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Managing the Economic Transition In South Africa

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Managing the Economic Transition
in
South Africa

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Keynote Luncheon Address:

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About the Center For Economic Research on Africa:
The Center for Economic Research on Africa seeks to foster closer understanding of economic relations between the United States and Africa. Through its research program, it is concerned with examining the scope and consequences of economic policies within Africa, United States economic policies toward Africa, and how specific policy alternatives bear on economic relationships between the two regions. The Center operates with financial support from academic, government, professional, and business organizations, and works in close collaboration with the Department of Economics of Montclair State University.

Acknowledgements: The views expressed by the speakers are their own. They do not necessarily reflect the views of the institutions they represent and should not be so attributed. It should also be noted that all tables and illustrations were not part of each panelist's original presentation, and have been included here purely for expository purposes after the fact. In no way do they reflect any of the textual statements by the panelists, nor should they be so attributed.

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Introduction

Few events in Africa, or in the world of late, have been as dramatic as the political transformation of South Africa during the past three years. On April 26-28, 1994, South Africa held its first democratic all-race elections, bringing to power a new Black-majority led government more reflective of the country's demography than any since the establishment of the Union of South Africa in 1910. With African National Congress leader Nelson Mandela winning the presidency by an expected large majority, South Africa has managed a peaceful political transition to a fully democratic society, bringing to a formal end the legacy of racial apartheid which had for so long been the cornerstone of South African policy.

As momentous as this transition has been, it could not have taken place in the way in which it did without the support of the National Party of South Africa, and in particular, the leadership of F.W. DeKlerk. Indeed, under the leadership of Mr. DeKlerk, South Africa began in 1990 to dismantle the institutions of apartheid. It was thus fitting that Mr. DeKlerk, who was instrumental in obtaining Nelson Mandela's release from prison after a twenty-seven year hiatus from African political life, engage in a dialogue with Mr. Mandela on ending apartheid in South Africa, and in laying the foundations for the peaceful elections which have now taken place. That they shared in the Nobel Peace Prize has been seen by most observers as a most fitting gesture of recognition for their mutual statesmanship and vision in reforming South African society.

While the elections of 1994 and the actual results have been much anticipated, it is the state of the South African economy that will shape the direction and pace of reform. Indeed, while the enlargement of South African democracy has been a most welcome sign, how well the new government can meet rising expectations for both redistribution and economic growth is one of the more daunting challenges that it will face in the next five years. To examine the underlying economic changes taking place within South Africa and their relation to the neighboring states Southern Africa and to the world community, the Center for Economic Research on Africa, working in collaboration with the African Development Bank, the International Monetary Fund, the South African Consulate in New York, U.S. AID, and the World Bank, sponsored a conference on April 11, 1994, the results of which are published in this volume.

South Africa in Political and Economic Transition

At once one of Africa's strongest economies while at the same time a society in fundamental political and social transition, South Africa holds the key to the region's economic future. With this in mind, the conference sought to address a number of key policy issues. First is how sanctions have affected per capita Gross Domestic Product growth rates in South Africa proper as well as in neighboring countries of the South African Development Community (SADC). This is important not only for understanding the flow of events in South Africa proper, but also in addressing the age-old question of whether sanctions can serve as a useful tool of international diplomacy, as events in North Korea and elsewhere have served to remind us.

Given that Nelson Mandela had called for the end to sanctions well prior to his being elected as President of South Africa, it is worth noting that there has been a continuing flurry of interest in both portfolio and direct investment in South Africa. Some of this has taken place by firms that had withdrawn from participation in South Africa's economy during the period of sanctions, while other firms represent newcomers to the region. As this interest has grown, it is important to gain some understanding of what kinds of international aid are likely to flow into South Africa and how will neighboring SADC countries be affected, in addition to gaining insight into what kinds of international private capital flows are likely to move to South Africa.

Renewed public and private capital flows into South Africa are but a prelude to the larger question of improving South Africa's economic growth rate. Under sanctions, domestic savings and investment rates declined from their historical plateau, and growth of South Africa's Gross Domestic Product (GDP) slowed accordingly. It is this "peace dividend" to the post-apartheid South African economy that will shape much of what is possible in terms of employment and income growth for the foreseeable future.

Last but not least, the conference focused on what kinds of new economic initiatives may be needed to facilitate the transition now under way. In this regard, the roles of the African Development Bank, the International Monetary Fund, U.S. AID, and the World Bank, will be important to helping South Africa's new political leadership foster the kind of partnerships that will be essential to the kind of positive economic performance which all are seeking. Thus, not only the past positions of these institutions are important, but so too are the conditions which are being attached to the flow of economic resources now under way.

South Africa's Gross Domestic Product of just over $U.S. 100 billion places it in the global league of a country such as Denmark, but with a population that is seven and a half times as large. Like Saudi Arabia, Chile and other mineral-based economies, South Africa is a country rich in natural resources. At the same time, it is a country that through the policies of racial apartheid, has wound up with one of the most unequal distributions of income in the world. Because this inequality has had an almost uniquely racial dimension, it has raised expectations enormously within the Black majority community for fundamental economic change.

Economic Perspectives of International Development Institutions

As the speakers in this conference attest, whether their institutions have until recently disengaged from South Africa during the period of sanctions or whether they have maintained an underlying commitment to the disadvantaged Black majority population, re-engagement at this time will involve by definition a sustained commitment to addressing both issues of distribution as well as growth.

For U.S. AID, work has gone on for some time to assist in developing economic institutions and leadership opportunities among the Black majority population even during the period of economic sanctions. As Keith Brown, Director of AID's Southern Africa region spells out, this has been a challenging task, but one to which AID has sustained a credible level of assistance over a number of years. AID has provided scholarship assistance to more than a thousand Black South Africans, and has worked to establish local community schools.

In addition, AID has worked in the critical area of governance, providing an enabling framework for democratic institutions to be nourished, as well as providing for an environment in which new and positive leadership could emerge. Finally, AID has placed a growing emphasis on nurturing Black majority private enterprise development, especially small and medium-enterprise development, which AID sees as one of the biggest sources of job growth in the near future. In short, AID has worked to establish conditions in which a more peaceful political transition could be accomplished, focusing on economic and political initiatives which could provide critical stability to the new government, and which will undoubtedly continue to be its role for the foreseeable future.

As other panelists point out, they have not had the same degree of flexibility or scope of operation to pursue the kinds of initiatives undertaken by a bilateral agency such as U.S. AID. Brian Levy, chief economist in the Energy and Industry division of the World

Bank's Southern Africa region, points out in his introductory remarks that the World Bank chose to withdraw from any programs in South Africa as far back as 1967, and is only now about to re-engage in any sort of direct fashion. As he points out, this is not to say that the World Bank has been a disinterested agency in economic events in South Africa, or in the Southern Africa region as a whole. While the World Bank has continued to provide resources and programs for neighboring members of the SADC community, it has also monitored events within South Africa, and has undertaken various studies of the South African economy, all with a view to what kind of constructive role the Bank could play once South Africa had moved to establish a post-apartheid society, as it now is doing.

As the World Bank withdrew operations from South Africa for more than fifteen years, so too did the International Monetary Fund limit its operations. While the World Bank has focused its energies on micro and sectoral programs and projects, the IMF has long been a key institution at the macroeconomic policy level. With the IMF remaining largely inactive in the South African context during the period of sanctions, it too has been engaged in a process of re-engagement, as Leslie Lipschitz, Assistant Director for the African Department of the IMF, points out in terms of the diplomacy and in the substance of the dialogue now under way.

While not emphasized in his presentation, it should be noted that the absence of IMF participation in South Africa's external finance meant that during the period of sanctions, South Africa would up devoting substantial sums of foreign exchange reserves to meet its international creditors, placing periodic pressure on South Africa's currency, the Rand. Substantial distortions took place during this period, notably the emergence of a dual foreign exchange market, and in which South Africa's propensity to embrace capital-intensive investments intensified to the near-term detriment of the majority Black population. However, as noted elsewhere in the conference, one wonders to what extent South Africa's moves to dismantle apartheid would have happened in the absence of such economic pressures.

South Africa's transition, both political and economic, is not taking place in a vacuum. Regardless of one's perspective on the role and significance of sanctions, that South Africa's economy has performed relatively well speaks perhaps more to many of its underlying economic strengths. As Johannes Stauch, Consul General of South Africa in New York points out, sanctions are now history and it is time to examine the constraints and opportunities for renewed economic growth in the new South Africa. He cites not only the growing list of institutions that are now ending sanctions, but also the emerging positive climate for trade and investment in South Africa. While South Africa has undoubtedly been affected by sanctions, it has been affected perhaps as much by declining primary commodity prices on which the economy has depended. Now that these prices seem to be poised for a rebound, he notes that opportunities for both portfolio and direct investment in South Africa rival those anywhere in the globe.

At the time when the conference was planned, we had received an acceptance by the United Nations Observer Mission of the African National Congress that someone from that office would be able to provide views of the ANC on the economic transition in South Africa. Unfortunately, our invited guest, Mr. Kingsley Makhubela, Deputy Representative of the ANC UN Observer Mission was called to Johannesburg just prior to the conference and was only on his way back to New York at the time of the conference. Because the ANC has since joined the government, it has closed its UN Observer Mission, as well as missions elsewhere which it had once maintained as its personnel are re-deployed with various responsibilities associated with the new government.

While we had hoped to included even a post-conference transcript by Mr. Makhubela, what we have done instead is to include in the appendix extracts of the Reconstruction and Development Programme of the ANC, a document issued in February of 1994 by the ANC, and which many view as representative of key positions which the ANC plans to pursue in the new government. This document, which was provided to us through the courtesy of the South Africa Consulate Office in New York, has not been reproduced in its entirety, nor should it be viewed as necessarily representing current thinking of the government of South Africa. Yet, what the excerpts do provide, is an idea of the range and scope of economic policies which the ANC is interested in pursuing, as well as an idea of the relationship between the public and private sectors in the South African economy.

What does the Reconstruction and Development Programme of the ANC imply for the economy of South Africa? It is, first of all, committed to undoing the legacy of apartheid in its various facets, a goal shared by all of those at the CERAF conference of April 11. Ambitious and as desirable as this is, it will also impose costs on the South African economy. These costs will not be so much in the distributive sense in which they have been experienced by the Black majority population of South Africa as much as in terms of pressures on South Africa’s domestic savings rate and in terms of the government’s fiscal capacity to sustain and realize the kinds of goals enumerated in the ANC document.

As Brian Levy noted in his presentation, a successful economic transition will depend on shifting incentives away from the capital-intensive policies of the past toward more labor-intensive ones. To the extent that changes in wage rates move up relative to capital costs in efforts to promote greater income shares to labor, it may come at a price of diminished growth in employment, which is exactly what the government needs to avoid if it is to meet the job aspirations of South Africa's growing population.

Similarly, improving the productivity of labor as a way of compensating for wage growth will require more sustained efforts in training and education. South Africa's racial inequalities in education have been stark, and to reduce or eliminate them in the near term would place enormous pressures on the fiscal capacity of the South African government. Yet, because South Africa has managed under apartheid to reduce its international debt-service ratio, it probably has some margin within which it can pursue investments in infrastructure, both human and physical, that restore some measure of distributive equity to the economy. As long as the South African government does not engage in some of the kinds of excessive government borrowing practices that have so plagued many other highly indebted governments elsewhere in Africa, then there is a measure of hope that the South African economy can move forward.

South Africa's Economic Transition in a Regional Perspective

One theme that has engaged the interests of all of the institutions at the conference has been the significance of South Africa's economic transformation and recovery to the neighboring states of the region. While South Africa is a relatively insignificant country in the global economy, it is a giant within the regional and continental setting. South Africa has far and away the largest economy in Africa, with Nigeria weighing in at a distant second, with only one-third the GDP of South Africa. Moreover, while its trade with the neighboring states of the Southern Africa region amount to only twenty-percent of its total, total output in South Africa is over eighty-five percent of that of all countries in the Southern Africa region. As such, what happens in South Africa is critical to those countries.

It is the regional context that forms the perspective presented by the conference keynote speaker, Mr. Daouda Touré, Principal Economist in the North America Office of the African Development Bank in Washington, D.C. As with the case of the International Monetary Fund and the World Bank, the African Development Bank has also been absent from the South African economy, for the obvious reason of South Africa's policies of racial apartheid.

In anticipation of the new post-apartheid government in South Africa, the African Development Bank commissioned two years ago a study on Economic Integration in Southern Africa, and which will form the basis of the ADB's development strategy for Southern Africa. Quoting ADB President Babacar N'diaye, Daouda Touré emphasizes that the approach to be taken is one of building blocks. What this means for the ADB is that it must build on previous engagements with neighboring countries in SADC, as well as on the emerging political and economic realities in the new South Africa.

For the ADB, the building block strategy also means that where development strategy among the SADC countries meant devising ways to decrease dependence on South Africa, in the new political and economic environment, there must be a more rational use of regional resources. Key to this is the development of regional infrastructure. Daouda Touré cites the example of the Cahora Bassa hydroelectric project in Mozambique as an example of regional development in which electricity produced in Mozambique can be profitably exported to South Africa, Botswana, and Malawi at a lower economic cost than heavy capital-intensive investments to provide equivalent capacity in those countries.

As Daouda Touré emphasized in his presentation, the range and scope of the ADB study is far more detailed than would be possible to cover in the conference. More than a blueprint, it provides exhaustive data on economic institutions, economic accounts, and on the economic prospects of the individual countries in the Southern Economic region as they contemplate more integrated economic development.

Among its normative statements are those calling for accelerated movement toward a more open trading environment with neighboring states of the region, not only in goods and services, but also in resources for trade and investment. In his remarks, Johannes Stauch noted that South Africa has largely enjoyed a substantial trading surplus with the neighboring states, even under sanctions, and indicated that one of the moves the new government would consider is ways in which this might be redressed, thus stimulating prospects for faster growth in the neighboring states.

New Initiatives for South Africa's Economic Transition

In terms of new initiatives, what each panelist noted was the conditions under which various kinds of economic scenarios for South Africa and the region might unfold. Inasmuch as many have looked to South Africa to be the engine of growth for the region, a more open trading environment by itself can not guarantee that this will be the case. As Johannes Stauch emphasizes, South Africa needs not only financial capital, but also the skills and technology which are crucial to this transformation. As the new South Africa makes this appeal, it does so in a climate of growing international competitiveness, especially from newly emerging market economies in Central and Eastern Europe, and it does so at a time when the industrialized countries of Western Europe are deeply mired in economic recession, much as has been the case of Japan.

While the political transformation has the markings of an event almost unprecedented on the world map, the new South Africa faces economic constraints which make it difficult to accomplish the twin goals of a more equitable distribution of resources in an environment of vigorous economic growth. To the extent that South Africa's political leadership keeps these realities in mind as it pursues the reconstruction of a post-apartheid society in South Africa, then there are still positive gains to be made in terms of both distributive justice and economic growth. If the presentations made at this conference have contributed in any way toward improving understanding of these issues, then it can be considered as a success.

Managing the Economic Transition in South Africa

Phillip LeBel, CERAF.

Good morning. As Director of the Center for Economic Research on Africa and Chair of the Department of Economics and Finance at Montclair State, welcome to today's conference. This is the eighth international conference of the Center for Economic Research on Africa.

CERAF, the Center for Economic Research on Africa, was established in late 1986 as a non-profit research institute based at Montclair State. Its primary objective has been to increase public understanding regarding economic issues in Africa, U.S. policies toward Africa, and how economic policies in the two regions affect the prospects for closer economic ties. We do so through events such as this conference, the results of which are published and distributed to the international public policy community, as well as through publication of research monographs by scholars here at Montclair State, and by scholars working elsewhere in the United States and in Africa, as well as through the provision of specific technical services to the international public policy community.

I am delighted that we have been able to organize this event. As all of you know, this comes at a rather auspicious moment. South Africa is about to hold its first non-racial elections on the 27th and 28th of this month. With that calendar in mind, several months ago, I thought it would be appropriate for us to organize a conference on the economic transition in South Africa.

I know that many people have been very much preoccupied with the political events that are unfolding. Indeed, political events have been very much the center of media attention. Yet, what has been less well covered and which deserves a good measure of our attention is the economic foundation of that process. Indeed, without a sound economic foundation, the economic transition that we now see unfolding could become quite fragile. To what extent South Africa's economic transition lies on a solid foundation has thus been the focal point of today's conference.

It was with this perspective in mind, we thought it appropriate to bring together a number of key policy based institutions involved in the economic transition in South Africa. Before I introduce our panelists, let me first turn to Dr. Richard Lynde, Provost of Montclair State, who would like to present a few introductory remarks to you now.

Richard Lynde, Provost, Montclair State University

I am delighted to be able to spend just a few minutes with you this morning, and to welcome you to Montclair State, soon to become Montclair State university. This is an exciting event for us. These conferences have over the years addressed a number of very timely topics. Frankly, I can’t think of one that is more timely than this one right now.

Unfortunately, most of us in the United States see a somewhat different perspective of what is currently happening in South Africa. We do note that it is a very difficult time at this particular juncture, but frankly, the idea of economic development ultimately is going to be what changes the social and political situation in South Africa. This is true not only in South Africa but also in the whole region.

I believe that the fact that we are discussing South Africa’s economic transition today is very significant. I am delighted to have the members of our distinguished panel with us today. The only reservation I have is that because of other engagements I will not be able to be with you during most of the morning’s deliberations. I will, however, try to rejoin you at lunch. I know that our speakers will present some very lively and thoughtful issues for us and that all of us will learn a great deal from this conference, as will members of the audience.

Phillip LeBel, CERAF

Thank you Provost Lynde. Let me now turn to our distinguished panelists. As you can see from our program, we have brought together some of the key institutional players involved in the economic transformation in South Africa. Our procedure is to have each individual proceed in alphabetical order with an initial presentation of some twenty-five minutes. After this initial round, we will then allow each panelist approximately five minutes to react to the presentations thus far made, after which we will turn over our deliberations to you, the members of our audience.

Our first speaker this morning is Mr. Keith Brown. At present, he is Director of the Office of Southern African affairs of the U.S. Agency for International Development in Washington, D.C. Mr. Brown has degrees from Lincoln University in Pennsylvania, an M.B.A. in Finance from the University of Southern California. He has worked as an auditor for the General Accounting Office, as a Financial Analyst for Conoco, and has been with A.I.D. for seventeen years. With A.I.D., he has worked extensively in Egypt and in the Philippines. In 1988, he became Deputy Director of the Southern African region, and has been serving since 1992 in his present capacity as Director of that bureau.

Our second panelist is Mr. Brian Levy, Principal Economist in the World Bank’s Energy and Industry Division. Mr. Levy has a Ph.D. from Harvard University, and has taught economics at Williams College. He has spent time in East Asia, notably in Korea and Taiwan. He joined the World Bank’s research complex involved with private sector issues. His work with this group has been instrumental in shaping some of the perspective that he will be providing this morning. Since May 1993, he has been serving as Senior Industrial Economist in the Energy and Industry Division of the World Bank’s Southern African division.

Our third panelist is Mr. Leslie Lipschitz, Assistant Director of the South African Division of the International Monetary Fund. Mr. Lipschitz has a Bachelor of Science degree in Economics and Commerce from the University of Capetown in South Africa, a Master of Science from the London School of Economics and Political Science, and a Ph.D. from the University of London. He has specializations in international economics and in macroeconomic policy. He is fluent not only in English, but also Afrikaans, French, German, and Spanish. He has been with the International Monetary Fund for approximately twenty years, serving as Assistant Director of the Africa Department since 1993. He has prior experience with the Central European Division of the IMF, and has also worked as desk economist in the United Kingdom, the United States, Germany, and has been division chief for Austria, Switzerland, and Greece.

Our fourth speaker is Mr. Johannes Stauch, Consul General of South Africa in New York. He is a native of Namibia. He has a B.A. degree in communications from the University of Capetown. He has been in the Foreign Service of the Government of South Africa since 1970. He has worked in the South African Embassy in Bonn, Germany, as Consul of the South African Embassy in Berne, Switzerland. Since that time, he has worked in his present post as Consul General in New York.

Our keynote speaker today is Mr. Daouda Touré. Although he will not be making a panel presentation this morning, I have asked him to sit with our other panelists. This will assist him in shaping perspective to the presentations to be made this morning by our other panelists.

With these introductions before you, let us now turn to our first speaker, Mr. Keith Brown. Because of the press of time, I would ask if members of the audience would please hold their questions until after we have completed the initial round of presentations and after they have had an opportunity to respond to the initial round of presentations.

Keith Brown, U.S. AID

Thank you Professor LeBel. Distinguished guests, ladies and gentlemen. First we thank the Montclair State Center for Economic Research on Africa for extending this kind invitation to me to participate in this important conference. I am delighted to be with you today. As you all know, this is a very exciting time, and a critical time in South Africa. I think this conference recognizes this fact. The timing of the conference is propitious. Its theme is of particular significance, given the rapidly changing social, political, and economic environment in Southern Africa .

Background to South Africa's Economic Transition

Over the last several years, we have seen the convergence of events that has totally reshaped the landscape of Southern Africa. Within the context of a rapidly changing political, social, and economic global environment, Southern Africa is undergoing fundamental change in its underlying structure and relationships. This has been characterized by economic decline and political conflict over the past two decades. Southern Africa is now moving rapidly into a new era. The divisive ideologies of communism and apartheid, with their devastating impact on the well-being of the Southern Africa people, are being replaced by democratic and plural political systems along with market-driven philosophies. The region is moving from its historical posture of breaking its dependence on South Africa to a new era of interdependence and cooperation with South Africa.

The member states of the Southern Africa Development Community (SADC) are already positioning themselves to take advantage of the enabling environment created by developments in South Africa. They are organizing themselves to pursue regional economic cooperation and integration. For example, SADC in August will be opening an office in Johannesburg.

Table 1

SADC Membership

Country	GDP in 1991 (in $U.S. millions)
Angola	$862**
Botswana	$3,644
Lesotho	$578
Malawi	$1,986
Mozambique	$1,219
Namibia	$1,961
South Africa*	$91,167
Swaziland	$869
Tanzania	$2,223
Zambia	$3,831
Zimbabwe	$5,543
Total GDP net of S.Africa	$22,716
SADC Total	$113,883

*Post--election membership

*Informal estimate

Source: World Bank data files

Both SADC and the Preferential Trade Area (PTA) are courting the future leaders of South Africa to join their respective organizations. These factors, combined with the region's population of over one hundred million people across common borders and unparalleled mineral and natural resources, strongly signals that the Southern Africa region is poised for tremendous economic growth and development.

