NEO LIBERALISM AND THE POLITICAL ECONOMY OF WAR: SSA AS A CASE STUDY OF A VACUUM

By Reginald Herbold Green

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> 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

It may appear eccentric to introduce an examination of what neo-liberal economic analysis and doctrine have to say on the political economy of war with two quotations which are very much not from neo-liberals (nor, for that matter, economists). However, the fact is that neo-liberal economics has almost nothing to say about the economic consequences and policy implications of war and the economics of development more generally has very little more.

In Sub-Saharan Africa 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 understanding or seeking to influence the political economic dynamics of these countries without analysing the economic consequences of war is to say the least willful tunnel vision. The same can be said of the Saouri Democratic Republic while the political economies of Uganda, Chad and Zaire are warped and influenced or dominated by the consequences of past civil and/or regional wars and by the very real danger of their rekindling.

This is not a study of militarism nor of conflict/disorder in general but of the economic consequences of war or safeguarding against a massive risk of war. Riots, strikes and small scale localised conflicts fall outside its scope unless directly related to actual or seriously potential civil and/or interstate war. In that sense the mealie meal riots on the Zambian copper belt are not part of the topic. The apparently much smaller activities of the Mshala Gang and low intensity border clashes with and raids by South Africa's occupation forces in Namibia are. That is so because real or realistically feared Rhodesian South African aggression 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 seriously threatended potential military (including proxy force) 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 political economic or theoretical economic analysis (or to political economic ideology in contextual applied form) to SSA.

The supposed SSA governmental conversion to economic neo-liberalism is much more apparent than real. Often it not even that apparent except to a true believer or a readily frightened advocate of interventionism. In the first place the basic causes of the selective "retreat of the state" turn largely on perceived real and political resource constraints. Second, many pronouncements and some actions are based on two premises: external resources are essential to survive and to reconstruct and they will not come in adequate amounts unless neo-liberal noises, selective narrowing/consolidation of state activity and some contractionist/pricist policies are followed. Third, orthodox Marxist-Leninist doctrine is very conservative (neo-liberal?) on deficits (budgetary and external). So too, New Economic Policy phases are quite market and foreign investment oriented tactically but do not constitute capitalist neo-liberalism. Thus Algeria and Angola are arguably pursuing parallels of Lenin's NEP or Gorbachev's glasnot/perestroika not neo-liberal economics even if in some respects they appear to be to the right of the Fund let alone the Bank. Even the present Ghanaian policy could be interpreted as NEP plus F'eldmanite investment maximisation with the greater liberalisation on tariffs and exchange rates partly contextually enforced by the size and openness of the economy and partly by the combined need for, and conditioned capacity to secure, substantial net external resource inflows.

Thus the locus classicus of neo-liberalist economics in SSA virtually has to be the International Financial Institutions: the International Monetary Fund and the World Bank. While also problematic, since the Fund and Bank approaches are at best in tension and the Bank is very far from monolithic, this is probably the least unsatisfactory basic approach to take. However, it is necessary to note its limitations.

The Fund operates on the basis of a monetary macroeconomic demand driven short term model. This model does not incorporate, and cannot be directly related to, real output, at least not at a disaggregated level. Therefore the basic Fund goal is monetary macroeconomic short run 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 future external resource inflows, exports and domestic output rather than as including them as essential components of stabilisation _per se_. The economic logic of this is somewhat problematic, its political economic naivety is not.

The Bank operates on the basis of a sectoral and macroeconomic medium term production (supply) side model. Its present perception (a political or social economic one) is that in SSA growth is a necessary part of both stabilisation and adjustment to provide augmented resources to continue the process; to convince external supporters to resist "aid/structural adjustment fatigue"; 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 concerns and instrumental demands (suggestions is too mild) than the Fund. In respect to trade liberalisation, freeing selected prices (the price of labour, of capital, of exports and of imports are normally required to be manipulated so that the demands are not for _laissez faire_ pricing) and either privatising or operating public sector entities/functions 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.

There are, between a short term macroeconomic monetary demand constraint approach and a medium term real sectoral/macro supply growth one, inevitable tensions. In some SSA contexts potentially antagonistic contradictions exist between Fund and Bank strategies. 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 or neither or both be neo-liberal. The Fund's model long pre-dates neo-liberalism and the Bank's present variant is much more eclectic than its starting point in the Berg Report would have suggested (or approved).

The last point poses another problematic. 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 and more varied approaches. That history can be interpreted as unity of purpose and freedom from faddery or as monolithic continuation in past error. The Bank is much more varied in approaches and personnel at any time and over time. This can be pictured as contextual realism with flexibility and pragmatic reading of the lessons of experience or as faddism and expediency escaped from a coherent framework or discipline but regularly reined in by the lessons of non-success. Nonetheless it is not unreasonable to argue that from 1980 the Fund and the Bank taken together have been the leading overt heralds, tools and pay mobilisers of neo-liberalism in SSA.

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 or stock-capital 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 enterprise (read private) sector in investment and the household in consumption.

