

Paper presented by Prof Tony Hawkins  
 Graduate School of Management, University of Zimbabwe, Harare, Zimbabwe  
 at a Conference with the theme

### SECURITY 2006

Presented by  
 The Institute for Strategic Studies, University of Pretoria  
 UP Conference Centre, University of Pretoria  
 4 May 2006

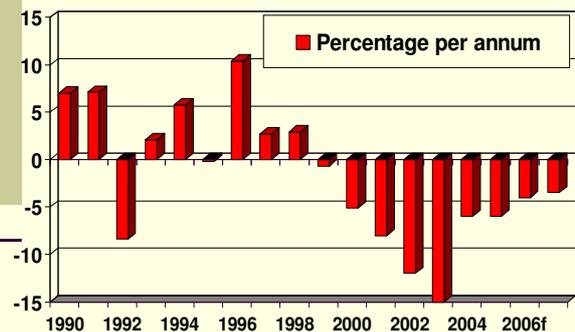
### STILL STANDING: The economic, political and security situation in Zimbabwe 2006 and implications for the SADC region

### STILL STANDING

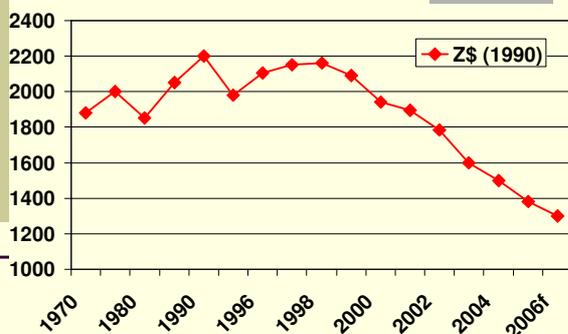
- Eight years into economic decline that has cut GDP by 40% and halved income per head, Zimbabwe is still standing
- The oft-predicted collapse, implosion, meltdown has yet to happen
- Highlighting the yawning chasm that separates economic decline and political change in Africa.

- Even in a continent that – until 2000 – underperformed economically, few countries have experienced so steep and so protracted a decline as Zimbabwe.
- Whatever the economic indicator, the numbers are uniformly dismal.

