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Zimbabwe: Socialism and the Private Sector

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An Intelligence Assessment

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An Intelligence Assessment

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Zimbabwe: Socialism and the Private Sector [redacted] 25X1

Key Judgments

Information available as of 20 July 1983 was used in this report.

Despite a self-styled commitment to Marxism-Leninism, Prime Minister Robert Mugabe has pursued relatively benign policies toward the Zimbabwean private sector since he came to power three years ago. We believe that Mugabe recognizes the crucial role of private enterprise in the economy and that he will continue to avoid making major disruptive moves against the private sector at least through the three-year (1983-85) term of the current development plan. The government's business "takeovers"—four since independence—have involved willing sellers who were compensated at fair market value. The government, moreover, has avoided imposing centrally dictated production quotas, investment targets, or other trappings of socialism on the private sector; it has concentrated instead on measures to improve black welfare, such as increases in minimum wages, hikes in spending for education and health, and land purchases to expand black farm ownership. [redacted] 25X1

Still, Mugabe has repeatedly declared an intention to move Zimbabwe in a socialist direction. Although this has perpetuated some of the early postindependence fears of white farmers and businessmen about their prospects, a growing number of whites recently have expressed confidence in the future of private enterprise in Zimbabwe. White emigration nonetheless has continued since independence at a pace slightly higher than during the last years of the civil war. Moreover, Mugabe's socialist rhetoric has frightened potential investors, and there has been virtually no new foreign investment since independence. [redacted] 25X1

Economic conditions deteriorated in 1982-83, following robust expansion during the first two years of independence. The downturn was largely a product of import constraints (the result of foreign exchange shortages) and a profit squeeze (caused by the government's unwillingness to ease price controls in the face of rising wage costs). Net new domestic investment has fallen sharply since 1982 because of a decline in the rate of return, [redacted] 25X1

We believe that, so long as Mugabe is in power, Zimbabwe will continue to tolerate a mixed economy but that his political commitment to improve the living conditions of blacks and to expand government into mining, manufacturing, and farming will retard economic growth even after drought conditions ease and world demand for minerals picks up. In our judgment, potential foreign investors will continue to hold back, keeping economic growth well below the rate that would be attainable if the government gave [redacted] 25X1

greater incentives to private enterprise and if Mugabe moderated his rhetoric. We estimate that economic growth, which will be near zero this year, probably will reach no more than about 3 percent in 1984, assuming good weather and improved mineral exports. [redacted] 25X1

A key indicator of a turn to more radical policies would be the resignation of Mugabe's principal economic adviser, Bernard Chidzero, who has played a large part in keeping Zimbabwe's economic policies pragmatic. We believe any drift toward radical solutions would be encouraged by the economic upturn that we anticipate in 1984, which could spur political pressures for more improvements in minimum wages and for much faster and far-reaching implementation of the government's longstanding promises of land reform. [redacted] 25X1

Harare's turn to socialism—even if the slow and cautious pace continues—creates problems for US interests in the southern African region by:

- Inhibiting opportunities for US investment in Zimbabwe.

- Increasing Zimbabwe's dependence on US and other foreign economic assistance because of the limitations that it imposes on economic growth.

- Undermining US objectives of strengthening stability and prosperity in southern Africa because—by keeping economic growth at substantially less than optimal levels—it prevents Harare from realizing its potential for regional economic leadership among black-run southern African states. Low growth may also open opportunities for Soviet adventurism in southern Africa if it leads Zimbabwean leaders to conclude that pragmatic economic policies have failed. [redacted] 25X1

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Zimbabwe: Socialism and the Private Sector

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Introduction

Since coming to power in April 1980, Prime Minister Robert Mugabe has adopted a cautious, pragmatic approach to what he calls the Zimbabwean "revolution." Although he has long called himself a Marxist-Leninist, he has kept essentially intact the capitalistic economic structure that he inherited.

The contradiction between Mugabe's commitment to socialism and his tolerance of the private sector has created ambivalence among white Zimbabweans and potential foreign investors. Many of the leaders of Zimbabwe's white business and farming communities profess to be more confident of their future in the country now than at any time since independence, despite dissident violence and banditry in Matabeleland.[1] White emigration has continued since independence, however, at a pace slightly faster than during the last years of the civil war, and there has been virtually no new foreign investment.