There are in practice limitations or qualifications to this approach. Education and health (especially the former) are sometimes viewed as investment in labour productivity (stock capital) as, on occasion, is accessible pure water. More particularly the nightwatchman 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 so much as of political neo-feudalism and/or quasi-militarism.

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 subsidies to public and - less vehemently - private enterprises). It does tend to play the mirror image of Oliver Twist and say "less" fairly regularly. Here, the World Bank is an exception believing many African states public recurrent spending is too low absolutely and as a per cent of GDP to provide an adequate framework and foundation for directly productive enterprises or a stable social fabric. (The ghost of Robert MacNamara's "elimination of absolute poverty" still stalks the corridors and sometimes the policies of the Bank!) The Bank is not entirely consistent on this stance which appears to represent a significant change in perception taking effect from about 1985 and amounting to a more cautious and pragmatic variant of the dominant themes of its 1970s approach.

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 - true, albeit not within the time frame of an IMF programme. The latter seems to turn on targetting both to those in need where feasible and to minimum level services to all (in practice not even approximately attained in more than a handful of SSA states and for a limited range services in them) with anything further paid for by the user. In general neo-liberalism (except when tax revenue is below 10% of GDP) opposes higher taxes (and on occasion energetic collection of existing ones) but advocates higher fees. To the argument that the latter - especially in respect to basic health, education and drinking water - are regressive, the arguments are, a.) that in many cases (e.g. university education, expensive hospital treatment) the poor almost never have access in any event so that subsidisation or free provision is in practice regressive and, b.) that the poor can and do pay now for private health care and education and would receive more value for less cost were they to pay the fees to public services thus breaking the resource nooses which strangle their coverage and quality/efficiency.

The problem in evaluating this case as to general government expenditure in SSA is partly that like the curate's egg, it is good in parts, and has the support of a somewhat surprising range of non neo-liberals, For example, African Ministers of Health and UNICEF agree on fees as a desirable, substantial source of finance for primary health care as set out in the 1987 Bamako Declaration. More basic is that since the Fund tends to say little beyond "cut" with a bias against "subsidies" (sometimes defined to include financing fixed investment of even profitable public enterprises) any detailed examination must turn on World Bank prescriptions. Since 1985 these are arguably more Smithian than neo-liberal. A substantial state role set is defined (plus mixed sectors with the less poor able to buy more) and very considerable stress is placed on increasing the quantity of resources used to perform them as well as on the efficiency (somewhat ill-defined albeit roughly in quantatative unit cost or social cost/benefit ratio terms) with which they are deployed.

III.

Military Spending: Silence And Whispers

In respect to military and related budgets the Fund and the Bank rarely have much to say overtly or, in the majority of cases, in camera either. Since they are not equally concerned about political neutrality on basic health charges, cutting food subsidies on staples or delaying universal primary education there must be some other explanation. It probably is that they view (not by any means wrongly) defence/security spending as the hardest to control or to cut back and attacking it as an effort inefficient way of reducing government spending. Further, the Bank's post 1985 peception that adjustment which rends the fabric of society is not sustainable clearly applies to contexts, processes and measures leading to civil explosions (its *locus classicus* is Zambia) and may be seen as counselling caution on 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 both national and Bank policy planners and negotiators.

However, there have been cases in which it is strongly believed the Bank has challenged military spending levels - at least three in the context of war. These include Tanzania's solidarity, advanced border defence operation in Mozambique over 1986-88; the similar but larger Zimbabwean operation from 1983 on and the general level of military spending in Morocco. (The Bank almost certainly takes the same view in respect to Ethiopia and the Sudan but has not had the scope to express it to any point in the first case and probably despairs of having any impact if it did 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 than to some other categories. However, they do not analyse war as a major exogenous (whether civil or external) variable with major and complex local, sectoral and macroeconomic political and political 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. Pre-1988 Mozambique studies mention the war there three to five times with no analysis and perhaps one quarter per cent of the space in the main country report and later ones while looking at some consequences in an *ad hoc* manner still neither analyse coherently nor seek to consider how the causes may contrain remedial action vis a vis a specific symptoms. The recent Angolan studies do mention war more frequently and make a stab at highlighting the burden of the defence bill 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 2 to 3% _per annum_ higher GDP growth rate from 1979 onward or that Zimbabwe would have a negative domestic government borrowing requirement on combined recurrent and capital cost. 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 the skilled personpower and civil institutional capacity noose in that country is the direct result of war.

Why this reticence 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 articulated economic and political economic impact of war is inherently 'political' or 'interference'. (In any event the Bank does not shrink from 'interference' with, or at least comments on, other policies.) 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 and administrative dictat. 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 a feeling that to admit the magnitude of war impact would reopen the door for state economic interventionism on a basis it would find harder to challenge.

Further it is true that analysing civil wars or conflicts with neighbouring states in detail is very hard to do without appearing to make 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 war damage offset and human survival of war victims programmes. 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, rehabiliation and reintegration into production and adjustment for renewed growth and development as an integrally interlocking continuum.

