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# Why Zimbabwe needs a long term industrial strategy

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# WHY ZIMBABWE NEEDS A LONG TERM INDUSTRIAL STRATEGY

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## Introduction:

The hot-house pattern of government-spurred manufacturing growth experienced during UDI deepened Zimbabwe's already apparent external dependence and further distorted its sharply skewed resource allocation and income distribution. This article seeks, first, to outline the main features of that manufacturing sector; second, to suggest how a longterm industrial strategy could contribute to restructuring the national economy; and, third, to explain why, to implement such a strategy, the new government would have to make fundamental institutional changes to exert control over basic industries, export-import trade, and financial institutions.

## Zimbabwe's distorted inherited manufacturing sector:

Essentially a spillover of industrial investment by mining finance houses and transnational corporations in South Africa,[1] Zimbabwe's manufacturing output more than tripled in dollar terms during UDI, from 16% to 25% of Gross Domestic Product.[2] By the end of the 1970s, Zimbabwe boasted the second largest industrial sector in sub-Saharan Africa outside South Africa, substantially larger in terms of output and employment than that of any of its independent neighbours.

Table 1.

Output of Manufacturing Industry as Percent of Gross Domestic Product and Exports, and Employment in Manufacturing as a Percent of Total Labour Force in Southern African States in the 1970s

| State | Output | | Employment | |
|---|---|---|---|---|
| | As % of GDP | As % of exports | numbers | % of economically active population[3] |
| Angola (1973) | 18 - 20 | 7 | 81,900 | 7.3 |
| Mozambique (1973) | 14 | n.a. | 99,500 | 2.6 |
| Malawi (1977) | 12 | 1.5 | 33,379 | 1.4 |
| Lesotho (1978) | 2.2 | n.a. | 6,582 | 1.0 |
| Zimbabwe (1976) | 24.5 | n.a. | 302,346 | 8.8 |
| Botswana (1977) | n.a. | n.a. | 4,150 | 1.2 |
| Namibia (1977) | 7.4 | 50' | 13,000 | 4.3 |
| Zambia (1972) | 13.0 | - | 48,000 | 2.4 |
| Swaziland (1971) | 16.0 | 75[2] | 6,500 | 3.2 |

Notes: ....continued overleaf

Table I Notes continued

Notes: [1] About half is in the form of processed meat, fish and vegetables for export.

[2] Mostly processed agricultural and forestry products (sugar, wood pulp, canned fruits, etc.) produced by transnationals and South African firms.

[3] Obviously, this percentage is greatly influenced by the definition of "economically active population," at best an estimate, taken from same.

Source: Statistics from U.S. AID, Development Needs and Opportunities for Co-operation in Southern Africa (Washington, D.C. U.S. AID, 1979): Re Namibia, R.H. Green "Namibia in Transition: Toward a Political Economy of Liberation?" T. Shaw.

The Rhodesian regime intervened, even more extensively during UDI than it had before, to foster growth of the isolated, landlocked country's manufacturing sector.[3] It built on foundations constructed during the Federation decade. Then the settler colonial government had used tax revenues from Northern Rhodesia (now Zambia) and migrant labour from Nyasaland (now Malawi) to create conditions attractive to foreign manufacturing investment. After UDI, the minority state lavishly employed typical state capitalist incestives, including guaranteed loans, tariff protection, and duty free import of machinery, equipment and intermediate materials. It financed extensive economic infrastructure out of tax revenues saved by denying social services to the impoverished African population. It enforced legislation designed to coerce African workers to provide one of the lowest cost labour forces in the world. In 1977, African wages in Zimbabwean manufacturing averaged U.S. $120 per month. This barely covered two thirds the cost of supporting a typical African family in Zimbabwe's urban centres.[4] It roughly equalled a little over a half, a fourth and a sixth of the average wages paid,[5] respectively, in South Africa, England, and the United States, the three main sources of foreign investment in Zimbabwe.

Following the path charted by its apartheid neighbour to the South, the Rhodesian regime created and financed a series of parastatals, semi-autonomus state corporations, which, in close collaboration with domestic and foreign capital, intervened directly in the economy to facilitate manufacturing growth. The two most important of these were RISCO, the Rhodesian Iron and Steel Corporation, and the Industrial Development Corporation.

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Jointly owned by the British government-controlled British Steel Corporation,[6] which has extensive holdings in South Africa,[7] and which provided technology and capital, RISCO invested directly to build up the nation's iron and steel industry. The regime controlled the Industrial Development Corporation of Rhodesia (IDC) in collaboration with the major transnational banks active in the country, including Barclays, Standard, and Rhobank, as well as the South African mining finance house, Anglo-American Corporation. IDC promoted industrial development through direct investment and loans, participating in projects that "left to itself, private enterprise might find too long a term."[8] Although resembling development corporations established throughout Anglo-phonic Africa, the IDC became rather more vigorous. After UDI, it provided a channel for government and foreign capital into heavy industry, helping to reduce the impact of sanctions. It acquired two thirds of its holdings in motor assembly, mining and metal products. The regime used IDC to meet strategic needs, supporting industries of military significance and investigating oil-from-coal processes. It encouraged affiliates to export where possible. Together with Standard Bank, it owned shares in the Export Credit Insurance Corporation of Rhodesia. Given this extensive government participation and the peculiar features of the UDI economy, the manufacturing sector acquired five characteristics which reflected, as well as aggravated, the country's distorted externally dependence:

1. Depending heavily on an import substitution strategy, it became increasingly geared to the luxury and semi-luxury and military requirements of the high income minority. Prior to UDI, manufacturing already produced most of the limited range of broadly consumed items which the impoverished Africans could afford. After UDI, an increasing share of its output went to satisfy European wants which had, till then, largely been imported from South Africa and beyond.[9] As the liberation war intensified, it focused more and more on military production, including local manufacture of special items like the peculiar vehicles designed to avoid the full impact of land mines.

