What today’s looting of Africa tells us about tomorrow’s looting of Zimbabwe

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Pinpointing Zimbabwe’s economic crisis

When did Zimbabwe’s apparently endless economic downturn actually begin? Here are some answers:

- February 2000 when Robert Mugabe began authorising land invasions;
- November 1997 when ‘Black Friday’ decimated the currency’s value (by 74% in four hours);
- the prior months when war vets were given pensions and Zimbabwe put troops into the Democratic Republic of the Congo to back the Kabila regime and secure investment sites;
- September 1991 when the stock market crashed once interest rates were raised to high real levels at the outset of the Economic Structural Adjustment Programme (Esap);
- the early 1980s, not long after Mugabe took power; or
- around 1974, when per capita Gross Domestic Product began a fall which has not yet reversed itself.

If your answer to the question is within the past decade, I want to argue tonight, you run a huge risk of endorsing the kinds of policies which have impoverished Africa over the last three decades. And there are many powerful people who want precisely that kind of an answer.

As an example of conventional elite wisdom, consider Harvard academic and Pulitzer Prize-winner Samantha Power: ‘The country’s economy in 1997 was the fastest growing in all of Africa; now it is the fastest shrinking… How could the breadbasket of Africa have deteriorated so quickly into the continent’s basket case? The answer is Robert Mugabe.’

A somewhat deeper summary position was offered by the US State Department’s lead Africa official, Walter Kansteiner, in 2001:

The current crisis in Zimbabwe has its roots in many areas. Broadly speaking, poor fiscal policies and rampant government spending - including the cost of Zimbabwe’s
military involvement in the Congo - set the stage for the present economic meltdown. Due in large part to an illegal and chaotic ‘fast track’ land reform program pursued by the government, the agricultural sector has been badly disrupted.

Economist Rob Davies may put the date of crisis in 1997 but turn immediately to blame wealth accumulation – ‘a peculiarly rampant form of absolute extraction’ - by the ruling Zimbabwe African National Union (Patriotic Front) (ZanuPF), in contrast to Sam Moyo, who insists that the post-2000 land invasions take forward the ‘national democratic revolution.’

Like Power, many others simply blame Mugabe, often for his allegedly socialist orientation. For the US Agency for International Development, ‘the country’s deep economic crisis is the result of the government’s flawed economic and public management policies.’

How flawed? In 2001, Thabo Mbeki, who will have more than a small say in Zimbabwe’s future, publicly attributed the severe problems to ‘twenty years of economic policies’. His spokesperson Smuts Ngonyama blamed the Zimbabwean economic mess on too many ‘subsidies.’ Mbeki’s most likely successor, Jacob Zuma, offered the following theory at the same time, according to a press report:

President Robert Mugabe’s government embarked on a huge social spending spree without analysing social needs, which caused inflation to spiral. ‘We do not want to follow the same route,’ said Zuma. ‘We have a responsibility to more than just the sectarian needs of the union movement. We have to serve the broader population as a whole.’

A much richer South African analysis comes from Thabo’s younger brother Moeletsi, former Herald reporter and Cold Comfort Farm researcher. In March this year, Moeletsi Mbeki set out the political balance of forces on Sky News Sunday Live:

You are very unlikely to get any meaningful intervention by South Africa or other Southern African countries, because [for] all of them, the trade union inspired political party led by Morgan Tsvangirai is a threat also to them... You know our own government is faced with challenges from the trade unions, so if you are faced with that situation I think the priority for any politician is his own power, his own opportunity to stay in power rather than issues of conscience. So I think in terms of South Africa the issue of how to frustrate the trade unions taking power and challenging the power of the ruling parties is more of a priority than the beating of opposition demonstrators and their leader.

What of the opposition, though? The most extreme logic of the neoliberal argument, as Eddie Cross of the Movement for Democratic Change put it in the immediate wake of the opposition’s early 2000 constitutional referendum victory, culminates in a programme of total liberalisation:

We believe in the free market. We do not support price control... We are going to fast track privatisation. All fifty government parastatals will be privatised within a two-year time frame, but we are going far beyond that... We are going to privatisate virtually the entire school delivery system. And you know, we have looked at the
numbers and we think we can get government employment down from about 300,000 at the present time to about 75,000 in five years.