That of course is not unique to war. The criticism applies to disaster relief - bilateral and multilateral as a whole. Rehabilitation components (especially reintegrating pauperised people into production and society) are regularly under-analysed and under-funded. Or as a disaster relief wing team leader from one agency put it to people trying to get him to finance rehabilitation and vulnerability reduction: "You do not understand. That is development. Disaster is our bread and butter." No ill-will was intended but so long as disaster relief (including war relief) is viewed in that perspective there will be plenty of bread and butter for its purveyors but not for the victims they - quite genuinely - seek to serve.

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 the 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. War is among the major exogenous economic factors which has affected SSA adversely since at least the 1970s and especially since 1980. Indeed it probably has caused GDP and forex availability for non-military imports losses since 1980 substantially greater than those of drought and comparable to those from terms of trade declines.

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 a real 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 at least substantially politically endogenous but not economically.) Other states have been similarly affected in the past notably Mauretania, Nigeria, Burundi, Uganda and Zaire and in at least the last case are likely again to be so affected. 21 countries out of 53 (50 OAU members plus Morocco, Namibia and South Africa) African states (18 of 47 in Sub-Saharan Africa treating the Saouri Republic as North African) is a substantial proportion of states and they account for majorities of population and GDP.

A closer examination of the economic impact of war in SSA is therefore appropriate on purely economic analysis and economic policy informing grounds. This is independent of the fact that the main applied purpose of several of the extant studies has clearly been to mobilise international pressure against South Africa's regional strategy of aggression and destabilisation and/or to mobilise external resource flows to offset some of the costs of the victims of that strategy and its praxis.

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:

1. excess military expenditure (including deterrent and solidarity heads) and especially its foreign exchange content;

2. direct war damage (including non-military aspects such as destruction of roads by military vehicles and physical disruption of non-military production by infrastructural or logistical damage);

3. non-maintenance of non-replacement of capital stock as a result of limited financial or foreign exchange resources consequential on war costs;

4. 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;

5. economic spill-over costs - e.g. transport blockages or cost increases and refugee inflows - from wars in adjacent countries;

6. the shock impact of a large, sudden leap in war costs (analagous in macroeconomic terms to a severe deterioration in the terms of trade or a major drought) on fragile macroeconomic systems;

7. strategic and policy distraction, i.e. the simple facts that during a major war it is not possible to focus government attention on medium (or sometimes even short), term macro and sectoral economic strategy, policy and implementation and also that - in a serious war context - military expenditure is harder to control than any other category;

8. 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 (singly or together) relative to GDP. Each is significant in some SSA economies and at least the first and fourth in a majority.

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 actual production or transport of both agricultural and industrial output as well as of basic rural services and the cost to production 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 in which, as a result of destruction and dislocation GDP in Mozambique and non-oil GDP in Angola have been cut by at least 50% below counterfactual peacetime levels and dislocation has been even more crushing than literal destruction. The personnel cost was particularly evident in Rhodesia where all white males were full or part-time soldiers and is so 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; but must be severe in any case in which a substantial number of artisans, professionals and managers have to be reallocated to the armed forces and their support facilities.

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 scissors effect on foreign exchange available for non-military imports 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 is 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 line of rail and rolling stock maintenance and replacement was near nil throughout the decade because of both budgetary and foreign exchange constraints imposed by war successively on the Portuguese colonial regime and on the independent Mozambican governments.

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. The first is included in precautionary and deterrent military expenditure but not the second or third. Several major examples are Southern African and result from South Africa's systematic destruction - directly and by proxy forces - of Angola 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 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 although in Malawi where their numbers exceed 10% of the domestic population they do constitute a massive economic burden even taken alone. They do, however, 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 fuelled inflation on 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 war foreign exchange costs does not appear to be an unreasonable starting point. In the case of Angola and Mozambique estimates on this basis for 1980-88 tend to confirm - at least as to order of magnitude - estimates built up from direct war costs and specified consequential production losses and those based on counterfactual projections of GDP growth in the absence of war.

Shock impact has been relatively less explored in 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 (or reduced supply) and policy demands become unmanageable and macroeconomic term strategy and policy deteriorate into an increasingly fragmented and short term series of measures to postpone disaster until something (good) turns up. War is particularly likely to have this effect - especially as over-optimism as to the likely duration and level of war costs, as well as underestimation of indirect costs, appears to be endemic, e.g. in Tanzania, Mozambique and Zimbabwe.

Strategic and policy distraction from macroeconomic concerns, once stated, is presumably both self-explanatory and unlikely to be challenged as to existence even if arguable as to degree. The history of Rhodesian policy as the liberation war grew certainly is one of decreasing ability to pay coherent attention to non-military issues or to contain military spending. The lag in Tanzanian strategic response to the 1978 export price collaspse (in contrast to its very rapid response to 1973-74 oil and drought shocks) relates directly to the distraction of the 1978-79 concentration on military issues flowing from Amin's invasion and the subsequent (not very successful) efforts to provide a security frame within which Ugandans could reconstruct their policy. While probably less true on the strategy and policy front (though not the military budget one), the same challenge has confronted Zimbabwe since 1981 and especially since the buildup of its solidarity and transport defence forces in Mozambique began in 1983.

