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BUCHIZYA: THE UNEXPECTED ONE AND THE FUTURE OF ZAMBIA

President Kenneth Kaunda's African name is Buchizya – the unexpected one. The late child of a Presbyterian preacher, and elder statesman of the region, President Kaunda would indeed have to do the extraordinary to ensure his own as well as the future of his troubled country.

The latest abortive attempt at a military coup, preceded by violent food riots in the sprawling and decaying capital city of Lusaka, underlies the socio-economic malaise in the former British Colony of Northern Rhodesia.

THE ECONOMIC REALM

Covering an area of 750,000 square kilometres, and with a population of 8 million, Zambia is saddled with a per-capita debt burden comparable to that of Brazil. Unlike Brazil however, it has no strongly diversified economy. Copper has long been Zambia's mainstay, its output providing 90% of the country's foreign exchange earnings. But its position as a major producer of copper – along with Chile, the United States, Canada, and Zaire – is weakening.

The reasons for Zambia's economic decline and for its gradual social disintegration are many and varied. Through the 1960s and 1970s Zambia produced an average of more than 650,000 tonnes of copper annually, with output peaking at some 720 000 tonnes in 1969. The decade of the 1970s provided a windfall from copper.

But sadly this was squandered. Production has declined markedly since the beginning of the 1980s. Zambia Consolidated Copper Mines (ZCCM), the country's faltering copper giant that employs 63,000 workers, entered its 1988/89 financial year with a target of a mere 500,000 tonnes. Total output at year end however, fell to an estimated 430,000 tonnes.

One of the many tragedies for Zambia was that production problems in countries such as Chile, Peru and Zaire, had already pushed world copper prices to historic heights – in December 1988 the London Metal Exchange (LME) cash quotation moved briefly above 2,000 pounds Sterling a tonne for the first time ever. Copper prices were kept high for most of 1989.

Zambia, now experiencing the worst foreign exchange crisis in its history, would dearly love to cash in on these prices. But it is in no position to do so.

The principal reasons for the decline in ZCCM's output are:

Zambia's copper mines are now more than 50 years old.

Copper is becoming more difficult to extract, and ore grades are slowly declining. The copper industry is widely expected not to last more than another 20 years.

A history of appalling management shortcomings dating from the creation of ZCCM in 1982.

ZCCM was formed by the merging of two mining companies in which the Anglo-American Corporation of South Africa (ANGLO) and AMAX of the United States originally held majority share-holdings. ANGLO now owns a 27% equity holding in the ZCCM, the Zambian Government, with a 60% share, has the controlling interest.

Declining copper output and managerial problems, serious in themselves, are but two of the country's catalogue of socio-economic problems. Transportation and distribution systems are on the verge of collapse. The country experiences a decline in standards of public health, nutrition, and education in both urban and rural areas. Spending on education declined by 62% in 12 years, with 200 000

youngsters, unable to be placed in the schools, entering the crowded labour market every year.

Zambia's foreign debt of some US$7 billion (about R18 billion) includes arrears of more than US$1 billion to the International Monetary Fund (IMF). Inflation is running at 60%. Per capita income has fallen by 30% over the past 12 years.

Zambia owes the IMF more than any other African country, and ranks as the fund's eighth largest borrower, after Yugoslavia.

Cumulative foreign debt reached US$7 billion in 1989. By comparison, the Gross Domestic Product (GDP) amounted to US$2.7 billion in 1988. Export earnings were US$1.05 in the same year.

The Government's "Back To the Land" policy, aimed at reducing urban unemployment (which runs at over 20 per cent) through rural resettlement, has failed badly. Incentives have so far failed to attract significant numbers of urban job seekers back to the rural areas. A principal reason for this, is that Zambia, after South Africa, is the most urbanised country in sub-Saharan Africa, with over 50% of its people in urban areas – especially in Lusaka and on the Copperbelt.

Zambia, not unlike most other developing economies, faces a serious skilled manpower shortage. More than 7,000 of the 12,000 post-independence graduates have left the country.

Foreign aid has played a crucial role in the survival of Zambia since the end of its 10-year copper boom in the mid 1970s. More recently, a critical shortage of foreign exchange and a widening budget deficit have made Zambia even more dependent on foreign aid. Apart from external commercial loans, the outstanding proportion of which now totals some US$3 billion, Zambia received an annual average of over US$500 million worth of development assistance between 1982 and 1987.

However, despite its heavy dependence on foreign assistance, foreign aid has become largely counter-productive: it allowed the government to avoid facing and dealing with unpleasant economic realities for far too long.

