Chiluba's U-Turn Is Last Chance for Zambia

by Lydia Cherry

Following a state visit to Tokyo the first week of December, Zambian President Frederick Chiluba has taken steps to regain control of economic policy-making for that beleaguered country. While in Japan, Chiluba had held several private meetings with Prime Minister Yoshiro Mori and other Japanese officials. Japan pledged $15 million to build a public health institute and schools. Nothing has been made public about the content of the talks, but beginning Dec. 19, Chiluba began issuing economic directives. He tightened foreign exchange measures and stated he was not going to go ahead with the privatization of strategic companies; he noted that in the last few years over 90% of the country's companies have already been privatized, but that Zambian citizens had received no benefits from this.

The President was immediately seconded by the Federation of Free Trade Unions of Zambia.

The IMF and "donor community" have had Zambia in a state of siege since even before Chiluba came into power in October 1991. As a result, Zambia is now a country that doesn't have much time. Life expectancy has dropped to 33 years. It has one of the highest under-five child mortality rates in the world, with 59% of children of this age group suffering from chronic malnutrition. The loudly heralded "debt relief" for Zambia under the classification of Highly Indebted Poor Countries (HIPC) will not be felt until at least 2006-15; until then, the country must pay $174 million yearly, which is more than it paid in 2000 *before* the "debt relief" was granted. Zambia's currency, the kwacha, lost a full 60% of its value from January-December 2000.

On Dec. 19, Chiluba directed foreign investors in Zambia to ensure that they leave at least 75% of their earnings in the country. The President said his government is concerned about the rapid devaluation of the kwacha.

Exchange Controls Imposed

This was followed by a press briefing by Bank of Zambia Governor Jacob Mwanza the following day; and an immediate regulation on Jan. 18, enforcing the kwacha as the legal tender, and that all except tourist transactions in Zambia must be conducted in kwacha and not the U.S. dollar. At the briefing, commercial banks were informed that they will now be required to keep 11% of their kwacha and foreign currency earnings in the country—an increase from 8%.

On Jan. 11, President Chiluba held a meeting with business officials in Lusaka, attended by executives from the mines, parastatal and transport companies, banks, department stores, and travel and tourism sectors. The President warned the gathering that his government would be obliged to enact appropriate laws if they fail to halt the falling value of the country's currency. He accused business houses of stifling the economy simply because Zambia now lacks exchange controls. He said that the currency's depreciation was due to capital flight—the failure by the business community to fully return the proceeds from exports, including copper and cobalt.

Continuing to up the ante, on Jan. 13, Chiluba announced that his government would maintain all remaining strategic companies, and would not privatize them despite demands by the donor community, including the World Bank, to do so. Chiluba also said that he would contest the sale of the Zambia Electricity Supply Corporation Ltd., Zambia National Commercial Bank, Indeni Oil Refinery, Zambia National Oil Company, Tanzania-Zambia Railways Authority, and Zambia Telecommunications Company Ltd. He insisted that these firms were critical to the security of the country. Making this announcement in the northern copper-mining town of Ndola, Chiluba called on trade unions and the Ministry of Labor to join in the battle, and said that there was no country in the world which did not control commercial utilities.

'The Kwacha Is Bleeding'

Chiluba accused foreign investors of manipulating the local currency. "We cannot leave everything to foreign investors. If the United States of America intervenes in the running of the country's economy, who are we not to intervene?" he asked, according to Panafrican News Agency. "Zambia should not be forced to sell off state-owned companies, when Britain started privatizing its firms in 1945 . . . and yet it still owns some commercial utilities."

Chiluba said that he had information that some new investors, including those in the mining sector, had opened other branches in West Africa with funds generated from Zambian investments. "The kwacha is bleeding. . . . I will consult the cabinet so that a law is passed in Parliament to stabilize the kwacha, or [I'll] go it alone to do so," he said.

The *Post of Zambia* on Jan. 16, quoted the president of a group, Agenda for Zambia, commending Chiluba's U-turn as an admission that the economic policies of total surrender to the dictates of debt collectors had completely failed. The spokesman, Akashambatwa Mbiku, however, noted that for President Chiluba to have a chance of winning this war, he must get rid of pro-IMF officials in key economic places such as the Bank of Zambia and the Ministry of Finance.

President Chiluba, along with other Southern African leaders, has attended several "Smart Dialogue" sessions since 1999 keynoted by Malaysian Prime Minister Mahathir bin Mohamad. In these, Dr. Mahathir stressed South-South cooperation, and he shared Malaysia's experience in taking back control of its own economy from the "donor community."