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Zambia — Land of Problems

by Dr Hans Cohn, Port Elizabeth

When Zambia, formerly known as Northern Rhodesia, became an independent state in 1964, President Kenneth Kaunda was a firm believer in private enterprise and foreign investment. Aiming at the birth of a new non-racial society, he gave the private sector of the country's economy a relatively free hand and at the same time used the government revenue from economic growth to broaden the base of economy thus giving more people a chance to participate in it.

Four years later, in April 1968, the same President Kaunda delivered his famous Mulungushi speech announcing the Zambian government's entry into big business and certain moves against the so-called "expatriates", that means against persons making extremely good livings in Zambia without acquiring Zambian citizenship or identifying themselves with the country in any way. At the same time restrictions were announced against exports of profits of foreign-controlled companies, and Zambian bankers asked to lend more money to Zambian entrepreneurs, while applications for loans to non-citizens will be in future referred to the Zambian Exchange Control authorities for approval or rejection. In a few words, Kenneth Kaunda, the favourite with the West, has turned into self-styled "humanitarian socialist".

New Socialist Attitude

What has caused this fundamental change of ideas? Has President Kaunda fallen a victim of communist propaganda or has he realised that a home-grown socialism would be more adequate to the structure of Zambian economy, than free enterprise? It is more than this. With the declaration of "UDI" in the neighbouring Rhodesia and the extension of the frontier of white supremacy from the Limpopo north to the Zambesi, Zambia's political and economic position has changed altogether. It has become the border-state of what is considered the arch-enemy of black Africa, the South African-Rhodesian block, and the Zambesi river resembles in more than one respect the Suez Canal.

President Kaunda's new attitude is motivated by a deep disappointment and disillusionment. He is disappointed with the West for not using force but sanctions against Rhodesia; he doubts the sincerity

of Britain's intentions and repeated claims; he is perturbed at the way Zambian economy went in spite of his efforts. Besides this he faces the tremendous task to develop the country rapidly and at the same time to break away from all the traditional southern-orientated economic ties that would have normally guaranteed a smooth running of economy. These two requirements are very often diametrically opposed to each other and made Zambia a land of more and greater problems, than any other African territory.

Reasons for the New Policy

Conditions leading to the President's new socialist attitude were rather disquieting. Extraordinary government spending had definitely created a boom in the private sector of economy, but the beneficiaries of this boom were not the black Zambians who in fact have made very little headway in business, but the "expatriates" and foreign companies. No wonder, that these people are subject to resentment and hatred by many black Zambians and that charges of "exploitation" and "profiteering" are anything but unusual. Furthermore productive capacity was lagging behind the considerable rise in expenditure caused by an extraordinary high copper revenue. This in turn had brought about inflationary tendencies aggravated by shortages of consumer goods resulting from disruption of supply routes and changes of sources following "UDI". One of the most grotesque results of this situation was the fact, that the "arch-enemy" South Africa could increase its exports to Zambia in 1967 to a record level. Zambia bought R 72.2 mn worth of goods from South Africa, R 13.8 mn more than in the record year 1966, at the expense of Rhodesia, exports of which to Zambia dropped by 55 per cent. It is easy to speak about economic boycotts, but very difficult to act accordingly.

To complete this gloomy picture, unity in President Kaunda's ruling party is not anymore as strong, as it used to be. There is a drift towards tribalism which weakens the power of the government. Besides this, the Vice-President Simon Kapwepwe is well-known to disagree with President Kaunda in many a respect and was already accused by leading South African newspapers of being "pro-Peking" and a "Pan African Extremist". He has refuted these accusations officially, but it cannot be denied, that red China's influence in

Zambia is growing steadily. Thus President Kaunda was actually compelled to give up his *laissez faire* *laissez passer* policy and to resort to stronger means of ruling the country.

The Economic Reform Programme

Meanwhile the details of the economic reform programme announced at Mulungushi have been accomplished without any difficulty. Twenty-four medium-sized firms in brewing, transport, building supply and consumer goods were taken over by the State, and settlements carried out speedily and generously. In fact, shareholders were paid out on book value, a rather liberal interpretation in view of the fact that some of the firms were considerably undercapitalised. A further pleasant surprise for the expatriates concerned was the generous delineation of the new limited areas in which non-Zambians are allowed to pursue general trading. Although some small traders in rural areas will lose their licences at the end of 1968, a monopoly for State stores will exist only in the South, the East and parts of the Central Province. A mass-exodus of dispossessed general dealers is therefore unlikely, the more, as most of the persons concerned are expected to turn to other trades, especially to the wholesale trade.

Deepest concern was expressed immediately after announcement of the new measures about the possible effects of the move against exports of profits of foreign-controlled companies. Mr Harry F. Oppenheimer, president of the Anglo-American Corporation of South Africa Limited, said on the Corporation's annual meeting that under these circumstances the Corporation's Zambia policy would have to be revised and similar statements were made by other capitalists concerned. Yet there won't be any serious effects on those fields, where private capital co-operates with the Industrial Development Corporation and outside this Corporation very little new foreign capital has come to Zambia since independence. It therefore can hardly be assumed that the inflow of investment capital will dry up.

Most seriously affected by the Mulungushi regulations are however the banks and other financial institutions, which are urged to advance more money to Zambians and restricted in their transactions with expatriates. Zambian bankers have already protested against the insinuation that overdrafts were granted exclusively to expatriates, while similar requests of Zambian citizens were refused. If expatriates were treated with preference, this was just a simple matter of security after studying the prospects of the enterprise in question. Yet it is considered a possibility that the Government may force the bankers into granting unsecured uneconomic loans. This is however a later worry, as most firms have overdraft limits for the current year.

