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EXPANDING THE PLAYING FIELD: SOUTH AFRICA, SOUTHERN AFRICA AND THE ROLE OF THE AGRICULTURAL ECONOMIST

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1. Introduction

We hardly need reminding about current world social, economic and political instability. While the sequence of events is known, historians of the future will have to unravel the precise relationship between, for example, the economic boom of the Reagan/Thatcher era; the collapse of Soviet hegemony and of the ex-Soviet Union; the new initiatives for economic integration in the European Community, North and South America and other parts of the world; and the attempts to expand the scope and depth of free world trade through the Uruguay Round of the GATT. Whatever the direction of cause and effect, the results have been felt starkly in South and Southern Africa. The link between the breaching of the Iron Curtain, the move towards the resolution of the civil war in Angola, the independence of Namibia and the breakthrough in South Africa on 2 February 1990 is easily discernible. Similarly, there has to be a connection between economic prosperity in virtually all parts of the world through the 1980s, the economic stagnation in sub-Saharan Africa (including South Africa), and the political changes here at home.

The various countries of Southern Africa have experienced these changes in ways peculiar to their own circumstances of history and geography. These same circumstances have also created a shared experience of the world, although it is doubtful whether they share anything like a common interpretation of what these global changes mean to the region. As a result, the jury is still out regarding even the broad parameters of the way forward.

As is the case with so many issues in South Africa, there are as many interpretations of the meaning of global change for the country's future as there are political factions and interest groups. During the current period of political impasse and the endemic violence it would seem that even the cautious optimists are turning into cautious pessimists! The almost inevitable result of this preoccupation with the processes of internal integration has been the neglect of the issue of regional integration. This bias is not surprising, given the momentous decisions which are required to pull the internal negotiations through to their logical conclusion. Few countries in the world have faced the prospect of having to complete two such extremely difficult transformations simultaneously. The future economic prosperity of the region and of South Africa however depends critically on the successful completion both of these processes.

Agricultural economists and our Association have been at the forefront of the debate on the internal transformation in South Africa. In 1987 Prof Glenn Johnson, in

his closing address at our Annual Conference, was able to remark on the wide range of issues discussed there. He felt very positive about the match between eclecticism and disciplinary excellence which he observed. The seriousness with which we as an Association have taken these issues is well illustrated by the Presidential Addresses of at least the past six years (Nieuwoudt, 1986; 1987; Van Rooyen, 1988; 1989; Laubscher, 1990; 1991) where the major issues of internal transformation of the agricultural sector were raised, setting the scene for very lively debates during the respective Conferences.

Our Association has not fallen into the trap of ignoring the 'other' transformation, as is evident from the theme of this year's Annual Conference. While it may be true that the issue of regional integration in Southern Africa has not been subjected to the same volume and level of rigorous analysis as the domestic issue, it is never too early to start. This Association and its members helped to create a common vision of agriculture in the new South Africa by stressing the ethical basis for such a transformation (eg Eckert *et al*, 1991; Van Zyl, 1989a; 1989b). If we are going to succeed in making the same contribution in the debate on Southern African transformation, we will have to start from the same point. Technocratic calculations of costs and benefits or ideological arguments are not sufficient instruments for achieving the benefits of regional integration. Only self interested business people, politicians and other parts of civil society can possibly succeed at so great a task, and this requires a shared vision and commonly accepted ethical values.

The purpose of this Presidential Address is not to provide a blueprint of values, objectives, instruments and outcomes. The emphasis will rather be on identifying the questions which need to be raised in conducting such an exercise. In following this approach, I will use a paradigm developed by American legal scholars, called the New Haven School of jurisprudence (eg McDougal and Reisman, 1981). I am indebted to my colleague Ros Thomas (1992) for showing me the potential explanatory power of this paradigm. Its strength lies in two explicit values, namely the favouring of social processes which reinforce widely held values as opposed to exclusion; and the presumption that the predominant modality of power should be private choice rather than coercion. These values are of course not unfamiliar to members of this Association.

The method proposes five 'intellectual tasks' which need to be accomplished for the successful institutional ordering of something like regional integration in Southern Africa (Thomas, 1992). Briefly, these tasks are goal

clarification, trend description, analysis of conditioning factors, projection of future developments and the invention of policy alternatives. I will use this sequence to order the discussion of a required research and policy agenda for agricultural economists as part of our contribution to the debate on regional integration.