2. Despite UN sanctions, transnational corporate affiliates, operating through their South African headquarters,[10] played an increasingly significant role in providing capital, machinery, equipment, and intermediate goods for the expanding manufacturing sector. This fostered growing concentration and external dependence. In the food and beverages industry,[11]

which continued to produce over 20 percent of manufacturing output, for example, Anglo-American's indirectly controlled Rhodesian Breweries, which produces foodstuffs as well as beer, remained one of the ten largest Zimbabwean companies. Lever Brothers, an affiliate of British Unilever, produced cheese as well as detergents and soaps. A Nestles' affiliate produced tinned milk and baby foods. Cococola and Schweppes' subsidiaries bottled and distributed drinks. Affiliates of Brook Bond-Leibig, Tate and Lyle, British American Tobacco, and Anglo-American owned a predominant share of the agricultural processing industries.

Foreign firms, often in partnership with parastatals, dominated the heavier industries associated with mining and metals manufacture, and provided capital and technologies.[12] The U.S. firm, Union Carbide, produced ferro chrome. British Steel collaborated with RISCO to produce iron and steel. AECI, the South African affiliate of the British Imperial Chemicals Industries (ICI) manufactured fertilizers, and so forth.

3. The manufacturing sector became increasingly dependent on imported parts, equipment and intermediary goods. (See Table 2)

Table 2.

Imports as % of total inputs in main branches of industry, 1975

| | Inputs (Z $ million) | Imports (Z $ million) | Imports/Inputs % |
|---|---|---|---|
| 1. Agriculture | 163.7 | 13.3 | 8.1 |
| 2. Mining | 63.2 | 27.1 | 42.9 |
| 3. Foodstuff | 194.8 | 19.2 | 9.8 |
| 4. Beverages, tobacco | 36.4 | 4.1 | 11.3 |
| 5. Textiles | 59.8 | 32.2 | 53.7 |
| 6. Cloth | 39.4 | 13.1 | 33.2 |
| 7. Wood, furniture | 12.5 | 8.3 | 66.4 |
| 8. Paper | 18.2 | 19.7 | 108.2 |
| 9. Rubber | 2.7 | 8.0 | 296.2 |
| 10. Chemicals | 8.0 | 32.0 | 400.0 |
| 11. Petrochemicals | 31.1 | 20.7 | 66.5 |
| 12. Non-metalic mineral products | 16.5 | 7.0 | 42.4 |
| 13. Base metals | 58.6 | 27.5 | 46.9 |
| 14. Metal products, machinery | 32.8 | 41.7 | 127.1 |
| 15. Electrical machinery | 5.7 | 17.1 | 300.0 |
| 17. Other manufacturing | 2.5 | 3.8 | 152.0 |
| 19. Construction | 108.8 | 23.9 | 21.9 |

Source: UNCTAD and UNDP, Zimbabwe Towards a New Order - An Economic and Social Survey (United Nations, 1980) Annex III, Table 1, pp. 354-5

This increased the sector's dependence on South African-based industry. It provided a market for the expanding transnational corporate activities which, by the 1970s, contributed about 40% of South African manufacturing investment. [13]Reports indicated that, as its economy became severely constrained by sanctions and foreign exchange shortages, a considerable portion of Zimbabwe's machinery had become outdated and relatively inefficient by the late '70s.[14] Many would require replacement to compete in the post UDI export markets. The Rhodesian regime, despite its intensified efforts, failed to stimulate domestic manufacture of machinery and equipment; that would have required far larger markets which the economy, isolated by sanctions, did not possess. Given the tiny domestic market, rendered still less effective by the impoverishment of the vast majority of Africans, even the textiles industry depended for expansion on sales to South Africa. When, in the economic crisis of the mid '70s, South Africa raised tariffs in response to South African firms' demands for protection against imports, Zimbabwe's textile industry stagnated.

4. Expanding manufacturing production, located primarily in existing urban centres, aggravated the uneven development of the national economy. About 70% of all manufacturing employment[15] centred in Salisbury (47%) and Bulawayo (22%). A third of the remainder, mostly associated with the production of steel from local iron ore deposits, was located at Que Que. Four other urban centres accounted for over a third more (12% of the total). The remaining 8% was scattered in eight smaller towns. TTLCORP, created to encourage dispersion of industries into the TTLs, effected almost no change in this pattern. Private firms, domestic or foreign, maximizing short term profit, located near existing markets, skills, and infrastructure centred in the heartland of settler colonialism. They had no interest in building new growth poles to spread productive employment opportunities into the rural areas.

5. Manufacturing industries grew relatively more capital-, rather than labour-, intensive. They provided relatively few new jobs even for the growing numbers of rural dwellers who crowded into urban slums. Although the manufacturing sector provided about a fourth of the Gross Domestic Product, it employs 14% of all wage earners, barely 4% of the adult population.[16] Paying relatively higher wages than other sectors, it particularly excludes women, who constitute only 4% of its labour force.[17]

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Transnational corporations, bent on selling their excess machinery and equipment, seldom redesign their industrial capacity to meet small economies' factor requirements. Insofar as they invested at all in machinery and equipment industries in Africa, they did so in South Africa, where the minority regime sought to reduce its dependence on black labour by the rapid introduction of sophisticated technologies.*

To sum up, then, Zimbabwe's import substitution industry, nurtured by state intervention under sanctions imposed after UDI, became increasingly geared to luxury and semi-luxury production; concentrated and dominated by foreign firms with regional headquarters in South Africa; dependent on imported machinery, equipment and intermediary parts and materials; located in existing urban centres, aggravating uneven development; and capital-intensive, providing relatively few jobs. As one foreign observer remarked, the result was "high entrepreneunal returns, high prices and poor quality."[19]

The need for a long-term industrial strategy

To overcome the negative impact of Zimbabwe's distorted inherited pattern of economic growth, an unevenness aggravated by the growth of import substitution during UDI, Zimbabwean planners will need to focus on the formulation and early introduction of a long-term industrial strategy. Its purpose should be to restructure the economy, to attain balanced integrated development capable of reducing dependence on South Africa and providing increasingly productive employment opportunities and rising living standards for the low income population.

The United Nations document, Zimbabwe Towards a New Order, proposes criteria for incorporation into this kind of a long-term strategy. These include:

(i) To provide the opportunity for improving employment and earnings;

(ii) To provide the range of consumer goods that are needed to promote rapid improvements in the standard of living of the population;

(iii) To produce the capital goods that are needed to sustain the production of needed consumer goods, the expansion of housing and the provision of various infrastructural services, such as transport, energy supplies and water;

*U.S. transnational corporations, for example, invested 80% of all their manufacturing and 97% of their basic industrial investments on the whole continent in South Africa. 18

(iv) To provide opportunities for minimizing foreign exchange expenditure on industrial products while producing, at the same time, a broad range of exportable products;

(v) To provide opportunities for the rapid acquisition of skills by Africans at all levels;

(vi) To provide a vital basis for the participation of the new Zimbabwe in a new programme of regional co-operation among African countries in southern Africa that will enable them collectively to reduce their dependence on South Africa.

