

Optimism on Zaire: Illusion or Reality?

by M. Crawford Young

Had Rip Van Winkle been a Zairian specialist, and slept but a few years rather than a century, he would have rubbed his eyes with astonishment to behold the new mood of optimism concerning the outlook for Zaire now widely encountered in Washington's foreign policy community. As recently as late 1982, the consensus among Zaire-watchers in both the executive and legislative branches of the U.S. government was that prospects were exceedingly poor for the indefinite future. The International Monetary Fund and the World Bank had all but written Zaire off as beyond redemption. Virtually all academic observers believed that the *mal zairois* was incurable under existing political arrangements.

The transformation of mood as of the beginning of 1985 was remarkable. The Department of Commerce was offering cheerful tidings to the private sector, advising that Zaire "has significantly improved its economic and financial management, resulting in a brighter outlook for economic recovery and increased opportunities for U.S. business. . ." The IMF had declared that the "adjustment program continues to be implemented with a considerable degree of success." World Bank officials, only recently deeply skeptical, were now publicly and privately scrubbing off the many layers of tarnish on the international credibility of Zaire. How did this come about?

Zaire at Independence

In the course of the 75 years that Zaire was under colonial rule, the Belgians fashioned an unusually comprehensive apparatus of dominance and coerced development, exceptional in the extent to which their African subjects were excluded from roles of leadership in state and economy.

On the eve of independence in 1960, only three of the top 4,700 civil servants in what was then known as the Belgian Congo were Africans, and none of the 900

officers of the Force Publique (army). The one percent of the population that was of European ancestry accounted for 95 percent of the capital, over half of the national income, 70 percent of total production, 58 percent of commercialized agricultural production, and 88 percent of private savings. Some 48 percent of the land had been conceded, in one form or another, to colonial corporations. Only at the most petty levels of commerce did Zairians predominate, with the barest handful operating on any scale. The only significant hierarchy in which Zairians played any part was the Catholic Church, a fact of signal importance in the capacity for adaptation of this vitally important social force in the post-colonial period.

This remarkably comprehensive framework of domination enjoyed until its final days a virtually unchallenged command relationship with the populace; the policy of development was *dirigiste*, statist, interventionist, and mercantilist. Thus the liberalization thrust of present reforms is not just a reversal of habits of the Mobutu era, but also of a century of economic history.

The Zairian nationalism which began to explode in the late 1950s followed on the heels of a period of unprecedented prosperity of the colonial enterprise after World War II. Buoyant corporate balance sheets permitted high levels of investment, largely by internal generation of capital. State revenues soared, permitting for the first time major public investments in social overhead—schools, health facilities, public housing, safe water supplies. The harsher forms of coercion slackened in the 1950s; whipping, forced cultivation, and muscular labor recruiting ended. Generalization of primary education played a major part in inducing a voluntary migration flow to urban centers, where a dynamically expanding economy offered new opportunities for employment and new horizons for social ascent for the African populace. Ultimately, these economic

expectations decanted into the political realm.

Belgium lost control of events with the outbreak of riots in Kinshasa in January 1959, and decided to gamble on a unique decolonization strategy: concession of sovereignty to an African state whose newly created political institutions (parliament, council of ministers, provincial assemblies and ministers) would be Zairian but whose bureaucracy, army, and economic infrastructure would remain under Belgian command. This coincided with a downturn in international economic conditions that presented the new state with a growing budget deficit and a \$1 billion external debt (1960 prices).

The First Crisis Era

Zaire's immediate post-independence government began to fall apart within five days, as a country-wide mutiny of the army erupted against its European officers. The mutiny was followed in short order by the flight of most European civil servants and army officers, the secession of the two richest mineral-producing areas, dissolution of the constitutional order as a result of the split between President Joseph Kasavubu and Prime Minister Patrice Lumumba, and international intervention on a grand scale. At the time, the "Congo crisis" seemed calamitous. Compared to the crisis period since 1974, however, there were some significant factors limiting its scope.

