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Industry and the Urban Sector in Zimbabwe's Political Economy

PDRAIG CARMODY AND SCOTT TAYLOR

Abstract: The land question and Zimbabwe's current crisis of governance appear to be intimately related. However, an extensive survey of the population in the mid-1990s ranked land access very low on the list of priorities when compared to employment creation. Zimbabwe's current constitutional and political crises spring primarily from the urban, not the rural areas. Initially the MDC's primary support base was in the urban areas amongst workers disaffected with rising prices and unemployment. Even if the MDC acceeds to power, it will have to face the same set of expectations from workers for improvement in their living and working conditions. Consequently, the regeneration of Zimbabwe's political economy will depend, in part, on the rehabilitation of Zimbabwe's urban industry. This paper examines developments in Zimbabwe's manufacturing sector since 1997. It explores trends in employment, output and exports by sub-sector in order to understand the evolution of sector during the years of crisis and the implications for Zimbabwe's political economy.

Ironically, Rhodesia became a model for a Frankian form of 'delinking'.[1]

Zimbabwe launched a promising economic reform program in 1991 that was instrumental in liberalizing and briefly stabilizing the economy, but the momentum of adjustment was not sustained. As a result, per capita income contracted by an annual average of 1.4 percent during the decade.[2]

Introduction

The Zimbabwean economy is in crisis. The budget deficit for 2002 was estimated to be 17.7% of gross domestic product (GDP).[3] The economy may have contracted by 7.5% in 2001. Inflation has skyrocketed and social indicators are deteriorating. Real incomes per head have fallen 23% in the last five years.[4] Zimbabwean society has become increasingly wracked with instability, authoritarianism and brutality; although these trends were particularly acute during

Padraig Carmody is a Lecturer in Geography at St. Patrick's College, Drumcondra (a College of Dublin City University). His research interests include: economic restructuring and impacts of economic liberalization on the development of manufacturing in Africa, globalization and corporate restructuring in South Africa, as well as poverty alleviation and alternative development strategies. He is the author of Tearing the Social Fabric: Neoliberalism, Deindustrialization, and the Crisis of Governance in Zimbabwe (Heinemann, 2001). **Scott Taylor** is an Assistant Professor of African Studies at Georgetown University. He teaches African Politics and Government, Contemporary Southern Africa, US-African Relations, and African Political Economy. Dr. Taylor's research interests include contemporary African politics, politics and business in developing countries, southern African politics, comparative politics, and international relations.

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the run-up to the March 2002 elections, they have scarcely abated in the ensuing months.[5] How has this situation come about, in what was, until recently, one of Africa's most stable and prosperous societies?[6]

Some analysts contend that Zimbabwe's current politico-economic crisis revolves around the land question, the dimensions of which have been well documented.[7] However, whereas disparities in land ownership and distribution unquestionably pose long-term structural problems for Zimbabwe, this paper argues that the immediate origins of the contemporary crisis lie in the precipitous decline in the urban-industrial sector. Indeed, "a survey of 18,000 rural and urban households in 1995 found that only one percent of respondents wanted land, only two percent thought redistributing land could resolve poverty, and most wanted jobs and better salaries."[8] Notwithstanding the possibility that these surveys may underestimate demand for land reform, the economic and political crisis engulfing the country from the mid-1990s onwards was primarily the result of the deindustrializing effects of World Bank/International Monetary Fund (IMF) structural adjustment policies, combined with the absence of a competitive electoral system.

Zimbabwe's Economic Structural Adjustment Program (ESAP) was inaugurated in 1991. Although the program expired in 1995, its aftereffects continue to be felt. Indeed, the emergence of meaningful political competition in Zimbabwe, in the guise of the Movement for Democratic Change (MDC), established only in 1999, is due partly to the impact of ESAP and the rise to prominence of the labor movement.[9] MDC has its origins in the country's trade union movement, as it was workers who were most affected by increasing unemployment and declining real wages under ESAP. Following parliamentary elections in 2000, MDC now holds 56 seats in Parliament and represents a credible political force, although the party's success and influence is constrained by an electoral system that overwhelming favors the ruling party. The government's response to the MDC's challenge was to try to rhetorically and politically displace the economic crisis from the urban to the rural areas, where two thirds of the population continues to live, and where the long-dormant land issue still has traction. Irrespective of which party is in power, however, the resolution of Zimbabwe's economic crisis will depend, in large part, on the regeneration of the country's urban-based manufacturing sector.

ESAP AND ITS IMPACTS

It is well known that after the Unilateral Declaration of Independence (UDI) by the Rhodesian Front government the economy boomed and there was substantial economic diversification, despite the imposition of economic sanctions by the United Nations.[10] The legacy of industrial diversification gave the ZANU-PF (Zimbabwe African National Union - Patriotic Front) government greater latitude, at least with regard to external forces, in its choice of development strategy at independence. Internally, Moore argues that there was a domestic class stalemate, although the settler fraction of capital remained powerful.[11]

In Zimbabwean political economy there is a debate about the role and cohesion of the settler fraction of capital. For example, Moyo claims that "together with transnational capital, white agrarian interests control key sectors such as tourism, forestry, commodity exports and the narrow agro-industrial sector underlying the urban political economy."[12] Others argue industry was more diversified and that the industrial bourgeoisie (represented by the Confederation of Zimbabwe Industries, CZI) and the agrarian bourgeoisie were relatively independent of each other.[13] In any event, the perceived convergence of their interests – as the CZI adopted a pro-liberalization stance – with those of the state elite was an important factor in the adoption of ESAP.[14]

While Zimbabwe long ranked as one of Africa's most industrially diversified economies, this position has eroded considerably. Some recent analyses trace Zimbabwe's economic decline from the immediate post-independence period.[15] By most accounts, however, the "Zimbabwean model" was relatively successful economically in the 1980s.[16] Indeed, following reforms to the preexisting control regime, such as the introduction of new export incentives, based on newly recalculated statistics, the economy grew rapidly by 4% a year from 1986-1990.[17] However, South African destabilization had been costly, and Zimbabwe's debt at the start of its structural adjustment program was equivalent to its defense costs in the 1980s.[18] With two recessions in the 1980s, internal and external advocates for adjustment argued that high government deficits, an overvalued currency, and restrictive access to industrial inputs could only be relieved through a SAP. The predicted benefits for manufacturing proved to be wishful thinking, however.

