THE NATURE AND CONSEQUENCES OF SOUTH AFRICA'S ECONOMIC EXPANSION

by

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Introduction

South Africa is, economically and militarily, by far the most powerful country in Africa south of the Sahara. This means that it is much more than one country among others. It would be bound in any circumstances to exert considerable influence on other African countries, and particularly on those lying below the sixth parallel. South Africa's situation within Africa today, however, is obviously quite unique. Its relations with other countries have been far from normal; and the success of industrialization amidst great poverty raises the danger of economic stagnation. Political isolation and the need for economic expansion have combined to push the government in new directions. South Africa's special situation makes it almost inevitable that it should pursue an aggressive policy of expansion in Africa. This expansionism is bound to become one of the most important issues in African politics.

The purpose of this paper is to examine certain aspects of South Africa's expansionism. I do not wish to review here the details of its present foreign policy; a great deal of the relevant material is common knowledge anyway. The task of gathering it together is best left to a later paper. It seems much more important at this time to try to describe the basic nature of South African expansionism. More important still, one must try to assess the consequences for other countries of the kind of policy which South Africa is presently pursuing. The basic question is whether this policy will assist the development of poor areas in southern Africa. This is the hope that lies behind the favourable reception which South Africa's policy has had in certain countries. We need an analysis which will tell us whether that hope is reasonable or not.

South Africa's new policy towards Africa has two principal strands. One immediate aim of that policy is to expand trade and to increase economic relations with as many countries south of the Sahara as is possible. Thus South Africa is seeking trade agreements, offering loans, investing capital and proffering assistance, etc., in various countries. In this way both government and business are seeking to build normal economic relations with those countries. The second immediate aim of the new

policy is to create a Common Market in southern Africa. This involves a much higher degree of economic integration with surrounding countries. For it means moving, by steps perhaps, towards a general co-ordination of economic policy among the countries involved. This paper will be concerned only with the latter aspect of South African expansionism. For the plans for the Common Market tell us a great deal about what South Africa expects its role in Africa to be. They also tell us a great deal about the prospects for development in the sub-continent as well as in other areas which are likely to come under the influence of a South African bloc of nations.

Countries within southern Africa are very much overshadowed by their powerful neighbour. Many of them are actually controlled politically by South Africa. Certainly they are all dependent upon that country in one way or another. But they have hitherto retained separate political identities. South Africa's plans for the area are carrying politically independent countries towards economic integration. The question we must ask is what this will mean. Will South Africa dominate the area? Will significant economic integration undermine the political independence other countries have managed to hold on to? It is impossible to avoid the suspicion that a proper economic analysis will show that our political categories are quite misleading. And this is nowhere more apparent than in the case of an economic union between weak states and powerful ones.

It is taken for granted here that very little needs to be said about the broad motives behind South Africa's new policy. "Dialogue", explained trade relations, etc., are part of an effort to secure the political _status quo_ in Africa south of the Sahara, to prevent any conflict over apartheid which might undermine that _status quo_. There is a further motive, already mentioned, which may need some explanation. South Africa now has a highly developed, if not altogether self-sufficient, industrial system. But its domestic markets are limited as a consequence of the poverty of the mass of the population. Since the stability of the economy is dependent upon an ability to increase sales of output, economic stagnation is a real danger. The classic solution to this problem, at least for a time, is to expand exports of goods and of capital. South Africa is now attempting to create the political conditions which will make that possible.

The Idea of a Common Market for Southern Africa

A Common Market for southern Africa was suggested by Prime Minister Verwoerd some years ago. It has been discussed a good deal recently. The most systematic exposition of the ideas behind it and the policies for bringing it into being has been presented in the first publication of the Bureau for Economic Policy and Analysis in Pretoria (December 1968). In _The Concept of Economic Co-operation in Southern Africa_, Lombard, Stadler and Van der Merwe discuss the need for planning the development of the economy of the whole sub-continent

They suggest that Malawi, Rhodesia, Zambia, Botswana, Lesotho, Swaziland, Angola, Mozambique, South Africa, South West Africa, and the Bantustans of the Republic should be regarded, for economic purposes, as parts of a single southern African system. This system, which has also been called the "Third Africa", would have an area of 2 million square miles, a population of 45 million, and enormous economic resources.