In light of these contradictory trends, this paper takes a fresh look at the future of private enterprise and socialism in Zimbabwe. After a brief description of the private sector, it compares the government's rhetoric with its economic policies and practices over the past three years and assesses the prospects for more rapid movement toward socialism—and the implications for the United States.

Vigorous Private Sector

Private enterprise remains the backbone of the Zimbabwean economy, accounting for roughly three-fourths of the country's GDP, according to our estimates. All agriculture, manufacturing, mining (except coal), construction, tourist services, wholesale and retail distributing, and most banking and other financial firms are wholly owned and operated by private corporations or individuals. There are about 15,000 private commercial farms and ranches in the country, including 10,000 small-scale operations, according to a recent report from the US Agricultural attache for Zimbabwe. We estimate that there are also about 1,500 privately owned manufacturing firms and 7,000 to 8,000 retail establishments, including hotels and restaurants.[2] 25X1

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Many of the largest private firms are owned by foreign corporations, and some are widely diversified throughout the economy. The British-based London Rhodesia Company (Lonrho) owns and operates large cattle ranches; coffee, sugar, and timber plantations; gold, silver, and copper mines; textile, furniture, electronics, and vehicle component factories; construction companies; and the pipeline from the port of Beira in neighboring Mozambique that provides about 95 percent of the country's fuel. 25X1

Foreign corporations such as Union Carbide (United States), Turner and Newall and Rio Tinto (United Kingdom), and the Anglo American Corporation (South Africa) dominate Zimbabwean mining and minerals processing. Hoechst (West Germany), Toyota (Japan), Dunlop and Leyland (United Kingdom), Heinz (United States), and many other foreign firms participate in manufacturing. Delta Corporation, the Zimbabwean affiliate of South African Breweries, is one of the country's largest employers, with 8,300 workers. 25X1

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Even so, most of the firms in the private sector are owned by Zimbabweans. Some Zimbabwean-owned firms are among the country's largest; Blue Ribbon Foods, for example, employs over 5,000 workers in its corn and wheat mills and its vegetable oil, soap, and stock feed plants. Federal Bolts and Nuts Limited, which employs just over 300 workers at its factory in Bulawayo, is more typical. About three-fourths of

[2] For a more detailed discussion of the private sector, see appendix.

