Dealing with the Crisis in Zimbabwe: The Role of Economics, Diplomacy, and Regionalism

Logan Cox and David A. Anderson

Introduction

Zimbabwe (formerly known as Rhodesia) shares a history common to most of Africa: years of colonization by a European power, followed by a war for independence and subsequent autocratic rule by a leader in that fight for independence. Zimbabwe is, however, unique in that it was once the most diverse and promising economy on the continent. In spite of its historical potential, today Zimbabwe ranks third worst in the world in “Indicators of Instability” leading the world in Human Flight, Uneven Development, and Economy, while ranking high in each of the remaining eight categories tracked (see figure below). Zimbabwe is experiencing a “brain drain” with the emigration of doctors, engineers, and agricultural experts, the professionals that are crucial to revitalizing the Zimbabwean economy. If this was not enough, 2008 inflation was running at an annual rate of 231 million percent, with 80% of the population lives below the poverty line.

![Figure 1: Source: http://www.foreignpolicy.com/story/cms.php?story_id=4350&page=0](http://www.foreignpolicy.com/story/cms.php?story_id=4350&page=0)

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Economic decline began with government mismanagement, drought, military adventurism, and worker strikes in the 1990’s, while exacerbated by violent farm occupations, which began in 2000 and drove off the economic foundation of the country. These events, largely avoidable, combined with hysterical anti-western policies have led to the destruction of this once promising nation. Historic internal divisions, recurring hostility toward former colonial and western governments, and personal quests for power have further derailed efforts at compromise and any internal unity of effort toward reconstructing the Zimbabwe economy.

Formed to improve the economic and security conditions of its member states, the Southern African Development Community (SADC) has been unable to intervene in Zimbabwe. Plagued with feeble economies, dependent on external aid, and possessing leaders unwilling to criticize another revolutionary leader from the independence movements of the 1970’s and 1980’s, the SADC is currently ineffective in improving the economic or political situation in Zimbabwe. Only with each member country improving their respective economy and pushing for regional economic integration, will the SADC become a viable organization capable of helping reverse the disastrous situation facing Zimbabwe. Working with the SADC, international financial institutions, and the international community (particularly the United Kingdom), the United States with its political influence and economic resources must play a leading role in promoting the stability and economic viability of Zimbabwe. After providing a historical situational survey, this paper proposes a “way ahead” to do just that.

A Brief Modern Overview of Zimbabwe (Rhodesia)

A British colony, the country moved toward independence after the Second World War, but the leader of the minority white government, Ian Smith, would not agree to a power sharing agreement with the black majority as requested by the United Kingdom. Smith clung tenaciously to white rule despite economic sanctions imposed against the Smith led government. Eventually black Rhodesian discontent with the white minority rule led to the 1971-1979 Rhodesian Bush War. Even with increasing UN sanctions and civil war, per capita GDP rose 3.5 percent each year from 1965 to 1974. Rhodesia was the breadbasket of Africa and was self-sufficient in agriculture (wheat, corn, cattle) and sanctions actually encouraged the restructuring of the economy. According to McKinnell, farmers were compelled to switch from tobacco to other crops, notably wheat and cotton, widening the agricultural base. In mining, similar attempts were made to augment output with more readily saleable minerals, for example

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4 The SADC today consists of Angola, Botswana, Democratic Republic of Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia, and Zimbabwe. Madagascar was suspended from membership on March 31, 2009, for the military coup on March 16, 2009.
5 See Appendix 1 for a summary of economic sanctions against Rhodesia.
gold. Industry likewise underwent substantial transformation, switching partly from producing for export to manufacturing commodities, as substitutes for former imports.\textsuperscript{9}

It was events across Southern Africa that affected the eventual decline in the Rhodesian economy and led to eventual independence. Mozambique gained independence from Portugal in 1975, which enabled black militants fighting the Smith regime to use Mozambique as an operations base and relations between Rhodesia and Zambia became increasingly militant after 1977. These events required a further diversion of scarce resources from economic investment to military investments to secure the borders with these countries and a diversion of increasing numbers of military-aged males and females to the war effort.\textsuperscript{10} Rhodesian state expenditures rose as more money went to support military and security operations against the black insurgents, rising from 27 percent of GDP in 1967 to 35.8% in 1976 and reached 37% of GDP in 1980.\textsuperscript{11} This skewed the economy away from the diversity it had previously enjoyed and began the government sector growth that would be inherited and later accelerated under majority rule.

In 1979, free elections, supervised by the United Kingdom, finally were held under terms of the Lancaster House Agreement\textsuperscript{12} that ended the civil war and set the terms for handing over control of the country from the white minority to the black majority. These elections led to an internationally recognized biracial government, with Robert Mugabe as the first black Prime Minister of Zimbabwe. Mugabe was elected president in 1987 and has held on to power through a series of flawed elections until the most recent power sharing agreement with the leader of the Movement for Democratic Change (MDC), Morgan Tsvangirai. In June 2000, parliamentary elections were marked by police and Zimbabwe African National Union-Patriotic Front (ZANU-PF) members breaking up opposition MDC rallies and meetings, invading its offices and intimidating rural tribal chiefs and rural voters. European and other foreign observer teams denounced the elections as a "complete subversion of the democratic electoral process."\textsuperscript{13} In 2002, even the Organization of African Unity decried the process and results of the presidential election.\textsuperscript{14} In 2005 parliamentary elections, the SADC and observer delegations from neighboring countries were alone in declaring the elections fully free and fair, despite intimidation of the opposition, stolen ballot boxes, and polling stations manned by the military and ZANU-PF officials. During nearly all elections, the government rewarded ZANU-PF party supporters with food and Mugabe often declared that anyone voting for the opposition was a traitor.\textsuperscript{15}

