Zimbabwe Revisited

by L. Gray Cowan

Over the past 18 months, the political, economic, and diplomatic trends noted in my previous CSIS Africa Notes briefing paper about Zimbabwe ("Zimbabwe at a Crossroads," issue no. 136, May 1992) have generally continued and in some cases become more pronounced.

Domestic Politics

President Robert Mugabe and his Zimbabwe African National Union-Popular Front (ZANU-PF) party have experienced a mixture of success and failure since early 1992, while maintaining a remarkably steady degree of political control overall.

Pocketbook Pluses and Minuses. A positive development has been the government's competent handling of the crisis created by the most serious drought in living memory. A well-organized country-wide system of food-grain distribution prevented starvation and safeguarded Mugabe's solid rural support. Although the president could scarcely claim responsibility for this year's plentiful rains and the bumper crop that followed, the government did make sure that the peasant farmers (70 percent of the electorate) would remember the free seed and fertilizer distributed prior to the growing season.

On the negative side, Mugabe is faced with increasing (though still passive) popular dissatisfaction over the hardships (including rising prices for essential foods) imposed by the economic reform program agreed upon with the World Bank as he approaches the 1995 elections.

The Beginnings of a Political Opposition. Another cause for concern is the growing generational gap between longtime party stalwarts and younger voters for whom the independence struggle is history and whose priorities are better living conditions, secure employment, and technical development. If ZANU-PF cannot meet these expectations, power will ultimately shift either to some opposition movement or to a restructured ZANU-PF hierarchy that will reject those now in power.

Even though Mugabe (with some reluctance) and the party have clearly rid themselves of the baggage of "socialism," ZANU-PF still tends to think in terms of direct control over the lives of all Zimbabweans. Many in the party regard dissent (especially among the professions or the intelligentsia) as a subversive threat not only to the position of the leaders but to the nation as a whole.

The ruling party has nevertheless been unable to suppress the growing (albeit still weak) movement toward multiparty democracy. There are now
some 20 announced political parties in Zimbabwe, the most prominent of which is the Forum Party launched in March 1993 in Bulawayo. Scarcely more than a pressure group at present, it is seeking to broaden its base with the support of prominent Zimbabweans. The Forum Party's platform, designed to enlist the support of business and industry, includes economic deregulation, unrestricted remittance of profits and dividends, promotion of the interests of black Zimbabwean businessmen, and an opening up of the country to South African investment. So far, Forum's appeals have been limited to the urban areas and it seems unlikely to make serious inroads on ZANU-PF's rural strongholds. Nevertheless, Mugabe has strongly criticized its leadership as traitors to the spirit of the independence struggle, and some Forum supporters have been removed from senior posts on the boards of large government corporations.

Other minor parties exist but are having organizational troubles. The Reverend Ndabeningi Sithole heads a small ethnically based group. Edgar Tekere's Zimbabwe Unity Movement, once seen as a possible threat given his status as a former ZANU-PF official, lacks any political program or organization and Tekere himself lacks popular confidence. The Zimbabwe Congress of Trade Unions, which has broken with Mugabe over wage restrictions and economic reform, has threatened to form an opposition party but has not acted so far.

The Achilles' heel of any opposition is that voting in Zimbabwe still depends to a large degree on ethnicity. If any party is to do well, strict attention must be paid to tribal balance in its national executive. ZANU-PF's success has been largely based on Mugabe's ability to maintain alliances between the two major tribal groups; without this, the party would crumble. The political importance of ethnicity may eventually wane as an emerging black middle class comes to focus more on its economic interests than traditional loyalties, but this process will probably not have gone far enough by 1995 to present a meaningful challenge to ZANU-PF.

The Succession Question. A more plausible scenario for a diminution of the ruling party's power would be a breakup of its current leadership, particularly if Mugabe should disappear from the scene. In this connection, it is worth noting that Zimbabwe's heretofore subservient parliamentarians are beginning to show signs of rebellion against the strict domination of party officials and the cabinet. Although ZANU-PF's political control of the parliament is essentially unchallenged, with 147 out of 150 seats, there is a growing undercurrent of resentment on the part of the younger backbenchers that they play no role in government policy decisions.

Mugabe, who at 69 confronts problems of health, age, and declining energy, has not indicated any plans to retire, and there is no obvious successor within ZANU-PF capable of challenging his position. Joshua Nkomo, a party vice president who led the rival ZAPU political movement prior to its merger with ZANU-PF in 1989, is not seen as a serious contender; he is aging and appears to be more concerned with business than politics.

Minister of Mines Eddison Zvobgo is regarded as bright and articulate but has a tendency to express his disapproval of government policy too loudly. Minister of Foreign Affairs Nathan Shamuyarira, once a prime prospect for leadership, is now viewed (especially by business) as inflexible on South Africa; Mugabe has recently omitted him from some important external initiatives.