The achievement of these objectives would involve:

(i) Major changes in the existing patterns of ownership and control of industrial assets;

(ii) African control of the various public institutions that oversee the main directions of industrial development and the strengthening and expansion of this institutional framework;

(iii) The rapid expansion of training programmes for Africans at all levels;

(iv) The immediate appointment of Africans and selected foreign experts to key management functions in commanding positions of the industrial sector;

(v) Strict control of industrial technology and of the importation of machinery and technical equipment;

(vi) A deliberate policy to change the composition of output in favour of basic goods that are needed to promote the economic and social welfare of the masses of Zimbabwe;

(vii) A concerted attempt to foster small-scale and rural-based industries;

(viii) A comprehensive legislative framework to set the stage for new directions and new orientations in industrial development.

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Realisation of these criteria requires forging an intimate and balanced relationship between expanding industrial growth, increased agricultural productivity and rural development.

(See Figure I)

Figure I: Potential Balanced Relationship Between Industry and Agriculture

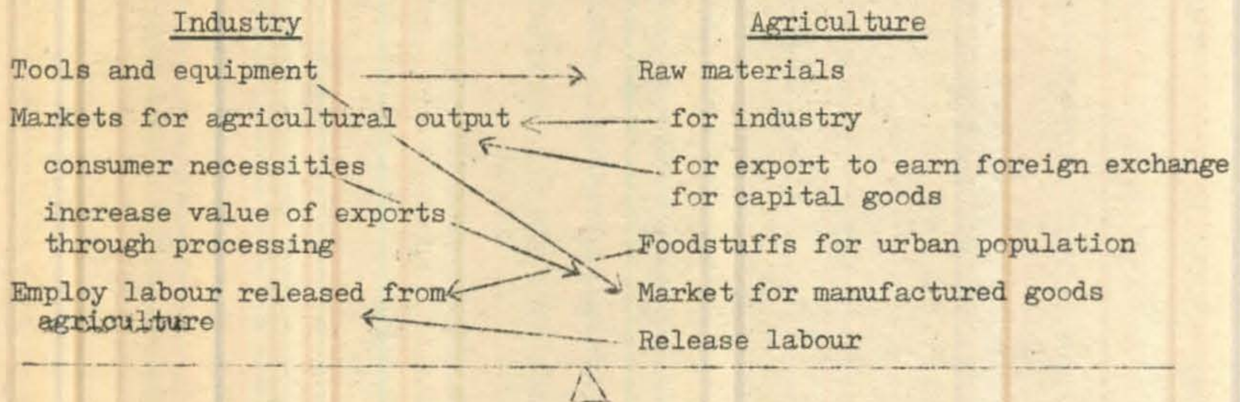
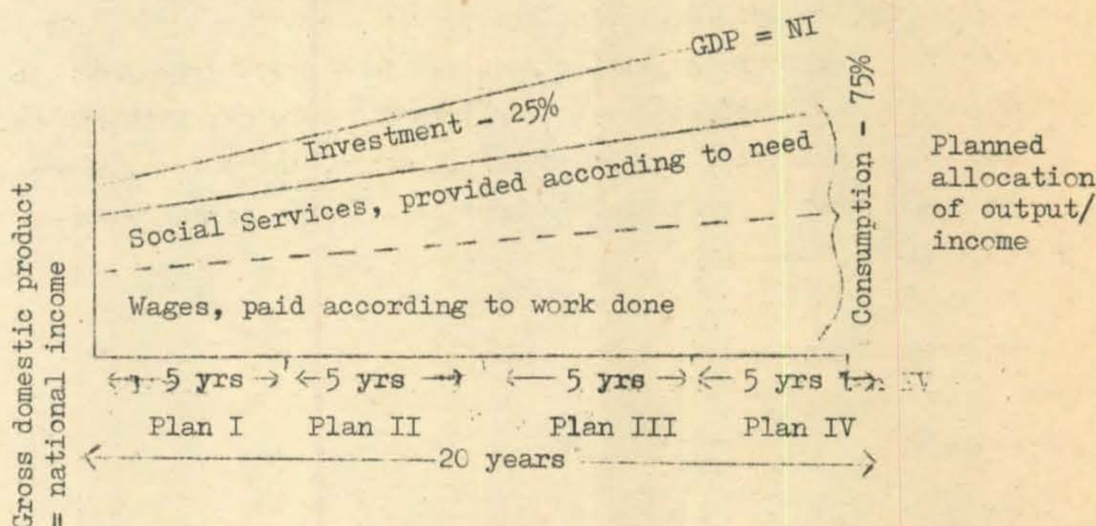



Figure I illustrates how expanded industrial output, on the one side of the balance, should contribute to increased agricultural productivity and rising living standards in rural areas in particular, as well as the economy in general. It should fabricate a growing range of consumer necessities to meet the basic needs of low income rural dwellers. It should manufacture tools and equipment at appropriate levels of technology to augment productivity in peasant agriculture. Simultaneously, it should increasingly process agricultural exports to raise their foreign exchange value. Expansion of manufacturing should provide growing employment for workers released from the increasingly productive agricultural sector.

On the other side of the balance, increased agricultural production (including increased productivity) is essential to industrial growth. Agriculture must grow raw materials for industry to avoid expanding imports. It must provide foodstuffs for the growing urban population associated with industrial growth. And it must expand the output of export crops to earn increased foreign exchange to buy machinery and equipment for planned new factories. At the same time, rising agricultural productivity should lead to augmented employment and higher incomes in the rural areas, creating an enlarged market for the growing output of the manufacturing sector.

A long-term industrial strategy needs to aim at ending external dependence and achieving this kind of balanced development throughout the economy. Over time, it should spread increasingly productive employment opportunities and rising living standards into every sector. Figure II pictures the necessary relationship between rising productivity, expressed in terms of increased Gross Domestic Product, and improved living standards which could be achieved over, say, a 20 year period.