For those who instead would seek a more just Zimbabwe, the early 1990s introduction of Esap is often the preferred starting point of critique. To be sure, such analysis also emanates from the ruling party. Information officer and former minister Nathan Shamuyarira once remarked of Esap, ‘I’m glad that it failed... it was a capitalist project’. At the same time, vice president Simon Muzenda and then state information minister Jonathan Moyo strongly condemned Esap, and Mugabe vowed never to return to structural adjustment in October 2001.

The Zimbabwe government still blames the crisis upon Western states and institutions angry about land reform, or mythical ‘sanctions’ (there are only minor smart sanctions against a few dozen individuals in operation), or ‘the country’s detractors’ for causing shortages ‘every time the country comes out of elections’, or even the US and UK governments for allegedly controlling weather patterns to cause droughts.

The regime’s self-serving analysis aside, it is true that Zimbabwe’s major advances in education and health of the early 1980s were in part reversed by Esap user fees, and the solid growth rates of the mid/late-1980s under a more controlled economic regime look excellent in retrospect. As articulated by Keynesian economists such as Godfrey Kinyenze in the major civil society analysis of the Zimbabwe economy, the Structural Adjustment Participatory Review Initiative,

The Zimbabwean economy is in crisis. Economic growth remains erratic and below targets. The balance-of-payments problems that have plagued the economy since the last quarter of 1997 persist. The failure of Esap to redress the inequalities inherent in the Zimbabwean economy means the majority of the people cannot take advantage of the opportunities that are offered. This is a major impediment to the success of reforms. Forum participants said that the highly dualistic nature of Zimbabwe’s economy (in which the white minority dominates formal-sector economic activity and owns two-thirds of high-potential land and the black majority is concentrated in rural, communal areas and urban informal sectors) was never adequately addressed when planning economic reform. By focusing exclusively on the formal sector for economic growth, Esap neglected the sectors with the greatest potential for employment creation: the informal, small and medium-sized enterprises.

In the wake of Gono’s failed August 2006 ‘zero to hero’ anti-inflation gimmickry aimed at rejigging the currency, it is important to look beyond both the machinations of a dying dictatorship and the market-based reforms Gono’s 59-page mid-2007 economic strategy suggests (as summarised by the Mail&Guardian):

- stop land invasions and the criminality that has affected conservancies, including poaching and cutting down trees;
- protect private property;
- rationalise external trade tariffs to enhance producer viability;
- exercise restraint in setting prices;
- respect existing and future investment protection agreements;
- privatise key parastatals;
- engage business in a social contract;
• stamp out corruption;
• provide subsidies for actual production as opposed to pre-production free handouts; and
• build an environment free of disruptive policy inconsistencies and enhance the viability of business.

With the exception of ‘subsidies for actual production’, the points above are remarkably similar to the kinds of policy suggestions for Africa made by global elites. But those policies are failing.

The looting of Africa

And yet, all evidence to the contrary notwithstanding, the likes of Bono, Geldof, Jeffrey Sachs, Paul Collier and others still argue forcefully for more market penetration of Africa as the solution to the continent’s poverty.

But the balance of the evidence does indeed point to the contrary. Wealth flows out of sub-Saharan Africa to the North occur primarily through exploitative debt and finance, phantom aid, capital flight, unfair trade, and distorted investment. Although the resource drain from Africa dates back many centuries, beginning with unfair terms of trade, and then being amplified through slavery, colonialism and neo-colonialism, today, neoliberal policies are the most direct causes of inequality and poverty. They tend to amplify uneven and combined development, especially pre-existing gender, race and regional disparities.

Poverty across Africa worsened in 1990–2001, with 77% of the citizenry surviving on less than $2.15/day, according to the 2005 report of the British government’s Commission for Africa. Common – and incorrect – explanations mask both the causes of African poverty and the implications of recent global policy reforms.

