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Southern Africa: Wrestling With South African Economic Ties

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An Intelligence Assessment

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ALA 88-10024
May 1988

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An Intelligence Assessment

This paper was prepared by Office of African and Latin American Analysis. It was coordinated with the Directorate of Operations. 25X1 25X1

Comments and queries are welcome and may be directed to the Chief, Africa Division, ALA, 25X1

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Southern Africa: Wrestling With South African Economic Ties

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Key Judgments

Information available as of 5 May 1988 was used in this report.

Despite their common opposition to apartheid, South Africa's neighbors are still unable to agree on a policy of regional sanctions against Pretoria, as some struggle to reduce their economic dependency on, while others are actually expanding ties to, South Africa.[1] Disagreements among southern African states over how to approach sanctions stem from wide disparities in the extent of their economic links to Pretoria and in their political willingness to tackle the difficult task of reducing those ties. Rhetoric aside, we do not believe that the southern African states will make sufficient progress over the next two years in lessening ties to South Africa so as to impose wide-ranging sanctions without causing severe economic damage to themselves. Moreover, we anticipate that South Africa will continue to strive to deepen its economic hold over the region because of both the benefits to its own economy and the higher potential costs of sanctions to neighboring states. 25X1

Frustrated and restrained by their own economic dependence on South Africa, southern African states will very likely call for tougher Western sanctions against Pretoria and for increased US aid to support initiatives to lessen regional transport and trade dependency on South Africa. They would view a larger US role as a way to boost funding for such initiatives as well as a political gesture that might discourage Pretoria from countering their steps to reduce dependence. Moreover, any incremental progress in the rehabilitation of transportation routes in southern Africa could have important commercial benefits for US firms such as locomotive manufacturers, according to US Embassy reporting. 25X1

Southern African states face many hurdles in breaking away from Pretoria's economic grip. Most neighboring countries depend on South Africa for access to efficient transport, ready investment, engineering and technical help, jobs for migrant laborers, and, in the case of Zimbabwe, an important market for exports. Pretoria also has the competitive advantage of being a close and established source of imports at cheaper prices than other foreign nations—all of which enables it to reap a large annual surplus in trade with its neighbors. In addition, the states of the region are keenly aware of South Africa's willingness to retaliate inasmuch as Pretoria has imposed a number of short-lived measures over the past several years to demonstrate its ability to damage neighboring economies. 25X1

[1] In this paper, the terms "South Africa's neighbors" and "southern African states" refer to black-ruled Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zaire, Zambia, and Zimbabwe. 25X1

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Zimbabwe and Zambia, despite heavy dependence on South Africa, are in the forefront of efforts to reduce ties to prepare their economies to withstand the repercussions of imposing sanctions. Zaire and Malawi, whose rail connections to South Africa pass through Zambia and Zimbabwe, also are looking for alternatives. In contrast, Mozambique, Botswana, Lesotho, and Swaziland—all more critically dependent on South Africa—reject sanctions as too costly, and continue to increase economic relations with South Africa. Angola and Tanzania, despite virtually no economic ties to South Africa, display only mixed support for sanctions; Luanda is preoccupied with a South African–backed insurgency while Tanzania is giving priority to its IMF-supported economic recovery program. 25X1

Zambia and Zimbabwe have made the most headway in reducing transport dependence. By transferring freight shipments to the ports at Dar es Salaam, Tanzania, and Beira, Mozambique, they have cut transport through South African ports by about 1.4 million metric tons annually, down more than a third since 1985. Zambia has transferred all of its copper exports previously shipped over South African routes to Dar es Salaam and Beira, thus eliminating dependence on South Africa for exports. We estimate that Zimbabwe also has cut shipments through South Africa by more than one-third, but insufficient capacity on non–South African rails and ports has forced it to continue shipping more than one-half of its overseas freight through South Africa. In our judgment, Zimbabwean President Robert Mugabe probably will bow to domestic pressure to avoid sanctions, while Zambian President Kenneth Kaunda's concern about worsening economic problems and the potential for domestic unrest will prevent him from imposing sanctions. 25X1

Looking ahead, we believe the rate at which any of the southern African states can reduce transport dependency on South Africa will slow sharply over the next two years. Damage by South African–backed insurgents will keep the Benguela railroad through Angola closed, while in Mozambique, we estimate that time-consuming rehabilitation projects—particularly on the Beira railroad and port and the Limpopo railroad to Maputo—will slow additional transport increases through 1989. Even after rehabilitation is complete, insurgent disruption and management shortcomings will preclude moving freight at costs and levels of reliability that will be competitive with South African routes. 25X1

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We also do not anticipate that southern African states will make much progress by 1990 in reducing their reliance on South African imports, because of the high costs associated with switching from nearby South African suppliers to overseas sources and the grim state of most of their economies. Zambian studies indicate that the costs of replacing imports from South Africa could reach about $70 million annually. Cutting trade would be even more costly for Zimbabwe because, in addition to its import dependence on Pretoria, exports of manufactured goods to South Africa are critical to the survival and prosperity of its manufacturing sector, which accounts for one-fourth of Zimbabwean GDP, according to US Embassy reporting. 25X1

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Scope Note

This Intelligence Assessment is part of a continuing research effort by the Directorate of Intelligence to explore the regional implications of possible economic sanctions against South Africa by black-ruled neighboring states. The paper has a two-year focus and deals in broad scope with trends in southern Africa's economic dependence on South Africa and efforts to plan for sanctions against Pretoria. The Assessment, though primarily economic, also addresses political and military factors as they bear on the sanctions issue. 25X1

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Although information on regional ties to South Africa is generally adequate, we lack current information on regional transportation flows, individual country trade with South Africa, and planning for sanctions on the part of South Africa's neighbors. 25X1

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Southern Africa: Wrestling With South African Economic Ties

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Introduction

South Africa's declaration of a nationwide state of emergency in 1986 in response to escalating black unrest and the imposition of limited Western sanctions marked a watershed in Pretoria's approach to the internal opposition and to the international community. The year also proved to be a watershed for some of South Africa's southern African neighbors in planning their opposition to Pretoria. Zimbabwe and Zambia, the two Frontline states that had long been in the forefront of rhetoric for international sanctions, decided to embark on a course aimed at reducing their economic dependence on Pretoria and imposing sanctions against South Africa. Malawi and Zaire have followed suit, but other countries in the region have been more hesitant to challenge South Africa's economic predominance

This paper reviews the economic relationships and policies of southern African nations toward South Africa and assesses the prospects for initiatives by some aimed at reducing dependence and imposing sanctions. It examines barriers to developing alternative transport facilities, analyzes obstacles to diversifying trade, and assesses problems caused by the wide variation in regional policies toward South Africa. Finally, the paper discusses the outlook for regional economic ties and the implications for the United States of policies designed to reduce the region's reliance on South Africa.

