

**NEW GOVERNMENT,  
NEW POLICIES, NEW PERSPECTIVES**  
*Presentation by John Robertson*

In facing the challenges of settling on new policies, many basic facts have to be recognised. One of these is that past policies caused enormous damage to our productive capacity. For far too many years, Zimbabwe has been absorbing economic resources much faster than it can replace them.

We have therefore been destroying wealth-generating capacity. I hope it is safe to assume that this was not intentional. I am also assuming that we want to not only rebuild the capacity we once had, but also to further extend it and achieve a much higher level of prosperity than we ever had before.

The hint of doubt carried in my words comes from a deep conviction that the damage could have been avoided; my strongest hopes now are that we will choose nothing but constructive solutions to our problems from now on.

But in any proposals to bring about Zimbabwe's economic recovery, it is not only the massive handicaps now affecting the country that need to be addressed. We also have to deal with the reasons why these handicaps were created. This is because the reasoning itself has to be challenged if we are to have any chance of preventing the same handicaps from coming back.

I make no apologies to those who might automatically take exception to my claim that some of the measures adopted were destructive. Evidence of damage is all around us. I strongly believe that this is because none of the problems identified were solved. This, in turn, is because the answers chosen proved to have had no useful relation to the questions.

I know that references to history will automatically generate evidence, even a deluge of examples of imbalances, injustice, hardships and many other reasons for expressing resentments and for seeking retribution.

However, I would urge everyone to accept that throughout history, every single country that has gone through a period of rapid change has suffered the effects of social stresses and friction. The majority was often gravely affected, but well-placed minorities were usually able to enrich themselves.

Without question, this happened in the Rhodesian days. But that was a period of exceptionally rapid change. In less than a century, the pace of transformation generated one of the most industrialised countries in the entire Third World. Its shortcomings cannot be denied and the transformation had its costs, but many of its achievements were remarkable and we all have many reasons to feel proud of what this country accomplished.

However, after all the years since independence, the majority is still struggling to get by, and we still have a small minority that is making incredible fortunes. Measures that were adopted to overcome disparities, injustices and hardships led to new disparities, injustices and hardships. However, this time the process was more consumptive than productive.

It is my contention that far too many of the measures adopted were supposed to fix errors of the past, but often we did not correctly identify the real errors. If we had properly identified them and had corrected our behaviour

for the present and the future, our lives today would be completely different. Instead, we tried wealth redistribution in an effort to change history. For reasons we must now examine closely, we ended up badly affecting our immediate surroundings and our prospects.

Can we enter the next phase of our lives in Zimbabwe and improve on our performance? Without question, we can do very much better and without question we should set ourselves much higher goals. But a change of plan is needed. The confiscation and redistribution of existing assets has done nothing at all to increase the country's capacity and we can all point to the evidence that production has fallen.

We must now redirect our efforts into helping the country to really empower the people. For most people, real empowerment comes from employment. The people who create the jobs that matter are investors and the people who acquire the jobs that matter are among the many who benefit from the investment process. In getting a job and being trained to do that job properly, the people who become skilled become the proud owners of skills that will serve them for the rest of their lives.

The process of confiscating and redistributing other people's assets, whether these are farms or company shares, is frequently described as a wealth redistributing process. It is not. Wealth is not money. Wealth is the ability to make money. So real wealth comes from ability. And for very nearly all of us, our abilities were developed in the workplace. We all owe huge debts of gratitude to the investors who created our jobs.

For all of us, it is important that we recognise that empowerment is not achieved by confiscating and redistributing what was already there. Redistributing what was already there adds absolutely nothing to the amount that can be produced.

But worse than that, displays of disrespect for the resourcefulness and talents of people with production skills very quickly leads to sharp falls in output. Today, because we have de-motivated our own resourceful citizens and we've vigorously discouraged those who live elsewhere, we are experiencing a severe investment drought.

As a result, our shops are full of imported consumer goods and we are largely dependent on imported food. We do have skilled farmers, but they are not allowed to farm. We have many aspiring farmers, but the new business environment isolates all of them from the banks.