Table 2

Preferential Trade Area Membership

Country	GDP in 1991 (in $U.S. millions)
Angola	$862
Burundi	$1,035
Comoros	$246
Djibouti	$226
Ethiopia	$5,982
Kenya	$7,125
Lesotho	$578
Malawi	$1,986
Mauritius	$2,253
Mozambique	$1,219
Rwanda	$1,579
Somalia	$885*
Sudan	$4,955*
Swaziland	$869
Tanzania	$2,223
Uganda	$2,527
Zambia	$3,831
Zimbabwe	$5,543
South Africa**	$91,167
PTA Total Net of S.A.	$43,924
PTA Total	$135,091

*Informal estimates
**Post-election membership
Source: World Bank data files

The Significance of the Economic Transition

As J. Brian Atwood, the Administrator of US AID Washington, stated in his remarks before the SADC conference on January 27, the dismantling of apartheid and the ushering in of a new era of democracy and majority rule in South Africa is a signal event in human history. The elections, and the transition to democracy, will present continuing challenges and new opportunities for all of the Southern Africa region. He went on to say that the transformation of South Africa will not only bring with it a normal state of affairs internationally, but also a normal state of affairs internally. This normality will touch South Africa's neighbors no less than the South African people themselves.

Southern Africa is a confluence of peoples where there is an evolving common market of technology, information, and ideas that is reshaping the expectations and desires of the region toward convergence. The U.S. government strongly believes that the imminent emergence of a free and democratic South Africa will strengthen the prospects for overall growth and development of the region. We agree with the Southern Africans that the integration of South Africa into the region can give a major boost to the efforts in Southern Africa to promote cooperation.

Determinants of a Successful Economic Transition in South Africa

The economic success of South Africa is tied to the region, and the region is tied to South Africa. The success of regional cooperation will hinge on several important factors. They include:

a. the political will among governments to make the hard economic reform choices and decision,

b. not fearing that the new South Africa will marginalize their economies,

c. reconciling and harmonizing the South Africa and PTA relationship, investing and building institutions,

d. dismantling trade and customs barriers,

e. establishing common systems and facilities, and

f. rationalizing the roles and responsibilities of institutions in the region,

g. invigorating the energies of the non-governmental organization networks, including the private sector, and insuring their genuine participation in decision-making.

h. This includes also harmonizing procedures, the role of technical assistance and aid effectiveness.

In each of these areas, we emphasize the importance of democratic governance as the key to success.

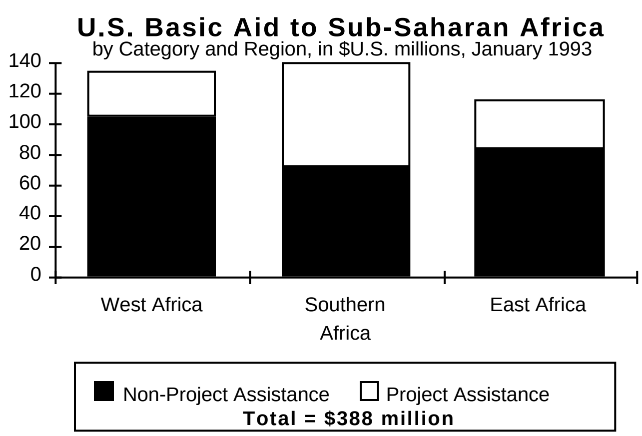
Southern Africa has a vision of restructured regional relations to ensure sustained economic growth and mutually beneficial cooperation. We enthusiastically support this vision. To re-affirm our commitment to assisting the Southern Africa region, including South Africa, its people, and its government, our administrator announced a special initiative for Southern Africa at the SADC conference.

Our goals for this initiative are to develop new programs and strategies to enhance the efforts of the Southern Africans to broaden and strengthen their mutual cooperation to achieve sustainable growth. We will seek the support of indigenous private sector development, promote a more open environment for trade and investment, encourage a more rational and efficient use of regional infrastructure, expand regional collaboration and human resource development, and help the nations and peoples of the region in their own efforts to strengthen democracy. The guiding principle of this initiative will be maximum African involvement in planning, designing, and implementing all new programs.

The Role of U.S. AID in Southern Africa

As I mentioned above, a free, democratic, and economically successful South Africa is widely important to strengthening the overall prospects for growth and development in Southern Africa.

Figure 1



Source: U.S. AID, *Overview of AID in Sub-Saharan Africa*, Technical Paper Number 1, January 1993

U.S AID has been engaged in the transition to non-racial democracy for well over a decade. At $U.S. 80 million a year, South Africa is the largest recipient of Development Fund for Africa (DFA) resources in Sub-Saharan Africa. To date, we have provided over $330 million toward the goals set forth in the Comprehensive Anti-Apartheid Act of 1986, more commonly known as the CAAA.

The central focus of the CAAA is to Support the dismantling of apartheid and assisting the majority population to prepare for leadership roles in a democratic post-apartheid South Africa. The three major strategic objectives to achieve these goals include:

a. full participation by the majority population in the political development and governance of a human rights-based South Africa;

b. assisting in the establishment of a more equitable education system;

c. increasing broad-based black ownership, employment, and participation at all levels of the South African economy.

The cornerstones of our program have been democracy, human rights, education and training, and community-building. We have implemented this program exclusively through the non-governmental community, primarily through Black-led organizations. We view this community as the strength of our new program.

We have made major contributions to building civil society and to politically, economically, and socially empowering the Black majority for a post-apartheid South Africa. Let me give you a few examples. We have funded over 1,200 graduate and undergraduate scholarships in the United States, plus another 1,200 undergraduate scholarships in South Africa to prepare Black Africans for leadership roles in a post-apartheid South Africa.

We have supported hundreds of human and civil rights groups in urban and rural areas, plus provide legal assistance to political detainees, victims of family violence. We have fostered community leadership and local institutions, including neighborhood advisement centers, career counseling centers, and supportive short-term training and leadership, community problem-solving, and labor development.

We have supported more than 129 non-governmental organizations in developing new models of education, and helped to develop new education policies and curriculum materials. We have facilitated the provision of loans to over twenty thousand enterprises. We have helped more than three hundred small Black-owned firms. We have supported over one hundred community-based and international organizations in voter education and supported political party strengthening as well as provided technical support to independent electoral organizations. As a matter of fact we have provided over $U.S. 35 million over the past three fiscal years to assist with the voter registration process that is under way in South Africa at present.

Strengthening Political Democracy for a New South Africa

Our work is not finished. Our task now is to help democracy take root in South Africa and to get the economy growing and expanding again. As we all know, the new South Africa will be faced with immediate and daunting internal challenges to respond to the expectations of the new enfranchised majority. With the adoption of a new interim constitution, elections based on universal suffrage, the formation of a government of national unity represent a promising start to South Africa's efforts to reduce the enormous disparities in employment, skills training and education opportunities, and access to housing, community infrastructure, and health services.

Expectations are very high in the disadvantaged majority community that these disparities be addressed and be addressed forthwith. The major challenge above all will be to revive South Africa's stagnant economy. A vibrant free market economy will sustain economic growth, and which is the key to generating the resources needed to address these expectations and to ensure a successful political transition.

As Assistant Secretary of State for African Affairs George Moose stated in his remarks to Congress in the fall of 1993, while the private sector and market forces must lead South Africa to economic recovery, the post-apartheid government will also have a central role to play. The new government must follow sound economic policies, create a positive investment climate, and counter capital flight if it is to achieve its overall objectives. At this juncture, South Africa can not do this alone. Outside investment, both public and private, and associated expertise will be required.

Removal of economic sanctions against South Africa must now be completed. The administration has been working actively to encourage state and local governments to remove their sanctions. I understand that over three-quarters of all U.S. governmental units have done so.

Department of Commerce Secretary Ron Brown made a successful trade and investment mission last fall that sparked growing American interest in the expanded economic ties with South Africa. Last month, the Overseas Private Investment Corporation (OPIC) president Louis Parkman led a successful mission to South Africa, and the Export-Import Bank has also opened up an office in South Africa.

Key U.S. government agencies and departments, including U.S. AID are reviewing their existing resource base to determine how it should be best deployed to support the objectives of helping the new government address the aforementioned expectations, and build its capacity for sustainable development. Our assistance will be geared toward promoting economic growth, leveraging existing public and private resources. We will coordinate our assistance efforts with other donors to ensure that maximum positive impact in meeting post-election South Africa's needs.

U.S. AID will continue its assistance toward empowering the disadvantaged community, but be expanded to include the promotion of sustainable development. While continuing to support the indigenous community, we will for the first time provide support for the first time to the new majority-led government.

Conclusion

In closing, let me emphasize that Southern Africa is moving quickly from an era of conflict to one of peace, stability, and security, conditions which we have all been hoping for through the years, and which are the pre-requisites for economic growth and development to occur. A successful political transition to a democratic non-racial society in South Africa is imperative for the achievement of the goals and aspirations not only of the South Africans, but of all Southern Africans. Thank you very much.

Brian Levy, The World Bank

Introduction

Thank for inviting me to join this session. Let me begin by giving you some brief background of the ways in which the World Bank has responded to events in South Africa. In 1967 the World Bank pulled out of South Africa. This was an informal response to South Africa's apartheid policies. We did not re-engage in any way in South Africa until the political changes of 1990.

Since 1990, we have been involved in a series of intensive dialogues and intensive background studies across the full range of South Africa's political spectrum. This month, we will be setting up a Resident Office in South Africa for the first time since 1967. We have not been involved at this stage in any lending relationships with South Africa. Whether we do indeed become involved in South Africa is dependent on the political changes made by the South African government.

Given the background and context which I have just described, rather than speculating what might the nature of our future involvement in South Africa it seems to me more useful at this point to give you an overview of the results of our intensive work and studies. What I will try to do then is to give you a sense of the nature of the economic challenges that a new South African government will face if they are indeed to transform the society into an equitable and rapidly growing economy.

An Economic Perspective on South Africa

a. South Africa as a Middle Income Developing Country

A useful place to begin would be to locate South Africa within the global economy. When thinking about South Africa, and when thinking about the nature of the economic challenges faced by South Africa, the best analogy with which one could begin would be with countries like Brazil and Mexico.

Table 3

Comparative Gross Domestic Product Per Capita, 1992

South Africa	$2884
Brazil	$2940
Mexico	$3030
Botswana	$2643
Namibia	$1733
Swaziland	$1047
Angola	$770
Zambia	$395
Lesotho	$389
Zimbabwe	$356
Malawi	$187
Mozambique	$70
Sub-Saharan Africa	$350
OECD Countries	$21530

Source: The World Bank, *World Development Report.* (New York (Oxford University Press, 1994, 1993).

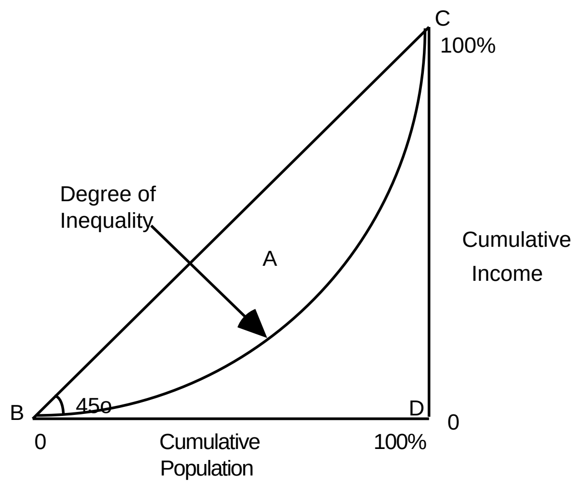
If you look at average per capita incomes of countries across the world, U.S. per capita income today is somewhere between $15,000 to $20,000. Per capita incomes in Brazil and Mexico are about $2,500. South Africa's per capita income is $2,700. So we are looking at a country whose per capita income is less than one-fifth the per capita income of the United States. This is a middle income developing country.

b. South Africa’s Highly Unequal Income Distribution

The second starting fact, which comes at no surprise to you, is that South Africa has a highly unequal distribution of income and wealth. To give you a sense of this unequal distribution, let us consider a simple measure known as the Gini coefficient. (It is derived on the basis of the cumulative proportion of income received by the corresponding cumulative proportion of the population, as is shown in the following figure, known more commonly as a Lorenz curve. The ratio of the area, A, to the total area, BCD, defines the Gini coefficient, the index of income inequality, which ranges from zero to one. The greater the convexity in the curve, the higher will be the ratio of A to BCD, which in the limit has a value of 1 for absolute inequality, and with zero as the corresponding level of absolute equality).

Figure 2

The Geometry of Income Distribution



In the U.S. the Gini coefficient stands at about 0.55. In successful East Asian countries, the Gini coefficient stands at about 0.40. For countries such as Mexico and Brazil, they have Gini coefficients of about 0.60.South Africa has the world's highest Gini coefficient, which stands at about 0.65.

Table 4

Income Distribution and Per Capita GDP

(Gini Coefficients for 1975-1988, PPP Per Capita GDP, 1990)

South Africa	0.65	$4865
Sierra Leone	0.59	$1086
Brazil	0.57	$4718
United States	0.55	$21530
Côte d'Ivoire	0.55	$1324
Mexico	0.50	$5918
Thailand	0.47	$3986
Hong Kong	0.45	$15595
Philippines	0.45	$2303
Singapore	0.42	$15880
South Korea	0.36	$6733

Source: UNDP, *Human Development Report*, 1993 (New York: Oxford University Press, 1993, pp. 202-203); World Bank Data Files.

What we are looking at as we try to understand the nature of the economic challenge of South Africa is that we are looking at a country that is in the lower middle income range that has an extraordinarily unequal distribution of income. South Africa's income inequality exceeds those of the most unequally distributed countries of Latin America.

c. South Africa as a Dual Economy

Another way to put these indicators in perspective is to characterize South Africa as the world's most dualistic economy. Given a combination of the history of apartheid, given the nature of the country's strong mining endowment, you have any economy which works rather well for about eight or nine million people, but it is a society with forty million people.

The challenge that one faces is a challenge of putting the economy on a new kind of growth path, one in which the benefits of economic activity are more equitably distributed. The challenge is a daunting one precisely because the whole history and momentum of the economy is gearing to achieve something quite different than challenge which it now faces.

On the other hand, this is also a society that has a range of assets, a structure of organizational capabilities both private and public that provide a very powerful springboard for making this transition. If the transition goes well, then we could see South Africa emerging as one of the real leading innovators in achieving broad-based equitable growth. Indeed, as I think Keith Brown suggested, if we look at an area such as micro-enterprise development, we can see elements of just such a successful strategy. For example, one of the policies supported by U.S. AID is known as the Get Ahead Foundation. This program is already considered as one of the five or six examples of successful micro-enterprise development around the world.

Table 5

South Africa Reserves of Natural Resources
(Based on 1991 Data)

Resource	Share of World	World Rank
Manganese Ore	82%	1
Platinum Group Metals	78%	1
Gold	40%	1
Chrome Ore	72%	1
Diamonds	24%	4
Coal	9%	5
Uranium	NA*	3

*Not Available, but assumed to be significant

Source: Ernst & Young, *Doing Business in South Africa.* (New York: Ernst & Young, 1993), p. 112

Given the organizational strengths of South Africa's dual economy, to the extent that they are used in a more equitable growth process, one can see tremendous success in South Africa.

The Emerging Consensus on a Strategy for the New South Africa

Let me now give you a sense of the kind of strategy that appears to be emerging to respond to the challenge of dualism in the South African economy. I am not referring here to a World Bank strategy, or even, for that matter, to a strategy of the South African government. As you will see, it has substantial gaps in its development, but it is one which is evolving in some interesting and innovative ways. I will go further to say that this strategy might be thought of a part of a conversation of where we are in South Africa. It is a conversation with a broad range of actors and with some very specific components of reform being identified as a way of moving forward.

a. Growth with Distributive Equity

This strategy has two broad objectives. The first objective is to foster equitable growth. What do we mean by "fostering equitable growth"? Fostering equitable growth has three elements. The first is fostering growth that is labor demanding in character. One of the remarkable features about South African growth until the period of the 1980's is that the economy was growing at a rate of something on the order of six percent per year. Despite relatively rapid growth and strikingly high levels of investment during that period, both public and private, the economy was decreasingly able to create jobs.

The structure of the pattern of growth was one that was more and more capital intensive. What it did successfully was in being able to create a small number of high wage jobs. In other words, the apartheid economy that worked to provide relatively high incomes for the insiders, i.e., those who were overwhelmingly white, but did not succeed in providing jobs for the majority of the population. This has been the pattern of growth. Clearly, if equitable and sustainable growth is to be achieved, this must change. The economy will have to evolve in a way that is more labor demanding than capital demanding. Not only will the economy need to be more labor demanding in its character. It will need to build upon sustainable improvements in productivity.

A second feature of the South African economy, particularly during its growth period of the 1960's to the early 1980's, is that rapid growth based on large levels of investment provided very few increases in the productivity with which it used both capital and labor.

Table 6

Comparative GDP Growth Rates
And GDP Domestic Savings Ratios
(1980-1991)

Country	GDP Sav. Ratio	GDP Growth Rate
Botswana	20	9.8
Malawi	9	4.4
Mozambique	-10	-0.1
Tanzania	-11	2.9
Zimbabwe	18	0.6
Zambia	12	0.8
South Africa	21	1.3
South Korea	36	9.6
Hong Kong	32	6.9
Singapore	47	6.6
Low and Middle-Income Sub-Sub Saharan Africa	14	2.1
East Asia and Pacific Countries	36	7.7

Source: The World Bank, *World Development Report*, 1993
(New York: Oxford University Press, 1993).

If we look at the successful countries of East Asia and elsewhere, we discover that sustainable growth depends on not only high rates of saving and investment, but also on substantial increases in the productivity with which these resources are being used.

b. Market Reforms as Central to Distributive Justice

The second element of a strategy for South Africa is to foster equitable access to markets and services. Redistribution in the provision of public services, redistribution of assets, particularly land, will be central to this process. How does one achieve this? Three components of that strategy have been identified and which I should like to describe to you in brief detail. The first component has to do with market reforms, the second has to do with the restructuring of the public sector, and the third has to do with private restructuring.

With the emphasis on equitable growth, one might ask why we begin with market reforms. One of the features of the dualistic character of the South African economy is that part of the economy which worked well for the nine or ten million people developed a strong, skillful, and productive private sector. As all of you know, this is a paradox. Private firms respond to incentives. What is the structure of the incentives in the South African economy?

The structure of incentives in terms of product and factor markets has been geared towards producing the capital-intensive output which I have just described. The incentives of the society have been skewed to produce efficient private firms to engage in activities where productivity growth and job creation have both been limited. The goals of market reform are to shift the structure of incentives in such a way that the economy enters a higher productivity growth path and in such a way that this higher productivity growth path is also more labor demanding, or labor intensive.

What does this mean? In terms of product markets, one of the items on the agenda has been in the area of trade policy. Relative to many developing countries, South Africa's trade policies are not particularly protectionist. Average protectionism is something on the order of twenty to thirty percent, which is sort of on an average to low level for middle income developing countries. However, the way in which policies have been geared have been built around individual firms being able to lobby for protection for their particular lines of business. When in trouble, they have looked for bureaucratic rather than flexible ways of adapting, or limiting one's competition.

What I have described here is not a position of the World Bank. Interestingly enough the area of trade policy and trade policy reform has been strong on the agenda of South Africa for the past few years. South Africa has put forth a proposal at the recent Uruguay Round of the GATT negotiations which would indeed go a long way toward redressing the arbitrary discretion and highly uneven nature of tariff protection which has been in place.

c. Reform Must Be Steady, Moderate, Coherent, and Transparent

It is the cautious rate of reform which has been the subject of concern in many of these conversations. South Africa can not afford a "big bang" trade reform which would cause substantial short-term unemployment. The politics are too fragile for this option. The program is one of a moderate decrease in protection, a move to more even based incentives over a five-year period. Those trade policy reforms will provide a strong foundation for higher productivity growth and for growth in a more inclusive direction.

Also important to the reforms are factor markets. Labor markets, markets for capital are both crucial elements here. When you observe an economy which has been consistently choosing to engage in those investments that are abundant users of capital but don't provide jobs, one of the first things one would then do is to look at the nature of the incentive structure in the economy. In particular, what is the relative price of labor and capital, i.e., wages and interest rates? If we look at the nature of the apartheid economy what we will discover is that for a range of reasons they were skewed in favor of employing capital as opposed to employing labor.

Reform of Capital Markets

Let me look first at the capital side. Historically, capital has been heavily subsidized in South Africa. Credit has been made available at artificially low prices for certain kinds of investment and certain kinds of industries, including a particular provision for mineral beneficiation industries. More broadly, there has been a structure of taxation that has been skewed in favor of those activities which did not produce jobs. Subsidized interest rates are but one example. While there have been reforms in this area, perhaps our colleague from the IMF might have some more to say as to how much farther one needs to go.

Labor Market Reforms

In terms of labor markets, we now come to a more complicated story. If you like, we can distinguish between three stages in the evolution of labor markets. First, the apartheid labor market. With the exception of the mining industry where the structures of migrant labor were geared to having access to pools of cheap labor, the apartheid labor market was skewed against employing people. Discrimination policies prevented the employment of Blacks in skilled occupations. Explicit restrictions on migration prevented Blacks from migrating to the cities where jobs were to be found. By an large, the apartheid policies encouraged the manufacturing industry of South Africa not get involved in job creation. As you know, under apartheid, cities were viewed as "White area" while the rural areas where treated as "Homelands".

In the next stage, call it if you will a period of struggle, during this period, the South African government engaged in a policy of banning anti-apartheid organizations even as the intensity of opposition from within and from abroad began to grow. As a result, Black political activity shifted to emerging industrial labor movements, which acted as a surrogate for the political movements. One of the features of this activity was that it produced a powerful environment of militancy in the workplace. It produced high levels of strikes and unrest, an environment in which predominantly white business people looked for ways to expand their businesses around labor, i.e., to embrace relatively capital intensive activities.

In the third stage, the post-apartheid period, we see that the strongest dilemma here follows what I have just described. An economist looking at South Africa's labor markets would notice the huge disparity in earnings between workers employed in the formal sectors of the economy in relation to levels of unemployment something on the order of fifty percent. Close to fifty percent of the Black work force in South Africa is outside the formal sector. It survives through various forms of indirect remittances.

Resolving Inconsistencies in South African Economic Reform

The first reaction of an economist would be to say that there is an imbalance here. There is an imbalance between high wages for a small group of workers on the one hand and a relatively high rate of unemployment on the other. Looking at the political economy of South Africa, for reasons which I have just described, we observe a labor union that is a central part of the coalition in the new government. This means that adjustments in the labor market to achieve more employment will have to be built around a more complex strategy than wage compression.

