How Anglo American won the siege of Zambia and got the copper

by Linda de Hoyos

As of the third week in December, it was announced by *The Post* in Lusaka, the government of Zambia had finally arrived at an agreement with the Anglo American Corp. mining company, the flagship company of the British Commonwealth in Africa, for the sale of the Nchanga and Nkana mines of the Zambia Consolidated Copper Mines (ZCCM), a state-run firm, for the price of $72 million. Under the agreement, Anglo American will take over the mines by April of this year, with an investment commitment of $300 million.

So ended Anglo American's decade-long siege against the government of Zambia and its people, to force the sale of the ZCCM mines to the South African mining giant now headquartered in London. Anglo American (which already had a 27% share of the Zambian copper fields) is now in possession of most of the copper fields, which run along Zambia's northern border and into the Democratic Republic of Congo. The corporation's intent is to gain possession not only of Zambia's fields, but also the Congo's, a goal that has been stymied on the Congo side so far.

The siege against the Zambian government had been mounted even before Zambian President Frederick Chiluba came to power in October 1991. In Zambia's case, the major weapons wielded by Anglo American were not such marcher-lord forces as Yoweri Museveni and Paul Kagame's militaries. The forces called into battle were the International Monetary Fund (IMF) and the so-called "donor community," which waged relentless financial warfare against the government. The result was the continuous contraction of the Zambian economy, the collapse of its copper production, and the depletion of the Zambian population.

Zambia was literally "starved out," as 1.4 million of the country's 9 million people today face imminent starvation because of crop failure. Drought and then floods have destroyed a major part of the country's crops; with bridges swept away and roads blocked, delivery of relief food has become extremely difficult, President Chiluba told the nation on Jan. 22. But, the food emergency which is now forcing Zambia to import maize, is the result not only of natural disaster, but of conditionalities set by the IMF, which had already brought about the ruin of Zambia's agricultural sector.

The story is told in **Figure 1,** in the statistics on life expectancy, which has plummeted in the decade of the 1990s from 54.4 years to, now, below 42.6 years. It might be argued that the decline in life expectancy is due to the AIDS epidemic which has ravaged Zambia. But AIDS itself is a marker for the physical depletion of the population by other factors which depress the immune system—such as protein deficiency and malnutrition, chronic malaria, tuberculosis, and parasites. In short, life expectancy has reverted to the levels of colonial exploitation, precisely at the point that Zambia has been forced to hand over its national resources to the modern-day colonialists of the Anglo American Corp.

By October 1998, President Chiluba, who had sought to cooperate with the IMF and the donors, was embittered, after seven years of acceding to the ever-escalating demands of the IMF. All funds to Zambia, from the Fund, the World Bank, and the donor community had been frozen pending the sale of the Zambia copper fields to foreign interests at below fire-sale prices. Speaking at Holy Cross Cathedral on Oct. 18 to mark Zambia's 34th year of independence, the President described Zambia's debt as the worst form of subjugation since the slave trade. He decried the fact that Zambia and many other developing countries have been subjected to conditions attached to their debts, reported the Zambian National Broadcasting Network. "He wondered what civilization was all about, when poor countries were still being given condi-