An important part of the economic and social infrastructure remained substantially insulated from the crisis. Most of the expatriate managerial cadres of the major enterprises remained in place, except in the relatively few areas of protracted disorder. Although new investment came to a stop, the major capital developments of the 1950s more than sufficed in the short run. Christian mission personnel also mostly stayed or swiftly returned, permitting much of the public social infrastructure (schools, for example) to resume operation with surprisingly little disruption. Although the new purely political institutions functioned badly or not at all, the administrative apparatus of the state had substantial hidden reservoirs of skill in the senior clerical ranks. Well-internalized standards of probity and long years of practical experience enabled these Zairian civil servants to maintain much of the routine operation of the state, despite their limited formal education.

Much of the physical infrastructure of newly independent Zaire was a product of the exceptionally large programs of public capital investment in the boom years of the 1950s. In the years immediately after independence, international tutelage, through the United Nations operation, and large infusions of Western (especially U.S.) aid served as additional buffers. Material dislocations (such as pay arrearages and inadequacies of public vehicle stock) combined with political conflicts resulted in some loss of authority of the state over its civil society. But the term "chaos" frequently used to characterize the period, not least by the incumbent Zairian rulers, was applicable only in limited times and places.

A crucial contrast between Zaire in the 1970s and 1980s and in the early post-independence period was the far more politicized mood of civil society in the 1960s. The expectations, especially of the younger generation, had been whipped to fever pitch by the promises made by the emergent politician class in the tumultuous preindependence electoral campaign. As events swiftly made it clear that only the political class and upper ranks of the bureaucracy would share prosperity with the Europeans, swelling social anger at inflation, shortages, and unemployment set in motion a wave of rebellions and violence covering roughly a third of the country between 1963 and 1965. State authority was destroyed for months or, in a few areas, years; in the affected zones the disruption of the economy was far more severe than in 1960-61.

The Early Mobutu Years

When the army high command, with Mobutu Sese Seko at its head, seized power on November 24, 1965, the mood within and without Zaire was propitious. The widespread fear and insecurity triggered by the rebellions had generated a yearning for release from violence and for restoration of state authority and public order. With consummate skill, President Mobutu assembled a civil-military coalition that won overwhelming legitimacy and acceptance from a crisis-weary populace. He bridged the division between "moderates" and "nationalists" by pursuing the policies of the former and incorporating the symbols of the latter. Political factions were neutralized, state power re-centralized, and the remaining pockets of insurrection nearly all eliminated. The Western powers were delighted with the prospect of restored stability, and other African governments, fatigued with the "Congo crisis," were prepared to accept the Mobutu regime into the family of African nations. With the creation in 1967 of a single political party, the Mouvement Populaire de la Révolution (MPR), and a presidential constitution, the personal ascendancy of President Mobutu seemed assured.

The economic stabilization program carried out with IMF support was in the short run very effective. The currency was reformed by a 300 percent devaluation, imperfectly camouflaged by the creation of a new monetary unit, the zaire, and a 40 percent wage rise. Import licensing was ended, profit remittances freed, and taxation of foreign trade increased. This package of measures brought several years of relative price stability, which joined to the improved political prospects engendered a wave of optimism for Zairian development. A new investment code (1969) guaranteed advantageous conditions to prospective investors. The external debt was eliminated (partly by inflation, partly by assumption by Belgium), public finances were in apparent good order, and the currency was freely convertible. With its treasure trove of precious minerals and untapped agricultural potential, Zaire seemed poised for a sustained boom. In 1966, the GDP surpassed pre-independence levels for the first time, and high growth rates were recorded from 1967 to 1973, aided by favor-

able copper prices during much of this period.

Politically, the Zairian state was progressively transformed into an instrument of personal power. Decision-making was concentrated in the presidency, surrounded by sycophantic courtiers, who helped foster an extravagant personality cult. The exercise of power, and management of politics, depended upon an escalating use of public resources to reward clients and consolidate their dependency. It was during this period that corruption, still at modest levels in 1967, began to soar. The dominant political class became engaged in a relentless drive to accumulate wealth, which required access to public power or resources. Mobutu maintained his ascendancy by masterful manipulation of their opportunities, while launching himself along with his immediate entourage upon a campaign of personal enrichment. It was about 1972 when whispers began to be heard that Mobutu had become one of the world's wealthiest men.