In particular, what we have focused on in some of our own work, and in which there is consensus in South Africa is a crucial role for heavy investments in labor intensive industry, upgrading the skills of employed workers, as the basis for making it more attractive for employers to hire more labor, as a basis for improving the competitiveness of the South African economy. One key element of economy strategy in a future South Africa is heavy investment in skills upgrading.

On the Role of the Public Sector in South Africa's Economic Reforms

Let me note two other sets of reforms. One is public sector restructuring. The dual economy which I have described to you is an economy the benefits of which flow to the nine or ten million out of South Africa's forty million population. This is a highly urbanized economy. If this economy is to thrive, there is a case for a redistribution of public sector assets towards the hitherto excluded majority.

Our own work has focused on two key areas. We focused on investment in cities providing the basic urban infrastructure, sewage, roads, waste disposal, and electricity as examples, to Black majority districts which have been historically excluded. In addition, we have also focused on investing in people, strengthening an educational system which as a result of past apartheid policies and then the pervasive struggle of the past fifteen to twenty years, has produced enormous disparities.

In South Africa today, of every ten thousand children that reach school attending age, one thousand will reach the final year of high school. Only one hundred will pass the final year of high school. And only one of the ten thousand will pass the final year with majors in science and mathematics. That ratio is going to have to change. Investing in people is the central element of the solution. By investing in cities and investing in people one would have very substantial returns to productivity and for a basis of sustainable growth in a labor demanding direction in South Africa.

In terms of private sector restructuring, here it is important not only for considerations of equity but also as a basis for a sustainable growth strategy. One very difficult area, but one in which the World Bank has been working closely with a broad range of representatives in the ANC and elsewhere has been in the area of rural restructuring, specifically land reform. We have sought to develop a market-based system of land reform. This would help to transform an agricultural system which is currently based on large-scale extensive farming to one of increased activity and productivity for small-scale and commercial farmers.

We have calculated that if this is achieved effectively through successful market mechanisms, one could see major changes for the better. If thirty percent of the land were redistributed successfully in a market-based way, that could generate an additional two million jobs. It could increase the productivity with which land is used, which could be paid for by some combination of debt to farmers and also on a grant basis. Obviously, this is a highly controversial issue for South Africa. If this is to be done, then one should see to it that it is done in a market conforming fashion in which the rules are clear and which provides farmers with confidence in terms of what they can expect in the future.

Similarly, one can examine a strategy for the non-agricultural private economy. We heard from Keith Brown of the support for the local micro-enterprise sector, support for small and medium-sized manufacturing firms. Both of these areas are central to our own World Bank program. In both of these areas, the emphasis clearly needs to be on a labor-demanding strategy. That, in a nutshell, is the medium to long-term strategy to put the economy on a high-productivity labor-demanding growth path.

Market reforms, public sector restructuring, private sector restructuring constitute the triad of initiatives that are needed if it is to succeed. It is a difficult agenda, made doubly more so by the tremendous severe and difficult resource constraints which the South African society confronts as it seeks to make that transition. Rather than expand additionally on those constraints, I should like to turn over the discussion to my colleague from the IMF, who knows those constraints all too well. Thank you very much.

Leslie Lipschitz, International Monetary Fund

On the Importance of Economics to South Africa's Future

Thank you very much. I am delighted to be here. I have not prepared a set piece for today's discussion, but I thought my comments might best be organized in four parts.

First, some background on the South African economy leading up to the principal economic issues for the political transition. Second, a few words on the role of the IMF in the last year. Third, some thoughts on post-election economic policy. And finally, following the suggestion of the chair, a couple of points on the regional significance of developments in South Africa.

Background to South Africa's Economic Reform

Quite clearly, the South African economy has been through a wringer over the last few years. The new Government will inherit problems of mass unemployment, inadequate saving and investment ratios, a large budget deficit, a rapidly rising government debt burden, and a trade regime in dire need of reform. Its two inherited advantages will be relatively low inflation - now running at an annual rate of about eight percent - and a low level of foreign debt.

Since the imposition of financial sanctions in 1985, South Africa has had to use a part of its domestic saving - equivalent to about two and one half percentage points of GDP on average - to pay back foreign debt. This has meant less saving available to invest in the domestic economy. Indeed, a country at South Africa's stage of development in normal circumstances would be borrowing about this amount annually to finance domestic investment. Thus, sanctions reduced the feasible and sustainable investment ratio by almost five percentage points of GDP.

Sanctions took a heavy toll in terms of growth of output and employment. On the other hand, it did result in a reduction in foreign debt from about forty percent of GDP in 1985 to about fifteen percent at present. This amount of debt under the Standstill Agreement with foreign commercial banks went down from $14 billion to less than $56 billion. But, as the economy squeezed domestic demand in order to service its foreign debt, a general economic contraction ensued.

Recession and Mass Unemployment

Starting in 1989, South Africa entered a very painful recession. It is difficult, perhaps, to appreciate the human roll of this recession from so distant a perspective. Let me give you some numbers to bring it into perspective.

During the recession, more than 300,000 jobs were lost. In addition, about 370,000 people have been entering the labor force each year in South Africa. Thus, from 1989 to last year, between one and a half to two million people were added to the number of people in South Africa unable to find employment in the formal economy. In an economy the size of South Africa, this has been devastating: At present, almost fifty percent of the labor force cannot find work in the formal economy.

Mass unemployment and job creation will be the first major challenge for the new Government. People have to be given some measure of economic stability and a stake in the emerging structure if the political transformation is to succeed. Our calculations suggest that to get the South African economy growing again at a rate sufficient to absorb the increases in the labor force and to begin to make inroads into the unemployment problem, it will be necessary to have an investment ratio of between twenty-one and twenty-three percent of GDP, or between six and eight percentage points above the present ratio. This means that another six to eight percentage points of savings will be needed to achieve this goal.

Domestic Resource Constraints and the Limits of Fiscal Policy

Let me elaborate on the implications of the savings gap just mentioned. In so doing, we can better understand the domestic resource constraints within the economy and the limits of fiscal policy.

In 1993, private sector domestic savings amounted to about twenty percent of GDP. Of this amount, about three and a quarter percentage points were taken by the government to finance public expenditures, and about one and three-quarter percentage points were used to service foreign debt. This left savings equivalent to only about fifteen percent of GDP available for investment. Of this amount, only ten percent was in the form of private fixed investment.

The obvious question is how can the South African economy generate another six to eight percentage points of GDP in savings to finance a respectable level of investment and growth. Without sufficient saving, a pickup in investment will quickly run into problems of external payments imbalances and, perhaps, accelerating inflation. This course of action would soon prove to be unsustainable.

Keeping this constraint in mind, let us turn for the moment to another issue. There are expectations that the political transition will bring with it an amelioration of living standards of the relatively disadvantaged. How much will it cost to meet these expectations? One “back of the envelope” exercise which we did to get a rough grasp on this issues was as follows.

In 1991, we still had figures on social services provided by government with a disaggregation by racial grouping. These figures showed that Whites had a much higher level of social services than Blacks in all areas - health, education, community infrastructure, and the like. We extrapolated these figures to the present and asked what it would cost to equalize the level of these social services at those White levels across the whole society? Our estimate was that it would cost about an additional eleven percent of GDP.

Given these disparities, and the funding necessary for equalization, additional expenditures of this magnitude do not seem feasible for several basic reasons. First, the government deficit, now standing at about seven and a half percent of GDP, is already crowding out private investment. In the absence of a significant increase in South Africa's domestic savings rate, however, efforts to overcome disparities through expanded government spending would further reduce the amount available for private investment and damage the medium-term prospects for growth and employment.

Second, taxation rates are also relatively high to begin with in South Africa. Raising them further would likely constitute a disincentive for investment and private saving. This, then, is the fundamental dilemma: high expectations within the Black majority South African community on the one hand and a paucity of domestic resources to realize these expectations on the other.

A third constraint also limits fiscal policy, namely, the so-called debt trap. The government debt ratio in South Africa - that is, the debt burden that will have to be borne by future generations - has been rising rapidly. Public debt is officially recorded at about fifty percent of GDP, but the actual ratio of debt inclusive of various off-balance sheet items is probably closer to seventy percent. Even with the deficit remaining at the present level, the debt ratio will rise very rapidly. But a much wider deficit will mean an exponential increase in the debt ratio and an impossible burden on the next generation of South Africans. (Listed below is an estimate of official foreign debt as provided by the Standard Bank of South Africa):

Table 7

Foreign Debt of South Africa
(in $U.S., millions)

	1986	1987	1988	1989	1990	1991
Total ($USm)	22593	22618	21185	20597	19383	18129
Ratio of Foreign Debt to GDP	36	28	25	23	19	17
Ratio of Foreign Debt to Exports	109	92	82	79	70	65
Debt Service to Export Ratio	10	7	7	7	7	6

Source: *South Africa: An Economic Profile*. (Johannesburg: Standard Bank, January 1993), p. 22.

Thus far, I have touched upon the major problem areas for South Africa: unemployment, the savings and investment ratios needed for sustainable growth, and making sure that unrealistic expectations are dampened rather than fueled. Yet we need to round out this picture with the role of trade in the South African economy.

Quite clearly, to get growth going, South Africa is going to have to develop an export-friendly trade regime. The primary sectors cannot generate the employment growth needed and an expansion of manufacturing can only take off through exports. But South Africa has had a long history of inward-looking trade policies and the present regime has been anything but trade friendly.

Embarking on a reform of South Africa’s trading regime is not going to be easy. There are strongly entrenched interests in some sectors, particularly in those sectors which have been built up behind trade barriers that are now going to face of a period of painful adjustment. The new Government will be committed to trade reform in principle, but it will have to come to grips with opposition from parts of the labor movement and significant short-term employment costs in order to translate these principles into practice.

On the Role of the IMF in South Africa

Let me at this point describe the role of the IMF in South Africa. First of all, what is the IMF doing in South Africa, and second, what significance does all of this portend for the region? The IMF has been engaged rather vigorously in South Africa for the past year and a half. This led last December to our lending South Africa approximately $U.S. 850 million. Of this $U.S. 100 was for a compensatory facility to aid in responding to the drought they had in 1992.

Leading up to that loan, our main role was trying to forge a consensus on practical measures on economic policy. Building a consensus has meant holding ongoing conferences with the African National Congress, with the Pan Africanist Congress, with Inkatha, and with the South African government. Getting everyone on board and then bringing everyone into a larger meeting where we could eventually come up with some agreement on economic policy after the elections has been quite a challenge.

Just to give you some sense of the degree of complexity, where the IMF mission stayed in South Africa was in a remote town in between major capitals. If we had stayed in Johannesburg, it would have looked as though we were in the pockets of the ANC. If we had stayed in Pretoria, it would have looked as though we were in the pockets of the government. So we camped out mid-way in between the two towns in some God-forsaken little motel that could pass as neutral territory. These meetings, in turn, became indicative of where South Africans have been. The Pan-Africanist Congress people would come to a meeting and the hotel staff would be absolutely terrified. The leader would come along with bodyguards and rifles, and of course, there were routine searches and inspections before any conversations could take place.

Yet beyond the drama, we should remember that it has been essential to have everyone involved. For us, it has been crucial to find a common ground for viewing problems, and on that basis to see to what extent specific alternatives were feasible. Thus, we have been interested in trying to get everyone talking the same language before we would go into a big multilateral grouping. This process did much to create and sustain a consensus in those multilateral gatherings.

As we got into these groups we found that consensus-building was indeed possible on an established economic framework. Surprisingly, Inkatha stayed throughout all of those meetings and contributed to the consensus long after they had walked out of many of the political meetings. It has been precisely this sort of thing which has given us a high degree of optimism that progress is indeed possible, and in particular that there is a high degree of realism within the various leadership groupings as to what the future holds for South Africa after the elections. It has reinforced my faith in the common sense and economic realism of South Africa's political leaders.

Outlook for Post-Election South Africa

In the best of worlds, with a relatively smooth election, a subsequent peace compact among the various parties, and a diminution of violence, all of the problems touched on above can be solved. How this could come about is relatively straightforward.

Peace would bring a substantial increase in productivity. People who have feared for their lives while going to work could turn their attention to getting their work done. A restoration of peace would also contribute toward stanching the capital flight of the last few years and elicit an inflow of private investment. This would help to close the savings gap and to bring about brighter prospects for economic growth.

Yet even in the most benevolent of circumstances, the new Government still must address a number of choices of economic growth is to succeed. Among others, it must:

- Encourage wage restraint and productivity-boosting investment to improve the competitiveness of the South African labor force - It will also be important to see that the interests of the unemployed and those in the informal sector are not subordinated to the concerns of the labor elite;

- Establish a macroeconomic environment conducive to saving and investment - This means rates of return high enough to bring investment inflows and a return of flight capital from abroad;

- As a corollary to the last point, it will be necessary to bring expectations into line with what is feasible and fiscally sustainable - The budget and the concretization of the Reconstruction and Development Program will be important signals of either fiscal prudence or profligacy;

- A the micro level of industrial policy, it is important that there not be seen to be an anti-business bias - The playing field should be level for all would-be investors and this will probably require some rethinking of anti-trust policy;

- Trade reform should proceed boldly toward a more open economy;
- Finally, and perhaps most importantly, there must be an appreciable and steady improvement in living standards of the poorest segments of the community.

Regional Considerations in South Africa's Economic Transition

Let me round this out with a few observations on regional issues. As many of you can appreciate, we have been very much worried about the economic changes taking place in Eastern Europe in recent years, and relatively less concern on events in South Africa. But within a regional context, South Africa is pivotal.

South Africa's GDP is eighty percent as large as the GDP of the rest of Sub-Saharan Africa put together, and yet it only has something on the order of eight percent of the total population. It is thus a giant in the region, representing a huge market, a highly sophisticated banking system, and remarkable entrepreneurial capacity that could play a major role in Southern Africa and Africa generally over the next decade and beyond.

The other thing to realize is that despite sanctions, the Southern African Customs Union, or SACU, has massive transfers to the rest of the neighboring countries. This has allowed neighboring countries access to the South African market which they have desperately needed. Some of these goods, like water and electricity, can not be exported anywhere else. You can't send water and electricity to Europe. If you are Mozambique, for example, you have to export it to South Africa. These are fundamental realities that will shape the dynamics of regional development for the foreseeable future, and thus the economic transition in South Africa will be critical to the economic prospects of these countries. Let me thus stop at this point and consider additional points in the question and answer period. Thank you.

Phillip LeBel, CERAF

I have just checked with our secretary to see if we would be able to have on our scheduled program the presentation by Mr. Kingsley Makhubela, Deputy Representative of the African National Congress Observer Mission to the United Nations in New York. Unfortunately, his secretary sends apologies and regrets that due to the press of electoral events he had to fly to Johannesburg, from which he is now just returning, and thus will not be able to be with us today.

At this point, let me take the opportunity to identify a number of individuals and institutions whose support has been essential to making today's conference a success. This conference has received support from the Department of Economics and Finance of the School of Business Administration of Montclair State University, with additional support from the Global Education Center of Montclair State University, an initiative begun by President Irvin Reid upon his appointment to Montclair State University. President Reid will be with us for today's luncheon and he may want to comment on how global education is affecting our campus community. I add that we have been extremely appreciative of the support which he has been able to provide for events such as this conference today.

Let me also say that we appreciate the support provided to us by students, faculty and fellow colleagues at Montclair State. One individual whom many of you already know is our Administrative Assistant and secretary to the Department, Mrs. Ida Fazio. In addition, I thank Dr. Glenville Rawlins for his role as Deputy Director in helping to shape the scope and content of today's conference. I also thank the students whose names are listed on today's program, and in particular, Mr. George Melkonian, President of the Economics and Finance Society of Montclair State, for his role in helping us to promote this event.

Because we unfortunately will not have the presentation by Mr. Kingsley Makhubela, I now turn to our remaining panelist, Mr. Johannes Stauch, the Consul General of South Africa in New York. Once his presentation has been completed, I will then provide each panelist with a brief opportunity to comment on any of the remarks thus far, after which I will turn over our discussion to members of the audience.

Johannes Stauch, Consul General, South African Consulate

Introduction

Good morning ladies and gentlemen. I am delighted to be here on such a delightful early spring day. Professor LeBel, Professor Rawlins, whom I had the pleasure of meeting last evening, and fellow panelists, I am particularly grateful to be able to participate in today's deliberations. I also extend my very sincere appreciation to CERAF, the Center for Economic Research on Africa, for inviting me to speak here today on what I regard as the most crucial topic, the economic transition in South Africa. I might tell you that I have been looking at some of the work that CERAF has been doing over the past eight years, and while I have only been in New York for the past two years, I think this activity is very important and deserves more support than it sometimes may appear to be receiving on such important topics and with such excellent speakers as are assembled here today.

In a sense we should have met a month from today, on the tenth of May in fact. At that time the new government will have been inducted in South Africa after this historic election. As you know this election will take place on the 26th and 27th of this month. I add that there will be an opportunity for all South Africans to cast their ballots in this election in voting stations, two of which are in New York. One is at the United Nations and the other is at the South Africa Consulate. In addition, we will also have voting stations in Boston and Washington.

On the Importance of the Political and Economic Changes Now Taking Place

With regard to our topic for today, I would regard the elections as the dawn of a new day, not only in my beloved country of South Africa, but certainly in the Southern African region, and I dare say, for the whole of Sub-Saharan Africa. When the government of national unity assumes its daunting responsibilities, economic interests will loom large on the priority list. Job creation, broadening the economy, and in general by growth and wealth creating initiatives are items that need urgent attention, as too of course pressing social issues such as housing, education, skills training, water, and related basic infrastructure. Many of my colleagues have touched on these issues, and it is my hope and expectation that we will be able to strengthen and deepen this dialogue during our question and answer period. (For purposes of illustration, a general profile of the South African economy is listed below):

Table 8

Distributive Profile of the South African Economy

	1990	1995	2000
Gross Domestic Product (Rbill.)	252	295	359
Personal Income (Rbill.)	168	197	240
Shares of Personal Income			
Whites	54	49	43
Coloureds/Asians	13	14	15
Blacks	33	37	42
Black Households with Incomes less than the Minimum Living Level (R695 per month)			
Urban	32	29	
Rural	75	69	
Homeland urban	54	49	
Homeland rural	85	81	
Poverty Gap (R billion)	15	15	
Government Expenditures (Rbill)	72	86	108
Social Services	28	35	46

Source: Charles Simkins, *The Watershed Years*, 1991. (Johannesburg: Leadership Publications, 1991), p.130

Much of what will be discussed here today will be conjecture. It will be an exercise in forecasting as to what may be rather than what are the given facts. It is hoped that a forum such as this may be more than an academic exercise, but one in which there may be a positive influence in the policy arena where pressing decisions are still to be taken. Some of my fellow panelists are eminent experts, as you have already heard, in their particular fields. Because of their deep involvement in these matters, they need to be seen as important partners by the economic planners of the new policies and strategies in the new South Africa.

Ladies and gentlemen, apartheid is dead. Constructive cooperation is the order of the day and we need and want your help. Those with a genuine interest in South Africa must not continue to sit in judgment as to what is wrong with a given set of facts or with a given economic policy, but should rather get involved with planning the transition in the post-apartheid economy. The time has certainly come to re-focus all of those who have been engaging their energies in the anti-apartheid struggle towards the goal of building a sustainable economic program in a new politically plural South Africa.

Current Economic Conditions in South Africa

The business confidence index is presently at its highest level since December 1988, standing at 104.9, with 1990 as 100. Exports are expected to grow at about 4.5 percent. Imports are expected to grow at 6.5 percent. Assuming that the gold price holds at $U.S. 370 an ounce, the surplus on the current account of the balance of payments is expected to be R8 billion, falling to R5.5 billion in 1993. This is based on a current exchange rate of approximately R3.5 to the U.S. dollar. Consumer demand and government expenditure are not expected to change much. Gross domestic fixed investment is showing definite signs of revival, with an increase of 4.5 percent forecast for 1994. (Data for South Africa's Balance of Payments are listed in Table 9):

Table 9

South Africa Balance of Payments

	1989	**1990**	**1991**
Merchandise Exports	39085	42385	45917
Net Gold Exports	19228	18070	19649
Service Receipts	9754	10840	11578
Less Merchandise Imports	44322	44100	48176
Less Service Payments	20857	21712	21741
Current Account Balance	3108	5787	7422
Long-Term Capital	-1230	-1945	-2706
Basic Balance	1878	3842	4716
Short-Term Capital	-3115	-929	-3345
Change in Net Gold and other foreign reserves owing to balance of payments transactions	-1237	2913	1371

Source: *South Africa: An Economic Profile*. (Johannesburg: Standard Bank, January 1993), p. 21

There have been several major projects which the South African private sector has initiated. For arguments sake, if the price of gold went beyond the $U.S. 400 dollar limit, then there would be a number of mining projects which could then come on board. As such, these investments could contribute toward the new patterns of growth.

The South African Chamber of Business brings out regular statistics regarding the current economic outlook. This institution, along with a host of other financial, business, and research institutions in South Africa have for some time monitored various trends at a national and sectoral level in South Africa. Even though this information has been quite widely available, it is, to put it mildly, shocking, to discover the levels of ignorance that outsiders often have regarding economic conditions within South Africa. Very few people seem to have a satisfactory command of the economic facts of South Africa, and which surely must change in light of the present transition now under way. It is for this reason that take particular pleasure in being able to address these economic issues in a forum such as this, particularly among colleagues who are informed as to the range and scope of policy choices before us.

Table 10

Outlook for the South African Economy

Input Relationships	**1992**	**1997**
Investment/GDP	15.90 %	23.10 %
Public Sector Investment/GDP	4.50 %	7.80 %
Private Sector Investment/GDP	11.40 %	15.30 %
Private Manufacturing Investment/GDP	3.50 %	5.30 %
Input-Output Relationships		
Capital/Output Ratio	3.1	1.7
Labor/Capital Ratio	100	138
Multifactor Productivity	0.75 %	1.2 %
Output Relationships		
GDP Annual Growth Rate	-2 %	4.5 %
Employment Growth Rate	-2 %	3 %

Source: Ministry of Finance, Trade, and Industry, January 1993.

In terms of the broad outlook, there is a broad consensus that South Africa's economy is in the early stages of economic recovery. After the longest recession of this century, the business community has survived the combined assaults of high levels of violence, political uncertainty, social transition, as well as an extended drought. Indeed, the drought of 1992 was the worst drought in living memory, especially on the east coast region of the country.

On top of all of this, we have had a stagnant world economy, not to speak of sanctions against trade and investment in South Africa. Despite all of this, our economy has emerged relatively intact and is now poised for resumed economic growth. This is a tribute to its resilience as well as an indication of the inherent underlying strengths of the economy.