\textsuperscript{10} Ibid., 237-238.
\textsuperscript{11} Ibid.
\textsuperscript{12} The Lancaster House Agreement ended biracial rule in Zimbabwe (Rhodesia) following negotiations between representatives of the Patriotic Front (PF), consisting of Zimbabwe African Peoples Union (ZAPU), the Zimbabwe African National Union (ZANU), and the Zimbabwe (Rhodesia government, represented by Bishop Abel Muzorewa and Ian Smith. It was signed 21 December 1979.
\textsuperscript{14} Ibid. 174.
\textsuperscript{15} Ibid. 175.
Despite this level of intimidation, in March 2008 the MDC won 47.9% of the votes, against 43.2% for Mugabe, enough to force a run-off election. Between the March election and the June run-off, ZANU-PF party supporters, police, and military launched an intimidation campaign against the MDC and its supporters. Such was the level of violence and intimidation that Morgan Tsvangirai refused to stand in the run-off election. Only international pressure forced the Mugabe government to recognize a plurality in the election and agree to a coalition government with the MDC.

**Political History of Mugabe**

Mugabe is more than a political realist. He has been able to form alliances with opponents when faced with a more pressing, common foe, and then use his power to later divide his opponents and consolidate power under his control. During the independence war, Mugabe became one of the two voices for a new Zimbabwe by sheer intrigue and power play. He fought hard to gain control of the ZANU movement and after the war, used all available means to ensure his hold on power.

Ndabaningi Sithole founded the ZANU in 1964 with a socialist agenda for black majority rule in a one-party republic, with government control over land use. In 1970, Mugabe drove Sithole out of ZANU and claimed legitimacy until Kuanda and Nyerere backed him as the rightful leader of ZANU. Mugabe realized that neither the ZANU nor the Zimbabwe African People’s Union (ZAPU) were strong enough or could claim to represent enough of the people of Zimbabwe, to face the nationalists operating inside Zimbabwe. Mugabe later used his support from Kuanda and Nyerere to make an alliance with Joshua Nkomo’s ZAPU, forming the Popular Front, to strengthen his negotiating position against the Smith government.

In describing the aims of the Popular Front in 1976, Dzinashe Machingura, a Zimbabwe People's Revolutionary Army (ZIPRA) veteran of the liberation war stated, "All those who are opposed to the liberation and independence of the Zimbabwean people are our enemies. These include the Smith racist regime, the imperialist powers that back it, puppet Africans serving the Smith regime, and all those who are opposed to the independence of the Zimbabwean people." This could also be expanded to include those who oppose Mugabe.

Mugabe stressed his Marxist orientation before and during the Geneva Conference in 1976, but purged from the Zimbabwe African National Liberation Army (ZANLA) leftist radicals who opposed his concessions at the conference and threatened his control over the party. He also reiterated that a multiparty state was a luxury that would not be favorable for transforming society in Zimbabwe. After independence, Mugabe focused on executing changes to the government and economy to benefit superficially the African population.

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18 Utley, “Globalism or Regionalism”, 10.
After obtaining power in the 1980’s, the government faced restructuring a system that had created "socialism for whites" which required such discrimination by the Rhodesian government that any movement toward a black socialist state would require the same amount of discrimination against the white minority in Zimbabwe. Accordingly, the Mugabe regime discriminated against the white minority by controlling the indigenous Business Development Center through a close relative of Mugabe, and provided preferential access to finance, foreign exchange and business licenses. As noted by Du Toit, this assured the emigration of whites from the country, albeit slowly. While this may have been seen as a policy of post-independence reconciliation, viewed against the current situation in Zimbabwe, it was more likely a long-term policy of expulsion from a country reserved for black ownership.

Mugabe held to broad objectives relating to land redistribution, restructuring the economy, establishment of a one-party state, and state control over the mass media and education. These broad goals were not accompanied by policy documents on how to achieve them. The government increased expenditures for health and education, built additional schools and hospitals, and in its first comprehensive economic policy statement in February 1981, called for the development of the economy based on socialist principles. Mugabe also began increasing the size of the government bureaucracy, from 40,000 at the end of the Rhodesian era to 95,000 in 1984, and increased the numbers of senior officials from 10,570 to 22,188. These personnel were black and mostly supporters of the ZANU party. Even by 1981, the U.S. State Department noted that editorial policy of the daily press was uniformly pro-government with numerous allegations of suppression of dissenting reporting.

Mugabe also jailed the best from the opposition ZAPU party in the 1980’s, and used the military to suppress the opposition, which continues to today. He sent the North Korean-trained 5th Brigade into the countryside, largely dominated by supporters of ZAPU, to hunt down dissidents. During “Gukurahundi,” a reported 20,000 civilians were killed, mostly from the Ndebele tribe. The remaining ZAPU were assimilated into the ZANU in 1987, and Nkomo became a part of a “power-sharing” government. Mugabe had succeeded in creating his one-party socialist state.

Mugabe has shown that he is a political realist able to divide his opponents by intrigue and power play and consolidate power under his control. He was committed to a one-party state from his earliest involvement in the independence movement and used his power to reward those who were loyal to him.