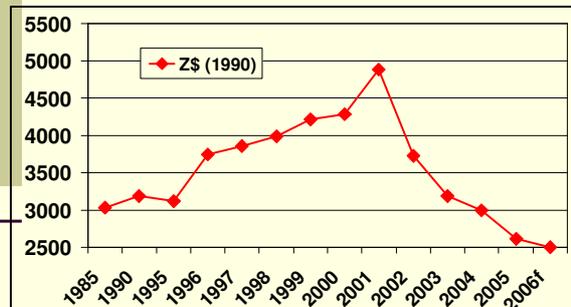
### GDP GROWTH

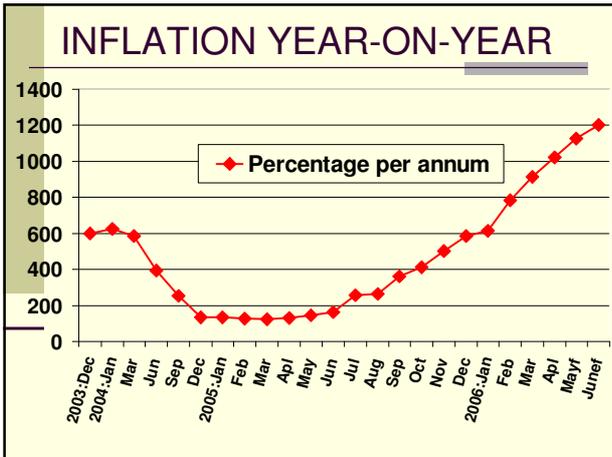


### GDP PER HEAD



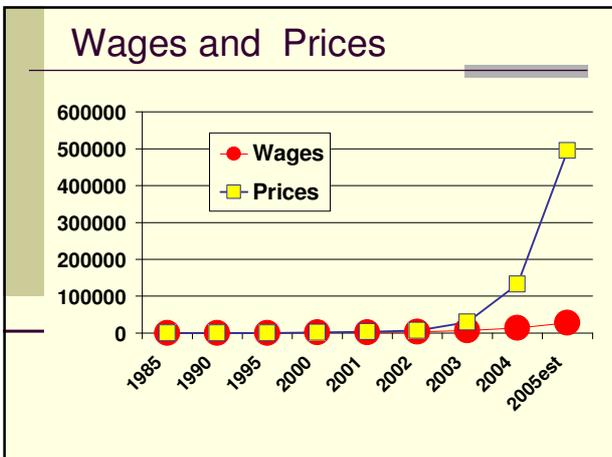
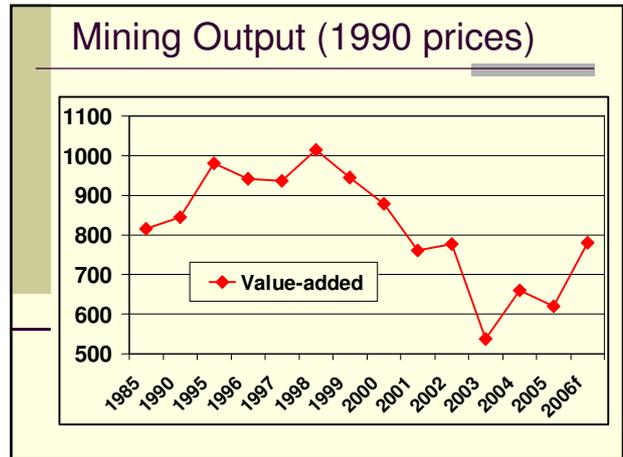
### Agricultural Output (1990 prices)





### SECTORAL TRENDS

\$bns (1990)	2000	2005 est	% Change
Agriculture	4220	2550	- 40
Mining	880	700	- 21
Manufacturing	3990	2100	- 47
Services	11600	9500	- 18



### Why no political reaction?

- In political democracies precipitous and prolonged economic decline almost always sparks political change, through the ballot box or more radical confrontation on the streets as in Ukraine or Georgia.
- But there are few instances of this in Africa where governments have perfected the art of self-preservation.

### UNSURPRISING

- This is not surprising
- African economies – like old soldiers – do not die, do not collapse, but fade away.
- In the process, a yawning chasm opens up between the haves and have-nots

### MARKET SEGMENT SHIFT

- A privileged elite consolidates its position to the point where its interests are best served by maintaining the status quo.
- A feature of Zimbabwe's decline has been the shift in income and wealth from poor to rich and the associated near-elimination of the middle class

### BRAIN DRAIN

- The middle-class – professionals, teachers, doctors, nurses, public servants, parastatal managers – has been forced by inflation EITHER into the low-income group, OR into emigration.
- The brain-drain will have serious long-term implications for the country and the economy.

- A growing proportion of income is going to the relatively small well-to-do members of the community while the middle-class has been squeezed
- Many have emigrated, many others have fallen into the low income segment that now comprises 80% to 90% of the population.

### POINT OF NO RETURN

- In this fade-away process, economies eventually pass the point of no return
- No return without massive outside assistance.
- Inevitably, the donor community comes to the country's rescue – often in too little, too late, mode.

## SELF-INFLICTED CRISIS

- Indeed the donors are there to rescue countries even where the socio-economic crisis has been engineered by the government as in the DRC or Cote d'Ivoire.
- Zimbabwe's unnecessary, easily avoidable and self-inflicted crisis has become one more cross for the international community to bear

## TIP OF THE ICEBERG

- In recent years, Zimbabwe has relied on the international community to help feed a country that 7 years ago was a substantial net exporter of food and agricultural produce.
- This is merely the tip of the iceberg – the start of a protracted process of donor dependence that will last for decades.

## WHY?

- What ought to be one of the most diverse and strongest regional economies will soon join the list of highly indebted poor countries, dependent on donor largesse.
- Such irrational conduct is hard to explain - what motivated the Mugabe government to jump off the cliff?