The 1970s: Onset of the Second Crisis

Mobutu's remarkable sagacity in the political sphere was not matched by his grasp of economic policy. From 1970 to 1974, Zaire ran up a \$3 billion debt to finance a wide array of public contracts and capital purchases which in the great majority of cases were unwise investments. Spectacular examples include the \$1 billion Inga-Shaba power line, completed seven years behind schedule at four times the first cost estimates, and destined to operate at a current deficit for the indefinite future, supplying power for a copper expansion program that never took place; the Maluku steel mill, a \$250 million dead loss, which briefly produced poor-quality steel at six times the cost of imported products; the 1974 purchase for 190 million deutsche marks of six cargo ships for the state shipping line (Compagnie Maritime Zairoise) which the IMF is currently pushing for sale at a massive loss; \$8 million spent on 30 new cotton ginneries by the recently-dissolved Office Nationale des Fibres Textiles (ONAFITEX), with a third of the purchase price dispensed for commissions on machinery that was never installed.

In sum, the basic pattern of the economic decision-making process allowed external capital and corporations to steer clear of the risk of major equity investments in Zaire by giving preference to arrangements where the profit was on the transaction (contracts, loans) rather than the long-term viability of the project. This preference was shared by the dominant class in Zaire, for whom such arrangements were the vehicle for personal accumulation.

Perhaps the most dramatic example of the risks of autocratic management was the Zairianization and radicalization measures of 1973-74. These sweeping measures, decided in solitary splendor by the president without preparation or planning, amounted to confiscation of virtually the entire colonial foreign sector (worth approximately \$1 billion), to be distributed as free booty to the political class, with Mobutu himself as the largest single beneficiary.

These measures, which coincided with the copper price break of April 1974, brought in their train a dramatic dislocation of the entire commercial and plantation sectors, and were a crucial precipitant of the long-term economic crisis. Under external pressure, Mobutu accepted partial and then general "retrocession" beginning in 1976, but the damage done from these appalling decisions was long-term.

State Decline

There were costly misadventures in the political realm as well, where Mobutu was normally surer-footed. The engagement of the Zairian armed forces on the losing side in the 1975 Angolan civil war, in collaboration with the United States and South Africa, impaired Zairian diplomatic standing in Africa, demoralized the Zairian armed forces, and ensured Angolan sanctuary and support for the armed Zairian exiles popularly known as "Katanga gendarmes," whose 1977 and 1978 invasions of the Shaba region ("Shaba I" and "Shaba II") required Moroccan, French, and Belgian intervention (and U.S. logistical assistance) to repulse. The failure of this gamble for a patron role in Angola led to closure of the most economical and efficient export route for Shaba minerals, necessitating shutdown of the Kisenge manganese mine and raising transport costs for copper.

The 1975 Angolan reverses coincided with the first realization abroad that Zaire was on the verge of bankruptcy, although well into 1976 it was widely believed the difficulties were only short-term. Revelation of the fragility of the armed forces in early 1977, when they proved unable to repulse the first (small-scale) Shaba invasion, was another shock, as was the panic that swept the ruling elite when it briefly appeared that the regime might crumble. Hyperinflation gathered force from 1974 on, and the increasingly serious foreign exchange situation resulted in shortages of many basic goods. Pay arrearages in the public sector again became common.

As the seriousness of the crisis became apparent, many (including this writer) were persuaded that the days of the regime were numbered. Such forecasts greatly underestimated the resourcefulness and skill of Mobutu in coping with state decline. Even in the face of diminished credibility, he adroitly continued the combination of co-optation, corruption, and coercion by which the political class was managed. Repression alternated with amnesties, while the MPR's status as the single authorized party denied potential opponents any organizational framework. Each new roster of Political Bureau members or ministers included some spectacular rehabilitations of erstwhile dissidents.

The image of strength projected by the regime at its apogee was supplanted by a carefully nurtured appearance that Mobutu could, if all else failed, rely upon his external patrons to forestall his overthrow. Particularly in the late 1970s, in the face of major Soviet initiatives in Angola and Ethiopia, and the wave of declarations of Marxist-Leninist orientation by eight African states, Zaire's Western patrons were not dis-

posed to run the risk of a highly uncertain succession. The "Mobutu or chaos" thesis was compelling because no one dared test it.