A chart prepared for the Commission for Africa leaves the impression of a vast inflow of aid, rising foreign investment, sustainable debt payments and adequate remittances from the African diaspora to fund development. This analysis ignores the losses due to ‘phantom aid’, the attribution of increased foreign direct investment to just three recipient countries since 1997, a net negative debt service payment since 1990 and the fact the capital flight significantly outweighs remittances.
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In reality, as Africa’s many outstanding political economists have documented for years, finance, trade, and foreign direct investment remain central to the continent’s ongoing underdevelopment. Let’s consider each in turn.

Africa’s debt crisis worsened during the era of globalisation. The continent now repays more than it ever received, according to the World Bank, with outflow in the form of debt repayments equivalent to three times the inflow in loans and, in most African countries, far exceeding export earnings. The debt-relief measures announced in 2005 by G8 finance ministers do not disturb either the process of draining Africa’s financial accounts or the maintenance of debt-associated control functions.

Underlying the G8’s 2005 Gleneagles proposals is the notion of sustainable service repayments, but Africa has actually repaid more than it received since the 1990s. Overall, during the 1980s and 90s, Africa repaid $255 billion, or 4.2 times the original 1980 debt. For some countries (including Cameroon, the Gambia, Mauritania, Senegal and Zambia), servicing the debt far exceeded government health spending. To get debt relief in Nigeria in late 2005 required an astounding $12 billion downpayment, draining newly-accumulated oil resources.

In 1980, with inflow comfortably higher than the debt repayment outflow, Africa continued to pay abnormally high interest to service loans, and did so with new loans. By 2000, however, the net flow deficit was $6.2 billion, so new loans no longer paid the interest on old loans – those resources were squeezed from already impoverished economies. For 21 African countries, the debt reached at least 300% of exports by 2002, and for countries such as Sudan, Burundi, Sierra Leone and Guinea-Bissau, it was 15 times greater than annual export earnings.

In at least 16 countries, according to Eric Toussaint, debt inherited from dictators could be defined as legally ‘Odious’ and therefore eligible for cancellation since citizens were victimised both in the debt’s original accumulation (and use of monies against the society) and in subsequent demands that it be repaid. These amounts easily exceed 50% of Africa’s outstanding debt.

In addition, ‘hot money’ sometimes flows in and out of Africa. The effects of portfolio investment in African stock and currency markets include three crashes in the South African rand between 1996 and 2001, while in Zimbabwe the November 1997 outflow of hot money crashed the currency by 74% in just four hours of trading.

Aid to Africa dropped 40% during the 1990s. Contributions from almost all developed countries fall well below the UN-agreed target of 0.7% of GDP, with 0.12% of US GDP and 0.23% of Japanese GDP as extreme examples. In a 2005 study by ActionAid, the NGO estimates that the 2003 total official aid of $69 billion is reduced to just $27 billion in ‘real’ aid to poor people because of a variety of ‘phantom’ aid mechanisms. ‘Untied’ aid rose from $2.3 billion in 1999 to $4.3 billion in 2003, but declined as a proportion of total ‘aid’.

Measuring capital flight, the IMF found that in 2004 official outflows from Africa by residents exceeded $10 billion a year, on average, from 1998. Estimates put the total overseas accounts of African citizens in Northern banks and tax havens at $80 billion in 2003. At the same time, African countries owed $30 billion to those very banks.

Considering the vast sums – in excess of R300 billion – removed from Africa over the past two decades, the two leading scholars of capital flight, James Boyce and Léonce Ndikumana, conclude that ‘sub-Saharan Africa thus appears to be a net creditor vis-à-vis the rest of the world.’
Trade liberalisation has exacted a heavy toll on sub-Saharan Africa – $272 billion over the past 20 years, according to Christian Aid. Dependence on primary commodities, worsening terms of trade, northern subsidies and long-term falling prices for most exports together grip African producers in a price trap, as they increase production levels but generate decreasing revenues.

Across Africa, four or fewer products make up three quarters of export revenues. Natural resources accounted for nearly 80% of African exports in 2000, compared to 31% of all developing countries and 16% of the advanced capitalist economies. Trade related processes, say Abrahim Elbadawi and Benni Ndulu, cost Africa an estimated 4% of GDP each year during the 1970s and 80s, an income loss twice as high as that of other countries, while the cumulative loss from declining terms of trade cost non-oil exporting African countries 119% of their total GDP.