2. The clarification of goals - whose goals are important?

It is necessary to clarify goals in order that success or failure in achievement can be subjected to empirical testing (Reisman, 1989/90). Transparency is essential if values are to be widely shared. Agricultural economists in South Africa have proposed that the objectives of restructuring of the farm sector should be those of efficiency, equity and sustainability (eg. Brand, *et al*, 1991; Van Rooyen, *et al*, 1987). While such objectives lend themselves to empirical testing, the real question is rather whose goals should be accepted as authoritative. Here a wide range of issues are raised, including issues of power, wealth, respect, wellbeing, skill, enlightenment, rectitude and affection (McDougal and Lasswell, 1960). The argument is that the current distribution of power and wealth, for example, will have a determining influence on the design of institutions for regional integration. This will include distributional patterns between the countries of the region, as well as those within each of these countries. Similarly, the patterns of cooperation and conflict between the constituent countries will have a major influence on institutional outcomes. The relevant questions would include, for example, whether SADC, which originally was constituted to oppose integration with South Africa, is a suitable vehicle for the reintegration of a post-apartheid South Africa.

Issues of power and influence, of cooperation and conflict, are not unfamiliar to agricultural economists in South Africa. They are critical factors which have to be understood in analysing public policy for agricultural restructuring, and are the tools of public choice theory (cf eg Van Zyl 1989; 1989b; Hagedorn *et al*, 1990; Vink and Kassier, 1991; Pasour, 1990; 1991). The real challenge will come with the application of these theories to the issue of regional cooperation and integration in the farm sector as for example, has been done by Bredahl *et al*, (1987); Runge and Von Witzke (1987); Lopez (1989) and Alber (1991) in different contexts.

A logical point of departure is the realization that the goal of such research and policy studies cannot be that of supporting cooperation and/or integration. Institutional and financial mechanisms to further the transformation of the region are only that: tools or instruments for achieving higher order goals such as the alleviation of poverty, the exploitation of regional comparative advantages or to achieve efficiency, equity and sustainability. Agricultural economists can make a substantial contribution to gaining consensus on what these goals should be if they ask the right questions.

The basic question that needs to be raised is whose interests are served by such institutional arrangements for regional integration, and of course whose interests should be served. The way in which political, social and economic power is distributed within the region, within the constituent countries of the region and between the region and the rest of the world creates the potential for conflicting objectives among the different actors. For example, there is widespread poverty in the region despite decades of attempts at different forms of multilat-

eral and bilateral cooperation. What then can one deduce about the goals of bureaucratic, political, business and intellectual elites versus the goals of the masses of poor, unemployed and vulnerable groups in society? Also, how much do we know about the real agendas of these various groups and how much do we need to know to enable us to better understand the future?

Other potential conflicts will arise from the tension between what needs to be done to ensure a sustainable regional economy in the long term, and the paucity of available instruments in the short term. Most countries of the region have large developmental needs, yet face severe capacity constraints in dealing with them, including weak implementation capacity, debt overhang etc (eg Helleiner, 1992). There is also an inherent tension between the desires of the rest of the world, principally bilateral and multilateral aid donors, and the needs of the region. This is further complicated by the fact that neither the donors nor the region are monolithic, again raising the need to understand the patterns of power within and between these groupings. An issue which has become particularly important in recent years is the policy based lending of the World Bank and the International Monetary Fund, and the 'fallacy of composition' (Mosley *et al* 1991). Is it good enough for these institutions to make macro structural and sector adjustment policies as a condition for aid? More importantly, will Southern Africa as a region not benefit more from adjustment policy at the regional rather than country-specific level? What, for example, are the potential costs and benefits of a regionally implemented research and development policy for agricultural technology as opposed to some alternative arrangement?

Finally, there would seem to be a disjunction between the expectations (and fears) of many groups regarding the future role of South Africa in the region, and the latter's ability and willingness to make a contribution. The history of regional interaction will have a major influence on what is going to be feasible, yet again there are as many interpretations of this history as there are interest groups. Some of the issues which will have to be dealt with are the potential for domination in almost all spheres by South Africa, the sense of allegiance resulting from the support given to liberation movements by the front-line states, and the longer experience in dealing with development issues and agents by all countries other than South Africa.

The most important issues raised in a discussion of these potential conflicts is, to repeat, whose objectives are to be accounted for. The prior questions must then lie in the definition of the region itself, and in fact whether a strict definition is at all necessary. Conventional models of regional economic integration of course require such a strict definition but this is not always necessary for looser arrangements.

3. Current trends - a kaleidoscope of change

One of the purposes of this Conference is to provide an inventory of what is currently going on in the region. I will therefore present only a brief summary of some of the main features of this process of change, drawing from Bench and Van Zyl (1991). The major changes are to be found in terms of trade patterns, a range of macro level variables, political change and a changing institutional environment.