The process of state decline ushered in by the protracted and seemingly endless crisis that began in the 1970s, while more comprehensive than the 1960-65 political deflation, has by no means been uniform. Although capacity for effective performance (but generally not the ability to contain threats to public order that would menace the nominal authority of the regime) has shrivelled at the lower echelons and regional extremities of the system, the core apparatus of the state, and its most crucial agencies, are partially insulated from the decline process.

The presidency is ably staffed, and directed by a leader having extraordinary ability to keep the "ship of state" afloat, if rudderless and motionless. The central agencies of state finance, the Bank of Zaire and the Ministry of Finance, usually have had at their helms during the crisis years highly skilled operatives, reinforced by expatriate aides of unusual ability. The state security agencies, of fluctuating structure and designation, enjoy a reputation for efficiency among both rank and file Zairians and external observers of Zairian politics that stands in sharp contrast to the perception of most government institutions, even if the security organs are the target of well-deserved criticism in human rights reports. La Générale des Carrières et des Mines (GÉCAMINES), the state-owned mining enterprise, has managed to maintain its copper and allied mineral production levels, and provides many key social services to the urban copperbelt, in spite of overwhelming material and security difficulties, and venal diversion of as much as a third of its earnings (by some informed estimates) during the peak periods of state decline.

Elsewhere, decline is more visible, yet it is not to be confused with disappearance. Consider, for example, the case of the educational system. This sprawling network, which in 1978 employed (apparently) some 230,000 persons, is in many areas of the hinterland in a condition of advanced decay. Buildings are derelict, and the most basic physical and pedagogical equipment is lacking (tables, chairs, books). A large fraction of the teaching staff is utterly demoralized (and, by the crisis period, a significant number were fictitious). But the system persists, and some of its products, at the university level, are very impressive.

Part of the explanation lies in the crucial contribution of the church networks, whose organizational resources (especially in the case of the Catholic Church) are substantial, and whose credibility, competence, and integrity are largely unimpaired. In addition to the church efforts, the school system is sustained in part by its own clientele. The mobility myth embodied in the educational system retains its potency. The pupils, and their parents, will feed the teachers and somehow supply the minimal pedagogical necessities to keep the machinery sputtering along. Meanwhile, the residual legitimacy of the state receives important support from the survival of its educational network.



The Three Phases of Reform

Mobutu has an exceptional record of persuading Zaire's creditors to indulge in stabilization programs and re-schedulings since 1975. In each case the pattern has been similar: tough bargaining, with Zaire skillfully exploiting divergences of interest among its Western partners; ultimate unwillingness of these partners to force the bankruptcy issue; agreement based upon Zairian pledges of reform in economic management and a search by the Western partners for devices to halt the diversion of public funds and foreign exchange; momentary compliance, soon followed by breaches of the promised discipline, and often ingenious schemes to evade the controls on resource flows.

The first of these exercises, in 1975-76, was based on an underlying assumption that the crisis was a short-term phenomenon. One may say that it began with the special mission to Kinshasa in July 1975 of a former U.S. ambassador to Zaire, Sheldon Vance, with instructions to repair the deterioration in the relationship with Washington that had culminated in Mobutu's June 1975 charge of CIA complicity in an alleged coup attempt aimed at his "physical elimination." This bizarre episode was soon forgotten in the joint (ultimately unsuccessful) Zairian and U.S. involvement in the Angolan civil war, and the reform talks went forward.

Citibank tried (fruitlessly) to syndicate a \$250 million loan for debt restructuring, conditioned on cooperation with the IMF. Short-lived agreements were reached with the external public and private creditors in 1976, and Zaire did meet one major condition ("retrocession" of "Zairianized" and "radicalized" enterprises), but at that juncture the Zairian negotiators shared the general belief that the economic downturn was temporary, and that Zaire's value as a Western-oriented state in the heart of Africa, particularly after the Angolan fiasco, would guarantee an eventual bailout.

This first cycle of reform quickly petered out. Citibank proved unable to provide the loan; the Société Minière de Tenke-Fungurume (SMTF) consortium mothballed its copper development scheme in 1976, and skepticism about Zaire deepened rapidly in public and private Western economic circles as more information about its debt situation and economic management became available. The magnitude of the threat to regime survival posed in March 1977 by the ragtag band of "Katanga gendarmes" responsible for Shaba I, and the "limited and measured" U.S. response to these events, came as a traumatic shock to Mobutu, setting the stage for the second major round of reform.