Zambia and Southern Africa

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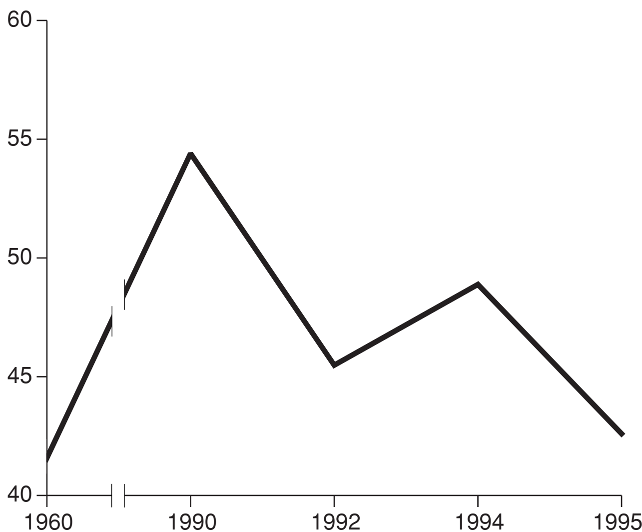
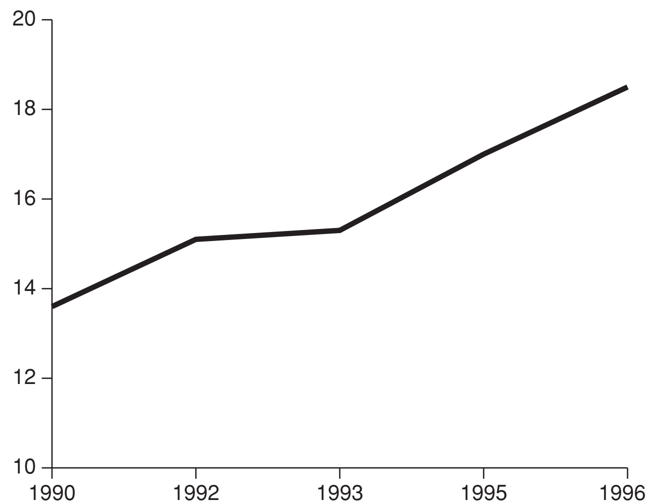
FIGURE 1
Life expectancy in Zambia



Source: UNDP.

FIGURE 2
Crude death rate in Zambia
(deaths per 1,000)



Source: UNDP.

tions like those given to slaves in the past."

A month later, the President attacked the donors for arbitrarily imposing new conditions without regard to the nation. First, the donors had linked the flow of money to "good governance," and then, once that was achieved, linked it to the sale of the copper mines. "Our donors," said Chiluba on Nov. 19, "are making the point that copper is a new millstone around our necks, by insisting that aid is tied to the sale of the copper mines, a condition at complete variance with pledges made at the last consultative meeting. . . . Of course, as donors they are entitled to change in midstream, for whatever excuse, regardless of the consequences on our economy. . . . As the saying goes, 'to every dark cloud, there is a silver lining.'. . . The time has come to seriously look elsewhere for the survival of our country."

This decade-long siege of Zambia, and the seizure of its copper fields, shed light on the tortuous, and torturing, process that most developing-sector countries have been forced through, and live with every day.

First, the effects of the IMF conditionalities on Zambia prove that the spiral only leads downward to the continuing contraction of the economy, which, when combined with downward-sliding world prices for raw materials, has the effect of putting a country's neck in a noose, and pulling tight.

Second, the seizure by Anglo American—a private company, after all—of Zambia's copper fields, under a gun held by the IMF and the donors, answers the question so often raised by developing-country ministers and leaders: Why is the IMF doing this to us, when the effects of these conditions only make matters worse? Because conditions set by the IMF are not prescriptions for recovery, but weapons of war against a nation-state.

Third, it must be pointed out that, despite the extreme pressures, Zambia is not what the Western policymakers call "a failed state." As long as there is a sovereign government in Zambia, the decision to sell the mines can be reversed, or the mines can be nationalized again. For the neo-colonialists, hence, the "failed state"—where only chaos appears to reign—is the surest guarantee that their property and mining rights will not be challenged. For this reason, despite some money now dribbling in from donors since the announcement of the sale to Anglo American, *it should be not be expected that the pressures on Zambia will decrease.*

Into the barrel

The sale of the ZCCM mines to Anglo American reversed the programmed nationalization of Zambia's copper fields carried out during 1969-73 by Zambia's first President, Kenneth Kaunda. As of January 1970, the government had acquired a 51% interest in the two existing mining companies and appropriated all mining rights. The mining fields had "traditionally" been under foreign control, as the London *Economist* puts it, specifically Anglo American control.

