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BRIEF REPORT NO. 33

RECENT DEVELOPMENTS IN ZAMBIA

Basic Information:

Political Status: Independent Republic within the Commonwealth since October 24th, 1964. A one-party participatory democracy.

President and Head of the United National Independence Party: Dr Kenneth Kaunda.

Prime Minister: Mr Nalumino Mundia.

Secretary-General of the United National Independence Party: Mr Humphrey Mulemba.

Population: 5 472 000 (1978 estimate). Area: 725 614 sq. km.

Major Languages: English (official); Bemba; Tonga; Lozi; Lunda; Chinyanja.

Currency: Kwacha, 1K = 100 ngwee; rate against US $ 1.00 = 0.79.

Economy:

Total GNP at market prices: US $ 2 650 000 000.00

Per capita at market prices: US $ 540.00

Main imports: Transport equipment and machinery; manufactures; petroleum products.

Main exports: Copper; zinc; cobalt; lead; tobacco.

Origin of GDP:

Agriculture 13%; Mining & Manufacture 39%; Government 31%; Transport, Tourism & Commerce 17%.

Economically Active Population: Percentage of total 29%; Agriculture 44%; Industry 30%; Service 36%.

Aid (in US $ million): Bilateral - 68; Multilateral - 72; Technical - 33; Total - 173.

The roots of the alleged coup d'etat in Zambia on October 17th, 1980, are to be found primarily in the lopsided sectoral spread of the economy. The colonial inheritance, the post-independence development strategy adopted by the Zambian Government and its mismanagement bear much responsibility for this imbalance.

The colonial era saw mining and the primary sector develop into highly efficient units of production, whilst the subsistence agricultural sector was left largely underdeveloped. Commercial agriculture remained the stronghold of expatriate concern, whilst urban development was confined to a narrow strip of towns along the railroad between Livingstone and the Copperbelt, leaving large underdeveloped wings to the south-west and north-east.

Post-independence economic development planning has reinforced structural weaknesses. It was under President Kaunda's philosophy of "humanism", that the 1968 Mulungushi Reforms (proposing government ownership in key concerns) were instituted. The Zambian Government proposed (and later took) a 51% shareholding in 26 major companies. Starting with the mining industry, similar measures were applied to financial institutions and eventually to copper and other commodity marketing concerns. The two largest copper mining groups, Nchanga Consolidated Copper Mines (NCCM) and Roan Consolidated Mines (RCM), became self-managing companies under Zambian managing directors, and marketed their copper and cobalt through the Metal Marketing Company (MEMACO).

These parastatal concerns were expanded to include many other key industrial enterprises, with government control being exercised through the Zambia Industrial and Mining Corporation (ZIMCO). ZIMCO (the largest company in black Africa, with net assets of over K 1 000 million), became the holding company for the Industrial Development Corporation (INDECO); the State Finance and Development Corporation (FINDECO); the National Import Export Corporation; the National Energy Corporations; the National Transport Corporation; the Development Bank of Zambia; the Rural Development Corporation, and many others. The net result has been a phenomenal expansion of the parastatal and public sectors of the Zambian economy since 1968, built upon a primary industrial base, with little accompanying growth in, or attention paid to, the agricultural sector as a whole. Five Year Development Plans were instituted to direct the path of broader Zambian economic development, but these plans failed in their attempts to efficiently mobilise factors of production to achieve this end.

Growing Opposition and the Coup Attempt

Under the one-party participatory democratic system (instituted in 1972), party political opposition is fairly effectively contained. Popular criticism is not easily recognised outside of elections for the National Assembly, and will very rarely register much response from the Central Committee of UNIP. The gradual political neutralisation of the late former Vice-President, Simon Kapwepwe, and members of his opposition United People's Party should be seen in the light of the Government's emphasis on the need for national unity in view of the enormous task of economic development, and Zambia's proximity to the Portuguese colonies of Angola and Mozambique, and later Rhodesia and South West Africa.

However, the non-party political opposition is kinship-based and sectional criticism (involving most prominently private business interests and the Zambia Congress of Trade Unions (ZCTU), is more resilient. A commonality of interests has arisen between such critics of government policies, which is directed at scaling down nationalisation. Whilst policy-makers in UNIP see the lukewarm application of socialist economic policies as the key to stagnating development, opposition interests clamour for the primacy of the marketplace. The ZCTU has criticised the poor performance of nationalised industries, and appealed for more competition between the public and private sectors, with incentives for investment. Such criticism is significant in view of the strength of the ZCTU on the Copperbelt and the centrality of the Copperbelt to the Zambian economy. Increasing labour unrest on the Copperbelt marks the deterioration in relations between the ZCTU and UNIP as well as reflecting frustrations at the more immediate problems besetting the mines such as declining copper prices, falling investment and production rates, inefficient transport routes to neighbouring ports (where congestion and pilfering are common), and a desperate shortage of skilled technical personnel.

