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Zimbabwe's Capitalist Crisis: Imperial Vultures and Subimperial Doves Both Turn Away From Economic Carcass

Return of the IMF?

The most crucial potential bailout lender for Zimbabwe is still the much-feared IMF, to which Robert Mugabe's regime (questionably) repaid all arrears in late 2016. A series of self-delegitimizing 21st-century leaders have helped reduce its reputation: Rodrigo Rato (jailed last October for bank fraud), Dominique Strauss-Kahn (resigned in disgrace but demanded IMF support for his 2011 rape trial) and still today (after a guilty verdict in 2016 for corruption 'negligence' in France), Christine Lagarde. Nevertheless, the institution remains the global policeman for the entire financial world, and since 1984 it has pummelled Zimbabwe into austerity and structural adjustment.

In early 2018, IMF spokesperson Gerry Rice endorsed the neoliberal path Mugabe's coup-based successor Emmerson Mnangagwa had chosen for Zimbabwe: "The authorities are cognizant of these challenges that they face and the economy is facing and they've expressed their determination to address them. The 2018 budget which they presented on December 7th, so about a month ago, stresses the government's intentions to reimpose budget discipline, reform and open the economy, and engage with the broader international community, which is ongoing and important in terms of arrears clearance." For budget shrinkage, he specifically recommended more agricultural subsidy cuts.

Again last September, as pro-IMF finance minister Mthuli Ncube took office, Rice made clear that his staff "stand ready to help the authorities design a reform package that can help facilitate the clearance of external payment arrears to international development banks and bilateral official creditors and that then would open the way for fresh financing from the internal community including potentially the IMF. But, again, just to stress as we said before, potential financial support from the Fund is conditional on the clearance of those arrears to the World Bank, the AFDB and financing assurances from bilateral official creditors. We are working with the Zimbabwean authorities in the meantime to provide policy advice and technical assistance that might help, could help move that process forward."

In December Rice reiterated IMF support for Ncube: "The policies of the new administration under the Zimbabwe transition and stabilization program, do constitute a comprehensive stabilization and reform effort in order to address Zimbabwe's macroeconomic situation."

And just as full reports of the most recent IMF Riot and army repression were filed on January 17 this year, Rice repeated his institution's demands: "In terms of the IMF, Zimbabwe has in fact cleared its arrears to us, to the Fund, but our rules preclude lending to a country that is still in or under arrears to other international financial situations. So until that particular situation is resolved, we would not be moving forward with a financial support for Zimbabwe. I said here the last time that the authority's economic policies we felt were headed in the right direction broadly in terms of addressing the fiscal deficit and monetary policy and so on. I won't repeat what I said the last time but that's where we are on Zimbabwe."

Clearly the system needs a jolt to get out of the rut. Who can provide it?

Enter biggish brother: Talk left (about sanctions), lend right (about $7 million)

The next door neighbor, South Africa offers the most logical crutch. A desperation visit by leading Harare officials to Pretoria the day after Christmas late last year included a request for a loan to clear the other arrears. The lead Treasury bureaucrat turned them down: "Initially they wanted money, $1.2 billion. We don't have $1.2 billion but what we have is the will to assist them… Our engagements are across the system — assisting from a budgeting implementation point of view, and reprioritizing of public expenditure, including on their behalf engaging multilateral development institutions, which we have started."

A year ago, the same official prepared the 2018-19 South African budget, cutting social programmes and municipal infrastructure support to such an extent that even neoliberal Business Day newspaper termed it 'savage' – while allowing an extra 5% of all local institutional investor wealth, around $36 billion, to escape the country via exchange control liberalization.

With this mentality prevailing in Pretoria's Treasury, it's no wonder that at the very high point of the state's repression last week, South Africa's neoliberal finance minister Tito Mboweni endorsed Ncube: "I think the idea of using a new currency in Zimbabwe is a good one. I think our colleagues there are on a good wicket when it comes to that space. We are working together very well but at the end of the day it is Zimbabweans who need to fix their country."