22 Ibid.
23 Ibid. 137.
26 Du Toit, State Building and Democracy in Southern Africa, 121.
Zimbabwe and Economic Crises

Zimbabwe has faced several crises since 1980, including droughts in 1992 and 1995 that decimated its agricultural-based economy, spiraling food and fuel prices during the 1990’s culminating in widespread labor strikes in 1998. Additionally, Mugabe sent 12,000 troops to support fellow SADC member country Democratic Republic of the Congo at a cost of US$5 million per week and in 1997, approximately 50,000 war veterans demanded and received unfunded compensation equivalent to about US$1,300 per person for their war service (US$65,000,000).

Labor strikes became widespread in the late 1990’s as the Zimbabwe government instituted price controls over food and basic commodities in an attempt to control rising inflation. On January 19, 1998, a massive spontaneous three-day rebellion erupted in the poor suburbs of the capital, Harare, after the price of corn flour was increased. The Zimbabwe Congress of Trade Unions (ZCTU), under secretary-general, Morgan Tsvangirai, led mass strikes in 1998 to protest fuel hikes of 67 percent and the subsequent increase in prices of most other basic commodities. These strikes forced the government to rescind price hikes on fuel, but later in 2000 raised fuel prices again by 20 to 25 percent. The government also took steps to de-register and ban the ZCTU.

The Public Service Association, which represents some 25,000 state workers, called a nationwide strike in 1998 that virtually crippled government operations. This followed a 130% increase in parliamentary salaries and an increase of only 6% in government employee salaries. The government also raised prices on paraffin, used mostly by the poor and rural population for cooking, 128 percent.

To deflect attention from the failing economy and government ineptitude in addressing labor issues and increasing veterans’ dissent, Mugabe began land redistribution, as called for in the Lancaster House agreement, but without a plan or funding to compensate land owners. This resulted in approximately 5,200 large, mostly white-owned, farms being divided among 20,000 veterans of the Bush War and exodus of the remaining white farmers. Most of the productive farmland went to ZANU-PF supporters of Mugabe. Additional general strikes, in 2000, shut down the country in protest over Mugabe’s arbitrary application of the rule of law authorizing the seizure of white-owned farms, deployment of the military into residential neighborhoods where they beat up opposition supporters, and a one-third devaluation of the Zimbabwean dollar. The Mugabe government blamed white-farmers, then only 1 percent of the population, for inciting the unrest.

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32 Human Rights News. 2002. Mugabe mobilized the Zimbabwe Liberation War Veteran’s Association to drive off or kill the white farm owners and the black farm workers.
As inflation increased after 2000, the government became increasingly unable to meet its internal and external fiscal responsibilities. In 2003, the International Monetary Fund suspended Zimbabwe after it fell behind on debt repayments. In 2007, the finance ministry predicted economic growth of 4% for 2008, a far-fetched estimation given the actual performance. More importantly, government departments were only financed at 18% of their requested budget and 68% of that figure was for recurrent expenditures, meaning that there were no meaningful capital expenditures and no halt to human capital flight. In 2008, Zimbabwean water, sanitation, and health systems failed when workers, paid in worthless currency, stopped reporting to work. This led to a cholera epidemic affecting an estimated 90,000 people and killing 4,000.

![Zimbabwe GDP - Purchasing Price Parity](image)

As shown in figure 2, GDP increased through the early years of Mugabe’s rule. However, as shown in figure 3, the economy has been in sharp decline in recent years, reaching -12.6% in 2008. Unemployment currently ranges between 90 and 95%, and annual inflation officially hit 231 million percent in July 2008. Both the growth and decline have been attributed to poor fiscal policies leading to unsustainable growth and subsequent collapse.

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Source: http://indexmundi.com/g/g.aspx?c=zi&v=66 and CIA World Factbook

Figure 3

In 2009, government employees’ salaries were set at US$100 per month, as government revenues for February 2009 were only US$25 million against a projected US$83 million.38

A fresh round of farm invasions occurred in early 2009, before the unity government came into effect, further disrupting production and reducing the number of white-owned farms to an estimated 300. One of the key elements of the unity agreement was an end to farm invasions. Many of these farms sit idle despite the desperate need for food in a country where nearly 75% depends on outside food aid.39

**Collapse of the Zimbabwean Economy**

The collapse of the Zimbabwean economy, once one of the best in Africa, was the result of many events. The economy was heavily dependent on agriculture for foreign currency and hit hard by droughts; labor and government strikes reduced resource extraction, and a capital flight brought on by the independence war that had not resumed in a socialist Zimbabwe now dominated by cronyism and a privileged few.

Chaotic Land Reforms further reduced agricultural production. The cumulative effect of reduced capital inflows was degradation of capital equipment and reduced exports further reducing capital inflows. The Rhodesian government under Ian Smith had developed a thriving economy that had developed import substitution alternatives including textiles, steel, and consumer goods during the period of UN embargo40 based mostly on domestic reinvestment.41 After 1980, the Mugabe government inherited this economy, but did nothing to advance it. In 2000, the agriculture sector was a larger portion of the economy, earning nearly all of the country’s foreign