By the mid-1970s, as Zambia, along with most other sub-Saharan countries, was reeling under the impact of the oil shock, the Kaunda government was forced to go to the IMF. Meanwhile, world copper prices were on their downward trajectory. In 1986, riots in the copperbelt forced Kaunda to break with the IMF and its conditionalities. In September 1991, right on the eve of national Presidential elections, Zam-

FIGURE 3
Infant mortality in Zambia
(death under one year of age per 1,000 births)

Source: UNDP.

bia failed to meet a $20.8 million arrears payment to the World Bank, and all donor funds were immediately suspended. Kaunda had further failed to end subsidies on maize; if he had ended them, that would have drasticallly raised the price of food for most Zambians.

In October 1991, Lt. Gen. H.B.M. Lungu, Zambian Ambassador to the United Nations, excoriated the conditionalities and no-development policies of the IMF, in a speech to the UN Second Committee on financial and economic issues: "Time has come to ask the basic question: Namely, as to what vision of development we have in mind as we muddle through, as we have done since 1980, through growing sets of conditionalities? . . . Conditionalities should not ruin economies. At the same time, it should be clear that conditionalities are not a substitute for deep research into effective models of development." Further, Ambassador Lungu said, in a statement even more accurate today than it was in 1991, "No amount of national effort, no matter how strong-willed and democratic it is, can bring about development in the absence of new initiatives in the current *international debt strategy,* which concerns itself with living with the burden of external debt rather than eliminating the burden altogether."

Speaking before the General Assembly on Oct. 10, Zambian Minister of State of Foreign Affairs Wilfrid Wonani sounded a similar theme: "The problem calls for a comprehensive, urgent, and satisfactory solution. It is disappointing to see that legitimate calls for meaningful debt reduction have received countercalls for repeated reschedulings. Reschedulings are, at best, stopgap measures.

"The question of the reform of the global financial and monetary institutions, notably the IMF and the World Bank, is as valid today as when it was first raised. Very few people doubt the fact that the Bretton Woods institutions have simply been marginalized."

Three weeks after these speeches were heard at the United Nations, Frederick Chiluba was the new Zambian President, having won a landslide victory. Throughout the Presidential election campaign, the international press had been railing at Kaunda, especially for Zambia's recalcitrant stance vis-à-vis the IMF. Although coming up through the ranks of trade-union leadership, Chiluba had been the favorite of the Western donor community. According to one British report, "His commitment to economic neo-liberalism is positively Thatcherite."

As soon as he was in office, the new President invited an IMF delegation to Zambia, and its demands were put on the table: removal of subsidies, especially the subsidy on maize consumer prices, and subsidies for fertilizer consumption among farmers; restructuring and privatization of parastatals (partly state-owned firms); more open trade; aggressive promotion of private investment (read: easy terms for investors); and tax reform and fiscal discipline.

President Chiluba had hoped that the democratic election would gain Zambia some quick relief on payments on its $4 billion debt. Following IMF recommendations, the Zambian currency, the kwacha, was devalued by 30%, sending consumer prices upward. Contrary to President Chiluba's expectations, however, in February 1992, World Bank President Lewis Preston warned that "Zambia should not anticipate any significant change in the International Monetary Fund policy toward her in the immediate future." Preston declared that for Zambia to "gain creditworthiness," it must drastically reduce government expenditure, cancel all subsidies, and adopt economic policies driven by "market forces."

In May 1992, the Bank of Zambia liberalized exchange controls. In July 1992, the Privatization Act was passed, which set forth a five-year privatization program, largely achieved by 1997. In December 1992, the government removed all subsidies on maize, and the price to consumers shot up 300%. Overall inflation was 200% for the year. In return for these onerous measures, the donors had promised $600 million for debt payment, and so forth. Even so, the money was slow in coming. As reported by the London *Economist,* "The slow disbursement of aid pledges, which is also partly the result of paperwork in the Bank of Zambia, has put pressure on resources, and the government was forced to obtain a $30 million loan from a consortium of commercial banks in August to shore up spending."

Privatization ran into some trouble because, according to the *Economist,* "There is concern to avoid the concentration of ownership among a few large corporations, such as Lonrho, the Chibote group, and Anglo American, which already dominate the private sector" in Zambia. This was to become the "sticking point" in the sale of the ZCCM fields to Anglo American, in particular. In addition, privatization would result in the loss of thousands of jobs.