Zimbabweans can recount a long history of the South African ruling party propping up its liberation-era allies, Zanu-PF, when the latter turn most repressive. This occurred most regularly when Thabo Mbeki was president from 1999-2008. Lamentsveteran South African business journalist Barney Mthombothi, "What still sticks in the craw for many Zimbabweans is the arrangement concocted by Mbeki 10 years ago to keep Mugabe in power despite the fact that he had been defeated by Morgan Tsvangirai." Adding insult to injury, even while activists remained in appalling prison conditions on January 20, Pretoria's Foreign Minister Lindiwe Sisulu intoned, "Protests in Zimbabwe have calmed down and life in the streets of Zimbabwe is returning to normal."

When it comes to money, however, the South African finance minister reverts to type: a scrooge. According to Mboweni, the existing South Africa-Zimbabwe credit facility of a measly $7 million was in any case backed by Harare's collateral, in the form of "its holding of SA Land Bank bills. The extension of this facility depended on Zimbabwe being able to provide further collateral." The potential low-level debt relief he implied would be a tokenistic sop to elite solidarity, and would do nothing to change the structural economic power and financial deficits that Zimbabwe faces in the region and the world.

However, if more South Africa credit materializes, it's also likely that Mboweni would try to get a higher repayment prioritization for South African firms. More than just fraternal ideology, there is also blatant national-capitalist self-interest at work, as the Sunday Times reported: "At least 15 major South African linked companies with operations in Zimbabwe were struggling to repatriate funds. These include Delta Beverages [beer and soft drinks] (40% owned by AB InBev), MultiChoice [cable television streaming] (owned by Naspers), Tongaat Hulett, PPC [cement] and Zimplats (owned by Impala Platinum). Other firms such as Edcon [clothing], Pick n Pay [food retail], Sanlam [insurance], Tiger Brands [wholesale food], Nedbank and Alexander Forbes [finance] either have units in Zimbabwe or are invested in locally owned business."

Mboweni's South African national budget will be tabled in parliament in one month's time. It must make gestures to reducing parastatal agencies' outsized debt, so in talks with Ncube he may even demand that the first repayment of arrears go to Pretoria's bankrupt national airline, South African Airways. That firm is owed an estimated $60 million in ticket-sale revenues on the vital Harare-Johannesburg route, funds which Zimbabwe has lacked sufficient hard currency to repay. Early this month the airline's spokesperson claimed that Ncube had begun to settle those arrears, but provided no details.

There are other solidarities, as well, including ordinary South Africans working closely with Zimbabwean organizations in networks such as the United Front-Johannesburg and the sporadic anti-xenophobia movement. With Zimbabwe's capitalist crisis worsening from the late 1990s, South Africa began to host a vast immigrant pool who were not only political but also economic refugees, with many more expected in coming weeks and months. Hence anti-xenophobia politics remain crucial, as an angry South African working-class often takes out its frustrations on those they consider competitors, for scarce jobs, housing and township retail trade.

The two biggest potential sources of bottom-up Zimbabwe solidarity are the leftist Economic Freedom Fighters (EFF), which polls around 10% of the vote, and the largest trade union, the National Union of Metalworkers of South Africa (Numsa) with 350,000 members. However, in neither case has a concrete strategy emerged.On January 23, in contrast to the ruling party's nurturing of the neighbor's oppressors, EFF leader Julius Malema emphatically criticized Zimbabwe's leaders, calling Mnangagwa a "backward fool… His behavior is tyrannical and barbaric. How do you switch off internet and kill people in 2019? We do not support brutal dictatorship. Mnangagwa must beware of that Constantino Chiwenga, a former military General who wants to bring military dictatorship in Zimbabwe."