Indigenisation demands are now isolating the banks from the sources of international finance that are needed to recapitalise our entire financial services sector. The manufacturing sector is starved of the longer-term finance needed to modernise and many are struggling to survive because they no longer have access to essential agricultural raw materials.

The country's main hopes of economic growth have been pinned on mining, but since 2011, the value of mining output has been falling.

Increasing the royalties on gold mining by more than 50 percent has effectively reduced the country's gold reserves, perhaps by even more than 50 percent. Only the richer gold deposits can now be mined profitably; the rest will be left where they are – underground.

And the downturns in all of these productive sectors have led to the loss of hundreds of thousands of jobs. Now a very small proportion of our school-leavers and university graduates is able to find work. This weakens the whole country. We cannot pay our international debts, or even our domestic debts.

We have a lot to fix, but this is going to be such a demanding exercise that I have to implore everybody to think only about what has to be done and about ways to get these things done. Concentrating on the past and looking for others to blame will not solve the problems.

I hope you will forgive my blunt approach to the description of our problems, but with an opportunity like this to spell out the facts, I cannot waste your time by skirting around the vital issues that so urgently need our attention.

I would also urge you to dismiss attempts to draw you into pointless discussions about sanctions.

Whatever your feelings about them, it was the eviction of large-scale farmers that forced our agricultural output to be cut by more than half; it was the reduced foreign earnings that left the country unable to meet its debt obligations and also unable to properly maintain operations like the power stations or the National Railway system; it was the forced closure of thousands of farming companies that caused the loss of hundreds of thousands of farm-workers' jobs and it was the loss of agricultural inputs that forced hundreds of factories to reduce output or shut down.

When government tax revenues fell because of the loss of personal tax payments and the loss of company profits taxes, government set interest rates at a fraction of the rising inflation rate. This meant it did not have to pay back the money borrowed from savings institutions and pension funds.

When all the nation's savings had been used up, every ministry had to turn to the Reserve Bank for the money they had to have to run the country. By printing all the money needed, the already high inflation rate rose further to set new world records and before long the Zimbabwe dollar was destroyed.

In that entire description of the economy's collapse, I did not have to mention sanctions once. We exported less because we had less to export, and we could import only what could be paid for with cash because our unpaid debts destroyed our credit rating. Those were self-inflicted handicaps and we will overcome these handicaps only by restoring our credibility and rebuilding our productive base. Such as they are, the sanctions will go when we show respect for human rights.

By avoiding the quicksands of emotional debate and going straight for our fundamental needs and what has to be done to satisfy these needs, we can save considerable amounts of time. Whether we talk of people's basic needs, such as for food and shelter, or the needs of a country, such as its ability to compete in international markets, the most important thread running through every topic at every level is efficient, cost-competitive production.

To get to the heart of the matter, we have lost productive capacity, and this is because of reactions to measures that were taken to achieve a transfer of economic power from a minority population group to the majority. A point to

bear in mind is that throughout history and in every country, the investors in productive capacity have always been a minority.

We chose to identify ownership as a problem, and supported the claim with phrases such as “Zimbabweans have every right to be the owners of the means of production within their own country”. This idea might seem hard to argue with, but accepting it shepherds you into a cul-de-sac.

If you are in a dead-end street and if you fear that you would lose face by having to back out, you find you have nowhere to go. One or two people might make fortunes by doing some asset stripping, but soon the products stop coming and the thousands who used to work there lose their jobs.

It turns out that the earlier policies, which had allowed the assets to come into existence by encouraging the investors, had helped solve a much more important problem: unemployment.

By picking on that minority of specialist investors, the problem that should have been recognised as much more important has now become much more serious: more than seventy percent of the people who want a steady job with regular pay cannot find one.

Please allow me to challenge the almost spontaneous, knee-jerk reaction people have to any reference to a minority being able to wield their influence over the majority. Where does this hostility come from? What must surely matter most is whether that minority is delivering what the majority wants.

