

Zimbabwe under a subimperial, neoliberal thumb

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INTRODUCTION

The rise and spread of cholera, the closure of schools, detention of political prisoners, demise of the currency and myriad other cries of Help! are being sent from Zimbabwe.

The September 2008 power-sharing deal between the Movement for Democratic Change (MDC) and Zanu (PF), only brought to partial fruition in February with the appointment of Prime Minister Morgan Tsvangirai, has crucial moral implications for South Africa.

Will our foreign policy continue to be characterised as 'subimperialist', for foisting Washington-era economic ideology as part of loan and grant conditionality, for the benefit of Johannesburg capital? And will the New South Africa be viewed in the same way from Zimbabwe villages as the Old South Africa was viewed from the old Transkei Bantustan – a place responsible for keeping the local dictator alive and corrupt, and sucking out cheap workers?

I worry that for Pretoria politicians, the first stage in weakening democratic potentials in Zimbabwe was nurturing the dictatorship of Robert Mugabe from the time of the mid-2000 challenge to his power, a problem caused not only by Thabo Mbeki's extreme views but also by his successor Kgalema Motlanthe's inability or unwillingness to change course. The result: A ridiculous deal likely to fall apart within months if not weeks.

Trevor Manuel is hammering the second nail in the coffin, along with the African Development Bank, the World Bank, the International Monetary Fund and the UN Development Programme. It will be called a 'rescue package' or 'aid' but in reality it is an instruction to Tsvangirai that he must first repay Mugabe's Odious Debts and tighten the impoverished Zimbabwean people's belts.

Strike three for Zimbabwe's democracy will be when South African firms sweep up the country's physical assets, shares of residual firms and real estate for a song.

In addition to considering Pretoria's malicious role, it is time for a closer examination of the Bretton Woods Institutions' historic and current role in Zimbabwe. Along with the UN Development Programme and donor governments, the Bank and Fund are exploring economic intervention in an economy suffering a decade-long depression and the world's worst-ever recorded inflation.

Meanwhile, civil society – especially those involved in the historic February 2008 People's Charter – have been asking whether Mugabe's foreign debt should be repaid; whether orthodox 'Washington Consensus' strategies work and whether new grants and loans should be conditional upon neoliberal policies; and how might social forces be reorganised to ensure a deeper democratic transition and socio-economic justice?

What is at stake, following the establishment of power-sharing and a route to democracy, is who will win the new economic chimurenga (liberation war) being waged in Zimbabwe. The choices are diverse: A parasitical elite of several thousand bureaucrats and crony business operators around Mugabe; the productive bourgeoisie (what's left of it) around Tsvangirai; the domestic and international financiers hoping for austerity; the global corporations devoted to resource extraction; the aid industry; or the povo (masses).

CIVIL SOCIETY DEMANDS

Representing the interests of the latter, progressive civil society has made a variety of demands for a genuinely new Zimbabwe, best expressed in the February 2008 'National People's Convention Charter'.^[1]

In addition to political democratisation and human rights, the People's Charter spoke of 'the national economy and social welfare' in a unified, unifying way: 'Because the colonial and post colonial periods resulted in massive growth in social inequality and marginalisation of women, youths, peasants, informal traders, workers, the disabled, professionals and the ordinary people in general, we hereby make it known that our national economy belongs to the people of Zimbabwe and must serve as a mechanism through which everyone shall be equally guaranteed the rights to dignity, economic and social justice.'

To this end, the People's Charter called for 'People-centered economic planning and budgets at national and local government levels that guarantee social and economic rights', including 'public programmes to build schools, hospitals, houses, dams and roads and create jobs' and 'equitable access to and distribution of national resources for the benefit of all people of Zimbabwe.' This includes the most controversial issue of all: 'equitable, open and fair redistribution of land from the few to the many.'

When it comes to concrete struggles with enemies opposed to these values in coming months, the People's Convention demanded 'the right of the people of Zimbabwe to refuse repayment of any odious debt accrued by a dictatorial government.' As for the threat of transnational corporations – especially mining houses based in South Africa, Britain and the EU, the US, Australia, China, Malaysia and Russia – entering Zimbabwe in the wake of the political deal, the Convention insisted upon 'Protection of our environment from exploitation and misuse, whether by individuals or companies.'

Other demands that link economy and welfare include: 'Free and quality public health care including free drugs, treatment, care and support for those living with HIV and AIDS; a living pension and social security allowances; decent work, employment and the right to earn a living; affordable, quality and decent public funded transport; food security and the availability of basic commodities at affordable prices, where necessary, to ensure universal access; free and quality public education from crèche to college and university levels; decent and affordable public funded housing; fair labour standards; and removal of all obstacles on the right of small traders, small scale producers and vendors to trade and earn a living.'