But on the question of how to aid Zimbabwe, Malema had a mixed message, insofar as financing support was required at a time the xenophobia threat again looms: "South Africa must contribute to the bailout of Zimbabwe. Anyone who refuses that is dumb. If you won't help Zimbabweans, the border will be flooded by them. Anyone who is going to block them from coming into South Africa, we're going to fight with that person. You're always complaining that there're Zimbabweans here, the only way not to have them here is by helping them in their own country. Zimbabwe must be helped. Southern African Development Community countries need to come together, we need to close ranks, we must give a conditional grant dedicated to developmental programmes which will help Zimbabwe to stand on its own." But unasked and unanswered is the question, who exactly will deliver a genuinely development programme? Certainly not the Mnangagwa-Chiwenga- Ncube regime.

On January 25, Numsa's leader Irvin Jim issued a statement: "We salute the masses for acting with courage and for rejecting the austerity measures which have been imposed on them by the Zanu-PF government. It is clear to them that the removal of former president Robert Mugabe did not result in an improvement of their conditions… We stand in solidarity with the Zimbabwean people and the working class majority and the poor in particular. We support the demands made by workers in the public sector. We are calling on all our comrades locally, on the continent and around the globe to support Zimbabwe in its hour of need." But again, the central question is, how to support Zimbabwe?

Another form of South African-Zimbabwean elite solidarity comes from endorsing the red herring of U.S. and European sanctions. Mnangagwa claimed to Sputnik during last week's Moscow visit, "those sanctions were able to collapse our own currency." The same line of argument was taken up by Mboweni, interviewed by Daily Maverick ezine's Peter Fabricius: "Politically there were two key issues to be resolved by Zimbabwe, Mboweni said. The first was for the political leadership to work hard for the lifting of the remaining international sanctions against Zimbabwe" while the second was to re-introduce its own currency (a process at least a year away).

Consistent with Pretoria's unwillingness to send material support to Harare, Fabricius observed, "the idea of Zimbabwe adopting the rand [South Africa's currency] is clearly not on the table in the current discussions between the finance ministers and officials. Mboweni tweeted a news report that Ncube had said that Zimbabwe would not adopt the rand as it did not have adequate resources to do so."

Does African advocacy against the U.S. and European sanctions against Zimbabwe's elites make any difference? Fabricius provided a reality check: "Though South Africa and Zimbabwe's other regional allies have often called on Western countries to lift the few remaining sanctions against Zimbabwe, these countries are reluctant to do so mainly because of political considerations. When Zimbabwean soldiers used live ammunition on Zimbabwean opposition supporters protesting against the results of the July elections, Western sources said Mnangagwa had already blown his chances of sanctions being lifted."

Can't borrow, either – thanks to U.S. sanctions (?)

Western sanctions against Zimbabwe's ruling elite have essentially been limited to financial and travel bans on individuals and their closely-held firms. Trivially, the European sanctions affect only seven elites, and Mnangagwa was already removed from that list in 2016. Likewise a U.S. law – the Zimbabwe Democracy and Economic Recovery Act of 2001 (Zidera) – specifies measures against "individuals responsible for the deliberate breakdown of the rule of law, politically motivated violence, and intimidation in Zimbabwe." Zidera instructs the U.S. Treasury to "identify assets of those individuals held outside Zimbabwe [and] implement travel and economic sanctions against those individuals and their associates and families." There are 141 people on the list at present, including Mugabe, Mnangagwa, Chiwenga and their cronies.

Setting aside the Zanu-PF elites' desires to lubricate their overseas financial holdings, Zidera has other features worthy of debate, according to two critics in Zimbabwe, Tendai Murisa and Shantha Bloem. First, they write, "It also enshrined into law the US stance that funding from the likes of the IMF and World Bank could not be reinstated until the act was lifted." But as noted, this has not been a consideration at all, given that the Bank has not been repaid its $1.3 billion in dubious Mugabe-era loans. When making his general pitch for debt relief in an article last September, Ncube did not even bother mentioning Zidera as a factor.

