Economy and Globalization in Zambia

Mariel John
December 9, 2005

Zambia – then and now

- 1964 – Independence
  - Expected to be one of the richest nations in Africa

- Now –
  - One of the poorest nations in the world
Questions

- How did this dramatic change occur?
- What is Zambia’s outlook for the future?
- Is Zambia alone, or has this occurred elsewhere?
- How does entrance into global economy affect poor African nations?

Lusaka, Zambia

“Lusaka is the product of a country battling to find its way in a new world, caught between colonial beginnings, years of socialist independence and now democracy.”

-Zambian National Tourist Board

- Land-locked
- Size of Texas
  - HIPC
Economic History

- Raw Materials
  - Copper
  - Land
- Colonial Times
  - British mined and profited
- Independence Began
  - Copper mined and GDP rose, heavy reliance

- Mid-1970’s
  - Copper prices fall
  - Global inflation leads to expensive imports
- World Bank offers loans
  - To help sustain Zambia until price climbs back
  - Waiting for “jump start” of economy
- Raise in prices doesn’t come
  - 1975-1990, GDP falls 30%
Global Policies

- World Bank and IMF “suggest” global policies
  - Privatize Industries
  - Market-based economy
  - Liberalize Trade
    - Remove Tariffs
    - Remove Subsidies (agricultural)

Economy – Mining

- Very heavily relied on
  - 90% of exports until 1990
  - 60% of exports 1999

- Not stable, mines are closing
Economy - Agriculture

- 15% of GDP
- Rural subsistence farming
- Urban market-oriented farming

Economy – Agriculture

- Area Identified for quick growth
- Switch from subsistence to cash-crops profitable
- Lots of land available
- Subsistence Farmers Risk Averse
- Access to market
- Knowledge about new crops
- Man-power

Shows how problems at the lowest level can interfere with economic models.
Economy – Manufacturing

- Factories Closing
  - From 140 factories to 8
  - Cheap imports from Europe – second hand
  - Cheap imports from Zimbabwe – volatile

Zambia, Africa

- Is this a problem for other African nations?
- Are there “losers” in globalization?
- World Bank “Africa has been marginalized from Global Trade”
  - Suggestion: Continue liberalization of trade more fully
Zambia, Africa

- Some believe World Bank is incorrect
  - Poor nations are unable to diversify exports
  - Focus on similar cash crops causes African price wars and drives down prices

- Other possible issues
  - Displaced workers do not have many options when old ways aren’t financially viable
  - Low mobility makes growth difficult

Zambia, Africa

- What could be done?
  - Look at each nation independently?
  - Continue on World Bank suggestions?
  - Build up institutions and infrastructure?
  - What about non-economic problems?
Education

- Half Zambia’s population under 18
  - 1/10 population orphaned children
- Introduced basic free education
  - Schools packed – not enough teachers
- Less than 40% through grade 9
- One university – 5,000 students

Rural – Urban Divide

- Rural
  - Subsistence Farming
  - 7% income from wages
  - Very poor
  - Little political involvement
- Urban
  - Cash crops
  - 45% income from wages
  - Pretty poor
  - More political involvement
Rural – Urban Divide

- Issue throughout Sub-Saharan Africa
- However, rural – urban is linked
- Completely separate treatment can be harmful
  - One helped at expense of another

Debt

- 127.5% of GDP
HIV/AIDS

- 16.5% of adults infected
- Life expectancy – 37 years
- Women six times more likely to be infected
- People lost in most productive years
- Affects all levels
  - Doctors, Teachers, Farmers

The Future

- Anything to look forward to?
- Lots of room for improvement
  - Diversifying exports
  - Addressing non-economic challenges
  - Can Zambia successfully join the global economy?