Review of African Political Economy No.103:29-45

Reaction & Resistance to Neo-liberalism in Zambia

Miles Larmer

This paper explores the current Zambian discourse around neo-liberal economic polices, in particular its expression in a trade union-led campaign against the privatisation of the Zambian National Commercial Bank (ZNCB). It locates the origin of these protests in the impact of economic liberalisation programmes implemented by the ruling Movement for Multi-Party Democracy (MMD) since 1991. The paper studies the privatisation of the economically strategic copper mining industry and, taking as a case study the mining town of Luanshya, explores the linkages between a secretive and corrupt privatisation process, and its human consequences for mineworkers, their families and communities. It finds that the International Financial Institutions (IFIs) sought to implement privatisation regardless of legal requirements, social consequences, and the future sustainability of the mining industry. It surveys the development of opposition to privatisation amongst civil society organisations, particularly trade unions, and seeks to identify emerging Zambian alternatives to neo-liberalism, including new models of popular control of strategic economic resources, and a renewed authoritarian nationalism that feeds on popular resentment of the effects of neo-liberal policies.

Selling the Zambia National Commercial Bank

In December 2002, trade unionists, civil society organisations and opposition political parties held a demonstration in Lusaka against the proposed privatisation of the Zambia National Commercial Bank (ZNCB), and two other state-owned companies. Initiated by the Zambia Union of Financial and Allied Workers (ZUFIAW), which represents ZNCB employees, the march was only granted a police permit after ZUFIAW members threatened strike action. By the time it took place, however, the demonstration had been transformed into a victory parade: days earlier, the National Assembly had voted against privatising ZNCB, reversing the declared policy of President Mwanawasa's MMD government. Senior government figures subsequently confirmed that they had cancelled plans to sell all three companies (*Sunday Post*, 25 January 2003).

In March 2003, however, government ministers announced that the 'commercialisation' of ZNCB would take place. This would involve the sale of 49 per cent of shares to a South African commercial bank; de facto control of the bank would be transferred to the private partner, which would run it according to commercial criteria (in late

ISSN 0305-6244 Print/1740-1720 Online/05/010029-17
DOI: 10.1080/03056240500120992

2004, plans to sell ZNCB to South Africa's ABSA bank were close to completion, with civil society organisations and opposition political parties continuing to argue against it) (*The Post*, 4, 29 September 2004; 13 October 2004). The reason for the government's volte face was clear: the International Monetary Fund (IMF) had explicitly stated that retaining the ZNCB and the other companies in state ownership would be a direct breach of Zambia's Poverty Reduction Strategy Programme (PRSP). Under the PRSP, Zambia, as a Highly Indebted Poor Country (HIPC), is due to qualify for relief of about half its US$6.8 billion debt. This relief, the IMF made clear, was now under threat (*The Post*, 19 December 2002).

The International Financial Institutions (IFIs) and donors' claim, that the HIPC/ PRSP process is based on local participation and on an anti-poverty approach, is challenged by evidence presented below. This demonstrates the limited capacity of the Zambian state to reflect popular opinion when this conflicts with donor priorities, and the continued willingness of the IFIs to disregard democratic accountability. As *The Post* editorial put it:

> *What type of good governance do these institutions actually believe if they can't even respect the right of our members of parliament to make such decisions?* (Ibid.).

Increasing public awareness of this has created a popular debate over privatisation that encompasses issues including the nature of neo-liberal economics, the workings of the global economy, and the position of Zambia within it. This marks a significant break from what has been a generally secretive process of economic policy-making in Zambia since Independence that, notwithstanding the claims of successive governments to be seeking national economic independence, has in fact been, and continues to be, decisively shaped by, and designed to serve the interests of, foreign private and state economic interests.

Neo-liberalism in the 1990s

In the public debate over privatisation, material evidence is provided by Zambia's own experience of IMF-influenced structural adjustment policies. These were first implemented in the early 1980s by the one-party regime of Kenneth Kaunda's United National Independence Party (UNIP). The resulting cuts in state funding of health, education, and food fuelled the rising discontent which led to the establishment of multi-party democracy in 1991, and the electoral defeat of UNIP by the MMD. Despite this, the MMD Government, led by the former Chairman General of the Zambia Congress of Trade Unions (ZCTU) Frederick Chiluba (previously a leading critic of IMF-influenced policies), implemented one of the most radical programmes of economic liberalisation in sub-Saharan Africa. Exchange controls were removed, major cuts were made to public expenditure, and more than 250 parastatals, representing 85 per cent of the Zambian economy, were privatised.

The result has been a massive contraction in the economy and a marked decline in employment and living standards. Economic opening has not, as was forecast, resulted in significant private Zambian or foreign investment. State companies, established to provide essential goods in a closed economy, were unable to compete against the products of multinational corporations that now had unrestricted access to Zambian markets. Most have now either closed or dramatically reduced output, and formal sector employment has halved as a consequence. Workers retrenched from such companies have frequently not received the terminal benefits to which they are legally entitled.

The agricultural sector, always comparatively weak, has further declined. Poor infrastructure and a lack of support and extension services have severely restricted the growth of cash crop production. In most years, Zambia depends for essential food supplies on imports and, frequently, supplementary food aid (2004 was an exception to this rule). Dramatic reductions in real terms spending on education (from 1992-96, an average 2.5 per cent of GDP was spent on education, and average real spending per student fell from $118 in 1983 to $50 in 1996[1]) have substantially reduced access to, and the quality of, primary and secondary schooling. The introduction of increased user fees for health, water and sanitation services, insisted upon by donors as the price of ongoing financial support, has substantially and adversely affected the quality of Zambian life. Life expectancy has fallen to the mid-1930s, fuelled by the rapid spread of HIV/AIDS (roughly one in five Zambians is HIV positive). Zambia has slid to 143 of 161 countries in the Human Development Index (*Saturday Post*, 24 August 2002).