Second, Murisa and Bloem argue, last July, "US Congress introduced an amended version of it. Passed just days before Zimbabwe's first ever elections without Mugabe, this renewed act included the extra demand that the vote be free and fair. It is debatable whether Zimbabwe's 30 July elections passed that test." In addition, Zidera was amended to support a few of Zimbabwe's white farmers who, in a regional court, won a case for property reimbursement after their land was dispossessed more than 15 years ago.

Do Zidera's provisions prevent Ncube from repaying arrears (nearly impossible as that appears) and then acquiring new loans from the IMF and other multilateral financiers where the U.S. has influence? Apparently not in Ncube's view, as they were not raised even in passing, last September, in his own detailed article, "Zimbabwe's options for sovereign debt relief."

Indeed, Zidera has a provision that would actually help Ncube: "two sectors of financial support for the Zimbabwean economy under the imposed sanctions. 1. Bilateral debt relief: restructuring, rescheduling, or eliminating the sovereign debt of Zimbabwe held by any agency of the U.S. Government; and 2. Multilateral debt relief and other financial assistance… a review of the feasibility of restructuring, rescheduling, or eliminating the sovereign debt of Zimbabwe… as well as to instruct the U.S. executive director of international financial organizations to which the U.S. is a member to proposition financial and technical support for Zimbabwe."

And do sanctions prevent Zimbabwe from receiving donor aid? In spite of Mugabe's degenerate rule, since 2010 Zimbabwe has received far more Western (OECD) donor grants than it ever did prior to 2010, in the $650mn-$800mn/year range. Of that, more than a quarter comes from the U.S. From Obama to Trump there was a minor decline in 2017-18, but $194 million was given last year, mostly in the form of AIDS medicines and "strengthening private sector services." Of course much Northern aid is a self-serving sham, remaining in multinational corporate or 'NGO' home-country accounts. Much of the funding that does reach Zimbabwe is hijacked by the ruling party.

A crucial question is whether such funding plus large inflows of remittances from migrant (often politically-exiled) Zimbabweans then circulates locally, relieving the cash shortage. But as you would expect from US dollars, they leak out of the country quite rapidly given this is still the global currency and can readily be slipped into socks or underpants before traveling over the border (unlike a local soft currency which typically requires capital-control vetting before it can be changed into a hard currency).

But Zimbabwe's underlying financial dilemma is two-fold: not only its inability to pay the $5.6 billion in arrears, but whether payment is even appropriate, given how badly the lenders performed when putting Zimbabwe into debt. (This was the subject of my PhD and a 1998 book, Uneven Zimbabwe: A study of finance, development and underdevelopment.)

When repaying arrears first emerged as a possibility during the period of joint Zanu-PF/MDC rule from 2009-13, at a time foreign aid inflows soared, advocacy groups including the Zimbabwe Coalition on Debt and Development and the African Forum on Debt and Development demanded a debt audit, a repayment moratorium and indeed full cancellation. As Reuters reported in 2009, at a time Tsvangirai was in a government of national unity with Mugabe, his minister of state Gordon Moyo "said it would be immoral for Zimbabwe to pay off its debts to the IMF, World Bank and AfDB when it could not pay teachers."

Again in 2017, when it appeared that one of the world's most notorious corporations, Amsterdam-based Trafigura, would lend Mugabe's regime $1 billion (reportedly at "usurious" interest rates), Biti complained. "That will not help much or anything at all in reality. The biggest challenges facing Zimbabwe cannot and will not be addressed by paying off arrears on which we defaulted almost 20 years ago; what really needs to be addressed are structural economic issues, de-industrialization and unemployment. That money could be better used to fund industry revival to create jobs and boost production, as well as increase exports and improve liquidity."

Indeed none of the prior arrears-repayment efforts worked, but not because they were immoral or a waste of money, but because the funding always fell through. And yet today, arrears repayment is the choice – and first priority – of neoliberal authoritarians, damn the consequences.

Where to?

Zimbabwe's progressive forces have mainly been located in trade unions, urban civic groups, feminist and youth organizations, rural social movements and a small but impressive intelligentsia. At the time of writing, we have heard only sporadic appeals for popular solidarity, some of which were answered in once-off protests by small solidarity groups against Zimbabwe high commission offices in the main South African cities, Zambia's capital of Lusaka, and London.