41 Ibid. 156.
exchange earnings and employing 400,000 people\textsuperscript{42}, despite weakening after the droughts of 1992 and 1995. Strikes in 1998, by the Zimbabwe Congress of Trade Unions, over the gross mismanagement of the government and economy, reduced industrial production and resource extraction. Most western donors froze aid after the Zimbabwean government defaulted on its loans in 2000 and foreign direct investment disappeared after Mugabe threatened to nationalize the mining industry.\textsuperscript{43} Additionally, the Land Reforms caused agricultural output to decline by 30 percent due to significant losses in the agricultural capital stock and in production, uneven distribution of land and infrastructure, the lack of security of tenure, and impoverishment of a large proportion of ex-farm workers.\textsuperscript{44} While production of maize has remained nearly steady from 1998 to 2004 (1,191,000 metric tons (MT) compared to 1,150,000 MT in 2004)\textsuperscript{45}, the production has shifted from commercial enterprises to communal, or subsistence, farming. The production of wheat has fallen from 245,000 MT in 1998 to 65,000 MT in 2004, with only 20,000 MT produced on commercial farms.\textsuperscript{46} Both commodities fell sharply in the first year after the implementation of land reforms. The international community, primarily the United States and European Union, imposed sanctions on Mugabe’s repressive regime focusing on the banks and mining companies that provide Zimbabwe with its main source of foreign currency\textsuperscript{47} and a European Union visa ban on key regime members.\textsuperscript{48} These events have led to a shift in the Zimbabwean economy from commercial agriculture and industry to communal agriculture and services\textsuperscript{49} and subsequent loss of export earnings and tax revenues.

### Current Economic Sanctions

Despite allegations in the populist African press that U.S. and European Union sanctions are to blame for the current economic crisis in Zimbabwe, the west has used targeted sanctions against the ZANU-PF leadership and selected Zimbabwean companies largely controlled by Mugabe supporters.

The U.S. imposed sanctions, intended to punish those responsible for Zimbabwe’s difficulties without harming the Zimbabwe population, including a ban on transfers of defense items and services, in March 2003. The sanctions ban travel to the United States by “senior members of the government of Robert Mugabe and others ... who formulate, implement, or benefit from policies that undermine or injure Zimbabwe’s democratic institutions or impede the transition to a multi-party democracy.”\textsuperscript{50}

The U.S. first included 77 individual Zimbabweans and further expanded sanctions against 129 additional regime members and 33 corporations following the Parliamentary elections in 2005.

\textsuperscript{42} Fund for Peace, 2007.
\textsuperscript{44} International Monetary Fund, “Zimbabwe: Selected Issues and Statistical Appendix”, International Monetary Fund Country Report No. 05/539, October 2005.
\textsuperscript{45} Ibid.
\textsuperscript{46} Ibid.
\textsuperscript{49} CIA World Factbook.
Sanctions focus on banks and mining companies, which, while providing the country with foreign currency, are largely owned and operated by the ZANU-PF supporters and members of the government and provide the funds used to pay the militias perpetrating the election violence. The U.S. sanctions not only include government officials, but also their immediate family members, and any persons assisting them. Likewise, the Council of the European Union, in 2002, adopted sanctions against 131 individuals and corporations banning travel to or through EU states, and freezing the funds associated with those persons and entities. In February 2009, the EU list was 203 individuals and 40 corporate entities.

The members of the government attempt to evade sanctions by using family members not on the sanctions lists to broker deals for gold from the DRC and, in October 2008, the military allegedly took over illegal diamond mining in eastern Zimbabwe. The military smuggles them out of the country for sale on the black market and returns the funds to the regime leadership. Unlike the general sanctions imposed by the international community on Rhodesia after 1965, the sanctions against the current regime in Zimbabwe are targeted against the leadership and their enablers responsible for the violence against the people of the country.

History of the Southern African Development Community

The SADC traces its beginnings to the Front Line States in the early 1970's and the Southern African Development Co-ordination Conference (SADCC) of the 1980's. The Front Line States organized as a cooperative organization between Tanzania and Zambia to support the liberation of Namibia, South Africa and Zimbabwe, and membership grew as newly liberated countries joined the struggle between white-led governments and the newly independent majority black-led governments. These countries included Botswana, Zambia, Mozambique, and Angola. Toward the end of the period of independence movements, the front line states resolved to form a regional organization to promote economic development and to resolve regional conflicts.

The Southern African Development Co-ordination Conference (SADCC) developed to meet the needs of member countries for improving living standards, and to translate the struggles for independence into broader cooperation in economic and social development. The SADCC had four principles, which were to guide its existence: set out to reduce economic dependence on South Africa; promote regional cooperation and equitable sharing of the benefits of that cooperation; mobilize member state resources to promote interstate and regional policies for economic development; and, to secure international support for its strategy and aid for its projects. As such, its potential lay in the coordination of development of transport and telecommunications infrastructure, foodstuff and energy production rather than in the industry and commercial goods trade.

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At its inception, there was doubt that the SADCC would be able to fulfill its goals. Although the population of SADCC countries totaled nearly 60 million compared to South Africa's 24 million, in 1980 the total Gross National Product of all SADCC countries was, at $21.49 billion, less than 1/3 the GNP of South Africa alone. 55 Furthermore, maintaining this organization relied on the political goodwill of the member countries, which at inception were a varied group of political ideologies, with differing colonial histories and differing economic policies. 56 These differing policies only exacerbated differences in the intervening years since inception of this initial regional economic community.

Two factors affecting the successful integration of the region were the dependence on South Africa and the internal stability of member countries. Underlying "the reduction of economic dependence, particularly, but not only, on the Republic of South Africa" was the realization by SADCC member states of South Africa's economic domination of the region as a whole. However, the relationship between each SADCC member state and South Africa varied. At one extreme was complete integration with the South African economy in a close "preferential" system. These countries are Botswana, Lesotho, and Swaziland (the BLS countries) that together with South Africa constitute the Southern African Customs Union (SACU) 57 and receive the most benefit from the much larger South African economy.

