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Zimbabwe: A Continuing Crisis

A six-year economic crisis in Zimbabwe has intensified since national elections in July 2018, in which President Emmerson Mnangagwa and his Zimbabwe African National Union-Patriotic Front (ZANU-PF) prevailed. The dire economic situation has prompted public discontent, strikes, protests and, in early 2019, days of riots.

In response, state security forces have violently repressed demonstrations and arrested civil society activists. Since February 2019, the state has also pursued a dialogue with the political opposition, but only minor parties have participated. The Movement for Democratic Change Alliance (MDC), the largest opposition party, has refused to participate unless the state ends its repression and alleged breaches of the rule of law. The MDC also insists that any dialogue be convened by an independent mediator; it contends that the Mnangagwa government is "illegitimate" and responsible for what the MDC calls a "political crisis."

Background

President Mnangagwa (*muh-nahn-GAHG-wah*) assumed power in November 2017, after ZANU-PF chose him as its party leader. He succeeded President Robert Mugabe, a semi-authoritarian who had led Zimbabwe and ZANU-PF since independence from the United Kingdom in 1980. Mugabe resigned under pressure from ZANU-PF following a military intervention in politics aimed at ousting him. This intervention was spurred by intra-ZANU-PF rivalry—notably over who would succeed Mugabe as president and party leader—and followed Mugabe's dismissal of Mnangagwa as vice president and Mugabe's sidelining of a party faction aligned with Mnangagwa and the military.

Zimbabwe Under Mnangagwa

Upon taking office, Mnangagwa pledged to pursue a range of economic and political reforms—notably free and fair elections—and asserted that Zimbabwe was "open for business." This raised hopes for an end to years of deep economic malaise and an abiding pattern of human rights violations and undemocratic governance under Mugabe.

Such changes are key U.S. goals under the Zimbabwe Democracy and Economic Recovery Act of 2001 (ZDERA; see text box), but to date the Mnangagwa administration has not pursued a course of action that would satisfy the requirements of ZDERA. State constraints on freedoms of assembly and expression declined in advance of the 2018 elections, and Mnangagwa's administration recorded some moderate progress toward some of his 2017 reform pledges. Since the election, however, there has been a marked deterioration in economic and political conditions and a rise in state civil and human rights abuses.

2018 Election

The pre-poll electoral process featured some improvements over past elections, but domestic and international election observers and the MDC identified multiple serious flaws (see CRS In Focus IF10933, *Zimbabwe: Forthcoming Elections*). Their findings indicate that the poll did not meet international standards in many respects. Mnangagwa won the presidential race, with 50.6% of votes, and took office in late August 2018 after the MDC, citing alleged irregularities, unsuccessfully sued to nullify the election. ZANU-PF won 180 seats in the 270-seat National Assembly and the MDC won 87 seats.

U.S. Policy and Congressional Role

ZDERA (P.L. 107-99) frames U.S. policy toward Zimbabwe. It prohibits U.S. support for multilateral debt relief and credit for Zimbabwe's government pending free and fair elections, credible land reform, security force subordination to civilian leaders, and "restoration" of the rule of law, notably regarding civil freedoms and property rights. It also called for U.S. financial and travel sanctions against persons undermining the rule of law or abetting political violence. Such sanctions were later imposed and remain in effect. They also target persons who engage in public corruption. Congress has also conditioned and restricted aid to Zimbabwe's government in annual appropriations laws, and there is a U.S. ban on defense item and service transfers to Zimbabwe.

In 2018, Congress passed the ZDERA Amendment Act of 2018 (P.L. 115-231). The new law, which retained ZDERA's core provisions, raises the prospect of stronger bilateral political, trade, and investment ties if the Zimbabwean government implements existing ZDERA criteria and takes "concrete, tangible steps" to carry out specified economic reforms, recover stolen public assets, and ensure "good governance, including respect for the opposition, rule of law, and human rights." P.L. 115-231 also calls on Zimbabwe's government to take various actions to ensure free, fair, and credible elections and to align Zimbabwe's laws with its 2013 constitution.

Repression Since the 2018 Elections

On August 1, 2018, two days after the vote, protests broke out in Harare, the capital, amid MDC demands for the release of presidential vote results. Some of the protesters engaged in violent acts (e.g., property destruction and arson). After police failed to control the crowds, military reinforcements fatally shot six protesters. In succeeding days, soldiers, other state agents, and unidentified attackers carried out widespread beatings, harassment, and detentions of opposition supporters. Citing threats, several senior MDC leaders unsuccessfully sought asylum in neighboring Zambia. Some of these leaders were later tried on charges such as public violence and the illegal declaration of election results. A presidentially appointed commission of inquiry later probed the killings, but little has been done to respond to its findings. In subsequent months, the state arrested and brought questionable charges against multiple state critics, journalists, and trade unionists and, in one case, beat MDC members of parliament.

In January 2019, amid rapid inflation and widespread fuel and cash shortages, Mnangagwa abruptly raised fuel prices by 150%. This led to protests, which sparked three days of widespread riots and looting. In response, security forces arbitrarily detained, beat and, in some cases, tortured protesters and opposition activists. Security forces also shot at protesters, reportedly killing 17 and wounding many more, and raped at least 17 women. The government also cut internet access, but a court ruled the move unlawful and access was later restored. The crackdown, which included raids on private homes, persisted after protests had ended. Since these events, security forces have detained multiple labor organizers, CSO activists, and opposition figures, and charged some with government subversion. State media also have warned against alleged plots to oust the government, possibly to justify a harsh response if economic protests recur.

