

## SUMMARY

1. Zimbabwe's renewed commitment to fiscal discipline and its *de facto* adoption of the U.S. dollar as legal tender as a result of the implementation of its multi-currency system in February 2009 have brought some encouraging signs towards macroeconomic stabilization. Nevertheless, Zimbabwe's economy is still in a fragile state with high unemployment, depleted international reserves, and unsustainably high external debt, including a major accrual of arrears. A fractious socio-political environment, combined with a controversial land reform and measures in favour of indigenization, has triggered the withdrawal of support from the international community and cast a shadow over property rights, thereby undermining the business environment, with a devastating impact on Zimbabwe's economic performance and social indicators over the past decade.

2. Zimbabwe's economy remains relatively diversified, with the services sector accounting for approximately half of its GDP. Despite its comparatively modest contribution to GDP, agriculture remains the principal source of employment and continues to have a multiplier effect on the economy. The mining sector has recently entered a phase of vigorous expansion and has the potential to develop into a major pillar of the economy. The manufacturing sector's GDP share has been on the decline, partly reflecting the drop in capacity utilization amid difficult macroeconomic conditions. State ownership and intervention in the economy remain significant, rendering the supply of key goods and services inefficient and costly.

3. Zimbabwe has lowered applied MFN tariff rates unilaterally, with a view to reducing production costs. However, at 15.4%, its simple average applied MFN tariff rate is among the highest in the region. Besides *ad valorem* tariff rates ranging from zero to 160%, some 6.1% of all lines carry non-*ad valorem* tariffs; due to lack of data, their *ad valorem* equivalents could not be calculated. Agriculture is the most protected

sector, with an average applied MFN tariff rate of 25.1%, compared with 13.9% on non-agricultural products (WTO definitions). Zimbabwe's MFN tariff rates on 61 lines exceed the corresponding bound levels (in some cases by as much as 60 percentage points), although its tariff bindings cover only 22.4% of all lines; moreover, 64 lines carry non-*ad valorem* rates that could potentially exceed their *ad valorem* bindings.

4. A range of other duties and charges may also be imposed on imports and/or exports. Internal taxes (VAT and excise duties in particular) apply to imports and locally produced goods; specific excise duties on tobacco products may differ depending on their origin. Export bans/suspensions or taxes may apply to selected products on value-addition or self-sufficiency grounds. Tariff suspensions are in place for a number of essential food items, and full rebates of the customs tariff and VAT may be granted for a variety of reasons; the particular focus on inputs under some rebate schemes further increases the effective protection of selected industries.

5. Zimbabwe is among the regional leaders in the deployment and upgrading of computerized customs clearance systems. It levies customs duties on the c.i.f. value of imports, computed as an aggregate of all costs up to the point of entry into its customs territory. The methodology for calculating the cost of freight in the absence of satisfactory documentary evidence provides for preferential treatment of shipments transported from some of its neighbouring countries, as opposed to those transported from any other African country. In general, permits/licences are maintained on security, health, SPS, moral, and environmental grounds. The documentation required for customs clearance often involves more than one competent authority, which may levy fees and charges independently. Administrative fees under the permit system for domestic and international trade in wild life specimens are calculated on an *ad valorem* basis.

6. Zimbabwe is a party to bilateral and regional trade agreements (SADC, COMESA), which overlap in terms of trading partners but may differ in product coverage and regulatory stringency, including with respect to rules of origin. The simple average tariff rates for Zimbabwe's preferential partners range from 0.2% (SADC excluding South Africa) to 11.4% (South Africa). The continued relevance of membership in these overlapping agreements should be reviewed, as aggregate preferential imports remain rather modest at some 18% of total imports in 2010.

7. Zimbabwe's Competition and Tariff Commission is responsible for investigating and correcting anti-competitive conduct on the domestic market; it also plays an investigative role in trade remedies. Due to delays in the updating of legislation, all mergers are currently subject to notification and thereby to a fee of 0.5% of the merging parties' combined annual turnover or combined value of assets in Zimbabwe; the absence of notification fee ceilings often results in abnormally high levies. The Commission has, on occasions, aligned merger control with broader policy objectives, including indigenization and local value-addition. Zimbabwe has never initiated investigations nor imposed measures under its trade remedies legislation.

8. Zimbabwe's procurement legislation provides for a 10% price preference to suppliers whose operations have locally channelled downstream and social benefits, as well as to "previously economically disadvantaged" suppliers. The administration of public procurement has been undermined by resource constraints and the impact of hyperinflation, which had caused frequent valuation adjustments and eroded the deterrence effect of penalty provisions.