- a) All three of the major institutions for regional cooperation are at present under scrutiny by a

wide range of analysts, and all are undergoing or are about to embark on a process of restructuring. The Southern African Development Coordination Conference (SADCC) became the Southern African Development Community (SADC) in August of this year. It would seem to be moving more in the direction of an economic integration model, and is preparing itself for South African membership. The Preferential Trade Agreement for Eastern and Southern Africa (PTA) has launched an accelerated programme for economic integration among its larger number of members. The Southern African Customs Union (SACU) is also being revisited at this time. The outcome of these changes (and their chances of success) is as yet unknown, but there is little doubt that changes will take place.

- b) The countries of the region have seen a collapse of faith in the ability of governments to address the many socioeconomic problems which exist. There can hardly be many examples left of parastatals (including development financing institutions) which are still solvent. Under pressure from domestic or World Bank inspired structural adjustment programmes, issues such as commercialization, privatization, financial market and trade liberalization have been put on the agenda.
- c) The wars in Angola and Namibia have ended, and the process of economic reconstruction has started. While the situation in Mozambique and Zaire seems to be cause for hope only amongst incurable optimists, other countries of the region bring better news. Zambia already has a new, freely elected government, Lesotho is moving to multi-party elections and there is pressure on Zimbabwe and Malawi to liberalize their political systems. While many have doubts about the feasibility of peace in South Africa, the situation is arguably better than it was a few short years ago.
- d) Structural adjustment has become a well-used phrase amongst both the friends and detractors of the Bretton Woods institutions. The reasons for this focus on the management of aggregate demand are relatively clear: the shared experience of shortages of foreign exchange and of capital for long term investment; high debt overhang, both foreign and domestic; collapsing exchange rates and an almost total lack of exchange rate stability in the region; increasingly uncontrollable inflationary pressures and large increases in government expenditure. In at least some of these respects this sounds like a pessimists description of the South African economy. About the only real exception to this sad story is the economic stability of Botswana (Harvey and Jenkins, 1992), for long the only multi-party democracy in the region. These structural weaknesses are exacerbated by a great degree of movement of people between countries in the region and also to urban metropolises within countries. The rate of urbanization in South Africa is particularly high, as is the movement of people across our borders. A major influence on future regional transformation remains the fact that South Africa produces some two thirds of regional GNP, and is

in many other respects the dominant force in the subcontinent.

- e) Most regional trade (including that of South Africa) is with the OECD countries. Only 5 per cent of total recorded trade by the members of PTA takes place between these countries. Unrecorded trade is estimated to add at most between 2 and 5 per cent. Most exports are of primary commodities, and most imports are of foodstuffs and manufactured goods. South Africa exported some 21 per cent of its total exports to the whole of Africa in 1991. While primary commodities make up more than 75 per cent of South Africa's total exports, manufactured goods contributed some 40 per cent of exports to Africa. These have been growing together with South Africa's total exports to the region, up from R3,4bn in 1989 to R5,1bn in 1991 (Business Day, 4 September 1992). Despite the similarity in the structure of exports and imports of the countries of the region there exist potential complementarities in intraregional trade. Lastly, while tariff barriers exist, non-tariff barriers seem to be a greater inhibiting factor. Suitable payments mechanisms in the face of foreign exchange constraints and transport bottlenecks are the most critical of these non-tariff barriers.

4. The conditioning factors - a Pandora's box

The dominant international trend is one of political fragmentation, as many countries of the former eastern bloc and the ex-Soviet Union disintegrate, and of integration in the economic realm, as large trade blocs are formed in different parts of the world (Gaddis, 1992 in *The Economist*, 22 August, 1991; Schuh). Southern Africa seems to be an exception, especially in the first respect, as the various countries try to overcome their own particular historical traumas. Also, while there seems to be pressure for closer regional economic integration amongst certain elite groups, there is little evidence of popular pressure for such arrangements. In the final analysis those factors conditioning the supply of and demand for political decisions to devise instruments of regional integration will determine the outcome. These supply and demand determinants are in their turn an expression of the distribution of power, wealth, prestige, incomes etc among the different interest groups both within the region and in the rest of the world. On the supply side the actors include politicians, bureaucrats and, importantly, the donor community. These actors also feature on the demand side, together with the business community, entrepreneurs in small and medium business, consumers and, again probably most importantly, the vast majority of unemployed, poor and marginalized people in virtually every country of the region. A third group of actors who also play an important role include academic analysts and the range of media commentators within the region and in other parts of the world.

There exist a wide range of conditioning factors which could potentially affect the two sides of this equation. The major influences on political decision makers include the current Uruguay Round of the GATT, the process of economic liberalization taking place in many parts of the world, the effects of donor conditionality on countries in Southern Africa and a range of general factors, principally related to the end of the Cold War.