All of the countries of the projected system are, of course, already linked with South Africa in a variety of ways. But some remain relatively independent politically. Moreover, it is obviously very odd that Zambia should be considered a part of any "system" which might involve political association with South Africa. The loose relations of the present, however, are nothing but a starting point for discussion and planning. The idea put forward by South African experts and politicians is that everybody in the area would benefit by co-ordinated attempts to promote economic development in the whole area. It is therefore in everybody's interests to move towards a much greater economic integration of the various territories. The first step in that direction is referred to as "systematic co-operation". This allows the countries involved to maintain their political independence while working together to achieve development. No country has to surrender any of its sovereignty. All remain free to conclude such agreements as seem profitable to them.

"Systematic co-operation" would therefore involve the conclusion of ad hoc agreements on trade, tariffs, investment, aid, infrastructure, etc. The fact that the whole policy of regional co-operation remains for the present on an ad hoc basis makes the whole idea more attractive to independent countries. It is very doubtful whether the South Africans would get anywhere if they proposed any kind of full economic union for southern Africa at this point. But it is clear that South African planners are aiming at a significant degree of economic integration. They note, for instance, that protection (by tariffs) would have to "take place within a broad overall plan for the sub-region as a whole, with the very positive co-operation of the Republic of South Africa" (LSV, p. 34). Implicitly, the case which is made is one for economic integration.

LSV does not actually propose any full economic union in southern Africa. But it discusses what, in effect, could only be a fairly integrated economic region. It takes the creation of employment opportunities throughout the area as one of the main problems to be dealt with. In a region of very poor countries, action to create employment opportunities everywhere would require a high degree of co-operation. It also discusses the problem of reducing regional dependence on the rest of the world and increasing intra-regional trade. Most importantly, it devotes some space to the problem of a common investment policy for promoting development, and elaborates a number of criteria according to which funds would be guided to the areas where they are needed. The South Africans may pay homage to the niceties of diplomacy. Their real concern,

however, is with working out a coherent policy for promoting a certain kind of development in southern Africa as a whole. They clearly believe, furthermore, that they can persuade or coerce others to co-operate with their plans.

There is already a solid basis for a future southern African bloc. South Africa is to some extent only formalizing arrangements which already exist. Trade within the region is growing rapidly; so is South African investment. Most countries in the region are dependent economically on South Africa. Botswana, Lesotho and Swaziland have no choice but to co-operate. Angola and Mozambique will do so willingly. Rhodesia has chosen the path of South Africa on its own - or at least those who hold power have chosen. None the less, the arrangements proposed by South Africa will produce significant changes. They will lead to a kind of rationalization of economic policies throughout the area. They will undoubtedly help to promote a certain kind of economic growth. They will greatly strengthen the political ties between countries in the area; and a much more unified southern Africa will mean a greatly strengthened South Africa. Will this unification create real dangers for independent Africa?

Alternative Strategies for Economic Development

I ought to say, first of all, what I mean by "economic development". In setting out this definition I am really doing no more than stating the obvious. But this definition is not, in practice, accepted by economists. They tend to equate growth with development. But it is no longer possible to accept this equation as valid - if it ever was. This confusion of the two terms obscures the main issues. The main objective of "development" must be the elimination of poverty in the sense of the lack of basic necessities for the mass of the population in any country. Thus growth with the reduction of income and consumption inequalities becomes the basic criterion for assessing the progress of poor countries. "Development" therefore implies a certain content in "growth".