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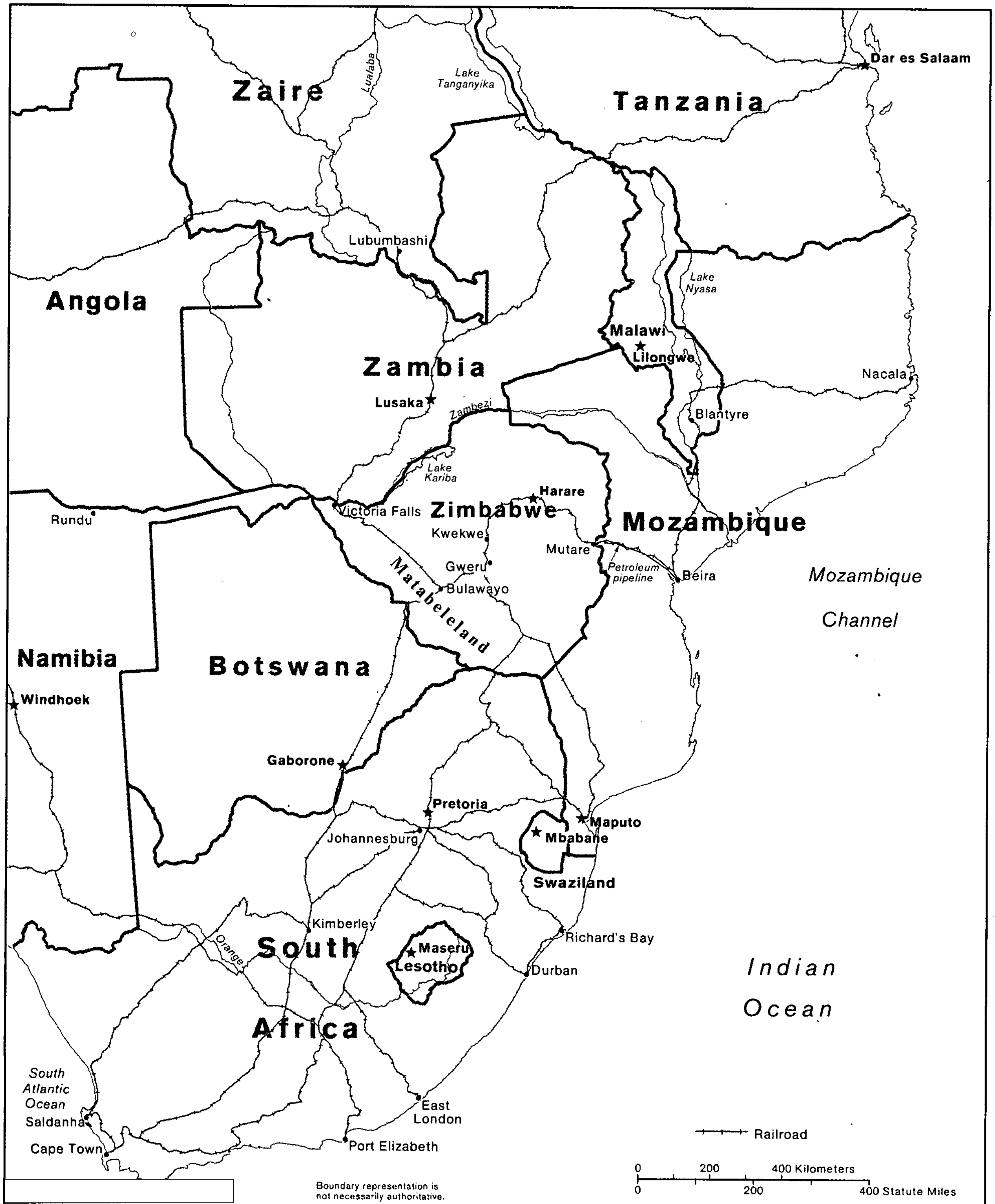

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Zimbabwean manufacturing firms and most of the farms and wholesale and retail companies employ less than 200 workers. Most are simply "Mom and Pop" concerns with a few employees.

The Government's Anticapitalist Bias

The anticapitalist bias of the country's political leadership is rooted in the private sector's association with everything that the Zimbabwean liberation movements—led by Robert Mugabe and Joshua Nkomo—fought to eradicate: white rule, racism, colonialism, imperialism, and South African dominance.

We know from a wide variety of sources—many unclassified—that Mugabe's personal anticapitalist bias has a strong puritanical flavor. He regards capitalism's emphasis on individualism as basically selfish and immoral. He believes that natural resources belong to all the people and should not be controlled by private interests. These feelings were demonstrated at independence day celebrations this April when he lashed out at unnamed cabinet ministers who, he said, have only a "theoretical and thus hypocritical commitment to socialism" and have "acquired huge farms and other business concerns."

We believe that the overwhelming majority of Mugabe's cabinet and of the Zimbabwean House of Assembly, the principal legislative body in parliament, share Mugabe's anticapitalist bias. Twenty-nine of the 32 cabinet ministers—all but Minister of Finance and Economic Planning, Bernard Chidzero, and the two white ministers—are veterans of the civil war, and 25 are longtime members of Mugabe's political party. Many spent years in prison under the white Rhodesian regime. Mugabe's election victory in 1980 gave him a solid majority of 57 seats in the 100-seat House of Assembly; blacks from Nkomo's party hold 20 of the 23 remaining seats not reserved for whites.