The economic power that the minority was expressing came from their efficient use of resources through investment procedures that delivered production. A by-product of the process was employment, and other by-products were export revenues and tax revenues. The investing minority were delivering exactly what the majority wanted.

Since the transfer of economic power from the minority to the majority started, we have generated fewer of all of these very valuable benefits. To me, this calls for a return to the beginning: what is wrong with a minority being in control if these people can deliver what the majority needs?

A tiny minority of Zimbabwe’s population are motor-mechanics. Should we be claiming that their service equipment should be confiscated and scattered among the majority so that we can all service our own cars, trucks, tractors and busses? We can look at dentists, brick-layers, printers, orthopaedic surgeons and a host of others who form productive minorities and ask the same dumb question. And if the question is dumb when we are talking about those minorities, why did it become a clever question when it was applied to commercial farmers?

For all of them, the much more important issues is whether they are there and doing the job well enough for the rest of us to get on with our own lives, safe in the knowledge that all these specialists are attending to our specialist needs. If, in the process, they are generating jobs that will provide us with training and give us steady incomes, their value to us should be all the more convincing.

Initially, Government concentrated on agriculture, the principal economic activity that pre-dated the country's colonisation, and the transfer of economic power entailed the transfer of ownership of land from the farmers to the State.

However, world-wide developments in agricultural technology in the past century made production processes dependent on the use of expensive capital-intensive methods. In this country, farmers who had access to finance were able to adopt and adapt all of these brilliant ideas and were able to build up the very wide range of skills needed to keep up with world developments.

Between them, this minority turned commercial agriculture into Zimbabwe's biggest and most important business sector. It employed the biggest labour force, it earned the most export revenues and it supplied most of the manufacturing sector's raw material inputs. It also generated demand for the services of retailers, wholesalers, bankers, insurance companies, transport companies, construction companies, lawyers, engineers, fertiliser and crop chemical factories and a wide range of agricultural and veterinary scientists.

The Land Reform Programme brought this huge structure of inter-related business activities to its knees. And because this composite of business activities generated the bulk of government's tax revenues and generated the foreign exchange revenues needed to support applications for international credit, when it collapsed the whole country came down with it.

As the majority had become dependent on that collection of productive processes and as it was now being given the land so that the majority could be in charge of all the same productive processes, everything was supposed to be set for the promised surge in agricultural output.

But it did not happen. Now the majority is dependent on imports. Paying for the goods, whether they are imported or produced by local suppliers, calls for a steady flow of wages. Unfortunately, today only one person in every fifteen has a steady job. The number that is lucky enough to have a job today is the same as the number of formal sector employees this country had in 1970, when the population was less than half the size it is today.

We are here today to talk about our prospects of adopting new policies and new perspectives, all with the objective of placing Zimbabwe back onto a path that will allow us to rebuild our international credibility as well as restore and enlarge the country's productive capacity. As we see all around us powerful evidence that the land policies adopted in 1997 have not worked, this is where the main thrust of our policy changes has to be directed.

However, it is the broader principles of what made businesses successful in the past and what will make them even more successful in the future that we have to capture in the new policies. So far, the policy changes have concentrated most of the attention on minorities that appeared to have too much influence. This was a bad place to start any kind of policy discussion.

I believe it was wrong to pick on minorities in the first place, but we compounded the problem enormously by identifying the minorities by race, by nationality or by citizenship. These forms of identification have no meaning in business.

In the business world, where the products, services, incomes, exports, tax revenues and jobs are generated, the people who run the businesses are identified by their expertise, their resourcefulness, their management, financial, production and marketing skills.

A host of other attributes can be described as useful qualities in business, including trustworthiness, inventiveness and a persuasive personality, but one that might easily be left out is courage. Many people who have other fine qualities in abundance never go into business because they lack the courage.

I am making these observations simply to show that people who have the right mix of the needed characteristics, plus the courage, are rare. But as they employ us, motivate us and do so much for us, they deserve our respect and our support. Even though they are bound to be minorities, we have every reason in the world to look after them, make them feel welcome and make them want to commit fully to running successful businesses in Zimbabwe.