Although economic liberalisation has not benefited the vast majority of Zambians, those with access to capital have taken the opportunity to further enrich themselves through the privatisation process. Zambian businessmen, many of whom accumulated their initial wealth through links to state capitalism in the 1970s and 1980s, have used the same links to acquire smaller parastatals through the opaque processes of the Zambia Privatisation Agency (ZPA). Examples of the sale of such companies to prominent political figures (for example, the sale of state farms to former Ministers of Finance Ronald Penza and Emmanuel Kasonde) have been highlighted in the independent press, and in a major international study of the privatisation process (see note 1). The revenue from some major privatisations, such as the $14.8m paid for the Zambia Sugar Company, has not been accounted for (see note 1). Legislative loopholes enabled a minority of Government-appointed ZPA Board representatives to hold meetings at short notice, and make decisions without the knowledge of other board members (Transparency International, 2002).

Whilst most observers acknowledge that some job losses and company closures were inevitable, most Zambian critics believe this was significantly worsened by the implementation of the privatisation process, and the influence of the IFIs on this. Joyce Nonde, the ZUFIAW General Secretary who initiated the December 2002 demonstration, expresses the labour movement's perspective on what went wrong:

> *… we are told IMF, World Bank, were pushing … over 200 plus institutions [into] private hands, and our expectation was that implementation was going to be done properly. For example, there's going to be [a] study of each and every institution. What does this institution do for the country, how do we privatise it, what will be the effects of privatisation? … Also you are supposed to analyse the people who are buying it. Are they capable, what is their track record? You know, we expected so much to be done, but what did we see? Everything was done in a hurry. There was asset stripping, and there was selling of institutions at a very low price to dubious people; and the workers who were laid off were not paid, they were just thrown into the streets. As I'm talking now a lot of them have not been paid. You can imagine yourself, having worked for 30 years in an institution, and going away with nothing. What are you doing, you're creating poverty … the country has gone backwards, in terms of poverty, in terms of unemployment, and so on and so forth. And there's no person who's interested in saying, privatisation has worked … It's not the policy of privatisation itself, it's correct, there's nothing wrong with it, but it's the way it was done, and the way it's being done. That's not the way we expect it to be done, and we blame the IMF and World Bank for having put conditionalities and making the Government rush, into*

selling these things. They are actually to blame, partly to blame. They are taking advantage of this weak Government, which is looking for money (interview, 13 March 2003).

Thus, whilst the IMF seeks to promote privatisation as a solution to the corrupt manipulation of state-owned resources in the past, Zambian critics see the flawed form of privatisation imposed by the IFIs as primarily responsible for the parlous state of the contemporary Zambian economy.

The Privatisation of Zambia Consolidated Copper Mines

It is impossible to overstate the historical dominance of copper mining in the Zambian economy. For fifty years, international copper sales provided the majority of domestic product (60-70 per cent during the 1960s) and government revenue (90-95 per cent in the same period). Although the subsequent decline of the international copper price undermined the industry's profitability, it continued to be the only substantial source of foreign exchange earnings apart from donor funding, vital for an economy perpetually dependent on imports. The decline and stagnation of the copper price, over which the Zambian state has no influence, has been the most important factor in the country's economic decline, and its resultant dependency on Western donors and IFIs. Whilst development advisors have for 40 years stressed the need for economic diversification away from the mining industry, most of their recommendations have sought to utilise mining revenue for this purpose, tending in practice to reinforce its centrality.

The sale of Zambia Consolidated Copper Mines (ZCCM) (begun in 1997 and completed in 2000), the vast mining conglomerate in which the state held a 60.7 per cent share, was therefore crucial to the overall success of the privatisation process. The privatisation of ZCCM was shaped at every stage by Zambia's dependent relationship with the IFIs and international mine capital. At decisive points in the process, the World Bank and IMF intervened to influence the future ownership of Zambia's primary economic resource. Not coincidentally, mine privatisation breached the requirements of Zambia's Privatisation Act for transparency in bidding processes and awards, consultation with stakeholders, and due regard for social and environmental impact. This contributed to the failure of the sale to realise significant revenue, which was to have been used to clear part of Zambia's vast debt.[2]

In the early 1990s, whilst the privatisation of other state-owned companies proceeded, debate took place regarding the appropriate way to privatise the then profitable copper mines. No Zambian company had the resources to consider purchase of one or all of the mines. The Anglo American Corporation (AAC), the South Africa-based international mining conglomerate, had been one of the two sole owners of the Zambian copper mines from the 1920s until partial nationalisation in 1969. AAC retained a 27.3 per cent share in ZCCM throughout the 1980s and 1990s, and played an important (though under-researched) role in mediating relations between Zambia and its international creditors during that time. It was thus well placed to bid for some or all of the mines, and to shape the overall privatisation process. AAC retained a written veto on the sale of ZCCM assets, and was the obvious buyer should ZCCM be sold as a single unit. The government was, however, reluctant to place the key asset of Zambia's economy in the hands of a single international corporation, and sought external advice on alternative approaches.

Two reports by external development advisers, funded by the World Bank, recommended the unbundling of ZCCM into smaller companies, and their sale through a competitive bidding process. A rump ZCCM would retain minority shares in each resultant company, and the government would keep a minority share in ZCCM. The government, the donors, and AAC approved this recommendation, and ten packages were advertised for sale by the ZPA in February 1997. AAC's initial reluctance regarding unbundling was overcome by a written guarantee that they would acquire Konkola Deep, the as yet undeveloped mine project that was the jewel in ZCCM's crown. Whilst this enabled the process to proceed, it also removed the most valuable asset from competitive bidding, substantially reducing potential revenue.

The bidding process took place during a period of increasing political difficulties for the Chiluba administration. The MMD had won the 1996 elections, having excluded Kaunda's candidacy for the Presidency through dubious constitutional manipulation; widespread vote buying and the intimidation of opposition candidates marked the poll. In 1997, a coup attempt was followed by the detention of Kaunda and other political opponents. In this increasingly authoritarian atmosphere, the Privatisation Act's requirements for transparent processes and civil society consultation were never likely to be met. In June 1997, with bidding underway, Chiluba appointed a Privatisation Negotiation Team (PNT) headed by Francis Kaunda (no relation to the former president), Chairman and Chief Executive of ZCCM in the 1980s. Francis Kaunda had been a UNIP loyalist (and a member of the ruling party's Central Committee), and was for that reason removed from his ZCCM position as soon as the MMD came to power in 1991. He had, however, retained strong personal links with senior officials in international mining concerns, and quickly brought these to bear in his new role. His enduring friendship with senior AAC Executives is described in his recent book about the privatisation process (Kaunda, 2002). A single bid for the largest package, including the Nkana and Nchanga mines, by the 'Kafue' consortium of four major international mining companies, was initially accepted by the ZPA. However, negotiations between them and Francis Kaunda's team became drawn out, as the international copper price fell. A final bid by the Kafue Consortium was rejected by the PNT in 1998, throwing the privatisation process into confusion.