The Copper Mining Industry

Yet, although the initial depression after announcement of the economic reform programme has been

almost fully dissipated, there are grave problems looming and the future appears anything but bright. Focal point of these problems is the copper mining industry, the only export industry the country possesses. For the near future prospects for Zambian copper are looking better than in the past. After five months of a 20 per cent cutback in shipments the industry has resumed full production, coal supplies are reaching the Copperbelt and severe shortages of liquid fuel are not expected, as the recently completed products pipeline from Dar es Salaam will come on stream before the end of the year. In addition to this a new and more adequate royalty formula is being worked out and new developments may increase the output of Zambian copper by 150,000 tons a year. Finally the dependence of the country on the Kariba hydro-electric scheme for its power requirements will be finished in the foreseeable future, as the Zambian government has awarded the main contract for the new Kafue hydro-electric scheme to the Yugoslav contractors "Energoprojekt". This biggest industrial project ever carried out in Zambia will secure the country's power requirements and avert a possible power shortage in case of an open conflict with Rhodesia.

It is now the question, what kind of serious problems can arise under favourable conditions like these. There is in the first place the revived interest of the government in the marketing question. So far even Zambia's high-cost producers could still return a profit, but it must be considered doubtful, if this rentability will endure a government interference with the selling price. Furthermore there is the labour question. The contracts of 5,500 expatriates come up for renewal in the beginning of 1969 and so far there has been no sign of an agreement on new terms. If there will be recommendations on a non-discriminatory base, as is to be expected after the Mulungushi reforms, these attempts will meet with enormous difficulties. One of these difficulties is the necessity of making the new contracts for expatriates as attractive as possible in view of future recruiting of expatriate labourers. Mr Harry Oppenheimer was absolutely right by pointing out that Zambia would need less capital than skilled labourers, and therefore couldn't afford to discourage foreign investors. Finally the 45,000 members of the Zambia Mineworkers' Union are expected to come out with new wage-demands, a prospect which may increase the already strong inflationary trends and in addition cause an increased nervousness concerning the copper price.

Building up a New Society

But Zambia's problems are not confined to economic developments only, although these developments are of greatest importance, — they are also problems connected with building up a new society. Aspirants for public office in Zambia may in future have to be screened by a special panel to test their belief in President Kenneth Kaunda's "socialist philosophy of humanism". There are also plans for country-wide

political weekend schools thus enabling the government to convey its intentions to every village in the country. Posts ranging from Cabinet Ministers to heads of statutory government bodies would be subject to screening to ensure that "only those who understand and are prepared to follow the principles of humanism occupy positions of influence in our society".

It goes without saying that President Kaunda's new policy is moving in the direction of totalitarianism and it remains to be seen, if his newly built Zambia will be able to solve its social and economic problems. Being the border-country of "white" Southern Africa it has—of course—also its political problems to contend with, although these problems are strongly exaggerated. Although Zambia has become the main base for guerilla operations against Rhodesia, it is not in the interest of Rhodesia and South Africa to strike into Zambian territory. This would undoubtedly provoke an international outcry and the situation in Southern Africa would deteriorate considerably. In fact, South African spokesmen like the Minister of

Defence, Mr Botha, have been warning Zambia that its long-term interest lay in being on friendly terms with South Africa. Yet, as General R. C. Hiemstra, Commandant-General of the South African Defence Force, recently pointed out, there is definitely a great danger that the present terrorist attacks in Rhodesia could gradually become a full-scale conventional war. A development like this took place already in Vietnam and a repetition in Rhodesia would be absolutely possible.

Zambia is scheduled to have a general election before January 1969 — the first since the country became independent in 1964. These elections will be of decisive importance for the future. They will show, if President Kaunda's reforms really enjoy the high degree of popularity he expects them to enjoy, and if the "one-party state" will be a permanent institution. Careful observers of the situation expect an overwhelming victory for President Kaunda who is definitely still the most popular personality in Zambia, and at the same time the right man to deal with the country's various problems.

Competition

Performance of Japanese Economy

by Professor Tsutomu Nakamura, Nagoya

The development of the postwar Japanese economy was remarkable, especially since 1955 when the postwar reconstruction had been completed. We can point out three factors which played a particular and important role for this development—banking, dual economy and oligopolistic competition. It seems as if the influence of these factors is diminishing and the Japanese economy is facing a turning point of its economic development.

Banks and Big Business

It is characteristic of the postwar Japanese economy that banks have played the key role for its reconstruction and development. First, they were relatively protected during the postwar period. Moreover, since Japan had lost almost all its accumulated capital during the war, money was the indispensable element for the economic recovery. The private banking system was able to finance industry in the form of long term funds as well as working capital. Furthermore, the Bank of Japan lent money only to commercial banks, the dominant financial institutions.

Most credits of commercial banks went to large firms, especially to the particular firms to which the banks were closely tied. The loans to companies whose stock capital was more than 10 mn yen ac-

counted for 70 per cent of all bank loans. As an indispensable consequence, intimate relationships between big banks and big firms developed under the leadership of the former. It was through this course that the old zaibatsu, the big family concerns, first recovered as they had their own banks which had not been dissolved by the Allied Powers. New industrial combines, too, appeared under the influence of other banks which had not attempted to build industrial combines before the war.

Tabelle 1
Differences of Wage Rates by Size of Enterprises
(in per cent, 1,000 employees and more = 100)

Number of employees	1955	1964
1—29	43.0	59.3
30—99	50.5	65.7
100—299	61.4	71.5
300—999	76.5	81.5
1,000 and over	100	100
Total	62.1	73.9
Real wage rates of 1,000 and over	\$ 769	\$ 1,425

Source: MITI, Statistics of manufacturing industries (kogyo Tokei Hyo).

It was also characteristic of the Japanese economy that it had two sectors, a modern and a traditional