A Cautious Approach to Socialism

The goals of the Zimbabwean "revolution" remain fairly amorphous, however, and the government's reform program has thus far been modest. Harare's principal social and economic changes have included higher minimum wages, free health care for the poor, and free primary education. The government has purchased unused farmland to expand ownership by black farmers and has extended government control over the marketing of minerals through the creation of a Minerals Marketing Corporation similar to the agricultural marketing boards inherited from the 25X1 white Rhodesian regime. Harare has also purchased a major or controlling interest in a handful of individual businesses—a large bank, the country's biggest newspaper group, a film production company, and Zimbabwe's only operating coal mine.[3] 25X1

The government's "Transitional National Development Plan" for 1983-85, which was published last 25X1 November, underlines the vagueness of the Mugabe government's conception of socialism. The plan's objective is "to initiate processes designed to set the stage for the transformation of the inherited socioeconomic system." Nowhere does the plan say that these processes will include the seizure or confiscation of private property. Implicitly threatening language, such as "increased domestic participation, ownership and control of the economy by nationals and the state" is offset by other phrases that advocate "realistic policies toward foreign and domestic private investment." The closest to a threat of nationalization is the statement that the "government will participate in 25X1 the ownership and control of some enterprises in manufacturing if this is deemed to be in the national interest." 25X1

In our view, the plan's moderate language and, indeed, the government's pragmatic economic policies to date are based largely on the advice of the Western-oriented Chidzero. While sharing Mugabe's socialist orientation and goals, Chidzero has reacted to the pressure of rising budget and balance-of-payments deficits with conservative fiscal and monetary policies. His leadership has carried the day in cabinet decisions for reduced government spending, a wage freeze, a currency devaluation, cuts in foreign exchange allocations, reduced subsidies for basic 25X1 foods such as corn and vegetable oil, and the publication of official investment guidelines designed to encourage foreign investors. 25X1

[3] The government already owned the country's railroads, airlines, and electricity production and distribution facilities at independence. 25X1

The slow pace of land reform, long considered the principal objective of the struggle for black rule in Zimbabwe, exemplifies Harare's caution. Only about 32,000 black families have been resettled since independence, [redacted] far short of the government's goal of 54,000 families per year. Rather than hurry resettlement, Harare has spent considerable time and money in providing basic services (water, roads, diptanks for cattle, and schools) and training in skills required for long-term development. The government also has moved slowly to avoid impairing the operations of white commercial farmers, who earn more than one-third of the country's foreign exchange, produce most of its food, and employ about 400,000 black laborers. Bureaucratic bungling caused by inexperience and confusion over the goals, policies, and procedures of resettlement also has impeded progress. [redacted]

Similarly, the government has moved gingerly in the process of acquiring private businesses. All of the acquisitions have been by government purchases of stock and have been with the full cooperation of the existing stockholders. In the two major cases—the Wankie Colliery and the Netherlands Bank of Rhodesia—the price per share paid by the government substantially exceeded the market value. Moreover, Harare has permitted the private, South African–based minority shareholders to continue to manage these concerns. The government has even passed up several opportunities for nationalization. Over the course of the current recession, it might have forced hard-pressed minerals producers to offer equity in exchange for aid. Instead, it budgeted over $50 million in loans during the July 1982–June 1983 fiscal year to tide mines over until better times. [redacted]

The government's recent announcement that it will take over fuel procurement was at least tacitly encouraged by the four foreign importers of fuel (Mobil, Caltex, British Petroleum, and Shell). We believe these firms want to reduce their exposure in case of a renewal of South African–instigated guerrilla attacks on the pipeline from Mozambique. They also wish to cut costs that are likely to result from the government's pressure to increase its strategic oil storage to 90 days' supply, according to US Embassy sources in Harare. In view of the precedents established in its previous acquisitions, we doubt the government will confiscate the storage tanks needed to reach that goal. Instead, we believe that it will purchase or lease needed tanks from the companies. [redacted] 25X1 25X1

White Business Confidence in the Future

As a result of the government's pragmatic economic policies, a growing number of white businessmen and farmers in Zimbabwe seem fairly confident about the future of private enterprise there.

- Alan Paterson, recent president of the Confederation of Zimbabwe Industries, told the US AID Director in Zimbabwe in May 1983 that his organization believes the Mugabe government is increasingly recognizing the importance of private enterprise and the need to promote foreign investment. Paterson took special note of the emphasis in the Transitional National Development Plan on the need for increased private investment and for formal channels of communication between government and industry. 25X1 25X1

- Paterson and 11 other Zimbabwean business and farm leaders traveled to the United States and Europe in June 1983 at their own initiative and expense to try to refute what they saw as "bad press" against Zimbabwe and to express their confidence in the future of private enterprise there.