Agricultural subsidies to Northern farmers (mainly corporate producers) have risen steeply – 15% between the late 1980s and 2004, according to the UNDP, to $360 billion per year – which has greatly intensified North-South trade inequalities. Developing countries lose $35 billion annually as a result of industrialised countries’ protectionist tariffs, $24 billion of this as a result of the Multifibre Agreement.

Non-financial investment flows are driven less by policy – although liberalisation has also been important – and more by accumulation opportunities. During the 1970s, according to the Commission on Africa, roughly one third of FDI to the ‘Third World’ went to Africa; by the 1990s, this had declined to 5%. Thereafter, what seems like significantly rising Foreign Direct Investment (FDI) in the late 1990s and 2001 can be accounted for by the relocation of South African companies’ financial headquarters to London, and by resurgent oil investments in Angola and military-ruled Nigeria.

Tax fraud, transfer pricing and other multinational corporate techniques also reduce Africa’s income. In 1994, for example, an estimated 14% of the total value of exported oil went unaccounted for.

Privatisation-related FDI (14% of total recent FDI) has proved disappointing or worse throughout the continent, including in South Africa where foreign investors have made exceptionally high returns on privatised assets – 108%, for example, on shares in Airports Company of South Africa. The repurchase of shares by state agencies (including Telkom) negates any ‘expertise’ rationale behind such privatisation.

It is increasingly clear that the depletion of natural resources must be factored into any calculation of national wealth. For example, according to the UN Development Programme, the estimated value of minerals in South Africa’s soil fell from US$112 billion in 1960 to US$55 billion in 2000. The World Bank has proposed a corrective method that, despite under-estimations, reveals stagnant and net negative ‘genuine savings’ in countries characterised by high resource dependence, extractive FDI and low capital accumulation.

According to this method, a country’s potential GDP falls by 9% for every percentage point increase in a country’s extractive-resource dependency, with Gabon’s people losing a net $2,241 each in 2000, as oil companies depleted the country’s tangible wealth, investing very little in return and providing few royalties.

In a related category, the North owes the South, especially Africa, a vast amount in ‘ecological debt’, because developed countries use or destroy a hugely disproportionate measure of the global ‘commons’. A member of the UN International Panel on Climate Change calculates that forests in the South absorbing carbon from the atmosphere in effect provide Northern polluters an annual subsidy of $75 billion.
Whether in sweatshop-based production systems in several African countries or in the sphere of household and community reproduction, women - already suffering intense patriarchal oppression - are the main victims of neoliberalism. Because they rear children and provide elder- and healthcare, rural women ensure an artificially inexpensive supply of migrant labour.

The recent global reform proposals will not reverse the outflow of African wealth. Instead, campaigns to reverse resource flows and challenge perverse subsidies are emerging from grassroots struggles and progressive social movements, such as:

- ‘decommodification’ movements to establish basic needs as human rights, rather than as privatised commodities that must be paid for;
- campaigns to ‘deglobalise’ capital, such as defunding the World Bank and securing the right to produce generic (not patented) anti-retroviral medicines;
- demands for civil society oversight of national budgets; and
- activism to ensure equitable redistribution of resources in ways that benefit low-income households, grassroots communities and shop-floor workers.

Were there even a single genuinely left government in Africa (Zimbabwe does not qualify, of course), a variety of national policies could be applied to reverse socio-economic collapse:

- systematic default on foreign debt repayments;
- strategies to enforce domestic reinvestment of pensions and other funds;
- reintroduction of currency exchange controls and prohibition of tax-haven transfers;
- refusal of tied and phantom aid, along with naming and shaming fraudulent ‘aid’;
- inward-oriented import-substitution development strategies;
- refusal of foreign investments that prove unfavourable when realistic projections factor in costs such as natural resource depletion, transfer pricing and profit/dividend outflows; and
- reversal of macroeconomic policies that increase inequality.

It is true that the Mugabe regime has tried some of these policy initiatives, and that they have thus failed. The key reason is not that the policies are incorrect – for after all, most of these were also the policies of East Asian developmental states during their periods of foundational growth – but instead, cronyism, namely a class project that has hard-wired corruption and the elite’s primitive accumulation into virtually every state initiative. It’s for this reason that the elite transition that Mbeki is attempting to stitch together, will be immensely frustrating to Zimbabwe.

