ZIMBABWE

In 1997, the U.S. trade deficit with Zimbabwe was $57 million, an increase of $15 million from the U.S. trade deficit of $42 million in 1996. U.S. merchandise exports to Zimbabwe were $82 million, a decrease of $9 million (9.9 percent) from the level of U.S. exports to Zimbabwe in 1996. Zimbabwe was the United States' one-hundred-nineteenth largest export market in 1997. U.S. imports from Zimbabwe were $139 million in 1997, an increase of $6 million (4.8 percent) from the level of imports in 1996.

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, lowered duties on raw materials and other inputs, thereby removing the previous anomaly of higher duties on raw materials than on finished products. Raw materials now incur a duty rate of 5%. New rates are zero for most capital and merit goods, 15 percent for partly processed goods, 20-30 percent for intermediate goods, and 40-85
percent for finished goods. In addition, the 10 percent surtax now applies to finished goods only.

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 rendering them uncompetitive. 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). However, 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 lifted some of its most onerous restrictions on foreign investment. It permits pre-independence investors to remit 100 percent of declared dividends, no longer imposes restrictions on local borrowing. Since September 1995, the Reserve Bank of Zimbabwe (RBZ) began liberalizing blocked accounts, allowing repatriation of certain blocked funds (profits and dividends accrued on pre-1993 investments, corporate funds in Government of Zimbabwe external bonds, and accounts with authorized dealers.) In addition, the RBZ government 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. Nonetheless, because of Zimbabwe's end of 1997 financial crisis (cumulative drop in currency of 22 percent) there is a concern that the government may resort to the reimposition of foreign exchange restrictions in an effort to stabilize the situation.

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 Zimbabwe 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 are often encountered in RBZ approval
of investments in both new and existing operations. U.S. firms have complained of problems in processing work permits for representatives of U.S. firms. One case cited involved a senior executive in a major U.S. corporation who was denied renewal of his work permit, purportedly on

the basis of his age (63).

Land Reform: The redistribution of large commercial (mostly white-owned) farms to small-scale black farmers has long been a stated goal of the Zimbabwe, although little progress has been made in achieving this. However, during the second half of 1997, there has been repeated and increasingly insistent rhetoric on the part of President Mugabe, that some 1,500 commercial farms will be seized imminently and without compensation to their owners for redistribution to black farmers. Letters
to this effect have already been sent to the owners of these farms. Such extensive expropriation of land would have a crippling effect on local and foreign investor confidence and would seriously disrupt Zimbabwe's large and economically significant agricultural sector.

Privatization

The Government of Zimbabwe has not had a well-defined privatization program, largely due to the absence of a single organizational entity with overall responsibility for the design and implementation of the program. However, the Zimbabwe government has now approved the creation of an independent privatization unit charged with identifying and expediting the privatization of public enterprises. A key goal set by the Zimbabwe government is to increase black ownership of economic assets via its privatization/indigenization program. The National Investment Trust (NIT) has been set up in order to facilitate the participation of the economically deprived indigenous population in the privatization process. The NIT is buying an assigned percentage of shares in privatized public enterprise to hold in trust for Zimbabwe's indigenous population, as was recently done with 10% of the shares of Dairibord Zimbabwe.

Zimbabwe's commitment to its stated privatization/indigenization policies has been called in to question on several occasions. Critics assert that the implementation of these policies has been slow, uneven, and has tended to favor government friends and ruling party allies at the expense of independent black entrepreneurs. For example, the pace of privatization slowed after President 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. However, 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. 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.

As part of the ongoing commercialization/privatization program, all parastatals must now pay taxes and declare dividends. Zimbabwe has commercialized all of its agricultural marketing boards and privatized several of them. The Cotton Company of Zimbabwe (Cottco, formerly the Cotton Marketing Board), and Dairibord Zimbabwe (DZL, formerly the Dairy Marketing Board) were commercialized in1996 and partially privatized in 1997 through share flotations. The Zimbabwe government has retained 25% of Cottco and 40% of Dairibord. A consortium of three banks has been appointed to assist the Zimbabwe government in privatizing the Cold Storage Commission (CSC), which currently has an export monopoly on beef. The planned 1997 privatization of the long-troubled Zimbabwe Iron and Steel Company (ZISCO) could not be completed due to a lack of acceptable bids.