Economic Dependence and Sanctions

The policies of South Africa's black-ruled neighbors toward reducing dependence and implementing sanctions against Pretoria are influenced by the importance of their economic ties to South Africa and by political considerations.[2] All but two of the neighboring states—Zambia and Zimbabwe—have clearly demonstrated their unwillingness to implement measures that could seriously damage their economies. Driven by their opposition to apartheid, however, Presidents Kaunda of Zambia and Mugabe of Zimbabwe are attempting to reduce economic links to South Africa to strengthen their ability to impose sanctions without damaging their own economies. Their initiative also has forced Malawi and Zaire reluctantly to look for ways to reduce dependence because their transport connections to South Africa are routed across Zambia and Zimbabwe, making them hostage to the sanctions policies of those two countries. 25X1

In contrast, Mozambique, Botswana, Lesotho, and Swaziland believe their economic futures are inescapably tied to that of South Africa because of pervasive dependency, and they are continuing to foster linkages with Pretoria. In the case of Tanzania and Angola, overriding domestic concerns—the civil war in Angola and economic pressures in Tanzania—have kept both from supporting sanctions, even though neither has important linkages to the South African economy that would have to be sacrificed, and both are positioned to benefit from the diversion of transport from South Africa. 25X1

Heavy Dependence: Planning for Sanctions

A review of US Embassy and press reporting indicates that Zambia, Zimbabwe, Malawi, and Zaire have been forced to rely heavily on the rail links to South African ports because guerrilla activity as well as maintenance and operational deficiencies have, until recently, virtually halted traffic on four of the six non–South African alternative routes—rail links to Angola's port at Lobito and Mozambique's ports at Nacala, Beira, and Maputo. Rehabilitation work on Mozambique's railroads in 1987, however, has enabled Malawi and Zimbabwe to begin shifting some of their trade through Beira. Zambia also has transferred copper exports to its rail link with Dar es

[2] See appendix A for a review of regional economic dependence on South Africa. 25X1

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Salaam in Tanzania—despite freight congestion there—and to Beira. These shifts cut combined shipments through South Africa by Malawi, Zaire, Zambia, and Zimbabwe from an annual rate of about 4.4 million tons in 1985 to 3 million tons in 1987.[3]

Zambia and Zimbabwe began their efforts to reduce economic dependence on South Africa after Kaunda and Mugabe were forced to back down on public commitments to impose sanctions.[4] Both leaders faced strong domestic opposition to sanctions from government and business officials, who judged that severing South African ties would have devastating economic consequences for their countries. The two Presidents' efforts to impose sanctions were finally aborted after food riots broke out in Zambia following price increases related to Lusaka's IMF reform program in 1986, convincing Kaunda to back down for fear of fueling additional public unrest. After meeting with Kaunda, Mugabe also reluctantly agreed to postpone sanctions to avoid standing alone against South Africa, according to the US Embassy in Harare. Since then, Kaunda and Mugabe have used their positions as chairmen, respectively, of the Frontline States (FLS) and the Nonaligned Movement (NAM) to press for tougher Western sanctions that would be less likely to rebound directly against their economies.

Zimbabwe's efforts to reduce dependence are critical to prospects for regional sanctions because its two rail connections to South Africa (one via Botswana) also handle all South African transit freight for Zambia, Malawi, and Zaire. Zimbabwe is also the largest regional user of South African transport routes and Pretoria's largest trading partner in the region. Reducing dependence is difficult for Zimbabwe, however, because Harare exports a wide variety of goods produced almost exclusively by private corporations and farms that—unlike Zambia, which formerly shipped a single product (copper) produced by a government corporation through South Africa—are cautious about switching from reliable, efficient South African routes. In addition, Zimbabwe does not have access to alternative ports capable of handling the full volume of its trade shipments.

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Southern Africa: Major Economic Ties to South Africa

Angola
- *No major dependencies.* 25X1

Botswana 25X1
- *Transport via South Africa: 80 to 90 percent of trade.*
- *Imports from South Africa: 80 to 90 percent either originate in or transit South Africa, including all of Botswana's petroleum, 80 percent of food, and most consumer goods.*
- *Exports to South Africa: One-fourth of nondiamond total.*
- *Other: 45,000 to 50,000 migrant jobs (19,000 in the mines); 20 percent of government revenues from SACU; 40,000 to 50,000 tourists annually; dominant investment in mining.* 25X1

Lesotho
- *Transport via South Africa: All overseas trade.*
- *Imports from South Africa: 97 percent of total.*
- *Other: 140,000 to 150,000 migrant jobs (108,000 in the mines), about three-fourths of Lesotho employment.* 25X1

Malawi 25X1
- *Transport via South Africa: About 95 percent of trade.*
- *Imports from South Africa: 30 percent in 1986, including virtually all petroleum.*
- *Exports to South Africa: 7 percent in 1986.*
- *Other: 35,000 migrant jobs (19,000 in the mines); police and army weapons and training.* 25X1

[3] Data exclude an estimated 900,000 tons of trade with South Africa.

[4] See appendix B for a chronology of Zambian and Zimbabwean efforts to impose sanctions.

Mozambique

- *Transport via South Africa: Virtually none.*
- *Imports from South Africa: Third in importance after US and USSR; principal source of machinery and raw materials.*
- *Other: Principal sources of foreign exchange from transit fees through Maputo and 150,000 migrant jobs (51,000 in the mines); 60 percent of electricity supplies for Maputo; $30 million in investment.* [redacted]

Swaziland

- *Imports from South Africa: 90 percent originate in or transit South Africa, including all petroleum, wheat, and processed foods, one-third of corn, and most consumer goods.*
- *Exports to South Africa: One-fourth of total.*
- *Other: 25,000 to 30,000 migrant jobs (13,000 in the mines); one-half of government revenues through the Southern African Customs Union; all railroad rolling stock on lease; two-thirds of electricity supplies; $200 million in investment.* [redacted]

Tanzania

- *No major dependencies.* [redacted]

Zaire

- *Transport via South Africa: 40 to 50 percent of copper and cobalt exports.*
- *Imports from South Africa: 75 to 80 percent of the Shaba region's food, consumer goods, industrial explosives, and chemicals.*
- *Other: One-third of railroad rolling stock on lease from South Africa.* [redacted] 25X1

Zambia

- *Transport via South Africa: Insignificant since November 1986.*
- *Imports from South Africa: About one-third, including almost one-half of mining supplies, machinery, and equipment.*
- *Other: 27-percent ownership of Zambian mining; investment in suppliers of machinery, equipment, and parts for mines.* [redacted] 25X1 25X1

Zimbabwe

- *Transport via South Africa: About one-half of trade.*
- *Exports to South Africa: About 10 percent, but 50 to 70 percent of exports by manufacturing industry.*
- *Imports from South Africa: 15 to 20 percent, including all coking coal, drill steel for mining, base oils and lubricants, and animal vaccines, and most crude fertilizers, explosives, and iron and steel products such as sheet steel and tinplate.* 25X1
- *Other: 50 commercial airline flights weekly; about 40 percent of tourist revenue, earning $30-35 million annually; about $500 million in investment; agreement on relief from double taxation; preferential trade agreement; own many of largest firms—breweries, hotels.* [redacted] 25X1 25X1

Harare's principal efforts to reduce economic ties to Pretoria have focused on rehabilitating and providing security for railroad links to Mozambique's ports of Beira and Maputo. Although most of the funding for rehabilitation is being contributed by foreign donors through the Southern African Development Coordination Conference (SADCC),[5] Zimbabwe's military commitment to protect rail lines in Mozambique is costing Harare about $10 million a year, according to a press statement by Mugabe.[6] [redacted] 25X1

[5] Established to increase economic independence from South Africa, SADCC membership includes all of South Africa's 10 regional neighbors except Zaire. [redacted]

[6] Other estimates of Zimbabwe's annual military costs in Mozambique have been significantly higher, ranging from $30-40 million, [redacted], to $150-220 million, according to the US Embassy in Harare. [redacted]

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Table 1
Southern Africa: Declining Transport via South Africa [a]

	1985		1987		1989	
	Thousand Tons	*Percent*	*Thousand Tons*	*Percent*	*Thousand Tons*	*Percent*
Total	**7,100**		**7,300**		**7,300**	
Trade with South Africa	800		900		900	
Overseas shipments	6,300	100	6,400	100	6,400	100
Via South Africa	4,350	69	2,950	46	2,530	40
Non–South Africa	1,950	31	3,450	54	3,870	60
Malawi	775	100	800	100	800	100
Via South Africa	775	100	750	94	550	69
Non–South Africa	0	0	50	6	250	31
Zaire	975	100	975	100	975	100
Via South Africa	325	33	325	33	305	31
Non–South Africa	650	67	650	67	670	69
Zambia	1,250	100	1,250	100	1,250	100
Via South Africa	250	20	0	0	0	0
Non–South Africa	1,000	80	1,250	100	1,250	100
Zimbabwe	3,300	100	3,375	100	3,375	100
Via South Africa	3,000	91	1,875	56	1,675	50
Non–South Africa	300	9	1,500	44	1,700	50

[a] All data are estimated, excludes petroleum imports by Zimbabwe.

