

Economy and Globalization in Zambia

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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

Economic History

- 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 | ● Urban |
| - Subsistence Farming | - Cash crops |
| - 7% income from wages | - 45% income from wages |
| - Very poor | - Pretty poor |
| - Little political involvement | - 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?