## POLITICS ARE PARAMOUNT

- All explanations have one theme in common – the paramountcy of political survival.
- There is no mileage in being an opposition political leader in Africa.
- Not only is there no status and no wealth, but there is also no job security.

## MISMATCH

- In Zimbabwe too, as elsewhere in Africa, there is a striking mismatch between government's demonstrable economic, managerial and administrative incompetence, and
- its ability to maintain an iron grip in respect of security and selectively-applied law and order.

## STATE CAPTURE

- Four critical aspects of this mismatch stand out:
  1. Zimbabwe today is a classic "captured" state
- Captured by a political elite determined to hold on to power regardless of the cost to the economy and to the population.

2. Secondly, the system, the economy works for the elite.

- It is a milch cow – the means to the end of power retention.
- The economy's function is to finance the state's unwieldy, costly and increasingly inefficient bureaucracy.

- While simultaneously providing opportunities for rent-seeking – access for the elite to free land, to cheap fuel, to subsidized bank loans and foreign exchange.
- Like many economies in the throes of steep decline, the poorer the economy the greater the number of SUVs. Mercs and BMWs.

## CRONYISM

3. Thirdly, state capture goes hand in hand with dependency.

- The infrastructure of the “command economy” is creating a patronage system
- Whereby it is increasingly difficult to survive – and prosper – in business without the right connections.

## CO-OPTION

- Farmers, industrialists, miners and shopkeepers are co-opted
- The white farmer with a 99-year lease knows full well that if he fails to ensure his workers vote for the ruling party, or
- fails to contribute to party funds, his lease could well be terminated.

## WORTHLESS CONTRACTS

- In any event what is the commercial value of a 99-year lease?
- Or a mining concession, or business contract?
- Where the rule of law no longer applies, and
- Where property rights are disregarded?

## THE LEADERSHIP VACUUM

4. The fourth element to the mismatch is that between a government led by strong leaders on the one hand and a leaderless vacuum in opposition politics, in business, agriculture and mining, on the other.
- Businesses are locked into the system.

## INFLATING TO SURVIVE

- Paradoxically, in surviving, business strengthens a system which cannot work.
- When business sees the government printing Z\$21 trillion (U\$210 million) to repay the IMF,
- Z\$70 trillion to finance civil service and security force pay hikes, and
- Trillions more to subsidise gold, tobacco, maize, fuel interest rates

## END IN TEARS

- They must surely know that it can only end in tears?
- Yet other than closing down altogether, they have no option but to try and make the system work

## EMPEROR'S NEW CLOTHES

- It is the classic Emperor's new clothes syndrome
- Each new economic recovery programme – there have been five since 1999 – is greeted with respectful applause by business leaders.
- Yet they must know the plans cannot – will not – succeed.

## THE FUTURE

## THE END OF SELF RELIANCE

- Serious economists know full well that Zimbabwe will not – cannot – recover on its own.
- Economic recovery depends on political change either within the country itself, OR
- On the part of those in the West who will determine if, when and how much economic aid will be forthcoming

## SCEPTICAL DONORS

- It is unlikely that the donor community will come to Zimbabwe's aid unless and until political change occurs
- For some in the West – and for South Africa – President Mugabe's retirement would be enough to justify a return to business as normal.

## A NEW POLITICAL ORDER

- But others, and especially the US and UK, will demand internationally supervised elections in the expectation that this would deliver a new political order.
- In the absence of sufficient international pressure to achieve this – of which there is no sign – political change in Zimbabwe looks remote.

## NO AGREED SUCCESSOR

- Although the ruling party is deeply split over the succession to President Robert Mugabe when he retires – presumably in 2008 –
- ZANU-PF knows it must hang together or the factions risk hanging separately.
- When it comes to the crunch party unity will be paramount.

## No constituency for change

- Although:
  - ▶ Living standards have halved,
  - ▶ Inflation is on the brink of passing 1000%,
  - ▶ Unemployment exceeds 50%, and
  - ▶ Two thirds of the population live in poverty on less than US\$1 a day.