[redacted] 25X1

Harare also has pressed Zimbabwean importers to find non–South African sources of supply and has attempted, unsuccessfully, to take unilateral action on sanctions. Irked by the refusal of the Frontline States to cut commercial air links to South Africa last year, for example, Mugabe gave orders to stop foreign exchange allocations for imports from South Africa by Zimbabwean farmers and businesses, according to the US Embassy [redacted] [7] Although forced to back down a week later because of opposition by private-sector and Cabinet officials, Mugabe set up a sanctions task force to work with business groups to promote disengagement in trade and increased use of the Beira railroad. [redacted] 25X1

[redacted] 25X1

Sanctions continue to be a topic of lively discussion and planning by the Zimbabwean Cabinet, [redacted] 25X1 25X1 25X1

[redacted]

[7] Foreign exchange also was forbidden for imports from Israel, South Korea, and Taiwan, apparently in an attempt to provide a plausible defense against likely South African claims that it was the sole target of the sanctions. [redacted] 25X1

[redacted] Harare temporarily banned South African Airways from carrying cargo shipments from Zimbabwe to South Africa last year following a dispute with Pretoria over an international airline route [redacted]

Meanwhile, Zambia has made some progress toward achieving economic independence from South Africa. Lusaka has ended dependence on Pretoria for transport of exports by transferring, since November 1986, the proportion of copper exports that it had railed through South Africa to the ports at Dar es Salaam and Beira.[8] Although Lusaka has not cut off imports from South Africa, it has established the administrative machinery to do so by requiring that Zambia Consolidated Copper Mines (ZCCM), the government corporation that is responsible for copper and cobalt mining, get prior government approval for imports of South African machinery, equipment, and spare parts, according to the US Embassy. [redacted]

Zambia, however, still relies on about 150 Zambian-registered companies that are wholly or partly owned by South African firms—principally Anglo-American Corporation—for essential mining equipment and high-level skills and technology [redacted] South African firms also have bid successfully to supply a wide range of machinery and equipment for Zambian copper-mining development projects financed by the World Bank, [redacted]

Jarred by Zambian and Zimbabwean moves toward sanctions and threats by Mugabe to embargo Malawian transport to and from South Africa, Malawi quickly negotiated agreements last year to begin upgrading and using facilities at the ports of Nacala, Dar es Salaam, and Beira as possible alternatives to its outlets through South Africa. [redacted] 25X1 25X1 Malawian efforts resulted in three agreements: 25X1

- Mozambique agreed to have Malawi help provide security for Malawian trains and for the rehabilitation crews working on the Nacala railroad.
- Tanzania agreed to let Malawi build new cargo transshipment centers for its goods near the port of Dar es Salaam. 25X1
- South Africa agreed to fly goods from Beira to Malawi in the event of a cutoff of other routes.

Malawi also joined Mozambique in agreeing to allow a private British firm, London Rhodesia Ltd. (LONRHO), to invest in improvements to the Nacala railroad and train about 500 Mozambicans as a private security force for the line. 25X1 Malawi yielded early this year to Zimbabwean pressures to pay about $4 million annually to help defray Harare's costs for providing security against insurgent attacks on Malawian truck transport across Mozambique's Tete Province to railroads in Zimbabwe, according to US Embassy reporting. [redacted] 25X1

Surprised by an increase in Zambian railroad tariffs in mid-1986, Zaire reacted to the Zambian and Zimbabwean push for sanctions by commissioning Zaire's mining and transport companies to propose a plan for alternative transport outlets [redacted] 25X1 25X1 Zaire's options, however, are limited. 25X1 25X1 The combination river/rail route—known as the Voie Nationale—to Zaire's own port at Matadi already is operating at capacity and costs about 90 days of transit time and $136 a ton, versus 30 days and $113 through South Africa [redacted] 25X1 25X1 Zaire's route to Dar es Salaam—via railroad, barge across Lake Tanganyika, and back to rail—is operating at less than one-half its rated capacity of 100,000 tons annually because of deteriorated facilities, according to the US Consulate in Lubumbashi. [redacted] 25X1 25X1

[8] Cobalt, Zambia's other bulk export, already was being shipped via Dar es Salaam. [redacted] 25X1

Southern Africa: Investment by Anglo-American and DeBeers

South Africa's largest business conglomerate—Anglo-American Corporation and its corporate partner, DeBeers Consolidated Mines—is a key player in southern African trade and investment links to South Africa:

- *In Angola, DeBeers has been instrumental in operating and supplying equipment for diamond mines; Angolan diamonds are marketed through DeBeers's London marketing subsidiary, the Central Selling Organization. Diamonds are a distant second to oil among Angolan exports.*

- *DeBeers has been the sole source of investment, equipment, marketing, and technical and management expertise behind an explosion of diamond production that has kept Botswana's economic growth rate among the highest in the world over the past decade. Anglo-American is the majority owner (93 percent) of Botswana's Morupule colliery, serving the Botswana Power Corporation, and of BCL Limited (85 percent), which operates Botswana's Selebi-Pikwe copper-nickel mine, in which it is financing a new mine shaft to expand production, according to the US Embassy. Anglo-American also is the lead investor, through corporate ownership of African Explosives and Chemicals, Inc., in a $418 million project to produce soda ash in Botswana for the South African market.*

- *Diamonds from the Letseng-la-Tarai diamond mine, opened and operated by DeBeers, were Lesotho's most important export until the mine was closed in 1983 because of depleted ores.*

- *Malawi and Swaziland are the only southern African countries without important business connections to Anglo-American or DeBeers.*

- *Anglo-American Chairman Gavin Relly visited Mozambique in January 1988 to push efforts to form a multinational consortium with Brazilian investors to develop Mozambique's coalfields at Moatize, according to the US Embassy at Maputo. Anglo-American also is interested in exploring for gold and diamonds in Mozambique.*

- *DeBeers has neared the end of production at Tanzania's Mdawai diamond mine, now virtually worked out.* 25X1

- *Zaire markets its diamonds through DeBeers's London marketing subsidiary, the Central Selling Organization.*

- *Anglo-American owns 27 percent of Zambian Consolidated Copper Mining Company, the government corporation that is responsible for virtually all of Zambian mineral output and exports, according to US Embassy reporting. Anglo-American also holds ownership shares of a large number of the Zambian companies that provide equipment and spare parts to the mining company.*

- *Anglo-American has had investments in Zimbabwe for more than 50 years and has invested more than $100 million in the country since its independence. Most new investment has been in an expansion project at the Wankie Colliery administered by the corporation, but Anglo-American also has recommissioned its chrome mine (Zimbabwe Alloys), sunk and equipped a 900-meter shaft at its nickel mine (Bindura Nickel Corporation), and expanded rail transport at its Hippo Valley sugar farm. Other investments include timber plantations, sawmills, fertilizer and food processing plants, iron pyrite mines, and citrus farms.* 25X1

In seeking alternatives, Kinshasa was assured by China in October 1987 that the Chinese-constructed Tazara railroad from Zambia to Dar es Salaam could handle another 300,000 tons annually, and that Zambia and Tanzania were willing to negotiate transit rights [redacted] Although Zaire apparently has not followed up on this opening, the country's government-owned copper-mining company (GECAMINES) has signed a contract with an Italian company to begin trucking 20,000 tons of copper and zinc annually from Shaba through Zambia to Dar es Salaam in 1988, according to the US Consulate in Lubumbashi. Zaire has also supported efforts by Kaunda to persuade Angolan insurgents to end attacks against the Benguela railroad to Angola's port of Lobito, and to interest European investors in rehabilitating the line. [redacted]