Considerations Pertaining to Trade and Investment in South Africa

All of these indicators give those who are contemplating doing business with South Africa in the future an indication of the first-rate infrastructure, the industrial base, and a history of a free-enterprise system, which will do substantially better once it is unshackled from isolationist economic strictures. Yet all of this positive scenario is only based on the assumption that the political transition proceeds smoothly as we all hope will occur, that the world economy will grow more rapidly than it has done in the past several years, and, most importantly, that the government of national unity will adopt economic policies conducive to growth and investor confidence both domestic and foreign.

The biggest danger facing us in the quest for a prosperous and peaceful future is that we sacrifice long-term economic performance on the alter of short-term political expediency. To return to the role of the government of national unity, it is very important to realize that after the elections it is not a winner-take-all situation, but rather an agreement that all political parties that receive five percent or more of the vote will be part of the executive branch of the government, i.e., the cabinet.

In other words, you have a rather interesting situation in which you may have people from the Pan Africanist Congress and the Freedom Front sitting with the ANC and the National Party of De Klerk in the same government. This is what we are trying to do, to use the first five years of the political transition to build a nation by including in as many people as possible to become stakeholders in a new economic and social environment.

One issue which we have been asked to address in this gathering, and about which I have heard very little by our fellow panelists, is the effect which sanctions have had on South Africa’s GDP, on the GDP of neighboring South African countries, and how the elimination of these sanctions will influence public and private capital flows.

In Post-Apartheid South Africa, Sanctions Should Now Be Ended

Ladies and gentlemen, sanctions are truly yesterday’s story. According to our latest count, one hundred fifty-eight sanctions measures, or eighty-six percent of all such measures and resolutions imposed by states, cities, counties and academic institutions have been repealed. It is rather symbolic, Professor LeBel, that I will be attending the signing by Governor Whitman of legislation to repeal New Jersey's divestment statutes tomorrow in Newark at the invitation of Assemblyman Willie Brown who was responsible for the divestiture legislation as well as its repeal.

Why is it about time to remove sanctions? The answer is that Nelson Mandela has called for their immediate removal in his historic speech at the United Nations on September 24, 1993. He also called at that time for massive investments into the new South Africa. As he was the main person for whom people were waiting for such a signal, it is worrisome that legislative repeals have not overcome historical inertia in the present environment. Nevertheless, with some eighty-six percent of such legislation now repealed, one can however state that progress is being achieved. It is not that legislators are opposed to the removal of sanctions legislation. It is rather that bureaucratic inertia has not kept up with the new political realities.

As mentioned earlier, the outside world now needs to fulfill its historic promises to enable a post-apartheid South Africa to move forward once full democracy has been achieved. As to the precise economic impact of sanctions on South Africa, perhaps we shall never know the full extent of the consequences, so complex has been the pattern of sanctions over time. What I do know beyond any doubt whatsoever is that they have hurt most the very people they were intended to help.

Somehow the private sector in South Africa managed to make adjustments and to provide essential goods and services, but this was done at the expense of the worker. Unemployment increased dramatically as sanctions were imposed, and real incomes of all South Africans fell significantly, much as was the case for South Africa's immediate neighbors. Despite the original purpose of SADC to make South Africa's neighbors economically independent on South Africa, sanctions generally made it more difficult for them to do so.

How Sanctions Affected the South African Economy

A number of external factors also played a role in setting the range and scope of economic change in South Africa, particularly during the 1980's. The third world debt crisis, the dramatic drop in primary commodity prices, which in our case could be seen particularly in reference to gold, all did much to depress the overall level of economic activity. Indeed, the price of gold collapsed from its 1980 high by about fifty percent to its present level. Debt rescheduling, together with the imposition of sanctions in the 1980's resulted in South Africa becoming a capital exporting country, as we have heard earlier. Consequently, this imposed severe limitations on our growth potential.

While trade sanctions had limited effects, what it did for South Africa was to force it to diversify its geographic partnerships away from western industrialized countries toward the emerging countries of the east. There can be no doubt that financial sanctions aggravated an already difficult position of maintaining stability while restructuring the economy. Lifting the sanctions has led to a surge in interest in South Africa. While some are content to wait until after the elections, there has been a substantial increase in direct and portfolio investment in South Africa.

Beyond Sanctions to A Reinvigorated South African Economy

Three South African funds have been launched on Wall Street, attracting some $U.S. 400 million in new funds. Recently, over fifty U.S. firms have chosen to re-enter the South African market over the last twelve months, a dramatic shift by any standard, given the range and magnitude of these firms in global markets. While many others are still waiting for the new economic policies to emerge, it is crucial indeed for our economic development for foreign investors to feel confident about getting involved in the South African economy. This requires transparency of policy, and which is what much of the present discussion is about.

Why is there such a high level of interest in South Africa? We have heard from Dr. Lipschitz as to the importance of the South African economy within a regional perspective. Yet there are other reasons as well. Feasibility and risk analysis studies have spoken in very convincing terms as to South Africa's underlying economic strengths. I note, as has already been stated, that debt levels have been reduced substantially, and that equity yields are higher than in virtually any other emerging market. For the entrepreneur, the obvious lack of an established middle class in South Africa may be due to the skewed effect which a fortress economy has brought about, by the overblown role of the public sector on the one hand, and the large conglomerates having to provide goods and services on the other. This lack of a middle class is precisely the target area of reconstruction.

On the Positive Role for Institutions for the New South Africa

One of the key priorities of the new government must be the stimulation of entrepreneurial spirit as a major job creating mechanism. I foresee this happening in three ways:

1. Firstly, the large conglomerate, which together with the public sector provided key goods and services under sanctions will have to be unbundled, as we call it, into more compact profit sectors.

2. Secondly, the large informal, or unrecorded sector, already responsible for some twenty-five percent of all economic activity in South Africa will be brought into the formal sector with corrective encouragement by the new government, and assistance by the private financial and developmental sectors.

3. Thirdly, foreign investors will come in to take advantage of the third industrial revolution which is taking place in South Africa at this time. Much of this latter activities from abroad should take the form of joint ventures with South African firms.

Beneficiation, or as you call it, value-adding processes, will be at the forefront of entrepreneurial and risk-taking ventures.

Added to these likely developments is some investment by international developmental agencies such as the World Bank, the IMF, the IFC, and various other bilateral and multi-lateral organizations. The social upliftment programs which the new government will not be able to postpone will in themselves will bear much potential for economic activity.

I regret that Kingsley Makhubela is not able to be here today to talk about just how reconstruction and development programs of the ANC will address these issues. Indeed, I did not want to touch on these issues, anticipating that they would be so addressed in his remarks. Together with the model put out by the Department of Finance in South Africa, these are discussion documents which the new government will have to consider as it weighs the options for addressing these issues.

The kind of social program that the new government will have to address over an extended period of time will not as such necessarily create growth immediately. Yet it is very likely that growth will follow as a natural consequence of such actions and that it will result in increased consumer demand. If I may give you an example, the expansion of housing services will lead automatically to the expansion of basic infrastructure, namely, water, electricity, telecommunications and the like. More significantly, the demand for consumer goods like furniture and appliances would rise dramatically.

The process requires, to my mind, a coordinated action of government, developmental agencies, both local and international, financial and manufacturing firms both South African and international. It requires furthermore that those hitherto excluded from the formal economy will be brought into this equation on an ownership basis. There should not be social handouts but rather co-responsibility for the new developmental process and the projects which will have to be instituted. Co-ownership and involvement in the process is therefore crucial.

Table 11

Major Trading Partners of South Africa

(Total Imports and Exports, in Millions of Rand, 1991)

Country	Level	Share
Germany	R11,895	10.38%
United States	10,569	9.22
United Kingdom	10,016	8.70
Japan	9,198	8.00
Switzerland	6,981	6.10
Taiwan	3,921	3.40
Netherlands	3,449	3.00
Italy	3,374	2.90
France	2,889	2.50
Belgium	2,658	2.30
Total Major Partners	**64,950**	**56.50%**
Total Exports and Imports	114,571	

Source: Department of Trade and Industry

Let me just review the general economic outlook. First, the U.S. has just become South Africa’s major trading partner, replacing Germany from that position just this past year. The current increased level of business confidence, much greater levels of entrepreneurial activity, the disappearance of all economic strictures from abroad, all provide a strong positive signal for the period ahead. Together with the democratization of political life, these changes can help to stem the tide of violence and create a climate of peace.

In addition, good rains have now replaced the devastating effects of drought to which I referred earlier, and thus promise substantial increases in agricultural output. All of these factors point to a rapid turnaround of the economy. These indicators, along with the emerging government restructuring program, will lead to a decrease in unemployment and an increase in domestic capital formation. Hopefully, this will create a sustainable internal dynamic of investment, both from local and from foreign sources that can propel the economy forward.

A rejuvenated South African economy will also speed the flow of benefits to neighboring countries of the region. Consequently, we see a substantial upturn in the level of economic activity among the member states of SADC. It is absolutely crucial for the new economic policies to be very transparent and that they be stimulating to the level of foreign investment. Obviously the question of domestic violence will have to be addressed if these changes are to succeed.

There can be no doubt that a government of national unity, after the democratic election, will be in a much better position to address this problem more effectively than is the case at present. This is particularly the case with regard to any actions taken by the South African Security Forces, which under the present regime have been open to criticism, particularly from abroad, but which we view as temporary once the election process has been completed.

In addition to the above-mentioned issues posed within our conference agenda, allow me to address one or two aspects of public and private capital inflows from abroad. This disappearance of barriers will open up enormous opportunities for trade and investment with the rest of Sub-Saharan Africa. Dr. Lipschitz already noted the enormous opportunities for trade and investment in infrastructural developmental projects, for example, on the provision of water resources within the region. The Lesotho Highlands Water Scheme is a major regional program which can provide benefits to the whole region in the sense that it will supply water not just to the immediate environs around Johannesburg, but of course to other regions as well. All of this has become possible with the abolition of apartheid and with the emergence of a more forward-looking policy such as we have been witnessing.

As Dr. Lipschitz has also mentioned, South Africa can not do all of these things by itself. We are looking toward large-scale involvement by major international players and we are offering our partnership and our knowledge and expertise of the South African situation in developing this potentially rewarding economic environment. Ladies and gentlemen, South Africa can no longer be a bad news story. We appeal to you to help us with the crucial process of the de-marginalization of Africa. If we do not do this soon, the result of ignoring this part of the continent, excluding it from the global developmental equation, will redound on the developed world in due course. This is my calling as an African who has the vision of our unique heritage to be accepted not as a problem but as an opportunity. I never cease to appeal to outsiders to come to our continent, to be touched by its magic, and to learn, as Athol Fugard put it so eloquently that people are the essence of change.

There is a spontaneity, a freshness, a reservoir of creative thought and ideas in Africa that much of the civilized world has lost in its struggle for perfection. Ladies and gentlemen, we advise you to build partnerships with Africans, to allow us to guide you along this new path. There must be a win-win situation. Forgive me for having broadened the scope of my address a bit with a bit of African passion, but one can not talk about Africa without invoking some measure of passion. It is a topic that can not be talked about exclusively within a purely academic fashion.

Back to the issues, we place great trust in the outside world with regard to its commitment to South Africa. This commitment surely is twofold. Firstly, it involves the complete elimination of racially discriminatory policies, both before and after the politically democratic elections now before us. Second, it involves a substantial commitment to helping South Africa to get on its feet, to redress some of the ills which the previous system had created, and to allow South Africa to emerge as a fully integrated and respected member of the world community. In so doing, these actions will help South Africa to play the role of economic engine for the region as a whole.

Let me add here a word of caution. In my two years in New York City, I have come across enormous expectations as to what South Africa can do for the region. I just want to warn that while South Africa would want to assist in the growth of the region, there are so many economic and social problems to address within South Africa that at least in the short term we will just simply have to focus on internal priorities. Regional issues will be addressed *en passant* as opportunities for growth arise. Later on, with the normalization of our relations with neighboring African countries, there will be more structured cooperation and agreements that can strengthen the framework for regional collaboration. However, in my view there may simply be at present a level of expectations that the newly emerging government of South Africa may simply not be able to deliver.

Another issue which I should like to address is that of well-planned and coordinated projects. This is where we need so much the assistance of experts like the World Bank that require substantial international public support. It would be shameful if such assistance were not forthcoming. Some form of a Marshall Plan is clearly needed for South Africa and for the effective de-marginalization of the South African region. I think, and I would not be in this job if I did not believe so, that one must never stop pressing people of their responsibilities as members of the global village and not just their own community. I have found just such a spirit in Europe and it needs to be cultivated here in the United States as we look forward to the future.

How does the international economic climate affect us? What about GATT negotiations? Whether we like to admit it or not, South Africa is largely dependent on a revival of the international economy. The terms of trade, particularly the commodity terms of trade, are of great importance to South Africa, since it remains as a major exporter of primary commodities. This was the case even during the sanctions period. Thus, recent signs of improvement in the global economy are so encouraging, particularly coming at the time of cyclical growth phase in which we are entering in South Africa.

On South Africa's Regional and Global Economic Roles

Let me touch on GATT at this point. With regard to South Africa's existing policy, it was given a comprehensive review in 1993. During the review, it was made clear that South Africa is clearly in a transitional phase. The country is determined to be re-integrated into the world trading system. This had to be reflected in future trade policies, and has been stressed throughout.

South Africa has made a tariff offer through GATT aimed at a comprehensive rationalization of the customs tariff involving simplification, greater transparency, uniformity, and stability, along with a phased reduction in tariff levels. The proposal would reduce tariff rates from the upper ninety percent level in the industrial sector to something under fifteen percent. These rates are ceiling rates, and work has already been started in determining these rates in actuality.

Great effort has gone into analyzing the policies most appropriate for promoting international trade for international competitiveness and sustainable economic growth. In recent years, there was a sharp increase in the number of regional agreements designed to remove mutual barriers to trade. Growing interest in the creation of trade blocs has evolved as a byproduct of the Europe 1992 initiative as well as by the slow progress of the Uruguay Round of multilateral GATT trade negotiations.

These international developments and the political reforms in South Africa make it essential for South Africa to examine very closely existing and prospective agreements for closer economic cooperation with other countries within the framework of international development institutions. Multilateral free trade is always the best policy to follow. Regional integration is therefore a second-best choice. Regional agreements can, however, promote multilateral free trade. Progress towards completely free global trade would occur by continual multilateral trade reductions or unilateral trade reductions each of which contribute to a broadening of the overall trading environment.

Economic integration seems to be facilitated by countries with similar levels of industrial development. This is not the case in Southern Africa. Where there are competitive industrial sectors and which have the potential to develop complementary sectors, then the prospects for regional integration are good. Yet there must also be broad agreement on the overall economic system to be adopted. The inevitable result of political change in South Africa will have be defined afresh. Again, I would like to say that we would like to do this with the closest possible cooperation, not just with our neighboring countries and with countries further in Africa, but also with other important and knowledgeable players who can make a contribution in guiding us along the right path. South Africa's relative strength is regarded by some in the region with some degree of apprehension. South Africa has a profound interest in joining in peaceful cooperation with its neighbors.

New Initiatives for South Africa's Economic Transition

The final point is what new economic initiatives may be needed to facilitate the transition which is under way?.

1. One is the maintenance of monetary and fiscal discipline.

2. Second is the transparency of economic policy with a clear program to encourage new investment both from domestic and from foreign sources.
3. Third is a very determined marketing and public relations campaign abroad to make potential foreign investors and entrepreneurs aware of the phenomenal opportunity which exists and which is available to the global community.
4. Fourth, a clear emphasis on social responsibility and the need to address social backlogs created by apartheid and by the economic isolation of South Africa.

Implementing these necessary policies within the constraints imposed by monetary and fiscal discipline will pose the greatest challenge to the future of South Africa. At the end of the day, economic growth will be the greatest factor that will shape the prospects for the new South Africa.

In light of the encouraging economic environment and the positive indicators which have been cited, the globalization of our economy, the excitement of the elections, and with full political democracy coming to South Africa, and lastly but not least, the re-emergence of adequate rainfall, South Africa can clearly succeed. This will occur as new investment pours forth, bringing associated economic growth and gains in productivity, the creation of more value-added output, more gainful employment of people. All of these changes are feasible and achievable in South Africa today. The government of national unity starts off on a solid footing. Let me conclude in thanking you for your patience.

Since 1990, South Africa has gone through a truly awesome transition. No wonder the world has been taken by surprise, standing in awe of this dynamic process. Our two great leaders, Nelson Mandela and F.W. DeKlerk, have been given the recognition which due to them for their contributions and we have been blessed to have had both of them involved in this process at this time. They received the liberty medal on the Fourth of July 1993 by President Bill Clinton in Philadelphia, and the highest accolade, the Nobel Peace Prize in November 1993. Truly, all of the people of South Africa deserve recognition in engaging in this daunting transformation. The spirit of peace and prosperity is alive and well in South Africa. We want democracy. We want liberation. We want an end to the horrible violence. We want economic growth. We want the ability to trade with whomever we like. We want peace and stability. And we want time for the nation to heal.

As recent events have shown, the essential middle of South Africa is holding. The overwhelming majority of South Africans want to change, as has been shown by the negotiations process, which has produced an amazingly coherent consensus to jointly address even the most difficult questions which we face. The democratization process is a difficult one for any country, particularly so against the background of South Africa's recent political history. We need encouragement, but more importantly we need guidance and actual support, mainly economic support, to move us positively through the transition period. All of the constitutional models will fail unless we face the need for economic revitalization that produces sustainable economic growth and employment generation. If we achieve these goals, South Africa can play a major role in helping to put Africa back on the global map. Thank you very much.

Phillip LeBel, CERAF

At this point, let us go back to our original framework and allow each panelist to make a few brief remarks in response to the presentations thus far made. Once this has been completed, we will then turn over our discussion to members of the audience.

Discussion

Keith Brown, U.S. AID

Just a few comments. You have noticed that my comments focused on the region of Southern Africa. We in AID feel that Southern Africa has the greatest potential for economic growth than any region in Africa. This is because of developments which have taken place in Southern Africa. If you look at the democratic pluralism which has evolved, the results are indeed encouraging. Namibia is now an independent democratic state.

Malawi has gone through a tremendous change and will be having democratic elections on May 17. Zambia has made a tremendous transformation in this political climate. Mozambique will have an election later this year and is also going through an economic transition. And, of course, you also have South Africa undergoing the kind of change which we have been discussing this morning. We certainly hope that Angola will join in this process and there are signs that such a transformation there can also take place. Thus, the political conditions, i.e., institutional change permitting democratic pluralism in the region, are there.

On the economic side, we have either economic stabilization or economic reform programs in a host of countries in Southern Africa. We think that the conditions are there for tremendous growth. I say this in the context that everyone understands that apartheid is dead, but that the vestiges of apartheid live on. It has been a very destabilizing force in the region. It has played havoc with the lives of millions of people. It has invoked a tremendous cost to the region.

One of the reasons why you have very limited economic development in the region has been the distorting effects of apartheid. We are hoping that with the demise of apartheid, we can garner the growth potential of the region and hopefully move forward. We feel that regional cooperation is the most promising basis on which to proceed, even as we look at the possibilities for economic integration down the road. Cooperation will be imperative on the economic issues, but also on non-economic issues as well.

The drought of 1992 was a clear example of how the region can cooperate on disaster and emergency relief. The problems we had in Lesotho, and how the various members of the region came together to help resolve that conflict shows how the region can work on non-economic issues as well. I say this to indicate that South Africa is extremely important for the region and that a smooth economic transition is essential for the region and in meeting the needs of the population after the election takes place.

I think that the donor community is gearing up to work with South Africa in general and with the South African private sector community in particular to create the necessary investments for expanding the economy and creating the jobs that are necessary. However, from our perspective, having a stake in the economy is extremely important. Participation at all levels, not just jobs, is going to be very important. We hope that we can play an important role in this area. Thank you.

Brian Levy, The World Bank

What struck me from this morning's presentation is that South Africa faces very awesome challenges right now and does so within very tight constraints. It seems to me to ask where are the degrees of freedom to be able to work through this. One that I perhaps did not emphasize as much as I might have liked is growth in private investment. To the extent that the economy sees a recovery of private investment as a basis of its growth over the medium term, that will ease these constraints considerably and in a broad range of ways.

Where else can one look? Here, and as my colleague from the IMF has stated, there are some interesting issues. One place to look would be where one could make changes in relative prices to increase economic incentives. Of course, when you make such a move, someone pays the price.

Where else? How about government expenditure? When you look at government expenditure, there you run up against the problem of fiscal prudence and the risks of an uncontrolled fiscal situation. If we ask Mr. Lipschitz to look at South Africa's foreign debt to GDP ratio, which now stands at fifteen percent, and to look at that number in a comparative context, I think we would agree that this is a very low number. The question then becomes one of whether there are ways of increasing the debt-to-GDP ratio without that ratio spiraling out of control as so often been the case in so many other countries.

It seems to me that what this brings to front and center of the agenda is a social compact on the structure and nature of policies to be followed over the medium and long-term, and the extent to which various players can all agree what will be the patterns of expansion. Perhaps it is in fact by building on the consensus and negotiations process that has unfolded so remarkably over the past three to four years that one could indeed get one additional degree of freedom from the fiscal area. Thank you.

Leslie Lipschitz, International Monetary Fund

It is difficult to find any significant nuances of difference amongst us. I have been listening very carefully and note that we are all in favor of motherhood and apple pie. Yet there were a couple of nuances that I should like to make clear. First, on sanctions. Mr. Stauch mentioned that sanctions hurt. Yes, they hurt, but John Kenneth Galbraith said that war causes inflation. It is not a question of whether you get inflation with war. It is a question of whether the war is worth fighting or not. Many view sanctions as having been the most useful weapon to bring about the changes that have occurred. There is no question that they hurt. By and large, it was a price that the majority of South Africans thought worth paying.

Second, let me try to shift the focus from what the rest of the world can do for South Africa to what South Africa can do for itself. The most important things that will be done to make this transition work will be done by South Africans in South Africa for South Africans according to plans that seem viable from the perspective of South Africans. No outsider can go into the country and say that "This is the plan of the

International Monetary Fund," or "This is the plan of the World Bank that we want you to adopt." It simply won't work. It has got to be the plan of the people in this new government which they themselves think can work.

The best role the international agencies can play is thus that of a sounding board. They can come to us and ask about this option or that option, and a lot of us can reply that such and such was tried in Thailand and ran into these problems and that another plan was tried in Mexico and ran into these problems. As a result, one would counsel how these experiences shed light on the feasibility of options within the South African context. What is crucial is that the plans have to emerge from within South Africa, and can not be thrust on South Africa from abroad.

As a brief elaboration, we have been looking at the question of developing countries, in particular, why there have been such distinct leaders and laggards in development, and why the slow growers have been growing so slowly. As you do so, you start off with a standard economic model that says countries grow because they have resources, so much savings and investment, so much of an increase in labor and other resources and so on.