PROGRESS

Despite these profound socio-economic problems, however, Zambia has made some progress, notably in agriculture. The country boasts a highly successful centre point high-technology irrigation system – the Gwembe Valley Development Company (GVDC). This system, of some 2,000 hectares, on the northern shores of Lake Kariba cultivates cotton and wheat.

Since 1988 various types of agreements between international agricultural companies, institutional and private foreign investors, as well as the Zambian government have been entered into. These allow for a wide range of remittance, tax, and foreign exchange retention incentives. Various multinational companies from Ireland, the United Kingdom and West Germany are active in the GVDC.

The small commercial farming sector is doing well, and produces 90% of the country's produce – notably coffee, soya beans, meat and dairy products. Recent devaluation of the local currency – the Kwacha – encouraged import substitution and promoted exports such as fruits, vegetables and flowers to the European and South African markets which have doubled to US$4.6 million in 1989.

ECONOMIC POLICY

Facing domestic pressure and a real prospect of widespread violence, in May 1987 President Kaunda abandoned an IMF recovery plan that involved an end to government subsidies on basic commodities, cuts in State spending and a further devaluation of the local currency. Less than two years later, however, in January 1989, the President axed subsidies on bread and milk as well as on other basic commodities. This decision prepared the way for a painful rapprochement with the IMF.

At the same time, the President announced his Fourth National Development Plan. This Plan – later to be endorsed by both the IMF and the World Bank – proposed a 3% economic growth rate; a reduction in population growth from the present 3.6% and a reduction of the budget deficit to less than 2% of the Gross Domestic Product (GDP).

Significantly, President Kaunda postponed a threefold increase in the price of Zambia's main staple, maize meal, to enable people to register for coupons which would allow families to continue buying it at subsidized prices.

The 1989 budget, with a 20% devaluation of the Kwacha, was the first phase of the plan. Food subsidy cuts, however, sparked riots with sporadic violence in the capital city of Lusaka and the Copperbelt town of Luanshya. Coupons, meant to replace blanket state subsidies on essential foodstuffs (in line with demands by the IMF), were not readily available.

Faced with critical shortages of hard currency, the Central Bank introduced a two-tier foreign exchange rate system in February 1990 to try to attract more hard currency into the economy. It was decided at the time that the market rate for buying and *selling would be fixed at 40 Kwacha to US$1 for the time being.* The Central Bank has also accumulated large foreign exchange debt to local creditors. As its chances of honouring these debts in the near future remain remote, foreign multinationals seeking local funds for start-up costs have been able to purchase individual debts from the Bank of Zambia for discounts of up to 75%.

In line with international trends, the Zambian Government announced a Policy Framework Paper (PFP), which the IMF and the World Bank endorsed in September 1989. This document paved the way for a parastatal reform programme, as well as the establishment of a stock exchange.

President Kaunda announced in May 1990 that public utilities and social service enterprises such as Zambia Railways, the Tanzania/Zambia Railway Authority, Zambia Electricity Supply Corporation, the University Teaching Hospital and Zambia National Broadcasting Corporation, would be partly privatized. The public would be offered 40% shares in such undertakings.

In mining, industrial and commercial enterprises under the Zambia Industrial and Mining Corporation, 49% shares would be offered to the public. The President indicated that the sale of shares in parastatal companies would raise revenue for the government budget. The revenue would go some way in rehabilitating and expanding social services.

POLITICAL REFORM

On the political front, recurrent food riots caused by economic hardship and miners' strikes provided a focus for a more open political debate on the country's future. Moreover, if only half the plots the President claims to have uncovered since his accession to power in 1964 are genuine, his rule must be regarded as somewhat tenuous.

This time round, however, calls for a multi-party democracy came from within the ruling United National Independence Party (UNIP), Zambia's only legal political party since 1973. The Zambia Congress of Trade Unions (ZCTU) echoed a similar call at its recent congress in March 1990. The President reluctantly acceded to these demands, when early in June 1990, he appointed a four-man commission to oversee a referendum on whether the country should remain a one-party state or adopt a multi-party system.

The latest abortive attempt at a military coup resulted in the President sacking his army commander and reshuffling the country's top military brass. He replaced Lieutenant-General Gary Kalenge as army commander with his deputy, Major-General Francis Sivamba.

CONCLUSION

It seems that while UNIP might fall in a multi-party system, the President would survive the latest crisis. One thing is certain, however: Dr. Kaunda can no longer dismiss calls from within the ruling party, trade unions and students for multi-partyism.

The political future of Zambia, while intimately linked with that of Buchizya himself, and increasingly dependent upon progress in economic policy, is uncertain.

Jan Smuts House
July 1990

Source: Government of the Republic of Zambia, 1984

The Republic of Zambia