Critical Dependence: Reject Sanctions

[redacted]

Gaborone and Maputo share a perception that maintaining a close economic relationship with South Africa is critical to their future, despite stark contrasts in their economic growth—Botswana had the world's highest economic growth rate and Mozambique the lowest during the period 1981-85, [redacted] The key to rapid economic growth in Botswana has been investment by South Africa's DeBeers Corporation in diamond mining, which has pushed Botswanan exports up from less than $150 million in 1975 to more than $850 million in 1987. Mozambique continues to rely on foreign exchange earnings from South African trade shipments through Maputo and on remittances from Mozambicans working in South African mines. [redacted]

Lesotho and Swaziland are even more closely knit to the South African economy. Both are members of South African–dominated institutions—the Southern African Customs Union (SACU) and the Rand Monetary Area (RMA)—through which Pretoria provides annual stipends of grant aid in return for acquiescence in South African control of customs and monetary policies. Swaziland has publicly opposed economic sanctions against South Africa, according to US Embassy reporting. It also has welcomed investment by South African firms seeking a non–South African country as the point of origin for their exports to overseas countries that have imposed sanctions. Swaziland has allowed a significant volume of undeclared South African goods to pass through its territory for export via Maputo as Swazi goods, according to Embassy reporting. Lesotho depends on SACU for the bulk of its current tax revenues and earns most of its foreign exchange from migrant labor employed in South Africa. It also is counting on South Africa to provide the planning, investment, technical expertise, and markets for the Lesotho Highlands Water Project, which it sees as not only its best but also its only hope for large-scale development.[9] [redacted]

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Virtual Independence: Mixed Support for Sanctions

Pressing domestic problems have curbed Angolan and Tanzanian support for sanctions. Angola continues to struggle against South African–backed UNITA (National Union for the Total Independence of Angola) insurgents, while Tanzania is heavily involved in implementing an IMF-backed economic recovery program after years of economic decline. Angola's contribution to the sanctions push has been limited to support for reopening the Benguela railroad which, if accomplished, would yield significant foreign exchange revenues for Luanda. Even though Tanzania also would profit from diverted freight traffic, Dar es Salaam has opposed sanctions on the grounds that, over the long term, they would probably be more harmful to other countries in the region than to South Africa [redacted]

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[9] Looming water shortages in the industrial area around Pretoria and Johannesburg are the reason for developing the $2 billion Lesotho Highlands Water Project, which will redirect a number of Lesotho's rivers through a system of tunnels to provide water for South Africa. [redacted]

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Obstacles to Reducing Dependence

Major obstacles would have to be overcome before Zimbabwe and Zambia could impose sanctions without inflicting severe damage on their own economies as well as those of Malawi and Zaire. Chief among these are intractable problems with rehabilitating and operating alternative transport routes, difficulties with overcoming South Africa's competitive trade advantage, and the risk that Pretoria might retaliate with countersanctions. [redacted]

Troubled Alternative Transport
Although contributions to SADCC by foreign donors have at least temporarily relieved critical financial constraints on rehabilitation efforts, capacity limitations and security and management problems stand in the way of achieving transport independence. The two railroads through Tanzania and Zaire are unable to increase freight shipments because of capacity limitations; these two routes combined can carry only about one-third [10] of the total overseas freight (excluding trade with South Africa) of Zambia, Zimbabwe, Malawi, and the Shaba region of Zaire, leaving two-thirds—about 4.4 million tons annually—for the other routes. Although this tonnage could be accommodated by four railroads and ports in Angola and Mozambique, daunting security problems in Angola and security, management, and rehabilitation problems in Mozambique are seriously impeding efforts to increase shipping over non–South African routes. So far, only the railroad to Mozambique's port of Beira—the shortest route from Zimbabwe and the principal focus of rehabilitation funding—has been reopened to commercial traffic, handling about 1.4 million tons in 1987.[11] [redacted]

Security Problems. Despite Zambian optimism last year that UNITA would cease attacks and allow rehabilitation of the Benguela railroad, the route remains closed. Angola's port of Lobito had handled

[10] Included are 1.4 million tons on the Tazara, 600,000 tons via the Voie Nationale, and about 40,000 tons over a Zairian rail-water outlet that crosses Lake Tanganyika to Dar es Salaam. [redacted]

[11] In addition, about 730,000 tons of petroleum products (14,660 barrels per day) were shipped by pipeline through Beira. [redacted]

Southern Africa: Non-South African Transport Routes

Benguela Railroad to Lobito Port in Angola
- Length: *1,340 kilometers from Zairian border to Lobito.*
- Condition: *Closed to cross-country traffic by insurgent attacks.* [redacted] 25X1
  [redacted] 25X1
- Transit in 1987: *No cross-country freight from Zambia, Zaire, or other regional states; limited local transport by Angola. (2.3 million tons of Zairian and Zambian freight in 1974, prior to closure.)* 25X1
- Rehabilitation: *Preliminary plans for a conference in Lobito in May 1988 to seek $575 million in commitments by potential private investors.*
- Other: *Belgium's Societe Generale de Belgique (SGB) owns 90 percent of the line's operating company, Caminhos de Ferro de Benguela (CFB), through a third company, London-based Tanks Consolidated Investments.* [redacted] 25X1

Voie Nationale to Matadi in Zaire
- Length: *2,665-kilometer rail and river network between Shaba and Matadi.*
- Condition: *Railroad from Kamina to the port of Ilebo on the Kasai River is plagued by shortages of rolling stock, deteriorated tracks, inadequate maintenance and communications, and poor management. Ilebo lacks adequate storage and is short of barges and riverboats.*
- Transit in 1987: *About 600,000 tons, including 278,000 tons of copper exports.*
- Rehabilitation: *Program scheduled for 1989-90 will increase annual mineral export capacity from 300,000 to 400,000 tons, according to the US Consulate in Lubumbashi. Major financing by the World Bank.* 25X1
- Other: *Rehabilitation likely to take up to three years longer than scheduled, according to the Consulate.* [redacted] 25X1

Tazara Railroad to Dar es Salaam in Tanzania 25X1
- Length: *1,860 kilometers from Kapiri Mposhi, Zambia, to Dar es Salaam.*

25X1

- Condition: *Line has been plagued by inefficiency, badly maintained and inadequate equipment, and high turnaround and transit times since opening in 1976.*
- Transit in 1987: *About 1.4 million tons, including Tanzanian, Zambian, Zairian, Malawian, and small amounts of Zimbabwean traffic.*
- Rehabilitation: *$610 million in planned railroad, port, and other transport projects; many projects funded and under construction.*
- Other: *Zamcargo, which handles Zambian copper and cobalt exports, and its UK-based subsidiary, Seacargo Intercontinental, account for about 60 percent of freight shipments through Dar es Salaam.*

Railroad to Mozambique's Port at Nacala
- Length: *615 kilometers from the Malawian border to Nacala.*
- Condition: *Currently operating, but on a very irregular and limited schedule. Closed to scheduled cross-country traffic because of insurgent attacks on trains, tracks, and rehabilitation crews.*
- Transit in 1987: *Negligible Malawian tonnage. Port handled 300,000 tons of local Mozambican freight, mainly food relief shipments and supplies and equipment for railroad rehabilitation projects.*
- Rehabilitation: *Railroad work by Canada (providing new crossties and rails), France (supervising the project), and Portugal (assisting in communications with Mozambican labor force). Port rehabilitation by Finland. SADCC plans are for an eventual annual capacity of 1.6 million tons, but actual capacity unlikely to exceed 500,000 tons by 1990.*
- Other: *Excellent port, not subject to the problems of river silting that plague Dar es Salaam, Beira, and Maputo.*