ESAP undermined the country's industrial base, and the urban sector was particularly affected.[19] Manufacturing's share of GDP declined from about 20% to 16% during the first phase of ESAP. Some observers blame this on the use of inappropriate policy instruments and sequencing during ESAP, with tariffs imposed on intermediate inputs to manufacturing.[20] However, tariffication and the imposition of tariffs on intermediates were part of the program.[21] Bjurek and Durevall argue that deindustrialization "was to some extent expected[in the short-term] since trade liberalisation exposed manufacturing companies to foreign competition, while benefiting other sectors such as agriculture," although in the longer term, manufacturing was meant to be one of the main beneficiaries of the program.[22]

Of the 31 manufacturing sub-sectors that Bjurek and Durevall studied "during the periods 1981-1985 and 1986-1990, productivity increased in most sub-sectors, while during the period 1991-1995 more that half of the sub-sectors show decreasing productivity."[23] "Manufacturing sector liberalization led to a decline in both real wages and employment, and an increase in capital intensity," again in contrast to the predictions of orthodox theory.[24] Employment in manufacturing contracted from 205,000 in 1991 to 187,000 by mid-1995.[25]

The specific effects of structural adjustment on manufacturing have been explored in detail elsewhere.[26] However, the program's overall impact was deindustrializing, with foreign competition increasing dramatically. For example, whereas final consumption demand for footwear prior to ESAP had been almost exclusively met internally, afterwards "of the 18 million pairs of footwear purchased yearly, 10 million pairs were imported cheaply from China, leaving a demand of only eight million pairs for local producers."[27] Of the manufacturing firms which Chipika *et al.* surveyed, half reported increased profitability during ESAP, whereas 84% of workers felt their standard of living had fallen. Inflation and dramatic decreases in real wages shifted the income distribution away from urban unskilled labor, as wages and salaries as a percentage of GDP fell from 57% in the 1980s to only 45% by 1995.[28] The World Bank regarded reduced real wages as a "brutal but necessary" adjustment to generate export-led growth.[29]

In the key textile, clothing and footwear sub-sector, which was meant to be an engine of growth under ESAP, 56% of firms had decreased profits from 1993/4 to 1995/6, as the full force of trade liberalization took effect, with 18% saying their profits were unchanged and 26% noting an increase.[30] Between 1991 and 1996 manufacturing output fell by 16%.[31] This was a disastrous record for a program designed to promote productive accumulation and, with increased unemployment and rapidly falling real wages, also laid the foundations of serious legitimation problems.

ESAP also had important macro-economic impacts. In 1996 the external debt service ratio had been reduced to 17.5% from 20.5% in 1990. In part this was the result of a 40% increase in exports. However, this export growth was itself largely due to recovery in the agricultural sector from the drought of 1995.[32] The terms of trade moved against Zimbabwe after 1996, and the sustainability of some manufacturing exports was open to question as they resulted from the deflation of the domestic market.[33] Since the trade deficit, when measured with a corrected "equilibrium" exchange rate, reached 20% of GDP.[34] Imports of luxuries for the elite increased dramatically. "From 1990-95, the real import value of TVs and VCRs rose by 45%, passenger car import were up by 258%, and imported yachts and pleasure boats 243%."[35] Partly as a result, foreign debt as a percentage of GDP increased from 45% to 75% of GDP from 1990-1994.[36] Ultimately the program failed, chiefly because it led to the autonomous development of the trade and financial sectors, which proved detrimental to production.[37] Even orthodox analyses conclude: "ESAP failed where it counted most: it did not lead to a substantial and sustained increase in investment."[38]

Some observers claimed the failure of ESAP in Zimbabwe was the result of the inability of the government to adequately restrain and cut-back public expenditure, thereby crowding out private investment and generating inflation.[39] Others argue that the failure of structural adjustment was inevitable because the theory underlying it is fundamentally flawed.[40]

The theory underlying structural adjustment is indeed deeply flawed, given the unrealistic assumptions behind it. In fact, considerable evidence suggests that because of close adherence to the prescriptions of the adjustment program, Zimbabwe's economy declined substantially in the 1990s. In Zimbabwe, the government vigorously enacted the reforms, implementing trade liberalization through free access to foreign exchange a year ahead of schedule.[41]

Structural adjustment was meant to enable countries to escape the debt trap. In Zimbabwe, while there was some excessive expenditure, such as large pay increases for cabinet ministers, the government initially pursued a tight fiscal policy, as prescribed. Central government expenditure as a percentage of GDP, excluding interest payments, fell from an average of 30.4% in 1986-90, to 28.8% in 1991-95.[42] However, higher interest rates and currency devaluation, which made paying back foreign loans more expensive, meant budget deficits increased. The way in which these were financed, through short-term Treasury Bills under the new "free market" regime, led to high interest and inflation rates.[43] There was also revenue reduction as a result of cutbacks in taxes, as called for by ESAP.[44] "If the level of revenue in 1991/92 (28.8 per cent of GDP) had been maintained over the following three financial years, the budget deficit would have fallen to below the 5 per cent of GDP by 1995/6 and below 3 per cent in 1996/7."[45]

Likewise, if interest rates on Treasury Bills had stayed at 1991/2 levels the 5% target would also have been met.

A 1998 IMF review cited in Robinson argued that the program was poorly designed from the start and that the required scale of public sector cutbacks was likely to put the program under "great political strain."[46] Thus, in a convenient sleight-of-hand, the problem was perhaps too much government "ownership" of the reforms, with the World Bank noting that budget cutting had become an end in itself.[47]As a result of missed macro-economic targets being missed, the IMF and World Bank suspended disbursement of structural adjustment credits in 1995.