Human Costs - Lives and Misery

Analagous constricted vision and underestimation of costs has 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 earlier and in particular of the UNICEF reports. It is possible to identify six main aspects or components of costs:

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

2. 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;

3. 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;

4. victims of starvation resulting from war caused dislocation of food production or blocking of relief food distribution;

5. non-lethal human costs of directly war caused dislocation of people, production and services;

6. 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 acquiescence in the presence of forces hostile to those entering or controlling an area from fear is hard to differentiate from willed cooperation and/or 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 under 5 mortality related to direct destruction of health services, their immobilisation or inaccessibility as a result of combat or human dislocation and their deterioration because of war claims on fiscal and foreign exchange resources. For Angola and Mozambique over 1980-88 carefully constructed estimates in the UNICEF studies total 800,000 war related infant and young child deaths, now running 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 imports capacity have killed several hundred thousand Africans over the past two decades. Usually but not always (e.g. Mozambique over 1986/87 where 3,500,000 to 4,000,000 million human beings were known to be in danger of severe malnutrition or literal starvation despite relatively favourable weather compared with up to 5,000,000 in 1987/88 when some provinces suffered from drought) unfavourable climatic conditions have 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 Somali 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 while if they returned to their homes they would have none.

Trans-border refugees are conceptually and humanly an extreme case of dislocation, e.g. 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 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 applies to the dislocated and to other citizens of severely war affected countries. 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 which has had very little combat within its territory - e.g. Tanzania.

It may need underlining that the cessation of hostilities or major external threats does not bring macroeconomic or human war costs to an end immediately. Nor does it do so even after the armed forces are cut back to 'normal' personnel and expenditure levels - by no means a quick or easy exercise as post civil war Nigeria and 1980-82 Zimbabwe illustrate. The cumulative impact on the economy continues to exist until at the least the past direct and divider war costs no longer prevent normal growth of exports, basic services and GDP or - logically - until recovery has restored these to the levels they would have attained in the absence of war. Even under favourable external and domestic conditions the former can take several years and the latter over a decade. At worst - as illustrated by Uganda - it may be virtually impossible to make and to sustain a stabilisation, adjustment and recovery strategy for up to a decade after the end of the actual war (in that case the initial war as internal peace has yet to be fully restored).

VI.

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

The regional impact of war in Southern Africa has been studied somewhat more than other cases and is absolutely the largest. Therefore, a brief regional review is in order. Further, a sub-regional perspective is necessary both because the external cause of the wars - South Africa's "total strategy' - is common and because a substantial amount of military and political as well as of economic coordination in defence from and - at least politically and economically - counter-offence against South African strategy and tactics have been regional through the Front Line States (Angola, Botswana, Mozambique, Tanzania, Zambia and Zimbabwe) and their political economic affiliate the Southern African Development Coordination Conference (FLS members plus Lesotho, Malawi, Swaziland). However, the nature and economic consequences of war in the region are by no means uniform with actual fighting dominantly in two states and economic burdens overwhelming in the same two, very severe in four more and secondary to low in the other three.

South Africa's regional strategy has sought to make the Southern African region both safe and profitable for apartheid. Both are security considerations but the possible methods for pursuing them are not merely not identical but possibly contradictory. Full scale open war and trade are not necessarily compatible (Angola) and full scale economic destabilisation by military as well as economic, means, is not compatible with high and expanding trade volumes (Mozambique) whereas highly lucrative and growing trade and investment require some limitation on economic damage done and impose some constraint on the frequency and scope of overt military (even by proxy force) operations (Botswana, Zambia, Zimbabwe). In addition, actions taken against one state may devastate the economy of another in a way which is damaging to the profitability goal even if it produces some side economic benefits (Malawi).

The main instruments of South African military aggression have been:

a. direct overt use of RSA armed forces against the victim state - primarily in respect to Angola;

b. limited use of RSA armed forces for terror raids nominally and sometimes actually against African National Congress personnel but with wider psycho-military goals - in seven of the states but for distance reasons not Angola or Tanzania;

c. similar long distance sabotage operations - with or without proxy force involvement - notably Angola, Mozambique, Zimbabwe;

d. 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");

e. Manipulation of domestic armed forces to achieve political change - Lesotho;

f. 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 key 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 massive refugee/dislocated person populations. The sixth by itself is not economically devastating albeit 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 (indeed more so in the first two cases) as Angola and Mozambique. Blocking the non-South African routes of the core landlocked states to the sea and concentrating their attention and budgets on static defence against military threats was seen as sufficient to prevent their acting against South Africa and consistent with expanding captive or semi-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 except to the extent it was seriously expected to reduce black resistance in RSA itself. Trade with the SADCC states (dominated by manufactured exports which have been crucial to the expansion of the manufacturing sector) 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, the 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 to 2% a year while also increasing the growing tendency of external enterprises and governments to distance themselves from it economically.