So far the strident internal debate and criticism concerning UNIP policies have focused more upon the bodies appointed to direct the Zambian economic development programme, than against President Kaunda himself. However, President Kaunda utilised the alleged coup attempt to drum up support both for himself and the ruling hierarchy. By referring to the involvement of South African agents and Katangese gendarmes, he hoped to divert internal criticism away from Zambian problems involving UNIP and the economy, and press for national unity. But charges against all of the remaining detainees from the coup detention sweep of November 1980 were only brought in late May 1981 and failure to produce strong evidence of South African/Katangese involvement is likely to erode the credibility of President Kaunda and UNIP in the eyes of ordinary Zambians who continue to experience economic difficulties.

A more serious problem is the exodus of experienced and competent Ministers and officials to the private sector. To protect his position after the "coup", President Kaunda re-shuffled his Cabinet, replacing former Prime Minister Daniel Lisulo with former Cabinet Minister Nalumino Mundia, and former UNIP Secretary-General Mainza Chona with another former Cabinet Minister, Humphrey Mulemba. Lisulo was criticised by UNIP for his outspokenness in the National Assembly, and was quite willing to leave what is the third most important position in the national hierarchy, whilst the position of UNIP Secretary-General (deputy head of state in effect) was ably performed by Chona, who was a close political ally of Kaunda, and an influential member of Zambia's business community. These two are only the two most recent examples (Chona, for example, was preceded by his brother, Mark, who was former special assistant to President Kaunda. The exodus is symptomatic of the frustration felt by competent officials in the face of the vested interest of party officials in the status quo. The outcome is that President Kaunda is increasingly surrounded by groups of self-serving bureaucrats, who see their best interests being furthered by shielding the President from the harsh realities of the Zambian situation.

But it seems that President Kaunda is wary of provoking the ZCTU. Though disciplinary action has been taken by UNIP against leaders of the ZCTU, and the media has been warned to prune its criticisms of 'excesses'; and though the variety of threats used by UNIP and President Kaunda may well ultimately stifle what little press freedom is left in Zambia, and force the ZCTU to consider other means of protesting the plight of its 18 unions and 140 000 members, President Kaunda did decide in April, in the wake of widespread wildcat strikes on the Copperbelt, to readmit into UNIP with no preconditions the 17 labour leaders expelled from the party in January. Humphrey Mulemba commented in April that the expulsion of the 17 union leaders was "one issue which has been a source of concern in terms of party organisation, unification of the country and mobilisation of the people towards development of the nation".

Economic Difficulties

The copper based economy of Zambia reaped the benefits of its limited foundations between 1964 and 1970. Both world copper prices and annual expansion in real output increased, injecting the needed revenues for the development schemes proposed by UNIP. But the precariousness of such a narrow economic base was revealed after 1970 as copper prices and output decreased while imports and the oil price increased. Failure to diversify both the agricultural and industrial sectors exacerbated the large fluctuations in national income, and adversely affected existing development plans. In particular, failure to create an efficient peasant subsistence agricultural sector, owing to the urban bias of development, constrained broader based economic development.

Yet it should be conceded that it was difficult for Zambia to embark upon a redefinition of her role in the international economy, given her geographical constrictions, resource endowment, and dependence on neighbouring states' infrastructure and international commodity markets.

A few statistics reveal the present parlous state of the Zambian economy: between 1974 and 1979 there was a 46% decline in gross domestic product in real terms; in 1980 there was a 60% increase in imported oil prices, and in the same year imports of maize to the tune of K49-million as against only K41-million earnings from copper exports.

In March 1978 a two-year credit of K357-million was negotiated with the IMF. The loan terms provided for a 10% devaluation of the Kwacha, a reduction in the 1978/79 deficit on income policy and reduced government borrowing. By late 1978, indebtedness to foreign creditors was estimated at K550-million and stringent budgets were introduced in 1979 and 1980.

In 1981, Zambia secured an extended three-year loan facility of 800-million SDRs from the IMF, with conditions of the package including a cut in subsidies of certain commodities, limited government borrowing from the Zambian banking system, and diverting certain resources to productive development projects. This substantial loan is likely to enable the Zambian Government to reduce its large deficit in the short-term, but will amount to no more than a palliative ameliorating the symptoms of Zambia's economic ills, unless concomitant measures are directed at the fundamental causes.