In this second round, the focus was on an integrated program of political and economic change. A loosening of the political structures was seen as an indispensable complement to economic reform. Under Western, especially U.S., pressure, Mobutu was persuaded to designate a prime minister for the daily conduct of government business, to give greater voice to the national legislature, and to decentralize the administration. By his own initiative, Mobutu devised an ingenious formula for competitive parliamentary elections, and per-

mitted what was initially a majority of Political Bureau seats to be filled by popular vote. New economic stabilization plans were negotiated with the IMF and the Paris Club of public creditors in late 1977.

A team of talented, senior U.S. diplomats was assigned to the Zaire rescue operation. They used an adroit combination of cajolery, flattery, persuasion, and very gentle pressure to engage the regime in this program. In 1978, an international team of "plumbers," tasked with plugging resource leaks in the state apparatus, appeared on the scene, most notably West German central banker Erwin Blumenthal. The Bank of Zaire, the Ministry of Finance, and the customs service were buttressed by external advisors. Blumenthal's first major accomplishment was a dramatic embargo on foreign exchange for about 50 leading Zairian firms associated with the highest figures in the Mobutu entourage.

The 1977-78 reform cycle appeared to produce some results. Although devoid of issue content, the 1977 elections provided months of engrossing spectacle, with over 2,000 candidates competing for the 200-odd parliamentary seats. The new legislature was at first permitted to interrogate ministers, introducing a modicum of accountability into the system. Reconciliation with Angola reduced the external security threat. Cautious optimism, though much less robust than in 1983-84, reemerged in Western official circles.

By 1979, however, this second reform cycle was recognized as a chimera. Mobutu had clamped down on legislative debate. The prime minister was clearly a figurehead, and decentralization a dead letter. Leading Zairians affected by the Blumenthal foreign exchange embargo found ways around and through his barriers. It became evident that, at the peak of the reform, several hundred million dollars had been lost to state foreign exchange accounts by various coffee export rackets operating out of the presidency and other top circles, privatizing the windfall gains from the coffee price surge in 1976-78.

The third reform cycle peaked in 1980. A new U.S. ambassador, Robert Oakley, pursued a different strategy than the integrated reform program of 1977-78. The political components were jettisoned, and economic recovery became the exclusive preoccupation. At the end of 1979, Mobutu implemented a "demonetization" scheme, suddenly introducing new 5 and 10 zaire notes with low ceilings on the amounts of cash that could be converted. Particularly in the hinterland, merchants lacking political access or proximity to banks found their cash holdings effectively confiscated; many ordinary citizens as well found it impossible to exchange their currency.

Through this arbitrary confiscation of unbanked savings, inflationary pressures momentarily eased. Also, copper prices briefly improved. With the assistance of three multinational investment banking firms (Lazard Freres, Lehman Brothers Kuhn Loeb, and S.G. Warburg), the refurbished image of reform facilitated a number of new rescheduling, rollover, and stabilization accords.

By 1982, the short-lived 1980-81 reform hopes had been shattered, partly as a result of the high hopes Mobutu initially held for indulgent treatment by the Reagan administration as a consequence of its geopolitical precepts. Mobutu appeared still to believe that his political value to the West was so great that in the final extremity he would be provided the resources to survive. The investment banking firms quietly severed their profitable connection with Zaire, to salvage their own credibility from tarnish by a client now universally viewed in the financial community as irredeemably untrustworthy.

Why Optimism?

The overwhelming skepticism at the end of 1982 concerning the future of Zaire rested upon unassailable data. But a new generation of architects of externally imposed "reform" emerged, basing their hopes on the argument that the external credibility of the regime had sunk so low and the menace of ultimate bankruptcy had become so immediate that Mobutu had no choice but to accept the reforms demanded by external economic and political actors.