## NO TIPPING POINT

- There is no apparent “tipping point”
- No willingness to lead – let alone follow – a campaign of protest.
- Morgan Tsvangirai, at the head of a deeply split, demoralized, under-resourced, poorly led and badly organized opposition MDC has once again promised to organize a campaign of passive resistance.

## TIME TO DELIVER

- Because on several previous occasions he has promised mass action and even “a final push”
- His credibility is on the line
- This time he really must deliver or risk political oblivion

## NOT UKRAINE OR GEORGIA

- But Zimbabwe is not Eastern Europe or Latin America
- Despite the dramatic descent in living standards and associated deprivation and suffering.
- The opposition has been simply unable to mobilise the population.

## TWO ELEMENTS

- Two factors determine political stability in a country:
  - ▶ The capacity of the political leadership to implement stated policies – like land reform in Zimbabwe, and
  - ▶ the leadership's ability to do this without generating shocks that undermine political stability.

## SHOCKS AND INSTABILITY

- A country that possesses both capabilities will be more stable than one that has neither or only one of them.
- Shocks themselves are NOT a sign of instability – they may be purely external like the Asian Tsunami.
- What is crucial is the government's capacity to manage and overcome the shocks.

## MANAGING SHOCKS

- A good example is how in Zimbabwe a contested election result led to minor unrest and stayaways, but in Georgia and Ukraine contested election results led to street protests and eventually to the collapse of the government.
- The implication is that the Zimbabwe government managed the shocks far more effectively than in Ukraine and Georgia.

## IMPACT OF TRANSITION

- Some countries are stable because they have open, transparent political systems, a free media, etc.
- Zimbabwe's stability – in the face of a precipitous descent economically – flows from the fact that it is a closed, repressive political system.

## CLEARCUT CHOICE

- Going forward, the leadership either reverses the current trend eventually heading towards openness and greater stability, rejoining the international community in the process, OR
- The state becomes more repressed and potentially highly unstable.

- Recent developments suggest the latter course is the more likely:
  - ▶ The increasing militarization of government
  - ▶ Last week's announced 300% pay award for public servants, including the security forces

- ▶ Threats to use force against any demonstrations by the opposition
- ▶ Plans to recruit an extra 5 000 soldiers
- ▶ Proposed legislation to intercept and monitor email traffic

- It is hardly surprising therefore that there is no appetite within the opposition for head-on confrontation on the streets with a ruthless security force machine.
- Especially given a strategy of systematic disinformation via the electronic and most of the print media under state control.

## ONGOING STALEMATE

- It is just conceivable that intense economic pressure will eventually force the government to change course.
- But I am not holding my breath and if the past is any guide the most likely scenario is one of continuing stalemate.

## The Myanmar Option

- Zimbabwe risks becoming another Myanmar – a pariah state, outside the mainstream of business activity
- With a potentially lucrative and hugely skewed playing field for those – especially from the Far East, the Middle East and the former Soviet Union – prepared to build crony networks with politicians, officials and businesspeople.

## THE REGIONAL PERSPECTIVE

## NO REGIONAL THREAT

- Despite many claims to the contrary, there is very little evidence that the regional economy has been destabilised.
- Indeed, as Zimbabwe plunges deeper into recession, Angola has become one of the world's fastest growing economies, Mozambique is booming, Zambia has emerged from a 25 year recession, while SA is growing faster than it has for 25 years.

## CASHING IN

- Not only are almost all the regional economies doing far better now than before the Zimbabwe crisis, mostly due to global and policy influences, but some are actually benefitting from, and even exploiting, Zimbabwe's decline.
- They are taking market share and attracting some of the best and the brightest brains.

## DECLINING IMPORTANCE

- Zimbabwe is no longer the player it once was – its share of SADC's GDP has slumped from 3.6% ten years ago to 1.4% today.
- Until 2002 it was the second largest economy in SADC after South Africa, but now it is ranked 10<sup>th</sup>.

## GOING THE WRONG WAY

- Only three SADC economies are smaller – Lesotho, Malawi and Swaziland.
- Between 1995 and 2000 – before the Zimbabwe crisis – the SADC region (excluding SA) grew less than 4% a year
- Since 2000 it has grown over 11% annually underlining Zimbabwe's relative insignificance.