Over 1987 and especially 1988 the strategy has worked much less well in its own terms. Indeed as 1988 ended it was arguably, at least in its 1981-86 form, 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 the UNITA proxy force - in Angola had become militarily untenable. Transport rehabilitation was nearing the point at which dependence of RSA routes would become secondary. The region had managed to return to to 3% to 4% average growth rates. Regional commitment to economic disengagement (and external support for it) far from being broken had risen and begun to show results. The war bill to RSA had continued to rise and the low to no growth trend of 1981-1988 looked 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 directly or indirectly 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), 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 in UNICEF's Children On The Front Line 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 basically historic price basis and over $50,000 million on a 1988 price one. 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 approach is that it is likely to produce double counting, e.g. among loss of exports and production losses and also gaps with underestimation of indirect effects from inadequate coverage of lost growth. While all of the heads can be estimated as to orders of magnitude none is really subject to precise calculation and several (e.g. excess defence spending, loss of output from new investment) depend on somewhat problematic estimates (e.g. non-war basic defence budgets, 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 Children On The Front Line 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 allowing for substantial recovery in Mozambique (in progress from 1979 but cut short by the escalation of proxy terrorism and sabotage in 1981) and the petroleum sector led growth plus recovery of other sectors Angola could have achieved in the absence of continued South African aggression over 1976-80 and its escalation from 1981.

The Children On The Front Line regional total 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 too high non-war growth rates assumption in the GDP calculation.

As of the end of 1988 on a GDP loss basis - on an alternative scenario projection basis for Angola and Mozambique and on a less comprehensive basis using foreign exchange costs and production multipliers for the other states - was of the order of $60,000 million at 1988 prices or about twice achieved GDP. The impact on regional growth was to reduce it as of the 1986-88 period from a probable peace time rate of 5 to 6% to an actual 2 to 3%, i.e. from up to 3% above to 1% below 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, only reduce it. Even on the list approach the largest component is now loss of potential growth. While peace, ability to cut defence costs and access to lower cost transport routes and import sources could - if backed by rehabilitation support - restore regional growth to a 5 to 6% annual trend rate that would not alter the fact that the base level would be at least $10,000 million lower. Therefore an annual loss of $500 to $600 million would continue to accrue indefinitely - a different order of magnitude entirely from $10,000 million a year however.

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 or below 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 impacts: 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 very limited success except in parts of the Zimbabwe border area with Mozambique and - more successfully until late 1986 - sought to coerce the government of Malawi into not taking effective steps to bar 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 to 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.

Further 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 registered rural displaced persons with no significant ability to restore their production and incomes, up to 2,000,000 urban migrants largely in slum or shanty areas with very low incomes, and about 7,000,000 nominally again self-supporting, unlocateable because of the degree of rural dislocation or held as slave labour by the armed bandits. The reason that in Mozambique the 1987-88 breaking of most armed bandit units has raised the number of displaced persons and refugees (500,000 now in Malawi alone) was the escape of slave labour from Renamo control - a situation documented in USAid's Gersony Report. 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 - apparently underestimated - the numbers dead as a result of South Africa's war of aggression as 1,000,000 souls in Mozambique and Angola. Half were infant and under 5 year old child victims of war-caused malnutrition and the destruction (or budgetary and import constrained) health services. Another 200,000 were famine victims and 100,000 older child and adult victims of medical service collapse and the interaction of malnutrition with not otherwise fatal diseases. The 200,000 estimate for direct civilian and military war victims is shown by the Gersony estimate of 100,000 in 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 to an extent 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 South African.

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 SADCC's and the PTA's (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 (Angola, Botswana, Mozambique, Tanzania, Zambia and Zimbabwe) 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 broadly of the order of $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 1988, and $200 million for Swaziland the lowest 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 of the order of 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, forex, food security margins at 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 lesser 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 unsuccess and human misery in Southern Africa is South African destabilisation plus overt and proxy aggressions.

VIII.

Tanzania: The 'Invisible' Burden

Tanzania is a good example of how little the costs of war are assessed in any depth and how brief passing references may conceal more than they reveal. Despite not infrequent mention in asides to the cost of the war following the Amin invasion of 1978, these are - with very rare exceptions - not seriously evaluated as a cause of post 1978 economic unsuccess. The costs of near perpetual preparedness for external war (invasion or incursion) since 1961 and of repeated acceptance of solidarity support costs for threatened neighbours have received even less attention.

The direct foreign exchange cost of war to Tanzania over 1960-88 of $1,425 million suggests a direct non-military GDP loss of $7,000 million in prices of the year of loss. This is over $10,000 million in 1988 prices or about 224 months GDP. The additional military GDP - basically salaries and wages - can hardly have been over $500 million and, while necessary, was not desired. Given the shock and policy lag results this is a minimum estimate and is in fact too low as it understates post-1982 GDP losses directly or indirectly related to previous war bills and to diversion of policy attention from economic strategy issues over a crucial period in 1978-79.