Figure II: The Relationship between Increased Productivity (GDP) and Rising Living Standards Attained by a Long-term Industrial Strategy of 20 Years




Annual investment should reach about 25% of National Income (by definition equal to GDP) to ensure implementation of carefully worked out intermediate plans. Each of these should cover 4 to 7 years (say 5 years, for convenience), long enough for major physical investments introduced to come on stream and become viable. Adjustments in the inputs and outputs of each plan period may then be made in accord with concrete results in the preceding plan. Only as plans increase productivity through the augmented quantity and quality of investments can planners direct an increasing share of National Income to raising wages and social services. Wages should be paid to workers in accord with the actual quality and quantity of work they perform. Social services, paid to all in accordance with their need, may only grow as long as the national product expands. That expansion depends on the carefully designed investment of at least a fourth of the Gross Domestic Product into physical agricultural and industrial projects, capable of increasing productivity.

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Planners in a relatively small economy like Zimbabwe's need to think of this kind of long-term industrial strategy in two dimensions. The first concerns the best possible planned deployment of national resources - physical resources, financial capacity and the labour force - to construct the projects planned for each phase. The second dimension should take into consideration, given the economies of scale and required heavy capital expenditures involved in basic industries, the broader possibilities to be realised by integrating the national plans together with those of neighbouring countries.

Zimbabwe alone, landlocked and endowed with a relatively small and predominantly low income population, probably could not build the basic, vertically integrated industries required to end its dependence on South Africa and attanin self-reliant development. Together with its neighbours - Mozambique, Tanzania, Zambia, Malawi, Angola, the BLS countries and Namibia - however, Zimbabwe would benefit from a land area larger than Europe and a population of 50 million.

* Its total population is smaller in size and its per capital income is probably less than a tenth of that in a large modern city in developed countries.

Population, Life Expectancy and National Product of Southern African States, 1970s

| | Population | | | | Life expectancy | GDP | GDP | | GDP |
|---|---|---|---|---|---|---|---|---|---|
| | Area 000 km[2] | Mill.as at Mid 1976 | Growth rate 1970-75 | Density People/ sq.km | at birth 1970-75 (no.of years) | 1975 U.S. $mill. | growth rate percent 1960/70 | 1960/70 | per capita 1976 U.S. $ |
| Angola | 1246.7 | 5.5 | 0.1 | 4.4 | 39 | 3476.1 | 5.1 | 1.0 | 330 |
| Botswana | 570.0 | 0.7 | 3.0[3] | 1.2 | 44 | 342.0 | 5.4 | 24.9 | 410 |
| Lesotho | 30.4 | 1.2 | 2.2 | 39.5 | 46 | 110.3 | 3.0 | 4.0 | 170 |
| Malawi | 118.5 | 5.2 | 2.3 | 43.9 | 41 | 758.4 | 5.2 | 8.9 | 140 |
| Mozambique | 783.0 | 9.5 | 2.4 | 12.1 | 44 | 2687.9 | 4.8 | -2.0 | 170 |
| Namibia | 824.3[1] | 1.3 | 3.0 | 1.5 | 49 | 891.3 | 5.2 | 5.2 | 470[4] |
| Zimbabwe | 390.6 | 6.5 | 3.5 | 16.6 | 52 | 2620.0 | 4.7 | 5.1 | 550 |
| Swaziland | 17.4 | 0.5 | 3.2 | 28.7 | 44 | 273.3 | 8.2 | 9.5 | 470 |
| Tanzania | 945.1 | 15.1 | 2.7 | 15.9 | 45 | 2553.2 | 5.4 | 4.2 | 180 |
| Zambia | 752.6 | 5.1 | 2.9 | 6.6 | 45 | 2231.4 | 4.0 | 3.1 | 440 |
| Total/Average | 5678.6 | 50.6 | 2.5[5] | 8.9 | 45[5] | 15943.9 | 4.93[6] | 3.3[6] | 280[5] |
| Republic of South Africa | 1221.0 | 26.0 | 2.6 | 21.3 | 52 | 35294.2 | 6.2 | 5.6 | 1340 |

[1] Includes the area of Walvis Bay.

[2] Migrant workers are included under their home countries.

[3] 1971-1976.

[4] Only figures in this column are based on World Bank sources, For Namibia the following procedure had been used: The country profile 1977 ratio GNP/GDP has been used on the 1975 GDP figure increased by 10% for inflation 1975-76. This figure has been divided with the population figure given in the table.

[5] Weighted average, using mid-76 population as weights.

[6] Weighted average, using 1975 GDP as weights.

Source: Southern African co-ordinating conference, "Economic Dependence," Table 2 (Arusha: July, 1974) Demographic YearBóok 1976. (U.N.) World Bank Development Report 1978 Statistical and Economic Information Bulletin for Africa No. 10(ECA).

The region possesses a wide range of agricultural and mineral resources, including oil, iron ore, copper, coal, and vast hydroelectric power potential. In the past, transnational firms, mostly operating from their regional headquarters in South Africa, have exported this mineral wealth in crude form. An increasingly significant share has been shipped for processing to their South African manufacturing plants. (See table 4).

Table 4.

4a.

Capacity for Refining Petroleum Products in Southern Africa 1976

| Petroleum Products | Angola | Mozambieque | Tanzania | Zambia | South Africa | Zimbabwe |
|---|---|---|---|---|---|---|
| | in thousand metric tons | | | | | |
| Liquified Petroleum gas | 7 | 7 | 6 | 9 | 59 | NA |
| Motor Spirit | 51 | 80 | 117 | 180 | 3,504 | " |
| Kerosene | 18 | 20 | 26 | 20 | 403 | " |
| Met Fuel | 56 | 7 | 44 | 40 | 283 | " |
| Distillate Fuel oils | 190 | 100 | 193 | 350 | 4,326 | " |
| Residual fuel oil | 342 | 200 | 358 | 200 | 3,187 | " |
| Bitumen | 5 | 25 | | 5 | 319 | " |
| Parafin wax | | | | | 290 | " |
| Total | 604 | 439 | 744 | 799 | 12,371 | "(1) |
| % of known regional total | 4.4% | 2.9% | 4.9% | 5.3% | 82.3% | " |
| Crude petroleum known reserves production | 179,000<br>4,494 | none | none | none | none | none(2) |

Source; United Nations Statistical Yearbook, 1979

(1) Zimbabwe's refinery was closed during UDI.