## SADC – Market Size

Country	GDP 1995 US\$ billions	2005 US\$ billions
South Africa	151.0	239.0
Angola	5.1	28.9
Tanzania	5.6	12.2
Botswana	4.8	9.2

## SADC – Market Size

Country	GDP 1995 US\$ billions	2005 US\$ billions
Mozambique	2.3	6.7
DRC	5.5	7.2
Zambia	3.5	7.1
Zimbabwe	7.2	4.5

## LOSING SHARE

- In industry upon industry, Zimbabwe is losing market share – mostly, of course, to South Africa.
- Tobacco and horticulture business has shifted to Zambia and Mozambique and some horticulture to SA
- Manufacturing has lost share mostly to SA but also to Botswana
- Tourism has lost out mostly to Zambia (the Victoria Falls)

- There is a serious brain drain of skills – again mostly to SA but also to Botswana and Zambia
- It is certainly true that the flood of unskilled illegals to SA (also Botswana) has caused social problems – crime, HIV/AIDS, etc in these countries
- But this is not a refugee problem on the scale of those experienced in West or East Africa

- Far from suffering from Zimbabwe's decline, SADC states – and others – are cashing in.
- Economically it is an opportunity for vultures to pick the bones.
- South African and other corporates are buying assets at bargain basement prices.
- Others are queuing up to invest as the economy declines further.

- This vulture syndrome is far from being confined to the just a regional phenomenon
- Asian countries, especially China, but also India, are also exploiting the opportunity
- But this pattern of trade with Asia – under Mr Mugabe's Look East policy – is damaging Zimbabwe

- Zimbabwe, along with other African countries, are being promoted as suppliers of raw materials – especially oil and minerals.
- In return their markets are being flooded with cheap, poor quality Chinese goods and also Chinese exports manufactured by Western multinationals in China.

- There are temporary – short-term – benefits for Africa in this Chinese growth model
- But over the medium term these are likely to be more than outweighed by the drawbacks
- Africa's path to structural change, to becoming more industrialised is being systematically blocked off by Asian imports

- Increasingly, Zimbabwe – and other African states – will find themselves locked into this pattern of raw material dependence with limited industrial growth.

## MARRIAGE OF CONVENIENCE

- Politically, such a growth model suits both sides
- There are no lectures from China, Asia or Russia about human rights, good governance and democracy.
- More to the point they are used to an opaque non-transparent system that enables those in power – the rent-seekers and their cronies – to operate the system to their own advantage.

## CONCLUSION

WHERE TO NOW?

## CONCLUSION

- Zimbabwe is not going to change unless and until there is a broad constituency for change and reform
- In several recent cases – but not in Africa – such broadly based constituencies for change have emerged very rapidly, usually in response to the two conditions that characterize the current situation in Zimbabwe

## PRECONDITIONS

1. Rapid and steep economic decline, and
2. Repressive authoritarian policies on the part of an unpopular and manifestly incompetent government.

## SIMPLE CHOICE

- All of which means that the preconditions for change are there.
- Those in power will have – sooner rather than later – to choose between
  - ✓ Democracy, pluralism, openness, stability and economic recovery, and
  - ✓ Even greater repression and its associated instability and ongoing economic decline.

- No-one can put a time-frame on how and when the choice will be made
- It could be part of what is likely to be an increasingly messy struggle within the ruling Zanu-PF to succeed Robert Mugabe.
- Or it could come when the Zimbabwean people eventually decide it is time to take control of their own destiny and not wait for South Africa, SADC or the international community to take the initiative.

## NO EASY TRANSITION

- But it will not be an easy transition
- The social and economic damage in instances – certainly to agriculture and manufacturing – is not just long-term but permanent
- It will take at least a dozen years to regain the living standards of the 1990s

- Many in the diaspora are not going to return any time soon, if at all.
- There will be a heavy price to pay in terms of neglected investment in infrastructure and social services, not to mention the ravages of hyperinflation and massive domestic and international debt burdens.

- The price to be paid by future generations for the follies of their forefathers will be a heavy one