Alternatively one could assume in the absence of the Amin war and its aftermath and the 1986-88 Mozambique solidarity exercise:

a. development of a crisis management strategy (including parastatal reform and tightened fiscal policy) by the first quarter of 1979;

b. successful negotiation of a programme loan package with the World Bank and consequential programmes with bilateral sources by the end of 1979;

c. more as a condition for "b" than as a source of finance, an IMF agreement going marginally into the second credit tranche by mid-1979;

d. adoption of an inflation offsetting, frequent, marginal exchange rate adjustment policy (and a basket not overloaded in 'favour' of the USA dollar) by the end of 1980 when the trend appreciation of the dollar had become clear;

e. averting or continuing the arrears and supplier credit overhang buildup.

On that basis instead of declining by a total of 4 to 5% from 1978 through 1982 constant price GDP might have stagnated in 1979 and risen on average 2 to 2½% a year over 1980-82 for a counterfactual 1982 GDP 10 to 12½% above that actually attained. Instead of growing a total of 5% over 1983-85 and about 4 in 1986 GDP after 1982 (despite external environmental problems) could probably have risen 3½ to 4% a year. In that event 1986 GDP would have been of the order of 20% above actual and 25% (vs 5% actual) above 1978 more or less parallelling population growth. The cumulative GDP loss on this basis over 1979-86 was of the order of $6,000 million in 1985 prices. However, that is an interim figure because no matter how rapid 1987-90 recovery is, it can hardly make good a 20% starting loss of output and because the counterfactual implies about $2,000 million less external debt and a $200 million higher export base than the projected actual. These estimates exclude all pre-1978 costs.

Over 1987-88 GDP growth has been of the order of 4%. On a counterfactual basis that suggests a further loss of $320 million versus 6% growth on the higher 1986 counterfactual basis. On the basis of a forex cost of $275 million, $100 million used to avert reappearance of current arrears and of non-fulfillment of debt rescheduling provisions and $150 million to provide increased operating input and transport imports (two clear constraints to recovery) the current output cost can be estimated at $750 million. That would imply that a short term initial recovery growth rate of 8% to 9% would have been possible except for raw material, spare parts and lorry constraints - an inherently plausible estimate.

Even though Tanzania has not had a civil war nor fought a major war on its own soil, the direct and indirect impact of war since 1978 has been "killing the dream". As of 1978 universal access to basic education, health, pure water, 125-150 infant and under 5 mortality rates, 60 year life expectancy, elimination of severe malnutrition and reduction of the proportion of

Tanzanians living in absolute poverty to under one quarter were reasonable dreams and basic national goals backed by priority allocation of resources. In 1986 Tanzania is further from achieving them than in 1978 even though they remain objectives and still have priority (albeit a priority eroded by war and debt service bills) in allocating a shrunken total of resources. Certainly external environmental hostility (terms of trade and drought) and domestic economic management sloppiness (partly itself the result of too sharply increased a level of challenges) played a part, but without the costs of the Amin war the 1978-86 direction of change could still have been upward and without the need to support Mozambique and defend the Ruvuma border the 1987-88 recovery could probably have been twice as high in absolute and four to five times as rapid in per capita terms.

IX.

Can A War Be Fought On A Balanced Budget?

Zimbabwe is usually perceived as having a reckless fiscal policy with the government finance requirement in excess of 10% of GDP. The statistics are valid, the inferred cause is inaccurate.

In the absence of excess military spending, excess transport costs (via RSA because of damage to Mozambican routes) and dutiable import/sales taxable output constrictions from the need to finance military forex costs Zimbabwe's domestic borrowing requirement (on combined recurrent and capital accounts) would be negative. Taken together with a currency which is undervalued in comparative price shift terms and a recurrent external account surplus (including both interest on external debt which is fully paid and grant aid which is relatively small) this suggests not a reckless but an austere fiscal and macroeconomic policy. Indeed it might be argued that fiscal and forex rectitude have been carried too far - more external borrowing and somewhat higher domestic expenditure financed by taxes on the additional imports (and goods made from them) financed by that borrowing might be more prudent.

Clearly war is a fact and positing a normal non-war domestic borrowing requirement (which would clearly not be zero in Zimbabwe) and adding on war bills would not be prudent. But modern wars are not fought with current account - fiscal or foreign - surpluses nor is it normally argued that they should be. Until Zimbabwe economic analysis, planning and macroeconomic policy formulation includes estimation of articulated war costs, it is hard to see how a rational process of 'optimum borrowing requirement' estimation can be carried out. The World Bank and IMF have quite simply ignored war bills in their macroeconomic analysis of, and prescription preaching to, Zimbabwe. Zimbabwe itself has made no formal attempt to include it in the quantitative model coordinated planning process, in Budget Speech highlighting of key issues nor in annual economic surveys. Drought and open-ended subsidies do receive much more attention both as to analysis and as to what policy measures would limit costs and damages without creating unbearable new social burdens or economic costs. Why? Zimbabwe is quite open in citing the war burden and verbally describing its severe economic consequences. Why the lack of quantification, analysis and explicit consideration in overall economic policy formulation?