The IMF prediction of "great political strain" proved prophetic. The economic liberalization measures had dramatic political implications. Sachikonye noted that the patronage base of ZANU-PF shrank as liberalization depleted the size of the public sector.[48] In the early stages of ESAP, the government promoted the "ideology of indigenization" and manipulated gender ideology to compensate for the loss of patronage resources and economic decline.[49] These strategies of diversion had severe temporal limitations, however.[50] In the medium-term, the social impacts of ESAP began to generate societal resistance, which the government sought to counter, both by increasing expenditure on the one hand, and fomenting disorder on the other.

Throughout the first decade of independence, so long as the industrial sector continued to provide employment and the economy experienced modest growth, the status quo was acceptable in urban areas.[51] However, as ESAP threatened the industrial sector, and in the longer term, generated increased unemployment, the government was faced with the choice of abandoning the program or facing electoral defeat.[52]

THE POLITICAL ECONOMY OF URBAN OPPOSITION AND THE RISE OF THE MDC

Beginning in 1995, the political commitment to ESAP began to evaporate as urban opposition mounted.[53]However, diminished patronage resources meant that the principal tool available to ZANU-PF as it attempted to power was a racially-charged populism that sought to lay Zimbabwe's economic problems at the feet of its market-dominant white population. This strategy was designed to shore up support in rural constituencies, where ZANU-PF support had always been strongest, as well as placate rising urban discontent. While the strategy achieved some traction among peasant populations, urban residents did not buy into ZANU-PF's rhetoric that whites were the principal obstacles to indigenous empowerment and improved living standards.

By 1996 it had become clear that Zimbabwe's urban areas could not be counted on as reliable bases of support for the ruling party.[54] The regime recognized that this threat had to be contained, if possible, and that increased political resources would have to be diverted to rural areas and potential supporters. Arguably, ZANU-PF itself was never an urban phenomenon. Dating back to the liberation struggle, ZANU-PF's armed wing drew on rural peasants from the Zimbabwean countryside, and relied on recruitment (and frequently, coercion) of rural dwellers to fuel the war effort.[55] Nonetheless, there was a concerted attempt to capture urban support in the 1996 presidential elections by resorting to an increasingly virulent anti-white rhetoric as

President Mugabe and his handlers sought to shift the blame for urban decline to white farmers and industrialists.[56] This effort did not convince many, as the government's commitment to "indigenization" was, by that time, highly discredited and seen to benefit only a narrow black elite.[57]Mugabe ultimately recaptured the presidency in 1996 (uncontested), although the election failed to convince urban constituencies, and was marked by record low turnouts.

THE RURAL-URBAN NEXUS

The Zimbabwean political economy is affected by the porosity of the rural-urban boundary. Given the historical importance of migration and remittances, with many households' livelihood strategies "straddling" both sectors it is important to pay attention to the rural-urban nexus in Zimbabwe.[[58]

Paradoxically, the government's rising anti-white rhetoric served to limit its economic and political options, while its narrowing patronage base made it increasingly dependent on a diminishing number of societal clients, thereby increasing the latter's bargaining power vis--vis the government.[59] This diminished state autonomy was effected by several key actors who rose to the fore: a small elite that used threats and intimidation – and its connection to the government – to capture the indigenization agenda; and the so-called "War Veterans" of the liberation struggle.[60] Of these groups, the "War Vets" rose to become a substantial threat to ZANU-PF and to Mugabe himself. Having alienated labor and urban populations, as well as white capital, in part by evoking the unfulfilled goals of the liberation struggle, the government lacked the capacity to challenge the rising power of the war veterans. To do so would have threatened ZANU-PF's very credentials as the heirs of the post-colonial state.

The Zimbabwe National Liberation War Veterans Association was formed in 1991. Early in the decade, the liberation war veterans broke with ZANU-PF over its conversion to neoliberalism and the consequent lack of opportunities for its members.[61] When it was discovered in 1997 that the War Victims' Compensation Fund had been looted, to the tune of Z$450 million (at the time, about $44 million USD), by senior officials in ZANU- PF, war veterans organized mass demonstrations. They also directly confronted President Mugabe at his residence where they demanded pensions and land redistribution.[62] The fact that they were not resisted by the Presidential Guard suggests they had the backing of the army.[63]Mugabe thus was under direct pressure to placate the war veterans and agreed to give them lump-sum and pension payments costing Z$4.5bn.[64] The War Vets thus emerged as a powerful constituency, even if the appellation did not accurately describe all the members of the association.

The settlement with the war veterans led to a surge in imports in anticipation of increased demand and a huge increase in the budget deficit and hence, inflation. Coupled with the decision to seize large-scale commercial farmland, and previous balance of payments pressure, this resulted in the macro-economy spiraling out of control.[65] On November 14, 1997 the value of the Zimbabwe dollar fell 74%, as international investors panicked.[66]

While the payments to the veterans served as a trigger, there were longer term reasons for the crisis. One component of ESAP was openness to foreign portfolio investment. Inflows of "hot money" create trade deficits, which eventually prompt foreign portfolio investors to withdraw their capital, given the likelihood of devaluation to restore trade balance.[67]

Zimbabwe was a top "emerging market" in 1996 as its stock exchange had risen by 70% in US dollar terms that year.[68]

The currency crash imported inflation and led to urban riots over price increases in maize and fuel. President Mugabe was also under political pressure due to the rising urban discontent over food and other price increases, which was periodically expressed through rioting, strikes by the Zimbabwe Congress of Trade Unions (ZCTU) and later through electoral pressure from the incipient MDC.[69]There was also rising student unrest.[70] As a result, foreign exchange controls were re-imposed in 1998.[71]

In 1998 a ZCTU general strike forced the cancellation of a 5% surtax to pay for war veterans pensions, a move which was supported by capital. Despite conceding, President Mugabe resorted again to anti-white rhetoric, and claimed that white capital and the black working class had allied against the peasants and the veterans.[72] Increasingly he came to define the rural areas as the moral "heart of the nation."[73] However, somewhat paradoxically, whites remained the dominant economic force in the rural areas at the time.

