

Economic Situation

Zambia's current overriding domestic preoccupation is a serious economic situation caused by too heavy a dependence on copper. Copper accounts for some 90 per cent of exports. Severe drought, declining investment in the agricultural sector, balance of payment deficits and chronic transportation difficulties have exacerbated the situation. Depressed prices and underproduction of copper in recent years have had a particularly destabilizing effect on the economy, although a recent increase in the price of copper and a good agricultural growing season in 1988 brought some slight relief. It is estimated that copper reserves will be depleted around the year 2000.

Zambia's current external debt, which is in excess of US\$6 billion, gives it one of the highest debt service ratios in Africa. Its lack of foreign exchange has resulted in severe shortages of imported components and raw materials, including petroleum. This in turn has adversely affected productivity. Zambia is also suffering from high rates of inflation and unemployment.

Early in 1987 Zambia abandoned its economic adjustment program, which was supported by the International Monetary Fund (IMF) and announced an indigenous recovery plan. However, the international donor community (including the IMF and the World Bank), has found the plan insufficient -- in particular as it relates to the over-valuation of the currency of Zambia (the kwacha), the level of interest rates, price controls, subsidies and the country's high balance-of-payments deficit. Recently, however, positive measures have been taken in the direction of economic reform. The government has moved to reduce the value of the kwacha, boost interest rates and reduce the levels of subsidies. Moreover, the Zambian government is currently involved in discussions with the World Bank and the IMF.

Canada-Zambia Relations

Canada's relations with Zambia have always been friendly. This warmth is the result of long-standing contacts through common membership in the Commonwealth. It has been enhanced by the helpful position Canada has taken on southern African questions and its willingness to assist in Zambia's economic development. Canada has also been supportive of President Kaunda's peace initiatives in southern Africa and Prime Minister Mulroney and President Kaunda worked closely to forge the Commonwealth position on South Africa at the Commonwealth heads of government meeting in Nassau (October 1985) and, more recently, at the meeting in Vancouver (October 1987). Prime