The only other candidate with international name recognition, Minister of Finance Bernard Chidzero, is more a skilled technocrat than a politician and has been widely rumored for some time to be about to retire to accept a prominent position in an international organization. His recent unsuccessful candidacy for the position of UN secretary general is regarded as a sign of his ultimate intentions.

Finance and Investment
Zimbabwe's economy in 1993 is in considerably better shape than a year earlier, particularly in the agricultural sector, where food crops increased almost to predrought levels and prices for other crops (except tobacco) showed bright prospects. (The rising rate of topsoil loss, estimated at 75 metric tons per hectare per year as of 1992, remains a long-range concern. Because the natural rate of topsoil replenishment is only a small fraction of this figure, the country's director of natural resources has estimated that more than half the country could become desert in less than 50 years if something is not done to change such present practices as overgrazing and excessive tree-cutting. But this, in turn, may require addressing the explosive rate of population increase.)

The Budget. Finance Minister Chidzero's July budget sounded an optimistic note. He promised to halve the government deficit to 5.4 percent of GDP and projected a 23.5 percent increase in revenue and a 10 percent cap
on spending increases. Inflation is expected to be held to 26 percent. (The business community expressed some doubts about the realism of these forecasts, particularly in view of declining world prices for tobacco.)

**ESAP.** The Economic Structural Adjustment Program (ESAP) undertaken by the government in cooperation with the multilateral international lending institutions has been substantially slowed over the past year as a result of global recession and high interest rates combined with the unexpected expenditures on food imports necessitated by the drought; few of the agreed targets will be met by 1995.

To address the drought crisis, the government had to turn to the IMF for an extended fund facility as well as to the bilateral donors. Whereas the ESAP planners had projected an increase in real GDP of 25 percent over five years, in actuality GDP had fallen 2 percent by the end of 1992 from its 1991 level. Per capita income is today at the level of 20 years ago and may not recover to 1990 levels before the end of the decade. (The fact that the average annual rate of population growth was estimated by the World Bank at 3.4 percent for 1980-1991 and is still high today means that even this modest hope may be too optimistic.) Other program targets also fell by the wayside. Nevertheless, the government continues to support ESAP overall while sometimes dragging its feet on certain specifics such as privatization. But ESAP is increasingly unpopular with the populace, who blame it for rising consumer prices. Mugabe may become tempted to cut back on reform to curry favor with the electorate.

**Promoting Investment.** One hopeful factor is the evident effort being made to encourage foreign investment. In July 1993, for example, the government put forth incentives for outside investors that included a provision allowing individuals to hold foreign currency deposit accounts in Zimbabwean banks (an incentive for repatriation of flight capital); guaranteed free remittance of profits and dividends for foreign investors buying shares on the Zimbabwe Stock Exchange; permitted exporters to retain 50 percent of their export earnings (to be increased to 60 percent in 1994); allowed unrestricted remittance of new foreign investment dividends (provided funds were purchased on the Export Retention Market at a premium of 28 percent above the official exchange rate); and reduced taxes on dividends and capital gains.

Although Zimbabwe’s investment opportunities are growing, the government continues to view the private sector with suspicion, sometimes tinged with envy. The right hand does not know what the left is doing, and in many cases simply does not care. The Mugabe government must adopt clear, consistent, and unambiguous investment policies if it is ever to build critically needed long-term investor confidence.

**The Continuing Parastatal Burden.** As in many African countries, subsidies to state-owned enterprises consume a substantial portion of the annual budget. In the 1990-1991 fiscal year, for example, some 40 Zimbabwean parastatals accounted for 40 percent of the budget deficit in direct and indirect subsidies. It has been estimated that the amount now being drained annually by Zimbabwean parastatals simply to keep them operating inefficiently would be enough to create 600 new enterprises and 100,000 jobs.

Partly because of its socialist ideological heritage, the Zimbabwe government remains reluctant to dispose of its parastatals, a move that would inevitably involve a reduction in the work force of these enterprises—a politically risky step given the country’s high rate of unemployment. There is also the thorny issue of the possible purchase by foreigners of assets that some feel belong to the people, which leads to the even more delicate question of whether South African capital should be allowed to control Zimbabwean industries. As for the option of selling to local interests, it is doubtful whether even Zimbabwe’s growing financial sector could muster sufficient privately held disposable capital to buy the larger parastatals—at least at the price the government would expect to receive. In any case, experience in surrounding countries has demonstrated that a bankrupt state-owned industry provides little attraction for private buyers.