What are we doing instead? We are victimising them by targeting them for a range of punitive measures that will limit their prospects of success. And we have passed laws that empower the State to force them to relinquish more than half their assets and to accept that they might lose control over the rest.

Considering the readily accepted fact that Zimbabwe is desperately short of capital, why are we enforcing laws that are unacceptable to very nearly all the potential investors who own the capital we need? And why are we defending an investment climate that is even hostile to Zimbabweans who want to build capacity, but cannot raise the capital from foreign lenders or backers?

If external investors are deliberately discouraged and the few Zimbabweans who could and should take up the opportunities don't actually do so, the rest of us Zimbabweans will be unable to find work. Is government saying that they would prefer to see us remain unemployed?

Would government have preferred that Unilever, Rio Tinto, Nestlé and Dunlop – and a long list of others I could mention – had never set foot in this country? The fact is that we benefitted enormously from the investments made by these companies.

They not only supplied us with world-class products, they also, trained us, paid us and turned us into productive citizens. And they paid taxes and duties that helped to build our schools, hospitals, power stations, airports and the rest of our infrastructure. And many local companies started with their help.

A few other facts have to be accepted:

- Wages and salaries paid by companies far exceed the dividends paid to shareholders, Zimbabwean employees therefore earn much more than the owners of the companies earn
- These wages and salaries are paid even if the company does not make a profit
- The training and skills acquired on the job by Zimbabwean workers often amount to the most valuable assets they will gain in their lives
- Empowerment is best achieved through training and the acquisition of marketable skills

- Having acquired such skills, the people with imagination and courage might then choose to start their own businesses
- Whichever career path is chosen and whatever heights are reached, the starting point is always the offer of employment
- Government policy choices should therefore be those that best support the creation of jobs
- Job creation is a direct consequence of decisions to invest
- Government's top priority should therefore be to create conditions that are attractive to as many investors as possible
- The antipathy shown towards business investors is therefore entirely misplaced

What problem did we think we would solve by forcing transfers of ownership of shares in other people's companies? Government has made the claim that Zimbabweans alone should be in control of Zimbabwean resources and these transfers would put Zimbabweans in charge. While this demand has enormous traction in political debate, its power lies totally in its emotional impact. Those who believe in it might believe the emotional impact wins the debate. But as a debating point, it is a one-way street. It leads nowhere.

The reason it leads nowhere is that productive investors are the kind of people who can marshal all the resources needed to achieve the productive objective. All the resources. In Zimbabwe, the people claiming – demanding – that the physical assets on or under the ground be treated as 100% of the resource base of a company are carefully overlooking the fact that lots of resources have to be assembled and used effectively to create a working enterprise.

For a mine, the mineral down there under the ground is just one of them. And while it is down there, under the ground, where it has been for perhaps millions of years, it has no value whatever. The value is achieved only when the other necessary resources have been applied to reaching it, extracting it, concentrating it, smelting it and refining it into something that can be sold.

Even then, true value will be achieved only if the cost of carrying out all these necessary procedures comes out at less than the price the buyer will pay for the end product. These other resources can all be assembled only if the investors believe they will at least have a chance of being left with a profit after all the operating costs – including wages – have been met.

But they all know that they are taking risks going into business. Developers can easily take a year or more to construct the operating units, equip them with the right machinery, design the products, choose from a range of assembly methods, train staff, find markets and start delivering supplies. Years might pass before they have something for sale.

For mining companies going through that difficult start-up phase, the uncertainties are even more profound. Nobody knows what the price of gold, or platinum, or ferrochrome will be a year from now. And whatever it is a year from now, the price in two years or five years could be the price that wipes out the entire investment.

So it is all a precarious balancing act. If we, as a country, make already risky ventures just slightly more risky, we could all too easily persuade local investors to look for their next ventures in other countries. And we could even more easily make investors living in other countries decide never to come anywhere near this one.

In other words, we could drive away the hundreds of investors whose extraordinary business skills could have uplifted millions of Zimbabweans.