FIGURE 4
Zambia's total external debt
(billions $)

Source: Economist Intelligence Unit; Government of Zambia.

FIGURE 5
Zambia's debt service ratio
(% of total exports of goods and services used to pay debt service)

Source: Economist Intelligence Unit.

Throughout 1993, there continued the contraction of the economy (5% in 1992). The crisis had been exacerbated by the drought of 1992, which hit the countries of the eastern coast of Africa down into South Africa. Drought-related expenditure comprised 15% of the government budget allocation.

For Zambia, the year 1993 was witness to the shattering effects of carrying out the IMF's diktats.

Manufacturing: More than 100 companies closed their doors, because of a government-imposed import tax of 20% for the cheapest raw materials, and 40% for the most expensive. For instance, as reported by one managing director of a pharmaceuticals firm, "It is cheaper to import finished drugs than manufacture them here, because the sales tax and duty are charged on raw materials, while imported drugs are brought in duty-free." More than three-quarters of the country's textile factories shut down, as cheap second-hand clothing flooded the country from the West.

Agriculture: In the first phase of the siege, the priority goal of the IMF was to destroy Zambia's food self-sufficiency, thus rendering the government far more vulnerable to threats and blackmail. By 1993, the government lacked funds to buy the maize crop, according to Agriculture Minister Simon Zukas, who complained in Washington, "We may control inflation, but what good is low inflation when food is rotting? Our farmers are dying because of high interest rates, but now we want to kill them because their crop will not be bought."

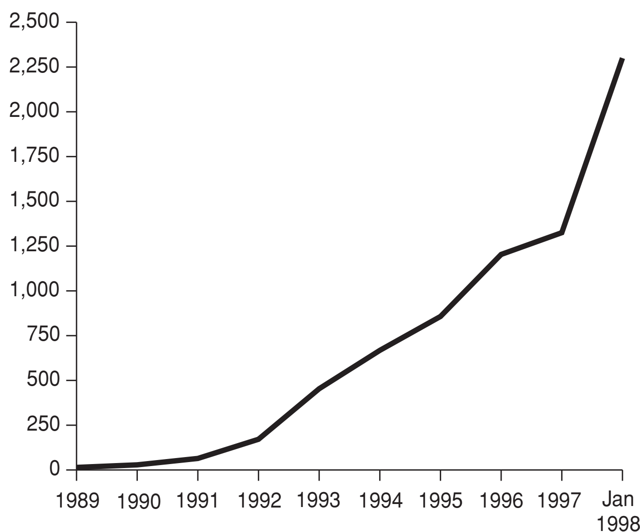
Zambia was meanwhile being flooded with cheap imports of American flour brought in from South Africa. By the end of the year, with not one penny of "donor" money going to agriculture, 210 of the country's 700 large farmers had gone belly-up. Lonrho shut down its cotton-growing scheme in Mumbwa, laying off 10,000 farmers. By the end of 1994, Zambia's production of maize had fallen from 601,000 tons in 1990 to only 318,000 tons. As the *Economist* intoned, "The exodus of large-scale agricultural producers means it is unlikely that Zambia will be self-sufficient in food for many years."

Social services: The social service safety net disappeared. (One would think, from **Figure 7,** that the increase in the proportion of the labor force working in services would mean an increase in social services, but diversion of the productive labor force into "services" is usually a disguise for unemployment or criminal activities.) For the first time, Zambians were forced to pay fees at state hospitals and clinics. The sick had to pay for their own drugs. But with one of every 10 jobs lost, many could not afford it. Subsidies for fuel and maize meal were gone.

The AIDS epidemic has ripped through Zambia in the 1990s, as the population's overall physical well-being has declined. Kara Counseling and Trust Society, which combats AIDS, lays the responsibility even more directly at the door of the IMF. The Fund's structural adjustment programs (SAPs), which have destroyed living standards of families, have forced women and children out onto the streets and into widespread female and child prostitution. "They are on the streets, and try and live above the hardships brought about by adjustment programs."

