SUMMARY

1. Agriculture, mining and tourism are the main pillars of the Zimbabwean economy, which has succeeded in developing strong export industries in each of these sectors. Exports of agricultural commodities and minerals (led by gold, nickel, and tobacco) account for nearly 90% of total merchandise exports. While manufacturing has been in decline since the last TPR, Zimbabwe retains a relatively large and diversified manufacturing base. Services contribute about 66% to GDP, led by wholesale and retail trade, education services, and tourism.

2. The country in 2019 was still struggling to stabilize its economy, following a long spell of governance problems and international isolation. Economic reforms, including the adoption of a multiple-currency regime in 2009 with the US dollar as the principal currency, had contributed to its economic recovery with double-digit GDP growth rates and had ended hyper-inflation. However, in a difficult socio-economic context, Zimbabwe then adopted FDI restrictions in 2012 under the Indigenization and Economic Empowerment Act. In consequence, foreign investment has been subdued and the economy has resumed a modest growth performance since 2013 until 2016, hampered by foreign exchange shortages. GDP growth recovered slightly in 2017 and 2018.

3. Under the multiple currency system introduced in 2009, Zimbabwe formally ceased to have a domestic currency. However, in 2014, the Reserve Bank of Zimbabwe (RBZ) started to credit account holders with electronic money balances, termed "Real Time Gross Settlement" (RTGS), using for accounting purposes an exchange rate of one-to-one between the RTGS dollar and the US dollar. Most domestic transactions and salary payments were carried out with the RTGS electronic currency. However, due to increased fiscal deficits financed by the RBZ, the RTGS balances were not backed up by enough foreign currency earnings to maintain parity, leading to high parallel market premiums for the US dollar.

4. In November 2017, Zimbabwe witnessed the departure of the President in power since its independence in 1980. The new Government inherited an economy characterized by large fiscal deficits, rising inflation, shortages of basic goods (including fuel and electricity), and critically low international reserves. Zimbabwe's per-capita income was about USD 1,500 in 2018; the economy was forecast to contract strongly in 2019 (by up to 6% according to the authorities), due to, *inter alia*, fiscal consolidation and the impact of Cyclone Idai.

5. The new Government implemented various reforms, including the elimination in December 2017 of the 49% foreign ownership cap for most sectors. The remaining restrictions in the diamond and platinum sectors were removed in March 2019. The one-to-one RGTS$/USD exchange rate was eventually abandoned in February 2019, and Zimbabweans consequently witnessed a major loss of value of their electronic currency balances in US dollar terms. On 24 June 2019, Zimbabwe abolished the multi-currency system and re-introduced the Zimbabwe dollar as sole legal tender.

6. During the review period, Zimbabwe's exchange rate policy with an artificially overvalued electronic currency has perhaps been the most important source of distortion to its international trade in goods and services. Indeed, in order to deal with its chronic foreign exchange shortages, Zimbabwe put in place a priority list for imports and other foreign currency payments, and introduced mandatory forex surrender for exporters. The policy involved taking a share of foreign exchange earnings from private foreign currency accounts and replacing them with electronic RTGS dollars. The forex surrender scheme became, effectively, a substantial tax on exporters as RTGS$ receipts from exports lost their value in US dollar terms. Imports were also distorted; those who had access to foreign currency at the official one-to-one RTGS$/USD rate benefitted from cheap imports, which greatly increased the demand for fuel and consumer goods.

7. Furthermore, to save foreign currency, the forex control measures were implemented alongside import-restrictive measures. As a result of all the trade restrictions imposed by Zimbabwe over recent years, the importance of trade for its economy has significantly declined: its ratio of trade in goods and services to GDP has dropped from 89.5% in 2011 to about 50% in 2017.