So far, at least, the Mugabe government has opted for restructuring its parastatals rather than selling or liquidating. But restructuring is in itself an expensive process, requiring heavy injections of capital for modernization. Even if the capital were available, there is no guarantee that a restructured parastatal would be profitable. In the case of steel, for example, it might be cheaper in the long run simply to close existing production facilities and import directly from South Africa. But such action is politically unpalatable, not only because of the loss of jobs involved but because national pride demands the local production of steel.

Some have argued that the parastatals should be “commercialized”—that is, forced to operate on normal business principles and to meet the market competition in prices and output. But where a parastatal is a monopoly, this merely means raising prices to consumers without necessarily increasing efficiency.

**The Land Issue**

The controversial Land Acquisition Act of March 1992 empowers the government to acquire commercial (largely white-owned) land for redistribution to peasant farmers, with compensation to be fixed by the government without redress in the courts.

Nothing much happened after the Act became law until April 1993, when the government announced its intention to acquire 70 mostly white-owned farms totaling almost 200,000 acres. A storm of opposition immediately ensued, mobilized in part by the (white) Commercial Farmers’ Union (CFU). Claiming that the government had failed to consult the CFU’s constituency when it selected farms for expropriation, the organization hired a prominent British lawyer and took the government to court, alleging that the Act was unconstitutional.
To encourage continued rural support for the ruling party, Mugabe gave a series of speeches bitterly denouncing the white challenge to the Act. External critics, in particular Western governments, also came under fire because they had expressed reservations about the procedures adopted to take commercially used land. The president’s antiwhite tirade prompted opposition among urban voters concerned that Mugabe’s confrontational approach might endanger foreign aid and discourage foreign investment.

Opponents of land redistribution have long maintained that the breakup of large commercial farms would inevitably lead to a drop in agricultural productivity and an economic slowdown. Moreover, there is no provision for finding work for those presently employed on the farms targeted for seizure.

Mugabe is much too astute a politician not to be aware of the risks he runs in emphasizing the land issue. The question is whether the immediate political appeal of the land issue in retaining support for ZANU-PF outweighs the risk of a food-production decline or the need to increase regional export markets.

The South Africa Factor

Future relations between Zimbabwe and South Africa have become more uncertain in recent years as Zimbabwe’s southern neighbor has edged closer to a tripartite democratic government. The ANC’s progressive shift from its earlier emphasis on nationalization and retention of state-owned enterprises (see “Who’s Where in the Debate on ‘Nationalization’ in South Africa” by Witney W. Schneidman, CSIS Africa Notes no. 114, July 1990) has not gone unnoticed in Zimbabwe. Even if Mugabe were inclined to return to socialist doctrines, this would not be practical in the face of competition with a South African free market.

Meanwhile, the advantage Zimbabwe enjoyed because of worldwide sanctions against South Africa has largely disappeared. Taking advantage of improved relations between Pretoria and its neighbors, and pushed by a severe recession at home, South African investors and exporters have begun to seek new ventures and markets to the north. Zimbabwean exporters are already finding that South Africa is able to out-compete them in southern Mozambique, although the less populous northern Mozambique market may remain available.

All this is in addition to the rising challenge of Botswana, where the decline of some 20 years of exceptional growth built on diamonds is forcing that country’s government into an active search for capital to promote new private-sector enterprises. The possibility has been raised that Botswana, with reasonably well-developed infrastructure and a location close to South Africa, could be developed into a regional service center at the expense of Zimbabwe’s service industries.

The transformation of the former Southern African Development Coordination Conference (SADCC) into the Southern African Development Community (SADC) in 1992 complicates the issue of South Africa’s future role. SADCC was clearly founded in 1980 to exclude South Africa (see “SADCC: A Progress Report” by Bryan Silbermann, CSIS Africa Notes no. 11, April 1983). SADC, on the other hand, assumes future South African membership. SADC seeks to shift its focus beyond SADCC-style donor project coordination to the promotion of free trade and free movement of goods and capital throughout the region.

Intra-SADC trade is less than $1 billion a year, in part because the organization’s members produce many of the same primary products, whereas regional trade with South Africa amounts to over $6 billion a year. Thus, a free trade zone that included South Africa would run the serious risk of being swamped by that disproportionately developed country. Simply to preserve their own industries, the remaining members of an enlarged SADC would be forced to limit their imports from South Africa through tariffs or other artificial measures. Although Zimbabwe has the best industrial base among South Africa’s neighbors, it would be unable to compete with South Africa’s productive capabilities, better infrastructure, and advanced technology.

The South African challenge aside, concrete steps toward regional integration are still essential if the SADC countries are not to lose even their traditional markets to Far Eastern exporters. The collective political will must be mustered to embark on trade cooperation even at some cost to national sovereignty. Zimbabwe can regain some of its former importance on the regional scene by taking the lead in this effort to create a genuinely free market in southern Africa.