Railroad to Mozambique's Port at Beira
- Length: *315 kilometers from the Zimbabwean border to Beira.*
- Condition: *Railroad open for scheduled operations, despite continued attacks by RENAMO. Port and railroad experiencing slowdowns because of river silting, inadequate maintenance of loading equipment, poor labor productivity, and severe management deficiencies.*
- Transit in 1987: *About 2.1 million tons, including 1.4 million tons by railroad and 730,000 tons of petroleum products by pipeline. (The Beira railroad and port handled 4.5-5.0 million tons annually of Zimbabwean—then Rhodesian—and Zambian freight in the early 1960s.)*
- Rehabilitation: *A $590 million three-phase program. First phase of railroad rehabilitation completed in June 1987, increasing rail capacity (but not shipments) to about 3 million tons annually. First phase of port rehabilitation project completed in October 1987, raising annual port capacity to about 3.2 million tons; construction of second phase contracted to Italian companies in February 1988.* 25X1
- Other: *Although the shortest route for Zimbabwe, mountainous terrain on the western end of the railroad and a silting problem at the port make expansion more expensive than for the Limpopo route to Maputo.* 25X1

Railroad to Mozambique's Port at Maputo
- Length: *534 kilometers from the Zimbabwean border to Maputo.*
- Condition: *Closed to other than work trains because of insurgent damage and badly deteriorated rails, ties, and roadbeds, many of which have not been replaced since they were installed by the Portuguese over 30 years ago.*
- Transit in 1987: *No cross-country traffic from Zimbabwe; limited local Mozambican shipments.*
- Rehabilitation: *Funded by the United Kingdom, first of two-stage rehabilitation program completed in March 1988; work not yet begun on second stage, which is critical to increasing transport to significant levels.* 25X1

25X1

more than half of Zairian and Zambian copper exports before 1975, when the Benguela railroad was first closed to cross-country shipments because of insurgent attacks. The Angolan Government, in conjunction with the Belgian majority owner of the railroad, Societe General de Belgique (SGB) developed plans earlier this year for a $400 million rehabilitation program and more recently has embarked on an effort to raise $575 million in private investor financing to reopen the railway [redacted] The plans, which are supported by the Southern African Transport Coordination Committee (SATCC), include surveys of the track and proposals for opening the railroad to limited traffic within 12 to 18 months, according to the US Embassy in Brussels.[12] [redacted] however, UNITA destroyed one of the three major bridges on the line[13]—the Cuanza River bridge in central Bie Province—during an upsurge in the civil war late last year, thus signaling its unwillingness to let the line be reopened and effectively ending hopes for relatively quick reconstruction. [redacted]

Insurgent attacks by the South African–backed Mozambican National Resistance (RENAMO) are a severe impediment both to rehabilitation of rail lines and to increased rail traffic after rehabilitation is completed. Railroad and oil pipeline facilities in the Beira corridor were attacked over 100 times by RENAMO during 1986 and 1987 [redacted] RENAMO insurgents have also attacked construction crews and sabotaged both the rail line on the Nacala route—more than 50 times in 1987—and the Limpopo railroad to Maputo and have at least twice pulled up long sections of railroad track on the Nacala line, according to US Embassy reporting. Finally, RENAMO has attacked electric power facilities at the Beira port, stalling water pumps that service steam-driven shunting equipment for freight trains. [redacted]

[12] SATCC is a subcommittee of SADCC and is charged specifically with transportation projects in member countries. [redacted]

[13] The Benguela railroad has 120 bridges, two of which are about 80 meters long, and one—the destroyed Cuanza River bridge—160 meters in length. [redacted]

Although RENAMO attacks have failed to stall reconstruction efforts or close down any rehabilitated line for more than a day or two at a time, they have slowed increases in freight traffic to Beira and have increased security costs steeply. Dry cargo shipments (not including petroleum products) through Beira actually declined slightly during July-December 1987 because of RENAMO attacks, in comparison with the 850,000 tons shipped during the first six months of the year, according to press reports. Malawi transported a small shipment of goods to Nacala in early September 1987 to test the condition of the railroad, but the line still is not open to commercial traffic, [redacted] Opening these two transport routes, even for shipping at reduced rates, and providing security for rehabilitation crews on the Limpopo line to Maputo have required large troop commitments by Zimbabwe, Malawi, Mozambique, and Tanzania, as well as British-trained private security forces by LONRHO, the major contractor on the Nacala route. [redacted]

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Management Deficiencies. Compounding security problems are serious deficiencies in the southern African countries' ability to manage and operate port and rail facilities after they are rehabilitated. A South African estimate indicates the volume of traffic on non–South African routes using existing equipment would probably double if they were managed efficiently, according to the US Embassy in Pretoria. Although management problems exist in all of the countries that are involved in rehabilitating transport facilities, they are an especially critical issue on Mozambique's Beira route because of its role as Zimbabwe's principal alternative to South African routes. [redacted]

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Problems began in Mozambique immediately following independence in 1975 with the emigration of Portuguese technicians, resulting in delays and declines in freight through Mozambican ports—even before RENAMO attacks became an obstacle. Management problems have reemerged as the Beira route

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has been returned to operation and have tended to rise sharply as increases in the number of trains and volume of cargo have added to the complexity of operating the system. Over 1,800 freight containers recently were delayed in Beira, for example, many of which were unrecoverable because they were mired in mud or misplaced as a result of poor handling and loading procedures, according to US Embassy reporting. Shipments through Beira also have been slowed because of improperly maintained cranes and forklifts, poor scheduling of rehabilitation that has led to cuts in the number of useable berths, and bad management of dredging equipment that has allowed silt to accumulate in the river channel, according to Embassy reporting. These problems have induced a number of Zimbabwean shipping companies to revert at least temporarily to South African routes in recent months, according to other Embassy reports. [redacted] 25X1

[redacted] In discussions with US officials, a delegation from Malawi's Department of Economic Planning and Development complained that Mozambique had a woeful lack of managerial and technical expertise and that Maputo was reluctant to accept help from Malawi's railroad training center. Mozambican management deficiencies often force a Zimbabwean depot manager in Mutare to ride trains on the Beira railroad to Gondola, Mozambique, to cope with station problems such as derailments and malfunctioning switches [redacted] 25X1

In our judgment, shipping bottlenecks due to poor management will rise as increasing traffic puts a premium on efficient use of facilities. Management problems, for example, will be compounded by increasing shortages of equipment as transport over non–South African routes increases, because shipments via Mozambique—on shorter trains and lighter rails—require four times as many locomotives to move the same volume of freight, in comparison with South African routes, [redacted] 25X1

Rehabilitation Bottlenecks. Completion of rehabilitation projects will take more time than Zimbabwe and Zambia originally envisioned, in our judgement. Beginning later this spring, for example, port capacity at Beira will be frozen for about three years while conversion of a number of berths from general cargo to container facilities takes place, according to US Embassy and press reporting. The railroad to Nacala is open only for local Mozambican traffic and occasional trains to Malawi. Although upgrading of Nacala port is scheduled for completion this spring, rehabilitation of the railroad to carry higher volumes of traffic will not be finished until March 1989, according to Embassy reporting.[14] Although the Limpopo railroad is scheduled to be opened to very limited traffic this spring, upgrading to increase capacity is still in the planning stage. [redacted] 25X1

South Africa's Trade Advantage

South Africa's competitive trade advantage has so far thwarted efforts by Zambia, Zimbabwe, Malawi, and Zaire to reduce their trade links with Pretoria. Collectively, Pretoria's 10 neighbors generally experience combined trade deficits with South Africa averaging $1-2 billion annually, according to our estimates based on a review of trade data. A number of factors account for South Africa's competitive advantage in supplying imports to the region:

