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Zimbabwe loan: Who will blink first?

Nic Dawes | Johannesburg, South Africa

12 August 2005 07:26

President Thabo Mbeki and Zimbabwean President Robert Mugabe are locked in a high-stakes poker game over the conditions attached to a South African plan to stave off the collapse of the Zimbabwean economy.Each has considerable leverage: the International Monetary Fund (IMF) will expel Zimbabwe on September 26 if it does not take significant steps toward repaying more than $270-- million in arrears.Hard currency shortages are already leading to power cuts, severe fuel shortages and an inability to pay for crucial imports. A report released on Thursday by the Washington-based Centre for Global Development said Zimbabwe's economy had contracted to 1953 levels.But South Africa is in a tight corner, too. Mbeki has stressed that South Africa cannot afford the collapse of its

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neighbour. Government officials are unanimous that not only would serious regional contagion ensue, but a further influx of Zimbabwean migrants would place unbearable stress on an overtaxed welfare system.Mugabe is currently considering the terms of credit facility agreed in draft form between his Finance Minister, Herbert Murewa; Reserve Bank Governor Gideon Gono and a South African team led by Minister of Finance Trevor Manuel and Reserve Bank Governor Tito Mboweni.It is unclear whether he will accept the loan in its current form or ask for its terms to be changed. Those familiar with his diplomatic style expect him to press for a relaxation.Asked whether South African negotiators were in a position to insist on tough conditions, given anxiety about Zimbabwe's economic meltdown, government spokesperson Joel Netshitenzhe said: "I don't want to go into that too much, but this is a loan, not a grant, and it will be structured as such."Following a welter of conflicting reports on the loan's scale and conditions, some details of the draft agreement are now clear.As *City Press* reported, an initial \$160-million will be paid directly to the IMF, with the rest of the cash released in phases as Zimbabwe shows signs of progress on economic and political reforms.Once the threat of expulsion from the IMF is averted, between \$40-million and \$340-million may gradually become available for crucial agricultural inputs such as seed and fertiliser, and for fuel and electricity purchases.South Africa is not demanding direct talks between Zanu-PF and the Movement for Democratic Change (MDC), as some reports have suggested. Instead it is pressing for the resumption of negotiations over a new constitution involving a wider range of political actors.China's refusal to give Zimbabwe substantial aid put South Africa in a strong position to press for tough conditions. But some well-placed observers suggest the leaking of details to the South African media have forced Mugabe into an aggressive rejection of conditions, and weakened South Africa's bargaining position.Netshitenzhe insisted "there has been interaction between senior people from both governments. They know what the real terms are, and they won't be mis-directed by media reports".Other ANC and government observers say they believe Mugabe may try to dilute the conditions by pressing for narrowly fiscal requirements.But Mbeki's patience with Mugabe is seen to be wearing thin. And some within the ANC believe residual support for Zimbabwean leader in the tripartite alliance is diminishing.Mugabe's role in scuppering a compromise deal on UN reform during last week's African Union summit in Addis Ababa had angered Mbeki, they said, suggesting that South Africa is less likely to back down in the face of Zimbabwe's brinkmanship than in the past.Zimbabwe, Namibia, Egypt, and Zambia were vocal in denouncing a proposal agreed between the AU's "facilitating mechanism" of 18 foreign ministers and the most powerful reform lobby, the G4 of Germany, Japan, Brazil, and India. The 18 had decided to back a plan giving Africa two permanent seats on the UN Security Council, one non-permanent seat, and one seat that would rotate between Africa, Latin America, and the Caribbean. In return, Africa would give up its demand for veto rights.Zimbabwe resisted the South -African-backed compromise, insisting on veto rights and ultimately contributing to the scuppering of what diplomats say was the only deal with any chance of success.

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