The World Bank was certainly concerned at the resultant delay in the privatisation. A 1998 donor Consultative Group meeting was cancelled, not for human rights concerns as was officially stated, but because of failure to complete the sale of ZCCM (see note 1, p. 173); $238m of pledged balance of payments support was withheld for the same reason, at a time when the copper mines were making increasing losses that were being borne by the state. The AAC now sought to use the government's parlous economic position to acquire additional mine assets at an advantageous price. As the Afronet/CBE/RAID report makes clear,

> *… it was not until the company, from this position of strength, had negotiated and signed a memorandum of understanding with the Government over the purchase of Nkana, Nchanga and Konkola on 24 November 1998, that the donor community indicated that it would consider the approval and release of funds* (Ibid.).

Following this agreement, the IMF agreed in principle to a new phase of its Enhanced Structural Adjustment Facility (ESAF), with subsequent payments dependent on ongoing progress in the sale of ZCCM.

During 1999-2000, AAC benefited from donor/IFI pressure on the Government, eventually purchasing Nchanga and Nkana mines for $18m (the Kafue Consortium had offered $131m, albeit for a somewhat different package of assets, two years before) (Kaunda, 2002:84). AAC was able to secure substantial additional concessions to Zambia's already liberalised tax regime, including a 20-year tax holiday on the remittance of profits and dividends. It also succeeded in shifting the costs of compensating 3,000 Nchanga workers made redundant on the eve of sale (which was finally completed in March 2000) to the rump ZCCM-Investment Holdings and the government; AAC's advantageous terms helped make its competitors unprofitable. Notwithstanding these concessions, AAC pulled out from Zambia in January 2002, leaving the long-term future of the mining industry in doubt.

International influence over the Zambian economy could have been used to raise important questions as to whether the mine privatisation process was likely to benefit Zambia. In fact, in the context of increasing losses, every action of the IFIs was designed to place the mines in the private sector as rapidly as possible, regardless of the consequences for income generation, living standards, and the future sustainability of the mining sector.

Luanshya Before & After Privatisation

The consequences of this approach can be seen in the current parlous state of the town of Luanshya in the Copperbelt, its vast mine plant mostly lying idle and rusting, standing in poignant contrast to its prominent status in the Zambian historiography of urban social relations, nationalist politics and militant unionism (Larmer, 2004). Luanshya's Roan Antelope mine, developed by the American Roan Selection Trust, began production in 1931, and grew rapidly in the post-war boom, achieving a stabilised workforce of around 7,000 by the mid-1950s. From Independence in 1964, the new UNIP government supported the gradual advancement of Africans into jobs previously reserved for white mineworkers, but failed to fulfil miners' expectations of 'equal pay for equal work' with expatriates. Kaunda sought to increase state control over the economy with the 51 per cent nationalisation of the mines in 1969 (later increased to 60.7 per cent). However, despite attempts to influence pricing and supply via the Intergovernmental Council of Copper Exporting Countries (CIPEC), formed in 1967 by five major African and Latin American copper producing countries, the Zambian Government failed to achieve influence over the copper price.

After Independence, mineworkers continued to utilise industrial action to further their interests; in response, strikes were made illegal and efforts were made to put the Mineworkers' Union of Zambia (MUZ) under UNIP control. As the copper price collapsed in the 1970s, the economic basis of the post-colonial state broke down. UNIP borrowed extensively to subsidise unprofitable state companies. From the early 1980s, loan conditionalities led to the increasing definition of economic policy by the World Bank and IMF. The World Bank advised on the creation of the ZCCM in 1982. As ZCCM's foreign exchange income was siphoned off to fund the one-party state, the consequent lack of reinvestment made the copper mines increasingly inefficient and unproductive (Aron, 1992). Mijere's interviews with Luanshya miners found that 98 per cent of them associated the increased hardships of workers with nationalisation (Mijere, 1985). From 1985, financial difficulties and donor pressure led to the imposition of fees for health and education services, and the reduction of subsidies to essential goods. A wave of strikes and rioting in 1981, and the subsequent detention of leaders of MUZ and the ZCTU (including Chiluba) led to the emergence of the labour movement as the de facto opposition to UNIP (Woldring, 1984).

In 1989, Chiluba become the first prominent national leader to publicly support a return to multi-party democracy. The MMD emerged as a coalition of business, church, former political and union leaders, and having won the return to multi-party elections as a pressure group, transformed itself into a political party with Chiluba as its presidential candidate. In mine towns like Luanshya, the union movement provided vital logistical support and organisation for the MMD. Many MUZ branch officials adopted local MMD leadership positions, and ZCTU structures were effectively converted into MMD party structures during a campaign that led to an overwhelming electoral victory for the MMD and Chiluba in October 1991.

Whilst the labour movement had been central to the creation of the new government, it achieved little practical influence over MMD policy. With the fall of Stalinist regimes in Eastern Europe, the increasing dominance of neo-liberal orthodoxy dovetailed with a genuine desire amongst many Zambians to reduce the capacity and cost of an authoritarian and corrupt form of state capitalism. Most Luanshya miners initially supported ZCCM privatisation, believing MMD promises that it would end the draining of its profits by the state, enable new investment, and lead to new jobs and improved wages and conditions.[3]

Luanshya's mine complex was the first major ZCCM asset to be sold. Under the established bidding process, the ZPA had negotiated with the Canadian-based First Quantum mining group, and it was expected that they would acquire the Luanshya assets. With the entry of Francis Kaunda's PNT, however, First Quantum's preferred bid was suddenly replaced with that of Gokhul Binani's London-based group of companies, disregarding the tendering and consultation processes required by the Privatisation Act. Kaunda's book is unusually reticent on his longstanding friendship with the Binani family, which had been engaged in international metal trading for decades (interview, 2004). In July 1997, Binani was awarded the Luanshya concession for $30 million, establishing the new Roan Antelope Mining Company of Zambia (RAMCoZ).