Spiraling Economic Crisis

Mnangagwa has prioritized efforts to rescue the badly ailing economy, but ZANU-PF's economic policy record—which has featured land seizures and abrupt policy shifts—is poor. ZANU-PF oversaw a 66% contraction of the economy from 2000 to 2008 featuring hyperinflation that hit an annual rate of 471 billion percent in September 2008. The economy recovered rapidly under Tendai Biti of the MDC, Finance Minister during a power-sharing government (2009-2013). Biti ended use of the Zimbabwe dollar and replaced it with a system in which multiple foreign currencies were legal, but in which the U.S. dollar predominated.

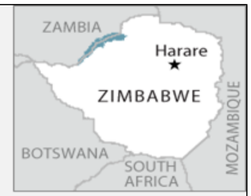
The economy has faltered since 2013, when ZANU-PF won a parliamentary majority, ending the power-sharing deal. The International Monetary Fund (IMF) currently projects that gross domestic product will drop by 5.2% in 2019. A key factor in the economic crisis has been an acute lack of cash caused by U.S. dollar shortages. In 2016, to increase cash available for market activity, the central bank created a local unit of exchange called the “bond note.” The bank also has promoted the use of digital dollar bank credits.

Both bond notes and bank credits were officially equal to the dollar, but the market did not treat them as such. Over time, sellers charged more for purchases made with bond notes and bank credits than for those made with U.S. dollars. This led to inflation, as a lack of U.S. dollars forced people to use increasingly less valuable bond notes and bank credits. The government responded in February 2019 by merging bond notes and dollar bank credits into a single new currency, the “RTGS dollar,” and allowed its exchange rate to float. The same problems that had afflicted bond notes and bank credits, however, also affected the RTGS dollar. Its value rapidly plunged relative to the U.S. dollar, goods shortages worsened, and prices soared. Annual inflation hit 98% in May 2019, when the government again hiked fuel prices, by 49% on average.

To counter inflation and the RTGS dollar’s persistent slide, the government ended the multi-currency system in late June 2019; it renamed the RTGS dollar the “Zimbabwe dollar” and made it the sole legal tender. This change has raised fears of a return to hyperinflation—and may also be unlikely to address other factors underlying the economic crisis. These include low production due to the closure of many firms in recent years, which has shrunk the supply of goods and increased already high unemployment rates. (Many people now make a living in the informal sector, which may now employ more than 90% of the labor force.)

Figure 1. Zimbabwe at a Glance

Population: 14 million
Literacy: Male 88.5%; Female 84.6%
Under-5 Mortality: 50 deaths per 1,000 births
Maternal mortality: 443 per 100,000 births
GDP (Total/Per Capita): $26 billion; $1,712



Change in GDP (2018/2019 projected): 3.4%; -5.2%
Key Exports: Platinum, cotton, tobacco, gold, ferroalloys, textiles

Sources: CIA & IMF public data; 2018 data unless otherwise stated.

Other factors include poor infrastructure, regulatory weaknesses and poorly managed state-owned enterprises (SOEs), corruption, a poor investment climate, and a drought that has led to frequent power cuts. Part of the country also suffered damage from a recent cyclone.

Debt Deal?

High deficit spending has generated high public debt, worth $16 billion (72% of GDP) in late 2017, of which $8.8 billion is external debt, including international financial institution (IFI) arrears worth $2.3 billion. These arrears have prevented access to IFI loans and reduced state access to commercial credit. (The IMF also reports that the state may face additional possible liabilities of $2.4 billion to $10 billion related to compensation for land seizures—mostly from white farmers—during the Mugabe era.)

Since 2015, the government has unsuccessfully sought to pay off its IFI arrears. The government hopes to do so using “bridge loans” from an undetermined creditor, restart regular IFI loan payments, potentially gain renewed access to IFI credit—and then renegotiate its other bilateral foreign debts. In May 2019, to emphasize its commitment to macroeconomic stability and to earn international creditors’ confidence, the government agreed to implement a series of reforms under IMF observation. The risk of failure is high, however, as the reforms may impinge on powerful vested political interests, and the state has a poor record of carrying out such pledges. Under the IMF program, for instance, it agreed not to obtain new commercial loans, but just after signing the IMF agreement it accepted a previously arranged $500 million nonconcessional loan.

U.S. Stance

U.S. officials welcome improved relations with Zimbabwe, which recently hired two U.S. lobbying firms to help achieve that end, but maintain that the government must first meet the goals set out in ZDERA. In May 2019, a U.S. official stated that while the IMF program is a positive step, deep political and legal reforms must accompany economic reforms. U.S officials have also called for security forces to be held accountable for human rights abuses, notably the violence in August 2018 and early 2019. Meanwhile, diverse U.S. aid programs continue to support humanitarian needs and endeavor to improve human rights, economic growth, health, and good governance. Bilateral aid totaled $231 million in FY2018. The State Department requested $156 million for FY2019 and $175 million for FY2020.

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