What we find, however, is that many countries with very few resources have done wonderfully well in growth. What comes out overwhelmingly in any such study is that the organization, the allocation of these resources, is as important as the supply of resources themselves. I would hope that, over the next few years, we see South Africa carefully avoiding the planning mode that perhaps characterized the earlier development phase of India, i.e., inward-looking planning - and adopting a strategy that established a facilitating environment for private initiative across a wide spectrum of the country - perhaps closer to the strategy of the Southeast Asian countries and at times Mexico. These are the models that work: they allow resources to flow to where they bring the highest returns. This is what I hope to see in South Africa. However, it will have to come from within the country.

Johannes Stauch, South Africa Consulate

When you listen to what we have all had to say, I note the similarities on the economic issues were fairly amazing. This is one message. I would once again want to stress that one must be aware of exaggerated expectations. Second, while I agree that South Africans must be the architects of most of the changes to be brought about, we can not do everything alone and we need a good amount of help from abroad.

This brings me to the role of the United States, where we have the important role of U.S. AID, as well as numerous other organizations that have been involved in the anti-apartheid struggle and which should now be involved in the pro-South Africa struggle. Many of these organizations have substantial expertise and resources at their disposal and we hope that they will become as committed to the new South Africa as they were opposed to the apartheid regime of the past.

With regard to business, I think the similarities between South Africa and the United States are quite amazing. I think that it should be quite easy for Americans to get back on board, particularly if we bear in mind that prior to sanctions we had over three hundred American companies in South Africa, and with just over one hundred at the end of the sanctions period. Many of these firms are already returning or are contemplating a return to South Africa and we welcome this return wholeheartedly.

Lastly, compared to what was, apartheid, sanctions, recession, the political and economic circumstances are so much more positive now. With the help all, we shall succeed. Thank you.

Phillip LeBel, CERAF.

As we now turn over our discussion to members of the audience, I am asking if you would please identify yourself by name and institution and then address your question to one or more of our panelists. Secondly, while I know that many people like to make speeches, I am asking if you would kindly focus your remarks in the form of questions so that we can maximize the opportunities for questions by as many members of the audience as possible. Thank you.

Bernice Jones-Trent, Sprague Library, Montclair State

My question is for anyone who cares to respond. Do your visions or plans for growth and democracy include development of the capacity to improve the flow of information and its dissemination in the country, or any particular region. Also, I would very much appreciate the names of current publications to which you have referred that could help to provide a more comprehensive picture of what is going on in the region.

Leslie Lipschitz, International Monetary Fund

Let me just say that while Mr. Stauch is probably best for many of the publications, one of the essential things about the way economic policy should be run in South Africa today is that it should be coherent, transparent, and understood by all. I think that this government of national unity stands a reasonable shot at creating an economic policy that will indeed be properly explained, properly communicated, and properly understood by all of the people. That is absolutely essential. There can be no surprises here.

Johannes Stauch, South Africa Consulate

With regard to publications, if I may say, I was stunned by what I saw with regard to research on Africa with your Center for Economic Research on Africa. We have learned about you, and hopefully you have learned about us a bit today. We can make sure that you receive important publications for your Center, and for your library. That is something which we can work out very easily, because we are obviously interested in making more available some of the more basic documents for people who have an interest in Africa.

With regard to switching South Africa on the information highway, I think that this has been given an enormous amount of attention by private and public sector agencies in South Africa and abroad. I am aware of certain universities in the United States that have come up with major plans for such technologies. I think that you will see these sort of technologies improving dramatically within a very short period of time.

Brian Levy, The World Bank

Just one brief comment, and this would be a micro version of the macro comment made by Leslie Lipschitz. Because of South Africa's history over the last decade, it has a remarkably vibrant set of grass-roots organizations, community organizations, non-governmental organizations that can play a vital role in the transformation. One of the challenges will be can one use that structure as a basis for locally accountable local actions. For example, I referred earlier to the issue of urban restructuring. Urban restructuring is feasible in the South African context only to the extent that local-level communities are committed to that process and understand what the gains and responsibilities are going to be. I see this as being a very exciting an innovative part of South Africa's reconstruction period over the next five to six years.

Keith Brown, U.S. AID

In response to your question in terms of the U.S. AID program in South Africa, we have been involved in the area for some time. As you know, the majority community has been basically locked out of the media for a period of time. We have been working in this area with the majority community over a number of years, in developing their capacity to communicate with grass-roots and community-based organizations in South Africa.

Our involvement in the electoral process, for example, has involved political-party training through the International Republican Institute, the International Democratic Institute, and the Joint Center for Political Studies. Part of this training is to provide training to the political parties in terms of how to communicate with their constituencies, how to develop a political platform and how to communicate that platform. This has been very important in terms of the role of communications. We have been working with the various fora in South Africa to enhance the faith in constitutional procedures, to really keep the dialogue going, and to expand the dialogue so that everyone can participate in the new South Africa in terms of developing its policies and goals.

Leslie Lipschitz, International Monetary Fund

I do not know how many of you have been in South Africa and have seen South African television. The change wrought in South African television over the last year or two is absolutely phenomenal. You will see talk shows with detailed, tough debate on the various issues of the transition.

One thing that would be terrific for your Center to do would be to be able to receive a talk show called “Future Imperfect,” which has people from totally different parts of the economic and political spectrum debating live the future of South Africa. It is quite absorbing, and it provides evidence of the sophistication of thinking in the country, of the issues they are grappling with and of how wide a spectrum of the community is involved in grappling with these issues. If you could get tapes of some of these issues, I think it would be terrific to be able to witness them first-hand.

Phillip LeBel, CERAF

Let me add that Montclair State already has such capability. We have on campus, satellite receiving capacity. There are obviously some logistical issues here, but I think they could be addressed through appropriate channels and I thank you for making this suggestion.

Kamrouz Pirouz, Department of Economics and Finance

My question is to Mr. Levy and to Mr. Lipschitz, and I also have a question for Mr. Stauch. You said that the South African economy is very dualistic and the modern economy is basically capital-intensive because they have tried to keep Black South Africans from greater participation.

To me it seems that there is going to be a great deal of political and social problems if one is to have democracy in South Africa, especially as one moves toward inclusion of Blacks into the political process. As they increase their mobility, this would seem to naturally increase resentment by Whites who have gained entrenched advantages under apartheid and would be reluctant to abandon those privileges under a new and more democratic regime. I would like to know how this problem, which I see as more social and political than economic, can be successfully addressed.

My second question relates to Mr. Stauch's call for a Marshall Plan for South Africa. I would like to know where we are going to get the capital for such a program, especially since there has been so much talk about a Marshall Plan for Eastern Europe, for the former Soviet Union, all of which are competitors for such scarce resources.

Brian Levy, The World Bank

In response to your question of how will South African society cope with the political dualism when there is already so much economic dualism. The short answer is that the process is in many ways at the social and micro-political level, already probably eighty percent completed. Many of the apartheid rules which served to keep these two parts of the dual economy apart were severely eroded, if not explicitly, eliminated through the 1980's.

In many respects, the process of urbanization, the process of hitherto separated parts of the society rubbing up against one another and creating heightened tensions that this produces has been under way for a long period of time. If one looks at that process within a forward time frame over the next half dozen years, there exists the possibility with a state that is seen by the majority of the population to be politically legitimate that this process could turn out to be less conflict-ridden than it has been over the previous decade. Certainly, your point is well taken, but the problems of moving from a dualistic economy have already been addressed to a large extent. What we are seeing now is the culmination of this process rather than its beginning.

Leslie Lipschitz, International Monetary Fund

Brian has it exactly right. Apartheid crumbled in fact long before it crumbled nominally. The economies have already merged. The job problem is there now. The question is how to go forward and encourage diversification, investment, and job creation in the economy. We are at the remedial stage now, and the problem has already been under resolution for some time.

Johannes Stauch, South Africa Consulate

I must say that those were very relevant comments. One additional comment is that if you go to South Africa, you will find that it is not a Black-White situation in the sense that you might assume it to be. The great majority of South Africans, and I am talking about the middle as holding, is not a purely White or Black middle. It is a totally mixed South African society participating in the process.

I used the term “Marshall Plan” for lack of a better word. Some kind of very well structured and coordinated plan is what is needed. Obviously, this does not have to mean on the levels as provided under the Marshall Plan, but it does mean to suggest that there is a true need to implement a well-articulated action plan that involves all of the relevant players in a process that will lead not just the economic transformation of South Africa, but also some kind of program to systematically de-marginalize Africa.

Phillip LeBel, CERAF

One additional observation is that the Marshall Plan was drafted in the context of the Cold War. That analogy is overdrawn today since we are talking about a post-Cold War environment which places much more emphasis on the primacy of economic forces. In this context, it becomes all the more important as one talks about any such plan to ask just where are the private capital flows that are needed to assist in the economic transformation of South Africa.

One thing I would raise is the amount of geographic competition for scarce capital resources, in particular, that as South Africa makes a case for private capital flows, it must do so within the context of strong competition for capital going to Central and Eastern European countries, and which is why the comparative productivity of capital investment becomes so much more important than it has been in the past.

Mkumbwa Ally, Syracuse University

As a Hubert H. Humphrey Fellow from Tanzania, I have been very much interested in the impact of the transition in South Africa on the neighboring states of the Sub-Region. SADCC was essentially an organization devoted to the development of the infrastructure of the Sub-Saharan region to enable countries in the region to reduce their dependence on South Africa. As you pointed out, this role has to now change from one of disengagement to one of cooperation. One notes that it is still heavily reliant on external assistance and there is fear that this assistance may no longer be forthcoming. To Mr. Brown, I would like to know the perspective on U.S. AID regarding the future role of SADC within the present environment.

Keith Brown, U.S. AID

You question is a good one. I think that from our perspective, SADC really foresaw the changes in the region before many of the donors did, and took actions to place itself as a mediating organization with a new change in perspective and focus. As we all know, SADC has some weaknesses in terms of its ability to carry out its new mandate. SADC has developed an excellent program of community-building, and are discussing a wide range of issues in the region regarding economic cooperation.

We view this discussion as very important to regional cooperation and we are going to be supportive of them in this particular area. We think that the issue at this point is rationalizing the existing infrastructure within a more common framework of economic cooperation, and to find ways of making it work as productivity as possible for the entire region rather than trying to reduce the dependence of the SADC member countries on South Africa.

Interdependence is really the key here. In short, we expect to continue to work with SADC, but not exclusively with SADC in the future, and rather with a host of organizations in the region that are interested in regional cooperation focus, hopefully with other donors as well such as the African Development Bank and the World Bank, the IMF, the EC on cross-border trade facilitation initiatives. Those are areas which we are looking at right now.

Hopefully, SADC will play a role in those activities as well. What I would say, and I mentioned this at the recent SADC conference that it has to rationalize its operations with the PTA (Preferential Trading Area) before there can be a full response by donors to the issues in Southern Africa. I think of a study being done right now on rationalization of these activities and which should soon be released.

Sandra Lopes, Eduardo Mondlane University and Penn State University

As Coordinator for International Cooperation at the University of Mozambique in Maputo and as a Visiting Fellow under the Hubert H. Humphrey Program at Penn State University, I am particularly interested in some of the remarks made here this morning regarding regional cooperation. My first question is what is being done regarding changes in peoples' perceptions as this new transition unfolds. People's minds can not be changed overnight and given the long history of apartheid in South Africa, there has been some talk of revenge by members of the Black majority population. What is being doing in response to this feeling of anger and frustration?

My second question pertains to education. What is being done to redress the severe imbalances in educational resource allocation toward a more equitable system that expands access to under-represented populations? I add that we, next door, are also interested in expanding institutional cooperation with South African universities as this new process unfolds.

Johannes Stauch, South Africa Consulate

It is obviously a long process to build a new nation after an experience like apartheid. As you might have noticed in the reporting, much of the press commentary we have seen has focused on the reaction of elements within South Africa that are resisting change, that do not wish to participate in the elections, that did not participate in the negotiations process. Most of this reporting was on these developments.

What was not reported, and what one needs to say, is that the great majority of South Africans are very much in favor of the process. This does not mean that while all of the apartheid laws have been done away with, that people may not still feel or think in a certain way, which as you know is a problem in other countries such as this one. At least, the table has been cleared. There is regular interaction, and not just at the negotiation table. It is in the workplace, it is in the sports environment, and in the cultural arena.

I can not tell you how exciting this process has been in my short life, to see those dramatic changes of people wanting to have contact with each other. To my mind, this will spill over into other African regions. Because we are White South Africans, and perhaps because for someone such as myself having served in the diplomatic service for twenty years does not mean that I dislike Black people, or want them to be brought up in separate ways. I do not and I never have. I have been very open about this.

The fact is that the process we are now witnessing is a most exciting and telling one which will take some time to fully realize. I think that the last four years have shown just how ready people have been to embark on these changes. I think my colleague, Brian Levy, said it very well when he said that apartheid had crumbled in fact long before it was done away with officially.

Brian Levy, The World Bank

Let me speak to the question of educational policy change. In this area we have both good news and bad news. One real piece of bad news is the structure of the educational system in South Africa. There are fifteen different departments of education in South Africa, which is a legacy of the geographical and racial fragmentation of society under apartheid. The good news attached to this is that some of them which have historically geared towards White students work high effectively. To the extent that they can be integrated, there will be opportunities not only for rationalization, but also for very quick institutional upgrading.

Another area relates to the allocation of educational resources. Educational spending as a share of GDP is high in South Africa. If you look at it in relation to international averages, you will discover that it is somewhat above what you would expect. The number that comes to mind is something on the order of twenty percent of the government's budget.

Having said this, the bad news is that educational resources are highly unequal in their distribution. If you take an example, the pupil-to-classroom ratio in secondary schools, for predominantly White schools, it stands at about fifteen students per class, while for predominantly Black schools, it is about forty-five students per class. There is clearly a differential per pupil expenditure pattern on a racial basis, and this is simply not sustainable for the future.

If you also look at the structure of subsidies to education, you will discover that there are relatively high subsidies towards tertiary education and you will discover that the beneficiaries of those tertiary education are predominantly White. What all of these numbers imply is that the process of equalizing public expenditures in a racial way, that is, toward a racially neutral pattern, and the process of allocating subsidies to those areas where the rates of return are highest, which international experience tells us is in primary rather than in tertiary education, is not going to be an easy one.

Keith Brown, U.S. AID

I agree with the previous speaker's remarks. Just to give you an idea of the areas in which AID is working in South Africa to address some of these issues, as I indicated in my remarks, in the implementation of our program in South Africa, education has been a major cornerstone. I focused on tertiary education aspects, but we have also been working at the primary and secondary levels, but not within the government system. Our assistance did not go to the South African government, but rather to local communities and their associated basic education systems. Our thrust has been to develop viable models for the future. We hope that some of these models will be utilized in developing the new education system for South Africa.

At the tertiary education level, we have a project that will be starting sometime this year that will focus on what can be considered as the Historically Black Universities in South Africa. We all know that these organizations will be the primary entities that will be providing education for the majority Black population in South Africa. We will be working very closely with these institutions to enhance their capacity to improve and expand their services to students and to the communities they are designed to serve. Through linkage arrangements with Open Universities in South Africa, through universities in the United States, we hope that over time we will be able to make this transition a successful one.

Brian Levy, The World Bank

As a clarification to my previous remarks, the education share of South Africa's GDP stands at 7.3 percent, which is above the international average, and account for twenty-four percent of the national recurrent budget.

Phillip LeBel, CERAF

At this point, we will break for our luncheon session. For those who did not have an opportunity to raise questions this morning, or for those who have additional questions to ask, once we have had our luncheon and once we have had the keynote address by Mr. Touré, we will then resume our discussion of these and related questions which have been posed.

Luncheon Session

Phillip LeBel, CERAF

Before we proceed with our keynote address, allow me to introduce Dr. Irvin Reid, President of Montclair State University, who would like to extend his greetings to you and to comment on the significance of today's conference.

Irvin D. Reid, President, Montclair State University

Good afternoon. On behalf of the faculty, staff, and students of Montclair State, welcome to our campus and to today's conference. As most of you know, this conference comes at an auspicious time in South Africa and for the southern Africa region. We are delighted to be able to bring together representatives from major institutions involved with the economic transition in South Africa in which I am confident will be a most informative discussion.

This conference, the eighth in the CERAF international series, reflects the continuing commitment of Montclair State to global education. For the past several years, I have worked with various units throughout the campus to increase awareness and understanding of the growing global interdependence in which we live and work, and I have been pleased to see the results. Faculty at Montclair State have sponsored international symposia devoted to contemporary issues in Latin America, Asia, and Europe, in addition to the ongoing activities devoted to Africa such as today's conference. Much of this activity has taken place through the support of the Global Education Center, which I established upon my arrival as President of Montclair State, and which I view as a central part of our vision for the twenty-first century.

As you visit our campus today, let me note that Montclair State continues to make substantial renovations to our physical plant and equipment in ways that complement our commitment to academic excellence and to innovative programs in global education. We do so in an exciting and challenging time, and which will be marked this spring by Montclair State's designation as a teaching university by the State of New Jersey.

In terms of the theme of today's conference, we all know that the air is charged with political drama. At the same time, I think we also know that the success of the electoral process now unfolding will be shaped critically by the prospects for economic growth and trade in the region. Key to this process will be how the removal of economic sanctions will affect the flow of trade and investment into South Africa. Already there are strong signs that major international investment is beginning to resume on a scale not seen in decades. If these flows can re-energize economic growth in the region, then I think that the political democratization which we are witnessing offers a promising future for all. With this perspective in mind, welcome again to our distinguished guests and to this important conference.

Phillip LeBel, CERAF

At this point I am pleased to present our keynote speaker, Mr. Mamadou Touré, Principal Economist in the North America Office of the African Development Bank in Washington, D.C. A Senegalese national, he has a diploma in advanced studies from the University of Aix-en-Provence in France, a Master of Science in Accounting and Financial Techniques from the University of Aix-en-Provence, and a Bachelor’s degree in Sociology from the University of Aix-en-Provence. He is a graduate of the Lycée Van Vollenhoven in Dakar, Senegal.

Mr. Touré has held management and consulting positions with several firms in Senegal and France, as well as a position as Deputy Head of the Senegalese Development Bank for Industry and Tourism. Since the early 1980’s, Mr. Touré has worked for the African Development Bank, initially as Country Economist for Algeria, Djibouti, Egypt, Morocco, Sudan and Tunisia, as Principal Economist for the ADB for Algeria, Egypt, Morocco, Sudan and Tunisia, and since 1992, as Principal Economist in the North American Regional Office of the African Development Bank in Washington.

Given Mr. Touré’s extensive international experience, I am confident that his insights will help to shape our perspective today in general and to provide us with a sense of the role of African multilateral development institutions in assisting in the economic transition in South Africa. I say this in particular because Mr. Touré has brought with him today the results of an intensive study undertaken by the African Development Bank on South Africa, and which I am sure informs much of the perspective which we are about to hear. We are indeed delighted to have him as our keynote speaker today.

Daouda Touré, African Development Bank

Introduction

Thank you, Professor LeBel. Ladies and gentlemen, let me first thank Montclair State, and in particular the Center for Economic Research on Africa, for inviting the African Development Bank to contribute to this important debate which has been unfolding for the past few years. In terms of this morning's presentations, I found them to be very well documented, and I must say that I listened with great interest to the remarks by members of this most distinguished panel.

What I should like to do today is to expand beyond the immediate remarks on South Africa, to address the regional context within which the economic and political transition which we are witnessing. South Africa is not yet a member of the African Development Bank. We are looking forward to welcoming the last African country as a member of our institution. My presentation today will be based mainly on a comprehensive study undertaken by the African Development Bank, and which has just been completed. For those who are interested in a copy, you may contact the African Development Bank at any of its regional offices.

The African Development Bank Study on Southern African Integration

Building on the various developments which have been presented today, I would like to focus on what could be the Southern African integration possibilities. Indeed, with a post-apartheid South Africa, the southern region, after years of struggle and sacrifice, is truly entering a new era. We should always bear in mind that the effects of apartheid, while no longer legally binding, will still be with us for some time.

We have heard this morning that South Africa has one of the most unequal distributions of income in the world, with a ratio of 0.65 on the Gini coefficient scale. This has enormous implications for the largely Black majority community which have been hitherto excluded from participation in a wide range of economic, social, and political activities in the country.

The shadow of regional conflict and destabilization still stands before us, even though the immediate impulses for these events are no longer present. Unfortunately, the 1992 election in Angola failed to solve its internal conflicts, i.e., the distribution of political authority between the Government of Mr. Dos Santos and the UNITA forces of Jonas Savimbi. Even though enormous efforts have been made to secure a stable peace agreement, political violence continues to unfold in Angola, and this raises the stakes of trying to garner a sustainable regional framework for peace and economic cooperation.

Despite these difficulties, we recognize the new political environment in South Africa for what it may hold in terms of a more stable region. Ideological divisions among neighboring countries are now likely to disappear at a much faster rate, which reduces the need for extensive government intervention. Thus, opportunities for a revitalized private sector look more promising now than they have been in quite some time in the southern Africa region. Sectoral reforms in these countries are leading to a greater pace of economic convergence.

Numerous challenges face countries in South Africa and make it difficult for their government to ignore the limitations that national boundaries impose on their prospects for economic cooperation and multilateral integration. Regional cooperation is not a luxury option, but a matter of survival. Integration of the sub-regional market is essential to achieve global competitiveness. You all know about the evolving pattern of global trade. More than ever we are living in a world of global imperatives. The globalization of investment and financial services, rapid development in information technology, successful conclusion of the GATT negotiations, all are shaping this new world.

Economic Integration Within a Continental Perspective

African heads of states requested the African Development Bank to assist them in bringing to reality the Pan African Economic Community as defined by the Abuja Treaty, following the Lagos Plan of Action of 1979. In the words of President Babacar N'Diaye,

> "Since the adoption of the Lagos Plan of Action in 19809, Africa's efforts to achieve fundamental socio-economic restructuring have met

> with only limited success. Economic performance was dismal in the 1980s, with an average annual growth rate of GDP of only 0.4 per cent during 1980-87 and per capita income declining by about 2.9 per cent per annum. By 1992, the continent's economic performance still remained weak, with real GDP growth of 1.9 per cent, well below the average population growth rate of 3.1 percent. This resulted in sustaining, rather than reversing, the declining trend in per capita income which was experienced in the previous two years."[a.]

The Bank realizes that the best basis for this approach would be through a building-block strategy. In West Africa, in the Central part of the continent, in the Eastern part, and in the North of Africa, efforts have been made to bring this about. All now realize that attempts at a solution to overcome existing trade and investment bottlenecks to build the growth that we all seek must proceed on the basis of existing and evolving strengths and not on unrealistic expectations.