Gokhul Binani initially impressed local MUZ officials when he visited the mine for the first time. There were promises of investment of $69 million, and the construction of new plant. Luanshya miner Anton Kaluba:

> *Mr Binani, the time he had came in, as a pioneer of buying the first mine here in Zambia, he showed a good name for the first six months or so… we thought we were going to have better life. But then … later on we discovered that, this man was no more or less like a conman* (interview, 16 December 2002).

The mine was being asset-stripped; existing machinery was dismantled and removed, and the smelter furnace was allowed to break down. Binani had taken on many of the costs of the loss-making ZCCM, initially agreeing to employ all 6,240 employees, and taking on responsibility for company amenities such as health centres (AAC subsequently shifted such costs to the government). Binani was however either unable or unwilling to cover these costs, and sought in private negotiations with the government to reduce them; in practice, these and other bills to creditors went unpaid. RAMCoZ also breached its agreement with the MUZ to pay 'terminal benefits' to retiring and retrenched workers. By 1998, it was clear that these were not being paid. When the Union raised this issue with RAMCoZ management, MUZ Branch Chairman Cameron Pwele was dismissed.[4] His sacking prompted an eight-day strike, violently repressed by security forces, in which two people died. The strike achieved Pwele's reinstatement, but not the payment of terminal benefits.

Binani appears to have believed it could behave with impunity in breaching its agreement with MUZ and its creditors because of its close relationship with Chiluba. It is widely acknowledged, and a former senior RAMCoZ Executive confirms, that the MMD received regular payments from the new owners, in de facto exchange for evading its responsibilities (interview, 2003). In 1998 the Copperbelt Energy Company, owed millions of dollars in unpaid bills, drastically reduced electricity supply to RAMCoZ, making normal operations impossible. Other contractors gradually withdrew services, and in October 2000, receivers were sent in to recover Binani's debts (Kachingwe, 2003). Chiluba now publicly turned on Binani, successfully ridiculing him as an Indian with no expertise in mining, in so doing deflecting from the collusion of the State in Binani's purchase of RAMCoZ, and its subsequent *modus operandi*. Under the receivers, mine operations initially continued, but in March 2001 the lack of power supply led to flooding, and the suspension of normal mining operations.

The government receiver now took responsibility for the payment of terminal benefits, and the salaries of the 2,500 employees who were retained to maintain essential mine services. The government, however, struggled to locate funds for these purposes; in 2002, employees went without pay for seven months. Two days before Christmas that year, 500 miners and their families marched in pouring rain to the office of the Luanshya District Administrator, confronting armed riot police and demanding the payment of their back salaries. A series of court cases, interspersed with violent strikes and demonstrations, finally secured the payment of benefits to some retrenched miners, a process completed in 2003.

Zambians today commonly describe Luanshya as a ghost town, but a ghost town is normally deserted by its population. The people of Luanshya, the miners, their families, and those indirectly dependent on the mine's activities for their livelihoods, mostly remain in town, farming nearby plots for their basic subsistence, and standing around the potholed streets. In a town that owes its existence solely to the mine, the legacy of Binani's disastrous administration of RAMCoZ manifests itself in every aspect of life. Most town centre shops have closed down, with trade taking place from unhygienic pavement stalls and run-down markets. Transport services are virtually non-existent. The municipal council, which derived most of its income either directly or indirectly from the mine, is penniless and unable to provide the most basic services appropriate in a town the size of Luanshya. Its own workers have gone unpaid for long periods.

Many miners' houses now lack electricity, water, and sanitation services. Their families are unable to eat more than once a day; their children, excluded from school because of the inability of their parents to pay school fees, have the physical appearance of the residents of a refugee camp. Luanshya's hospital and clinics are unable to buy drugs and other supplies, and local MUZ officials report that since the mine closed, there has been a tripling in the daily number of deaths in the mine townships.[5] Crime rates, unsurprisingly, have soared. Many of those still working in Luanshya are employed to guard the mine, to prevent the looting of scrap metal by impoverished ex-miners. The government has recently deployed its owned armed paramilitary police to guard the mine in an attempt to prevent such petty theft. The fact that those who asset stripped the mine and destroyed the livelihoods of thousands of mineworkers have meanwhile gone unpunished, is an irony not lost on the people of Luanshya.

Thirty-five million dollars of Binani funds, ostensibly to purchase the mine and to pay terminal benefits, were widely believed to have been paid into a ZCCM account in Belgium; these then disappeared, and their whereabouts remains unknown. It is widely suspected that Chiluba and/or other members of his administration salted these funds away in offshore bank accounts. Pwele (who was in 1999 stripped of his MUZ membership and subsequently retrenched by RAMCoZ), elected the Member of Parliament for Roan in 2001, campaigns for this money to be tracked down. He was also concerned about the announcement in March 2003 that J&W Investments, a company based in Switzerland, had signed a contract with the government to take over RAMCoZ. As the then Minister of Finance Emmanuel Kasonde proudly announced, one of the reasons the J&W bid had succeeded was because of its financial backing by Lakshmi Mittal, the international financier and businessman.[6] Mittal is believed to have provided a substantial part of the funds for the original Binani bid, and Pwele fears that Mittal has effectively been given the Luanshya mine to prevent a major law suit over the closure of RAMCoZ (interview, 2002/2003). Production has recently restarted, but only one-third of the mine workforce is being re-employed.

Pwele and other former MUZ officials are critical not only of Binani and the MMD, but also of the complicity of the MUZ leadership in the privatisation process. MUZ head office officials insist that, given the threat to the very survival of the mining industry in the late 1990s, they had no alternative but to accept the accelerated privatisation process. Senior MUZ officials did attend meetings where information about potential buyers was shared, but the prior consultation supposedly guaranteed by the Privatisation Act did not take place.[7] Some branch officials in post in the late 1990s point to the exclusion of the union from the tendering and negotiation process, arguing that if they had been present, some concessions granted would not have been made (i.e. Ngulube interview, 2003). They describe the corruption of ZCCM officials (for example, Binani executives giving boxes of expensive suits to Ministry of Mines officials), and insist that MUZ did complain about this (interview, Evelyn Musonda, 2002).