More than ever before, the major Western states engaged in Zaire—the United States, Belgium, and France—were presenting a common front. Private sector interests—banks and multinationals—had all but written Zaire off. The public and private external patrons of the regime insisted on collaboration with the IMF. The IMF, badly burned by four unsuccessful "stabilization plans," believed its own credibility was at stake, and was fully prepared to abandon its role in Zaire rather than be led down the primrose path a fifth time. Thus it insisted on a far more rigorous condition than ever before: that Zaire demonstrate its "seriousness" by accepting a "shadow program" for a year before IMF resources were engaged.

Certain domestic factors were also auspicious. As 1983 dawned, the regime seemed to feel more politically secure than in the past, thus altering its own calculus of risk and benefit in appraising internationally prescribed austerity and structural adjustment programs. Sheer longevity in the face of unending crisis is one element. In the 1975-77 period, when the crisis phase began, there was widespread speculation in and out of Zaire about the early demise of the regime. Mobutu himself publicly noted in his July 1977 "*mal zairois*" speech that many top cadres had one foot in and one foot out of the regime camp. By 1983, the regime had demonstrated its ability to persist indefinitely despite the dispiriting deprivation on all sides. A kind of negative legitimation derived from its resiliency in surviving prolonged crisis.

Modest public expectations played a part as well. The towering hopes ignited by independence had long since vanished. Nothing better than a daily scramble for survival was in prospect. The state was a venal predator, and no alteration in its behavior could be expected. But its rulers, ultimately sustained by Western force, were perceived as unassailable. Resistance was hopeless; opposition was profitless; resignation was the

sole stance possible toward the public realm. This public mood allowed the state to implement sweeping measures with harsh short-term impact on lower-income groups. Neither the demonetization of 1979 nor the 1983 currency float carried the risk of riots such as those which have erupted in Egypt, Morocco, and Tunisia upon the announcement of much more modest austerity moves. Moreover, Mobutu and his entourage, unlike many other African ruling groups, were unconstrained by specific ideological commitments. A parastatal marketing monopoly, for instance, could be abolished with the stroke of a pen, without amputation of a vital limb of regime ideology.

The security situation was probably better than at any time since the mid-1970s. After the shocks of Shaba I and II, military capabilities were stabilized by the long-term presence of foreign officers with key units, important both as trip-wire and as logistical reinforcement. The progressive weakening of the Angolan regime and the relatively quiescent nature of Soviet policy in Africa during this period reduced apprehensions related to Luanda's external alliances with the Soviet Union and Cuba. The Israeli contribution to presidential security agencies following the May 1982 resumption of diplomatic relations was invaluable not only because of the real enhancement it provided, but also because of the intimidating reputation of the Israelis in this field (see "Zaire and Israel" by J. Coleman Kitchen, Jr., in *CSIS Africa Notes* no. 10, March 21, 1983).

Finally, and more speculatively, there is some evidence that the president has begun to contemplate creating the conditions for a political succession by his son, Mobutu Niwa—now apparently in apprenticeship for a first-step designation as foreign minister. There is some plausibility to the argument that accepting the domestic costs of an economic recovery program in the hope of creating more favorable conditions at the time of an eventual succession had greater meaning for Mobutu by 1983 than before.

Phase Four

At the end of 1982, Zaire began a "structural adjustment" program across a broad front. Of the dozen-odd agricultural marketing monopolies created by the state, covering most of the commercial agricultural sector, all but one was dismantled. State intervention in pricing was greatly reduced. A politically risky currency float was undertaken in September 1983, about which even the international banks were skeptical. There were large-scale layoffs of public sector workers, and the disreputable state mineral marketing monopoly, the Société Zairoise de Commercialisation des Minerais (SOZACOM), a major source of predatory accumulation by the ruling group, was abolished.

The tangible results of the reform program gave some support to the optimists' thesis. The inflation rate fell from approximately 100 percent in 1983 to less than 20 percent for 1984, although it again increased somewhat in 1985. The currency float was surprisingly successful. The exchange rate fell sharply from 6 to 30

zaire to the dollar immediately after the currency measure was announced. The zaire then stayed almost steady for much of 1984, although by late 1985 it had again deteriorated to about 54 to the dollar. The real growth rate (which had been negative in almost all years since 1975) was perhaps 3 percent in 1984. Performance on external debt service sharply improved, and foreign firms were able to repatriate some profits for the first time in years. GÉCAMINES seemed better assured of the foreign exchange needed to maintain its productive infrastructure. The state budget was under much better control, and the projected 1984 deficit was within reach of the agreed targets. Set beside state performance norms in macroeconomic management between 1974 and 1982, these figures are indisputably impressive.