- Proximity, which results in cheaper transport and easy access to markets and products. In Zambia, feasibility studies of replacing imports from South Africa indicate that alternative sources for more than 300 individual items would have to be found and that the probable cost—including additional inventories to compensate for longer delivery times from overseas—would come to about $70 million annually [redacted] 25X1

- Investment in neighboring states, which results in imports by subsidiaries from their parent firms in South Africa. Franchise agreements between the contractors that supply the government-owned mining industry in Zambia and South African companies guide import decisions for more than $10

[14] In the 1990s, annual capacity on the Nacala railroad will be expanded to 1.6 million tons, [redacted] 25X1

Table 2
Southern Africa: Trade With South Africa

	1980		1985	
	Million US $	Share of Neighbor's Trade (*percent*)	Million US $	Share of Neighbor's Trade (*percent*)
Imports	**8,743**		**6,937**	
From South Africa	2,513	29	1,526	22
Of which:				
Angola	25	2	NEGL	NEGL
Botswana	600	87	450	75
Lesotho	450	97	350	95
Malawi	163	37	105	40
Mozambique	50	7	50	10
Swaziland	561	93	225	80
Tanzania	14	1	27	3
Zaire	42	5	25	2
Zambia	173	16	125	23
Zimbabwe	435	30	169	19
Exports	**8,020**		**7,026**	
To South Africa	605	8	222	3
Of which:				
Angola	100	5	NEGL	NEGL
Botswana	33	7	35	6
Lesotho	24	41	20	95
Malawi	9	3	21	7
Mozambique	15	3	8	5
Swaziland	106	30	35	20
Tanzania	12	2	NEGL	NEGL
Zaire	0	0	0	0
Zambia	7	1	0	0
Zimbabwe	299	22	103	11

[redacted]

million annually in name brand products (Allis-Chalmers crushers, Wilkinson roller bearings, and David Brown gearboxes, among others) [redacted]

Southern Africa: Temporary Surge in Trade

A review of trade data suggests that Zimbabwe, Zambia, and Malawi have at least temporarily increased trade with South Africa since the beginning of 1986:

- *Zimbabwean imports from South Africa jumped by more than one-third to $214 million during the first 11 months of 1986, and exports to South Africa rose by more than one-fourth to $122 million in the same period, according to US Embassy reporting. Preliminary data indicate that imports rose by an additional 5 percent in 1987.*
- *Statistics published by the Bank of Zambia show that more than one-half of the money allocated for imports by the Zambian foreign exchange monitoring committee during the first half of 1987 went for imports from South Africa, up from about one-fourth in past years.*
- *In December 1987, Malawi doubled the number of truck convoys, from three to six each week, that it makes across Mozambican territory to depots on Zimbabwean railroads leading to South Africa.* [redacted] 25X1

We believe that this trade surge was probably the result of importers' building up inventories of South African commodities—and South African importers' stocking up Zimbabwean goods—as a precaution against shortages if they lost access to established suppliers in the event of sanctions. It is also possible, according to reporting by the US Embassy in Harare, that increased imports by Zimbabwe reflect private-sector attempts to offset foreign exchange shortages by purchasing raw materials from the quickest and cheapest source. With inventories of imported raw materials drawn down because of Zimbabwe's foreign exchange shortages, quick access to components available in South Africa has become of paramount importance to many Zimbabwean firms, according to the US Embassy. [redacted]

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25X1

- Mining technology, which is suited for African mining conditions. Zimbabwean mining companies import their entire supply of drill bits from South Africa, because South African bits are made from a special type of stainless steel suitable for the region's hard rock conditions. [redacted]

- Relatively large production facilities, which provide economies of scale. Zimbabwe has found it to be less expensive to import virtually all of its coking coal and mining explosives from South Africa than to establish its own production facilities.[15]

- Large farm surpluses in most years, which enable South Africa to serve as a regional granary. Malawi signed a barter agreement in December 1987 for 20,000 tons of South African corn in exchange for 10,000 tons of Malawian peanuts to help offset shortages caused by poor weather and heavy demands to feed Mozambican refugees. [redacted]

Zimbabwean Dependence on Export Market. In contrast to the import picture, Zimbabwe and Lesotho are alone among the regional states in depending heavily on South Africa as an export market. South Africa purchases most of Zimbabwe's exports of wood, lumber, oilcake and meal, significant shares of tobacco, tea, and coffee, and is by far the biggest export market for Zimbabwean manufactured goods, [redacted] Manufactured exports to South Africa are critical to the survival and prosperity of Zimbabwe's manufacturing sector, which accounts for one-fourth of Zimbabwean GDP, according to US Embassy reporting. Harare's unique success in penetrating the South African market for manufactured goods is the result of a 24-year-old preferential trade agreement that was signed by Pretoria mainly to give Zimbabwe—then Rhodesia—special access to the South African market when it was subject to international sanctions before independence. Under the agreement, which remains in force, South Africa not only allocates generous import quotas for a number of Zimbabwean manufactured products, such as furniture, textiles, and footwear, but also provides 5- to 20-percent reductions in its customs duties on these goods. [redacted] 25X1

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Risk of South African Retaliation

The South African Government would come under heavy domestic pressure to retaliate in the event that Zimbabwe and Zambia imposed sanctions, according to the US Embassy in Pretoria. South African officials say their government would probably respond with particular harshness against Mugabe, whom they view as a dedicated Marxist held in check only by his pragmatic advisers, according to Embassy reporting. South African officials have said Pretoria would respond to sanctions by prohibiting transit via South African facilities of any commodities that are sanctioned from purchase in South Africa. [redacted] 25X1

Punitive economic measures by South Africa over the past several years, however, generally have been short lived, reflecting Pretoria's desire to demonstrate its capability to damage neighboring economies without actually taking steps that might rebound against the South African economy. Examples of temporary countermeasures by Pretoria to date include: 25X1

- A ban on recruitment of Mozambican workers by South African mines that was later reversed, probably to signal Pretoria's approval of Mugabe's and Kaunda's decision to postpone sanctions and in response to heavy pressure from the South African Chamber of Mines, which relies on migrants—including 51,000 from Mozambique—for about 40 percent of its labor force. 25X1

- Foot-dragging on a Zimbabwean request for railway tank cars to transport petroleum products purchased by Zimbabwe from South African firms, designed to pressure Harare to discuss the matter at the ministerial level, thus acquiring a degree of diplomatic recognition.

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[15] Although Zimbabwe is constructing plants to reduce its dependence on South Africa for explosives and coking coal, the new facilities are partially owned and will be operated by South African companies [redacted]

- A "traffic survey" that caused temporary delays in truck traffic from Zimbabwe, and requirements for government permits to import Zimbabwean goods, to protest rhetoric by Mugabe threatening sanctions.
- Requirements for deposits on Zambian imports over South African ports and railroads, to protest similar rhetoric by Kaunda.
- Increased apprehensions and repatriations of illegal migrant workers in South Africa, to reduce labor dependence on neighboring states.

South Africa also seeks to raise the potential costs to Zimbabwe and Zambia of imposing sanctions and preserve the considerable economic benefits that it reaps from regional economic relations. Trade with its African neighbors provides South Africa with a large, much-needed surplus. Dividends and profits from investment, plus earnings from transport and technical services, also provide significant flows of foreign exchange income to Pretoria. South Africa's sensitivity, for example, to the potential for losing transportation business to the shorter Mozambican routes has induced Pretoria to hold down the differential between its fares and those via Beira by allowing Zimbabwean shippers to negotiate special rates below the levels of standard fees based on distance and tonnage. Zimbabwean officials involved in rehabilitating the Beira route have complained about price-cutting maneuvers by Durban and other South African ports, according to US Embassy reporting.