(2) Ethanol, produced from sugar is said to provide 15% of Zimbabwe's automobile fuel needs.

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Table 4b. Iron and Steel Production and Consumption in Southern Africa, 1976 (in thousand metric tons)

| Production | South Africa | Zimbabwe | Angola | Swaziland | Botswana | Lesotho | Malawi | Mozambique | Tanzania | Zambia |
|---|---|---|---|---|---|---|---|---|---|---|
| Steel | 3,751 | 141 | - | - | - | - | - | - | - | - |
| Pig Iron | 3,750 | 260 | - | - | - | - | - | - | - | - |
| Iron ore | 9,800 | 384 | 1,644[3] | 1,229 | | | | | | |
| Consumption | 16,066[2] | n.a. | 172[3] | [2] | [2] | [2] | 18 | 25 | 101 | 13 |
| per capita (kilograms) | 212 | n.a. | 29[3] | 1 | [2] | [2] | 3 | 3 | 6 | 8 |

Notes: [1] including Namibia
[2] South Africa includes Botswana, Lesotho and Swaziland
[3] Angolan production for 1975, consumption for 1974

Source: United Nations Statistical Yearbook, 1977.

Table 4c. Energy Production in Southern Africa, 1976 -(million kilowatts per hour)

| Type | Angola | Botswena | Lesotho | Malawi | Mozambique | Swaziland | Tanzania | Zambia | Zimbabwe | South Africa[2] |
|---|---|---|---|---|---|---|---|---|---|---|
| Total | 1,300 | 332(th) | 5(th)[1] | 318 | 1,915 | 244 | 685 | 7,034 | 5,653 | 79,087 |
| Hydro | 950 | | | 283 | 1,510 | 101 | 500 | 6,784 | 5,853 | 1,876 |
| Total | 2 250 | 332 | 5 | 601 | 3,425 | 345 | 1,185 | 13,818 | 10,506 | 80,963 |
| % of regional total | 2.3%[3] | 0.3% | - | 0.6% | 3.5%[4] | 0.3% | 1.2% | 14.3% | 10.8% | 83.4% |

Notes: [1] 1967 data: none shown after, probably because Lesotho was included in South African grid.

[2] includes Namibia

[3] excludes Kunene Dam;

[4] Cabora Bassa project not operating at full capacity

Source: United Nations Statistica Yearbook, 1977.

Table 4d.

The Consumption of Phosphatic Fertilizers in Southern Africa, 1976 (in thousand metric tons)

| Fertilizer | Angola | Botswana | Lesotho | Malawi | Mozambique | Swaziland | Tanzania | Zambia | Zimbabwe | South Africa |
|---|---|---|---|---|---|---|---|---|---|---|
| Phosphatic | 3.5[2] | 1.0 | 1.0 | 3.2 | 2.9[3] | 1.5 | 10.9 | 17.9 | 13.0 | 362 |
| Nitrogenous | 11.2[4] | 1.0 | | 18.9 | 6.7[5] | 6.0 | 14.5 | 39.8 | 80.0 | 301.7 |
| Potash | 6.9[6] | | | 3.0 | 1.6[7] | 2.4 | 4.3 | 6.1 | 33.0 | 130.7 |
| Total consumption | 21.6 | 2.0 | 1.0 | 25.1 | 11.2 | 9.9. | 29.7 | 63.8 | 156.0 | 953.4 |
| % of regional consumption | 1.7% | 0.1% | 0.1% | 1.9% | 0.9% | 0.7% | 2.3% | 5.0% | 12.3% | 74.9% |

Notes: [1] includes Namibia

[2] 1974

[3] 4.1 in 1972

[4] 1972

[5] 9.0 in 1973

[6] 1973

[7] 2.7 in 1972

Source: United Nations Statistical Yearbook, 1977

In formulating a national long-term industrial strategy, Zimbabwean planners should consider the advantages of simultaneously integrating it with neighbouring countries' perspective plans to build complementary basic industries, building on their respective comparative advantages. This would ensure that all participating states, including Zimbabwe, benefitted from the availability of an adequate range of resources and large enough markets to render viable basic industries, which none alone could afford to create. Furthermore, as Table 5 suggests, regional plan co-ordination would also enable the participating states to muster sufficient investable surpluses to finance the heavy capital costs of constructing such industries. The combined investable surpluses

Table 5

Estimated Gross Domestic Production, Potential Investable Surpluses of Indpendent Southern African States Compared to South Africa 1975

| State | Gross Domestic Product (U.S. $ millions) | Estimated potential investable surpluses (U.S. $ millions) |
|---|---|---|
| Angola | 3476.1 | 869.0 |
| Botswana | 342.0 | 85.5 |
| Lesotho | 111.3 | 27.8 |
| Malawi | 758.4 | 189.6 |
| Mozambique | 2687.9 | 671.9 |
| Namibia | 891.3 | 222.8 |
| Swaziland | 273.3 | 68.3 |
| Tanzania | 2553.2 | 638.3 |
| Zambia | 2231.4 | 557.8 |
| Zimbabwe | 2620.0 | 655.0 |
| TOTAL | 15943.9 | 3985.9 |
| South Africa | 35294.2 | 8823.5 |

Note: Estimated as 25percent of Gross Domestic Product.

Source: See table .

of Zimbabwe and its neighbours would be some six times greater than those available to Zimbabwe alone. Over a 20 year period, despite exclusion of South Africa, assuming a plausible annual growth rate of the regional product of about six percent, regional investable surpluses could total about U.S.$150 billion. This would finance construction of a sufficiently wide range of basic industries to enable the participating states, together, to achieve developed country status in the course of the next half century.

Obviously, should a liberated South Africa join together with the rest of the countries in the region, on a planned mutually beneficial basis, the pace of regional industrialisation could be far more rapid.