4.1 The Uruguay Round of the GATT

The current Uruguay Round of the GATT, which began in 1986, was expected to be completed by the end of 1990 (Greenaway, 1991). When the negotiations commenced, they covered a far wider range of issues than had been the case to date. These included a move to widen the net to include natural resource based products, tropical products, textiles and clothing, and agriculture within the existing GATT system. They also included three new issues, namely trade-related intellectual property rights (TRIPs), trade-related investment measures (TRIMS) and trade in services. It was hoped that negotiations on such a wide range of issues would induce participants into a give and take process. As it turned out, the talks stalled precisely because of the enormous scale of the undertaking, the many intersectoral links between the issues, the difficulty of monitoring outcomes and the intricacy of cross-coalitional activity (Greenaway, 1991:375-376). This is not to say, however, that the negotiations will not succeed.

If they do succeed, there are a number of implications for domestic farm policy in South Africa and, by extension the other countries in the region. In a contributed paper at this Conference, Van der Merwe and Kirsten (1992) show that a successful conclusion of GATT will mean that policy makers will have to change the way in which at least four farm policy instruments are used in South Africa. Liebenberg and Groenewald (1990) and Liebenberg *et al* (1991) relatedly analyse the affect on farm costs of import substitution in manufacturing.

The use of import substituting policies has been common to most countries in Southern Africa, and has contributed to a cost price squeeze in agriculture and a high degree of concentration in the manufacturing sector. Breaking down these barriers to imports will benefit consumers generally, and in agriculture it will benefit farmers. However, not all farmers will benefit, or benefit equally (Liebenberg and Groenewald, 1990; Wiebelt, 1992), and many actors in industry will suffer short term losses. This again raises a number of substantive questions for the research agenda of agricultural economists. These range from internationally comparable measures of the nature and extent of farm subsidies (cf eg Schwartz and Parker, 1988; Ahearn, *et al*, 1990; Capalbo, *et al*, 1990; and Sharples, 1990); more detailed analyses of the potential effects of GATT-induced policy changes on different commodity groups, geographical areas and farmer categories; and the way in which the different parties will react to protect their own (perceived) interests in the short and the long term. Agricultural economists can no longer afford the luxury of analysing the farm sector in South Africa alone. We will also have to learn more about agriculture in our neighbouring countries. More importantly, we will have to get to know our colleagues in Zimbabwe who have taken the giant step of hosting the IAAE Conference in Harare in 1994. They are to be congratulated for this bold initiative, and we look forward to even closer cooperation with them in the future.

Even if the GATT negotiations were to fail, there are lessons for the research agenda for agricultural economists. While the negotiation of cooperation and/or integration arrangements in Southern Africa may not be as complicated as those of the GATT, this is little cause for comfort. South African agricultural economists are already for example looking at the implications of our accession to the Lomé Convention and, maybe more importantly, at whether this is a good idea.

Similarly, they are involved in the reassessment of the SACU Agreement, the restructuring of SADC and the repositioning of the PTA.

In many cases this work is being done by agricultural economists in the government sector and in the liberation movements. While the sensitivity of such work has to be recognized, our Association has an important role to play in encouraging transparency in public debate, and in providing a forum where these ideas can be tested against the considerable body of knowledge present here today.

Similarly agricultural economists will have to look at the public choice aspects of negotiating closer cooperation between the farm sectors of the constituent countries of the region. Otto and Darroch (1992) set the pace with their contributed paper at this Conference. We will also have to sharpen our ability to analyse the potential complementarities in trade between countries in the region along the lines of Van der Vyver's (1992a) contributed paper and also his other work (Van der Vyver, 1992b), as well as the work of Brand (Swakopmund, 1990) and of Van Rooyen and Vink (1990). These last two papers stress the fact that analysts need to concentrate on more than just commodity flows. Other areas of complementarity also exist, such as technology sharing, joint utilization of capacity and cooperation in environmental and disease control issues, as has been done through SARCCUS over many years. There are also many issues in related sectors which will impact on the farm economy of the region. These include transport, financial markets, government policies on cross-border investment, the existence of constraints on capital flows, regional planning for water and electricity provision and so forth. Lastly, it can be expected that a large proportion of trade in manufactured goods in the region will be in the form of processed foodstuffs. Agricultural economists will have to broaden the scope of their investigations and of their vocabulary if they want to make a substantive contribution to these issues.

4.2 Domestic farm policy

The attempts to further liberalize trade through the GATT are, as previously shown, part of a general world trend in favour of economic liberalization. These trends are not unfamiliar to world agriculture (eg Viatte, 1990; Groenewald, 1991), or even to South African agriculture (Brand *et al*, 1991). This has raised a number of new considerations for farm policy makers and for the research agenda of agricultural economists.