It must be recognized that there is no such thing as "just growth". The concept of "national product" is shorthand. It is a way of describing the "mix" of goods and services produced in the economy. But any economy can produce different mixes. The composition of output can be of one kind or of another. What goods an economy produces is obviously of crucial importance. It is therefore misleading to talk about growth alone. The important question is what kind of growth takes place. When output grows, it grows in particular ways. Additions to output may mean more of some goods or more of others. It may involve some altogether new goods. Growth thus entails quantitative and qualitative changes in output. Broadly speaking, therefore, we may distinguish different paths of economic growth. An economy may grow in different directions, producing different mixes of goods.

One further point needs emphasis here. The conventional view is that consumers somehow determine what an economy produces. This is arrant nonsense. This idea derives from the so-called "static" theory of value or allocation. (The "static" world is a figment of the economist's imagination.) It cannot be applied to an economy in which growth is taking place. When we look at growth, it is clear that the choice of what to produce takes place in two stages. There is, first, a producer's choice about what kinds of facilities to invest in. This predetermines or limits whatever choices consumers may have. Investment decisions are therefore of crucial importance in determining the directions of economic growth. Producers' choice plays an especially important role in shaping the growth of poor economies today.

There is another factor which is commonly neglected in the analysis of development. The most important element in shaping the growth of an economy, or of a region, is often the social system itself. Most societies are still hierarchically structured. The distribution of income, wealth, and opportunities is unequal. One of the most important material reflections of the "system" in this sense is the distribution of income. The distribution of income defines the initial conditions in which any development strategy must be pursued. These conditions constrain growth in the same way that gravity constrains the flight of a rocket. In a market economy, inequalities in the distribution of income can have a major influence on the composition of output. They can, therefore, shape the path of growth no matter what "strategy" is pursued.

There are basically two strategies for economic growth. The first consists in expanding production facilities for basic necessities before anything else. Such a strategy implies an initial emphasis on heavy manufacturing production to provide such facilities and to create the infrastructure which is necessary for industrialization. For a poor country, this strategy entails considerable self-restraint at the beginning of the effort to "develop". Luxury consumption and unnecessary government expenditure interfere with rapid industrialization. Such a strategy also implies greater attention to domestic production as distinct from production for export. The reward, of course, is that basic consumer goods can easily be made available to everyone. This strategy presupposes a willingness to accept a high degree of equality. Very few countries in the world today are pursuing, or even contemplating, such a strategy. But then the general situation of poor countries is that they are becoming poorer.

The second strategy is a very different one. It is based on the implicit acceptance of a fairly high degree of inequality in the distribution of income and wealth. And this is typical of the poor economies in the capitalist orbit. Since producers sell for profit, they must seek markets where there is spending power from the start. Growth takes place at the point where there is "demand". Production of relatively expensive goods is put before the production of basic commodities for the poor. This kind of growth

involves continuous innovation for a relatively small proportion of the population and the introduction of new consumption goods before the old ones are available everywhere. Once this process begins it tends to feed upon itself, that is, to reproduce itself. Over the long run, all incomes tend to rise but incomes differences remain the same or grow; and many, as in the United States, can be left in poverty.

There are thus two paths of growth which a poor economy may follow. The relevant point here is that the degree of inequality in the distribution of income will have an enormous influence, by an invisible and "automatic" process, in determining which path of growth an economy will pursue. The more unequal the distribution of income, the greater will be the tendency to produce goods for the well-off. In a capitalist economy this tendency is very marked. Resources will be attracted to markets where there is ready purchasing power. More particularly, they will be attracted to the kinds of production which offer the highest profits. Where income distribution is highly unequal, economic growth tends to become polar. The same tendency may be seen in the economic growth of Great Britain today. Consider the case of Scotland and the South-East. Centres of growth tend to attract resources and to grow rapidly. Backward areas tend to lose resources and to stagnate.

There is consequently a strong bias against "development", in the sense in which I have used the term, in any area where there is widespread poverty. Southern Africa is a striking case in point. Resources are not being directed into the production of facilities for providing basic necessities to the mass of the population. This anti-development bias is reinforced by a peculiar characteristic of the capital which leaves wealthy areas seeking profitable employment. As the production of wealthy regions, or poles, increases, they need more and more raw materials. So much of the capital which leaves Europe for Africa and South Africa for, say, Zambia goes into the exploitation of mineral resources, agriculture or raw materials production. This is because, with thriving metropolitan centres as markets, these sectors are highly profitable. But, once again, this tendency sets up a bias against development in the proper sense of the word.