In early 1980 René Dumont, a French agronomist (who, it should be noted, is an avowed socialist) presented President Kaunda with a report entitled "Towards Another Development in Rural Zambia". He warned of unflinching bureaucracy in the agricultural sector. He also pointed to the dangerous urban bias in post-independence Five Year Development Plans, which had accelerated urbanisation, aggravated unemployment, increased demands for housing, and widened the growing disparity between the real wage earnings of the urban and rural sectors. Attempts to halt the urban drift (like the Rural Reconstruction Centres of 1975) failed due to the 50% increase in urban wages since 1964. The rural sector became increasingly impoverished, with a lack of essential goods and services, and an inability to maintain subsistence levels and buying power.

Since 1970, the earlier impressive 5% per annum increase in real money wages for Zambia was cancelled by the rate of increase in the cost of living. A prices and incomes policy has been mooted, but little machinery created to manage the policy. In the meantime, rising wage levels prune the growth of employment. The main burden of employment creation has fallen heavily upon the public sector which, starting from a much smaller base at independence, has, nevertheless, accounted for over 60% of the absolute increase in wage employment. After the 1968 Reforms, which greatly expanded the parastatal sector of the Zambian economy, Dumont observed that the President and UNIP had sought to implement egalitarianism through cosmetic and not systemic changes. He noticed a lack of motivation and good leadership, administrative incompetence, theft, embezzlement and laziness. He called for more labour-intensive technology to stem the unemployment rate, and the establishment of small-scale industry, and a series of measures to revitalise village life.

However, the ruling UNIP policy-makers ascribe the economic problems primarily to the unfavourable position of Zambia in the international economy, and her costly position in performing her role as a frontline state. A keen supporter of a reformed international financial, trade and monetary system under the United Nations Conference on Trade and Development, and the attempts to establish a New International Economic Order, Zambia has continued to appeal for large aid in the form of soft loans and grants from individual nations, the European Community, and the International Monetary Fund and World Bank. Yet, the combination of adverse international economic conditions and domestic policies which fail to confront the fundamental problems of the country, means that even with substantial aid, the cycle of rising indebtedness and declining foreign exchange reserves, remains unbroken. The end of the guerilla war in Zimbabwe has confirmed that although Zambia's costs for its regional role as a frontline state were high (estimated as K560-million between 1965 and 1975), her economic ills stem as much from the misallocation of development revenue.

Recent attempts by the frontline states to establish a coherent and viable "counter-constellation", under the umbrella of the Southern African Development Co-ordination Conference (SADCC), indicate that reduction of dependence on South Africa and promotion of the total 'liberation' of the region are still the primary regional goals of the frontline states. But the decision by Zambia to open the southern transport routes through Rhodesia and South Africa prior to Zimbabwean independence, is a measure of the extent to which regional economic interdependence conflicts with preferred foreign policy initiatives. The SADCC may enable Zambia to reduce its economic dependence on South Africa in the long term, but it will not provide solutions to her immediate dilemmas. The demands of regional confrontation have increased at the same time as Zambia's economic position has weakened. The inability of Zambia and the other frontline states to effectively oppose apartheid, which they deeply abhor, or to achieve a transition to majority rule in Namibia, and the resulting sense of impotence, seems certain to continue for some time and will be reflected as before, in strident public rhetoric. Though such rhetoric is also intended to exert maximum pressure on Western nations to step up their efforts to resolve the problems of the region, it in turn contributes to tensions in the region.

Conclusion:

The more the problems of the current economic crisis facing Zambia become entrenched, the more a consensus of discontent will develop among the Zambian population. This means more constraints on the party in terms of national security, unity and ideology.

A domestic reform programme might start with a radical strategy for rural development (including emphasis on labour-intensive production techniques); a strict incomes policy (tied to an austere budgetary programme); and an educational training scheme promoting skills. But such a programme seems unlikely in the near future. Zambia's Third National Development Plan (1979 - 1984) stresses the reduction of urban/rural sector income disparities, the expansion of education and training facilities both in quality and quantity and the adoption of a more labour-intensive technology to generate fuller employment. But the priority given to agricultural development (through emphasis on the expansion of the production base of agriculture, the promotion of village and small-scale industries and the creation of infrastructural and extension facilities to benefit subsistence producers and small-scale farmers) will be unrealised if President Kaunda, even after experiencing the dismal failure of the 1975 Rural Reconstruction Centre Project (with the emphasis on large state ranches) and contrary to Dumont's constructive criticism, embarks at the same time on a massive programme designed to create large state farms. The key to Zambia's economic regeneration lies in a rural development programme centred on subsistence peasant agricultural techniques, but neither UNIP nor the development managers seem able to come to grips with the wide range of problems besetting this sector.

Although the precise nature of the attempted coup remains ill-defined, the controversy surrounding the issue has reflected the dissatisfaction of sectional interests in certain aspects of Zambian economic development which could yet coalesce into a real threat against UNIP and President Kaunda. And an increasingly embattled government will have at the same time to deal with the demands of regional confrontation.