First, there is a greater need to account for macroeconomic effects on agriculture, and the effect of agriculture on macroeconomic policy (Peters, 1991). The current drought is a sad illustration of this latter linkage in South and Southern Africa. Professor Luther Tweeten (1986) set the stage in his keynote address at our 1986 Conference. This has been complemented by the award-winning paper by Dusmanitch and Darroch (1991) at last year's Conference, and further by Dusmanitch and Darroch (1990; 1992).

Second, policy makers have to understand that any reform creates winners and losers, and that piecemeal reform allows blocking coalitions to form and to diffuse the benefits. The failure to push through with macroeconomic reforms, and specifically to maintain positive real interest rates, in the late 1980s, for example, caused further structural damage to the South African economy (Kritzinger-Van Niekerk, *et al*, 1992).

and delayed further the long awaited cyclical upturn (Stals, 1992). Brand *et al* (1991) have summarized the major steps taken by farm policy makers in South Africa through the 1980s to liberalize the sector. In some respects the momentum of reform has been maintained in the 1990s, eg by the scrapping of the Land Acts and the appointment of the Kassier Committee. In many respects however there has been little progress beyond the first hesitant steps, for example in terms of land reform, broader access to the Land Bank and other funding institutions.

Agricultural economists have as much to learn about the political economy of land reform in many parts of Southern Africa. We will have to avoid the temptation of generalizing about either success or failure, and look to the range of political, macroeconomic and other factors which affected each particular instance. As we have done at each of our Conferences over at least the past six years, we have to continue informing policy makers about the options that face them and about the dangers of inaction when opportunity knocks.

4.3 Structural adjustment and the Southern African Region

South Africa is about to embark on a home-grown structural adjustment programme. It would be no exaggeration to say that there is an alarming degree of ignorance among policy makers as to what this exactly entails. Any cursory scan of the literature and of policy papers, briefing papers etc shows little sign of acquaintance with the large international literature on this issue. It would also be no exaggeration to say that there is little consensus either that the Bretton Woods institution know how to get it right, or that it is at all possible to do so (Helleiner, 1992). The major disagreements revolve around the effects of structural adjustments on the poor, and methods of alleviating these effects (eg Sahn, 1992).

The principal issue, as far as the countries of the region are concerned, is who controls the adjustment agenda. The outcome will differ depending on whether it is controlled from outside of the region, and also who in the region or within the respective countries holds sway. In this respect South Africa is potentially better positioned than the other countries, as it has the capacity and ability to negotiate with the Bretton Woods institutions on a more equal basis. For this potential to be realized, however, policy makers will have to learn the 'code words' of these institutions, and become more familiar with the international debate on structural adjustment. At the heart of the issue is our ability to match the use of instruments for the management of macroeconomic demand with instruments to address the supply side of the economy (Kritzinger-Van Niekerk *et al*, 1992). Both demand management and supply instruments will affect the agricultural sector.

The issue of linkage between the farm sector and the macroeconomy has already been raised, and will not be repeated here. On the supply side there are three particular issues which should receive attention. The first is the effect of trade reform, which is one of the centrepieces of conventional structural adjustment programmes. While there is little doubt that freer trade is beneficial to world growth, Goldin and Evans (1991) show that 'the design of the appropriate trade and adjustment policies is not fully understood either theoretically or empirically' (cf also Baldwin, 1992; MacLaren, 1991; Sadoulet and De Janvry, 1992). This refers to a lack of understanding of how to choose the correct policy

instruments, which to choose and how best to deal with the costs of transition brought about by trade liberalization.

The second issue revolves around the distributional effects of structural adjustments (cf eg Cornia *et al*, 1987; Mosley *et al*, 1991). There is an obvious tension between the need to restrain public spending as a tool for reducing balance of payments and budget deficits (Sahn, 1992) and the need for both welfare and human capital spending on the poor. What is required is a thorough knowledge of the scope for redirection of public spending and for rationalizing the raising of tax revenues in such a way that the long term growth potential of the economy improves (eg Kritzinger-Van Niekerk *et al* 1992; Zarenda, 1992).

The third issue is the design of affordable safety nets for the poor, and interrelatedly of appropriate early warning systems to monitor changes in farm production, nutritional status, activity in the informal economy etc. Here South Africa has much to learn from her neighbours, as for example is evident from the annual food security conferences held in Zimbabwe (Rukuni *et al*, 1990). Agricultural economists in South Africa have given this issue some research attention, including the contributed papers by Kirsten and Von Bach (1992) and Dankwa *et al* (1992) at this Conference (cf also Van Zyl and Coetzee, 1990). The current drought has also highlighted the importance of a regional effort to prepare for and combat the effects of drought and other natural disasters.