The Structure of the Southern African Economy

Taken as a whole, southern Africa is almost a typical underdeveloped area. It is unusually rich in resources. It is sparsely populated. (The poor countries of Asia are perhaps an exception to the rule.) Yet, it is on the whole quite poor. Only those who live and work in the white enclaves are well off. The typical annual per capita income for a country in the sub-continent is in the order of £25-£30; and that figure does not really reflect the reality of material standards for most Africans in the area. The dominant sector of the economy, with the exception of South Africa, is primary production. The vast majority of the population

live on the land. There is no real industry outside Rhodesia and South Africa; and, with the exception of these areas, the region is economically stagnant. To the extent that production is increasing, it increases for the export market.

The economies of the region have been dominated and shaped by its relations with developed countries. All these countries were colonies until very recently, and their economies have a structure which typically reflects that experience. They have been shaped by the needs of production for the export market and by the intrusion of foreign capital. They are enormously dependent upon exports, and they must import the great bulk of manufactured products and investment goods. Most economies in the region rest on production of very few commodities. Zambia gets 93 per cent of its export revenues from sales of copper. Angola gets 70 per cent of its revenue from coffee and diamond exports. Malawi earns 75 per cent of foreign proceeds from tea, tobacco and oilseeds. What skills and capital these areas have are thus allocated to uses which do little to further development. This happens because the presence of foreign capital has played a crucial role in shaping the regional economy. In many respects the economy of the region is little more than an appendage of the economies of a few western countries.

South Africa, and to some extent Rhodesia, are anomalies in the sub-continent. South Africa's wealth and industry make it much more like Britain or the United States than like Malawi or Zambia. And South Africa's relations with other countries in the sub-continent, and indeed with the Bantustans, are very much like southern Africa's relations with the developed countries. South Africa imports food and raw materials and exports manufactured goods. South African capital flows to the backward areas for the purpose of organizing primary production or setting up facilities to process food or raw materials. In some cases, it creates facilities for producing inexpensive consumer goods. If the essence of neo-colonialism is the domination of newly independent territories by economic power, then South Africa is clearly becoming a surrogate imperial power within southern Africa. Power may be veiled by the categories of economies. But it is there. South Africa already has great influence on countries within the region. That influence is likely to grow.

It will be useful to examine some of the figures which suggest the extent of South Africa's influence in the area. Good data are really quite scarce. There are, however, some estimates of trade and capital flows, and these are probably among the most important channels of influence between the South African centre and the southern African periphery. South African capital, firstly, already plays a crucial role in the sub-continent. According to one recent estimate, the total of foreign investment in the southern African periphery is approximately £550 million (Murray and Stoneman, "Private Overseas Investment in Southern and Central Africa", mimeo. 1970). Most foreign investment in the sub-continent is, of course, in South Africa itself, but a substantial portion is in the

periphery. South African investment in the periphery is almost as large. It probably now totals well over £425 million. (Murray and Stoneman estimate £375 million, but their figures have not been updated.)

The distribution of these investments (direct and indirect) is roughly as follows:

South West Africa	-	£96 million in 1963 (at least £125 million now)
Rhodesia	-	
Zambia	-	£245 million in 1966 (at least £280 million now)
Malawi	-	
Angola & Mozambique	-	£10 million (a low estimate)
Botswana, Lesotho & Swaziland	-	£25 million