War Plus Drought Equals Death: Not Drought Alone

In post 1980 SSA it is possible to identify a very high correlation between severe loss of life from drought and war. It is not accidental that the cases of killing famine - as opposed to severe malnutrition with famine barely averted - since 1978 are Angola, Ethiopia/Eritrea, Mozambique, Sudan, Uganda and Chad. In each case civil war and/or external aggression has had three impacts: first, it lowered production through rural population displacement and damage to transport even in the absence of drought; second, it reduced government ability to finance food imports and/or distribution and third, it physically (and politically) impeded distribution of externally financed relief supplies.

This killing interaction remains. Over the 1988/89 main harvests' key germination and growing periods weather in most of SSA has been favourable. Larger harvests and reduced food aid needs for 1989 are projected. But there are five exceptions: Angola, Ethiopia/Eritrea, Malawi, Mozambique and Sudan. All except Malawi are cases of massive war dislocation of people and of transport. Malawi hosts up to 600,000 Mozambican refugees and has its economy (and transport links for - *inter alia* - relief food imports) devastated by the South African proxy forces. Mass rural terrorism in Mozambique and sabotage of Malawi's logical rail routes to the sea and land routes to Zimbabwe via Mozambique - i.e. war - are at the route of its food security crisis.

The policy implications are in part clear albeit how to act on some of them is not:

a. war afflicted countries need massive emergency programmes to avert mass starvation, e.g. $400 million including 800,000 tonnes of food for the 1988/89 Mozambique Emergencia operation;

b. these may need to go beyond food to logistics (including transport equipment and repairs) and inputs/seeds/basic services for re-establishing rural life and production - areas notoriously underfinanced in emergency operations;

c. and may need to go further to provide the means to defend relief convoys (which are prime targets in Angola, Ethiopia/Eritrea, Mozambique, the Sudan and en route to Malawi);

d. the politics of denial of food aid domestically (Ethiopia/Eritrea and the Sudan on both sides of each conflict) and internationally (non-funding of Angola Emergencia operations at levels even remotely resembling needs or support to Mozambique) need to be faced openly and to be combatted.

X.

Economic And Military Strategic Interactions

A further issue which is rarely pursued in any detail is the interaction between the military strategies and praxis of a state and its economic strategies and praxis. What discussion there is tends to be at the very general level of budgetary and forex spending (and skilled personpower allocation) to the military reducing that available for fixed investment, maintenance and use of present capacity/provision of civil public services. While valid these points - especially without quantification of even the orders of magnitude involved do not take one very far.

Tradeoffs, whether sectoral or new fixed investment - maintenance - recurrent services - enterprise/household sector production, are not in practice handleable by precise marginal cost benefit analysis. However, if orders of magnitude are set out and simple projections of probable results with alternative allocations made the decision making process is likely to be more informed than if no rough tradeoff calculations at all are made.

Within the military sector both expertise limitations and security considerations limit outside economic analysis of cost/benefit and tradeoff ratios. However, the questions economists can usefully pose (for debate within the security professional group and political decision taking organs) need not be negligible in focussing attention and improving decisions:

a. what are the strategic objectives on the security front?

b. how do these benefit the economy to the extent they are achieved?

c. within a given defence budget what mix of instruments (e.g. infantry, mobility enhancing vehicles, artillery, armour, helicopters, jet aircraft) is financially possible and most likely to achieve minimum acceptable results (or better) on each stategic goal?

d. in respect to major choices (e.g. 50 helicopters including 15 gunships versus 6 front line jet fighters - about the same as to capital and operating costs) what are the relative security gain/cost ratios?

There is also a much more concrete level of interaction. If economic and military strategies are carried out in parallel without cross coordination the results are likely to be sub-optimal on both fronts. This can be illustrated in the case of Mozambique.

Four strategic economic objectives are:

a. seeing that emergencia programme food, basic services and rehabilitation inputs are delivered;

b. restoring rural livelihood and effective provisioning of cities from domestic production;

c. reopening key domestic and transit transport routes;

d. completing or rehabilitating major economic units whose completion or operation has been largely or wholly halted by the war (e.g. cement factories, coal mines, textile complex in Zambesia province);

e. raising exports to increase earned, freely useable import capacity.

In each case military protection - for convoys, for villages (whether traditional or resettlement), for schools and hospitals, for main transport routes and economic installations - is a necessary condition. For example, one cement plant has been largely idled because while the plant was protected and the route to the quarry passable, the quarry itself was not adequately guarded to avert destruction of key machinery and installations. It is most unlikely that such protection will be available unless the military decision takers have specific prior knowledge of the what, where and when of economic strategy.

Similarly the resources available for defence and the balance between defence and breaking armed bandit units and clearing areas of their remnants have real resource and technical/military constraints. And there are logics of what, where and when from a military point of view which may or may not be fully compatible with protection of particular economic initiatives.