The other factor affecting the successful integration of these member economies was their internal stability. Angola and Mozambique experienced military interventions by South Africa, and Zimbabwe conducted internal military operations against the ZAPU opposition. These conflicts severely disrupted the regional transportation networks and economies reliant on those networks for their development, hindering the economic integration needed for the success of the community. This regional unrest would later lead to the formation of the Organ on Politics, Defense, and Security under the Southern African Development Community.

Another area where the SADCC failed to live up to its stated goals was in the sharing of benefits. Behind South Africa, Zimbabwe once was the most industrialized country in the region, exporting 75 percent of its manufactured goods to South Africa. In 1982, preferential trade between the two nations ended and Zimbabwe looked to the SADCC countries to purchase its manufactured goods. However, individual countries sought to protect their own producers of similar goods, to which they were entitled since the SADCC was not a free-trade area. 58 This led to escalating trade restrictions and mistrust, which led to competing national programs further undermining the success of the SADCC.

As the SADCC sought to secure international support for its strategy and aid for its projects, most of the aid it received was bilateral aid channeled through the SADCC rather than sent directly to receiving countries 59 for national projects with regional impacts. According to one study, funds obtained for SADCC projects were only 23 percent of aid totals to all member

55 Ibid. 95.
56 Ibid. 98.
58 Ibid. 103.
59 Ibid. 105.
countries. The addition of the SADCC only added another basket to receive a limited amount of international aid for development projects. It was from these fractious origins that the countries of southern Africa restructured their regional economic organization into the Southern African Development Community.

In 1992, the SADCC became the SADC to formalize the organization and to shift the focus of the group from opposing apartheid in South Africa to integrating the economies of the member states. The SADC maintained its focus on economic and social development and further included the aims of evolving political values and institutions, promote employment and resource utilization while protecting the environment and promote interdependence and collective self-reliance among member states. Member states were expected to adhere to five principles: sovereignty, solidarity, equity, peaceful settlement of disputes, and respect for human rights, democracy, and the rule of law. The SADC has been involved in attempts to resolve the crisis in Zimbabwe since 2000, and in 2007, mandated that South Africa broker an agreement between Mugabe’s ruling ZANU-PF and the MDC.

A large component of the SADC is however, its Organ on Politics, Defense and Security, which in 1994, was organized from the Front-Line States. This component of the SADC ties the entire organization to the revolutionary liberation struggle and will slow or prevent meaningful action against any of the liberation movement leaders, such as Robert Mugabe.

**Economic Problems within the SADC Member Countries**

The SADC member countries have been beset with problems themselves and unable to provide much if any help towards “collective self-reliance.” A continuing situation made only worse by the global economic downturn in 2008 and 2009. Even South Africa, the regional hegemony, which has been Zimbabwe's main trading partner since the 1960s and Zimbabwe's main source of foreign investment capital, was unwilling to assist to Zimbabwe. During the 1980s, South Africa provided 18% of its exports to Zimbabwe and received 20% of Zimbabwe's exports. During the 1990s, though, South Africa underwent its transformation from apartheid to black majority rule and has been weighed down with its own economic and social problems ever since. South African regional hegemony, however, has existed since the colonial period; South Africa has the largest economy in the region, with a GDP in 2008 of US$300.4 billion, over three times

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62 Ibid.
63 Ibid.
66 Ibid. 7-8.
as large as the nearest economy in southern Africa, Angola (see figure 4).\textsuperscript{67} South Africa accounts for 90% of the Gross Domestic Product of SACU countries.\textsuperscript{68}

<table>
<thead>
<tr>
<th>Selected Economic Data on SADC Countries Affecting Zimbabwe</th>
<th>GDP</th>
<th>Foreign Debt</th>
<th>Budget</th>
<th>Imports</th>
<th>Exports</th>
<th>Unemployment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Angola</td>
<td>95.95</td>
<td>7.91</td>
<td>20.6</td>
<td>15.25</td>
<td>72.58</td>
<td>29.2% (2006)</td>
</tr>
<tr>
<td>Botswana</td>
<td>13.81</td>
<td>0.36</td>
<td>4.13</td>
<td>5.13</td>
<td>3.93</td>
<td>7.5% (2007)</td>
</tr>
<tr>
<td>Democratic Republic of Congo</td>
<td>12.96</td>
<td>10</td>
<td>2.00</td>
<td>5.2</td>
<td>6.1</td>
<td>N/A</td>
</tr>
<tr>
<td>Mozambique</td>
<td>9.79</td>
<td>4.32</td>
<td>3.11</td>
<td>3.29</td>
<td>2.69</td>
<td>21%</td>
</tr>
<tr>
<td>South Africa</td>
<td>300.4</td>
<td>39.69</td>
<td>83.3</td>
<td>87.3</td>
<td>81.47</td>
<td>21.7%</td>
</tr>
<tr>
<td>Zambia</td>
<td>15.23</td>
<td>2.91</td>
<td>4.10</td>
<td>4.42</td>
<td>5.63</td>
<td>50% (2000)</td>
</tr>
</tbody>
</table>

Source: CIA World Factbook; Southern African News Features

Figure 4

Given the smaller sizes, and in some cases landlocked nature, of the other countries in the region, it will be difficult for the other southern African countries to compete with South Africa, economically or politically. South Africa uses this reliance, along with its more developed economy to invest heavily in neighboring countries, furthering their dependence on South Africa. Despite being beset by joblessness, the effects of the HIV/AIDS epidemic, crime, and corruption, which drain public support for the South African government\textsuperscript{69} it remains the one country best able to intervene effectively in Zimbabwe.