The estimate of a total of £425 million probably errs on the side of conservatism. It assumes little disinvestment in Zambia and Malawi, and a compensating growth of new investments which brings the annual increase for the former Federation to 4 per cent per year. South African investment in Rhodesia has probably increased much more rapidly. South African assets probably represent a significant portion of the total of productive assets outside the subsistence sector of the sub-continent. This means that South Africa, through national and multi-national enterprises, has significant control over the use of local resources in the periphery. South African companies can have considerable influence over the rate and pattern of investment in most parts of that periphery. This means that the nominally independent governments of the periphery must treat South African interests with care. And that is putting it rather mildly. But it gives some idea of the concrete meaning of dependency

The countries of the periphery are also dependent upon South Africa for imports and exports. The region's trade is, of course, oriented towards developed countries. Intra-regional e exports are only 28 per cent of the sub-continent's exports to the rest of the world. Intra-regional imports constitute only 25 per cent of the sub-continent's total imports. Within the region, however, South Africa holds a dominant position. Malawi, Zambia, Botswana, Lesotho, Swaziland and South West Africa are heavily dependent upon the Republic for imports. Rhodesia, Lesotho, Botswana, Swaziland and South West Africa are heavily dependent upon export markets there. In other words, the countries in the periphery are closely tied to South Africa by their trade needs. The principal exceptions are Angola and Mozambique. This gives the Republic considerable leverage over the governments in question. Doubters need only consider what happens in Canada when the United States government threatens to change tariff arrangements on manufactured products.

What is perhaps more important is that the content of trade between South Africa and the periphery reflects the typical pattern of relations between developed and underdeveloped areas. South Africa is an industrial power. Its exports to the developed countries do not yet reflect this new status. They still consist, to an important degree, of primary commodities. South Africa's trade with Africa, however, and with the periphery in particular, is very much a part of the usual pattern. It exports manufactured goods, machinery, and transport equipment. In return, it receives food and raw materials. The export lists of Mozambique, Botswana, Swaziland and Zambia are typical of those in countries on the periphery.

Botswana	- cattle (carcasses), hides, meat extract
Mozambique	- cashew nuts, cotton, sugar, tea, copra, petroleum products
Swaziland	- iron ore, sugar, asbestos, wood pulp, citrus fruits, meat
Zambia	- copper, zinc, lead, cobalt, tobacco.

This significance of this pattern is not difficult to grasp. The continued specialization of the periphery in primary production is an obstacle to development. So trade relations with South Africa, the expansion of which will reinforce that obstacle, stand in the way of that qualitative shift in the pattern of production which is necessary for "development".

One further point about the present pattern of trade in the sub-continent needs particular emphasis. The history of trade between rich countries and poor shows that the terms tried between the two have caused great losses to the latter. The prices of manufactured exports have tended to rise continuously. The prices of primary exports, on the other hand, have tended to decline more or less continuously. The trend, from the point of view of the poor countries, has been towards a continuous deterioration in the terms of trade; and this has meant real losses. UNCTAD has estimated that the poor countries have lost hundreds of millions of dollars every year as a result of these price movements. Over a ten-year period, it has been estimated that these losses were equivalent to more than 40 per cent of all the aid granted to poor countries. Expansion of present trade relations between South Africa and the rest of the sub-continent does not, in consequence, offer any great hope for accelerating the development of backward areas. On the contrary, it might well slow down development, through its financial consequences as well as by its effects on the structure of production.

Migratory labour obviously plays an important role in the sub-continent's economy. Hundreds of thousands of workers from the periphery work in South Africa. Rhodesia has nearly three hundred thousand migratory workers. In 1960, according to Ken Owen, foreign Africans constituted nearly 8 per cent of the total African population of South Africa. Nearly 40 per cent of the workers in the gold mines and in the coal mines in that year were foreign

Africans. More than 7 million "non-residents" now live and work in white South Africa. This enormous migration of labour is clearly a reflection of the poverty in the periphery, where there are very few jobs to be had. It also reflects an important degree of dependency on the part of the periphery, for the income of countries in the periphery is derived in part from the remitted earnings of migrant workers. Malawi, for instance, is able to generate no more than 64 per cent of its national income by local production. In other words, many countries can scarcely afford to do without the earnings provided by migrant workers. And this will be true even in the case of Mozambique, which derives 7 per cent of its national income from migrant earnings. The livelihood of such countries is thus dependent on a pattern of labour use and on fiscal arrangements which are largely determined by South Africa.