These considerations suggest that Zimbabwean planners should, as soon as possible, begin to formulate a long-term industrial strategy that would take advantage, not only of national, but also regional possibilities for increasing productivity and raising living standards. This strategy should focus on re-orienting old manufacturing industries and creating new ones to restructure the national economy in the context of regional economic development along the following lines:-

1. Rather than expanding import substitution industries which would further inevitably replicate and aggravate distorted features of the national economy, it should plan to reorient old plants and establish new ones to produce:

   a) <u>Consumer necessities required to raise the living standards of low income groups</u> (i) processed foodstuffs, to ensure adequate storage and distribution of foodstuffs throughout all seasons to all sections of the population; (ii) clothing, to meet the expanding demand resulting from higher incomes of the lo er income groups; (iii) simple sturdy, inexpensive furniture; (iv) low cost housing materials to permit construction of housing rapidly at reasonable costs.

   b) <u>Machinery, equipment at appropriate levels of technology</u> (i) tools, ploughs, carts and, as peasants acquire necessary capital and skills, parts, equipment and eventually entire tractors and agricultural machinery in adequate quantity to enable peasants to rapidly increase their output on newly acquired land, increasing employment and incomes in rural areas; (ii) parts and equipment for standardised models of lorries and busses, including domestic production of components, to facilitate public transport and collection of surplus agricultural produce and distribution of manufactured goods throughout the nation; (iii) in the second and third plan periods, more basic industries, linked into regional markets, resources and financial potential: e.g. iron and steel, drawing initially on already developed Zimbabwean and Angolan deposits, and eventually working out a broader pattern of

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specialisation with Zambia, Mozambique and Tanzania; a patrochemicals industry, based on Angolan oil; copper and electrical equipment and supplies, drawing on expanding Namibian, Zambian and Botswana output.

2. Wherever possible, national, and, increasingly, integrated regional planning should develop and utilise local and regional resources, rather than import crude and semi-crude materials. The domestic textile industry for example, should be geared to spinning, weaving and making finished textiles and clothing out of domestically grown cotton, rather than importing synthetic polyesters and rayon.[20] This would expand demand for domestic cotton, increasing domestic employment and raising rural income levels. At a later stage, when a regional petrochemicals industry is developed and increased employment is available in other sectors, it may be more rational to gradually introduce synthetics.

It would be unfortunate, however, if Zimbabwe, in its efforts to expand use of national resources, built new industries to produce high cost outputs when neighbouring countries possess alternatives that could fill demand at lower unit prices. The previous regime, for example, operating under constraints imposed by sanctions, proposed to build a thermopower plant using coal produced at Wankie,[21] the mine owned by the South African conglomerate, Anglo-American. The cost of the project is now estimated at about $1 000 million, almost double the total potential investable surplus produced by the entire Zimbabwean economy in one year. Its construction will require the import of expensive machinery and equipment, much of it from South Africa, accompanied by heavy foreign borrowing and increased dependence on transnational corporate bankers. To complete plans, introduced by the old regime and its transnational corporate collaborators, in the political conditions of the post-liberation era today, seems a questionable enterprise. It would seem to make far more sense for Zimbabwe to plan together with its neighbours to create a regional grid to utilise the vast hydroelectric power potential of the entire region. This would enable it to draw on power already being produced by Cabora Bassa in Mozambique, Kafue in Zambia, and existing smaller projects, as well as taking into consideration potential power to be produced by the Kunene Dam in Angola and the Inga Dam in Zaire, and perhaps eventually the vast Stigler Gorge project proposed for Tanzania.

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3. New industries planned in the context of a proposed long term strategy would not automatically be located in existing urban centers in accord with the dictates of short-term profit maximisation. This would simply further aggravate the distorted inherited pattern of uneven development. Instead, new plants should, as far as possible, be constructed as poles of growth to stimulate increased employment and raise productivity in less developed areas. Initially, in the first plan period, for example, food processing and production of materials for low cost housing might be carried out by developing existing or building new small scale industries. Local carpentry and tailoring shops could increase their output, perhaps by forming co-operatives to purchase power machinery. Gradually, planners should ensure that every locality throughout the nation acquires a pole of growth industry, or a cluster of projects, large enough to create backwards links to stimulate the development of local raw materials; and forwards to facilitate production of essential consumer necessities and increasingly complex tools and equipment.

   In later plan periods, Zimbabwe should seek to co-operate with its neighbours, as re-oriented road and railroad networks facilitate the spread regional trade outside South Africa, to build bigger pole of growth projects, basic industries large enough to augment productivity through more extended backwards and forwards linkages with smaller facilities in each country.

4. Given the relative surplus of un- and under-employed labour, as well as well as the scarcity of capital, especially in the early phases of the industrial strategy, planners should seek to introduce relatively labour-, rather than capital-, intensive technologies. Decisions as to which technology to employ in particular projects should not be left to transnational corporate bidders eager to sell their surplus capital equipment. Rather, they should be made following investigation and careful cost-benefit analyses of the range of possible alternatives.

   For some industries, of course, relatively capital-intensive machinery is essential. This is frequently true for plants processing crude materials for export where cost and quality of output must be competitive on the world market. It is also true for heavy industries, such as those producing steel, smelting and refining copper, manufacturing petrochemicals, etc. Nevertheless, for every branch of industry, even these,

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available technolgies range from relatively more labour- to more capital-intensive technologies. Zimbabwean planners should make every effort, taking into consideration the particular industry and its anticipated role in the economy, to identify and utilise relatively more labour-intensive technologies for each branch.

To facilitate the identification of appropriate technologies, Zimbabwe could join with its neighbours to establish a regional feasibility-study unit. Staffed with qualified experts, and with access to a still broader international group of specialists, such a unit could help national planners determine which technologies seem appropriate at the lowest possible costs for all branches of regional industry. Within Zimbabwe, available engineering talent at the university, as well as in the broader community, could draw on the unit's findings to adapt relatively labour-intensive technologies to local possibilities and needs.

Over the longer term, as each nation and the region accumulates the necessary capital and skills, planners could begin to introduce increasingly sophisticated technologies to hasten the process of spreading productivity throughout the regional economy.

In short, Zmibabwe needs to formulate a long-term industrial strategy, taking into consideration both national and regional potentials, to develop industrial capacity to create a balanced economy capable of creating increasingly productive employment opportunities and raising living standards in every sector.

The Necessity for Institutional Change.

