Bankers Trust Company
International Economics
Country Assessment
280 Park Avenue, New York, N.Y. 10017 U.S.A.

ZIMBABWE POLITICAL RISK

William H. Overholt

Political Assessment Group

PAG 164/2-D   18 October 1983

ZIMBABWE POLITICAL RISK

William H. Overholt

Zimbabwe's economic growth rate has declined precipitously over the last three years and the country has been experiencing substantial negative economic growth during 1983. This decline has been produced principally by factors over which Zimbabwe has little control -- worldwide recession, severe drought, and regional disruption caused by South Africa -- though deficit spending on social goods like education and on the military has not helped. Investment has been deterred by violence in the Matabeleland region, by government statements extolling redistributionist policies and socialism, and by inappropriate government regulation. However, despite some internal disagreements and contradictions, the government remains committed to growth and responsible economic policy as an engine of long-term development of a more egalitarian society.

Zimbabwe has continued to move toward a one-party state, run by ZANU and controlled by the majority Shona tribe. In the service of this interest, judicial and press independence have been gradually reduced; more important, efforts to curtail the independence of the opposition ZAPU party, controlled by the Shona tribe under Nkomo's leadership, have continued. Tensions with ZAPU and the Shona remain high and there are recurrent violent incidents and murders of white farmers in Matabeleland. Key ZAPU military leaders remain in detention. However, Nkomo, who previously fled into exile, has been permitted to return and to resume his seat in parliament. Mugabe's North Korean-trained Fifth Brigade, responsible for extensive terrorism in Matabeleland, has been withdrawn. Mugabe has visited Matabeleland on several occasions to deliver conciliatory messages. The sense of crisis has diminished, but serious tension will remain at least until resolution of the conflict between ZANU's demand that ZAPU accept absorption into the ruling party and its unwillingness to accept ZAPU's conditions for such absorption: appointment of Nkomo as deputy prime minister, more cabinet posts for ZAPU, a larger ZAPU role in the army, and safe return of ZAPU detainees and Shona refugees.

In the short run, economic policy should remain dominated by the economically orthodox minister of finance, economic planning, and development, a man of high international repute. Most radical elements in government have been shifted out of economic ministries into political and security jobs, where they should be kept happy helping Prime Minister Mugabe to eliminate Nkomo's party as a political force and to subdue the Matabeleland "dissidents." Mugabe cannot ignore pressure for economic redistribution, but uses socialist rhetoric to protect his pragmatic policy of capitalist growth with equity.

The government seeks a high level of foreign investment, but is pursuing policies which in fact deter such investment. Its implementation of such policies, notably the minerals and mining marketing board, has been pragmatic, but the bureaucratic, tax, and uncertainty barriers to investment remain high.

British and American aid have been partially jeopardized by two incidents. Mrs. Thatcher threatened to curtail aid after several air force officers, accused of treason, were acquitted by the court but nonetheless continued to be kept under detention. U.S. Congressmen threatened to cut aid ($65 million per year) in half after Zimbabwe refused to vote for a U.N. resolution condemning the Soviet downing of a Korean airliner. However, most of both aid budgets seems likely to remain intact.

Mugabe has demonstrated a remarkable ability to retain strong ties to Britain, the U.S., and China, while receiving strong North Korean military assistance and entering into a detente with the U.S.S.R. Likewise, he maintains a very hostile diplomatic stance toward South Africa while (with occasional painful exceptions) successfully accommodating to his country's total economic dependence on South African logistics. This latter balancing act has recently been complicated: Mugabe's military people are now active on Mozambican territory defending key facilities against the South African-supported MNR rebels.

The government has demonstrated willingness to take painful economic measures in service of a relatively conservative austerity program: an 18% cut in the inflation-discounted government budget, a 50% cut in food subsidies, a broadening of the tax base, and Minister Chidzero's announcement of plans for an eventual cut of 50% in the proportion of the budget going to the military.

The next one to two years should be the most difficult. Mugabe's ability to maintain his policy over the longer run depends principally on the recovery of the international economy and the end of the drought. British and American aid and political understanding -- which seem likely to continue despite present unease -- will continue to be necessary to protect Mugabe's pragmatic economic policies from domestic attack and to deter more serious South African efforts at regional destabilization.

The key risks are manageable, but not negligible: a South African squeeze on the economy, military drain on the budget, assassination of Mugabe, greater red tape and lack of sympathy regarding the need for profits in the private sector. These risks are much more serious than, for instance, in Thailand, but economic performance in a difficult period has been superior to most African states and financial management has been superior to that of most Latin American states. Adjustment policies reflect a priority for economic concerns, and the country will be better placed than most LDCs to take advantage of a world recovery (if one occurs).