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Intereconomics

Suggested Citation: Cohn, H. (1967) : Rhodesia—A beginning, not an end, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 02, Iss. 4, pp. 101-103, <https://doi.org/10.1007/BF02927675>

This Version is available at:

<https://hdl.handle.net/10419/137728>

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Rhodesia — a Beginning, not an End

By Dr H. Cohn, Port Elizabeth

An embargo is an old, but not always proved instrument of trade policy. In their original sense embargo measures served the prevention of deliveries of militarily important goods to belligerent countries, and thus had a passive and neutral character. Later on, however, they were increasingly used as an economic means of pressure for active prosecution of political objectives. So after World War II the USA e.g.—and under its influence other Western countries—for political reasons, applied embargo measures to restrain trade with East-bloc countries. The strict embargo policy, however, failed owing to the opposition of interested economic circles and the consequent expansion of East-West trade by the socialist countries. Today the further maintenance of embargo lists for deliberations predominantly in the field of defence policy is still disputed as regards its suitability. The embargo against Rhodesia recently decided on by the UN is the application of commercial discriminations as a political means of coercion on a worldwide basis. The following article deals with the impacts and long-term consequences of this massive embargo policy.

If one wishes to get a clear view of the Rhodesian situation and its consequences for the future of Southern Africa one must in the first place seek an answer to the following questions:

1. To what extent have sanctions affected Rhodesia's economy and future ways of economic thinking?
2. Is a return to the "status quo" still possible?
3. Which new economic developments are likely to result from the established facts?

The Present Situation

It is rather difficult to give a complete picture of the effects of the sanctions on Rhodesian economy as a whole, as these effects are cleverly hidden away by the present rulers of Rhodesia. One can only judge by compiling certain facts and drawing logical conclusions. By doing so the position appears to be as follows:

Rhodesia's main export article is tobacco. In 1965 tobacco earned £47 million out of total domestic exports of £149 million, by far the highest revenue of all goods produced in the country. It is absolutely unknown, how tobacco exports have developed in 1966, but indications are that at least half the crop is unsold and in storage. Rhodesians admit that in their opinion between 30 and 40 % of the crop has been disposed of and that there may be a £5 million gap between foreign exchange receipts and the £25 million-odd paid to the farmers. As far as 1967 is concerned, the Rhodesian Minister of Agriculture, Mr George Rudland, has announced, that tobacco farmers may produce a crop of up to 200 million lbs of flue-cured Virginia with the Government guaranteeing prices resulting in an average of 28d a pound,

an announcement which has been received with satisfaction. It is however impossible to maintain the present system of Government subsidy indefinitely and farmers are already thinking in terms of diversification, that means, in planning supplementary uses of their land. Whether Rhodesian tobacco farmers will ever be in the position to recover their former markets after the lifting of the sanctions, must be considered doubtful, and will depend to a large degree on the duration of the present situation. It would in any case take a long time, till the pre-sanctions status has been reached again and that means, that the country's main source of income has been endangered for years to come.

The manufacturing industry which provided £57 million of Rhodesia's foreign exchange in 1965 with its various articles, is another significant sufferer, as it exported mainly to Zambia. Zambia took in 1965 only 65 % of its 1964 purchases and the fact, that there were additional sales of £4 to £5 million to South Africa and Malawi, could not make up for this loss. Although there are big announcements in the daily papers concerning expansions of existing factories and establishments of new plants, Rhodesia's industrial production cannot even cope with the present diminished markets. To quote only one significant example: Few clothing companies have managed to take up their full duty-free allocations for clothing exports to South Africa, and this in a time, when everything depends on earning foreign exchange to the greatest possible degree.

Meanwhile Rhodesian immigrants are streaming in to South Africa on a scale never experienced before. In the first ten months of 1966, 3,854 Rhodesians entered

the Republic and to this figure must be added a further 442 who arrived as visitors and decided to stay on. The 1965 total of Rhodesian immigrants was 3,494. It is expected, that the year 1967 will result in further immigration records from Rhodesia.