On the Benefits of Regional Economic Integration

The Southern Region could benefit from savings made through a more rational use of regional infrastructure, increase output and investment to assist in the creation of economies of scale, all with a regime of liberalized trade. Productive investment means that specialization must be recognized and fostered in those area where comparative advantage exists or can be brought about. The long-run payoff will come from market expansion. These gains from market integration will be made not only by a reduction in tariff barriers, but also by reductions in non-tariff barriers and structural constraints.

Assessing the benefits of economic cooperation and integration inevitably invite one to compare what could have been possible in the absence of apartheid with what has evolved by its presence. As President N'Diaye also stated,

> "The case for economic integration rests on the gains that would be derived from stimulating rationalization of investment flows within the region and expanding intra-regional trade. Gains would accrue from substantial cost savings resulting from rationalizing and coordinating investments in the region's physical infrastructure in such sectors as:

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a. Foreward, **Economic Integration in Southern Africa**, Executive Summary. (Oxford: Biddles, Ltd., for the African Development Bank, 1993), p. v.

> transport and communications; mining; energy; water resources and environmental management; and education and health facilities. Appreciable benefits are also derivable from trade creation, from the expansion of cross-border investment, and from regional exchange rate stability."[b.]

My view is that efficiency gains resulting from an enlarged market size is central to this issue. The example of energy demand for South Africa beyond the year 2000 illustrates this point, i.e., that regional projects such as the Cahora Bassa hydroelectric complex in Mozambique and the Lesotho watershed project offer much promise for a more rational use of infrastructural investment than was the case under apartheid.

Regional integration will also enhance flows of foreign capital. Most of you have probably read the recent story about the gains expected under regional economic integration would also include acceleration of successful structural adjustment. In each of these areas, there are also gains to be realized in the form of positive externalities, including, for example, integration of parallel market trade into the formal economy.

Pre-Conditions for Successful Economic Integration in Southern Africa

The pre-conditions from realizing these gains are fairly clear. They include: agreed cooperation among Southern African countries, regional participation by the respective private sectors, growth in world investment and trade, relative endowment and policy preparedness of participating countries. The framework of cooperation should be done through multilateral cooperation as through bilateral agreements. Harmonization at the macro level for economic incentives to achieve compatibility in fiscal policy and trade, as was mentioned by colleagues this morning from the IMF and the World Bank.

Economic growth will also require a combined approach for investment in market expansion. In what I call the road to regional economic integration in Southern Africa, I want to share with you the fact that of the several units of cooperation, SADC, the PTA, would have to re-think historical strategies based on efforts to delink from South Africa to one in which each can draw on their respective strengths and avoid duplication of efforts.

[b.] *ibid*., p. vi.

Regional economic integration must also seek a balance among all of the participating countries. To do so will require careful crafting and implementation of strong regional policies. The efficiency of the present institutional structure is at present very much in question because of the redundancy to which I have just referred, and has already been noted in earlier discussions this morning. SADC was conceived at a time when the policy context was quite different from the present, and this will have to be revisited in light of a post-apartheid South Africa.

As these reforms proceed, we should keep in mind the notions of efficiency, equity, and subsidiarity. Let me share with you now some options for this new and evolving institutional framework. The criteria for an institutional framework are:

a. political sustainability,

b. stepwise implementation,

c. internal consistency,

d. avoidance of duplication,

e. political will and commitment, and

f. a readiness to sacrifice national sovereignty.

The strategy for an enhanced institutional framework could be built in a bilateral and multilateral basis. SADC and SACU (The South Africa Customs Union), to the extent that rethinking and re-organization in light of the new economic realities, are obvious institutions through which this process could proceed.

Economic integration should proceed on a flexible basis, with an emphasis on growth and net job creation. It should be incremental rather than comprehensive, open-ended rather than exclusive, donor focused initially, limited in initial operation to the most promising sectors and industries, relying on market incentives rather than bureaucratic discretion for the operation of any incentives. It should also proceed on several fronts simultaneously through packets of measures from which all countries can expect to benefit.

Strategic issues of integration and the road to integration are parallel but connected tracks of sector coordination and market coordination. The key strategic action to be taken now is to overcome the payments difficulties of SACU within the Southern

African region, achieve internal compatibility, removal of all barriers to cross-border trade and investment, orientation of trade to global markets. The focus should be on energy, railway transport, ports and telecommunications. These sectors can create an effective regional communications infrastructure.

Renegotiation of SACU should be an essential step of this process. One should establish a free trade area within SADC. Africa can not remain, as a colleague noted earlier today, as a marginalized area of the world economy. We at the African Development Bank consider that the re-structuring of the Southern African region will be a vital and first step toward the de-marginalization of Africa and we look forward to working with the established and evolving multilateral, bilateral, and national institutions in helping to bring about a successful economic transition. Thank you very much.

Discussion

John Edmonds, CEO, Edmonds Group, New York

My question pertains to the role of capital flows in the economic transition, and more particularly, on the role of competition for capital. One of the things that struck me was that while South Africa seems to be viewed increasingly as a “hot” area of opportunity, how do you keep capital in South Africa once it gets there and what infrastructure is currently available to raise the economic status of populations hitherto excluded from participation in the formal economy?

Leslie Lipschitz, International Monetary Fund

The question of competition for private investment is really a critical one. Let me give you some kinds of ideas coming from other parts of the world. If one considers the German unification process and the move toward wage rate equalization across East and West Germany, one sees that it took a very different route there from, say, the way things evolved in Czechoslovakia.

A year or two after unification in Germany, unit labor costs in East Germany were two hundred percent the level of unit labor costs in West Germany and many fold as high as those just across the border in Czechoslovakia. As a result, one saw substantial capital investment moving from Germany to Czechoslovakia. If you were going to set up a manufacturing operation, say a metal-working plan in Germany, it would be very much cheaper to sub-contrast out the parts manufacturing to Czechoslovakia where labor costs were only a fraction as high. There has been a large flow of capital into the Czech Republic, largely on the basis of a high competitive and very well-motivated labor force.

The real question is whether South Africa can compete with this kind of market, and with competitive labor markets in South Korea, Thailand, and other countries in Southeast Asia. It is a difficult question, but an essential one. Unless South Africa has a competitive labor force, it will have difficulty solving its unemployment problem or realizing a growth miracle of the kind that we are used to associating with Southeast Asia and which we might well see soon in parts of Central Europe.

As to the question on savings, it is also very difficult to get a clear reading. It is not an entirely happy story. What we tend to see as a stylized fact is that high savings ratios are often correlated with very unequal income distributions. Redistribution toward labor might indeed lower national savings ratios.

But there is one good piece of news. Recorded savings ratios in South Africa are terribly distorted by capital flight. Much of this capital flight occurs through the recorded current account of the balance of payments by means of invoice fraud. This tends to reduce recorded savings ratios and also to reduce the size of the current account surplus.

If we had a restoration of peace and we had an economic environment conducive to investment, we would find capital flight diminishing and that in itself would result in an increase in the recorded savings rate. In fact, we would also see an increase in the amount of savings that is invested directly in South Africa which might well more than offset the negative effects on savings of any program of income redistribution.

Brian Levy, The World Bank

Two points in follow-up. The first point is that the single most important determinant whether capital will flow into any particular country of setting is the level of uncertainty with respect to the future. I think that the single most important short-term signal that could come from South Africa is a credible coherent internally consistent set of policies. The precise nature of those policies matters, but I think that the precise nature is second order to the fact that they be there in a coherent form.

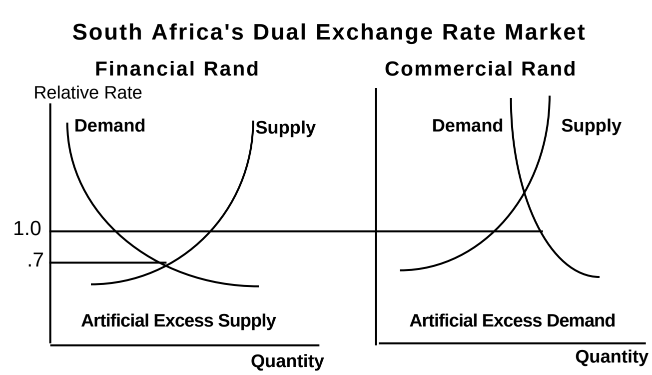
The second point, or paradox, is the national experience tells us that the best way to attract capital is to say to any investor, “You are free to leave.” The best way to attract capital is set up rules that allow for free entry and free departure, and that this would be an environment in which you would freely choose to stay. Having said this, the South African dilemma is that the economy currently operates on a dual set of rules with respect to capital flows. Foreign flows of finance from non-residents into the country are effectively operating under a free set of rules as set out for the rand. Flows of capital from residents are by and large blocked, hence the use of the kind of mechanisms under the current account just described by Leslie Lipschitz.

The dilemma that the South Africans face is that while I think the lesson is increasingly well understood, and that includes the soon to be incoming government, that the best rules for keeping capital is to say that one is free to leave. Having said this, how the transition is managed in the short-run between a system of exchange controls which seeks to restrain the exit of capital by residents and creating a genuinely liberal set of rules governing capital rules is a very difficult question.

Leslie Lipschitz, International Monetary Fund

I am not sure how much you want to get into the esoterica of the financial rand market. I will try to give you the short version. At the moment, all non-resident capital comes in through something called the financial rand market. Under this system, you buy your domestic currency, the rand, at something like a thirty percent discount. You are, in effect, getting a deal. You are buying government debt that would normally pay fifteen percent, but you are only paying seventy cents on the dollar for that debt, and are thus getting a much higher rate of return. (The simple diagram below illustrates the distorted nature of a dual exchange rate market)

Figure 3



The problem with this two-tiered system is that there is no net flow in that market. If everyone decides that they want to pull out their money, the whole effect is taken on the exchange rate. That exchange rate moves absolutely freely. The only way you, as a non-resident, can sell your rands is to find some other foreigner to purchase them. If all foreigners are moving out, the rate just moves, and thus the rate is highly variable.

There has been a great debate in the policy arena of whether the time has come to unify the exchange rate, to get rid of the financial rand market. I think that while my predisposition, and that of the IMF, would be to have the markets operate as freely as possible, we have been very worried about making this move immediately. At the moment if there is any flight of nonresident capital occasioned, for example, by political shock of the sorts we have had in the last week, that shock is simply reflected in a wider discount of the financial rand vis à vis the commercial rand.

If we unified the system, we would have those shocks which generate capital outflows reflected in a run on reserves. It is arguable, therefore, that until there is a stable political situation, it may be difficult to sustain a unified exchange system that is free of foreign exchange controls. Over the medium term, however, the new Government should certainly aim at an exchange regime absolutely open to bringing money in and taking money out.

Just to put a gloss on this issue, in 1983, South Africa did unify its exchange rate. They did it prematurely and it was a bit of a disaster. They were by 1985 losing reserves very rapidly, and had to go back to the dual system. The next time they move to unification, we want it to be a permanent move.

Phillip LeBel, CERAF

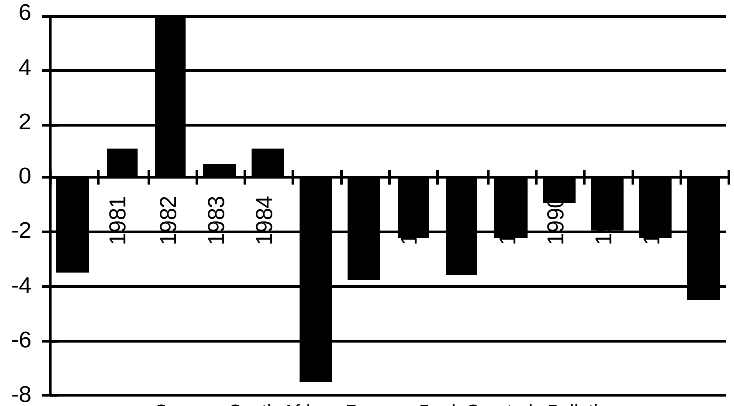
Does one have an estimate, or an order of magnitude, in terms of dollar equivalents, of the size of capital flight from South Africa?

Leslie Lipschitz, International Monetary Fund

In truth, while no one knows with any great deal of precision, there is widespread suspicion that it is relatively large. We do not even understand all of the mechanisms through which this is happening. In some cases there seem to be mechanisms operating in South Africa which are different from other places, and so it would not be very accurate to even hazard a guess at this point.

Figure 4

Net Capital Flows as a Percentage of GDP



Source: South African Reserve Bank Quarterly Bulletin

(As to official South African estimates, the South African Reserve Bank cites data used in the above chart, and which should be treated with all of the caveats just mentioned):

Robert Allison, National Bureau of Economic Research

My question relates to the previous question. I believe that someone mentioned that there are three South African listings on the New York Stock Exchange. If you were a prudent investor in the market today, would you make a telephone call this afternoon, or would you wait until after elections, or would wait until one year after elections, to place your order?

Johannes Stauch, South Africa Consulate

I would like to just say spontaneously that if I had the money, I would do it now.

Leslie Lipschitz, International Monetary Fund

And when you are done placing your call, pass me your telephone. But on a more serious note, what you have here is a straightforward trade-off between risk and reward. If you do it now and everything pans out, then you are going to get great returns. If it doesn't, then you are going to take a bath. You choose your level of risk and obtain your reward accordingly.

Johannes Stauch, South Africa Consulate

In a more general sense, the situation in South Africa at this point in time does require some genuine risk-taking. It is a time for the person who is not spending one's last cent of savings to consider. It is a market for a stock investor as well as an entrepreneur to examine. Other countries have done their homework and are often well ahead of the U.S. in this. While the U.S. has been very much influenced by the sanctions environment, even in those states where there were not sanctions, people were very inhibited by the presence of those sanctions. In that sense, American investors are a little bit at the end of the queue, if I may say so, in comparison to others who have not had the actual strictures in their way.

Leslie Lipschitz, International Monetary Fund

Empirically, if you look at what has been happening from the second half of last year, there have been massive portfolio inflows into South Africa all through the financial rand market. You have seen discounts on the financial rand that, while significant, were smaller than what one might have expected six months earlier. I think that there are many reasons for this.

One reason that Brian (Levy) points out is that the rates of return are not collinear with rates of return in other markets so that you can diversify your risk to some extent. Another factor is that rates of return on alternative assets, e.g., U.S. Treasury bills, have been low compared to rates in South Africa at, say, fifteen percent on first-class government paper plus the thirty percent markup coming in on the financial rand market. So you can begin to see the risk premia. In the present environment, because portfolio inflows have been routed through the zero-sum financial rand market, they have not added to the net savings of the economy and have had no effect on the balance of payments and reserves.

Johannes Stauch, South Africa Consulate

May I also add that in all the papers discussing the financial rand, one needs also to address the phasing out of the financial rand as well as opening up the foreign exchange market. As this moves forward, it is essential that there be a consensus of the major players if this move is to be coherent and sustainable.

Mkumbwa Ally, Syracuse University

Mr. Touré spoke a good deal about economic integration. While I find this reassuring, I am uncomfortable about the notion of economic integration in Africa. Mr. Levy said that he was more comfortable taking about cooperation rather than integration in Africa. What are the major impediments to economic integration, both regional and continental?

Daouda Touré, African Development Bank

Personally, I do not see the nuances that one is suggesting between integration and cooperation. Maybe this is a matter of the stage of cooperation that one could call integration rather than cooperation. Having said this, as I said in my presentation, the globalization that we see around the world makes it difficult for African countries, especially given their relatively small size, to pretend to play any major role and to develop enough competitiveness to do so unless they start first by cooperating more among themselves.

As we said, in the Southern Africa region, there is a certain complementarity already at work. I mentioned very briefly the energy sector as one example, where South Africa, instead of investing additional money after the year 2000 in thermal energy systems or expanding on nuclear energy, could easily be getting additional supplies from locally available alternatives.

Leslie Lipschitz, International Monetary Fund

I agree in general with everything Mr. Touré has said. Everyone would like to see a more coherent structure, but there are a number of difficulties which should not be under-estimated. Let me try to give you some specifics. If you look at the Southern Africa Customs Union, there is a pooling arrangement of tariffs and excise taxes. The share of the smaller members, the non-South Africa members, is about thirty-eight percent of this pool.

The view of some within the South African government is that on purely economic grounds, i.e., their share in the economic activity that generates this tax take, these non-South Africa members should be getting about twelve percent. So this means that more than twenty percentage points of that pool is considered as straightforward aid.

This position is, as you can imagine, much disputed by other countries. At present, one of the proposals being put forth in South Africa is a re-writing of the budget so that the distribution of SACU revenues be based strictly on economic criteria, and the remaining transfer be counted as aid rather than a fiscal obligation. That sounds innocuous but of course it is a minefield.

As soon as South Africa's non-economic portion of SACU revenues is re-classified as aid, you have an instant debate in Parliament every year on whether you want to give aid to neighboring countries. In circumstances where there is a highly constrained budget, it becomes an even more significant issue. Just the details of re-negotiating the distribution of revenues from a customs union, even this very limited level of resources through SACU, can be terribly difficult.

I might point out that for some of the other members of SACU, these revenues constitute sixty percent of government income. They absolutely depend on these revenues. With them, Namibia has a budgetary surplus. Without them, Namibia has a deficit, in its balance of payments. These are very important figures to the neighboring countries. So the question is how does one achieve any kind of customs arrangement with a distribution of gains that is viewed as equitable among all of the parties. My own guess is that this will happen, but that it will not be the first priority for the new South Africa. Instead, domestic concerns will set the priorities for the new government, leaving SACU going largely as it is operating now for the next couple of years.

The second issue which I think is terribly difficult is how to deal with potential polarization effects from intra-African free trade. Will it be possible to attract industry into Zimbabwe, where will have to compete with a location in South Africa which has access to better roads, rail, air, harbors, telecommunications, a more sophisticated banking structure, and all the rest? Well, maybe yes and maybe no. It is hard to figure it out. Perhaps the labor force in Zimbabwe will be sufficiently competitive to attract investment there.

There is a reasonably well founded fear that you could have a real polarization of development, with all of the capital moving to the more sophisticated South African market to the detriment of the other countries. How do you build into any customs union an arrangement such as they have in the European Community where there is compensation to offset further polarization.

The third issue is whether one wants to remove only intra-regional barriers to trade or all barriers to trade? That is important because what one wants is trade creation. One does not want trade diversion. One does not want to say that Zimbabwe is going to import relatively high cost machines from South Africa because there is no trade barrier with South Africa rather than the cheaper and possibly more efficient machines from Korea, because there is a common trade barrier with Korea. So we want to promote trade integration without creating incentives for trade diversion from more efficient producers.

Table 12

SACU Membership

Country	GDP
South Africa	$91167
Botswana	$3,644
Lesotho	$578
Swaziland	$869
Total	**$96,258**

Brian Levy, The World Bank

Another way to frame these issues is to look at them as the challenge of market liberalization in general. What one is looking at in any setting where you have dissimilar economies that could be integrated, within those economies, unless you have a completely liberal trading environment, there will be some activities that are relatively high cost in relation to other producers that the country, for one reason or another, will "prefer" not to see disappear.

From the non-South African context, given the capital intensity of investment in South Africa, liberalization would mean that many non-South African industries would not be able to compete with lower cost South African producers. Non-South African countries would be wary, and this is why the experience with integration has so often been one of trial and error, and why negotiations have so often broken down. Similarly, from a South African perspective, as I mentioned in my talk this morning, the South Africans are particularly concerned that the impact of trade liberalization in the short term will reduce employment in some of the low-end light manufactures industries.

South Africa, in its garment industry, for example, can export high quality garments successfully to the U.S. and Europe but can not compete with Indonesia and China in the production of low quality garments for poor people. What it has to balance is the rate at which it is going to open up its garment market to take advantage of its export potential at the upper end and manage the decline in jobs which will inevitably happen at the bottom end of that market.

Now that issue is identical whether one is looking at opening up to global liberalization or whether one is looking at the regional integration between South Africa and some of the low wage producers on its borders, be they Malawi or be they Zimbabwe. I think that this is the classic problem you have in looking at regional integration in all countries. Those areas sitting with high cost industries will produce some of the more vigorous challenges to proposed changes in he status quo in comparison to those with relatively low costs.

Johannes Stauch, South Africa Consulate

Let me add a few observations here. These have been extremely important comments, particularly in regard to the elections. I think that there can be no doubt that South Africa wishes to arrive at mutually satisfactory economic agreements with its neighbors on a broad spectrum issues. At the same time, these agreements are not meant to serve as instruments of domination but rather as tools for regional economic growth.

The adjustment of the South African economy as such, with the opening up of trade through GATT principles for example, will present some hard choices. Industries such as textiles have at least provided some employment during the sanctions years and which are not going to be competitive in the future. We need to make some adjustments to an increasingly open economy while at the same time looking for ways in which the burden of adjustment can be balanced with the kinds of gains which one would normally expect to flow from such adjustments.

Phillip LeBel, CERAF

Allow me to re-visit a point raised earlier this morning by Brian Levy, namely the question of the pre-conditions for a successful economic transition in South Africa. You talked about factor bias, about capital intensity, that has existed in the past and how this poses a challenge for a newly emerging government facing the pressure for economic growth and job creation. To what extent would a move toward trade liberalization in and of itself restore sufficient job growth to cement the political transition now taking place, or are there initiatives beyond what we have already discussed this morning that need to be addressed, prospectively, in order to generate sufficient employment growth and on a large enough scale to get a critical mass to wield the country together?

Brian Levy, The World Bank

First, I think the evidence is fairly clear that in the short term, trade liberalization will destroy, not create jobs. Trade liberalization is thus a medium to long-term strategy. One issue that arises naturally is can the present fragile environment absorb short-term pain. Can it sustain a Chile option, (as in the shift from the Allende government to that of Pinochet)? The political judgment that has been made in South Africa through its national economic fora and in its GATT negotiations is that this is not in the cards, that liberalization must be accomplished in a more gradual way.

Second, one of the things that a quick trade liberalization would do immediately is that it would bring attention in a very sharp way to the labor market. This is true at two different levels. First, I think it would expose the reality of South Africa’s wage structure in relation to competitors such as Bangladesh, China, and Indonesia. Secondly, it would expose the country to intense industrial conflict over the short term. That intense industrial conflict in the short term would, I think, have negative feedback through the political process. This is why in the strategy that I earlier described, which was a much more careful and measured one, I talked there fairly carefully about moderate, steady but pre-announced trade reform, moderate and steady changes in wages, and intensive and early investments in skills upgrading. This is essentially a joint strategy aimed at moderating at what would otherwise be a discontinuity in a society that would have a very hard time absorbing at this point.