This description of the structure of the sub-continent's economy gives some idea of the way in which obvious differences between South Africa and the periphery affect the pattern of economic activity in the whole area. Flows of capital give South Africa control of resources in the periphery. The pattern of trade flows tends to impoverish the periphery. The pattern of labour flows enriches South Africa and deprives the periphery of some of its resources, indeed of the great bulk of skilled and semi-skilled workers. These differences are all reflections of differences in wealth. And, in the final analysis, it is these differences which will be the determining factor in shaping the pattern of development in the whole area. The mass of the African population live in poverty. The monthly per capita income of whites in South Africa is twelve times that of the average African. The population of the reserves within South Africa is probably living on the border of starvation most of the time. Average per capita income in the periphery is probably less than that of the average African in South Africa. (That is a statistical average.) The economy of the sub-continent, in other words, is a classic dual economy. And in assessing the prospects for "development" it is necessary to recognize that this is the context in which the development effort will be made.

The Recent Pattern of Economic Growth in the Sub-Continent

In recent years foreign capital has been moving rapidly into the sub-continent. Much of this capital has entered as direct investment. That is, foreign corporations have gone into production there themselves, or in partnership with local capital. It is primarily the large multi-national corporations which have been undertaking new investment. The importance of small-scale enterprise has declined, particularly in the fields of finance and merchanting. The regional and sectoral pattern of this investment provides some indication of what is likely to happen in the area in the future. If the sub-continent becomes more fully integrated, market forces will play a paramount role in shaping the pattern of development. The future will not bring any great qualitative changes. The future pattern of investment, which is one of the decisive

factors in development, is likely to be very much like the pattern of the last decade. So that experience is worth examining.

It is obvious that, over the last decade, the great bulk of investment in the region has gone to South Africa. By 1968 foreign investment in South Africa had reached £2,319 million. These figures include investment in the former High Commission Territories, but the figures for those areas are very small. The figures for the remaining countries in the periphery are not altogether reliable. But it is unlikely that foreign investment there was in the order of £550 million, as indicated previously. Thus, foreign investment in South Africa was between 80 and 85 per cent of the total foreign investment in the sub-continent. It is difficult to say whether this proportion has been changing in recent years, but it is not likely that it has. If anything, a larger proportion has probably been flowing into South Africa. The centre, in other words, has probably become relatively more attractive during the last decade. There are some signs that this may be changing slightly. The changes, however, would be marginal ones which would not really affect the relative economic power of the periphery vis-à-vis South Africa.

The sectoral pattern of investment tends to confirm one's suspicions about the way the logic of the market place tends to work itself out in an area like southern Africa. Within South Africa, there has been a relative decline of mining. Foreign investments have gone increasingly into the manufacturing sector. Most United States investment, for instance, has been in manufacturing. In the periphery, foreign investment has been concentrated in primary production, and particularly in mining. In Swaziland, it has gone into the exploitation of coal and asbestos. In Botswana, it has gone into copper and nickel. In the Portuguest territories, foreigners have been interested chiefly in diamonds and petroleum. In Mozambique, a good deal of foreign investment has gone into sugar as well. Some countries have begun to develop their tourist resources with foreign capital. In almost every case, however, foreign capital has tended to build on the existing situation. It has concentrated on those sectors in which a country already has a "comparative advantage". This tendency has the effect of reinforcing the pre-industrial structure of the periphery economies.

There has, obviously, been an increase in manufacturing investment in the area, and especially in South Africa. But much of this investment fails to contribute to "development". For within the manufacturing sector investment has been of two kinds. It has gone towards the construction of facilities for primary product processing and towards creating a capacity for import substitution in light industries. In the former case, it has the effect of strengthening to a certain extent the tendency to concentrate on primary production. It does not lead to a qualitative shift of production. In the latter case, it provides capacity for production for a very narrow market. The basic importance of heavy industry is that it takes one along a real "development" path of growth. The pattern of investment taking

place in southern Africa is one which reflects more than anything else the enormous relative spending power of the white population and the pull of foreign markets in developed countries. These are the two forces which are shaping development in the area. And they are producing a typical polar pattern of economic growth.