Despite the availability of cash and the growing scarcity of goods, there has so far not been a demand inflation to speak of. The retail price index climbed only from 106.7 to 110 over the year ending October 1966. There is, however, no doubt, that conditions are now ripe for inflationary pressures which could easily develop into a major economic problem.

Opinions vary about the possible outcome of the present situation. Many Rhodesians seem to indulge in wishful thinking. They feel, that South Africa will be at their disposal as a source of essential supplies as well as a replacement market for exports—and this will substantially frustrate the objective of worldwide sanctions. Furthermore one reckons, that enthusiasm for sanctions in countries like France, Japan, Italy and West Germany, where it never was overwhelming, will wane as time passes on and Britain will be compelled to live with the unsolved Rhodesian problem the same way, as with the Arab-Israeli tension in the Middle East, or the two Chinas in the Far East. A boycott of South Africa as a result of the Republic's friendly attitude towards the Smith Government is considered only as a remote possibility, as this would be a rather costly matter. Besides this South Africa has a navy and blocking South African ports could easily lead to a shooting war.

The Rhodesian conflict may end the one way or the other, one fact appears to be beyond any doubt, namely that a return to the status quo is absolutely out of question. Rhodesian feelings towards Britain were running high in the last few years, and many radical-wing businessmen may refuse to do business with Britain. Besides this the country was leaning heavily on the South African Republic, and South Africa has by now a firm foothold on the Rhodesian market. South African made articles will definitely replace importations from Britain in many a respect.

Altogether it can be stated, that sanctions had a devastating effect on Rhodesian economy and that an extended siege would mean its final ruin. Yet—out of these chaotic conditions—the outlines of new economic developments are clearly showing up on the African horizon. Rhodesia may not be an end, but a new beginning.

South Africa's Attitude

Two solutions of the Rhodesian question are possible: either Mr Smith may have his way and Rhodesia remains a white country, or he may be compelled to give in, in which case the country will be ruled by its black majority in time to come. In both cases South Africa is the "tertius gaudens". A white Rhodesia will depend to a large extent on South African help

to rebuild its economy, and a black Rhodesia still more. Everything what happens at present in Southern Africa, goes in favour of the Republic which is about to build up a most powerful economic empire.

South Africa's position is marked by the fact, that it is the only highly industrialised country in the Southern part of the Continent. Although South Africa's population constitutes only 6 % of the population of the entire Continent and its country only 7 % of the territory of Africa, it produces 60 % of the electric power used in Africa and 20 % of the Continent's industrial output. The country's economic status gives it the possibility of being the undisputed leader within the framework of the new structure which is going to emerge from the ruins of today's Southern Africa.

In the first place: South Africa lives already in customs union with the former British protectorates, Lesotho, Botswana and Swaziland. If Rhodesia should become a "black" country, it would be the fourth "satellite" country of South Africa, economically depending on the Republic. To South African politicians it therefore should hardly be of importance, how events will turn out in Rhodesia, as the advantages of any solution would be their country's advantages—if the question of "apartheid" wouldn't be involved. A defeat of Rhodesia would mean a defeat for South Africa and at the same time an encouragement for the African states, to carry on their struggle—and this is the reason for South Africa's attitude. It would like to see a European-ruled Rhodesia as a member of the economic entity which is bound to come, but it also would be prepared to accept a black Rhodesia, if it had to.