The Democratic Republic of the Congo (DRC), supported by Mugabe with troops during the Second Congo War, was overwhelmed by the near continuous warfare from 1996 to 2003, and fighting still continues in the eastern parts of the country preventing any meaningful intervention in Zimbabwe. Faced with a mostly informal economy, not subject to government oversight, the economy of the DRC is still recovering. The DRC faces 31% inflation\textsuperscript{70} and a 60% drop in revenues from mining its key income-producing sector. Closure of mines in the DRC increased unemployment while confronting the government with a shortfall in revenue and the government

\textsuperscript{70} Reuters.
has halted all non-priority spending.\textsuperscript{71} The government had planned a budget of US$4.79 billion for 2009, however, with the economic downturn, it is doubtful that they will be able to generate the revenues to meet this goal.

Mozambique, Zimbabwe's eastern neighbor faces a negative balance of trade, a negative current account balance, a debt burden nearly 45% of GDP, and US$370 million in outside financial aid, which contributes approximately 50% of the state budget and 21.4% of the GDP.\textsuperscript{72} In early 2009, Mozambique received a US$100 million budget support grant from the World Bank to ensure continued operations. It is in no position to provide aid to Zimbabwe.

A better performing SADC country is Zambia. Although challenged by poverty and unemployment between 28 and 50%, Zambia enjoys relatively low inflation, a relatively stable currency, decreasing interest rates, and increasing levels of trade\textsuperscript{73}. Its liberalized economy grew in 2007 by 6%, driven by anti-corruption measures, copper exports to China, and tourists and farmers afraid to travel to Zimbabwe.\textsuperscript{74} Zambia, however, received US$504 million in foreign aid in 2007\textsuperscript{75} and foreign aid accounts for 16% of the Zambian government budget, which will make budget shortfalls more likely as the world economic downturn constricts available aid. HIV/AIDS has been identified as a key restraint to increasing foreign investment and improving the economic condition of Zambia. Furthermore, Zambia, led by Levy Mwanawasa, until his death in August 2008, was critical of the Mugabe regime\textsuperscript{76} and unlikely to provide assistance knowing it would not go to the country but to its rulers. With nearly 85% of Zambian exports tied to copper and other metals, falling commodity prices will have great impact on any attempts by the Government of Zambia to provide regional assistance.

Botswana, now one of the best economies in Africa, prospers despite a lack of foreign aid but still faces difficulties. South Africa, a SACU member, and Zimbabwe, with whom Botswana has a free trade agreement account for 80% of Botswana exports.\textsuperscript{77} Despite an economy that had been growing at 8% per year and enjoying the highest sovereign credit rating in Africa, Botswana is highly affected by a growing gap between the rich and poor and high unemployment. The government remains tied to resource extraction, which accounts for nearly 37% of GDP and almost 50% of government revenue.\textsuperscript{78} Botswana has one of the world's highest known rates of HIV/AIDS infection, 32.4% in 2006.\textsuperscript{79} It also has a large government sector, which serves to reduce foreign investment\textsuperscript{80} and requires domestic reinvestment of income instead of providing aid to neighboring countries.

\textsuperscript{71} Reuters.
\textsuperscript{72} ISS.
\textsuperscript{73} CIA World Factbook.
\textsuperscript{74} The Economist, “Why Africa needs more cabbage,” \textit{The Economist}, August 21, 2008.
\textsuperscript{75} CIA World Factbook.
\textsuperscript{76} Ibid.
\textsuperscript{78} Ibid. 15.
\textsuperscript{80} ISS.
The SADC member countries surrounding Zimbabwe have been, throughout this crisis, largely unable or individually unwilling to provide assistance or aid to a Zimbabwean economy in precipitous decline. Given the poor state of physical infrastructure across the region, the poor state of education, medical and sanitation facilities in their own countries, it is unlikely that SADC members will provide their scarce and dwindling resources to rehabilitate a troubled regime, despite the inclusion of the opposition MDC in the government.

Reluctance of SADC Leaders to Criticize Mugabe

The political and economic decline in Zimbabwe shows the inability of the SADC to uphold its guiding principles of regional self-reliance and economic cooperation. Member states rely on foreign aid and are beset by high unemployment, strained social systems, and imbalanced economic structures. Formed to improve the economic conditions of its member states, the SADC has been unable to intervene meaningfully in Zimbabwe and remains ineffective. Further limiting the effectiveness of the SADC is its repeated unwillingness to criticize forcefully a revolutionary leader from the independence movements of the 1970’s and 1980’s.

Events leading up to the current situation in Zimbabwe includes the 1999 constitutional conference that gave the Mugabe government the power to take white-owned farms without providing compensation and extended Mugabe's ability to run for president repeatedly without limits on time or terms. The SADC did nothing to protest this apparent violation of its charter and the violence and intimidation during the elections in 2000 and 2002. In 2005, SADC monitors were barred from parliamentary elections which were marked by gross intimidation, ballot stuffing, and inflating ballot counts, but still the election was declared “fully free and fair” by the SADC and by SADC member countries Malawi, Mozambique and South Africa. Even as the economy descended into anarchy, the SADC refused to assist Zimbabwe with anything other than rhetoric.