In addition to encouraging investment and trade with neighboring states by private South African firms, Pretoria has established an unsuccessful alternative to SADCC, called the Southern African Development Bank (SADB), to provide financial inducements for greater economic integration. South Africa also has maintained its preferential trade agreement with Zimbabwe, and agreed recently—in conjunction with Portugal—to repair and help provide security for the electric powerline from Mozambique's Cahora Bassa dam to the South African electricity grid, thus providing a new source of foreign exchange earnings for Maputo.

Outlook and Implications for the United States

Over the next two years, Zimbabwe and Zambia—under their present leadership—will continue to search for ways to reduce their economic dependence and that of other southern African states on South Africa. Frustrated and restrained by their own economic vulnerability to Pretoria, however, Harare and Lusaka are likely to avoid unilateral sanctions while calling for tougher Western sanctions and for increased US aid to support initiatives intended to reduce regional transportation and trade dependence on South Africa. 25X1

25X1

Reducing Dependence

In our judgment, Zimbabwe and Zambia are unlikely to succeed in reducing their dependence on South African transport routes over the next two years on a scale that would enable them to impose sanctions without causing severe damage to their own economies and to those of Malawi and Zaire. Although some additional progress in opening Mozambican transport routes is likely, we believe that the rate at which freight shipments are transferred from South African to non–South African routes will slow sharply over the next two years, relative to the decline of 1.4 million tons achieved in the two years through 1987. Security and management problems, in addition to time needed to complete rehabilitation projects, will be the principal obstacles to faster progress. 25X1

Similarly, we do not foresee major progress in reducing dependence on trade with South Africa during the next two years. Both Zimbabwe and Zambia will continue to find it too costly, in the face of South Africa's competitive trade advantages, to develop alternative import sources and export markets. 25X1

25X1

Imposing Sanctions

We do not believe that Zambia and Zimbabwe—or any other southern African state—will impose any broad-ranging economic sanctions against South Africa in the period through 1989. Although Mugabe will continue to call for regional sanctions, especially if Zimbabwe's railroad to Maputo is reopened on

25X1

Southern Africa: Continued Transport Dependence

Because of security, management, and rehabilitation constraints, we believe that additional traffic over the next two years will be limited to no more than about 200,000 tons each over the Beira and Nacala railroads, and 20,000 to 50,000 tons distributed among the Tazara, Voie Nationale, and Limpopo routes. The Benguela railroad almost certainly will remain closed through 1989 because of guerrilla activity. At most, therefore, increases in freight shipments over non–South African routes will equal no more than about 400,000 to 450,000 tons from now through 1989, according to our estimates.

Although Malawi and Zimbabwe will be the main beneficiaries of this increase, both countries will continue to route one-half or more of their overseas freight via South Africa:

- *Increases in freight shipments by Malawi over the Nacala route will be limited to no more than about 200,000 tons, according to our estimates. The remaining 600,000 tons of Malawian freight will most likely be divided with about 50,000 tons shipped via Beira and Dar es Salaam and 555,000 tons—about two-thirds of total overseas Malawian shipments—shipped via South Africa.*

- *Increases in freight shipments by Zimbabwe over the Beira and Limpopo routes also will be limited to about 200,000 tons, mainly on the Beira, according to our estimates. About 1.7 million tons of Zimbabwean overseas shipments—one-half of Zimbabwe's total—therefore, will continue to flow over South African routes. The distribution of shipments by Zambia, which already has eliminated exports through South Africa, and Zaire will change very little through 1989, in our judgment.*

schedule in 1989, he probably will be forced by opposition at home to shun measures that might hurt Zimbabwean economic interests. We also believe that Kaunda's concern over the potential for civil unrest because of worsening economic problems precludes sanctions by Zambia. In addition, both leaders are keenly aware of South Africa's ability to apply economic countermeasures against them. 25X1

In our view, Kaunda and Mugabe will become increasingly active in international and regional forums urging stricter sanctions by Western countries. Ministers from Zambia and Zimbabwe, for example, are scheduled to attend the UN Special Session in June this year to push for tougher sanctions, according to the US Embassy in Harare. 25X1

Implications for the United States 25X1

Lusaka and Harare will very likely point to the relatively larger contributions to SADCC by Europe, Canada, and Australia as an argument for increased US aid. They see increased US participation not only as important for funding, but also as a political gesture that might discourage Pretoria from countering efforts by its neighbors to reduce dependence. Earlier this year, for example, the head of the Mozambican delegation to the annual SADCC conference recited to US officials the growing involvement of other Western donors in rehabilitating Mozambican railroads, and said that US participation would be an important political gesture. 25X1

Finally, any incremental progress in transport rehabilitation in southern Africa will have important commercial implications for some US firms. US manufacturers, for example, will have a significant competitive edge in forthcoming bidding for railroad locomotives to operate on rehabilitated rail lines, according to the US Embassy in Maputo. Locomotives already operating in Mozambique are all made by General Electric, and railroad workers and officials there would prefer new equipment of the same make because of their familiarity with its maintenance and operation. General Motors Corporation also plans to bid on contracts to supply locomotives, 25X1 according to US Embassy reporting. The World Bank will open bids for about $30 million in new locomotives for Mozambique in early 1989, and the US Agency of International Development plans to supply 17 locomotives for the Tazara railroad, according to reporting from US embassies. 25X1

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Appendix A

Southern Africa: Regional Economic Ties to South Africa

The economies of the southern African states are interwoven with the South African economy by trade, investment, institutional, employment, transportation, and services ties. While these links benefit both Pretoria and its neighbors, they also serve to strengthen South Africa's economic influence over the smaller, less developed southern African states. 25X1

Transportation Links

All 10 of South Africa's regional neighbors—Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zaire, Zambia, and Zimbabwe—are linked by rail to South Africa's six ports and to a South African–controlled port in Namibia. The same rail system also links these countries to six non–South African ports—one each in Angola, Zaire, and Tanzania, and three in Mozambique. 25X1

The 10 neighboring states on the rail system rely on South Africa for about 6,000 to 7,000 railroad cars to supplement their own inventories, according to the US Embassy in Pretoria. Malawi, Mozambique, Swaziland, Zaire, Zambia, and Zimbabwe also are leasing about 50 locomotives from South Africa at an annual cost of over $20 million, according to industry reporting. Although planning has been initiated for construction of railroad repair and maintenance shops at Francistown, Botswana, the 10 states still rely almost exclusively on South African shops for work on their locomotives and other railroad equipment. Also planned are a factory to make concrete railroad crossties, a quarry, and a soldering plant in Mozambique to replace South Africa as an important source of materials for rehabilitating non–South African railroads. 25X1

Trade and Investment Ties

Although the largest export markets for the southern African countries are overseas, they spend most of their foreign exchange earnings in South Africa. Excluding Angola and Tanzania, which import very little from South Africa, they rely on South Africa for

Table 3
Southern Africa: Selected Economic Data [a]

	GDP (*billion US $*)	Population (*million*)	Average Annual GDP Growth (*percent*)	Foreign Debt (*billion US $*)
South Africa	61.6	33.2	1.1	23.0
Southern Africa	23.6	101.4	1.0	25.6
Of which:				
Angola	4.7	8.0	−9.0	5.0
Botswana	1.1	1.1	10.8	0.4
Lesotho	0.3	1.6	1.0	0.2
Malawi	1.2	7.3	1.5	0.9
Mozambique	1.2	14.0	−9.0	3.0
Swaziland	0.4	0.7	1.5	0.3
Tanzania	4.4	22.5	0.5	3.3
Zaire	3.0	30.9	0.9	6.0
Zambia	1.6	6.9	−0.1	4.6
Zimbabwe	5.7	8.4	2.6	1.9

[a] Data are estimated. GDP growth is for the period 1981-85, and other entries are for 1986 and 1987.

