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## African economy in the melting pot

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ideal limit. In spite of the many problems that such a comparison raises<sup>2</sup> an attempt will nevertheless be made in this analysis to investigate the relative position of the donor-countries viewed from this angle. What strikes one is that aid allocations have risen on average in absolute terms, but have declined relatively. If one looks at the aid allocations from the point of view of what proportions they represent of national incomes, the donor-countries appear in an order that is very different from the usual list. If one considers official net aid alone, France retains its first place, although its contributions, expressed as proportion of the country's national income, have

<sup>2</sup> H. W. Singer, *International Aid, Targets, Commitments Realities*; in *Intereconomics* No. 2, February, 1968.

steadily decreased (1.76 per cent in 1962; 0.95 per cent in 1966). The next two countries are the USA and Great Britain (both 0.60 per cent in 1966), then follow: the Netherlands (0.55 per cent), the Federal Republic of Germany (0.54 per cent) and Italy (0.24 per cent).

An entirely different order results if one takes total net aid (from all official and private sources together) and compares it with the national income of the country concerned. The resulting order is then as follows: France (1.70 per cent); Netherlands (1.49 per cent); Italy (1.28 per cent); Great Britain (1.16 per cent); Federal Republic of Germany (0.81 per cent); and USA (0.76 per cent). (All figures relate to 1966).

## **Economic Development**

# **African Economy in the Melting Pot.**

by Dr Hans Cohn, Port Elizabeth

**T**he year 1967 was a year of important developments for the entire African continent. In the first place: South Africa has sent troops to the Zambesi river thus extending the frontiers of what is called „white supremacy“ from the Limpopo north to the Zambesi. This is now the frontier the South Africans and Rhodesians chose to defend. Secondly: The „Six-Day“ war between Israel and the Arab states has brought the proof that the North African states belong to the Arab world. Their problems are Arabic problems and have nothing in common with the problems of the African continent. As a result of these facts many African realists mean the land south of the Sahara and north of the Zambesi, if they speak of Africa.

They are right to exclude the northern territories which according to their history and culture are most definitely parts of the Arab community. It would be however a great mistake, to cut off the southern part of Africa because it is not ruled by Africans but by Europeans, and because it is dominated by an ideology which is contradictory to the principles applied in other parts of the African continent. In fact, a good deal of trouble and hardship could have been avoided, if the southern part of the continent would not have been considered a separate entity right from the beginning by most of the rulers of the newly established „black“ states. The mere fact that South Africa's trade with these states is increasing from year to year despite trade boycotts and official threats, proves beyond any doubt

that black Africa needs the southern countries very much more, than South Africa needs them.

### **Right Industries to the Right Spots**

The African states are undergoing the big change from primary producers to industrial countries, their economies are in the melting pot and the future of some of them appears rather dark. Their main problem is not only how to attract industries, but how to attract the right industries to the right spots, and this is very much more difficult, than to interest overseas' investors in general. The new „black“ states, all of them former colonies, are still products of their past, although they may not like this idea. Some of them are more industrialised, some less, and the more industrialised ones are attracting new industries to a very much larger extent, than their less advanced neighbours. This is one of the reasons for the grave difficulties of the two common markets existing on the African continent, the East African common market and the Union Douanière et Economique de l'Afrique Centrale. One cannot establish new industries in places which are absolutely unsuitable, only because that particular state needs them. The trade balance of a common market comprising one highly industrialised state and some less advanced ones, will always be in favour of the highly industrialised state. This is South Africa's main reason for postponing the idea of a common market in Southern Africa. The South African Government waits till Botswana, Lesotho, Swaziland and the other „black“

states in question are sufficiently advanced to be full scale partners of a common market and meanwhile helps them to achieve this goal.

The industrialisation of the "black" states is mostly being performed by overseas' investors, in fact, there seems to be an investment race amongst the leading nations of the world. Not only the West, but also the East is interested in gaining influence on the "black" continent. Only a short time ago an agreement has been signed in Kampala between the "Uganda Development Corporation" and the Soviet Union for a £4.2 million cotton spinning mill to be built at Lira. Most of the newly established factories are worked by imported technicians who are training local labourers. Because of the official boycott, South Africa cannot take part in this investment race, although the Republic is absolutely prepared to help finance the economic development of emergent Africa north of the Limpopo, as part of an evolving foreign policy. South Africa is perhaps the most suitable country for a task like this because of its profound knowledge of African needs. In the field of textile production, for instance, this fact is of an other industries. Furthermore: South Africa has the advantage of being "on the spot" thus being able to establish easier communications, than the West or the Far East.

#### **Closer Ties with South Africa**

Another question is—of course—if it would be possible to terminate the propaganda war between South Africa and the "black" states of the north. That this is possible has been demonstrated by one outstanding African personality, Dr Hastings Banda, State President of Malawi. Dr Banda's feelings towards "apartheid" are most definitely not very much different, than those of other African leaders, but he puts the interests of his own people first and last, and if they are likely to be served by closer ties with South Africa, Rhodesia or Mozambique, this will shape his foreign and economic policy, not the impracticable and emotional anti-White posturing of the OAU or a disapproval of Washington or Westminster. He is also a believer in private enterprise and there is no room for Russian or Red Chinese investments in Malawi. So far Britain has been as generous with aid as it can afford under straitened circumstances and so have been the UN, America, Germany and Denmark, but it appears rather uncertain, if the country can count on investments from these sides in future. South Africa will step in and fill the gap.