- The Director of Lonrho informed officers in the US Embassy in London in May that his business situation in Zimbabwe was highly satisfactory. He cited the regular repatriation of dividends from Zimbabwe and the smooth operation of the oil pipeline through Mozambique since repairs were completed last January after the last major guerrilla attack. He also noted that Lonrho had begun a number of expansion programs in the country. [redacted] 25X1 25X1

The improvement in business confidence, however, has not slowed white emigration. Sketchy data indicate that the white population has declined from roughly 200,000 persons at independence to 115,000 to 125,000. We believe that many whites—reacting to

Ambivalent White Attitudes Toward Black Government 25X1

In our judgment, the Mugabe government's pragmatic economic policies have contributed to a decline in the fear and anxiety with which the white population in Zimbabwe greeted Mugabe's coming to power three years ago. This change in white attitudes has been an influence for stability in Zimbabwe. Although whites comprise less than 2 percent of the population, they still retain most of the key positions in business and agriculture and some top jobs in the bureaucracy.

Whites, nevertheless, remain uneasy about some trends they see or anticipate, and this sentiment has encouraged the steady pace of emigration:

- *Rhetoric by some ministers—occasionally including Mugabe—to increase greatly the pace at which the economy moves toward socialism.*
- *Calls by Mugabe and his party for a one-party state, which might lead to the abrogation of the constitutional provision reserving, until at least 1987, 20 seats for whites in the 100-seat House of Assembly.*
- *Calls by government ministers for the repeal of dual citizenship (most whites hold citizenship rights in the United Kingdom or South Africa, as well as Zimbabwe) and for the abolition of the Senate, where constitutionally 10 of the 40 appointed seats are reserved for whites.*
- *Perceived degradation of the quality of education, health care, and government services as these have been extended to the black majority.* 25X1

Whites are also concerned that the government is abusing the emergency powers that it inherited from the regimes of Ian Smith and Abel Muzorewa.

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Mugabe's socialist rhetoric—still doubt that private, white-owned business will be able to thrive in Zimbabwe over the longer term. For these whites, the improvement in business confidence is not sufficient to offset fears that political and social conditions will become unacceptable for whites.

Prospects

We believe the government remains far from reaching any clear consensus in its own councils about what the substance of "socialism" in Zimbabwe should be. There is no doubt that Mugabe is personally committed to achieving a socialist state eventually and that some of his cabinet ministers strongly favor a more rapid move toward socialism. Several probably would opt for nationalization of commercial farms and at least the larger foreign-owned enterprises, such as the mines, if given free rein.

We believe Mugabe is not inclined toward radical measures, however, because of his recognition of the crucial role of the private sector in the economy, his respect for Chidzero's judgment, and his willingness to leave private enterprise alone so long as the economy is functioning well enough to support the government's social programs for blacks. Mugabe is aware that the rapid flight of all but about 10,000 of Mozambique's 200,000 to 250,000 whites during that country's transition to independence caused major dislocations in its economy. To prevent the gradual but steady white exodus already under way in Zimbabwe from snowballing on that scale, Mugabe will probably avoid making major disruptive moves against the private sector at least through the three-year term of the development plan.

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Over the next several years, however, we believe the government will probably purchase shares in numerous firms, with foreign-owned mining companies receiving priority. This approach would be consistent with the development plan's objective of "increasing the degree of domestic, particularly state participation, ownership, planning, and control" in the mining industry. A $6 million government loan extended in April 1983 to Zimbabwe Alloys Limited—Zimbabwe's largest producer of low-carbon ferrochrome and an affiliate of South Africa's Anglo American Corporation—includes clauses giving Harare the right to convert the loan to ordinary shares at par value at any time until repayment is completed in December 1987.

Individual manufacturing firms are also likely to be singled out for purchase by the government, particularly if the regime judges their behavior to be inconsistent with its commitment to the "general welfare." Mugabe threatened to nationalize the corn milling industry in April, for example, when two firms that comprise 80 percent of the industry threatened to close down because of a profit squeeze resulting from the government's removal of subsidies on corn meal.