These are worthy demands from representatives of a society so brutally oppressed that they face not only ongoing torture in direct ways, but also indirectly, through economic deprivation, especially debasement of the currency on a scale unprecedented in human history. Worse, to cut inflation in the manner being discussed by elites, would mean denying most if not all the demands made above.

WHAT WASHINGTON WANTS

It is hard to have confidence that Zimbabwean politicians – even Mugabe himself – can hold firm against the International Monetary Fund, World Bank, UN Development Programme and donor governments, especially South Africa. But the drive to beg/borrow from the West appears unstoppable.

'Zim deserves assistance,' declared a Herald newspaper editorial in late September, reflecting official Zanu (PF) myopia: 'It is encouraging that there have already been positive indications from the IMF, showing its willingness to open discussions with Zimbabwean leaders on the possibility of arranging a financial rescue package for the country... We believe that the support of multilateral institutions is needed now for Zimbabwe to achieve economic stability, which should see low inflation and interest rates.'

But for the IMF and Western donors to return would probably require extreme conditionality:

- Mass civil service firings and parastatal privatisation;
- Dramatic cuts in social spending;
- Increased capital flight on the one hand, and denationalisation of national assets through foreign investment on the other hand;
- Repayment of Mugabe's US\$5+ billion in odious debt to the Bretton Woods Institutions and other creditors;
- The legitimisation/strengthening/expansion of patronage processes that built up the bank accounts of thousands of Mugabe cronies;
- Restructuring of agricultural power relations against the interests of rural people; and
- Liberalisation of a variety of state regulations.

The problem of inclement neoliberalism is not only because of the Bretton Woods Institutions. Reflecting how unreliable the UN is as an ally of the povo, in September

2008, the UNDP became the main force to articulate the neoliberal agenda in Zimbabwe, issuing a 250-page report, Comprehensive Economic Recovery in Zimbabwe, with major inputs by Mark Simpson (an LSE trained economist) and Tony Hawkins (Financial Times correspondent). Amongst the suggestions from the UNDP were:

- Carry out fiscal consolidation and exercise monetary restraint
- Establish independent and orthodox central bank
- Remove interest rate controls and exchange-rate controls
- Remove capital controls on private individuals
- Reach agreement to clear outstanding arrears with Bretton Woods Institutions and Paris Club
- Review capital controls on corporates
- Ensure compliance with the tariff structure in line with commitments to the World Trade Organisation
- Remove restrictions to participation of foreign banks
- Design strategies for privatisation/restructuring
- Design cost-recovery and maintenance strategies for public infrastructure and services ministries
- Review (ongoing) tariff and non-tariff barriers to trade
- Enact legislation for public enterprise restructuring
- Design an Interim- Poverty Reduction Strategy Paper
- Implement civil service restructuring
- Restructure the Investment Centre in consultation with the private sector
- Train key staff in relevant ministries in the microeconomic foundations of economic policy and foreign trade issues
- Design and implement an international competitiveness strategy

Aside from the UNDP and Bretton Woods Institutions, the other dangerous external advisors come from the Cato Institute. Remarkably, this libertarian Washington think tank seemed to have won the confidence of Cross and by extension Tsvangirai by 2007, providing comments on MDC economic policy six months before civil society even had a chance to look at it. Cato also hosted research by Tsvangirai's former MDC colleague David Coltart (subsequently with the Arthur Mutambara faction), who called for 'limiting government's interference in the economy'.^[2]

In that spirit, one Cato senior researcher, Steven Hanke – a Johns Hopkins University professor who authored a Fortune magazine column and whose work was discredited in Argentina when the currency board crashed in 2002 – recommends Zimbabwe take medicine that 'can rapidly slash the inflation rate and restore stability and growth to the economy'. The medicine is, simply, to remove monetary sovereignty from Harare, and give it to the printers of US dollars (the Federal Reserve) or perhaps the SA rand (the Reserve Bank). That would mean little or no subsequent ability on the part of a future democratic government in Harare to set interest rates, control financial inflows/outflows, or direct credit to reindustrialisation strategies.

Hanke's case rests in part upon a fib: 'Prior to the introduction of central banking, the country had a rich monetary experience in which a free banking system and a currency board system performed well.' It didn't. There is a well-documented history of financial crises, inflation and foreign domination that Southern Rhodesian small capitalists and farmers/workers suffered under the system Hanke recommends.[3] Hanke's 'free banking' and 'currency board' were unsatisfactory, and required replacement by a central bank more than half a century ago.