Indeed, the key lesson from the looting of Zimbabwe, by Zimbabwean elites, is that any moves in this direction require bottom-up social movements to intensify their work. There are a great many Zimbabwean examples to be found in the work of progressives active in the Zimbabwe Social Forum, the Zimbabwe Congress of Trade Unions, Women of Zimbabwe Arise, the National Constitutional Assembly, the Zimbabwe Coalition on Debt and Development, students and so many other courageous democrats.

Across the continent, Africa’s most hopeful examples include (but are not limited to) general strikes by revitalised labour movements in countries ranging from Swaziland (July) to South Africa (June-July) and Nigeria (June); campaigning for reparations and the closure of the World Bank and IMF by Jubilee Africa; AIDS treatment advocates breaking the hold of
pharmaceutical corporations on monopoly antiretroviral patents; activists fighting Monsanto’s GM drive from the US to South Africa to several African countries; blood-diamonds victims from Sierra Leone and Angola generating a partially-successful global deal at Kimberley; Kalahari Basarwa-San Bushmen raising publicity against forced removals, as the Botswana government clears the way for DeBeers and World Bank investments; Lesotho peasants objecting to displacement during construction of the continent’s largest dam system (solely to quench Johannesburg’s irrational and hedonistic thirst), along with Ugandans similarly threatened at the overly expensive, corruption-ridden Bujagali Dam; a growing network questioning Liberia’s long exploitation by Firestone Rubber; Chadian and Cameroonian activists pressuring the World Bank not to continue funding their repression and environmental degradation; Oil Watch linkages of Nigerian Delta and many other Gulf of Guinea communities; and Ghanaian, South African and Dutch activists opposing water privatization.

How far they go in part depends upon how far valued allies in not only the Third World but also the advanced capitalist financial and corporate centres recognise the merits of their analysis, strategy and tactics — and offer the solidarity that African and other Third World activists can repay many times over, once the Northern boot is lifted from their countries’ necks and they gain the space to win lasting, emancipatory objectives. But setting out campaigns for reparations, IFI closure, corporate malfeasance and an end to many specific other forms of looting is only part of an even bigger challenge for bottom-up construction: establishing a durable programmatic approach that the world’s progressive movements can unite behind.

With this sort of assistance, we can begin to ask the question of what kind of resistance to the future looting of Zimbabwe can be built now, before even more damage is done?

**Whose Zimbabwe economy?**

For Zimbabwe’s first post-Mugabe government, perhaps as early as next March if elite deal-making unfolds as promised, job number two (after restoring a semblance of democracy) is economic. Given the meltdown of the present version of crony-statist-capitalism, a system terribly hostile to the country’s poor and working people, the new model chosen will reverberate across the world.

On the one hand, *The Economist* spells out why Zimbabwe should take ‘Washington Consensus’ advice: ‘Nowhere has withdrawn so swiftly from the global economy, nor seen such a thorough reversal of neo-liberal policies. The results—an economy that has contracted by 35% in five years, and half the population in need of food aid—are hard to paper over.’

On the other hand, countries like Argentina, Venezuela, Brazil, Turkey, Indonesia, and the Philippines are throwing off the yoke of the International Monetary Fund (IMF), repaying loans early and thus pushing it into serious financial crisis.

With several Latin American countries veering sharply leftwards, out of Washington’s orbit, little Zimbabwe could become the IMF’s next big ideological battle ground.

Let’s not forget that Robert Mugabe adopted structural adjustment at a time of relative economic health, and by 1995 received the World Bank’s highest possible rating for following the Washington Consensus: ‘highly satisfactory’.

This was not an aberration, for Mugabe painfully and wastefully spent more than $190 million to partially clear IMF arrears in 2005-06 (leaving $130 million still to repay plus $4+ billion in other foreign credits). But there is no hint of any fresh loans until he
departs – and then the searing strings attached to an IMF programme might generate new riots.

