ZIMBABWE

In 1996, the U.S. trade deficit with Zimbabwe was $42 million, a shift of $66 million from the U.S. trade surplus of $24 million in 1995. U.S. merchandise exports to Zimbabwe were $91 million, a decrease of $31 million (25.4 percent) from the level of U.S. exports to Zimbabwe in 1995. Zimbabwe was the United States' one hundred and ninth largest export market in 1996. U.S. imports from Zimbabwe were $133 million in 1996, an increase of $35 million (35.7 percent) from the level of imports in 1995.

IMPORT POLICIES

Zimbabwe's economy, including its tariff regime, is in transition from a highly-controlled, statist model to an open, market-based economic system. During the first phase of its structural adjustment program that ended in 1995, Zimbabwe abolished quantitative restrictions in favor of a tariff-based trading system. In early 1996, Zimbabwe undertook a comprehensive review and rationalization of its tariff policies and rates with substantial World Bank input and the cooperation of the Confederation of Zimbabwe Industries (CZI). A new tariff regime, effective March 1, 1997, will lower duties on raw materials and other inputs, thereby removing the anomaly of higher duties on raw materials than on finished products. Although the new tariff rates have not yet been made public, they are expected to range from 5 to 50 percent.

Tariff rates applied to processed agricultural imports are high, ranging from 20 to 45 percent. As of early 1996, the tariff on ready-to-eat cereals was 25 percent, plus an import tax of 15 percent, and a 10 percent surcharge on production cost, insurance, and freight (c.i.f.) basis. The effect of such high tariffs has been to preclude U.S. firms from pricing specific processed agricultural goods within reach of the average consumer, thereby curtailing growth of the domestic market. High tariffs on imported tobacco products have also been reinstated. The high rates on agro-processing products reflect the power of the commercial farmer lobby in Zimbabwe. On the other hand, free access to foreign exchange, abolition of import licensing, and establishment of the Zimbabwe Investment Centre (ZIC) have greatly increased U.S. firms' access to the Zimbabwe market. Export processing zones (EPZ) and certain related tax concessions should boost foreign investment, but a trade performance requirement compels eligible companies to export at least 80 percent of output. The EPZ authority, operational since early 1996, approved 19 projects by the end of the year.

LACK OF INTELLECTUAL PROPERTY PROTECTION

Since independence, Zimbabwe has joined several international patent and trademark conventions. It is a member of the World Intellectual Property Organization, the Paris Convention for the Protection of Industrial Property (Stockholm Text), and the Berne Convention for the Protection of Literary and Artistic Works (Rome Text). In addition, while Zimbabwe seeks to honor intellectual property ownership and rights, some enforcement problems exist. Audio and videocassette piracy is the most widespread IPR issue in Zimbabwe, but the volumes involved are relatively small. While software bootlegging undoubtedly occurs by users, pirated software is rarely sold commercially.

Zimbabwe

INVESTMENT BARRIERS

The Government of Zimbabwe has sought radical improvement in its investment climate by eliminating its most onerous restrictions on foreign investment. It now permits pre-independence investors to remit 100 percent of declared dividends and no longer imposes restrictions on local borrowing. In September 1995, the Reserve Bank of Zimbabwe (RBZ) took additional steps to liberalize blocked accounts, removing most restrictions on repatriation of blocked profits and dividends accrued on pre-1993 investments and allowing repatriation over a three-year period of blocked corporate funds in Government of Zimbabwe external bonds and blocked accounts with authorized dealers. The RBZ also permits Zimbabweans to take up to $500 in cash or its equivalent in other foreign currencies and to use credit cards when they travel abroad.

Zimbabwe has signed investment agreements with the Overseas Private Investment Corporation (OPIC) and the World Bank. Notwithstanding such commitments to investment liberalization, Zimbabwe has yet to embrace the concept of national treatment or discontinue its sizable “reserved list” of sectors that are closed to all but domestic investors and foreign investors in joint ventures with local partners. Furthermore, remittances for royalties, technical services, and management fees are still subject to RBZ approval.

Other problem areas remain. U.S. firms and various national governments, including those of the United States, Great Britain, France, Belgium, and Italy, have voiced serious complaints about the lack of transparency and fairness in the Government of Zimbabwe’s tender process. In one example, the government not only disregarded established tender procedures in the proposed privatization of the Hwange power generation facility but also dismissed the responsible board for criticism of its unilateral decision and lack of transparency. Similar criticism about the lack of fairness in dealing with other energy and telecommunications tenders highlights the potentially adverse impact these procurement procedures can have on foreign investment. In one instance, however, when the U.S. and German Embassies protested lack of transparency in a cellular tender award, the Government of Zimbabwe canceled the decision and reissued the tender, which was then won by the German company and its U.S. subcontractor.

An RBZ ruling on the amount and rate of disinvestment is blocking free access by U.S. petroleum companies to their share of almost $3 million in funds paid by the Government of Zimbabwe for use of storage facilities at a refinery owned but closed down by the investors. While the RBZ has approved release of the funds to the refinery owners over 20 years at 4 percent interest, it steadfastly refused to authorize, as requested in this case, the “currency switch deal” option preferred by the investors. This authorization would have allowed the investors to swap currency in the account with that of investor outside the refinery deal who have sought access to Zimbabwean dollars. The RBZ discontinued currency switch deals in December 1994 after reported abuse.

Another roadblock to foreign investment is the delay and lack of transparency by the Government of Zimbabwe in processing work permits for representatives of U.S. firms. In one example, a senior executive in a major U.S. corporation was denied renewal of his work permit purportedly on the basis of his age (63). The case is ongoing. Delay and lack of transparency is also often found in RBZ approval of investments in existing operations. In a new and potentially very negative development, U.S. firms have also complained of official attempts to dictate their choice of local partners (a local partner is required in certain reserved sectors) under the guise of indigenization enforcement.

OTHER BARRIERS

The Government of Zimbabwe does not have a well-defined privatization program, but is in the process of canvasing both the public and private sectors for input into developing a comprehensive program that will liquidate some parastatals, commercialize others, and wholly or partially privatize the rest. A key goal set by the Government of Zimbabwe is to use a privatization/indigenization program to increase black ownership of economic assets. Specifically, there is interest in using proceeds from the sale of state assets to set up a national investment trust to fuel indigenization efforts and to retire massive government debt. A draft indigenization policy is expected to be released in early 1997.

Responsibility for decision-making and implementation of the privatization policy is unclear. The pace of privatization slowed after President Robert Mugabe criticized a late 1995 sale of government shares in the Delta Corporation (a large conglomerate) on the Zimbabwe stock market because revenue generated from the sale did not support the government's indigenization efforts. In December 1996, the government sold a portion of its Delta holdings on the open market to a foreign concern. While some again asserted that the sale undermined the government's indigenization plans, President Mugabe was not among them.

Zimbabwe has commercialized all of its agricultural marketing boards and intends ultimately to privatize several of them. It has committed itself to selling off its stake in a sizable number of publicly traded firms. The majority government-owned Cotton Company of Zimbabwe (CCZ), formerly the Cotton Marketing Board (CMB), and the Dairy Company of Zimbabwe (DCZ), formerly the Dairy Marketing Board (DMB), now work as private commercial enterprises. As promised, the government ended a cotton subsidy that had violated the terms of the World Bank's financing. All parastatals, including the CCZ, must now pay taxes and declare dividends. In January 1997, the government announced that it wishes to sell a majority holding in the long-troubled Zimbabwe Iron and Steel Company (ZISCO), although some economists warned that only foreigners could undertake such an investment, an outcome that would run counter to the government's indigenization objective.

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