Many MUZ members remain suspicious that union officials were themselves recipients of graft linked to the privatisation process, in particular in the sale of ZCCM's vast housing stock. Chiluba won significant electoral support amongst miners in 1996 by announcing that all ZCCM's 40,000 houses would be sold to sitting tenants, the vast majority of whom were miners. Major irregularities are known to have taken place in this process, with prominent ZCCM Board members and Executives, and top MUZ officials, acquiring one or more high cost houses at bargain prices.

The national MUZ leadership has been unable to visit Luanshya for fear of physical attack by discontented members. In January 2003, the local MUZ office was partly gutted by in an arson attack assumed to have been committed by angry miners. Elsewhere, thousands of discontented MUZ members are subscribing to splinter unions; once one of Africa's most powerful unions, MUZ is now apparently in terminal decline. Cameron Pwele believes the MUZ leadership secretly agreed that Luanshya miners could be dismissed without being paid their terminal benefits, and blames the union's weakness on its close relationship with the MMD, a legacy of the pro-democracy movement of 1991:

> *I differed with them [MUZ leaders] because, they became a Government. They were supporting MMD. And they left the workers in the dark. They stopped thinking about the*

> *workers, because they thought they were Government, and they could do anything. Anyone who could speak on behalf of the workers became an enemy* (interview, 2003).

The Union Movement under the MMD

In late 1991, shortly after the MMD came to power, President Chiluba wrote to the general secretaries of all Zambian unions, requesting their assistance in addressing the legacy of economic problems inherited from UNIP in stark terms:

> *It is therefore my sincere hope that you will all summon courage as leaders of our people to convince the workers to die a little so that prosperity is not overburdened with a crippling debt and an economy shattered beyond redemption. You have always risen to the occasion and I have no doubt that you will respond to this challenge with all the promptness and commitment.*[8]

There is now increasing acknowledgement that the union movement was weakened by its close relationship with the MMD and Chiluba in the 1990s. Leonard Hikaumba, President of the ZCTU:

> *I think the first few years of MMD in power, you know we had given them the benefit of the doubt. Most of the people in Government came from our movement, including the President. They had made an appeal in 1991. They wanted people to sacrifice, and we agreed, all of us. In most of the campaigns, the question was asked 'Are you ready to sacrifice?', we said 'yes' … And that sacrifice, in order to give chance to the Government was also perceived as a weakness on our side, because even on things that we could have fought against in the previous administration, we allowed them to go ... [Now] … we said, 'Look, for how long are we going to sacrifice?'* (interview, 10 March 2003).

Privatisation, and the implementation of civil service 'reform', has reduced union membership from a peak of 358,000 in 1990, to less than 240,000. Having placed its hopes in the Chiluba administration, and lacking any ideological base from which to scrutinise the MMD's policies of economic liberalisation,[9] the union movement's disarray, particularly over appropriate policy towards privatisation, culminated in a split in the ZCTU in 1994, with four major unions including MUZ and ZUFIAW breaking away; three of these rejoined in 1999. In the context of increasing popular disillusionment with the MMD, the union movement has gradually recovered some of its former autonomy and militancy, albeit with a greatly reduced influence. This is reflected by an increasing number of public sector strikes challenging deteriorating pay and conditions, and the non-payment of terminal benefits to retrenched workers. The ZCTU has, meanwhile, become increasingly critical of structural adjustment policies, producing an important survey of their impact in Zambia in 2001 (Mpuku and Muneku, 2001).

The Fall of Chiluba

The rising level of industrial action took place alongside an increasing wave of opposition to Chiluba and the MMD. Under UNIP, unions and the churches were the only sections of civil society that successfully resisted their total incorporation into the one-party state. Although the MMD has displayed authoritarian tendencies, multi-party democracy has provided the space within which credible and politically active civil society organisations, and the independent media, have grown in reach and influence (www.post.co.zm). These have played an increasingly important role in deepening democracy, challenging corruption, and providing a powerful critique of neo-liberalism and its practical impact. Chiluba's attempt to set aside his government's own democratic reforms in order to stand for a third term in office was successfully resisted in 2001 by a combination of civic groups combined in the Oasis Forum, and mass actions by students and the wider urban population. Chiluba stood aside, but helped engineer the election victory of his chosen successor Levy Mwanawasa that December. Mwanawasa received 29 per cent of the vote in a poll condemned by international observers as rigged (EU, 2001). The many opposition parties newly represented in Parliament did not initially offer any substantive alternative to the MMD's policies.

Mwanawasa deflected attention from his dubious accession to office by riding the wave of popular desire to see those responsible for earlier MMD corruption brought to justice. In July 2002, Mwanawasa capitalised on a major illegal demonstration calling for Chiluba to be put on trial, by successfully appealing to Parliament for the removal of his immunity from prosecution. A series of legal challenges culminated in the Supreme Court's confirmation of this decision in February 2003, and Chiluba's subsequent arrest. He was initially charged with 96 counts of theft by public servant, totalling \$40m (*The Post*, 6 August 2003). Other investigations promised to provide insights into corruption in ZCCM during privatisation: former ZCCM Chief Executive Edward Shamutete and General Manager Urbano Mutati have been questioned about the loss of \$102m through the sale of cobalt at uncompetitive low prices (*The Post*, 21 March 2003). A commission of inquiry was launched into the sale of ZCCM houses.

Whilst the removal of Chiluba's immunity, an unprecedented event in sub-Saharan Africa, has rightly been heralded as a significant blow for democratic accountability, there are concerns that the charges against him will not expose the wider nature of corruption in the 1990s. First, Mwanawasa's own election benefited from the MMD's illegal use of state resources, such as the purchase of 100 vehicles used during the campaign. Funds were 'borrowed' from the ZNCB in dubious circumstance to support the election campaign. Opposition leaders have pursued an ongoing case against Mwanawasa's election in the Supreme Court. Second, the large number of charges originally brought against Chiluba has now been reduced to six test cases involving the theft of \$500,000 of public funds (*The Post*, 12 October 2004). The major corruption scandals of his administration, such as the theft of cobalt, and the disappearance of \$6 million provided by Canada for relief maize in 1998, are now unlikely to be addressed in court. Whilst there are reasonable fears that the scale and complexity of the case against Chiluba would have meant a perpetual delay in bringing about justice, the result is that there will be no legal examination of the complicity of multinational companies in corruption.

