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Zimbabwe: Post-Election Questions

With the Zimbabwe election of 24-25 June now over, a number of questions stand out concerning the political and economic situation, and the role to be played by South Africa.

The political situation

First, the political environment remains unpredictable. The opposition Movement for Democratic Change (MDC) under the leadership of **Morgan Tsvangirai** went from zero representation in parliament to 57 seats of the total of 150 (120 were contested, 30 are nominated by President **Robert Mugabe**). ZANU-PF received 62. In a poll where 65% of the country's five million electorate voted, this represents a *vote for change* and illustrates the depth of the unhappiness of ZANU-PF's rule and the economic situation.

Indeed, if it was not for the level of political intimidation (and possible vote rigging) it is uncertain whether ZANU-PF would have been able to hang on to power. In spite of not winning his seat, Tsvangirai has, however, committed himself to fighting the 2002 presidential election. Importantly, the result has given the MDC a very powerful presence in parliament and ZANU-PF its strongest-ever opposition. The situation demands a high level of political maturity on both the MDC and ZANU's part.

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The economic environment

Second, Mugabe's use of terror electoral tactics has worsened an already dire economic situation. For example:

- the budget deficit is at 20% of GDP, having averaged over 10% for the past decade;
- the economy is set for at least 5% contraction in 2000 mainly due to the drop in farming output;
- inflation and unemployment are both at around 60% in a country where 70% of the 12.5 million people are classified as poor. Inflation is predicted to rise to 70-80% by the end of the third quarter;
- the bank lending rates are 70%;
- national debt is around US$3.5 billion with annual repayments of US$1.5 billion;
- tourist occupancy levels (this sector accounts for 8% of forex earnings) are less than 5% of capacity in some areas with an anticipated 50% drop in earnings between 1999 and 2000; and
- manufacturing output looks set to drop by as much as 30% this year.

What about the impact of the farm invasions?

Agriculture currently accounts for 50% of Zimbabwean economic activity, with commercial farming employing some 350,000 people and supporting more than 1.5 million Zimbabweans. But the impact of the farm invasions and the anticipated downturn in the sector will not only be felt in terms of poverty and employment, but also in the related areas of foreign exchange income and reserves. Tobacco alone accounts for 30% of forex earnings, and signs are that this has dropped by one-third this past season.

International support for the land redistribution process is key in a return to normality, but this will likely only commence once a legal and transparent process of land allocation has been established. If the land issue remains unresolved, it has been estimated that the Zimbabwean economy will shrink by more than 10% and the agricultural sector by 20%. The Zimbabwe National Chamber of Commerce noted before the election that 'The land reform exercise requires careful handling because it impacts on all the facets of our economy. A process that minimises on productivity losses should be identified and take on board all the stakeholders in the country and elsewhere'.

An anticipated 40% fall in wheat production over the next 12 months will also have a dramatic impact, especially on the poor and on Zimbabwe's foreign exchange reserves. Last year the government had to import around 200,000 tons of wheat. This will most likely have to be doubled in the coming season at a cost of more than US$50 million.

With tobacco earnings down one-third and gold production around 10-20% down on 1999 figures, the foreign exchange crisis is set to worsen. Despite plentiful deposits of gold, coal and base metals, mineral production has declined in value overall from US$658 million in 1980 to US$450 million in 1999.

In 1999, the Australian Broken Hill mining group pulled out on the US$585 million Harare platinum mine, with the loss of 3,500 jobs. Mr Mugabe's unpredictability has deterred investors from making the necessary long-term investment in this sector. As a result, the currency will continue to be under pressure, *especially to devalue.*

Current estimates are that the currency will halve in value from the current peg of US$1–Zim$38 within six months. Nonetheless, this *will* not end economic woes. As the latest review of the economy by Standard Chartered argued: 'There is no reason to expect any easing of the foreign currency crisis. Devaluation remains inevitable, but the authorities are committed to maintaining a managed exchange rate which will continue to undermine the export sector, while constraining output in import-dependent activities.'

Fuel might be the issue that sparks civil unrest in the urban areas, particularly as it becomes apparent that the government has no reserves to pay for fuel imports. The Kuwaiti credit of US$65 million extended in April is due for repayment at US$7 million per week from July. Yet there is no way the current tobacco sales can cover these repayments, with the national oil agency (NOCZIM) deficit already around US$250 million.

"Fuel might be the issue that sparks civil unrest in the urban areas"

Even if Harare can leverage the forex to pay for fuel imports, fuel prices are likely to have to rise to at least 50% more than the current figure of Zim$20 per litre. On the Tuesday of the announcement of the election results, the government introduced a petrol rationing system through the issuing of coupons, the first time this has been experienced since immediately after the war 20 years ago.