8. Merchandise imports declined sharply between 2011 (USD 8.6 billion) and 2018 (USD 6.3 billion), reflecting the slowdown in economic growth, as well as the restrictive trade and foreign currency measures. Nonetheless, imports of goods continue to significantly outstrip exports. Zimbabwe sources most of its imported goods from South Africa; imports of fuel are mainly from

Singapore. Merchandise exports have recovered significantly in recent years, reaching USD 4 billion in 2018. They are destined mainly to South Africa, followed by the United Arab Emirates. Zimbabwe's export performance closely mirrors the cyclical developments in the mining sector, which staged a recovery following a sharp downturn in 2013-15. Manufacturing exports dropped from USD 740 million in 2011 to USD 470 million in 2018, on the account of liquidity constraints and the high cost of imported raw materials, and power shortages. Tobacco is the number one agricultural commodity for Zimbabwe (21% of total exports in 2018). Zimbabwe is a net-importer of services, although the deficit has narrowed due to a decline in services imports. Remittances (8% of GDP in 2018) play an important role in supporting the people and sustaining the economy.

9. In the period under Review, Zimbabwe has participated in the negotiations on the African Continental Free Trade Agreement, and the COMESA–EAC–SADC Tripartite Free Trade Area. An early harvest of the latter is a web-based facility allowing stakeholders to report and monitor trade barriers, which has helped to resolve over 70 cases involving measures by Zimbabwe. Zimbabwe has also since 2012 implemented the Interim Economic Partnership Agreement between the EU and the Eastern and Southern Africa group.

10. Zimbabwe ratified the WTO Trade Facilitation Agreement (TFA) in October 2018. It has notified all its TFA commitments to the WTO, as well as its technical assistance needs for category C measures. Zimbabwe would benefit from the simplification of its customs documentation requirements, as up to 15 paper documents may be required. Given its geographical location, Zimbabwe plays a critical role in the facilitation of regional transit traffic; yet despite harmonized transit provisions within COMESA and SADC, most member countries, including Zimbabwe, run their own national transit systems.

11. Zimbabwe's simple average applied MFN tariff increased from 15.4% at the time of its last Review in 2011 to 15.8% in 2019. A quarter of all tariff lines are bound. The applied rates exceed the corresponding bound levels (in some cases by as much as 60 percentage points) on 61 tariff lines; another 64 lines carry non-*ad valorem* rates that could potentially exceed their *ad valorem* bindings if the import prices of the products concerned were to fall. Moreover, a surtax is levied at the rate of 25% on imports of numerous products from all countries including COMESA and SADC members.

12. Zimbabwe continues to maintain a multitude of statutory instruments (over 150 in 2019) that provide for exemptions, suspensions or rebates of customs duties, excise duties, VAT or surtax. The high number of tariff exemption schemes is an indicator that some of Zimbabwe's MFN tariff rates may be too high, and thereby negatively affect the competitiveness of industries that rely on imported capital goods and inputs.

13. A system of non-automatic import licensing remains in place for import substitution purposes. The system has changed frequently and conditions to obtain licences appear to be opaque. Furthermore, licences issued to importers are often dependent on other permits or authorizations from other agencies; this multiple-layered system combines non-automatic licensing, quantitative restrictions and SPS requirements for agricultural products.

14. Pre-shipment inspection requirements were phased-out in 1998. However, in 2015 Zimbabwe made trading across borders more difficult by introducing a mandatory pre-shipment conformity assessment programme, which was notified to the TBT Committee. The scheme covers a range of products (12% of tariff lines at HS 8-digit level), subject to the payment of high and complex ad valorem fees. Zimbabwe provided five SPS notifications related to food safety. Overall, its legal framework for SPS measures requires modernization.

15. Zimbabwe's non-automatic licensing regime for exports covers a wide range of products, including most agricultural commodities. As in the case of import licensing, compulsory export licences are intended to ensure that enough quantities of produce are available domestically. Export taxes are in place on several minerals, with lower rates for transformed products.