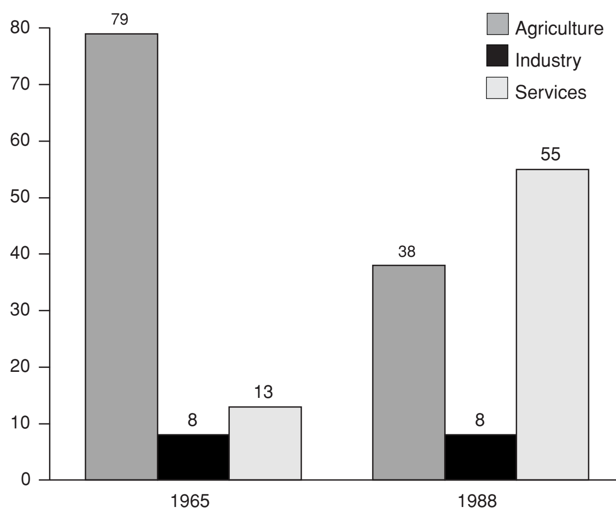
As the *Economist* noted at the end of 1994, "Political complaints are mounting," and the journal admonished: "A

FIGURE 6
Currency exchange rate
(kwacha to US$1)



Source: Economist Intelligence Unit; Government of Zambia.

FIGURE 7
Deployment of Zambia's labor force
(% of labor force in:)



Source: UNDP.

harder line is going to have to be taken with wayward government members if social unrest is to be avoided, as inflation, devaluation, the after-effects of the drought, and tight government fiscal policy destroy living standards."

By 1995, now that the economic defenses of Zambia had been shattered, the siege for the seizure of the copper fields was launched, as donor and Fund pressure came down for the sale of the Zambia Consolidated Copper Mines to Anglo American. However, as Zambian officials explained, the government was agreeing to sell the mines, but preferred to sell them to a Zambian, rather than a British, concern. This the donors found unacceptable. By March, "budget problems" in Zambia had "forced" the IMF to suspend its Structural Adjustment Facility to Zambia, even though the country was spending 36% of its export revenue on servicing its debt—a very high debt-service ratio for sub-Saharan Africa's cash-strapped countries.

The battle for the copper fields was given auxiliary support by the crushing fall in the world price of copper (see **Figure 8**). Faced with strict budgetary constrictions, resulting from high payments on foreign debt, the government was in no position to maintain the mines. The price was so low that it hardly paid to work them, even with restructuring and layoffs. Production collapsed with the price. Whereas ZCCM had produced more than 700,000 tons per year in the 1960s, by 1995, this had shrunk by more than 55%, to only 313,800 tons. This gave added fuel to Anglo American and its IMF thugs, who argued that Zambia had proven it could not afford to manage the mines. Additionally, the fall in the world price for copper was ammunition to force the lowering of the selling price.

FIGURE 8
Copper prices
(cents/lb)

Source: Economist Intelligence Unit.

By 1995, after three years of structural adjustment, the Zambian people had been reduced to absolute penury. The year saw another drought in Zambia, and forced importation of grain to attempt to meet the deficit. But even so, as detailed by Bestone Ng'onga in the *Financial Mail:* Life expectancy had been reduced to 40 years and children are stunted due to

chronic undernutrition. According to the 1994 Zambia Poverty Assessment, nearly seven out of 10 Zambians are poor or "core" poor, said Ng'onga. These are people for whom at least 70% of household expenditure was on the basic food basket, or people for whom household expenditure was less than that required for the basic food basket.

In for the kill

Nevertheless, throughout 1996 and 1997, Zambia fought for the right to sell the mines to Zambian, not foreign, private interests. The stand-off continued well into 1998. IMF funds remained frozen, even though debt payments continued to be made. In the beginning of February 1997, the "donor countries" also turned off all flows of funds.