Although ESAP had undermined productive accumulation in manufacturing, it promoted it in commercial agriculture. However, the fact that most large-scale commercial farms remained under white ownership, coupled with the squeezing of the incipient black business class by ESAP, heightened racial tensions.[74] Mugabe sought to exploit this situation for political gain.

According to Dashwood, "peasants, over two million of whom are now chronically dependent on government food handouts, continue to vote for ZANU-PF out of fear of loss of these handouts as much as out of genuine support."[75] These handouts were available to those with ZANU-PF membership cards. However, with the consolidation of the opposition under the MDC, this was insufficient to ensure electoral victory. Indeed, the parliamentary elections of June 2000, in which MDC captured 57 of 120 the seats contested, revealed that the major urban centers had completely abandoned ZANU-PF, and that even the party's rural support had weakened.[76] It is worth noting that by this time "ZANU ministers had come to the conclusion that ESAP was their most important policy error."[77]

Given the fact that the direct threat came from the war veterans and that the majority of the electorate lived in the countryside, Mugabe's preferred strategy of intimidation and promoting land invasions seemed obvious, particularly in light of the loss of the February 2000 constitutional referendum[78]and the close result in the subsequent parliamentary elections.[79]

The initial shock-troops of the land invasions were not peasants, but urban unemployed youth (mostly too young to be genuine "war veterans") who were paid by the army and subsequently incorporated into the army reserves.[80] This helped to get the ball of rural disorder rolling, while also deflecting an important source of discontent in the urban areas. Frustration with the grossly unequal and racialized distribution of land was widespread in the rural areas, particularly given that 89% of the population were living in poverty, versus 50% in the urban areas.[81] This may have been further heightened by deteriorating economic conditions, inflation, and reductions in remittances from the urban areas as a result of industrial decline.

The regime's strategy to transfer the zone of conflict from the urban centers to the rural areas, where traditionally it could claim greater support, initially yielded modest results. However, as violence and economic decline spread, even these traditional constituencies began to abandon ZANU-PF. Therefore, faced with waning rural support, an unwieldy coalition with the War Vets, and the near-disappearance of urban support, it became critical to the ZANU-PF government to keep the increasingly powerful military leadership on board.[82]

In spite of the dire condition of the domestic economy, alternative opportunities for patronage, particularly for military-related firms and the indigenous business class, were opened up by the war in the Democratic Republic of Congo (DRC), making violence a mode of accumulation.[83] In reference to the war in the DRC, an official of the trade development organization, Zimtrade, noted that "within Zimbabwe the small to medium guys[often indigenous firms] are being squeezed out. Thus they are being forced to look outwards."[84] Some ZANU-PF owned and affiliated companies also established operations in the DRC.[85]

The military has been both placated and empowered by its new politico-economic role. In an unprecedented display of strength and hubris prior to the 2002 presidential election, the military declared that it will be the final arbiter of who governs Zimbabwe.

We wish to make it very clear to all Zimbabwean citizens that the security organisations will only stand in support of those political leaders that will pursue Zimbabwean values, traditions and beliefs for which thousands of lives were lost, in pursuit of Zimbabwe's hard-won independence, sovereignty, territorial integrity and national interests. To this end, let it be known that the highest office in the land is a straitjacket whose occupant is expected to observe the objectives of the liberation struggle. We will, therefore, not accept, let alone support or salute, anyone with a different agenda that threatens the very existence of our sovereignty, our country and our people.[86]

Before the 2002 elections, security personnel received a 100% pay raise, which was the same as the inflation rate, versus 50% for other workers.[87] Additional orders for riot gear were also placed.[88]

As the 2002 presidential election neared, the strategy of fomenting discontent over land, buying off war veterans and facilitating business opportunities for the military was complemented by attempts to buy the urban vote with price controls on basic foods, as well as intimidation and factory invasions by the ZANU-controlled Zimbabwe Federation of Trade Unions.[89] As indicated above, however, beyond ZANU's hired thugs and youth brigades, and the War Vets, the party's support in urban areas is virtually non-existent. Electoral advantage could only come at the cost of further economic decline, at least in the immediate term.

LOOSE MOORINGS: THE POLITICAL ECONOMY OF THE ZIMBABWEAN STATE

It is tempting to blame economic mismanagement, corruption, or the megalomania of Mugabe for the country's current woes, as some observers have done, but such analyses are so one-sided that they lack much explanatory power.[90] As Abrahamson notes, one of the problems with the good governance discourse is that it only pays attention to democracy within countries and not within international institutions and relations.[91]

Alternatively, the strategy to foment and "institutionalize" disorder could be seen as a rational way to maintain power.[92] This, however, is also a limited way to conceptualize the problem. Bayart (1993) and Sandbrook (1993) argue that after independence local capital and the Zimbabwean state formed one of the few historic blocs in Africa which had succeeded in generating hegemony. Thus, it is worth asking why a strategy to foment disorder became rational. As ESAP undermined the productive base of the economy, it destroyed the alliance which underwrote the first ten years of independence. Moore argues that "perhaps the Marxian idea of Bonapartism…could be invoked to interpret the collision of the social and the personal on Robert Mugabe's head."[93]

States are embedded in their societies and in the international system. They can be thought of as institutions to mediate and resolve conflicts.[94] The fault lines of some of these conflicts take the form of internal and external demands. Under globalization, where the capital-labor relation is well entrenched, the state often takes on a facilitative role for transnational forces, leading it to become a "courtesan state."[95] However, absent draconian repression, states depend on the consent of the governed for their continued functioning. As Hibou notes:

The unending quest to satisfy the donors' financial requirements has particularly pernicious consequences. Since the survival of the government depends increasingly on its external resources, it is increasingly led to concern itself more with its exterior respectability than its interior legitimacy.[96]

Thus, this occurs when the state displays negative autonomy from domestic social forces. That is where the state appears autonomous from domestic social forces, but that autonomy is the obverse of embeddedness with and dependence on transnational forces, and therefore reflective of their priorities.[97] Cutbacks in government spending and formal sector jobs loss may result in a crisis of hegemony. The global extension of the law of value may thus conflict with society's needs.[98] The state must then adopt other strategies to attempt to ensure its own reproduction.[99]

Where the demands of globalization conflict drastically with the demands of the society in which the state is embedded, the link between the external and the internal may be broken as the state is forced to choose. In Zimbabwe state policy is subject to dramatic shifts in policy depending on whether external constraints or the potential loss of power resulting from internal socio-economic conditions are more pressing. The state can implement transformative projects, such as ESAP (externally-driven) or land invasions (internally-driven), but these do not reflect autonomous planning for social transformation in the way argued for by Rueschemeyer and Evans (1985) and Evans (1995). Rather, the party-state moves with the tides of electoral and economic pressures to maintain power. Given the diversification of Zimbabwe's economy, it has had more latitude historically to pursue this than other states, though this latitude now is clearly diminished.