The New Unionism

The trade union movement, significantly weaker than in the past, is nevertheless revitalising itself under a younger leadership less tied to the MMD. ZCTU President Leonard Hikaumba was 38 years old when elected in 2002, and unlike his predecessors, brings to the position his experience as a student leader, which led to his expulsion from the University of Zambia in 1985. Hikaumba was president of the large Civil Servants' Union of Zambia (CSUZ) during the rising wave of public sector pay disputes of the late 1990s, in which unions found themselves in direct conflict with the MMD's implementation of IFI-designated cuts in government expenditure and state employment. These culminated in a significant victory in June 2001, when public sector workers won an 80 per cent pay increase after a two-month strike (*The*

Post, 12 October 2004). Having been elected on an explicitly militant platform, Hikaumba has been comparatively confrontational towards the government, providing direct Congress support to the ZNCB privatisation protest (unthinkable under his predecessor). He sees the IFIs as key to the current privatisation debate:

> *I think the driving force behind this is the IMF and World Bank. When we look at the Government's role, we find that for these institutions, they [the Government] are the people who were convinced by the IMF, that if we are to continue getting assistance, then these companies must be privatised* (interview, 2003).

Joyce Nonde questions the motivations of the IFIs in the following terms:

> *… these people also want to have a hand, to be in control of countries, to be powerful. I'm sure they knew we were making mistakes … But they wanted to take advantage of that, so that we continue to be perpetual beggars … They sell these companies, most of them have been bought by foreign investors, and we have seen…where most of the managers and owners are from abroad … you tell the country to liberalise everything, foreign exchange and so on. I make money today, I change it into forex and send it out of the country. That doesn't mean you are there to help the country, so they have their own agenda* (Ibid.).

Nonde's personal experience of PRSP 'participation' challenges donor claims that they are locally owned:

> *I did attend PRSP meetings. You go there, you have your own ideas. There come the Government officials with an already documented paper, and that we know, has an input of IMF and World Bank. And you know, as you are discussing, this guy has already made up his mind, of what should be written there … Ministry of Finance people. And you can see that this one person is one-track minded, this paper has to be sold, OK? And in fact, at one point I stopped going there, because I felt it was a waste of time. These things, they can say consultation, they bring you together, but they've already made up their minds on the way they want to move … you find that things don't work, because they are imposing certain ideas on you, they're not letting you come up with what you want* (Ibid.).

Nevertheless, neither Nonde nor Hikaumba support continued state ownership of parastatals. Both point to the ZNCB's constant manipulation whilst in state ownership; the MMD's drainage of ZNCB to fund its 2001 election campaign is widely acknowledged. Nonde, in seeking alternatives to both corrupt state ownership and sale to foreign private capital, is exploring concepts of popular control through the distribution of shares to ZNCB workers and customers, and seeking to learn from alternative forms of non-profit management of strategic national assets in other countries. Hikaumba stresses the importance of strengthening regional trade union linkages through the Southern Africa Trade Union Coordinating Conference (SATUCC) and internationally through the International Confederation of Free Trade Unions (ICFTU), in order to share experiences of privatisation and potential alternatives to it, within the context of globalisation (interview, Hikaumba, 2003).

Mwanawasa's Neo-nationalism

The MMD Government, seeking to both satisfy its international creditors and disarm popular discontent, is also following international trends. The phrase 'public-private partnership' has been used to describe its proposed 'commercialisation' of the ZNCB, which, as Nonde stresses, would mean the closure of ZNCB's unique network of rural branches with the consequent loss of jobs and services, and the introduction of the minimum balance requirements that already exclude the vast majority of Zambians from opening accounts with commercial banks (interview, Nonde, 2003).

Such proposals nevertheless resemble models of semi-privatisation attempted by UNIP in the late 1980s. One of the most notable features of Mwanawasa's administration has been an increasing tendency to reflect Kaunda's nationalist mode of governance, stylistically and in more substantive ways. Whilst anti-Western rhetoric was not absent in the 1990s (Chiluba attacked Western interference when donors highlighted human rights violations), there has been a significant shift under Mwanawasa, evidenced not only in government statements, but also in some policy changes, such as a ban on the use of foreign currencies in Zambian shops and businesses. In 2002, the revelation that US and Canadian food aid was genetically modified (GM), prompted an extensive public debate regarding the danger of GM grain inter-breeding with local maize varieties, adversely affecting exports to European markets. Following an investigation, the government rejected the food aid (Zambia was the only southern African country to do so), requesting that the WFP instead donate non-GM food. Whilst many prominent Zambians insisted that GM maize was less dangerous in the short-term than the threat of starvation, popular support for the government decision reflected anger about Zambia's apparent inability to decide its own policies (*The Post*, 12 August 2002).

Mwanawasa has subsequently sought to raise his own nationalist credentials by associating himself with Kaunda and his legacy. Whereas Chiluba harassed Kaunda, Mwanawasa has hailed him as an elder statesman, publicly consulted him on policy, and presented him with the country's highest award in January 2003. The state-controlled media has echoed this in its hagiographic approach to Kaunda. This also reflects Kaunda's renewed popularity amongst many Zambians, particularly a younger generation with little memory of his administration. Given the widespread discontent with the Chiluba administration, nostalgia for his predecessor, and a selective memory of his achievements, is unsurprising. In this context, Mwanawasa has increasingly followed in Kaunda's footsteps. He has used the power of moral exhortation on Zambians to grow more food, appearing on television to insist that all government ministers should run their own farms.[10] He has repeatedly decried political plurality for its detrimental effects on 'development', represented (as it was under UNIP) as an unproblematic technical issue, and calling for national unity to achieve it. In 2003, Mwanawasa undermined Zambia's first genuinely multi-party Parliament through the appointment, against their parties' wishes, of nine opposition MPs as government ministers, justifying this as the most effective utilisation of human resources. He pays lip service to consultation with civil society, but has alienated its goodwill by creating a government-dominated Constitutional Reform Commission, which is being boycotted by most civil society organisations. In 2004, a civil society organisation critical of the CRC process was de-registered by the authorities without consultation.[11]