9. Efforts to bring Zimbabwe's intellectual property regime into closer conformity with the provisions of the TRIPS Agreement have translated into a number of legislative amendments, most of which entered into force in 2001-04. Zimbabwe recognizes patent, industrial design, and trade mark

applications filed through the African Regional Intellectual Property Organization (ARIPO) to which it is a party; ARIPO trade mark registrations were given national effect formally in 2010.

10. Agriculture is the leading sector in Zimbabwe's poverty-reduction strategy owing to its labour intensity, and its role in food security (mainly through self-sufficiency in main foodstuffs and subsistence farming) and as a supplier of inputs to local industries. Agriculture remains heavily protected and supported, including through high tariffs and a price band system. However, the sector's development remains hampered by numerous factors such as the Fast Track Land Reform Programme (FTLRP), erratic weather, limited access to and high costs of financing, and infrastructure bottlenecks. Lack of security of tenure, aggravated by the FTLRP, has negatively affected investment in the sector, causing large-scale underutilization of land.

11. Despite the recent adoption of indigenization and empowerment regulations, mining has remained a preferred sector for foreign investment in Zimbabwe. Although it has immense potential, it still makes a marginal contribution to growth. Mining imports are subject to an average tariff rate of 5.9% for the extractive industries but the inclusion of various surcharges raises the average border charge to 31.3%. Lack of clarity over the mining royalty and taxation systems is another source of concern for investors. Mining activities are subject to a fixed permit issuing fee, royalties based on the surface area being worked, an extraction tax that varies with the nature of the substance being mined, an *ad valorem* tax, and a multitude of other taxes and charges. Unprocessed chrome ore is subject to an export ban (occasionally replaced by an export tax). The Minerals Marketing Corporation of Zimbabwe, wholly owned by the State, acts as the exclusive agent for the marketing and sale of all minerals produced in Zimbabwe.

12. By African standards, Zimbabwe's manufacturing sector is relatively large and

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well-diversified. It has strong direct linkages with the other sectors of the economy, particularly agriculture to which it previously supplied 50% of its output in the form of fertilizers, feed-stock, and insecticides. The sector's performance has deteriorated in line with the decline in economic activities over the past ten years, losing almost 50% of its output. The industry faces international competitiveness challenges due to its relatively high production costs, old plants and equipment, unreliable supplies of and exorbitant tariffs for key utilities (electricity, water, fuel, and coal), lack of financing, and working capital eroded by hyperinflation. In addition to import duties and charges, other trade policy measures affecting the sector include the duty drawback and inward processing rebate schemes, import and export licensing, and tariff and tax concessions on various imported inputs and capital goods. The average tariff protection for manufactured products is 15.4%, with tariff rates ranging up to 140% in industries including food products, beverages, wood and wood products, and tobacco.

13. Zimbabwe is a net importer of services; its main export is travel (tourism) services, while imports have been dominated by transportation services, reflecting its remoteness from key markets. A range of services are provided (*de facto* or *de jure*) exclusively by state-owned enterprises. Zimbabwe faces serious challenges in restructuring and recapitalizing state-owned companies whose performance has deteriorated significantly due to the severe

economic conditions of the past decade. Zimbabwe's banking and insurance subsector has struggled considerably during the economic crisis; several insurance companies and banks have gone bankrupt. Since 2010, all undercapitalized institutions have been de-registered by the Government.

14. Zimbabwe's specific commitments under GATS are limited and cover only financial services (insurance and insurance-related services; and banking and other financial services); tourism; and telecommunication services. Its Schedule includes some horizontal restrictions on market access. Zimbabwe did not participate in the extended negotiations on basic telecommunications or financial services or otherwise upgrade its GATS commitments.

15. Zimbabwe's relations with major donors and lenders remain far from perfect, and it has had virtually no major development assistance since 2000, except for humanitarian aid. So far, Zimbabwe has benefited from Aid for Trade in the context of a regional project under COMESA – the Chirundu Open Border Post project. Its main TRTA needs are in: developing a trade remedies knowledge base; tariff analysis; intellectual property rights enforcement; WTO notifications; upgrading trade reference and other information centres; and training and upgrading national quality infrastructure systems at the Standards Association of Zimbabwe, in order to fulfil TBT and SPS obligations and enforce quality standards.