In Zimbabwe, previous contributions which detailed the embourgeoisment of the state elite did not draw the distinction between the convergence of interests of private and state elites and their coincidence.[100] When push-came-to-shove, as the avenues of productive accumulation were closed off by ESAP, accumulation by the state elite came again to rest on access to state power. Thus, contrary to Dashwood's (2000) claim, the state-based petty bourgeoisie had not transformed itself into a fully fledged bourgeoisie in Zimbabwe.

Whereas the ideology of socialism once served to suppress accumulation within the state elite, the adoption of ESAP loosened that constraint.[101] As instability and insecurity grew in the

1990s, this elite is increasingly hasty to enrich itself, and the forms of accumulation have consequently become mercantilist and non-productive.[102]

CURRENT ECONOMIC POLICY AND IMPACT ON THE POST-ELECTION ENVIRONMENT

ZANU-PF's abandonment of the neoliberal model was not instantaneous. The long-delayed second phase of ESAP, the Zimbabwe Programme for Economic and Social Transformation (Zimprest) was announced in 1998.[103] While it contained many of the elements of ESAP, it also advocated policy reversals on issues like tariffs, pegging the exchange rate, and selective price controls.[104] The IMF refused to fund the program until tariffs on luxury goods imports were reduced and price controls reversed. However, the provisions of the program were soon violated, leading to a suspension of disbursements.

Foreign investment peaked in Zimbabwe in 1999, as maxi-devaluations of the currency made labor cheaper. However, as the political situation deteriorated in 2000 foreign investment inflows began to fall and many multi-national corporations, such as sugar producer Tate and Lyle, have withdrawn.[105]

Despite the government's abandonment of ESAP, industrial production has flat-lined.[106] Zimbabwe's industrial activities were hit multiple times: first by the deindustrializing effects of ESAP, and second by the contraction in the agricultural sector, with which it is highly articulated, which is estimated to have declined 12.2% in 2001.[107] The commercial agricultural sector has since been decimated by widespread designation of farms for seizure, land invasions by the "War Vets," and threats to farmers and laborers alike. Moreover, political instability has also resulted in plunging tourist receipts.[108] In the wake of the widely condemned 2002 presidential election, Zimbabwe has become an international pariah and foreign exchange shortages have become even more acute. Industrial inputs (already diminished by ESAP) and fuel, for example, have been virtually impossible to secure in the current environment. Thus the laws of motion of global capitalism result in its increasing "implosion" as they undercut the basis for political order, necessary for capital's reproduction, in the periphery.[109]

The government's current economic policy bears some resemblance to the control regime that was inherited from the pre-independence period. This statist shift in policy was formalized in the Millennium Economic Recovery Programme issued by the government in 2000. However, rather than being strategic and articulated, the government's policy implementation has been largely ad-hoc.[110]It has been marked by attempts to transfer the costs of budgetary financing to the private sector by forcing pension funds to hold government bonds at negative real interest rates, thereby enabling the reduction of the budget deficit.[111] Whereas successful East Asian control regimes channeled finance to areas of the economy with high social rates of return, financial controls in Zimbabwe, for the most part, merely prescribe exchange rate values and interest rates. Even if it were desired, the state currently lacks the capacity to mobilize resources to channel to domestic industry. Only industrial and mining concerns controlled by the military and/or political elite continue to receive state benefits through illicit transactions and rents generated in the DRC.[112] The remainder of the industrial sector, however, is still perceived as largely white, and therefore, in the current climate, "foreign."[113]

International pressure – which mounted after the March, 2002 presidential elections and the accelerated removals of white farmers that followed – has been largely ignored by the government. However, regionally, South Africa could still "turn off the lights" (electricity supply) as it could have for the Rhodesian regime. It has been reluctant to do this, however, given the add-on effect of a politico-economic meltdown in Zimbabwe on South Africa, and high levels of domestic support for the land invasions there. Given the extent of economic contraction in Zimbabwe it is clear that international constraints cannot be ignored indefinitely. However, the expectations of some observers that a standard IMF program would be implemented in the second half of 2002 have proved false.[114] Indeed, rather than turning to the West, Mugabe's regime has deepened its relations with, and reliance on, states like Libya.[115]

Ironically, ZANU and the MDC have traded places over economic liberalization. The core members of MDC, namely those from the ZCTU, initially were among the harshest critics of the ESAP program.[116] It was not until after the formation of MDC in 1999 that party supporters embraced the neoliberal agenda. In so doing, MDC set itself apart from the now anti-SAP ZANU-PF and attempted to cement a domestic class alliance and attract funding from white capital and the "international community."[117]

At the current time, the MDC's prospects for governing seem remote, yet the party is the only credible alternative to ZANU-PF in existence. Therefore, what might a future MDC government do with its industrial and urban constituency? Would its policies reinvigorate the urban industrial sector? MDC's origins lie in the labor movement, but the hardship imposed on labor and industrialists alike by ESAP allowed these strange bedfellows to find common cause beginning in the late 1990s. Business actors in developing countries are often loath to engage in pro-democracy movements.[118] However, in contexts where government capriciousness has severely undercut business prospects, as in Zimbabwe, they appear to have little to lose.[119]

Commercial farmers began to support the opposition with the advent of land designations and invasions. Thus the MDC is a cross-class counter movement against economic decline, corruption, and violence, which have resulted from ESAP and the government's strategy to deflect attention from economic failure. The locus of this counter-movement is focused on the state, which is itself the site of social struggles by both domestic and transnational forces. This may be cause for later division should MDC ever ascend to power.[120]