According to the last IMF statement on Zimbabwe, in December: ‘Going forward, the key will be first to ensure that sharp cuts are made in real terms in fiscal spending... Strong fiscal adjustment will need to be supported by moving a unified exchange rate towards market-determined levels, removing restrictions on current account payments and transfers, liberalizing price controls and imposing hard budget constraints on public enterprises.’

The last time the IMF exerted real power over Zimbabwe was when it lent $53 million in 1999, which was meant to release another $800 million from other creditors. According to leading IMF negotiator Michael Nowak: ‘We want the government to reduce the tariffs slapped on luxury goods last September, and second, we also want the government to give us a clear timetable as to when and how they will remove the price controls they have imposed on some goods.’

Five months later, the IMF agreed to increase the loan amount to $200 million, but more conditions were reportedly added: access to classified DRC war information and a commitment to pay new war expenditure from the existing budget.

This meant the IMF encouraged Mugabe to penalise health, education and other badly-defended sectors on behalf of military adventures and business cronies, and also ordered Mugabe to immediately reverse the only redistributive policies he had adopted in a long time: a) a ban on holding foreign exchange accounts in local banks (which immediately halted the easiest form of capital flight by the country’s elites); b) a 100% customs tax on imported luxury goods; and c) price controls on staple foods in the wake of several urban riots.

That deal quickly fell apart, however, when fiscal targets were missed. Harare was, quite simply, broke. The previous year, Mugabe had spent an historically-unprecedented 38% of export earnings on servicing foreign loans, exceeded that year only by Brazil and Burundi.

To be sure, last December’s IMF statement also called for social security protections, but the IMF’s most essential medicine – ‘sharp cuts’ in an already broken state – will not cure this wretched patient.

This is merely one case, the problem of the future repayment of debt whose status should logically be considered ‘odious’, because the majority of people had no role in the borrowing and did not benefit from the investments.

Another crucial case is how to address huge idle capacity, in part the result of the flubbed price control strategy now in place. As Mugabe put it recently, ‘Factories must produce. If they don’t, we will take you over ... We will seize the factories.’ Judging by the way the land acquisition process was handled by ‘cell-phone farmers’, cell-phone factory owners will turn potentially productive assets into rust.

There are, in contrast, crucial bottom-up strategies to recuperate factories, including the Buenos Aires movement that began after that country’s meltdown of late 2001; as well as sites in Venezuela which I was fortunate to visit last week. Politicised workers and a progressive, pro-labour government are crucial, but even without the latter, the Argentine movement has made great progress, and Venezuelan workers are self-managing factories across that country even in areas where residual old-guard bureaucracy is foiling the Chavez government’s initiatives.

Finally, because time is not our ally here, the problem of price controls is most crucial in a country with so many bare shelves. Today’s Business Day newspaper, from
Johannesburg, carries a leading opinion-editorial column by Norman Reynolds, formerly the chief economist in the early 1980s Zimbabwe Ministry of Finance. What Norman – whom I admire for many accomplishments – does in his ‘when we’ column, is inadvertently justify Mugabe’s most painful interventions. Discussing National Breweries’ attempt to circumvent price controls in 1983, Reynolds recounts:

Unless something changed, the price freeze would bring beer production to a standstill within a year. The MD was a school friend. We still talked. He became an emotional wreck as the breweries sank into mounting losses. Finally, we met. I explained that this mess was not going to go away quickly. My only suggestion was to play the ‘game’. I advised: ‘Dry up three small towns before the next long weekend.’ The breweries did. The following Tuesday it received a price increase. The price freeze was effectively over.

Is there an alternative that would control prices through popular, democratic strategies instead of by direct order from an unpopular, corrupt regime? The last time Zimbabwean civil society generated an analysis and strategy was 2000, alongside a progressive group within the UN Development Programme. The approach was developmental, basic-needs driven and patriotic – and now needs urgent fleshing out by organisations like the Zimbabwe Social Forum, trade unions, Women of Zimbabwe Arise and churches.

SA’s Mass Democratic Movement rose to a similar challenge in 1993, producing the Reconstruction and Development Programme. Then the really tough job looms: ensuring accountability of the state to the people. Where South Africans failed, Zimbabweans have a great chance to succeed.