Three points emerge: if an economic initiative cannot be defended it is a waste of resources to attempt it; if a particular installation or project is economically vital it must be defended; determining how these conditions can be met requires detailed economic-military dialogue on what can be done in what places in what time frame/sequence.

Prior to 1985 there is evidence that economic and military strategy and phasing were drawn up in parallel with very limited coordination. As a direct result very substantial investments were made which proved nugatory because not defended (or defensible) and not inconsiderable capacity which might have been kept in operation was idled because specific arrangements for its defence were not made. Since 1986 it appears that substantially more coordination has been achieved.

At a more general level it is frequently argued that war causes shifts in political economic strategy whether to or away from greater openness and market orientation. Or both - arguably a war economy might give priority to virtually material balances planning of certain key sectors and units (including but not limited to the military) and allow laissez faire or an approximation thereto in the rest of the economy.

Four patterns seem to be identifiable in SSA:

a. complete or near complete collapse of effective economic strategy and of praxis beyond day to day crisis coping as as result of economic and political overload caused by war, e.g. Sudan in recent years;

b. concentration of state activity on a narrow range of activities (excluding many of the key productive sectors and units) with very considerable <u>de facto</u> (and sometimes <u>de jure</u>) freedom to manoeuvre for private, household or effectively autonomous public enterprises - e.g. Uganda from 1979;

c. an evolution toward "war communism" in the defence, key export and selected key economic unit sectors with a somewhat indifferent tolerance toward enterprise and household initiatives in other areas or melding both with elements of a neo-Leninite "New Economic Policy" - e.g. Angola over 1980-88;

d. attempts toward an emergencia/economic rehabilitation/basic services/defence economic focus overlapping with selective joint venture, selective liberalisation and private enterprise encouragement (perhaps a more full blown African NEP variant) - e.g. Mozambique since 1986.

Which tendencies are likely to be dominant under what conditions and in what political economic contexts is an area on which little research or even informed speculation has taken place.

XI.

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 ideology/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 - albeit earlier phases dated 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 (if any).

There are in certain contexts direct links from policies and actions flowing from economic neo-liberal perspectives 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 as 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 while 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 civil disorder level two problems arise. The same type of measure - e.g. food subsidy reduction or abolition - is accepted in one country and leads to riots in another (vide Tanzania 1984 and Zambia 1986). Or, e.g., massive accepted petroleum price increases in Ghana over 1983-85 and riots over a 3% increase in Nigeria in 1988. The differences seem to turn on general public perceptions of the state and its goals and/or competence, not on either the specific measures or whether they are taken in a war context. Further, all of the above initiatives could be justified on grounds other than neo-liberal economics. (The Tanzanian one 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 specific changes as such.

XII.

Preliminary Summary

a. Neo-liberalism calls for a small, nightwatchman state but provides little guidance as to priorities, levels or output/cost ratio (productivity) improvements in state spending;

b. nor does it treat war as a major macroeconomic parameter needing to be disarticulated sectorally and factored into analysis, evaluation and proposals;

c. this is a major failing in SSA and especially in over a dozen severely war affected states with populations approaching 250 million;

d. it is exacerbated by failure to coordinate articulated economic policy and projects as to what, where and when with their military counterparts;

e. however, there is no very plausible evidence in SSA that neo-liberalism (whether practised or rejected) and war (whether heightened or reduced) have either substantial causal or empirical links (in either direction). While severe war costs do tend to force changing national macro political economic strategies the changes are 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. (So far as the author is aware setting up an accountable, autonomous, self-financing parastatal in a goal specified contractual relation to the state to fight a war is a proposal which has not been made much less acted upon, unless one sees the RSA proxy forces in that light which would appear to be a slightly eccentric reading.) Massive opening up to the private sector, "war communism" and a mix of more limited but more intensive intervention using more market management and less administrative instruments have all been resorted to in SSA cases national economic implosion caused by war. Only the last choice 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 (very) 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".

Bibliographical Note

Reg Green has been a student of the political economy of Africa since 1959. He has worked, researched, visited and/or consulted in over 30 African states including Angola, Mozambique, Zimbabwe, Tanzania, Zambia, Botswana, Swaziland, Malawi, Lesotho, Uganda, Somalia, Ethiopia and the Sudan and has been an advisor to SADCC, ECA, the Catholic Institute for International Relations, the World Council of Churches, the United Nations Institute for Namibia and SWAPO of Namibia. A professorial Fellow of the Institute of Development Studies at the University of Sussex since 1974 he has published over 250 articles, chapters, discussion papers, review articles and books on development issues with special attention to economic strategy, human condition, structural adjustment, external debt and the economic implications of war. On the last topic he has participated in UNIN, ECA and SADCC studies on Southern Africa, authored an IDS Discussion Paper and co-authored a chapter in _Destructive Engagement: Southern Africa At War_ edited by David Martin and Phyllis Johnson.