The program of land resettlement, furthermore, is bound to accelerate and could reach targeted annual levels of 54,000 families during the next few years as experience enables officials to overcome bureaucratic problems. The number of new families resettled during May 1982–April 1983 (21,000) was more than double the number resettled in the 12 months up to May 1982 The government already owns about 1 million hectares of land for future resettlement and has additional offers—particularly from white farmers in Matabeleland—of more land than it is willing to purchase, according to a press statement by the President of the Commercial Farmers Union of Zimbabwe.

Mugabe's socialist leanings and the current squeeze on profits will continue to forestall foreign investment, in our judgment. Even though Harare officially encourages foreign investment, the radical rhetoric of Mugabe and other ministers in speeches to local audiences often prejudices the perceptions of foreign investors when such statements are headlined in the Western press. Mugabe has refused to sign an agreement with the US Overseas Private Investment Corporation (OPIC) on the grounds that Zimbabwe's own constitution and body of law provide sufficient protection of foreign assets. 25X1

Although a deterioration of security conditions in Matabeleland might divert Mugabe, at least temporarily, from pursuing the socialist path, we believe that the government will continue to contain dissidence there. The fighting has not seriously damaged the economy, even though Zimbabwe's two rail links to South Africa and the one north to Zambia cross the region. 25X1 25X1

Contingencies

Certain contingencies could prompt Harare to adopt a much more rapid and destructive pace toward socialism than the measured one that we anticipate. Chidzero's resignation, for example, could signal a sharp turn in policy, in our view. Although a number of other Zimbabwean ministers have Western training and experience, his successor might lack the political clout and convictions to push through unpopular policies. Chidzero has often expressed frustration with lack of cooperation from other ministers and with 25X1 what he sees as their uncontrolled and uncoordinated government spending. Chidzero threatened to resign last year, but Mugabe convinced him to stay. The strong support Chidzero received from the Prime Minister seemed to strengthen his position considerably, 25X1 25X1 25X1

Even Chidzero's presence does not guarantee continued economic pragmatism. His influence with Mugabe has made him and his pragmatic economic approach vulnerable to criticism if economic recovery is not achieved fairly quickly. Many in the government who are uncomfortable with private enterprise, 25X1 including Mugabe, are impatient with the normal vicissitudes of the business cycle and could blame the economy's ills on the private sector. One of the more outspoken critics might be Home Minister Herbert

Economic Performance Since Independence

Boom in 1980-81

The outstanding recovery of the private sector after the disruption of the civil war years led the Zimbabwean economy to unprecedented real growth rates of roughly 12 percent each in 1980 and 1981. In 1980 a 30-percent real growth in retail spending provided the major impetus for the boom. It was spurred by sharp increases in minimum wages, a reduction from 15 percent to 10 percent in sales taxes, and the assumption by the government of tuition fees for primary schooling. [redacted]

In 1981 the growth surge was led by a sharp rise in agricultural production as a result both of excellent weather and of increases in government-controlled producer prices. Harvests of corn for marketing more than doubled to a record 2 million tons, and production of wheat, cotton, sorghum, and groundnut crops also increased. Further increases in minimum wages continued to stimulate retail spending in the early months of 1981. [redacted]

The quick economic recovery during 1980-81 severely strained the balance of payments. Demand for imports of consumer goods, raw materials and components for assembly in Zimbabwean factories, and capital equipment and machinery pushed imports up by more than 50 percent in 1980 and by 14 percent in 1981. Renewed demand for tobacco was not enough to offset the jump in merchandise imports, and Zimbabwe's current account deficit expanded more than fivefold during 1980-81 to $633 million. [redacted]

Stagnation in 1982-83

A continued decline in mineral earnings, rising inflation, and drought curbed private-sector expansion in 1982, reducing economic growth to about 2 percent despite a 28-percent increase in government spending. The volume of manufacturing and mining production dropped by about 2 percent each. Increased tobacco harvests and beef cattle deliveries, as ranchers reduced herds threatened by a drought-induced reduction in pasture, barely offset lower sales of corn, sugar, cotton, and other crops. [redacted]

The government was forced to cut foreign exchange allocations to travelers and importers in each successive quarter in 1982 and to devalue the currency by 20 percent in December 1982 in an attempt to reduce the balance-of-payments deficit. Sketchy data indicate that, despite some success in reducing imports, the continued fall in exports widened the current account deficit in 1982 to about $730 million. More short-term borrowing was required in 1982 to maintain foreign exchange reserves. By September 1982 the central government's foreign debt had almost doubled compared with two years earlier to $900 million. [redacted]