South Africa's Plans for the Development of the Sub-Continent

At the present moment the discussion of plans for the future runs in terms of a series of ad hoc agreements on various economic questions between countries in the sub-continent. It is not clear what is meant to come immediately after this stage of more intensive economic co-operation. LSV, for instance, provide no more than a sketchy idea of the meaning of fuller economic integration in the middle run. Over the long run, however, it is clear that South Africa intends to attempt some kind of indicative planning for the area. The principal ultimate objectives seem to be a common investment policy and co-ordinated public expenditure. The South Africans have not stated at all clearly what policy instruments they intend to employ in order to achieve these objectives. The question we are concerned with, however, is whether the sorts of plans alluded to will promote development in the backward areas. For that purpose we may assume that the South Africans succeed in implementing some form of planning and that investments in the region begin to conform to some sort of coherent design. We may then look at the consequences of the "best solution" put forward by South Africa.

The South African Government says that it wishes to promote the development of the whole region, and in particular that it wants to create jobs in the periphery. So far, they have not really addressed themselves to the analysis of that problem, except in a rather propagandistic way. The analysis which is available suggests that they have set themselves a much more modest goal. And they define the problem confronting the sub-continent in a most interesting way. What "economic transformation", LSV ask, does the sub-continent need? (p. 34) They begin by describing the present regional pattern of activity as one of exchanging labour for goods which the Republic imports from the rest of the world. The periphery, in other words, imports simple manufactured commodities or capital goods. It earns the means to pay for these by sending labourers to South Africa. The means for making the goods exported from South Africa must be imported from abroad. In some cases the goods themselves, perhaps in a less finished state, must be imported from Europe or the United States.

The "target", LSV say, is to change this intra-regional pattern of activity. The present pattern is not a desirable one. The "desirable pattern would be one which increased the intra-regional flow of goods at the expense of labour migration and trade with the rest of the world. In other words, South Africa would like to reduce the imports of all countries in the region from the rest of the world. The sub-continent would become more self-sufficient. At

the same time, South Africa would export to the periphery more of the goods which now have to be imported from abroad. In return, it would take more of the commodities which the periphery can export. And it would take a sufficiently larger quantity of those goods to permit the repatriation of migratory labour whose earnings presently finance peripherey imports to an important extent. Such a programme might well involve creation of more manufacturing capacity in the periphery. But it would be the kind of manufacturing capacity which has been so important in the past decade. It would, almost inevitably, be complementary to primary production in the periphery, although there would inevitably be some increase in light manufacturing capacity.

This is not exactly a plan for the development of the sub-continent. It is a plan according to which South Africa would take over a good deal of the economic space which European countries and the United States now occupy in southern Africa. South Africa would increase its exports of manufactured commodities and increase its imports of primary commodities and semi-finished products. This would mean, essentially, a "turning inwards" towards South Africa of the countries on the periphery. It would mean only a marginal shift or change in the structure of production in other countries of the sub-continent. It would certainly not mean what all poor countries crave, an enormously expanded market for the export of manufactures. There is almost no industry in the periphery. What industry there is certainly cannot compete with South African industry. And as long as there are such enormous differences in economic power between the two poles of the sub-continent, it is exceedingly unlikely that the logic of the market place will lead anyone to expand the manufacturing capacity of the periphery significantly.

These facts are implicit in the way in which official South African sources describe and analyse the problem of developing the sub-continent. What is implicit in that analysis is confirmed by any scrutiny of the principles on which the future common investment policy of the sub-continent is supposed to be based. The basic principle is to be "comparative advantage". Planners must give special consideration to "the cost components which would indicate the relative comparative advantage (or comparative disadvantage) of location in the underdeveloped areas in comparison with location in the metropolitan areas of the Republic (LSV, p. 37). This is the constant theme in the official analysis. Other criteria for selecting areas of priority investment are: (1) "the demand aspect, that is some idea of the elasticity of demand for the particular product", and (2) "the availability of capital". These are fairly common criteria for the selection of investment projects anywhere in a market economy.