This neo-nationalism is also expressed in recent statements regarding the privatisation of ZNCB. Following his Government's forced reversal of privatisation, Mwanawasa criticised those calling for privatisation 'for the sake of it'. Proposals for the commercialisation of ZNCB have been presented as alternatives to privatisation that will meet the needs of all Zambians.[12] Whilst this is not a substantive break from neo-liberal policies, Mwanawasa's populist attempt to shift the blame for their consequences from his administration to external agencies reflects a rising level of popular discontent with the enduring dominance of Zambia's economy by foreign capital. This is partly influenced by the regional prominence of Zimbabwean President Robert Mugabe's anti-Western, anti-imperialist rhetoric. Of course, Mwanawasa's administration does not approach that of Mugabe in its violence or repression. Nevertheless, whilst much of civil society is critical of the abuse of human rights in Zimbabwe, Mugabe's vilification of international interference, and his condemnation of Western double standards on free elections and human rights, resonate with the anger of many Zambians at the impotence and dependency of their country on Western capital and aid, and the comprehensive failure of neo-liberal policies. Whilst it survives, Mugabe's regime provides an undeniable example of an alternative to neo-liberalism.[13]

Meanwhile, Mwanawasa's administration is in increasing conflict with the IMF, which in June 2003 suspended a $100m 'poverty-reduction credit' after the government unexpectedly declared a $125m budget deficit (BBC, 21 July 2003). The government now finds itself squeezed between IMF strictures on spending, and pressure from increasingly confident public sector unions demanding further salary increases. A strike by civil servants in August-September 2003, prompted by the Government's reneging on its collective agreement, a decision reversed after the IFIs pointed out that they were not included in the annual budget they had approved. As Finance Minister N'gandu Magande explained, 'We are running the country but the budget is controlled by donors' (*The Post*, 18 July 2003). The strike was declared illegal, and union representatives were harassed by the police. Whilst the strike was unsuccessful, the dispute was an important element in disrupting the Government's financial management, and its consequent failure to reach the HIPC completion point by December 2003 – it now hopes to reach completion in early 2005. The budget announced in January 2004 imposed a salary freeze on public sector workers, as part of efforts to remain within HIPC spending limits. This prompted a major demonstration and a public sector general strike, to my knowledge the first ever called by the trade union movement, in February (*The Post*, 19 February 2004).

Neo-liberalism & its Zambian Discontents

Whilst civil society organisations are increasingly critical of the impact of neo-liberalism, most opposition parties have not sought to reflect this. In contrast, the increasing popularity and profile of Michael Sata's Popular Front (PF) party, particularly amongst former MMD supporters on the Copperbelt, is based on Sata's populist attacks on IMF-influenced economic policies and his call for a return to limited national economic protectionism. Sata, who served in Kaunda's last government, and who was a key member of Chiluba's administration in the 1990s, has reinvented himself as an advocate of poor workers; he was a prominent presence on the anti-privatisation demonstration.

Such populist, nationalist discourses also find purchase amongst prominent unionists, who express a preference for the sale of national assets to Zambian rather than foreign capitalists. Hikaumba, who advocates the protection of, and the provision of incentives for, local investors, insists:

> *We feel that, whatever class to which these people might belong, definitely they will have an interest in the development of Zambia, because Zambia's their country, and they've no other country they can go to* (interview, Hikaumba, 2003).

In fact, Zambian businessmen overwhelmingly use the liberal foreign exchange rules to invest most of their capital in overseas stock markets, and their record of taking over privatised companies is no better than their international counterparts. Nevertheless, the enduring belief that Zambian capitalists will tend to act morally and with regard to the national interest, has not been eroded, and indeed has been reinforced by the popular understanding of neo-liberalism. It is likely that such nationalist tendencies will continue to feed on popular discontent with IFIs and the hypocrisy of Western policies on aid, trade, and human rights.

Conclusion

Zambian civil society organisations, in their search for alternatives to neo-liberalism, are in many respects at a crossroads. Much of their analysis reflects that of the anti-globalisation/anti-capitalist movement, and their understanding of the complementary relationship between IFIs and multi-national capitalism, rooted as it is in Zambians' own devastating experience of implemented neo-liberalism in the 1990s, is frequently acute and profound. Their most progressive representatives are seeking to strengthen grassroots participation in developing alterative social and economic policies based on the experience of rural and urban Zambians, and expressing these in more active campaigns. At the same time as increasing their own legitimacy by strengthening communication with their constituencies, some are seeking to break out of a comparatively isolated national analysis (reinforced by limited access to electronic communication), to learn from the experiences of those facing similar issues in southern Africa and the wider world. Zambian activists are discussing the feasibility of an Anti-Privatisation Forum modelled on those in South Africa and Zimbabwe, and helped organise the first Southern African Social Forum held in Lusaka in December 2003 (Larmer, 2004).

However, the enduring legacy of nationalism, and Kaunda's essentially moral world view, cast a long shadow across the Zambian polity. Chiluba's corruption is commonly explained by judgements about his personality, rather than in the context of the vast unaccountable power of the Zambian Presidency. Corruption is similarly understood as a problem that can be solved by the election of politicians who have the nation's interest at heart, and by the identification and attraction of 'good investors' (interview, Nonde, 2003). In fact, the acquisition of wealth through semi-legal or illegal avenues and company-state linkages has been at the heart of capital accumulation in Zambia since Independence (and, given the dubious legality of the treaties signed by Chiefs with the British South Africa Company in the 1890s, well before that). The exploitation by senior UNIP officials of parastatal management positions in the 1970s and 1980s, was succeeded in the 1990s by the utilisation of the privatisation process for the dubious acquisition of individual companies, and the payment of bribes for preferential treatment by prospective Zambian and international purchasers of particular assets. This does not demonstrate a peculiarly African or Zambian propensity for graft, but rather the peripheral position of Zambia in the international economic order. Throughout this period, the consequent priority of the Zambian ruling class has been to enable the continued outflow of wealth in the form of copper and loan payments to international markets. The colonial legacy of a mono-economy dependent on international markets over which Zambia lacks any control, and highly limited indigenous private capital formation, means that state-based accumulation is a result, rather than a cause, of Zambia's economic marginalisation and the severe poverty of most of its people.