16. State-owned enterprises play a major role in the economy, including in manufacturing, mining, utilities, and telecoms. For 2017, the Auditor General of Zimbabwe reported a worsening of the losses by the SOEs (some 107 of them in 2019) due to a continued lack of appropriate

governance. Several of these SOEs, such as the Grain Marketing Board and the Minerals Marketing Corporation of Zimbabwe (MMCZ), are engaged in international trade.

17. Zimbabwe has recently modernized its government procurement regime: The Public Procurement and Disposal of Public Assets Act came into force in January 2018; it contains domestic preference provisions. The new Procurement Regulatory Authority of Zimbabwe (PRAZ) oversees public procurement and has started for the first time to compile procurement data. In 2018, public procurement amounted to USD 1.5 billion, or 10% of GDP.

18. Zimbabwe's intellectual property rights regime is administered by the Department of Deeds, Companies and Intellectual Property under the Ministry in charge of Justice. The Zimbabwe Intellectual Property Office (ZIPO) oversees the registration of trademarks, patents, geographical indications, integrated circuit layout designs and industrial designs. Zimbabwe also has a plant breeder's rights legislation; however, the country is not a member of UPOV. Zimbabwe has yet to accept the Protocol amending the TRIPS Agreement to provide additional flexibilities to grant special compulsory licences for exports of medicines.

19. Agriculture is the main source of subsistence for most of the population. The sector's performance has varied substantially due to drought and other natural disasters, as witnessed by Cyclone Idai which hit Mozambique and Zimbabwe in March 2019. As a result, Zimbabweans remain highly food-insecure, with millions of people in need of food aid over the recent years. Maize is the key food security crop and therefore at the centre of Zimbabwe's agricultural policy. A range of policies are in place, essentially to control maize supplies, trade and prices. In response to the 2019 drought, the Government introduced a single-buyer regime whereby all marketed maize production must be channelled through the Grain Marketing Board (GMB). Other measures include temporary import and export bans depending on the domestic supply situation, an input subsidy scheme called "Command Agriculture", price support, and consumer subsidies. The GMB administers the Strategic Grain Reserve and acts as buyer of last resort for all grains and cotton. Applied MFN tariffs on agricultural products (WTO definition) averaged 25.1% in 2019.

20. Zimbabwe is endowed with more than 40 mineral and metal resources, including gold, platinum group metals, diamonds, nickel, coal, and chromite. A "beneficiation" policy to encourage local downstream processing is enforced through export taxes on "un-beneficiated" platinum group metals, diamonds and lithium. Exports are controlled by two state-owned marketing monopolies (MMCZ and Fidelity Printers and Refiners).

21. Zimbabwe's electricity sector is in a state of prolonged crisis, as reflected by chronic power cuts, lagging investment, and a drain on the public finances caused by the national power utility. Fuel imports have also been affected by a reduced availability of foreign currency, resulting in chronic fuel shortages. Zimbabwe's fuel import regime would benefit from market-based reforms, transparency, and strong competition policy enforcement.

22. Zimbabwe's manufacturing policy has been largely inward looking, relying on import substitution policies made effective through tariffs on final products and exemptions on inputs, as well as discretionary import licensing and a newly adopted local content strategy.

23. Zimbabwe has a long insurance tradition and is host to some of the world's oldest multinational insurance companies, such as Old Mutual. The main national insurance groups have close ties with Zimbabwe's main commercial banks as several financial conglomerates have insurance or banking subsidiaries.

24. Zimbabwe is one of the few countries where the State still has substantial ownership in mobile telecom operators. International communications are among the most expensive in Africa, suggesting that the sector's reform could be of considerable benefit to the economy. One of the main drivers of telecom services in Zimbabwe has been mobile banking, an alternative to cash for making payments. Zimbabwe saw a surge in mobile money transactions in 2018, as the foreign exchange shortage escalated into a cash crisis.

25. Tourism is Zimbabwe's flagship industry benefiting from the country's beauty and wildlife, and well-trained workforce. Tourism also benefits from more competition among air transport companies following the opening of the Zimbabwean skies.