Implementation of a long-term industrial strategy, as the experience of third world countries everywhere attests, requires two sets of institutional change: first, to ensure increased partidipation of the mass of low income wage earners, underemployed urban dwellers and peasants in the state structure; and, second, to exert state control over the 'commanding heights' - basic industries, export-import and internal wholesale trade, and banks and financial institutions.[22]

Attainment of both sets of institutional changes is rendered particularly difficult in Zimbabwe because the Lancaster House Agreement enshrined in office the civil service appointed by the previous regime and sought to guarantee pre-existing property relationships. The liberation armies, which clearly had won the support of all classes of the African population (their very existence during the decade of armed struggle depended on that support) created the preconditions for taking over state power. But their election victory initially permitted only a few of the thousands of educationally-qualified Zimbabweans - most of whom were educated abroad during UDI - to move into top-level ministerial posts and begin the long, complex manoeuvres required to alter the institutional structures to permit more effective participation by the broader mass of the population at all levels of government. The recalcitrant civil service, in hindering the new government's efforts to increase the participative nature of the state structure, enhanced the always present danger that the interests of the individuals who attained office within the pre-existing authoritarian structure might become increasingly divorced from the aspirations of the impoverished urban and rural population.

The transnational corporations and financial institutions, who still hold sway over key sectors of the national economy, seek to cement ties with the new office holders and educated Africans in an effort to replicate the "Kenyan Model".* Increasing numbers of educated Zimbabweans, some who had remained in the country throughout the war, others who returned shortly before or after the elections, have before received offers of highly-paid directorships or salaried posts in an increasing range of domestically-based companies and transnational corporate affiliates.

* A former colonial official in Kenya, Sir Michael Blundell, in his book, So Rough a Wind, had urged Kenyan whites to agree to independence, prophesying that by bringing a few Africans into the government and property-owning groups, it would be possible to protect the status quo.23. Colin Leys' analysis shows[24] how the successful implementation of that manoeuvre led to continued impoverishment of the majority of the African population.

Examination of the externally dependent ties of the inherited Zimbabwean economy, especially its close industrial and financial links with transnational corporations and financial institutions with regional headquarters in South Africa, underscores the necessity of pressing ahead to exert democraticised state control over the commanding heights in order to end dependence on South Africa and implement a longterm industrial strategy.

Most, if not all, transnational manufacturing corporations with holdings in Zimbabwe have located their primary regional manufacturing facilities in South Africa.[25] They have little incentive to further integrate Zimbabwe manufacturing production in the context of a reconstructed Zimbabwean economy. Their Zimbabwean factories, with the exception of those processing locally-produced goods and mineral ores, are primarily last stage assembly and processing plants. They were initially established in response to the previous regime's pressures to retain a foothold in the Zimbabwean market. From their perspective, it makes little sense to build new, integrated projects in Zimbabwe that would inevitably compete with their South African and/or overseas factories. They undoubtedly stand to gain more, from their own relatively shortterm profit perspective, by selling new machines to replace those worn out during UDI. Then they could simply continue to ship in parts and materials to fabricate the limited range of goods needed to meet the demand of the existing high income market - now perhaps including a few Africans - to supplement their sales in the larger South African market.

If transnational corporate managers become persuaded to make new investments in Zimbabwe, they will inevitably focus on integrating these, too, into their regional and international holdings, rather than calculating how they may contribute to restructuring the Zimbabwean economy to meet the broader needs of the majority of the population. Anglo American Corporation, for example, which owns a substantial segment of Zimbabwean mines and estate activities,[26] remains - despite its extensive links with British and US firms - the leading mining finance house in South Africa. It is closely intertwined with the South African regime's parastatals and other domestic manufacturing and mining interests there.[27] From Anglo's global profit-maximising perspective, it would be clearly preferable to import machinery and equipment - if possible from its own South African or transnational affiliates - for the proposed thermal plant using its coal deposits.

Anglo has no interest in seeing the creation of an electric power grid incorporating Cabora Bassa, Kariba and Kafue projects and strengthening the independence of the national and regional economy from South Africa. Likewise, every one of the major transnational corporations with investments in Zimbabwean industry, light or heavy, owns more important producing and manufacturing plants in South Africa. They may be expected to seek to maximise their returns by purchasing from those plants whatever machinery and equipment they require to maintain and expand their domination of the Zimbabwean economy. To leave decisions as to what investments to make, what machinery to buy and where to buy it, how many workers to employ and what to pay them, whether to use Zimbabwean or imported parts and materials, in the hands of these transnational corporate managers is to condemn Zimbabwe to a replication and further extension of its inherited distorted, externally dependent pattern.

The existing export-import houses, together with the internal wholesale trading firms typically affiliated with them, will tend to re-inforce the counter-productive impact of transnational corporate decisions. They have built long-established trade channels through the South African regional headquarters of transnational manufacturing, agricultural and mining firms. They strengthened and deepened these conduits during UDI when they collaborated with Rhodesian and South African based parastatal and private firms to evade sanctions. Importing firms throughout the third world have discovered that they can reap higher profits from the import of luxury and semi-luxury items, or the parts and materials to produce them for the high-income group, than by searching out other sources of machinery and equipment to build Zimbabwean factories to meet the basic needs of low-income buyers. Widespread international experience indicates, furthermore, that import houses often collaborate with locally-based affiliates of transnational firms to overinvoice imports, thus shipping out undetected profits to avoid domesticc taxes.[28]

On the export side, trading firms are unlikely to seek out new markets for the sale of increasingly processed Zimbabwean agricultural and mineral exports. They, too, over the years, especially during UDI, have formed profitable outlets through affiliated firms, most of them based in South Africa. Their South African or overseas buyers typically seek the lowest priced inputs for their own factories, rather than facilitating Zimbabwean industrial processing to facilitate sales to new markets.

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The transnational banks that conduct the major share of the banking business in Zimbabwe are similarly tied into the network of transnational manufacturing and trading firms based in South Africa. The two British banks, Barclays and Standard, that dominate Zimbabwe's banking business, together own almost two-thirds of South Africa's banking assets. Both, over the last century, have become closely interwoven through financial arrangements and directorships with the agricultural, mining, manufacturing and trading interests which still cement Zimbabwe's economy into the South African orbit.

A review of Barclays' linkages illustrates this point. In the mid 1970s, at the height of the liberation war, Barclays boasted 37 branches and 50 fixed and mobile agencies in Zimbabwe. It advertised[29] that - sanctions or no sanctions -. "Barclays today has more than 5 000 offices throughout the world and stresses as part of its services its strong internationalism. It operates from the Salisbury office a business and trade promotion division ..."