The MDC's economic policy program is largely orthodox in its content, despite the strong labor presence in the party. Labor concerns would likely be subverted to economic orthodoxy if the MDC were to come to power in the future, as they were in Zambia and South Africa, where the Movement for Multi-party Democracy and the African National Congress, respectively, also had substantial labor constituencies.[121] The economic secretary of the MDC, Eddie Cross, was a leading official of the Confederation of Zimbabwe Industries, formerly one of the main advocates for ESAP.[122] Indeed, the MDC president Morgan Tsvangirai views the neoliberal model as inevitable, noting "I still hate the World Bank and IMF, but I hate them like I hate my doctor."[123]

The MDC's embrace of the neoliberal model and pledge to protect property rights (read: white commercial farming and industrial interests) would likely be met enthusiastically by the international community. However, it is unlikely that "market friendly" policies adopted by MDC could resuscitate Zimbabwean manufacturing. Absent urban recovery -- marked by industrial growth and substantial re-employment -- the capital-labor divisions within MDC's ranks pose major challenges to the survival of the party in its present form.[124] Its immediate challenge is to survive in the wake of ZANU-PF's post-election effort to crush the MDC and its supporters.

In sum, the current policy alternatives in Zimbabwe range from continuation of Mugabe's economically destructive radical populism, to embrace of the MDC's reconstituted neoliberalism. Given Zimbabwe's experience with each, the prospects for industry under either scenario are perhaps equally bleak. The challenge if futher heightened by the looming famine, partly brought on by drought.

REGENERATING THE URBAN-INDUSTRIAL SECTOR

From 1991 to 1995, ESAP severely undermined Zimbabwe's industrial base. The corrupt and capricious policies, wrapped in a radical populist guise, pursued by Mugabe and ZANU after 1997 substantially finished the job. The industrial sector is now in shambles, as innumerable factories across multiple sub-sectors have been permanently shuttered. Investment has all but dried up. Unfortunately for the cause of Zimbabwean development, the grip of ZANU-PF has tightened since the March 2002 presidential elections, and the president and his supporters have become far more intractable, contrary to expectations.[125] Nonetheless, the alternative presented by the embattled MDC and its supporters appear no more likely to restore industrial function and capacity in Zimbabwe, even in the unlikely event they were given a public airing.

Writing in 2000, Patrick Bond noted that "a long period lies ahead in which damage done to a once strong industrial base must be repaired."[126] Bond could not have been aware that his prediction would sound like a vast understatement only two years later. Although the agricultural sector – the country's principal source of export revenue – is also in disarray, the regeneration of the urban industrial sector is equally critical to Zimbabwe's future, both economically and politically. Indeed, it is difficult to imagine industrial revitalization without similar trends in agriculture, as the agricultural sector is an important source of inputs for the country's industries. Thus, although the *immediate* crisis in Zimbabwe may not center around land, a restructured agricultural sector will play an important role in any revitalization of industrial production. The choice is thus what type of holistic development strategy Zimbabwe should pursue.

These changes require first political solutions, which, at the moment at least, appear extremely remote. Nonetheless, short of surrendering power to the generals, the leaders of the Zimbabwean state must engender some degree of legitimacy among the population, or at a minimum, key sections of it. The twin bases of sustainable state legitimacy come from employment and livelihood creation, and social service provision. The challenge in Zimbabwe is to renew and restructure the state and the market, with input from communities to achieve these goals.

The range of possible political scenarios in Zimbabwe has grown nearly impossible to predict. With that major caveat in mind, there are a number of possible strategy choices for Zimbabwe's industrial future, and for the economic development of the country as a whole.

Bond, for example, argues that Zimbabwe's economy grew fastest when it delinked in the 1930s and after UDI, and that this should be replicated and deepened through a reorientation to investment to meet basic needs.[127] He also argues that there is a core group of progressive social forces, such as women's and church organizations and the ZCTU, which would attempt to keep the MDC honest in terms of its social commitments if it were to come to power in the future. However, the conditions under UDI were different from today, and in any event, Rhodesia was only partially "delinked". According to Thompson, given the extent of British investment in Rhodesia, the British government supported the white minority regime economically.[128] Cheap black labor made it an attractive destination for multi-national investment as well, with the number of American subsidiaries there growing from 54 to 66 from 1970 to 1976. The Rhodesian regime maintained "property rights" and a "stable investment environment," at least until the latter part of the liberation war. The Rhodesian government was also supported with loans from the South African apartheid regime.

Conditions are vastly different today.[129] However, Bond supports his endorsement of delinking by drawing on a United Nations Development Programme commissioned report which argues that to overcome its current problems Zimbabwe must draw on the strong internally-oriented economy inherited from UDI and the spirit of *Chimurenga* (liberation war).[130]

On the other hand, however, Brecher *et al* argue that:

A strong case can be made that delinking is tantamount to autarky…. under today's conditions. Imagine a single country withdrawing from the WTO, refusing to service its debt, and putting a full array of progressive requirements on foreign investment. Aside from the obvious short-term consequences (e.g. inability to acquire parts, machinery or raw materials, except by barter), it would be cut off in the long run from modern technology, the Internet and everything else that is developed in the global economy. This is a formula for permanent underdevelopment.[131]

Rather they argue that global economic conditions must be changed to make national development possible. Sandbrook also argues for global as well as domestic reform agendas. However, substantive global reform in the current environment appears difficult to achieve, despite movement by the international financial institutions towards accepting elements of the "Post-Washington Consensus."[132]

Others contend that change must necessarily take place through nation states. Mediated integration into the global market may still be possible.[133] For example, Cuba can still attract foreign direct investment with a regulated economy.[134] However, this in turn is dependent on the existence of a strong state, which neoliberalism has undermined.