Privatisation, particularly of ZCCM, highlights the central role played by an effective alliance of donors and those sections of multinational capital that have an interest in the Zambian economy. As this paper has sought to demonstrate, the disastrous social and economic outcomes of the implementation of extreme neo-liberalism in the last decade have been decisively shaped by this alliance. 'Aid' (most of which funds donor repayments, rather than social assistance) has been withheld at decisive moments to weaken the bargaining power of the Zambian state, to undermine the legal right of civil society organisations to influence the privatisation process, and to enable new investors to flout their social obligations.

Given the severely limited influence of the Zambian state over this process, and the overwhelming evidence of foreign influence over the national economy, it is unsurprising that Zambians tend towards essentially nationalist explanations for their suffering, and for nationalist solutions to alleviate it. Thus, a limited recent tendency towards state economic intervention, and the protection of Zambian investors from foreign competition, finds support amongst trade unionists like Hikaumba who are otherwise critical of those in power. Yet the implementation of such nationalist policies in the past not only failed to address the fundamental problems arising from Zambia's position in the world economy, and inequality within Zambia; they also provided a populist justification for increasing state control over individuals and collective expressions of popular opinion. As I have argued, such authoritarian tendencies, uncannily reminiscent of the one-party state era, have already manifested themselves in Mwanawasa's administration (*The Post*, 11 September 2003). It is to be hoped that the unprecedented dialogue underway within Zambian civil society in general, and the labour movement in particular, over potential alternatives to neo-liberalism, can avoid such nationalist pitfalls, and begin to challenge the underlying basis of national and international political and economic power that is the ultimate cause of their grievances.

Miles Larmer, University of Pretoria; e-mail: miles.larmer@up.ac.za. This paper draws on material collected whilst the author was a Ph.D. Research Student at the University of Sheffield. It draws on material collected during research visits to Zambia in September to October 2001 and August 2002 to March 2003, particularly on interviews carried out with present and former officials of the Zambia Congress of Trade Unions (ZCTU), Mineworkers' Union of Zambia (MUZ), and other unions. I am grateful to the Beit Fund and the University of Sheffield for their generous financial support of these visits.

Endnotes

1. Inter-African Network for Human Rights & Development (Afronet), Citizens for a Better Environment (CBE), & Rights and Accountability in Development (RAID), Zambia: Deregulation and the denial of human rights; Submission to the OECD Committee on Economic, Social and Cultural Rights (Lusaka, Kitwe, Oxford, March 2000), p. 234.

2. This is a finding of the Afronet/RAID/CBE report. I am indebted to RAID's Patricia Feeney for additional information on this subject; the conclusions drawn are my own.

3. Interviews with former MUZ officials and mineworkers, including Evelyn Musonda, Cameron Pwele and Anton Kaluba, 2002-2003.

4. Interviews with Henry Mukuka, Luanshya Mpatamatu sub-Branch Chairman in 1998, 16 December 2002; and Cameron Pwele, 17 March 2003.

5. Discussions with George Mulenga, MUZ Organising Secretary, December 2002.

6. Economics Association of Zambia meeting, Lusaka, 12 March 2003.

7 . Discussions with senior MUZ officials, Kitwe, Oct 2002-March 2003.

8. MUZ Head Office File MUZ/15/13/81: other government ministries and government bodies, 1981-2001.

9. This point is made by Austin Muneku, ZCTU Director of Research, various discussions 2001 and 2002.

10. 'Feeding the Nation', ZNBC TV, 13 March 2003.

11. BBC World Service, Focus on Africa, 16 November 2004.

12. See for example, *The Post*, 10 May 2003, Mwanawasa meeting with World Bank Country Director Paul Schafer.

13. Sympathetic and supportive views of Mugabe and Zanu-PF were found in numerous discussions during recent visits to Zambia.

Bibliographic Note

Aron, J. (1992), 'Economic Policy in a Mineral-dependent Economy: the Case of Zambia', unpublished D.Phil. thesis, University of Oxford.

Craig, J.R. (1999), 'State Enterprise and Privatisation in Zambia, 1968-1998', Ph.D. Thesis, University of Leeds.

European Union (2001), European Union Election Observation Mission, see www.eueu-Zambia.org.

Inter-African Network for Human Rights & Development (Afronet), Citizens for a Better Environment (CBE), & Rights and Accountability in Development (RAID) (2000), 'Zambia: Deregulation and the denial of human rights', submission to the OECD Committee on Economic, Social and Cultural Rights, Lusaka/ Kitwe/Oxford.

Kachingwe, Kelvin (2003), *Times of Zambia*, 23 January.

Kaunda, F. (2002), *Selling the Family Silver*, Kwazulu-Natal: Interpak Books.

Larmer, M. (2004), 'Zambia's Mineworkers and Political Change, 1964-1991', Ph.D. thesis, University of Sheffield; (2004), 'Is another Southern Africa Possible?' in Southern Africa Development Community Barometer, Johannesburg (January).

Mijere, N. N. J. (1985), 'The Mineworkers' Resistance to Governmental Decentralisation in Zambia: Nation-building and Labor Aristocracy in the Third World', unpublished Ph.D. thesis, Brandeis University.

Mpuku, Herrick C. & Austin Muneku (eds.) (2001), *Impact of Structural Adjustment Programmes on The Zambian Economy*, Kitwe.

Rakner, L. (2003), *Political and Economic Liberalisation in Zambia, 1991-2001*, Uppsala: Nordiska Africainstitutet.

Transparency International (2002), 'Transparency and the Rule of Law in the Privatization of the Zambia Consolidted Copper Mines (ZCCM) Assets', Lusaka.

Woldring, K. (ed.) (1984), Beyond Political Independence: Zambia's Development Predicament in the 1980s, Berlin: Mouton Publishers.

Zambia Congress of Trade Unions/International Confederation of Free Trade Unions (2001), 'The Impact of Structural Adjustment Programmes on the Zambian Economy: A Trade Union Perspective', H. C. Mpuku & A. Muneku (eds.), African Regional Organisation Research Project, Kitwe: Zambia Congress of Trade Unions.