The economy is continuing to stagnate this year. Net new domestic investment has fallen sharply because of a decline in the rate of return, [redacted] *The drought has again cut farm production, and corn output is projected to total only about one-third of the 1981 crop. A year-to-year decline of foreign exchange allocations by 25 percent is limiting manufacturing output, according to press reports. High prices, a continuing wage freeze, and shortages of consumer goods because of the stringent foreign exchange allocations to the manufacturing sector are restraining consumer spending.* [redacted]

The near-term outlook is not entirely bleak, however, as we expect a moderate economic upturn next year. The world economic recovery should begin to stimulate mining exports later this year. World Bank loans totaling $175 million for electric power expansion and for capital investment will bolster capital inflows. A $325 million IMF standby agreement signed in March 1983 and $60 million from the IMF's Extended Fund Facility also will ease balance-of-payments constraints. If rains return to normal, we estimate that improved harvests, together with increased mining and manufacturing production, will push economic growth up to about 3 percent in 1984. [redacted]

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Ushewokunze, who generally advocates much more rapid and radical change and is emerging as a popular spokesman among the ruling party's rank and file.

There is also no guarantee that a moderate economic upturn of the kind we anticipate in 1984 would ease the frustration of those who want to move ahead with the Zimbabwean "revolution." As recovery gets under way, Mugabe might feel politically compelled to hasten wage increases, land transfers, and acquisitions of corporate shares to deflect criticism from those within his party demanding more radical change.

Implications for the United States

In our view, US and other foreign investors will continue to be put off by Harare's socialist rhetoric and by the squeeze on profits caused by Mugabe's drive to improve the well-being of blacks. This will keep Zimbabwe's economic performance at less than optimal levels and increase—or at least stretch out—Harare's need for foreign economic assistance.

The moderate economic pickup that we anticipate by 1984 in Zimbabwe is unlikely to assuage the fears of potential foreign investors enough to induce them to increase investment. Union Carbide, Amax, and most of the other foreign mining and minerals processing companies that have large stakes in Zimbabwe also have facilities that produce the same minerals in South Africa. If the pickup in international demand for minerals is strong enough to justify mine expansion, they are likely to find Pretoria's policies encouraging foreign investment more attactive than Harare's. Although we believe that Chidzero will manipulate prices to increase profit margins in manufacturing, these are unlikely to be great enough to induce investors to disregard their fears about Mugabe's socialist intentions.

Poor economic performance could keep Zimbabwe from living up to its potential for leadership in the Southern African Development Coordinating Conference (SADCC),[4] the organization of black-run countries dedicated to reducing South Africa's position of economic dominance in the region. To the degree that Harare fails to capitalize fully on its economic potential, it will also be that much easier for Pretoria to keep Zimbabwe economically dependent.

Equally worrisome is the prospect that poor economic performance by Zimbabwe might open opportunities for adventurism in southern Africa by the Soviet Union. Continued low growth could lead Zimbabwean leaders to conclude that pragmatic economic policies had failed. Radicals within Mugabe's party would be less tolerant than he is of the private sector and more likely to encourage ties with the Soviet Union.

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Appendix

Zimbabwe's Private Sector

Manufacturing

Manufacturing in Zimbabwe, the largest nonfarm source of employment, comprises about 1,500 individual companies that produce over 6,000 separate products. Many of these establishments are small because they were founded solely to serve the domestic market during the period of economic sanctions against Rhodesia, from 1965 to 1979. About half of all manufacturing takes place in Harare, one-fourth in Bulawayo, and most of the rest in Gweru and Kwekwe.

We estimate that the gross value of manufacturing production totaled over $3 billion in 1982. The food, beverage, and tobacco industries, which accounted for almost one-third of the total, are made up of a large number of small local enterprises, particularly meat packing and dairy plants, canning factories, breweries, and grain mills. Most of the more than 200 textile and clothing factories and establishments are also small. The Zimbabwe Bata Shoe Company in Gweru—with an annual capacity of more than 6 million pairs of shoes in 600 types and styles—is, however, one of the largest in Africa. The most important rubber manufacturing plant in Zimbabwe is the British-owned Dunlop factory at Bulawayo, which employs more than 1,000 workers. Zimbabwe's metal and metal fabricating industries make a wider range of products than those found in any African country except South Africa, using raw materials provided by the Redcliff iron and steel plant near Kwekwe. Two car assembly plants get many components such as batteries, safety glass, radiators, and paint from local producers.

