

Koch, Bernd

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A Model for Africa?

by Bernd Koch, Maseru

Lesotho, the former Basutoland, as well as Swaziland were formerly British colonies. In both countries however the British did not arrive as colonialists but as a protecting power called in by the black rulers to help against advancing white settlers, Boers and Portuguese. Events have proved these rulers right: Political independence has been regained, by Lesotho on October 4, 1966, and by Swaziland on September 6, 1968. The Xhosa, Zulu, Tswana and many other tribes which submitted to the Boers and Portuguese are still far from this goal.

Dependent on the Republic of South Africa

Economically however Lesotho and Swaziland are still largely dependent on the Republic of South Africa. Both countries have a customs and currency union with the Republic of South Africa. The Rand (R 1.— = DM 5.13) is the common currency. The absence of tariff barriers and import restrictions of course involves the two little kingdoms in problems of a special kind.

Neither country has direct access to the sea. Lesotho (about 1 mn inhabitants on 30,340 square kilometres) is an enclave in the Republic of South Africa which controls its entire goods and passenger traffic. Swaziland (about 450,000 inhabitants on 15,000 sq. km.) has at least a common border with the Portuguese province of Mozambique, which however scarcely alters the fact that in economic matters it also depends entirely on the Republic of South Africa. These facts explain why both countries, despite fierce criticism by other African States, maintain friendly relations with the Republic.

Economic Aid by the Republic of South Africa

The Republic, as well as Great Britain, is giving considerable development aid to the two States, and that on unusually favourable terms. The recipient countries are at its door, and the donors are fully acquainted with the economic, social and climatic conditions. So there are many white South Africans in Lesotho as well as Swaziland, not only as businessmen, but as civil servants, judges, technical and agricultural instructors and advisers, etc., in the public services.

In other respects however conditions in Lesotho and Swaziland differ a great deal. Lesotho is a typical poor mountain country (5,000–10,000 feet above sea level) with an average per-capita income of less than \$ 82 a year. The populace makes a meagre living from arable land and pasture. An estimate of the number of males available for work in 1969 was 270,000 of whom 48 p.c. were employed in subsistence farming at home and 45 p.c. as migrant workers in the Republic of South Africa. No more than 7 p.c. are earning a living as employees or independent traders or artisans inside Lesotho. The movements of the migrant workers are subject to wide fluctuations; almost 90 p.c. of all males have spent at least some time working in the Republic.

The Government is making desperate efforts to create jobs by attracting industries to the country. The Pioneer Industries Bill came into force in March 1969; it offers greater advantages to new industrial enterprises in Lesotho than is the case in any other developing country. The favoured enterprises have a choice between exceptionally high depreciation rates continuing over many years or complete tax exemption in the first five years. Moreover, a monopoly contract can be arranged which forbids the establishment of enterprises of a similar kind for up to 10 years. A Lesotho National Development Corporation has been set up which endeavours to promote investment projects and is in a position to acquire a financial interest in them with funds made available by Great Britain. So far there exist only 10 minor, relatively modern industrial enterprises employing together about 400 people. Great hopes are entertained for tourism and diamond mining. The uncertain political conditions in the country however are at present causing fears that the influx of foreign capital may be disrupted.

It is indeed remarkable how much money Great Britain has still been spending on its former protectorate until recently. Apart from many development projects, approximately 50 p.c. of the current public expenditure is financed by Great Britain. The total revenue from local sources accounted for no more than 48.4 p.c. of all State expenditure in the financial year of 1962/63; by 1965/66 its contribution had fallen to 38.3 p.c.

and by 1968/69 to 32.2 p.c. even. The budget deficit is so substantial that in the foreseeable future it will still be up to foreign contributors to cover it. Where this money will come from however remains to be seen, for Great Britain has suspended its payments for the time being since Chief Leabua Jonathan, the Prime Minister, undemocratically retained power after the loss of the elections on January, 30, 1970. Hitherto it has been impossible to cover the Treasury deficit out of Lesotho's exports, for these covered, to give an example, in the financial year of 1967/1968 no more than 21.8 p.c. of imports. Agricultural produce has a particularly large share in exports; wool and mohair accounted for 43.9 p.c. of all exports, followed by livestock for slaughter with 24.0 p.c., diamonds with 19.7 p.c., and wheat and pulses with 10.2 p.c. Among imports consumer goods rank first with 44.8 p.c., followed by foods with 21.3 p.c., and mineral oils and chemicals with 15.9 p.c.

While the Government in Lesotho is thus facing a very hard task and despite its own efforts and foreign support can expect only scanty progress for years to come, the economic situation in Swaziland is comparatively favourable. That is shown by the fact that about 14,000 Europeans have settled in Swaziland whereas in Lesotho with twice as large a population there are only 2,500. The Europeans however create problems of their own for the economic development of the host country. In Swaziland, for instance, about 50 p.c. of all usable land is foreign-owned whereas in Lesotho foreigners are not allowed by law to acquire real property.

Swaziland Largely Opened Up

At \$ 220 the average per-capita income in Swaziland is nearly three times that of Lesotho. Mineral resources and fertile land account for Swaziland's economic wealth. The utilisation of the mineral deposits began in 1939 when an asbestos mine was opened. Today Swaziland ranks fifth among the world's asbestos suppliers. The foundation for the general economic development was laid in the early fifties when the Commonwealth Development Corporation bought up vast tracts of land and planted forests for timber and sugar plantations and built roads. Unlike Lesotho,

Swaziland already had several hundred kilometres of asphalt roads and its own direct railway line to the Portuguese seaport of Laurencio Marques when it attained independence. Traffic and transport are favoured by the lay of the land: Only in the west are there a few mountain ranges, and these cannot be compared with the ravined stony deserts of Lesotho. Forests and plantations laid down by the British have been yielding well since the early sixties and are today the foundation of a flourishing secondary industry. In 1967 exports of forestry products amounted to R. 6.9 mn. In the same year exports included R. 9.5 mn worth of sugar and R. 11.3 mn of iron ore shipments by the Anglo American Corporation. The whole of this ore production is sent to Japan via Laurencio Marques under long-term contracts. Asbestos, meat products, citrus fruit, cotton and rice are other important export commodities. The imports consist of machines and motor vehicles, mineral oils, chemicals and all kinds of consumer goods. Great Britain, Japan and Canada are the leading export markets while 90 p.c. of imports come from the Republic of South Africa.

Financial Aid Needed

With less than half the population of Lesotho, Swaziland's State revenue is about twice as large (R. 10.625 mn in 1968/69). Public expenditure (R. 14.917 mn in 1968/69) however greatly exceeds revenue also in Swaziland, so that the budget can be balanced only by substantial British grants-in-aid. In view of the favourable economic situation however the British hope that it will be possible in the next few years already to present a balanced budget. Swaziland's first five-year-plan which has just been introduced has the task of bridging the gap between the modern and traditional spheres of the country's economy and modernising, in particular, the numerous small agricultural holdings run by antiquated methods. That however is a task which has hitherto proved very difficult in all developing countries and cannot be expected to make swift progress. On the other hand, it will be easier to tackle the establishment of industries with the help of foreign capital. The new five-year-plan provides for it, and foreign investors are offered suitable opportunities and safeguards.



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