25X1

about one-third of imports, including more than three-fourths of the imports of Botswana, Lesotho, and Swaziland. Despite a decline in the dollar value of trade because of local currency devaluations, the volume of trade with South Africa by the 10 neighboring countries has been fairly constant since 1980, according to our estimates. 25X1

All of the regional countries except Angola earn foreign exchange from South African tourism and take advantage of South African technical and managerial services. Southern African countries also rely on South Africa for food imports; roughly 80 percent of the cereals consumed annually in Botswana, for example, are imported from South Africa, according to US Embassy reporting. Angola, Botswana, Tanzania, and Zaire sell their diamond exports through the Central Selling Organization, an international marketing system operated by South Africa's DeBeers Corporation, according to industry data. 25X1

South African firms also are a major source of capital investment in the region. South Africans own the bulk of foreign investment in Botswana, Lesotho, and Swaziland, roughly one-third of direct foreign investment in Zimbabwe, and major shares in Zambia's copper mining industry, according to US Embassy estimates and press reports. Regional investments by South African companies cover a broad range of products and services, including food and beverage production and marketing, textiles, tourism, minerals, and wood products. South African retail and wholesale trade chains, banks, and construction and engineering firms operate in neighboring states. Internationally known South African companies such as Anglo-American and DeBeers have extensive holdings in mineral extraction, processing, and marketing in the region 25X1

Employment and Institutional Connections

Remittances by migrant workers in South Africa generally offset a significant share of the area's trade deficit with South Africa and are an important source of foreign exchange for Botswana, Lesotho, Malawi, Mozambique, and Swaziland. Remittances earned by some 223,000 foreign black workers employed by South African gold and coal mines totaled about $200-300 million in 1986, according to US Embassy reporting. Additional amounts are remitted by as many as 750,000 other migrants employed legally and illegally in other South African mines and by farming and manufacturing. 25X1

Botswana, Lesotho, and Swaziland also are closely tied to the South African economy by their membership in SACU and—except for Botswana—the RMA. Pretoria adds a substantial grant to the customs revenues that it collects and distributes for SACU, with the result that SACU revenues account for about one-fifth of Botswana's government revenues and 50 to 70 percent of the government revenues of Lesotho and Swaziland, according to US Embassy reporting. Membership in the RMA makes the Lesotho and Swazi currencies interchangeable with South Africa's rand at a 1:1 ratio, and ensures the two smaller countries access to South African financial markets. This relationship, however, forces Lesotho and Swaziland to sacrifice control over monetary policies to Pretoria. 25X1

Lesotho, Mozambique, and Swaziland rely on South Africa's Electric Supply Commission, a state-run enterprise, for major shares of their electricity supplies. Botswana and Zimbabwe also are connected to the South African electricity grid and occasionally purchase small amounts of electricity from South Africa to supplement domestic production. 25X1 25X1

Table 4
Southern Africa: Migrant Workers in South African Mines

Thousand workers

	1980	1987
Total	**215**	**210**
Of which:		
Angola	...[a]	...[a]
Botswana	17	19
Lesotho	121	108
Malawi	14	19
Mozambique	38	51
Swaziland	18	13
Tanzania	...[a]	...[a]
Zaire	...[a]	...[a]
Zambia	...[a]	...[a]
Zimbabwe	7	...[a]

[a] Ellipses indicate fewer than 5,000 workers.

25X1

Appendix B

Zambia and Zimbabwe: Chronology of Sanctions Effort Against South Africa

The following is a chronology of the abortive effort by Presidents Kaunda of Zambia and Mugabe of Zimbabwe to impose sanctions against Pretoria in 1986.

3-4 August

Six Commonwealth heads of government (Australia, The Bahamas, Canada, India, Zambia, and Zimbabwe) declared after meeting in London that adopting the Nassau sanctions measures had become a "moral and political imperative to which a positive response can no longer be deferred," and that the Commonwealth would in addition begin to seek international sanctions against South Africa.[16]

5-8 August

Kaunda and Mugabe declared that they will impose the Commonwealth measures, and both countries tasked ministerial contingency committees to plan measures to cushion the effects of sanctions [redacted] 25X1

8 August

Pretoria began temporarily imposing refundable fees on Zambian imports transiting South Africa, and delaying Zambian and Zimbabwean trucking to South African markets.

13 August

The Bank of Zambia suspended further letters of credit for imports from South Africa, but lifted the suspension two days later.

[redacted] 25X1

29 August

Mugabe announced that the Commonwealth sanctions package took precedence over Harare's recently renewed preferential trade agreement with South Africa.

[16] A Commonwealth meeting in Nassau, The Bahamas, in October 1985 unanimously adopted a program to impose a number of economic sanctions against South Africa. [redacted] 25X1

25X1

1-6 September At a summit meeting in Harare, the Nonaligned Movement agreed on a package of 13 voluntary sanctions against South Africa and established a fund—called the Africa Fund—to help offset shortages in Frontline States caused by South African retaliation against sanctions.

25X1

10 September Kaunda urged Zambian importers to find alternatives to South Africa for imports, according to press reports.

25X1

6 October

The passing of sanctions by the US Congress tended temporarily to stifle antisanctions sentiment in Zambia and Zimbabwe [redacted] 25X1

15 October

At the end of a meeting at Victoria Falls, Kaunda and Mugabe claimed that a provisional date for imposing sanctions had been set for late October.

19 October

The determination of the two leaders to impose sanctions was bolstered by their suspicions that the death of Mozambican President Samora Machel in an airplane crash had been caused by South African interference in Mozambican air traffic control radio transmissions.

31 October

The President of the Zimbabwean Congress of Trade Unions predicted that sanctions would cost 15,000 Zimbabwean transport jobs.

An antisanctions mood was developing among many sectors of Zambian society because of the potential economic damage, according to the US Embassy in Lusaka.

3 November

Zambian Foreign Minister Mwananshiku said that Zambia would impose limited sanctions—at least cut commercial airlinks—by the end of the year, according to US Embassy reporting.

5 November

[redacted] 25X1

Harare began constructing a gold refinery to eliminate dependence on Pretoria for processing domestically mined gold, Zimbabwe's most important export.

[redacted]

25X1

[redacted] 25X1

30 November The Zambian and Zimbabwean Foreign Ministers drew up a tough list of sanctions, including a ban on overflights to South Africa, transit trade through South Africa, and imports from South Africa in addition to the full list of Commonwealth measures, at a meeting in Lusaka in preparation for an early December summit meeting in Addis Ababa, Ethiopia, of the members of the Preferential Trade Area for Eastern and Southern African States (PTA), according to US Embassy reporting.[17]

5 December Kaunda said that firm agreement had been reached with Zimbabwe for both countries to sever commercial airlinks to South Africa, according to US Embassy reporting.

[redacted] 25X1

11 December Riots that left over 20 people dead started in Zambia's northern copper-mining area because of rising food prices resulting from government measures to adhere to IMF austerity guidelines.

[redacted] 25X1

17 December Mugabe told a Politburo meeting of the Zimbabwean African National Union (ZANU) that he would push for the immediate introduction of sanctions from the Commonwealth package, including the cutting of commercial airlinks to South Africa.

21 December An expected decision during a FLS meeting in Lusaka to impose sanctions was sidetracked by the lack of support by Botswana and Mozambique, waffling by Zambia on the issue of cutting airlinks, and the abrupt departure of Kaunda during the meeting because of the death of his son.

[17] Members of the PTA include Burundi, Comoros, Djibouti, Ethiopia, Kenya, Lesotho, Malawi, Mauritius, Rwanda, Somalia, Swaziland, Tanzania, Uganda, Zambia, and Zimbabwe. [redacted] 25X1

31 December After meeting with Kaunda at Kariba on 30 December, Mugabe announced that sanctions would be postponed until further preparations were completed.

[redacted] 25X1

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