The issues of trade reform, the distributional consequences of structural adjustment and the balance between demand and supply side restructuring with safety nets for the poor should be high on the research agenda for agricultural economists. I have already referred to a number of initiatives in this respect, and can safely predict that we will have the opportunity for more informed debate on these issues at future Conferences of this Association.

4.4 General factors

South and Southern Africa fulfilled a particular role in the world geopolitical equation during the time of the Cold War. It often seemed that the interests of the two superpowers dominated domestic and regional interests. The positions of the respective antagonists were passionately held, to the extent that it often seemed also that the moral arguments overshadowed more realistic analyses. The Cold War is now over, and it remains to be seen whether rational decision making can overcome a somewhat chequered history.

There are three basic reasons why Southern Africa's continuing relevance to the industrial countries has been affected by the end of the Cold War (Coker, 1990). First, the role of military power as an instrument of politics has been redefined. It is unlikely that conflict on the scale of the war in Angola will be seen in the region for the foreseeable future. This has implications for the size of military expenditure which has been seen in the region over the past decades. Second, the region is losing its strategic significance as a source of precious raw materials as industrial countries continue the search for substitutes. The region has been unstable for so long that the industrial powers have gone a long way in finding alternative sources of supply or in finding new technologies which are not dependant on these materials.

Third, Southern Africa is losing its importance as a moral reference point in the international community.

The end of the Cold War could therefore have potentially disastrous effects on the region as it accommodates to its lesser strategic role. The shift of attention by the donor community to central Europe and the former Soviet Union could put the required aid to Southern Africa beyond both the means and the interests of these parties. The result could well be a new and more stringent set of conditionalities for aid with the likely outcome that aid will be channelled according to the priorities of the donors and not those of the region (Coker, 1990). This will also have an impact on the kinds of institutional arrangements which donors see as most suited to serving their interests. The real question is then the extent to which Southern Africa can shape its own political and economic future. This will be the acid test of the ability of individual countries and the region as a whole to unleash the productive energies of the people of Southern Africa.

Agricultural economists will have to become better at analysing the supply of and demand for farm policies which can help to achieve this objective. While I have earlier referred to some work on public choice which has already been done in South Africa, a lot more is required. We will have to know more about the distributional consequences and the budgetary impacts of current and planned institutional changes for regional integration and at the same time more about how these factors induce institutional innovation. The work of Runge and Van Witzke (1988), Schmitz (1988) and of Bredahl *et al* (1987) serves as a good example of the kinds of analyses that will be required. We will also have to know more about factors such as rent-seeking (eg Bredahl *et al*, 1987; Schmitz, 1988); the effect of different forms of voting systems (eg Abler, 1991); of different forms of corporate control (eg Chaswell, 1987; Paarlberg and Abbott, 1986); the effects of technological change on trade (eg Alston and Mullen, 1992; Guyomard, *et al*, 1991); the effects of domestic subsidies on exports (eg Bohman, *et al*, 1991; Fisher and De Gorter, 1992); and of food aid on recipient countries (eg Bezuneh, *et al*, 1988).

4.5 Conclusion

The factors which influence the supply of and demand for policies on regional integration can all be condensed into an assessment of the costs and benefits of integration. As in the case of assessing influences on supply and demand in economic markets, the real question is whose costs and whose benefits. I have tried to identify the required elements of a research agenda to address this central question. The challenge is great, but it is one which will have to be met if we want to be in a position to predict future developments, or at least scenarios of future developments, with any accuracy, and if we want to have any say in the invention of policy alternatives.

5. Predicting the future - historical forces in the 1990s¹

In the discussion so far, certain trends and forces were described which have shaped the Southern African environment as we know it today and which will most likely continue in the early part of this decade. A prognosis of economic cooperation and development through to the early part of the 21st century requires a decision as to whether these historical forces will con-

tinue to influence the situation in a linear manner or whether new forces will increasingly shape the future. The likely influence of such new forces is speculated upon below.

5.1 Internal political settlement towards democratic options

The political logjam in South Africa has been broken, and the transition to a new political dispensation has started. It is also evident that a process of economic restructuring has been under way for some time. The outcome of this transitional period of political and economic restructuring is not certain, but will critically influence the future economic geography of Southern Africa. Two important trends have already surfaced in this respect.

First, the current debate in South Africa indicates some convergence of positions on the nature of the future South African economy. Although the exact nature of a mixed economy will be the result of the negotiation process, some measure of uncertainty has already been removed.

Second, there is a distinct possibility that the restructuring of the South African political economy will lead to a period of "isolation" in relation to the subcontinent. The need to reach a political solution, coupled to the rather large needs for development capital and expertise are important determinants in this respect. The effects of isolationism are not necessarily negative but there is a real possibility that both technical and financial support for development in the subcontinent will have to be found from other sources.