Malawi is altogether and in many a respect a typical example of what can be achieved by a progressive and unemotional policy. It is a long narrow country bounded by Mozambique in the South and East, Zambia in the West and Tanzania in the North. Within its 45,700 square miles live 4 million people, 111 persons per square mile, which is double the average for Africa, and half that for Europe. The manufacturing industry is still very small. The latest available census (1962) showed a total of 92 establishments em-

ploying 12,000 workers with a gross output of M£ (Malawi-pounds) 8.4 million, but things have meanwhile changed very much. In April 1967 the textile mill of David Whitehead & Sons started production in Blantyre, a factory, representing an investment of M£ 1.1 million. The David Whitehead story is an example of the sort of a sound industrial development that can be attracted by a sensible industrial policy tailored to both the potential and the limitations of Malawi's economy. The pace of industrial output has quickened altogether and must be well above the 1955/62 average increase of 8.8 per cent per annum. On April 1, 1967, Malawi has concluded a trade agreement with South Africa designed to provide a modest encouragement to trade between the two countries and particularly to forward Malawi's exports to the Republic. In the political field an exchange of diplomatic representatives has taken place.

#### **Zambia's Policy of Restrictions**

Compared with this steady development the neighbouring Zambia, a country infinitely richer than Malawi, is today a focal point of tension, suspicion and unrest. President Kenneth Kaunda had to resort to a kind of a home-grown socialism of the type applied by President Nyerere in Tanzania by nationalising important industries. His aim was to attack the principal sources of "excessive profiteering" and especially the "expatriates" who have not identified themselves more closely with the country and have still the old colonial outlooks of getting rich quickly and getting out. With this move President Kaunda has made himself very popular with the Zambians, but not with prospective investors who—of course—are afraid that there will be more restrictions of this kind.

Of a special interest may be the fact that South African exports to Zambia increased in 1967 to a record level in spite of the fact of Zambia being one of the frontbenchers of African nationalism. The country imported goods worth of R 72.2 million from South Africa. This is R 13.8 million up on the record year 1966 and a 73 per cent increase on 1965. Zambia's trade with Rhodesia however in the same period of time has dropped by 55 per cent. It therefore seems that, on actual values, South Africa has been the prime beneficiary of Zambia's policy of sanctions. Zambia's total import bill last year at R 306 million was its biggest ever and 25 per cent up on the 1966 importations. The exports however fell by a little over 5 per cent to R 468 million.

Leading economists have warned President Kaunda of the dangers of a Tanzania-type approach to the economy. Lessons learned from President Nyerere's experience should suggest caution in relation to foreign-controlled enterprises, as these businesses continue to rely heavily on expatriate skills.

#### **Modernisation of Agriculture**

But it is not only the transformation into modern industrial states which has caused unrest and new

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problems in the former colonial territories. Agriculture, which is still one of the main sources of income in most of the newly formed African states, is also being "modernised" and therefore also in the melting pot. In this respect, too, Malawi is a typical example for what has to be done and what can be done.

Like most of the African countries, Malawi is basically an agricultural country. Principal crop for domestic consumption is maize, while tea, tobacco, groundnuts and cotton are the main export crops. The country has a rich, fertile soil and a dependable rainfall, yet so far only 4.3 million acres have been cleared for cultivation, against some 13 million acres suitable for crop production. While White-owned tea estates and tobacco plantations are capital intensive and well managed, African agriculture is still subsistence orientated. The methods on "customary" land are still very primitive. The land is parcelled out and worked in small scattered gardens and—what is the worst of all—there is no individual ownership, only rights of occupation and usage. Production is confined to the needs of the family and marketable surpluses are merely incidental.

It goes without saying that an agricultural reform in a nearly mediaeval society like this is a very difficult task. Yet it is the key to sound economic development and therefore has to be done. So far

African cultivators are responding very well to the government's call to improve methods, apply more fertiliser, plant better seeds and use more modern implements. A Farmers' Marketing Board has been established which serves as the only single selling channel of African produce. It ironed out year-to-year fluctuations in prices and makes African cultivators respond to shifts in market demand. Payments to African growers have increased considerably. Over the past three years the maize surplus available for export purposes has increased from 20,000 to 100,000 short tons and the crop is expected to rise to 1.7 million short tons by 1985.

Ambitious new schemes are planned by the Government, amongst them a 12-year project in the fertile Lilongwe region which covers 500,000 acres and supports 38,000 families. Dr Banda is also determined to change the basis of customary land from individual usage to individual ownership, that means, African cultivators will for the first time enjoy security of tenure and an incentive to improve their land.

Dr Banda and his government are confident to be able to persuade the people to make these big changes, the more, as individual ownership of land has a strong emotional appeal to the rural African. This will mean a giant stride to freedom from the impoverishing traditions of a centuries-old tribalism.

## A Modern African Society

Similar conditions, as are prevailing in Malawi, exist in most "black" countries, but they are not fought with the same farsightedness and energy as by Dr Banda and his government. What one is witnessing all over Africa, is the attempt to find ways of reconciling modern and traditional interests within societies which have not yet had time to evolve national unity. This reconciliation can be achieved in various ways, but Dr Banda's way of giving the African something like a home-feeling on his own piece of land is definitely not the worst.

Altogether it can be stated that a new Africa cannot be created without the help of Europeans. European "know how", European capital, European experience are needed more than ever, and first condition for the establishment of a new, modern African society is peace with South Africa and Rhodesia—even by means of a mere co-existence. Furthermore: the system of establishing common markets, which has proved unsatisfactory in many a respect, should be replaced by trade agreements between the African states. Kenya and Swaziland have recently agreed in principle to enter into a trade agreement and the matter will be finalised later in the year. In that way no problems will arise and the partners are only under the obligations stated in the agreement.

African economy is in a melting pot—but a healthy, young continent can emerge out of the ruins of the old colonial Africa, if peace and commonsense are ruling in place of wars and emotions.