The rewards, thus far, have been substantial for the regime and its external supporters. Doubtless the most important single reward has been the altered international psychology reflected in the official mood of relative optimism. Various threads of hope—the new flow of IMF resources through the December 1983 stabilization accords; the resumed World Bank interest in Zairian development; tentative but tangible signs of renewed willingness to consider Zaire by foreign private capital; the improved health of GÉCAMINES—have been woven into a surprisingly sturdy fabric of hopes for longer-term Zairian recovery. In turn, proven performance in management of national resources over time may relegitimize a state whose credibility had vanished; so far, however, this shift in expectations has occurred only in the external audience.

Limiting Factors

The current official optimism includes expectations of a substantial resumed flow of private external capital. The real likelihood of such a reentry is open to question. Banks that have written off Zairian debt are unlikely candidates for new financing; the regional American banks that earlier participated in syndicated loans will be reluctant to respond to new invitations even if the leading international banks become persuaded that Zaire is now creditworthy. The profound skepticism concerning the behavior of the Zairian regime instilled by more than a decade of crisis will take much longer to erode in the private sector than in the policy community.

Significant growth over the remainder of this decade in the export sector of the economy, rendered crucial by the magnitude of the debt burden, can only occur through improved prices for existing commodities, above all copper. Most of the potential for improvement through elimination of windfall incentives for smuggling, and closing down the largest vents for illicit diversion of foreign exchange by the ruling elite, has probably already been exploited. The encouraging trend lines projected in an October 1984 IMF report rest upon dubious out-year copper price forecasts of \$1.10 per ton by 1990. The same factors that have depressed copper prices since 1974—chronic overproduction prompted by the foreign exchange needs of low-income

country producers, and long-term loss of markets to aluminum and more recently optical fibers—seem to the lay observer likely to persist. The sudden price surges of coffee in 1976-78 and cobalt in 1979-80 seem unlikely to recur, though a long-term recovery in the Western industrial world might over time tend to strengthen primary commodity prices.

The positive impact of austerity and structural adjustment are far more visible to the external policy community than to most Zairians, who perceive mainly the high social costs they are asked to bear. Improvements in macroeconomic indicators do not immediately translate into changes in the microeconomy of the low-income household. The trauma of the tremendous short-term price surge unleashed by the September 1983 currency float continues to cast its shadow, and there is still no widespread perception that inflation is slowing. The decade of crisis has deeply implanted in the minds of the populace the conviction that the situation is bad, and getting worse. A long lag may be expected before this outlook alters.

A final limiting factor lies in the behavior of the ruling group. The tourniquets applied to the arteries of kleptocracy by the mechanisms of international monitoring appear to have been moderately effective since 1983. Whether they can be maintained in place over time is open to question. The large fortunes amassed abroad by the immediate ruling group amply demonstrate that the prime motivation in the past has been private accumulation rather than generation of a national resource base. Whether past preferences for private accumulation over public purposes have really been abandoned, or only momentarily suspended, remains to be demonstrated.

Possible Warning Signals

Any resumption of former patterns in Zairian state economic behavior would raise a number of warning signals. The first and most obvious of these would be the appearance of new leakages in public resource flows. The creation in late 1984 within GÉCAMINES of an apparently autonomous marketing agency which suspiciously resembles the notorious SOZACOM is a clear example. So are recent personnel changes in the Bank of Zaire and GÉCAMINES. Neither Zairian ingenuity with regard to such schemes nor the propensity of some private external partners to collaborate in such resource diversion should be overlooked.

A united front among the external partners of Zaire in the stabilization program is a clear necessity, and may be difficult to sustain over time. The relative improvement in Zairian prospects may offer new opportunities to exploit divergences of interest among the external actors. Any symptom of such differences has the potential to unravel the program.