Mining

Mining and minerals processing are highly developed to exploit Zimbabwe's rich mineral resources. In total, Zimbabwe has commercially exploitable deposits of 40 different minerals. Besides chrome and asbestos, Zimbabwe's most important minerals are gold (which competes with tobacco as the country's principal foreign exchange earner), nickel, copper, coal, and iron ore. Zimbabwe has the world's largest reserves of high-grade chrome and is the world's second-largest chrome exporter, after South Africa. The Shabani Mine in Matabeleland is the largest asbestos mill in Africa, with a capacity of over 200,000 tons of ore per month. 25X1

Foreign companies based in South Africa (the Anglo American Corporation and the Messina Transvaal Development Company), the United Kingdom (Turner and Newell and Rio Tinto), and the United States (Union Carbide and Amax) dominate the mining 25X1 industry. In 1982 less than 30 mines—mostly foreign owned—out of the nearly 200 in operation produced about 90 percent of gross mining output in Zimbabwe. About 90 percent of the country's mineral production is exported. Raw and semifinished minerals accounted for over half of total exports in 1982.

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Agriculture

Zimbabwe is one of only three Sub-Saharan African countries (the others are South Africa and Malawi) that is a net food exporter when weather conditions are average or better. Agricultural land is divided almost equally between crowded, communal lands on which about 5 million blacks subsist and commercial farms and ranches owned and operated mainly by about 5,000 white farmers. About three-fourths of Zimbabwe's population depends directly on agriculture for a livelihood. 25X1

The commercial farms and ranches average almost 2,500 hectares each and account for over 90 percent of all marketed food and nonfood agricultural products (such as cotton and tobacco). 25X1 Only about 500 farms produce 90 percent of Zimbabwe's food, according to open sources. By value, the leading crops are tobacco, sugar, corn, cotton, beef, and dairy products. Tobacco is the country's leading export, accounting for an annual average of 15 percent of total export earnings in 1978-81. 25X1

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Although commercial farms and ranches are privately owned and operated, the government exerts tight control on farm pricing and marketing. Powers to fix producer prices and to channel sales through state marketing boards were inherited from the white Rhodesian Government. Marketing boards handle about 60 percent of all agricultural produce. Major crops not marketed through boards, such as tobacco and sugar, also are subject to price regulation by the Ministry of Agriculture. [redacted]

Banking

Zimbabwe has a well-organized, flexible money and credit system. Subsidiaries of Britain's Standard Bank and Barclay's Bank dominate commercial banking, accounting for over 70 percent of credit. Since independence, the government has purchased a controlling share in the Netherlands Bank of Rhodesia (now known as the Zimbabwe Banking Corporation, or "Zimbank") from its South African parent and has acquired a 47 percent share of the new Bank of Credit and Commerce. Citibank of the United States owns 40 percent of the London parent of Zimbabwe's fifth commercial bank, Grindlays Bank, Ltd. [redacted] 25X1

Zimbabwe has many other credit institutions. Chief among them is the government-owned Agricultural Finance Corporation, which is the principal source of credit for commercial farms. Three privately owned "building societies" provide services similar to savings and loan associations in the United States. A number of corporations, including the government-owned Industrial Development Corporation, are designed to finance new projects in all sectors of the economy. Large private retail institutions have their own installment credit arrangements. More than 60 local companies are listed on the Harare stock market. [redacted] 25X1

Distribution

Zimbabwe has a modern, well-developed commercial sector. Retail outlets include department stores, general stores, chain stores, and stores specializing in the usual sorts of household goods found in developed countries, such as furniture, electronic equipment, clothing, groceries, and liquor. Consumer durables such as motor vehicles and farm equipment are sold mainly by franchise holders with branches in the main cities. In total, about 7,000 to 8,000 retail establishments, including hotels and restaurants, employ about 80,000 workers, according to our estimates. [redacted] 25X1

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