Instead, the SADC members simply echoed Mugabe and pushed responsibility for the collapse of the economy, which came on the heels of Zimbabwe’s Fast Track Land reform program, on to Great Britain and its alleged reluctance to deliver on its Lancaster House commitments. While SADC leaders may have spoken to Mugabe privately regarding the situation in Zimbabwe, their public statements were supportive of Mugabe and critical of a western “propaganda war”. In 2002, Thabo Mbeki, appointed by the SADC to lead its negotiations with Mugabe, criticized instead the international focus on Zimbabwe and opposed EU sanctions that might have led to an earlier resolution of the situation.

Rebuilding the Zimbabwean Economy

Rebuilding the Zimbabwean economy will take many years; one estimate put it at seven years to regain 1998 levels. It will also take massive amounts of money to reform the economic structure and government institutional framework to support the rebuilt economy. Zimbabwe Prime

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82 Ibid., 174-175
84 Ibid.
Minister Morgan Tsvangirai estimated that medium- and long-term rebuilding of the economy could cost as much as US$5 billion and in March 2009, requested aid and loans totaling US$2 billion from the SADC. Mugabe himself requested US$50 billion from a visiting Chinese delegation in 2008, and in 2009 requested US$14 billion from the SADC. While the South African Finance Minister denied a direct request for US$2 billion, Zimbabwe did receive a US$400 million line of credit from the African Development Bank. Most of the other aid requests have gone unfulfilled, likely waiting on the long-term outcome of the unity government.

On March 12, 2009, Australia became the first Western country to pledge aid to the new Zimbabwean unity government, with a total of US$6.5 million to help the country restore basic water, sanitation, and health services. Most aid donors will wait and see if the new government can effect real change or if the status quo will remain. Consequently, aid did not come pouring in after the announcement of the unity government despite repeated requests.

On February 19, 2009, the United Kingdom announced a north-south corridor initiative to rebuild the transport infrastructure in six former British colonies – Zambia, Zimbabwe, Botswana, Malawi, Tanzania, and South Africa – as well as two other countries with close trading ties to them, Mozambique and the Democratic Republic of the Congo. The ministry estimated that the initiative would initially boost regional trade by 10%, and eventually by 50%. Stability in Zimbabwe is key to reviving the regional rail network, since all traffic north from Kenya south to South Africa, must pass through Zimbabwe, as well as East-West traffic from Angola to Mozambique. Better integrating the region economically will improve the Zimbabwean economy, promote regional stability, and will lead to investment in neighboring countries, creating additional markets.

Direct aid from the U.K. and the U.S. is contingent on evidence of real power sharing between the ZANU-PF and MDC. Any aid provided to the country will have to be monitored carefully. Here is an example why; a donation of US$32 million received for agricultural development from South Africa in December 2008, largely disappeared before it reached the people it was supposed to help. The Development Bank for Southern Africa reiterated the need for managing projects “down to the last factor.”

**U.S. Engagement with Zimbabwe and the Region**

While Mugabe dismissed U.S. Secretary of State, Henry Kissinger's involvement in the 1976 negotiations, saying, "What has Kissinger to do with our affairs? We have not come here to discuss his ideas as to what is good for our people" the U.S. could help significantly improve the situation for the people in Zimbabwe, while advocating for a monitored near-term free and fair election. Any U.S. involvement must be with the unity government. The ZANU-PF is tainted in the eyes of the average Zimbabwean after the demolition of the economy, and Mugabe can use any unilateral U.S. engagement with Tsvangirai against the opposition party on grounds

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87 Ibid.
of “collaborating” with colonialists. This engagement must focus on increasing investment and
trade, increasing government transparency and accountability, developing capital markets and
integrating the Zimbabwe economy into the regional and world economies.

The U.S. should maintain sanctions against the corrupt leaders of the ZANU-PF, both to
maintain pressure on them to implement changes across the country, but also as a warning to
Zimbabwe opposition leaders who may have a view toward becoming the ruling elite. The U.S.
has already called on Zimbabwe to prioritize media reform; this will enable the free flow of
information and help improve transparency by giving the people greater access to the workings
of the Zimbabwean government. Similarly, the U.S. should incentivize investment and trade
with those companies not involved in sanctions and which display promising management and
transparency in their operations. This will encourage Zimbabwean companies to adopt ethical
and prudent business practices making Zimbabwe more attractive to foreign direct investment. It
may also encourage sanctioned companies to take steps to distance themselves from the persons
and processes that led to their sanctioning.

Increasing government transparency and accountability will be difficult given the current
governmental arrangements and macroeconomic situation facing Zimbabwe. It will require
assistance from institutions such as the International Monetary Fund, World Bank, and UN.
These same type institutions will be necessary to facilitate nation-building efforts and good
governance practices. On May 6, 2009, the IMF announced a partial lifting of its suspension of
Zimbabwe, despite the fact the country still owes US$3.8 billion to creditors, including US$1.1
billion to the World and African Development Banks. The United States must support the IMF
provided counsel/technical assistance to Zimbabwe on tax policy and administration, payments
systems, banking supervision and central bank governance, areas where Zimbabwe has a
demonstrated need.

Along with the on-going United Kingdom commitment to invest in regional infrastructure, the
U.S. must target investment to increase infrastructure development and maintenance, especially
road and rail networks within the DRC, Zambia, Angola, and Mozambique. This indirect aid to
Zimbabwe will help to better integrate the region’s economies and provide markets and
resources to assist rebuilding the Zimbabwean economy. This will further and more clearly tie
SADC countries to the events in Zimbabwe and make other positive intervention more likely.