In a few words, events are pointing towards a common market of Southern Africa. This is definitely not a new idea. Already the late South African Prime-Minister Dr H. F. Verwoerd was well disposed towards an organisation of this kind and the South African Minister of Mines and Planning, Mr J. F. W. Haak, explained his views concerning this subject in the "Wanderers Club", Johannesburg, as early as 1965. In 1966 a prominent South African economist and at the same time economic adviser to the Rhodesian Government, Professor T. Sadie, resumed the discussion and asked the South African Government to take the initiative. The most interesting contribution to the subject of the "common market" was however made by the South African Minister of Economic Affairs, Dr N. Diederichs, when he addressed German financial and economic writers at a luncheon in Hamburg during his visit to Germany in January. After stressing the necessity of doubling the present gold price, the Minister declared his Government's preparedness to give a percentage of a future gold price rise to underdeveloped states, starting with Africa. Bilateral trade agreements which he was prepared to conclude with any African state south of the Sahara, would lead to closer economic co-operation, but the prospect of a "common market" was still a long way off and

confined for the present to states in the vicinity of the Republic.

The "Common Market" Idea

Dr Diederichs' generous gesture was in all probability without any practical consequences, as an increase in the price of gold seems to be a rather remote possibility in view of Britain's and America's attitude. It is, however, interesting, that the Minister mentions the "common market" idea in this connection and evidently considers it the only possible long-term solution of the African question. By saying, it would be confined for the present to states in the vicinity of the Republic, he certainly thought in the first place of the former British protectorates, the more, as there exists already a customs' union between these states and the South African Republic which easily could be extended into a common market. Dr Diederichs went, however, still further by saying, his trade-agreement offer would not even stop at Zambia and Malawi, thus extending the common market idea to these countries as well, when the time was ripe for it. This is a clear declaration of what Dr Diederichs expects of the future. Rhodesia's economic struggle may accelerate this development considerably, the more, as Rhodesia is also in the "vicinity" of the Republic.

Dr Diederichs' offer to help the under-developed African states is also not the first one of its kind, except for its connection with the gold price. In fact, the poverty of the African states which would be partners in a common market of Southern Africa must be considered one of the main reasons, why the prospect was still "a long way off". Practically all these countries are agricultural territories with populations living under rather primitive conditions. Exporting agricultural products is at present still the main source of income of these states, and there are no reserves of foreign exchange at their disposal. It must be admitted, that they are making genuine efforts to raise the standard of living of their populations. Just Malawi, mentioned by Dr Diederichs in his Hamburg speech, constitutes a typical example. The country is short of natural resources which could be exploited and also of foreign exchange. The budget can only be balanced by a massive grant-in-aid from Britain which in 1966 amounted to £ 5.3 million, and only 130,000 people out of a population of nearly 4 million are in paid employment within the country, while another 200,000 are working elsewhere. Against this almost totally undeveloped background Dr Banda embarked on a five-year development plan with the result, that agriculture—because of the use of more advanced farming methods—has already improved considerably and that new industrial ventures have been started. This, of course, is only a beginning, but it proves, that the "under-developed" African countries can be made valuable partners of a common market of tomorrow. What these countries need are not only loans, but modern machinery and technical advisers as well. All these needs South Africa can supply and is prepared to supply.

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Dr Diederichs mentioned in his speech, that South Africa wouldn't concern itself with the domestic policies of other states. He can base this declaration on the fact, that South African export to the "boycotting" African states has at present a value of R 13 to R 15 million per annum without including Zambia and Malawi. Economic realities have proved stronger than ideological differences.

Experts' views differ about the question, how a common market of Southern Africa could be made a reality. As initial partners are South Africa, Botswana, Lesotho and Swaziland as well as South-West-Africa, Rhodesia, Angola and Mozambique in question. Zambia which leans at present on the Congo, may form with the Central African territories a community of interests similar to the former "Federation", what does not exclude the possibility of these countries joining the common market at a later date. In any case: The common market of Southern Africa would comprise a population of 35 million, sufficient to justify its existence.

This is, however, as Dr Diederichs said, "a long way off". For the time being it can be considered a certainty, that Rhodesia will depend economically on the Republic of South Africa to such an extent, that it will have more or less the status of the former British protectorates, irrespective of how and when the present struggle will end.