There are two important qualifications to the likelihood of an "isolationist" stance by South Africa. Development support from South Africa will probably still be forthcoming where either the political or economic interests of South Africa are served. Examples include investments which directly effect South Africa, such as the Lesotho Highlands Water Scheme; those which have indirect effects such as enlarging the market for South African exports; those which create a climate conducive to attracting foreign direct investment or international development aid supplementing South African funds; and those which are perceived to have a political payoff.

The second qualification emanates from economic restructuring in the other countries of Southern Africa and the attractiveness of foreign investment there. Given that measures to eradicate inflation from the South African economy (and therefore also the regional economy) are successful, a resurgence of private sector investment from South Africa in these countries is also probable.

5.2 "Freeing the Markets"

There are strong indications that the support for market-based resource allocation and incentives to small businessmen, farmers, contractors, etc. will continue world wide. World Bank/IMF supported restructuring programmes in Southern Africa will also increasingly follow this line.

The interlinkages of economic and political processes and a general movement towards freeing markets has led to the erosion of centralized political power in many developing countries. This process might create a strain on existing institutions, but the economic and

financial benefits of these broad based policies will mobilize substantial popular support. The indications are that events over the next decades will be guided by a continuous movement towards individual freedom and the "freeing of markets".

5.3 Settling for Local Options

The failure of markets to solve all allocation problems on an equitable basis is well known. This problem is especially pertinent in the areas of common resources, public goods, and ecological and environmental considerations.

Recent approaches towards problem solving in these areas emphasize local options, acting in cooperation with authorities, where affected parties determine the "rules of the game" as well as criteria for compensation. The link-up between economic liberalization and political freedom will in all likelihood encourage governments to allow "local option" solutions to local problems.

6. The fun starts - inventing policy alternatives

6.1 Historical Forces in the 1990s

The main forces which will shape the Southern African environment through the 1990s can readily be derived from those which created the present day situation. In this sense, the course of the immediate future has already been set through certain historical events and trends, related to a) the "power play" in Southern Africa; b) the reality of economically beneficial interdependency in the region; c) the establishment of more or less effective institutional groupings; and finally d) the fact that economic progress and productivity can be obtained in Africa through the support of market processes on local, national and international levels.

6.2 Scenarios

Within the above context, an attempt will now be made to derive alternative options or scenario's using differing levels of cooperation and trade between South Africa and the other Southern African states as the basic framework of reference. This approach is based on a matrix covering various options within four major scenario's (see Figure 1).

a) Stagnation and Isolation

This scenario describes limited cooperation between South Africa and the other Southern African states, with movement towards minimised trade linkages. This situation will lead to stagnation in diplomatic, political and economic relations, isolating South Africa from any influence in the subcontinent.

b) 'Enslavement'

This scenario describes the situation of the immediate past of a necessary albeit unwilling level of cooperation, as dictated by trade interaction. The high dependency of Southern African states on the South African transport network relates this scenario to a form of enslavement, but with definite mutual benefits to both parties.

c) 'All dressed up but nowhere to go'

A high cooperation low/trade linkage scenario describing the present day SADC scene with much political rhetoric and little economic substance.

d) 'Good Neighbours'

This scenario describes the best case for regional stability and economic growth through optimal cooperation and trade policies between Southern African neighbours.

6.3 The most likely outcome

An assessment of the most likely scenario must be based on three factors. These include an assessment of whether there is scope for profitable specialization within the region; whether regional infrastructure is conducive to integration; and whether the distribution of benefits of integration will induce countries to decide on cooperation or to go it alone (Robson, 1980). It is evident that the orthodox theory of market liberalization (Viner, 1950), which is based on exploiting potential gains from existing patterns of trade, will not suffice in assessing the likely outcome (Brand, 1992). Fortunately, there are alternative strategies which can be followed (Thomas, 1991).

A second approach would be to pursue integration through initial stages of project cooperation (Brand, 1992). Such a strategy has the advantage of both changing the preconditions for trade via infrastructure investment and of building a sense of regional identity (Thomas, 1991). A third approach can also be followed, namely that of development integration. Here the focus also falls on project cooperation but at the same time seeks to enhance macro level coordination in both economic and political terms (Davies, 1992).

From the above it can be expected that the present level of economic linkages and interdependency of Southern African states will at least continue and probably increase into the future. Restructuring in South Africa's neighbouring economies is likely to increase rather than decrease these economic interlinkages. Despite political considerations, eg the uncertainty of transition to political settlement in South Africa and the emotiveness of the apartheid theme, strong trade linkages renders the stagnation and isolation scenario most unlikely.