An interchange between Willem Zuidhof of the Netherlands Management Cooperation Program and his Zambian representative Klaske Hiemstra gives an idea of how the message to sell the mines was delivered through every possible channel. As reported in the Lusaka *Post* on Nov. 16, 1998:

"Zuidhof, who is in the country to hold a regional meeting on the benefits of the Dutch-funded management consultancy services, said Zambia's economy is in shambles. 'If you just count the number of companies closing down or just the general income of the people, you will realize that the current situation is disastrous.'. . . Zuidhof observed that the problem had been that of the management of the economy. . . . Zuidhof said that the problem had been compounded by policies that had led to the demise of most companies in the manufacturing sector.

"The Zambian representative of Zuidhof's firm understandably answered that the government 'had to protect local industries if they were to survive (a measure prohibited by the IMF's SAP.)' 'You cannot have a situation where you can start importing oranges instead of helping the local farmers. . . .' She further observed that while the second-hand clothes were beneficial to the poor, they had killed the textile sector.

"Zuidhof advised the government to speed up the sale of mines," as the only way to revive the economy.

Similarly, Tove Gerharndsen, in Lusaka in June 1998, representing the Norwegian Agency for Development, Zambia's third-largest "donor," threw down the gauntlet. As reported in *The Post,* Acting Minister of Finance Alfeyo Hambayi attempted to explain that Zambia had sold 224 state companies out of 300 since Chiluba had become President. But the donor boycott had forced the currency to fall by 50% in 1997. Donor refusal to extend funds "coupled with the fact that we continued to meet our heavy external debt obligations, led to a significant decline in our official external reserves," the minister said. He further noted that the domestic growth rate had fallen by 50% in 1997, but nevertheless, the government was going ahead to lay off government workers. But Norway's premier development officer had only one remedy for the economic woes caused by adherence to IMF policies: Sell the mines.

Hence, by December 1998, the government of Zambia acceded to donor demands and sold the mines to Anglo American for the unbelievable price of $78 million. Anglo American further refused to assume any of the debt of Zambia Consolidated Copper Mines, which stands at $800 million. It has pledged to invest $300 million to revitalize copper production.

Who is carrying whom?

With the Zambian economy and its people brought to their knees, one can hear the Malthusian experts in the economies of the developing countries, moaning that Zambia has exceeded its carrying capacity. As explained by economists Mohamed T. El-Ashry and Dorsey Burger, writing a chapter for *Africa in the 1990s and Beyond,* "Carrying capacity measures the ability of the resource base indefinitely to support populations of a given species." But the idea that Zambia, which has a maximum population density of 12 people per square kilometer, is over-populated is an absurd proposition.

It is the case that its resource base has been destroyed, first by the denial of capital goods and technological exports in the first years after independence, and then by the takedown, by the Structural Adjustment Program of the IMF, of whatever the country had achieved on its own, and the simultaneous collapse of prices for its primary export, copper. Now its resources have been stolen from it outright.

Zambia's people are beyond their carrying capacity, but it is not themselves that they are carrying: Zambia's balance of trade, exports compared to imports, is zero. Zambia imports no more than it exports, even with the copper price at cellar levels. Contrast that with the current U.S. trade deficit of $169 billion. The truth is that net resources have been been steadily flowing to the industrialized countries. Countries such as Zambia are carrying the consumers of the industrialized countries on their backs, and even more to the point, carrying on their backs the financial speculators of Wall Street and the great British Commonwealth banking system. And their people are dying at ever-faster rates under the crushing burden of that load.

Thus, if President Chiluba had ever been "positively a Thatcherite," his accurate attacks on the "debt slavery" imposed by the IMF and the "donors" show that he has begun to acquire an understanding of the system that is systematically destroying his country and his people. There can be no further illusions of "recovery" under IMF programs; there can only be the best possible defense mounted against such programs and the pressures to implement them. It is time, as Chiluba has begun to do, for African leaders to tell the truth of what has been done to their countries. It is also time that African leaders find the courage, even under the extreme pressures imposed on them, to raise their voices in the demand for a New Bretton Woods monetary system that will do away with the destructive conditions set by the IMF, and at last permit the development and true independence of the former "colonies."