Another unsatisfactory strategy by neoliberals is to emphasise capital inflows as the solution to the investment problem. For Davies, 'It would be foolish to argue that Zimbabwe does not need capital inflows.' And yet the most striking information available on capital outflows is that Zimbabwe is Africa's third worst case of capital flight in relative terms, suffering US\$24 billion in (inflation-adjusted) capital flight from 1978 to 2004, according to University of Massachusetts economists Leonce Ndikumana and James Boyce. That figure is more than five times Zimbabwe's external debt, and in Africa is only exceeded by Nigeria and Angola.

If Zimbabweans legitimately demand a rapid and relatively painless economic turnaround, they will need to forcefully mobilise against both the Mugabe-ite parasitical bourgeoisie and the Tsvangirai-supporting neoliberals in Washington and New York who will describe People's Convention demands as 'unrealistic expectations'. But even further challenges await when Pretoria and Tunis technocrats step in as the front-men.

WHAT PRETORIA AND TUNIS WANT

A shorter-term problem playing out in March, is that Zimbabwe has more than US\$5 billion in foreign loans that creditors want repaid, even at the expense of belt-tightening for ordinary Zimbabweans, who must by now be the world's thinnest people if measured in economic suffering and shrinkage.

In negotiations over an 'aid' package to Zimbabwe, SA finance minister Trevor Manuel and African Development Bank Zimbabwe country officer Abdirahman Beileh are leading the diet-advocacy crowd, and the precedent – the Democratic Republic of the Congo in 2002 – should trouble Zimbabweans and South Africans alike.

Back in June 2002, the SA Cabinet made available R760 million in the form of a bridge loan to the (unelected) Kinshasa government of Joseph Kabila. The point, according to the Cabinet statement, was 'to help clear the DRC's overdue obligations with the International Monetary Fund' so as to pave the way for new IMF loans.

This deal sanitised a generation of IMF loans made to Mobutu Sese Seko riven with corruption, waste and capital flight to European banks. The people of the DRC were previously victims of Pretoria's apartheid-era allegiance with Mobutu, an arrangement that especially suited Johannesburg mining houses.

Thanks to unwitting SA taxpayers, the old odious Mobutu loans would not be repudiated or forgiven, but instead honoured and serviced. IMF staff would be

allowed back into Kinshasa with their own new loans plus neoliberal conditionalities again applied to the victims of Mobutu's fierce rule.

In a just world, Mobutu's and Mugabe's debts should be repudiated by any democrat. Even in an unjust world, these days, the entire world's debts are being reconsidered, with US bank nationalisation one reflection of creditor liability for stupid loans.

Mugabe's arrears stand at more than US\$1.2 billion merely to the multilaterals: the African Development Bank, the World Bank and the IMF. Zimbabwe didn't get the 2005–06 partial debt write-offs that were granted other African countries, because it wasn't repaying loans in any case – except for useless IMF repayments of US\$210 million in 2005–06, at the behest of Thabo Mbeki.

So how should Zimbabwe finance minister address this challenge? 'Default!' answers the Jubilee chapter in Harare, the well-regarded Zimbabwe Coalition on Debt and Development (Zimcodd). As the NGO's director, Dakarayi Matanga, remarked, 'There is danger that any new loans will add to the already huge debt stock of the country. We therefore called on the political leadership to reveal the nature of these pledges, and for donor countries to cancel existing debts unconditionally instead of creating more debt in order for a new beginning to take place.'

Matanga especially points to the need for 'repudiation of any odious and illegitimate debts,' and applauds the January 2009 decision by Ecuador's president, Rafael Correa, to default on debt considered legally 'Odious', i.e. taken out by a leadership with improper consultation with its citizenry.

To illustrate the dubious use of forex by the Zimbabwe elite, estimates of flight capital from Zimbabwe over the last few weeks run to US\$45 million in the wake of Reserve Bank governor Gideon Gono's liberalisation of the currency and capital controls as the local unit utterly collapsed. The only progressive thing Mugabe can be said to have done with regard to international finance is to maintain a modicum of national sovereignty. But by letting Gono print unlimited Zimbabwe dollars to the point no one wants them, there's really no more scope for monetary policy and exchange controls.

Establishing a respectable currency in Zimbabwe under conditions of ongoing government delegitimacy will be a heroic task, especially if new loans are mainly meant to repay old loans.

But if conditionality is imposed, the biggest hit to the democratic credentials of Tsvangirai and finance minister Tendai Biti will be old-fashioned instructions to further impoverish the povo.

In this context, SA vultures are also looking at the dying corpse for nutrients. Consider a suggestion last September for Tsvangirai from Investec's Roelof Horne: 'Austerity from within'. At the same time, the SA Independent newspaper group editorialised that the Mugabe/Tsvangirai government should 'introduce drastic

policies, including slashing government spending and freeing up price, currency and other controls' as 'conditions for receiving foreign aid.'