At the same time Barclays was, and remains South Africa's leading bank, with over a thousand branches spread throughout that country and Namibia. Its South African profits still comprise over a tenth and a third, respectively, of those of its British parent and Barclays International. Barclays helped finance Anglo American Corporation at its birth. Anglo remains one of Barclays, South Africa's biggest customers, and, owning 32% of its capital, its largest South African shareholder. Directors of a majority of South Africa's oligopolistic mining finance houses - Barlow, Anglovaal and Union Corporation, as well as Anglo itself - sit on Barclays, South Africa's board of directors.

Barclays, South Africa also owns shares in Union Acceptances, Ltd., (UAL), originally established by Anglo-American in collaboration with the London-based Lazard Brothers. In the 1970s, UAL merged with two other South African banks, Nedbank and Syfrets, to create the banking conglomerate, Nedsual. Nedsual owns 70% of the third largest bank in Zimbabwe, Rhobank. Rhobank, the only Zimbabwean bank with any significant local shareholding - 30% of its shares are held by local European interests - engaged in financing tobacco trade throughout the sanctions period. Rhobank's merchant bank, Neficrho, presumably through its South African ties, assisted local and transnational firms to obtain export and import finance and foreign exchange during UDI. Barclays, Standard and Grindlays* assisted the Rhodesian regime's Industrial Development Corporation to build up private sector manufacturing operations during UDI, enabling them to find necessary finance as well as secure essential imported inputs from transnational corporate manufacturers

* The US bank, Citicorp, owns 49% of the shares of the British parent, National Grindlays Bank.[31].

to keep the business going.

Given these close relationships with South Africa's financial and manufacturing sectors, the major banks dominating Zimbabwe's banking scene seem unlikely to voluntarily contribute to financing the reconstruction and growing self- reliance of Zimbabwe. They are more likely to insist that the government leave the critical industrial sector in the hands of their transnational corporate clients. They will undoubtedly eagerly agree to make loans - guaranteed by the governmment of course! - to finance projects like the proposed thermal plant at Wankie, for that would profit, not only their clients, but themselves. To the extent that the government finds itself increasingly in debt to these transnational financial interests, it will lose its freedom to implement a longterm industrial strategy directed more towards fulfilling its national requirements and the possibilities of achieving closer regional integration outside South Africa's influence.*

Through what institutional changes the new government of Zimbabwe may choose to exercise increased control over these commanding heights of the economy will require careful study. The experience of independent African states throughout the continent, however, underlines the necessity to do so.[33] The previous regime intervened extensively in the economy, not only through typical state capitalist tax and tariff incentives, but also through parastatals. Operating autonomously, in line with the British-South African model, as much like private firms as possible, these collaborated closely with transnational corporate subsidiaries in violation of sanctions to obtain advanced technologies and capital for the growing manufacturing sector. They drew heavily on investable surpluses accumulated domestically by insurance firms and pension funds to finance new ventures. A small clique of locally-based Europeans - many with close ties to the top civil service and politicians - controlled the boards of directors of these parastatals, and focussed their activities on supplementing and supporting profitable enterprises in the private sector. These institutions remain intact. As a matter of first priority, if Zimbabwean planners aim to formulate and implement a long term industrial strategy, they must immediately explore how the Government may reorganise this inherited structure of state intervention,

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* A long list of examples may be cited of countries which, having accumulated foreign debts, found themselves unable to repay without International Monetary Fund assistance. That assistance they discovered was accompanied by requirements to withdraw state intervention, designed to restructure the economy, to reduce social services, and to devalue their currencies, thus reducing the real incomes of the majority of the population.[32]

particularly in the critical areas of the commanding heights. In this, they may draw on extensive African experience, especially that of the neighbouring countries which share their stated longterm perspectives. Over time, to the extent that Zimbabwe's planners join those of neighbouring countries to formulate and develop regional plans, it is to be hoped that they will increasingly also focus on techniques for attaining joint state control of the regional commanding heights.[34]

Summary and Conclusion

Zimbabwe's inherited manufacturing sector, while somewhat larger than that of its independent neighbours, nevertheless tends to aggravate the uneven development and externaldependency of the national economy. Expanding rapidly during UDI, Zimbabwean manufacturing industries, pressed by state intervention to achieve import substitution, remain: dominated by transnational corporations, especially those with regional headquarters in South Africa; producers of luxury and semi-luxury items for the narrow high income group; heavily dependent on the import of machinery and equipment, as well as intermediary parts and materials; located mainly in Salisbury and Bulawayo, aggravating uneven development; and relatively capital-intensive, providing relatively few jobs for the growing numbers of un- and underemployed,

The new Zimbabwean government, bent on restructuring the national economy to increase productive employment opportunities and raise living standards, needs to begin now to carry out research and the institutional changes required to formulate and implement a longterm industrial strategy. This strategy could ensure that the manufacturing sector, attaining, over time, an increasing balance with expanding agricultural output and rural development, produces: tools and equipment at appropriate levels of technology to increase productivity in all sectors of the economy; low cost consumer necessities, including processed foodstuffs, clothing and housing materials; and, eventually increasingly, the basic industrial outputs characteristic of developed economies. To the extent that Zimbabwean planners can co-operate with those of neighbouring countries, it should be possible to realise far greater specialisation and exchange to permit utilisation of available economies of scale in the construction of larger basic industries. This should lead to the emergence of a fully developed, industrialised regional economy, accompanied by rising living standards for the mass of the regional population, within the comparatively short period of half a century.

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African experience underscores that, to implement this kind of a longterm strategy, the new government will have to initiate measures as quickly as possible to carry through two sets of institutional changes. The first should ensure that working people in both the 'formal wage' and the 'informal' sector, together with the peasantry, participate increasingly effectively at every level of government machinery to ensure that it remains responsive to their basic needs. The second would give government adequate control over the commanding heights - basic industries, export-import and internal wholesale trade, and financial institutions - to ensure that new investment decisions are in fact made in accord with the longterm industrial strategy to reconstruct the national economy. Over time, through increasing co-operation, it is to be hoped that the planners of Zimbabwe and its neighbours will be able to link their national plans into a longterm regional strategy to increase productive employment opportunities and raise living standards throughout the entire region.

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