strategy. In Mozambique the total was of the order of 1,100,000 or nearly 8% of estimated 1988 population and in Angola 750,000 or 7.5%. The total for the rest of the region was much lower, perhaps 100,000. The second indicator of human costs is displaced persons and refugees. Over half of the population of Angola and Mozambique - 14,000,000 - persons fell into this category. In addition Malawi's land access, food balance and ecology were hard pressed by the well over 500,000 Mozambicans (almost 7% of Malawi's national population) who had taken refuge there.

These totals are appalling - no milder term will do. They confirm the hypothesis that in Angola, Mozambique and arguably Malawi and Zimbabwe, the dominant cause of economic unsucess and human misery in Southern Africa is South African destabilisation plus overt and proxy aggressions.

VIII. War and Neo-Liberal Economics: What Linkages?

One direct implication of the neo-liberal economic approach is that, by keeping war outside the framework of economic analysis, it is almost certain to reduce efficiency of resource allocation in a war context. However, as noted earlier, this is by no means unique to that economic paradigm.

A central question is whether neo-liberalism in economics causes or exacerbates (or removes or ameliorates) contexts giving rise to wars. In SSA there is little evidence of correlation - positive or negative. The Chadian, Saourian and Horn conflicts long pre-date the rise of neo-liberalism or the launching of its African flotilla flagship, the Berg Report. The Southern African conflicts do parallel the rise of neo-liberalism in that they were greatly stepped up from 1981, even though earlier phases date back to the 1960s. However, the driving force for war - South Africa's total regional strategy - is very clearly not a product of neo-liberal economics and to the extent it is economically motivated bears a family relationship to Hjalmar Schacht's 1930s policies in Nazi Germany not to Chicago School models.

So too with declines in levels of war. Military defeat and lives lost (perhaps reinforced by recession and defence budget burdens) explain South Africa's evacuation of Angola and potential ending of the occupation of Namibia. Military reverses on the Eritrean and Tigrean fronts, not economic policy rethinking and probably not even the continuing economic stagnation, led to Ethiopia's 1988 moves to reduce actual and perceived probable hostilities levels vis a vis Somalia and Ethiopia. The Sudan's renewed - but very problematic - quest for an end to civil war by negotiation turns on human and social costs and exhaustion rather more than on direct economic condition causes and certainly has no direct link to economic strategy reformulation.

In certain contexts there do seem to be direct links from neo-liberal economic policies and pressures to civil disorder and short term violence. Zambia's 1986 maize meal price riots and the 1985 Sudanese bread price riots leading to the overthrow of the el Nimeiry regime are examples of this. So also are the

1989 Sudan food price riots which greatly weakened the el Mahdi government. However, neither was a war as defined here. The Zambian case was a brief period of massive (but geographically limited) civil disorder which was rapidly contained and partly defused by policy reversals. The first Sudanese case did lead to a change in government but neither to a Northern civil war nor to a solution to the Northern/Southern civil war; the second has weakened both the political system in the North and the Khartoum government stability needed for a North-South settlement without directly leading either to a change of government, a coup or sustained intra-Northern violence.

Even at the level of civil disorder two problems arise. The same type of measure - for example, food subsidy reduction or abolition - may be accepted in one country but lead to riots in another (vide Tanzania 1984 and Zambia 1986). A similar contrast is provided by the massive petroleum price increases which were tolerated by Ghanaians over 1983-85 and the riots which broke out over a 3% increase in Nigeria in 1988. The differences seem to turn on general public perceptions of the state, its goals and its competence, not on the specific measures themselves nor on whether they are taken in the context of war. Furthermore, each of the above initiatives could be justified on grounds other than neo-liberal economics: the Tanzanian reduction on food subsidies was in fact decided and defended on a quite different rationale. The difference in reaction may relate to perceptions of unwelcome external imposition rather than to views on neo-liberal economics or even the merits or the specific changes themselves.

IX. Conclusion

Neo-liberalism calls for a small, nightwatchman state but provides little guidance as to priorities, levels or qualitative improvements in state spending; nor does it treat war as a major macroeconomic parameter needing to be disarticulated sectorally and factored into analysis, evaluation and proposals. This is a major failing in SSA and especially in over a dozen severely war affected states with populations approaching 250 million. Furthermore, it is exacerbated by failure to coordinate economic policy and projects with their military counterparts.

However, there is no very plausible evidence in SSA that neo-liberalism (whether practised or rejected) and war (whether heightened or reduced) have substantial causal or empirical links (in either direction). While severe war costs do tend to force changes in political and economic strategies, the direction is by no means uniformly toward freeing market forces and, in any event, leave the presumptive priority tasks - waging and ending the wars - squarely in the state sector. Massive opening up to the private sector, "war communism" and a mix of more limited but intensive intervention using more market management and less administrative instruments have each been resorted to in SSA cases of national economic implosion caused by war. Only the last of these seems to be likely to survive the ending of war-imposed economic constraints.

Source Note

As indicated the topic of this paper is not one with a large bibliography either in neo-liberal economic theory or in respect to Sub-Saharan Africa. There is a literature on the military and one on wars but not on the articulated macroeconomic costs and consequences of war. With the exception of Southern Africa the main sources are scattered references in World Bank country and sectoral documents, only slightly less scanty coverage in national policy statements and speeches and interviews. For Southern Africa the foregoing sources are somewhat more extensive and six studies exist:

- a. UNICEF, Children On The Front Line, New York, 1987
- b. _____, Children On The Front Line, revised and expanded to include Namibia, New York, 1989
- c. SADCC, Overview (Annex on Costs of South African Aggression) for 1985 Mbabane SADCC, Gaborone, 1985
- d. Green, R. H. and C. Thompson, "Political Economies in Conflict" in D. Martin and P. Johnson Destructive Engagement: Southern Africa At War, Zimbabwe Publishing House, Harare, 1986, updated version Four Walls Eight Windows, New York, 1988
- e. Hanlon, J., Beggar Your Neighbours, Catholic Institute for International Relations - James Curry, London, 1988
- f. UN Economic Commission for Africa, 1988 (to date unpublished) consultants study on "The Price of Pretoria".