Phillip LeBel, CERAF

Let me at this point thank you all for coming today, beginning with my thanks to our panelists for what I consider to be excellent presentations. I have been delighted that they have been able to be with us today.

On a more personal level, I have been organizing these conferences for the past eight years in succession, with varying levels of attendance and participation by those involved. Some of the members in this audience have been actively involved in this process. At times, I have had doubts about the gains to be obtained from these activities, not so much the pecuniary ones, for they do not exist, but rather by the public service dimension of these activities and by the intellectual content of the debates which I think are important for us to raise.

As many of you heard this morning, Africa has suffered from marginalization in the global economy. My value system in all of this is that I think it is important that Africa not be marginalized. In fact, there are important positive changes that do take place in Africa that often go un-noticed, particularly by media sources often driven by short-term perspectives that distort some of the underlying realities. What I have tried to do in this conference series is to provide a forum for some of these issues to be aired to a broader audience and in a more measured fashion. I still hold to that goal for CERAF, and I welcome your suggestions as to how we might reach a broader audience should we continue to organize these events in the future. With this, I again thank you all for coming today and I look forward to hearing from you in the future.

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Appendix A

As originally planned, this conference was to have included a presentation by a representative from the African National Congress. Logistical constraints related to South Africa's upcoming national elections prevented our invited speaker, Mr. Kingsley Makhubela, from making a presentation. While it would be inappropriate to make any direct characterizations of the ANC's positions on various issues raised in this conference, because we were had invited the ANC to participate in our deliberations, we did think it proper to include some views as contained in a February 1994 document issued by the ANC on its anticipated economic development programme.

Excerpts of selected economic policy issues are reproduced here. They should be considered as tentative statements, and not necessarily reflecting the current views of the newly elected national government. The selections which have been chosen are meant to highlight some of the key points of the ANC Reconstruction and Development Programme as of February 1994, and do not reflect the full range and scope of proposals issued under this document. The text from which the statements reproduced below has been furnished through the courtesy of the South Africa Consulate Office in New York, and is gratefully appreciated.

- Phillip LeBel

Excerpts
from the Introduction to the
Reconstruction and Development Programme
of the African National Congress
(Draft Text of February 17, 1994)

The Six Basic Principles of the RDP

1.3.1 Six basic principles, linked together, make up the political and economic philosophy that underlies the whole RDP (Reconstruction and Development Programme). This is an innovative and bold philosophy based on a few simple but powerful ideas. They are:

1.3.2 **An integrated and sustainable programme**. The legacy of apartheid cannot be overcome with piecemeal and uncoordinated policies. The RDP brings together strategies to harness all our resources in a coherent and purposeful effort that can be sustained into the future. These strategies will be implemented at national, provincial and local levels of government, parastatals and organisations within civil society working within the framework of the RDP.

1.3.3 **A people-driven process**. Our people, with their aspirations and collective determination, are our most important resource. The RDP is focused on our people's most immediate needs, and it relies, in turn, on their energies to drive the process of meeting these needs. Regardless of race or sex, or whether they are rural or urban, rich or poor, the people of South Africa must together shape their own future. Development is not about the delivery of goods to a passive citizenry. It is about active involvement and growing empowerment.

1.3.4 **Peace and security for all**. Promoting peace and security must involve all people and must build on and expand the National Peace Initiative. Apartheid placed the security forces, policy and judicial system at the service of its racist ideology. The security forces have been unable to stem the tide of violence that has engulfed our people. To begin the process of reconstruction and development we must now establish security forces that reflect the national and gender character of our country. Such forces must be non-partisan, professional, and uphold the constitution and respect human rights. The judicial system must reflect society's racial and gender composition, and provide fairness and equality for all before the law.

1.3.5 **Nation-building**. Central to the crisis in our country are the massive divisions and inequalities left behind by apartheid. We must not perpetuate the separation of our society into a 'first world' and a 'third world' - another disguised way of preserving apartheid. We must not confine growth strategies to the former, while doing patchwork and piecemeal development in the latter, waiting for trickle-down development. Nation-building is the basis on which to build a South Africa that can support the development of our Southern African region. Nation-building is also the basis on which to ensure that our country takes up an effective role within the world community. Only a programme that develops economic, political and social viability can ensure our national sovereignty.

1.3.6 **Link reconstruction and development**. The RDP is based on reconstruction and development being parts of an integrated process. This is in contrast to a commonly held view that growth and development, or growth and redistribution are processes that contradict each other. Growth - the measurable increase in the output of the modern industrial economy - is commonly seen as the priority that must precede development.

Development is portrayed as a marginal effort of redistribution to areas of urban and rural poverty. In this view, development is a deduction from growth. The RDP breaks decisively with this approach. If growth is defined as an increase in output, then it is of course a basic goal. However, where growth occurs, how sustainable it is, how it is distributed, the degrees to which it contributes to building long-term productive capacity and human resource development, and what impact it has on the environment, are the crucial questions when considering reconstruction and development.

The RDP integrates growth, development, reconstruction and redistribution into a unified programme. The key to this link is an infrastructural programme that will provide access to modern and effective services like electricity, water, telecommunications, transport, health, education and training for all our people. This programme will both meet basic needs and open up previously suppressed economic and human potential in urban and rural areas. In turn this will lead to an increased output in all sectors of the economy, and by modernising our infrastructure and human resource development, we will also enhance export capacity. Success in linking reconstruction and development is essential if we are to achieve peace and security for all.

1.3.7 **Democratisation of South Africa**. Minority control and privilege in every aspect of our society are the main obstruction to developing an integrated programme that unleashes all the resources of our country. Thoroughgoing democratisation of our society is, in other words, absolutely integral to the whole RDP. The RDP requires fundamental changes in the way that policy is made and programmes are implemented. Above all, the people affected must participate in decision-making. Democratisation must begin to transform both the state and civil society. Democracy is not confined to periodic elections. It is, rather, an active process enabling everyone to contribute to reconstruction and development.

1.3.8 An integrated programme, based on the people, that provides peace and security for all and builds the nation, links reconstruction and development and deepens democracy - these are the six basic principles of the RDP.

2.1 **Meeting Basic Needs**

2.1.1 Poverty is the single greatest burden of South Africa’s people and is the direct result of the apartheid system and the grossly skewed nature of business and industrial development which accompanied it. Poverty affects millions of people, the majority of whom live in the rural areas and are women. It is estimated that there are at least 17 million people surviving below the Minimum Living Level in South Africa, and of these at least 11 million live in rural areas. For those intent on fermenting violence, these conditions provide fertile ground.

...

2.3.5 **Public works programme.** The key area where special measures to create jobs can link to building the economy and meeting basic needs is in redressing apartheid-created infrastructural disparities. There must be a coordinated national public works programme to provide much-needed infrastructure, to repair environmental damage, and to link back into, expand, and contribute to the restructuring of the industrial and agricultural base.

2.3.6 A further component of the public works programme must be provision of education and training and the involvement of communities in the process so that they are empowered to contribute to their own governance. Assets created by a public works project must be technically sound.

2.4 **Land Reform**

2.4.2 A national land reform programme is the central and driving force of a programme of rural development. Such a programme aims to address effectively the injustices of forced removals and the historical denial of access to land. It aims to ensure security of tenure fore rural dwellers. And in implementing the national land reform programme, and through the provision of support services, the democratic government will build the economy by generating large-scale employment, increasing rural incomes and eliminating overcrowding.

2.4.5 The land reform programme has two aspects: redistribution of residential and productive land to those who need it but cannot afford it, and restitution for those who lost land because of apartheid laws.

2.4.7 The redistribution programme should use land already on sale and land acquired by corrupt means from the apartheid state or mortgaged to state and parastatal bodies. Where applicable, it will expropriate land and pay compensation as the Constitution stipulates. Land acquired from the apartheid state through illegal means must be recovered after due process of investigation. The land reform programme must include land outside of the historically black areas. All legal provisions which may impede the planning and affordability of a land reform programme must be reviewed and if necessary revised.

...

2.4.13 Land restitution. To redress the suffering caused by the policy of forced removals, the democratic government must, through the mechanism of a land claims court, restore land to South Africans dispossessed by discriminatory legislation since 1913. This court must be accessible to the poor and illiterate. It must establish processes that enable it to take speedy decisions. In order for this court to function effectively, constitutional rights to restitution must be guaranteed.

2.5 **Housing and Services**

...

2.5.5 Although housing may be provided by a range of parties, the democratic government is ultimately responsible for ensuring that housing is provided to all. It must create a policy framework and legislative support so that this is possible, and it must allocate subsidy funds from the budget - to reach a goal of not less than five percent of the budget by the end of the five-year RDP - so that housing is affordable to even the poorest South Africans.

...

2.5.12 **Tenure**. The democratic government must ensure a wide range of tenure options including individual and collective home ownership as well as rental, and facilitate a wide range of housing types. Sufficient affordable rental housing stock should be provided to low-income earners who choose this option.

...

2.5.15 **Financ**e. End-user finance and credit must be made available for diverse tenure forms, community designs and housing construction methods. Commercial banks must be encouraged, through legislation and incentives, to make credit and other services available in low-income areas; ‘redlining’ and other forms of discrimination by banks must be prohibited.

2.6 **Water and Sanitation**

...

2.6.10 **Tariffs**. To ensure that every person has an adequate water supply, the national tariff structure must include the following:

2.6.10.1 a lifeline tariff to ensure that all South Africans are able to afford water services sufficient for health and hygiene requirements;

2.6.10.2 in urban areas, a progressive block tariff to ensure that the long-term cost of supplying large-volume users are met and that there is a cross-subsidy to promote affordability for the poor

2.6.10.3 in rural areas, a tariff that covers operating and maintenance costs of services, and recovery of capital costs from users on the basis of a cross-subsidy from urban areas in cases of limited rural affordability

2.7 **Energy and Electrification**

2.7.1 Although energy is a basic need and a vital input into the informal sector, the vast majority of South African households and entrepreneurs depend on inferior and expensive fuels. Rural women in particular face a heavy burden collecting wood which is an inefficient and unhealthy fuel. Urban households face high costs for paraffin and gas. Coal, where it is available, is cheap but results in severe health problems, an underpaid workforce, and the failure to assess and internalise environmental costs. Although Eskom has excess generating capacity, only 36 per cent of South African households have access to electricity, leaving some three million households unelectrified. Furthermore, some 19,000 black schools (86 per cent) and around 4,000 clinics are currently without electricity. Little attention has been paid to utilising sustainable energy sources such as solar power.

...

2.7.7 **Electricity for all**. An accelerated and sustainable electrification programme must provide access to electricity for an additional 2.5 million households by the year 2000, thereby increasing the level of access to electricity to about 72 per cent of all households (double the present number). Both grid and non-grid power sources (such as solar cells and generators) must be employed. All schools and clinics must be electrified as soon as possible. Communities must be involved in the planning and execution of this programme. Micro, small and medium-sized enterprises must be given support and shown preference in the tendering process.

2.7.8 The electrification programme will cost around R12 billion, with annual investments peaking at $2 billion. This must be financed from within the industry as far as possible via cross-subsidies from other electricity consumers. Where necessary the democratic government will provide concessionary finance for the electrification of poor households in remote rural areas. A national Electrification Fund, underwritten by a government guarantee, must be created to raise bulk finance from lenders and investors for electrification.

2.8 **Telecommunications**

...

2.8.4 The RDP aims to provide universal affordable access for all as rapidly as possible within a sustainable and viable telecommunications system; to develop a modern and integrated telecommunications and information technology system that is capable of enhancing, cheapening and facilitating education, health care, business information, public administration and rural development, and to develop a Southern African cooperative programme for telecommunications.

2.9 **Transport**

...

2.9.5 Public transport. Commuters should be encouraged to use public transport, and should be actively discouraged from using cars (via parking, access and fuel levies). The funds so raised must be used to directly benefit the provision of public transport. As a first priority, rail transport must be extended. Bus lines must act as feeders to rail services, or as prime movers if rail is not available. Taxis must act as feeders to bus/rail services or as prime movers if neither rail nor bus is available. The subsidisation of parallel services along a common route will be avoided.

2.10 **Environment**

2.10.1 Apartheid legislation distorted access to natural resources, denying the majority of South Africans the use of land, water, fisheries, minerals, wildlife and clean air. South Africa's apartheid policies, combined with the underregulated activities of local and transnational corporations, contributed to the degradation of environmental resources, including soil, water and vegetation. They encouraged the misuse of fertilisers and pesticides. They placed workers' lives at severe risk because dangerous practices and substances were inadequately monitored. Poverty and environmental degradation have been closely linked. In general, existing environmental policies allow inefficient and wasteful use of water, energy and raw materials, and high levels of air and water pollution.

...

2.10.10 The democratic government must rationalise environmental legislation into a cohesive and workable form. It must legislate the right of access to information on environmentally harmful practices. It must also require compulsory environmental impact assessments for all large-scale projects. It must establish an environmental ombuds and criminalise environmental offences. It must review and conform with international conventions and agreements on environmental issues.

3.3.11 **Compulsory school education**

...

3.3.11.2 The democratic government must enable all children to go to school for at least 10 years. The 10-year compulsory general education cycle should proceed from a pre-school reception year to the present Standard 7. The government must phase in compulsory education as soon as possible. To achieve this objective we must rebuild and expand our schools. Classes of 50-80 or more students are unacceptable. We must ensure that no class exceeds 40 students by the end of the decade.

4. **Building the Economy**

4.2.1 The fundamental principles of our economic policy are democracy, participation and development. We are convinced that neither a commandist central planning system nor an unfettered free market system can provide adequate solutions to the problems confronting us. Reconstruction and development will be achieved through the leading and enabling role of the state, a thriving private sector, and active involvement by all sectors of civil society.

...

4.2.4 There must be a significant role for public sector investment to complement the role of the private sector and community participation in stimulating reconstruction and development. The primary question in this regard is not the legal form that government involvement in economic activity might take at any point, but whether such actions must strengthen the ability of the economy to respond to the massive inequalities in the country, relieve the material hardship of the majority of the people, and stimulate economic growth and competitiveness.

4.2.5 In restructuring the public sector to carry out national goals, the balance of evidence will guide the decision for or against various economic policy measures. The democratic government must therefore consider:

> 4.2.5.1 increasing the public sector in strategic areas through, for example, nationalisation, purchasing a shareholding in companies, establishing new public corporations or joint ventures with the private sector, and

4.2.5.2 reducing the public sector in certain areas in ways that enhance efficiency, advance affirmative action and empower the historically disadvantaged, while ensuring the protection of both consumers and the rights and employment of workers.

...

4.4.2.1 The key goals of our industrial strategy are a substantial increase in net national investment, especially in manufacturing., job creation and the meeting of basic needs. Through the prudent implementation of macro-economic policies such as monetary policies, and in particular such instruments as interest rates and an increase in public sector investment, gross investment in industry will increase. In general, our objective is to enhance our technological capacity to ensure that as part of the restructuring of industry, South Africa emerges as a significant exporter of manufactured goods. The industrialisation strategy aims at the promotion of a more balanced pattern of industrial development, capable of overcoming the acute over-concentration of industrial activities in certain metropolitan centres of the country.

...

4.4.3.2 A democratic South Africa must rapidly restructure the relationships with neighbouring countries, who import about 20 per cent of our exports. More balanced and less exploitative trade patterns will result in more mutually beneficial outcomes. That will strengthen the Southern African region in its relations with emerging global trading blocs.

...

4.4.6.2 The RDP will introduce strict anti-trust legislation to create a more competitive and dynamic business environment. The central objectives of such legislation are to systematically discourage the system of pyramids where they lead to over-concentration of economic power and interlocking directorships, to abolish numerous anti-competitive practices such as market domination and abuse, and to prevent the exploitation of consumers.

4.4.6.3 The domination of business activities by white business and the exclusion of black people from the mainstream of economic activity are causes for great concern for the reconstruction and development process. A central objective of the RDP is to deracialise business ownership and control completely, through focused policies of black economic empowerment. These policies must aim to make it easier for black people to gain access to capital for business development. The democratic government must ensure that no discrimination occurs in financial institutions. State and parastatal institutions will also provide capital for the attainment of black economic empowerment objectives. The democratic government must also introduce tendering-out procedures which facilitate black economic empowerment. Special emphasis must also be placed on training, upgrading and real participation in ownership.

4.4.6.4 Stable, consistent and predictable policies as well as a dynamic economy should create a climate conducive to foreign investment. The democratic government must ensure treatment of foreign investors equivalent to treatment of national investors. They should abide by our laws and standards (especially with respect to labour), and obtain the advantages available to all investors. The democratic government must develop policies to ensure that foreign investment creates as much employment, technological capacity and real knowledge transfer as possible, allowing greater participation by workers in decision-making.

...

4.4.7.1 Small businesses, particularly those owned and operated by black entrepreneurs, must form an integral part of the national economy and economic policy. Micro producers should develop from a set of marginalised survival strategies into dynamic small enterprises that can provide a decent living for both employees and entrepreneurs. Policies to that end must focus on women, who are represented disproportionately in this sector, especially in the rural areas.

...

4.9.2 Whilst South Africa's trade with its neighbours in Southern Africa constitutes a relatively small percentage of its total trade with the world, this trade has been growing rapidly over the past few years. In addition, a significant percentage of South Africa's exports to African countries that are not members of the Southern African Customs Union (SACU) consists of manufactured goods. Various studies have shown that there is a greater complementarity between the types of goods imported by Southern African Development Community (SADC) and Preferential Trade Area (PTA) countries and the goods that South Africa is exporting.

4.9.3 However, the current trade pattern between South Africa and the sub-continent is unbalanced, as regional imports from South Africa exceed exports to South Africa by five to one. A democratic government must develop policies in consultation with our neighbours to ensure more balanced trade.

...

6.5 **Financing the RDP**

...

6.5.2 The success of the RDP does not only require finance. It also requires labour, skills and coordinated effort in combination with that finance. The six principles allow for this combination by harnessing the underutilised resources of the democratic government, the private sector, labour communities and women, and by utilising these resources in a rational effective way. Only the ANC and its allies are capable of such a programme. Finance for the RDP will come from revenues, issuing debt (including general obligation and revenue bonds) and grants. The largest portion of all RDP proposals will be financed by better use of existing resources.

6.5.3 However, it is clear that government policy and mechanisms of raising finance are crucial to the success of the RDP. If they were to cause excessive inflation or serious balance of payments problems they would worsen the position of the poor, curtail growth and cause the RDP to fail. Government contributions to the financing of the RDP must, therefore, avoid undue inflation and balance of payments difficulties. In the long run, the RDP will redirect government spending, rather than increasing it.

...

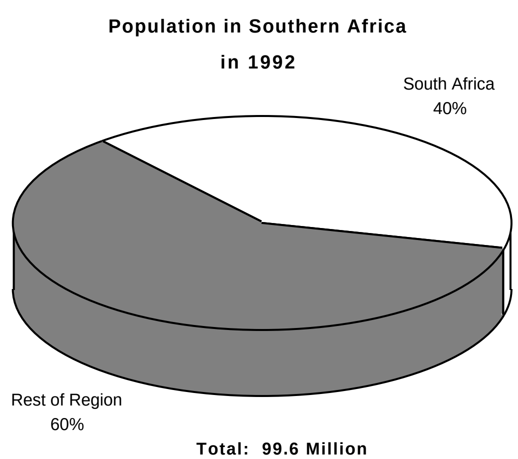
6.5.7 The existing ratios of the deficit, borrowing and taxation to GNP are part of our macro-economic problem. In meeting the financing needs of the RDP and retaining macro stability during its implementation, particular attention will be paid to these ratios. The emphasis will be on ensuring a growing RDP, improved revenue recovery, and more effective expenditure in order to make more resources available. In raising new funds and applying them this process must be facilitated in order to contain these important ratios.

...

7.7 The future is in our hands and we must carry forward the work needed to finally liberate ourselves from the evils of apartheid.

Appendix B

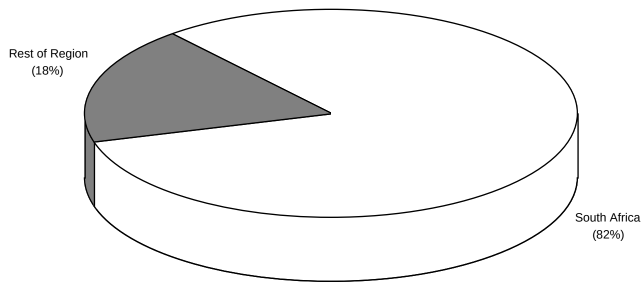
Figure B.1



Source: The World Bank, The Economist Intelligence Unit

Figure B.2

Gross Domestic Product in Southern Africa
in 1992



Total: $140.8 Billion

Source: The World Bank, The Economist Intelligence Unit

Table 1

Basic Economic Development Indicators

	Population 1992, millions	Population 2000, millions	Growth Rate, 1992-2000	GNP per capita $U.S.1992	GDP per capita $U.S. 1992
All Africa	**663.6**	**813.5**	**2.58**	**$643**	**$633**
Sub-Saharan Africa	**543.2**	**673.5**	**2.72**	**$530**	**$373**
Angola	9.7	13.1	**3.83**	$624	$991
Benin	5.0	6.0	**2.31**	$394	$436
Botswana	1.4	1.9	**3.55**	$1,655	$2,643
Burkina Faso	9.5	12.0	**2.96**	$329	$294
Burundi	5.8	7.0	**2.38**	$223	$170
Cameroun	12.2	16.0	**3.45**	$1,028	$852
Cape Verde	0.4	0.5	**2.83**	$801	$913
CAR	3.2	4.0	**2.83**	$398	$391
Chad	6.0	7.0	**1.95**	$192	$208
Comoros	0.5	0.7	**4.30**	$473	$506
Congo	2.4	3.0	**2.83**	$974	$1,173
Côte d'Ivoire	12.9	17.0	**3.51**	$827	$676
Djibouti	0.5	0.6	**2.31**	$1,000	$932
Equatorial Guinea	0.4	0.5	**2.83**	$341	$408
Ethiopia	54.8	67.0	**2.54**	$126	$114
Gabon	1.2	1.6	**3.66**	$3,040	$4,928
Gambia	0.9	1.1	**2.54**	$245	$287
Ghana	15.8	20.0	**2.99**	$398	$436
Guinea	6.1	8.0	**3.45**	$439	$530
Guinea-Bissau	1.0	1.1	**1.20**	$184	$220
Kenya	25.7	31.0	**2.37**	$378	$268
Lesotho	1.9	2.0	**0.64**	$486	$282
Liberia	2.7	3.3	**2.54**	$520	$556
Madagascar	12.4	16.0	**3.24**	$233	$223
Malawi	9.1	11.0	**2.40**	$182	$184
Mali	9.0	12.0	**3.66**	$275	$314
Mauritania	2.1	2.7	**3.14**	$519	$514
Mauritius	1.1	1.2	**1.09**	$2,010	$2,333
Mozambique	16.5	20.0	**2.43**	$83	$58
Namibia	2.0	2.0	**0.00**	$1,060	$1,053
Niger	8.2	11.0	**3.74**	$301	$286
Nigeria	101.9	128.0	**2.89**	$257	$291
Rwanda	7.3	9.0	**2.65**	$327	$213
Sao Tomé & Principe	0.1	0.1	**2.31**	$353	$440
Senegal	7.8	10.0	**3.15**	$675	$805
Seychelles	0.1	0.1	**1.20**	$4,254	$3,300
Sierra Leone	4.4	5.0	**1.61**	$225	$144
Somalia	8.3	10.0	**2.36**	$140	$106
Sudan	26.5	33.0	**2.78**	$483	$453
Swaziland	0.8	1.0	**2.83**	$929	$831
Tanzania	25.9	33.0	**3.07**	$133	$91
Togo	3.9	5.0	**3.15**	$408	$413
Uganda	17.5	22.0	**2.90**	$220	$171
Zaire	39.8	48.0	**2.37**	$265	$201
Zambia	8.3	10.0	**2.36**	$407	$462
Zimbabwe	10.4	12.0	**1.80**	$670	$484
North Africa	**120.4**	**140.0**	**1.90**	**$1,154**	**$944**
Algeria	26.3	31.0	**2.08**	$2,382	$1,356
Egypt	54.7	63.0	**1.78**	$1,001	$613
Libya	4.8	6.0	**2.83**	$1,760	$447
Morocco	26.2	30.0	**1.71**	$447	$1,084
Tunisia	8.4	10.0	**2.20**	$164	$1,649
South Africa					
South Africa	39.8	47.0	**2.10**	$2,200	$2,604

Source: UNDP, *Human Development Report 1993; World Bank, World Development Report 1994;* UNDP and World Bank, *African Development Indicators 1992* .