Zimbabwe is one of South Africa's top 15 trade partners, and SA's largest partner in Africa. Yet bilateral trade figures are likely to be down in 2000 by more than the 15% reduction from 1998 to 1999. Expect similar reductions for other nations: Japan's exports to Zimbabwe, for example, amounted to a total of US$61 million in 1999, which had more than halved from US$125 million in 1997. Yet Japanese imports totalled US$179 million in 1999, down about 6% on the 1997 figure, but up more than 20% on the previous year.

Importantly, according to a pre-election survey conducted in South Africa, half of 1,000 SA manufacturers intended to cut back on investment plans because of the Zimbabwe crisis. The survey noted: 'The infringement of property rights and disregard for the rule of law in Zimbabwe may have made SA manufacturers more concerned about the same rights in SA than previously.' It also predicted that growth in SA might fall this year given that second-quarter investment increased at a much lower rate than compared to that in the first quarter. However, much depends on whether stability now returns, and how long Mr Mugabe remains in power.

South African policy

In the **third** and final area, SA policy towards the Zimbabwe elections was characterised by a number of contrasting successes and failures:

- *First*, the election went ahead though there were unacceptably high levels of violence and intimidation.
- *Second*, Pretoria's strategy upheld the prospect of democratic change yet President **Thabo Mbeki** failed to engage with the MDC apparently believing that ZANU-PF would win the election hands down. This may come to haunt Pretoria, particularly if Tsvangirai is successful in 2002. If nothing else, the input of the intelligence community and role of the policy process in SA needs to be thoroughly scrutinised in this regard.
- *Third*, Pretoria's policy failed to put critical distance between SA and Mugabe though it has maintained the possibility of a working relationship with ZANU-PF.
- *Fourth*, South Africa managed, through engagement, to prevent Mugabe's withdrawal of the11,000-strong Zimbabwean forces from the DRC which could have seriously destabilised the peace process in the Congo though little progress has apparently been made. This war in itself illustrates all that is wrong about Mugabe's government, costing an estimated US$1 million per day (or an equivalent of one-third of the total 1999 Zimbabwean budget) for no apparent strategic reward save for the enrichment of officers of the Zimbabwe National Army (ZNA).

There is also a major lesson for the ANC in all of this. Although it is comparatively early days in SA, Zimbabwe and the turnaround in ZANU-PF's fortunes shows how quickly support, even for liberation movements, can dry up if they do not deliver.

The SADC summit on Zimbabwe in April held at Victoria Falls attended by Mbeki along with Namibia's **Sam Nujoma**, Mozambican President **Joachim Chissano** and Mugabe, reportedly extracted promises from the Zimbabwean president to stop the farm invasions, restore the rule of law, allow the elections to go ahead unhindered and tone down his rhetoric.

Yet, according to these criteria, the Victoria Falls summit and Mbeki's 'quiet diplomacy' was a failure. Mr Mugabe ignored his promises to SADC in his ruthless approach to ensuring his political survival even at the expense of the rule of law and fundamental human values.

Mr Mbeki's response to Mugabe in the months ahead will thus be critical. He has two choices: First, he can continue to support the Zimbabwean president in the hope that he will restore his country to some degree of political and economic normality. Or, second, realising that the Zimbabwean president is less part of the solution than the problem, he can begin to privately urge Mr Mugabe's retirement from Zimbabwean politics and a smooth succession.

There is an advantage that Mr Mugabe has personally been demonised. This provides some light at the end of the tunnel in that his withdrawal from public office could facilitate engagement by the international community. It is also improbable that the international investor community will have the necessary confidence in Mr Mugabe to commit to Zimbabwe under his rule. His popularity within ZANU-PF is unlikely to be at an all-time high either, given that more than 50 ZANU-PF MPs have lost their seats.

It is unclear who might replace Mugabe. The names most frequently mentioned are those of the ZANU-PF party chairman **John Nkomo**, State Security Minister **Sydney Sekeramayi**, and Justice Minister **Emerson M'nangagwe**, the latter a close confidant and business partner of the president. But M'nangagwe lost his seat in the election, reducing his leadership prospects.

Conclusion

For all its challenges, Zimbabwe represents a great turnaround opportunity. As *The Economist* wrote before the election:

> The damage that Mr Mugabe has inflicted on Zimbabwe is grave, but it is not irreparable. Zimbabwe has excellent farmland, a well-educated workforce, an independent judiciary and the most diversified sub-Saharan economy outside South Africa. ... if Mugabe goes peacefully, there will be a surge of international goodwill and aid. Zimbabwe has terrific potential. The country only needs a better leader to unleash it.

Until now, the southern African region has been characterised by competing and, at times, conflicting views on democracy, human rights, rule of law, and good governance. These differences have certainly narrowed with the rise of the MDC.