If we want Zimbabwe to go from a terribly shaky, interim Menshevik-type government directly to a Bolshevik revolution, that's not bad advice. But there's a moral dimension to consider here, too.

As Zimbabwean-born activist Elinor Sisulu put it recently at a University of Johannesburg seminar, 'I have seen the [SA-led] mediation process as undemocratic and manipulative. I have warned the MDC that they are lambs going into crocodile-infested waters.'

If repaying \$1.2 billion in existing debt is the first priority demanded by the African Development Bank and SA Treasury, then those greedy crocodiles are also resident in Tunis and Pretoria. How diabolical would it be for SA to belt-tighten the Zimbabwean povo in coming days and weeks, following months and years of belt-whipping sponsored by ex-president Mbeki?

THE STRUGGLE CONTINUES

Mobilisation on both sides of the border will not be easy. Popular defense mechanisms have been weakened, especially by the retreat of key opposition cadres into exile, or their killing, disappearance, victimisation and intimidation. Huge strategic differences opened up within the generally pro-MDC camp of grassroots civil society activists. South Africa-based activists have done wonderful things, including preventing three million bullets from reaching Mugabe via the Durban harbour in April 2008, but they simply haven't focused on socio-economic solidarity.

What Zimbabwean activists might be able to unite around, however, is a programme to contest orthodox ideas such as freeing up of markets (which ones?), an appropriate exchange rate (would this mean an end to exchange controls?), liberalised trade (which will further demolish local production), fiscal probity (should not much more be spent on the povo and much less on parasites and foreign debt payments?), and reform of parastatals (does that mean, as is generally the case, commercialisation and privatisation of services in a way that adversely affects povo interests?).

In short, if Zimbabweans are told that 'recovery requires less government intervention, not more', as economist Rob Davies suggests in a recent article for South Africa's *Amandla* magazine, they will have to tear up the People's Convention document to comply.

But the civil society groups may instead demand a good government, which would be much bigger in order to undo the enormous social and economic damage done at the behest first of the IMF and World Bank during the 1990s – when his regime's imposition of neoliberalism was dubbed 'highly satisfactory' by the Bank – and from the late 1990s by Mugabe and his cronies as a desperate gambit to hold onto power, no matter that it resulted in what Davies calls an 'almost pure rentier economy.'

Two questions arise: can the economy's weaknesses be turned into potential strengths, and how to pay for the People's Charter?

The second question requires an appropriate answer to the first, and indeed one was provided in 1999 by, surprisingly, the UN Development Programme's Zimbabwe Human Development Report (mainly authored by Yash Tandon, former director of the South Centre in Geneva), co-published by the Zimbabwe Institute for Development Studies and Poverty Reduction Forum:

'Zimbabwe has a way out as it moves into the third decade of its Independence. It has a rich dual heritage. One, ironically, is the heritage left by the UDI regime that built itself up on a largely internally-oriented economy with minimal dependence on the outside world. Its illegitimacy was the cause of its demise. The second legacy is that of chimurenga (liberation war). That spirit is still present and often not properly channelled. The people of Zimbabwe can, once again, assert their primacy and with sober and deliberate intervention in national matters bring back the state and economy to serving first and foremost the interests of the people based on people's efforts and resources, and not one based on foreign dependence.'

The old UNDP is preferable to the one a decade later, notwithstanding all the UN Millennium Development Goals rhetoric. But the answer to these problems can only come from below, in the deepening of People's Charter politics when political parties of all stripes are bowing not only to internal Mugabe cronies, but to a new set of external masters.

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* Please send comments to editor@pambazuka.org or comment online at <http://www.pambazuka.org/>.

[1] Signatories include community, labour, church, youth, women's, political, human rights and other groups, for example, the Combined Harare Residents' Association, Crisis in Zimbabwe Coalition, International Socialist Organisation, Media Institute of Southern Africa, National Association of Non-Governmental Organisations, National Constitutional Assembly, Progressive Teachers' Union of Zimbabwe, Women of Zimbabwe Arise, Zimbabwe Coalition on Debt and Development, Zimbabwe Congress of Trade Unions, Zimbabwe Lawyers for Human Rights, Zimbabwe National Students Union and the Zimbabwe Social Forum.

[2] Coltart's report is at: http://www.cato.org/pub_display.php?pub_id=9274

[3] That documentation includes a PhD I filed in the very department Hanke teaches in. It was subsequently published as Bond, P. (1998), *Uneven Zimbabwe: A Study of Finance, Development and Underdevelopment*, Trenton, Africa World Press.