Conclusions

The question posed at the beginning of this paper was whether the kinds of plans which South Africa is apparently

considering would, in the context of southern Africa, really lead to the development of the sub-continent's backward areas. The decisive influences in the outcome must be the present distribution of income and wealth and the pattern of investment spending in the future. The most marked characteristic of the area as a whole is the skewness in the distribution of income and wealth. It is doubtful whether there is such an unequal distribution of income anywhere in the world. Furthermore, those at the bottom end of the income distribution live in poverty, in absolute terms. This means that the mass of the people have almost no purchasing power in the market. South Africa might be proposing a strategy for development which would change that situation. But all indications are that it is not. It is pursuing a strategy for growth but not development. And most of the growth will take place in South Africa. In other words, in the present context, the pattern of spending proposed for a hypothetical common investment policy will produce more or less the same results as the influx of foreign investment in the last decade. It will increase the gap between the rich and the poor in the area. In other words, the countries on the periphery have a great deal to lose in an economic union with a powerful industrial country like South Africa.

South Africa, on the other hand, has a great deal to gain. Some kind of economic union would undoubtedly be a stimulus to growth in South Africa. Industry in the centre is already beginning to export important quantities of manufactured goods to Africa. Total exports to the continent in 1968 were more than 270 million Rand. Two-thirds of that amount went to countries in the periphery and consisted mainly of manufactured commodities and machinery of various kinds. Countries on the periphery are still importing large amounts of the same kinds of goods from Europe and from the United States. Consequently, the reorientation of trade which South Africa proposes would open up major new export markets for its industry. South Africa would also make important gains through movements in the terms of trade. And the probable surpluses on its balance of payments with the periphery could be used to finance the exploitation of those primary commodities of which its growing industry needs ever greater quantities. And, once again, the effect of this kind of expansion of trade and investment in the area would be to increase the pressure for specialization in primary production and complementary activities in the periphery.

What is even more serious is that all these economic trends would greatly increase the dependency on South Africa of periphery countries. The presence of important foreign capital interests in a poor country can never be ignored. Neither can tariff arrangements or the continuity of flows of trade. The expansion of economic relations, the creation of some kind of economic union in southern Africa, would give South Africa considerable leverage on those countries in the area which retain some degree of political independence. Obviously, the degree of dependency would vary from country to country; but, on the whole, countries would find themselves faced with a very difficult situation. Greater economic dependency vis-à-vis South Africa would make them politically very vulnerable. South Africa is seeking closer

association among the nations of the area because it knows that its power will make it possible to exercise an important influence over them. That is the point of the whole exercise. The ultimate aims of the new economic plans are political. The Common Market was originally to be the prelude to the establishment of a Community of Southern African States. The success of co-operation for "development" would undoubtedly lead to the kinds of results described by Rhoodie. "On its part South Africa dominates the Third Africa to the same, if not a greater, extent than the United States enjoys pre-eminence in the Americas" (The Third Africa, p. 3). That is scarcely a happy prospect.

The implications of the plans considered here, however, reach beyond the sub-continent. The results of economic union would undoubtedly help to consolidate South African power. From the economic arrangements in view, new political agreements, and especially military ones, would undoubtedly follow. By strengthening South Africa and weakening the periphery, the Common Market would undoubtedly help to protect the Republic against any attempts to eliminate apartheid. The implementation of these plans would be a menace to the political stability of those states which oppose apartheid and which assist the national liberation movements in the sub-continent. And the principal countries in question, which are now attempting to form a northern alliance, sit at the edge of the Third Africa. It is scarcely an accident that Zambia is included in the usual list of "potential partners" in the Common Market.

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