Numsa's Irvin Jim argues for a much more ambitious political agenda: "There are major lessons to be learned in Zimbabwe, South Africa, and all over the globe. The removal of Mugabe did not solve the crisis which has paralysed the economy. Just like the removal of Jacob Zuma did nothing to improve the suffering of the working class in South Africa. Instead, conditions worsened and they continue to deteriorate. The lesson is that capitalism cannot be reformed, tweaked or improved. It is a brutal system which creates inequality and poverty. As the working class we must unite across borders, to destroy it, and replace it with a genuine democratic socialist state under the leadership and control of the working class."

Jim is correct insofar as in various ways, Zimbabwe has served as the world's lead canary in the capitalist-crisis coal mine for around three decades. A variety of neo-colonial strategies were deployed to displace inherited structural problems, which include 1970s-era overproduction, extreme inequality and highly-concentrated crony state-corporate relations. By the early 1990s, as assimilation of a few black elites into white capital exhausted the potential for further accumulation within a closed economy, Washington-Consensus structural adjustment was introduced. What with Zimbabwe's small production lines due to the limited middle-class base, trade liberalization soon deindustrialized what was once Africa's most balanced economy. Then came hyperinflationary Reserve Bank responses during the 2000s, with the second-highest price increases in modern human history (after post-war Hungary), wiping out a generation of savings and terminating the local currency.

After the turn to the US dollar from 2009, the regime more recently tried providing liquidity through a supposedly cashless society, with electronic transactions augmented by faux-currency 'bond notes,' which soon rapidly devalued. Thus today the crisis is unfolding with one fatal, overarching characteristic: a lack of hard currency in the system. The military men in charge are now a big part of that problem, having dominated the lucrative diamond trade with Chinese partners, followed by close relations with Trafigura when illicitly managing the supply of oil. But the systematic looting by the military, politicians and corporations under conditions of structural underdevelopment has nearly exhausted itself.

Short of displacement of this elite through a revolution, which appears a long way off on the horizon given Chiwenga's military prowess and the troops' continuing loyalty, the strategic options for a beleaguered human-rights and economic-justice network are limited. At the least, such strategies should bolster the popular critique of any relegitimation of Zimbabwe's neoliberal authoritarians, such as the process South Africa's ruling party is half-heartedly attempting.

But beyond that, the Zimbabwean masses are way overdue in regathering the spirit so evident exactly two decades ago, at the January 1999 Working People's Convention held in a distant Harare township, Chitungwiza. While the Convention's programme itself included social-democratic bandaids, at that point a new party was mandated to serve poor and working people's interests. Workers built the MDC throughout 1999, although it was soon thereafter hijacked by middle-class elements, adopting what its leader Tsvangirai termed a 'spaghetti' ideology.

"Contrary to the vision of the Working People's Convention, an untouchable ruling elite was formed at cost of the party detaching itself from the mass," according to a critique by the Zimbabwe National Student Union in 2011. "The MDC, a party supposedly a movement for social democracy seems to be under a deadly and toxic siege from a capital-centered clique inspired by the ever approaching prospects of economic as well as individual political gains. These individuals some of whom have hands which can extend to reach to the party's top leadership clandestinely steered the party into abandoning its founding documents in a rush to reach to the feeding trough with the hitherto enemy."

Nevertheless, 1999 was a leap forward, consolidating the aching demands of a society that had already suffered nearly a decade of neoliberalism. Such front-building organization is lacking today, even if the masses' militancy is even higher in the aftermath of the state's recent show of force. But unity of the oppressed always lurks as a potential, and has more of a chance of re-emerging in 2019, than do the efforts of Mnangagwa-Chiwenga-Ncube have a hope of succeeding with neoliberal authoritarianism. If they continue imposing such extreme economic pain, expect more political shake-ups, as Zimbabwean capitalism continues to implode.