The All dressed up but nowhere to go (high cooperation, low trade) scenario can be viewed as irrelevant for the Southern African situation for the present. It should also be evident that the most optimistic scenario for regional progress (Good neighbours) is not likely to materialise in the near future. This leaves the basic present day situation as the most likely outcome of the foreseeable future.

The exact position within this Enslavement scenario would critically depend on a continuation and even increase in bilateral actions between South Africa and other Southern African states and on the acceptance of these states of the shift in emphasis from sanctions against apartheid to aid for restructuring. The public rhetoric against South Africa will most likely quieten down and be replaced by open line private communications between heads of state.

A very important determinant of the Enslavement option will be the process of political change in South Africa and the resultant degree of restraint by South African authorities in the use of its dominance of the region. Establishment of markets in Southern Africa will strengthen trade linkages and cooperation towards, but not reaching the Good neighbours scenario.

		Cooperation	
		Low	High
Trade	Low	Stagnation and isolation	All dressed up but nowhere to go
	High	Enslavement	Good neighbours

Figure 1: Options for the 1990s

The most likely outcome within the 'Enslavement' scenario depends largely on the regional governments themselves. A workable and stable position requires "cool heads" on all sides, calculating self interest rather than emotional reaction.

From the above analysis, it is also clear that the Enslavement scenario in itself does not have enough stability to develop as a long term option. The decade of the 1990s will be critical for all the players in the Southern African subcontinent, determining whether long term movement will be towards the Stagnation and isolation or Good Neighbours scenario.

7. The road ahead - a summary and a tribute

In this paper I have identified a number of issues which should be included on the research agenda of agricultural economists. There are four themes which underpin such a research agenda. First, we will need to know a lot more about the public choice aspects of farm policy. This goes much further than merely assessing the likely outcome of political decision making processes. We also need to know more about whose supply and whose demand will affect markets within the constituent countries of the region and also regional markets. This includes actors within the region, and also in the rest of the world. The distributional consequences of policies, and the distributional effects on policies should be given far more attention. Public choice aspects are underpinned by the values of society, ie by their conception of equity or fairness. These are not constant factors in a society as balkanized as South Africa, and can hardly be assumed for Southern Africa. Yet there exists a general trend toward political and economic liberalization in the region, and agricultural economists have a role in spelling out the values required for such a process to be brought to fruition.

Second, agricultural economists will have to get involved in the process of defining Southern Africa. At the mundane level models of trade liberalization require national boundaries, and therefore a set of countries to be addressed. At a different level the sense of community of the region needs to be fostered. Agricultural economists can and should contribute to both of these.

Third, South Africa's relative isolation over a long period has cut us off from the comparative lessons of development in other parts of the Third World. The era of 'development' after the second World War has seen many development failures. We can learn from these. This era has also seen many development successes, even in Africa, and these also provide lessons which we have to learn. Our discipline is an eclectic field of study, and we have a responsibility to use this comparative advantage to the benefit of the region.

Fourth, I want to return to the words of Glenn Johnson in his closing address at our 1987 Conference. We need

to combine eclecticism, which we are good at, with disciplinary excellence of which we have a proud record.

Agricultural economists have already turned their attention to the issue of regional integration in Southern Africa. This is clear from the wide range of references I was able to use for this Presidential Address, and also from the theme of this Conference. This has included agricultural economists from the private sector and from the public sector, (even including the Development Bank); those working on farm management and those working on farm policy; those of the left and those of the right; and those publishing in academic journals and those who help to bring the message to the people who actually make the decisions via more popular media. We have therefore established a strong foundation for what still has to be done by working together, and also with scholars and practitioners from other disciplines and across the ideological spectrum.

Of course, agricultural economists cannot afford to become complacent, or to lose their focus on the farm problems of South Africa. In this respect there are a whole lot of issues which we need to look at. These include expanding the membership of our Association; making it more accessible to a wider audience; closer cooperation with our colleagues in the region and the rest of the world; and more mundane issues such as the appropriateness of the venues and the standards for our Conferences and other meetings.

If there is one reason why the staff of the Development Bank (not only agricultural economists) have become visible in public debate since the inception of the Bank in 1984, then it must be found in the achievements of Dr Simon Brand. His death early this year was a great blow to the Bank and this country, but also to this Association, of which he was an Honorary Member, and which he served as a part of the Management Committee between 1967 and 1970. Dr Brand died almost a year after Prof FR Tomlinson, who was supervisor for his Doctoral thesis in 1970. It is a privilege to have in our midst today Prof Bruce Johnston who, among many achievements, was also supervisor for Dr Brand's Masters thesis in the 1960s.

Note

1. This and the following section comes from Van Rooyen and Vink, 1990

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