Hettne 2001 argues that mediated integration is now only possible based on increased regional cooperation, with the choice for Southern Africa being either "regionalization or recolonization."[135] Stoneman argues that it was Zimbabwe's neglect of the Southern African Development Coordination Conference which enabled the World Bank to push through its structural adjustment agenda. However, "new regionalism" is also problematic given the small size of Southern Africa's economy and the mobility and structural power of international finance capital. This power may mean that the forces of globalization may trump those of regionalization unless there is a fundamental rethinking of the macro-economic policy regime and current structures of production. Neoliberal inspired Spatial Development Initiatives promoted by South Africa have not been successful in attracting the required scale of investment to regenerate the regional political economy.[136]

In sum, there appear to be five possible choices of development strategy currently:

- Unmediated integration into the global market (the IMF/World Bank approach)
- Mediated integration/new regionalism
- Delinking
- Neoliberalism in macroeconomics with grassroots empowerment or,
- Market socialism/ecological economics

Which of these is ultimately adopted in Zimbabwe will depend in no small part on the outcome of the struggle for democracy, social justice, and livelihood currently enjoined by Zimbabwe's people. Eventually, however, whichever macro-development path is pursued, it is clear that the regeneration of the urban-industrial sector is a prerequisite for the (re)construction of a (counter) hegemony.[137]

Notes:

1. Moore 2001a, p. 914.
2. International Monetary Fund 2000, p. 5.
3. EIU 2002a.
4. IMF. Cited in EIU 2002b.
5. This included kidnapping and beating opposition members of Parliament and the charging of the opposition presidential candidate Morgan Tsvingarai with treason ("Claims of Political Violence in Zimbabwe", 2002).
6. Authoritarian tendencies were in evidence earlier in the suppression of dissent in Matabeleland from 1982-85, and the attempt to move to a one party state in the late 1980s.
7. See Moyo 1995, 2000a; Bowyer-Bower and Stoneman 2000.
8. McGregor 2001, p. 346. A more recent survey revealed that only six percent of respondents identified land as the most pressing issue, despite the fact that the government had made land its most prominent political issue at least since 1997. The land question ranked sixth behind inflation, unemployment, the currency crisis, poverty and AIDS (see Johnson 2000).
9. Raftopoulos 2001.
10. See Ndlela 1986.
11. Moore 2001a.
12. Moyo 2000b, p. 6.
13. For example, Herbst 1990; Skalnes 1995.
14. Skalnes 1995; Dashwood 1996; 2000.
15. Jenkins and Knight 2002.
16. See Riddell 1990; Stoneman 1992.

17. Robinson 2001
18. Thompson 2000.
19. See Gibbon 1995
20. For example, Mabugu 2001.
21. See Carmody 2001.
22. Bjurek and Durevall 2000, p. 466. The government anticipated manufacturing benefits (see Government of Zimbabwe 1991).
23. Bjurek and Durevall 2001, p. 470.
24. Bjurek and Durevall 2001, p. 477.
25. CSO 1996.
26. See, for example, Sachikonye 1999; Carmody, 2001; Gunning and Oostendorp 2002.
27. Chipika et al. 2000, p. 56.
28. Mumbengegwi and Mabugu 2001.
29. Cited in Kanyenze 1995, cited in Knight 2001.
30. Fifty seven firms responded to this question (Carmody survey 1996).
31. Gunning and Oostendorp 2002a.
32. Bjurek and Durevall 2000.
33. Gunning and Oostendorp 2002a.
34. Ratts and Torvik 1998.
35. Bond, 2000, p. 175.
36. Jenkins 1997.
37. Carmody, 2001.
38. Gunning and Oostendorp 2002b.
39. For example, World Bank 1995; Jenkins 1997.
40. See Bond, 1998. The World Bank resident representative admitted that "the reforms under ESAP could certainly not be regarded as a roaring success" (Allen 1999, cited in Yeros 2001, p. 73).
41. Gibbon 1996.
42. Robinson 2001.
43. Ibid.
44. Gibbon, 1996
45. Robinson 2001: 41
46. Robinson 2001. See also Meredith 2002. Meredith claims that by the end of the 1990s the government was spending on Z $6 per child on education per child enrolled in school (p. 161).
47. World Bank 1995b, cited in Bond and Manyanya 2002, p. 37. ESAP was designed with input from the World Bank. "Ownership" of reforms is very much in vogue with the international financial institutions, partly perhaps as a way of deflecting criticism onto governments. The theoretical case for "ownership" is laid out in Killick 1998.
48. Sachikonye 1995.
49. Ranchod-Nilsson 1998; Taylor 1999.
50. Harvey 1994.

51. In the decade prior to ESAP, Zimbabwe experienced positive economic growth, except for the recession years 1982 and 1987 (CSO, Harare. Quarterly Digest of Statistics, 3/96)
52. Sachikone 1993; 1996.
53. Robinson (2001) argues that the IMF may have suspended support prematurely, based on technicalities and Mugabe's anti-IMF rhetoric. Another explanation might be that given that the international financial institutions hoped Zimbabwe would be a successful adjuster, they were determined not to allow any program slippage.
54. The victory of independent candidate for parliament, Margaret Dongo, in 1995 was perhaps was the first indicator. A series of demonstrations organized by Zimbabwe Congress of Trade Unions (ZCTU) in 1999 also cemented this view. More recently, the electoral performance of the MDC in urban centers far outstripped ZANU-PF in the 2000 parliamentary elections, and in 2001, MDC gained further advantage by beating the ruling party in key urban centers: Masvingo, Gweru, Bulawayo.
55. Kriger 1992.
56. Taylor 1999.
57. The Indigenous Business Development Centre had previously complained that "the current finance schemes set aside by Government, which have provided only up to $400,000 for each project is inadequate for entry into any serious venture that requires an average of $2.5million" (IBDC, 1997: 2 quoted in Dashwood 1999, p. 583. See also Taylor, 2002.
58. Andersson 2002.
59. This is not unlike the situation Reno (1998) describes for Zaire in the twilight of Mobutu's reign.
60. Following the deepened intervention in the DRC, the military became another actor with substantial influence over the ruling party and the president . Anonymous, "The New Scramble for Africa," Unpublished working paper, Washington, DC, September 2000. See also, Report to the UN Security Council (11/19/01), cited in EIU 2001, p. 20, and Nest 2001.
61. Sachikonye 1995.
62. Dashwood, 1999; 2000.
63. There was discontent in the army given the effects of inflation on their member and that "only 5 percent of its vehicles were in working order, monthly pilot training had been abandoned, and 70 percent of troops in one brigade had been off duty for a year or more, on forced leave in order to save money" (Herbst, 2000: 19). According to Dashwood (1999: 585) Mugabe was "clearly responding to the threat of a potential revolt within the ranks of the army and police".
64. Moore 2001b.
65. Dashwood 1999
66. Bond 2000.
67. Grabel 1997.
68. Gordon 2001.