The U.S. has historically done little to build the financial sector in Africa. As suggested by Paul
Applegarth, capital market development directly applied to Zimbabwe will promote economic
growth, support U.S. strategic interests, and compliment and reinforce U.S. bilateral and
multilateral development initiatives. This should be a part of a long-term strategy toward
Zimbabwe, since a country with over 90% unemployment and dependent on food aid for 75% of
its population is not going to have an immediate interest in capital market development.

89 talkzimbabwe.com, “IMF resumes assistance to Zimbabwe”, The Zimbabwe Guardian,
In the long term, capital market development will promote economic growth by promoting private sector growth, which has been neglected in Zimbabwe since before independence in 1980. It will also increase the liquidity in the economy and encourage reinvestment of income within the domestic market, encourage diversity among financial institutions, and improve both public and corporate capital/financial market development and liquidity. This will require the government to prudently expedite reducing banking liquidity requirements from 60% of deposits to the regionally accepted 10%, freeing up money for loans and investment.

Capital market development will support U.S. strategic interests, a cornerstone of which has been regional engagement and working through regional partners. The U.S. has already implemented the African Growth and Opportunities Act, which fosters small-scale development in African economies. Furthermore, capital market development compliments and reinforces U.S. bilateral/multilateral development initiatives and encourages the government of Zimbabwe to strive to meet the eligibility standards for Millennium Challenge Corporation (MCC) assistance. Capital market development also provides an opportunity for engagement in African-led initiatives, allowing the Zimbabweans to develop their own plans with U.S. and international support.

**Recommendations for Further SADC Involvement in Zimbabwe**

In spite of the continued deference toward Mugabe shown by the SADC leaders, this regional group is one of the avenues through which the international community must work to ensure change in Zimbabwe. The SADC, however, must provide close oversight of any grants or loans provided to Zimbabwe to ensure the money is not diverted to the ruling class. The SADC must also work to achieve its stated goal of better integrating the regional economies by focusing development on regional infrastructure. Countries in the region must work to complete a comprehensive fully integrated regional trade agreement (RTA) with the Southern African Customs Union. Since countries across the region derive benefits from their relationship with South Africa, a RTA makes it an important part of rebuilding the region. Unimpeded trade facilitates enduring economic growth.

The SADC needs to closely monitor aid from member countries to ensure its proper use. The SADC must follow the example of the Development Bank for Southern Africa and follow the money consumption trail, difficult task in a country with questionable rule of law, but one that must be attempted to ensure proper accountability of the money. Member countries cannot afford to have their scarce financial resources squandered, nor fall victim to use as a tool of political oppression.

The SADC must also ensure infrastructure development better integrates the regional economy. The initial potential for the group lay in the coordination of development of transport and telecommunications infrastructure, and energy production. In these areas, the community would best be able to serve its member countries, and uphold its charter by improving the member economies and improving the security situation in southern Africa.
Conclusion

In 1961, Mugabe said that racial conflict in Rhodesia is inevitable. Given the events that have transpired in the nearly 50 years since then, he seems to have been right. However, had Mugabe implemented a true multiracial state with full majority rule conflict could have ended in 1980; instead, he used his power to merely replace the ruling white minority with a new ruling minority.

Human Rights Watch suggested four steps to correct the political situation in Zimbabwe:

- Maintain pressure on Zimbabwe to respect its obligations under international human rights law to restore the rule of law both to the land reform program and to the country more generally.
- Make available generous funds to the Zimbabwe government to implement a land reform program that complies with the principles established by the September 2001 Commonwealth Abuja Agreement and the 1998 international donors' conference on land reform.
- If the Zimbabwe government does not undertake actions in accordance with the recommendations above, take further steps to bring pressure to bear on the government to ensure that it does so.
- Assist civil society groups in Zimbabwe, including human rights groups, to continue monitoring and reporting on abuses, in particular in the rural areas.

These however will only solve one aspect of the crisis facing Zimbabwe. No nation or organization wants to provide funds to implement land reforms or to improve the decaying economic infrastructure of Zimbabwe with Mugabe and his supporters a part of the government.

Ultimately, only when the government of Zimbabwe transfers power from the ruling elite to the people, and effects democratic reforms in a true multi-party state, will Zimbabwe be accepted back into the international community and reap the economic benefits of integration. The SADC must fully assume its role as a forum for regional stability and economic reform and abandon its deference to the old leaders of the liberation struggles of the 1970's, especially an autocratic kleptocrat like Robert Mugabe. The SADC must apply the necessary pressure to force Mugabe to abandon his position in the Zimbabwe government. Only with each member country improving its economy and pushing for the end of rule by the old revolutionary leaders, will the SADC become a viable organization capable of promoting regional development and become capable of reversing the disastrous situation facing Zimbabwe.

Finally, to prevent the need for military intervention along the way, much can be done by the U.S. to promote stability and the rebuilding of Zimbabwe and the region as a whole. There must be engagement between U.S. and Zimbabwean representatives and between the SADC and the U.S. This includes supporting the SADC as it works to effect economic integration in the region.

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91 Norman, Robert Mugabe, 54.
92 See Appendix 2 for the full Abuja Agreement.
and the efforts of international intergovernmental organizations, such as the IMF. U.S. AFRICOM, through its interagency component, may be able to play a viable, enduring role as well. In fact, there may be no more meaningful way for AFRICOM to cut its proverbial teeth on. A positive outcome in Zimbabwe and economic growth in Southern Africa would go a long way toward stabilizing the region and legitimizing greater U.S. involvement in Sub-Saharan Africa.

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