Table 2

Africa Basic Health Indicators

	GDP per capita $U.S. 1992	Life Expectancy at Birth, years	< 5 Year Female Mortality Rate 1000,1992	Average Daily Caloric Intake Kcal. per capita 1988	Safe Water Accessibility Rate 1992	Health Services Accessibility Rate 1988
All Africa	**633**	**54**	**144**	**2200**	**43**	**59**
Sub-Saharan Africa	**373**	**52**	**160**	**2007**	**36**	**54**
Angola	991	46	200	1725	30	18
Benin	436	51	172	2145	55	49
Botswana	2643	68	37	2269	90	61
Burkina Faso	294	48	186	2061	70	51
Burundi	170	48	165	2253	45	45
Cameroun	852	56	109	2161	44	30
Cape Verde	913	68	48	2436	73	82
CAR	391	47	163	1980	24	65
Chad	208	47	194	1852	57	37
Comoros	506	56	120	2046	40	46
Congo	1173	51	157	2512	38	29
Côte d'Ivoire	676	56	121	2365	69	60
Djibouti	932	49	170	2000	46	47
Equatorial Guinea	408	48	190	1922	22	26
Ethiopia	114	49	194	1658	18	21
Gabon	4928	54	143	2396	66	80
Gambia	287	45	218	2360	62	30
Ghana	436	56	120	2209	60	56
Guinea	530	44	213	2042	52	80
Guinea-Bissau	220	39	224	2690	25	15
Kenya	268	59	95	1973	49	30
Lesotho	282	60	61	2307	47	39
Liberia	556	53	170	2270	50	47
Madagascar	223	51	141	2101	21	41
Malawi	184	44	215	2009	51	27
Mali	314	48	189	2181	11	80
Mauritania	514	48	186	2528	66	40
Mauritius	2333	70	20	2679	100	94
Mozambique	58	44	269	1632	22	27
Namibia	1053	59	79	1889	55	51
Niger	286	46	196	2340	53	40
Nigeria	291	52	174	2039	42	61
Rwanda	213	46	185	1786	69	61
Sao Tomé & Principe	440	68	45	2657	31	26
Senegal	805	49	98	1989	44	75
Seychelles	3300	71	20	2146	85	89
Sierra Leone	144	43	229	1806	39	30
Somalia	106	49	186	1736	36	100
Sudan	453	52	152	1996	34	100
Swaziland	831	57	138	2548	36	37
Tanzania	91	51	139	2151	52	71
Togo	413	55	127	2133	70	30
Uganda	171	43	194	2013	33	41
Zaire	201	52	145	2034	30	83
Zambia	462	48	16	2026	59	90
Zimbabwe	484	60	53	2232	84	40
North Africa	**944**	**64**	**73**	**3011**	**77**	**79**
Algeria	1356	67	66	2726	70	88
Egypt	613	62	80	3213	90	77
Libya	447	63	83	3384	95	90
Morocco	1084	63	69	2820	56	70
Tunisia	1649	68	51	2964	70	90
South Africa						
South Africa	2604	63	63	3035	70	58

Source: UNDP and the World Bank, *African Development Indicators 1992* ; World Bank, *World Development Report, 1994* .

Table 3

Africa Basic Education Indicators

	GDP per capita $U.S. 1992	Adult Literacy Rate, 1989	Primary School Enrollment Ratio 1988	Secondary School Enrollment Ratio 1988	Public Education Expenditure to GNP Ratio 1986
All Africa	**633**	**51**	**71**	**26**	**3.5**
Sub-Saharan Africa	**373**	**50**	**66**	**17**	**2.9**
Angola	991	42	90	27	3.4
Benin	436	23	63	25	3.5
Botswana	2643	74	116	33	9.2
Burkina Faso	294	18	31	6	2.4
Burundi	170	50	70	8	2.8
Cameroun	852	54	111	27	3.0
Cape Verde	913	66	109	16	2.9
CAR	391	38	67	11	5.3
Chad	208	30	51	6	2.0
Comoros	506	34	80	37	6.5
Congo	1173	57	75	39	5.0
Côte d'Ivoire	676	54	85	19	5.0
Djibouti	932	27	46	15	2.7
Equatorial Guinea	408	50	41	10	2.1
Ethiopia	114	45	36	15	3.7
Gabon	4928	61	55	30	4.8
Gambia	287	27	61	16	4.6
Ghana	436	60	73	39	3.6
Guinea	530	24	30	9	3.0
Guinea-Bissau	220	36	53	6	2.8
Kenya	268	69	93	23	6.1
Lesotho	282	73	112	25	3.8
Liberia	556	39	70	33	4.4
Madagascar	223	80	97	19	3.5
Malawi	184	39	72	4	3.2
Mali	314	32	23	6	2.8
Mauritania	514	34	52	16	6.0
Mauritius	2333	75	105	53	3.1
Mozambique	58	33	68	5	3.4
Namibia	1053	55	60	36	1.9
Niger	286	28	30	7	4.0
Nigeria	291	51	62	16	1.4
Rwanda	213	50	64	6	3.2
Sao Tomé & Principe	440	28	138	24	8.0
Senegal	805	38	59	16	4.6
Seychelles	3300	61	72	38	8.5
Sierra Leone	144	21	53	18	3.0
Somalia	106	24	29	8	6.0
Sudan	453	27	59	17	4.0
Swaziland	831	70	105	44	6.2
Tanzania	91	60	66	4	1.7
Togo	413	43	101	24	6.5
Uganda	171	48	77	8	1.5
Zaire	201	72	76	22	0.4
Zambia	462	73	100	19	2.2
Zimbabwe	484	67	128	51	8.5
North Africa	**944**	**52**	**88**	**59**	**5.7**
Algeria	1356	57	96	62	6.1
Egypt	613	48	90	69	5.5
Libya	447	64	91	83	10.1
Morocco	1084	49	67	36	5.0
Tunisia	1649	65	116	44	5.4
South Africa					
South Africa	2604	65	86	52	4.6

Source: UNDP, *Human Development Report 1991.*

Table 4

Africa Fiscal Indicators

	GDP per capita $U.S. 1992	Govt.Expenditure to GDP Ratio 1990	Public Share of External Debt 1989	Subsidy-Transfer Share of Govt.Exp 1987	Net ODA to Recipient GDP 1989
All Africa	**633**	**14.4**	**64.1**	**11.2**	**6.5**
Sub-Saharan Africa	**373**	**14.1**	**68.6**	**7.2**	**7.5**
Angola	991	27.9	n/a	n/a	1.1
Benin	436	10.7	65.5	n/a	9.0
Botswana	2643	20.0	91.4	21.4	4.8
Burkina Faso	294	12.9	85.9	15.8	8.0
Burundi	170	15.0	96.3	5.4	8.1
Cameroun	852	11.7	65.0	5.0	2.7
Cape Verde	913	20.2	95.4	n/a	17.2
CAR	391	13.6	91.6	n/a	9.2
Chad	208	22.9	90.2	1.6	12.6
Comoros	506	30.0	92.6	7.4	15.9
Congo	1173	18.6	48.1	11.2	3.3
Côte d'Ivoire	676	18.0	35.0	n/a	2.8
Djibouti	932	32.4	73.3	n/a	15.8
Equatorial Guinea	408	34.2	91.3	n/a	15.7
Ethiopia	114	26.4	84.5	6.6	6.3
Gabon	4928	19.0	58.9	5.8	3.4
Gambia	287	16.4	89.1	3.0	25.4
Ghana	436	7.5	92.9	9.0	6.7
Guinea	530	11.2	88.9	n/a	7.0
Guinea-Bissau	220	12.6	88.9	2.1	31.6
Kenya	268	18.4	66.4	13.0	7.4
Lesotho	282	26.0	89.5	5.5	14.5
Liberia	556	16.8	68.2	8.0	n/a
Madagascar	223	8.6	88.9	7.3	7.1
Malawi	184	15.5	92.1	6.4	11.4
Mali	314	11.0	96.9	3.9	15.0
Mauritania	514	9.7	89.8	n/a	15.9
Mauritius	2333	12.1	70.6	20.9	2.4
Mozambique	58	20.3	68.9	n/a	42.1
Namibia	1053	26.3	n/a	28.1	1.9
Niger	286	11.6	70.3	6.9	9.8
Nigeria	291	8.2	46.4	6.9	1.0
Rwanda	213	18.4	92.3	13.5	6.0
Sao Tomé & Principe	440	30.4	84.6	n/a	24.1
Senegal	805	14.3	87.9	n/a	11.6
Seychelles	3300	25.5	61.3	12.1	5.1
Sierra Leone	144	9.9	49.9	11.2	7.5
Somalia	106	26.4	90.3	23.8	24.4
Sudan	453	14.2	59.8	n/a	3.7
Swaziland	831	20.7	89.6	12.3	1.9
Tanzania	91	10.0	89.5	9.8	24.3
Togo	413	18.6	81.8	14.1	8.1
Uganda	171	6.8	87.6	n/a	5.0
Zaire	201	8.3	83.5	1.2	4.9
Zambia	462	15.5	64.4	23.2	7.2
Zimbabwe	484	24.3	46.1	31.0	3.9
North Africa	**944**	**14.4**	**61.6**	**20.3**	**3.1**
Algeria	1356	18.2	29.3	n/a	0.2
Egypt	613	10.0	69.2	23.1	4.2
Libya	447	32.1	n/a	n/a	0.0
Morocco	1084	15.9	76.4	11.6	1.7
Tunisia	1649	16.2	69.9	29.2	1.7
South Africa					
South Africa	2604	18.6	17.3	25.2	...

Source: UNDP and World Bank, *African Development Indicators 1992* .

Table 5

Africa Demographic Indicators

	GDP per capita $U.S. 1992	Total Labor Force in thousands	Annual Growth Rate, 1986-90	Female Share of Labor Force, 1990	Female Share of Total Population, 1989
All Africa	**633**	**229,788**	**2.5**	**34.3**	**50.3**
Sub-Saharan Africa	**373**	**197,901**	**2.5**	**37.6**	**50.5**
Angola	991	4,081	1.9	38.6	50.7
Benin	436	2,195	2.2	47.4	50.8
Botswana	2643	446	3.1	34.9	52.2
Burkina Faso	294	4,167	2.0	46.2	50.5
Burundi	170	2,820	2.2	47.3	51.0
Cameroun	852	4,365	2.0	33.3	50.7
Cape Verde	913	141	3.0	29.1	52.9
CAR	391	1,384	1.5	45.7	51.3
Chad	208	1,971	1.9	21.1	50.7
Comoros	506	231	2.5	40.4	50.4
Congo	1173	781	1.9	38.8	50.6
Côte d'Ivoire	676	4,599	2.5	34.2	49.3
Djibouti	932	n/a	n/a	n/a	49.6
Equatorial Guinea	408	182	1.4	39.9	50.9
Ethiopia	114	21,225	2.0	37.4	50.4
Gabon	4928	536	0.7	37.3	50.7
Gambia	287	329	1.4	40.3	50.7
Ghana	436	5,686	2.7	39.7	50.4
Guinea	530	3,097	1.7	39.8	50.6
Guinea-Bissau	220	458	1.4	40.8	51.3
Kenya	268	10,011	3.5	39.9	50.0
Lesotho	282	808	2.0	43.4	51.9
Liberia	556	912	2.4	30.2	49.5
Madagascar	223	5,004	2.1	39.3	50.5
Malawi	184	3,495	2.6	41.2	50.8
Mali	314	2,959	2.6	16.2	51.4
Mauritania	514	679	2.8	22.2	50.6
Mauritius	2333	440	2.4	26.5	50.6
Mozambique	58	8,437	1.9	47.4	50.7
Namibia	1053	537	2.4	23.8	50.2
Niger	286	3,619	2.4	46.7	50.4
Nigeria	291	41,857	2.7	34.8	50.4
Rwanda	213	3,520	2.8	47.7	50.6
Sao Tomé & Principe	440	n/a	n/a	n/a	50.0
Senegal	805	3,192	1.9	39.3	50.5
Seychelles	3300	n/a	n/a	n/a	n/a
Sierra Leone	144	1,438	1.2	32.7	50.9
Somalia	106	2,143	1.4	38.7	52.3
Sudan	453	8,078	2.9	21.9	49.8
Swaziland	831	306	2.3	38.8	50.6
Tanzania	91	12,597	2.9	47.9	50.6
Togo	413	1,396	2.3	36.4	50.6
Uganda	171	8,129	2.8	41.1	50.4
Zaire	201	13,084	2.3	35.5	50.5
Zambia	462	2,644	3.3	29.0	50.7
Zimbabwe	484	3,921	2.8	34.6	50.4
North Africa	**944**	**31,887**	**3.0**	**13.7**	**49.5**
Algeria	1356	5,819	3.7	9.6	50.0
Egypt	613	14,574	2.5	10.1	49.2
Libya	447	1,076	3.5	9.1	47.6
Morocco	1084	7,824	3.2	20.7	49.9
Tunisia	1649	2,594	3.1	24.4	49.4
South Africa					
South Africa	2604	12,434	2.8	35.6	50.3

Source: UNDP and World Bank, *African Development Indicators 1992* .

Table 6

Public Enterprise in Africa

	GDP per capita $U.S. 1990	Number of Public Enterprises 1989	Public Enterprise Share of External Debt, 1989
All Africa	**633**	**2782**	**11.23**
SS Africa	**373**	**2135**	**8.16**
Angola	991	...	n/a
Benin	436	36	26.06
Botswana	2643	48	21.91
Burkina Faso	294	49	4.85
Burundi	170	42	0.52
Cameroun	852	55	10.96
Cape Verde	913	...	20.60
CAR	391	35	11.60
Chad	208	13	7.36
Comoros	506	12	2.28
Congo	1173	82	15.09
Côte d'Ivoire	676	62	4.97
Djibouti	932	19	...
Equatorial Guinea	408	...	0.79
Ethiopia	114	57	13.63
Gabon	4928	32	4.77
Gambia	287	16	1.40
Ghana	436	208	7.15
Guinea	530	27	...
Guinea-Bissau	220	22	0.09
Kenya	268	108	15.38
Lesotho	282	32	2.50
Liberia	556	16	8.16
Madagascar	223	104	13.41
Malawi	184	25	4.48
Mali	314	57	0.51
Mauritania	514	32	17.11
Mauritius	2333	31	18.61
Mozambique	58	...	9.48
Namibia	1053	...	...
Niger	286	23	2.97
Nigeria	291	94	6.69
Rwanda	213	29	...
Sao Tomé & Princip	440	...	...
Senegal	805	87	4.24
Seychelles	3300	35	8.08
Sierra Leone	144	25	3.47
Somalia	106	52	0.78
Sudan	453	38	0.80
Swaziland	831	14	11.56
Tanzania	91	197	4.72
Togo	413	42	3.96
Uganda	171	69	4.17
Zaire	201	40	13.97
Zambia	462	146	12.91
Zimbabwe	484	24	10.23
North Africa	**944**	**621**	**20.07**
Algeria	1356	441	27.55
Egypt	613	...	21.21
Libya	447	73	...
Morocco	1084	107	8.76
Tunisia	1649	...	18.66
South Africa			
South Africa	2604	26	...

Source: UNDP and World Bank, *African Development Indicators 1992* .

Table 7

Africa International Financial Indicators

	GDP per capita $U.S. 1987	Ratio of ODA to GNP, 1987	Exports Debt Service Ratio 1988	Int. Reserves Import Ratio in mos., 1988
Africa	$1,187	11.8	16.61190	4.0
Algeria	$2,633	0.3	77.00100	0.2
Angola	$1,000	4.0	12.00100	0.2
Benin	$665	8.1	5.40100	17.7
Botswana	$2,496	10.1	4.00100	4.6
Burkina Faso	$500	16.2	11.90100	2.9
Burundi	$450	15.3	25.10100	0.7
Cameroun	$1,381	1.7	11.90100	3.9
CAR	$591	16.1	5.90100	1.7
Chad	$400	20.3	2.70100	0.1
Congo	$756	7.0	28.70100	0.1
Côte d'Ivoire	$1,123	2.5	13.00100	1.8
Egypt	$1,357	4.9	13.90100	1.5
Ethiopia	$454	11.8	37.40100	0.4
Gabon	$2,068	2.3	6.20100	2.7
Ghana	$481	7.4	19.70100	0.2
Guinea	$500	6.0	21.90100	1.3
Kenya	$794	7.0	19.40100	1.2
Lesotho	$1,585	29.4	5.20100	0.0
Liberia	$696	6.9	15.00100	5.3
Libya	$7,250	0.0	10.00100	3.7
Madagascar	$634	15.8	39.00100	3.7
Malawi	$476	22.8	17.20100	0.7
Mali	$543	18.6	14.20100	1.5
Morocco	$1,761	2.4	24.80100	1.4
Mauritania	$840	19.0	21.60100	0.4
Mozambique	$500	40.9	7.80100	6.7
Namibia	$1,500	2.0	10.00100	4.7
Niger	$452	16.1	21.10100	1.3
Nigeria	$668	0.3	24.20100	3.2
Rwanda	$571	11.6	9.60100	0.2
Senegal	$1,068	13.6	18.40100	0.4
Sierra Leone	$480	7.3	5.90100	0.6
Somalia	$1,000	57.0	4.90100	1.1
South Africa	$4,981	0.0	4.00100	0.6
Sudan	$750	10.5	9.50100	0.6
Tanzania	$405	25.2	17.10100	4.5
Togo	$670	10.0	18.30100	2.5
Tunisia	$2,741	2.9	24.20100	0.8
Uganda	$511	7.2	14.00100	1.4
Zaire	$220	10.7	6.90100	1.2
Zambia	$717	21.1	14.20100	2.2
Zimbabwe	$1,184	5.0	24.80100	4.5

Source: UNDP, *Human Development Report 1990*; The World Bank, *World Development Report 1990*.

Table 8

Africa Basic Environmental Indicators

	GDP per capita $U.S. 1987	Urbanization Rate, 1988 in ha., 1988	P.Cap. Forest and Woodland 1988	Deforestation Rate per year 1973 to 1988	Per Capita Food Production Index 1979-81=100 1989
Africa	$1,187	41	1.17100	-0.46	93.13
Algeria	$2,633	51	0.20100	1.08	92.64
Angola	$1,000	36	5.58100	-0.17	80.28
Benin	$665	53	0.79100	-1.32	122.44
Botswana	$2,496	33	0.80100	0	68.57
Burkina Faso	$500	12	0.78100	-0.83	113.61
Burundi	$450	11	0.01100	1	88.2
Cameroun	$1,381	60	2.25100	-0.43	95.3
CAR	$591	55	12.79100	-0.03	89.67
Chad	$400	44	2.39100	-0.6	98.22
Congo	$756	50	11.16100	-0.1	96.28
Côte d'Ivoire	$1,123	55	0.49100	-5.51	92.02
Egypt	$1,357	55	0.00100	0	107.13
Ethiopia	$454	17	1.00100	-0.11	88.74
Gabon	$2,068	54	18.18100	0	78.62
Ghana	$481	38	0.59100	-0.8	94.99
Guinea	$500	33	1.49100	-0.88	110.92
Kenya	$794	32	0.16100	-0.78	102.66
Lesotho	$1,585	28	1.18100	0.34	71.66
Liberia	$696	52	0.88100	0	91.7
Libya	$7,250	76	0.16100	1.42	110.34
Madagascar	$634	32	1.33100	-1.01	92.38
Malawi	$476	21	0.53100	-1.28	85.77
Mali	$543	23	0.95100	-0.45	99.38
Morocco	$1,761	56	2.74100	0.04	125.33
Mauritania	$840	54	0.63100	-0.06	87.15
Mozambique	$500	41	0.98100	-0.67	82.47
Namibia	$1,500	66	10.23100	0	92.18
Niger	$452	27	0.36100	-2.09	83.82
Nigeria	$668	43	0.20100	-1.84	94.79
Rwanda	$571	11	0.07100	-0.56	71.66
Senegal	$1,068	44	0.85100	-0.46	103.55
Sierra Leone	$480	40	0.52100	-0.22	87.27
Somalia	$1,000	44	1.23100	-0.55	97.26
South Africa	$4,981	65	0.13100	0.56	93.34
Sudan	$750	26	1.94100	-0.74	82.66
Tanzania	$405	46	1.69100	-0.27	90.02
Togo	$670	33	0.39100	-2.99	92.71
Tunisia	$2,741	59	0.07100	0.93	88.93
Uganda	$511	14	0.33100	-0.72	84.88
Zaire	$220	46	5.15100	-0.11	91.71
Zambia	$717	65	3.68100	-0.31	95.99
Zimbabwe	$1,184	35	2.17100	0	94.29

Source: UNDP, *Human Development Report 1990*; The World Bank, *World Development Report 1990*; FAO, *Production Yearbook 1989*.