The people who argue that we must preserve our valuable reserves of non-renewable minerals might possibly win the praise of future generations. It might be thought that people yet to be born will have the option to mine the minerals we left behind. But for all we know, the minerals we leave in the ground might stay exactly where they are for the next million years.

I cannot claim that future generations won't be able to get more from those minerals that we can today, but I do know what today's generations need: today's Zimbabweans need jobs, they need incomes, they need training and work experience that will give them the means to live productive lives and do all that is needed to ensure that their own children are even more productive.

And they will have much more to leave future generations if they get jobs now that turn them into productive citizens.

Whether they are locals or foreigners, if we can encourage investors to help us make the most of the resources available to us today, even if they are non-renewable resources, these investors will help empower the whole population to prepare better for the future and take better advantage of options that today we can't even imagine. These possibilities are expanding at an exponential rate as we move deeper into the high-tech digital age.

Even if the full tonnages of minerals of every single mineral is exported from the country, the larger proportion of the value of the minerals will be left inside Zimbabwe in the forms of wages, taxes and payments to local service providers. Other people need the minerals. We need the jobs and incomes, the country needs foreign earnings and government needs tax revenues. And we need them now.

To me, the effects of the indigenisation policies offer evidence that the problem that had been identified is not being fixed by the chosen solution. This would indicate that the real problem had not been identified properly.

But I am hesitant in making this claim because I am unsure of the answer to the question that should be answered first: what is the problem that indigenisation is supposed to fix?

Perhaps the problem is that the people who were enjoying business success were not the ones who were supposed to have immediately cashed in on political success.

Perhaps the problem is that the people expecting rewards believe they have every right to get these rewards for nothing. In other words, they are entitlements.

Perhaps the real problem is that promises have been made that cannot be kept without confiscating assets that can be given to those claiming rights to entitlements.



Or perhaps the real problem is that the people making the promises hoped they would always be able to force other people to keep them. If that's the case, perhaps they are running out of things that can be confiscated for handouts and running out of people who can be forced to keep their promises.

Promises have certainly been made. If the efforts being made to keep these promises have caused the country's slide into its debt-ridden impoverishment, caused its inability to feed itself, reduced its ability to employ its people and caused the tax revenues to fall below the amounts needed to run the country, then it is these promises that are the real problem.

I hope I have made my case: it is this problem that has to be addressed.

If we all want Zimbabwe to make a rapid recovery and we all want to see rising levels of prosperity benefitting the whole population, we need to present a brand new set of promises to the people of Zimbabwe and to the investors we desperately need.

We should promise to create a competitive investment environment that assures every investor that political risks will not be added to the business risks they already face.

We should promise everyone involved in business activities that the same set of rules apply to everyone, and that no exceptions will be made in exchange for favours or little brown envelopes.

We should promise to respect their civil rights and their property rights.

And we should promise to rebuild the institutional support structures that are needed to give fixed assets, like land, the secure market value they need and the enormous leverage they can have as security for bank loans.

If we make these promises, and keep these promises, Zimbabwe will be quickly placed upon an impressive growth path and the country will soon be benefitting tremendously from the country's most valuable resource. And the country's most valuable resource is not its farmland or its mineral reserves.

In fact, our most valuable resource is being kept underutilised and under developed by a curious belief that we need to protect these natural resources from the rest of the world. The claim that they have any value at all is based on the simple fact that the rest of the world wants what they can produce.

Zimbabwe's most valuable resource is its people. This resource can best be developed and turned into wealth-generating capacity by the most empowering process of all, the creation of jobs from which skills, work experience, resourcefulness and business initiative emerge. And they become ours to keep for the rest of our lives.

Given a reasonable chance, the work experience our population can acquire will soon become much more valuable than tonnes of crops or metals, but we are currently denying job opportunities to hundreds of thousands, if not millions of Zimbabweans by making the country unattractive to investors.

Should the old policies survive the new dispensation? No. We have seen years of failure and economic shrinkage under these old policies. The new dispensation faces a simple challenge: accept only ideas that work.

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