

Africa Report by Mary Lalevée

Zambia breaks with the IMF

President Kaunda also blasted the Socialist International's Friedrich Ebert Foundation for weakening the economy.

Zambia has become the second nation in Africa to follow the example of Peru's President Alan García, in breaking with the International Monetary Fund (IMF) and imposing a limit on debt service repayments. Last November, Zaire's President Mobutu announced that no more than 10% of Zaire's export revenues would be used for debt repayment: Now Zambia has followed suit.

In a dramatic televised speech to the nation on May 1, Zambia's President Kaunda declared that the IMF's latest conditions for resuming aid to his country were unacceptable, and that his government would embark on a new policy of growth from its own resources. He said that debt service payments would be limited to 10% of export earnings.

Zambia has been following IMF-dictated policies since 1973. The result has been drastic falls in living standards, with per capita income now only one-third of the 1981 level, less than \$200 per annum, and with almost 60% of the active population unemployed. Zambia's economy has also been hit by the fall in the price of copper, which provides 90% of export revenues. The copper price has fallen 75% since 1973. In 1986, eighty percent of export revenues were used for debt repayment.

Kaunda announced the abandonment of the liberal economic policies insisted on by the IMF, and the imposition of strict import controls, the freezing of prices, the fixing of loan rates at 15%, and a new program of

public sector investment. The currency, the kwacha, was revalued, and IMF-dictated foreign exchange auctions were abolished. These auctions had led to the devaluation of the currency by 528% since October 1985.

President Kaunda said, "The IMF program was supposed to help us get out of the quagmire we had got into. But the time has come to reconsider the situation in its entirety. The severe austerity program of the IMF has only brought suffering and malnutrition to Zambians." Sweden's *Svenska Dagbladet* quotes Kaunda saying, "People here are starving to death as a result of the IMF reforms."

President Kaunda accused the International Monetary Fund, South Africa, the United States, the UNITA rebels from Angola, RENAMO rebels from Mozambique, and most interestingly, the West German Friedrich Ebert Foundation of deliberately weakening the economy to undermine his authority. The pro forma attacks on South Africa aside, his naming of the Socialist International-run Ebert Foundation is very significant. Kaunda has always presented himself as a "humanist," rejecting "the narrow-mindedness of Western Capitalism and the perversity of Marxist-Leninist Socialism," as described in a government radio commentary, and had allied closely with Socialist International figures like Willy Brandt and the late Olof Palme.

On April 15, 1987 Kaunda broke with that policy by ordering a leading representative of the Ebert Foundation

out of the country for "giving money to the Zambia Congress of Trade Unions" (ZCTU), traditionally a focus of opposition to the government. A Zambian source in West Germany commented that he was "very sad" about what had happened. "There are these foundations that give you the impression they are your friends, and you get a surprise when they do things like this. . . . You take them for granted, and you don't realize they are stabbing you in the back." What the Ebert Foundation was doing was "tantamount to destabilization, by groups which on the surface are supposed to be helping."

The Swedish Social Democratic government reacted to Kaunda's break with the IMF by declaring that financial aid to the country may be suspended. Zambia was supposed to receive about \$16 million from Stockholm, but according to a Swedish foreign ministry spokesman quoted in *Svenska Dagbladet* on May 7, "It is no longer self-evident that there will be a payment . . . to Zambia. We must analyze this new situation."

Support for Zambia's step came from the Organization of African Unity, whose secretary general Ide Oumarou declared on May 9 that the OAU would fully support Zambia after the break with the IMF. Oumarou said that the move was justified by the failure of IMF policies in African countries, with their programs of reducing government expenditure and liberalizing the economy not achieving their aims. Not only had there been no influx of foreign capital for productive investment, but the IMF measures had led to rebellions in several countries.

The French newsletter *Lettre d'Afrique* reports in its May 5 issue that Zambia's move "is just the beginning," and several other African countries may follow suit.