The nature of any new foreign capital flows into Zaire needs careful appraisal. The institutional memory of the policy community is relatively short, and there are signs that it has already all but forgotten the crucial fact that a number of the worst decisions were made with the active encouragement or even sollicita-

tion of the external public sector (the United States for Inga-Shaba, France for the costly communications boondoggles, West Germany for the shipping line acquisitions, among others). The files of various ministries contain leftover megaprojects from the early 1970s binge, which may reappear and be caught up in bidding rivalry between the national contractors of the various external partners of Zaire. Some private investors may dangle the prospect of large investments contingent upon huge and dubious Zairian state public capital commitments.

There are dangers as well in the very mood of external optimism. An obligatory optimism (combined with the institutional memory weakness) could create a selective perception process, by which only the positive omens are noted, and danger signals are too easily overlooked.

Finally, risks inherent in the liberalization process bear watching. Some recent studies report the emergence of a private land market in some areas of Zaire, accompanied by engrossment of substantial tracts by Zairians, often members of the political class. New patterns of commercial agriculture and private Zairian land ownership can be a positive trend, but also have dangers if they involve venal collusion between state agents and politicians in registering large tracts at windfall prices, with consequent displacement or reduction to tenant status of dense peasant populations.

Some Tentative Guidelines:

(1) The unending crisis in Zaire requires a set of reforms resembling the current stabilization program. No improvement is possible in the context of hyperinflation, massive state overconsumption and deficits, foreign exchange hemorrhage, venal diversion of a good fraction of public resources, and decay of physical infrastructure. One may be skeptical about the sustainability of the program, but not about its necessity.

(2) The decline of the state makes imperative a short-term shift to a much larger role for markets as policy instruments. The crucial role played by the state in the recent success stories of a number of Asian nations suggests that the present structural adjustment formulas may not have to be permanent. But for the moment the state must shrink in order that its competency may be restored.

(3) In important measure, inducements and sanctions for maintenance of the program will lie for some time in the psychological realm. Official optimism in the international community is a substantial reward and incentive. To be effective over time, however, this optimism must be balanced by a subtle dosage of skepticism.

(4) Creative ways for supporting the development of the Zairian private sector must be developed. Precisely because the foreign private sector cannot be relied upon, the economic success of this reform cycle will depend to a significant degree on liberating and guiding the potential for initiative of Zairian entrepreneurs, blocked for a century by the mechanisms of

the colonial state and its post-colonial residues.

(5) The institutional resources of the Zairian churches, especially the Catholic structure, need to be utilized. The stature of the churches has probably never been higher, as they stand in such contrast to the behavior of the state. In hinterland areas, the churches often offer the most effective formal structure for the accomplishment of any social objective. They will not agree to be transformed into agencies of administration, but their possible role in a range of social realms merits exploration.

(6) The reform program is vulnerable because of the long delays in yielding benefits visible to the average Zairian. The inevitable macroeconomic focus of the reform design tends to downplay this factor. But its promoters need to ponder the fact that the prime beneficiaries of the reform program to date have been foreign creditors and capital.

(7) Would-be reformers need to keep in mind that the Zairian crisis has a political as well as an economic dimension. A state that lacks accountability and responsibility to its civil society is not likely to govern in the public interest. In the absence of institutional and constitutional restraints upon the ruling class, external monitoring and constraint may be the sole means for coping with crisis. But it is clearly unsuitable as a permanent solution.

(8) The significance of the reform program in progress extends far beyond Zaire. If a long-term Zairian recovery could be engineered, a plausible model for revitalizing other afflicted African countries might emerge.

If Rip Van Winkle falls asleep again for a couple of years, chances are he will reawaken to a more familiar set of circumstances, and find the fourth reform cycle in its downward phase. But there is a small chance—itsself miraculous—that he might cast his eyes upon a Zaire genuinely on the road to recovery.

M. Crawford Young, chairman of the Department of Political Science at the University of Wisconsin, was 1983–84 president of the 2,000-member African Studies Association. Widely recognized as the leading American expert on Zaire, he is the author of *Politics in the Congo: Decolonization and Independence* (Princeton University Press, 1965); *The Politics of Cultural Pluralism* (University of Wisconsin Press, 1976); *Cooperatives and Development*, with Neal Sherman and Tim Rose (University of Wisconsin Press, 1981); *Ideology and Development in Africa* (Yale University Press, 1982); and *The Rise and Decline of the Zairian State*, with Thomas Turner (University of Wisconsin Press, 1985).

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