69. The only force capable of uniting Zimbabwe's disparate and unfocused urban "constituency" was an urban-based movement. The MDC was established with key support from labor leaders, many of whom gained leadership positions in the party.
70. Sithole 2000.
71. EIU 2001.
72. Moore 2001b
73. Quoted in McGregor 2002.
74. Sachikonye 1996.
75. Dashwood 2000, p. 110.
76. Alexander 2000.
77. Mhone and Bond 2001, p. 19.
78. The February 2000 constitutional referendum asked voters to approve constitutional amendments that would, among other things, increase presidential power, and give the government free reign to seize white- owned farms. Although its defeat marked a setback for the government, President Mugabe has since proceeded without regard to legal sanctions.
79. According to the Suzman Foundation and others this election was stolen; see Johnson, 2000.
80. Moore 2001b. "Squatting" had been increasing across all tenure categories in Mashonaland according to Moyo 2000 (cited in McGregor 2001). Interestingly, the Zimbabwe Liberators' Platform, a breakaway group of war veterans, decried the government's tactics of land invasion (Moore 2000).
81. GoZ 1997 cited in Dashwood 1999.
82. Declining rural support for ZANU-PF is well-chronicled in Johnson, October 2000 and International Crisis Group 2002.
83. Reno 2000.
84. Quoted in Nest 2001, p. 476.
85. Weinstein, 1999; Anonymous 2000.
86. Zimbabwe Defense Forces Commander Vitalis Zvinavashe quoted in Bond 2002, p.1. This was widely interpreted as a warning to former union leader Morgan Tsvangirai, the MDC candidate, and his followers.
87. Bond 2002.
88. Jafari 2002.
89. EIU 2002, p. 1; McGregor 2002.
90. See for example, Rotberg 2000; Meredith 2002.
91. Abrahamson 2000, p. 147.
92. See Chabal and Daloz 1999.
93. Moore 2001, p. 256.
94. Strange 1996.
95. Mittelmann 2000.
96. Hibou 1999, p. 97.
97. See Carmody 2002.
98. Ake 1996.

99. This is in contrast to Van de Walle's (2001) argument that adjustment continues to fail because of its selective implementation, which nonetheless allows governments to continue to gain access to multi-lateral funding.
100. Notably, Dashwood 1996.
101. Robinson, 2001.
102. See Hibou 1999; Moore 2001b.
103. Despite the World Bank's new emphasis on "participation,", civil society groups were excluded from the drafting of ZIMPREST (Dorman 2002).
104. Bond 2000.
105. "Canadian Firm Trims Investment in Zim," 2/7/02. Conversely, some South African companies, such as Impala Platinum Holdings, take a longer-term view and continue to invest (Swarns 2002).
106. EIU 2001.
107. Ibid.
108. "Tourism Receipts Plunge 42%," 2/7/02.
109. Hoogvelt 1997. See also, Evans 1997. The political consequences of global capitalism were not as big an issue when there were colonial states. This could be thought of as a fourth contradiction of capitalism in addition for the periodic tendency for the rate of profit to fall, the development of the working class and the tendency to undercut its own ecological basis. Mining capital has found ways around this (see Reno 1998).
110. In order to pay for essential imports in 2001 the government conducted trade deals with Malaysia, Nigeria, Thailand and Vietnam and import finance from the Arab Bank for Economic Development in Africa, the Libyan Arab Foreign Bank, Afreximbank, the African Preferential Trade Area and the People's Republic of China (Bond 2002).
111. EIU 2002a.
112. Anonymous 2000.
113. A survey conducted in the early 1990s revealed a substantial white ownership and senior management presence among manufacturers, however, recent data are not available. See Bonyongwe 1991.
114. The prospect was advanced in EIU 2001.
115. Bond 2002.
116. See ZCTU, Beyond ESAP 1996.
117. Yeros 2001.
118. Rueschmeyer, Stephens and Stephens, 1992; Bratton and van de Walle 1997
119. A point raised in Latin America by Conaghan 1992.
120. Raftopolous 2001.
121. The MDC may attempt to cement this alliance through enforcing higher than market determined wages rates (Eddie Cross, cited in Bond 2001) as the ANC has done in South Africa.
122. Skalnes 1995.
123. Quoted in Bond 2001, p. 10. However Tsvangirai did go on to explain that what was important was for Zimbabwe to gradually work itself out of the IMF and World

Bank's grip. Whether embracing neoliberalism is the way to achieve this is open to debate.

124. The Insider, October 31, 2001.
125. See EIU 2001.
126. Bond 2000, p. 185.
127. See also Beza 2000.
128. Thompson 1985, p. 144.
129. For example, life expectancy may fall as low as 30 as a result of HIV/AIDS (Gregson et al. 1998 and Logie 1999, cited in Gordon 2001). This will discourage foreign investment. The looming famine in southern Africa also threatens future stability and social and political infrastructure.
130. UNDP/PRF/IDS 2000, quoted in Bond 2000, p. 186. ZANU-PF's slogan for the March 2002 elections suggested a "third chimurenga" was underway.
131. Brecher, et al. 2000, p. 135.
132. Stiglitz 1998; Fine et al 2001; see also Taylor and Nel 2002.
133. Mohan et al. 2000.
134. Monreal 1999.
135. Hettne, 2001. See also an excellent discussion by Tsie 2001.
136. See Crush and Rogerson 2001.
137. See Bourke 1996.

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