Working Paper

ZIMBABWE CASE STUDY ON TRADE NEGOTIATIONS

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Acronyms

COMESA	The Common Market for Eastern and Southern Africa
DFID	Department for International Development, UK
EDF	European Development Fund
ESAP	Economic Structural Adjustment Programme
FTA	Free Trade Area
GATT	General Agreement on Tariffs and Trade
LDCs	Less Developed Countries
LMG	Like Minded Group
NECF	National Economic Consultation Forum
NRZ	The National Railways of Zimbabwe
PTA	Preferred Trade Area
PTC	Post and Telecommunications Corporation
SADC	Southern Africa Development Community
SAP	Structural Adjustment Programme
SEATINI	Southern and Eastern Trade and Information Initiative
SPA	Special Programme of Action
TERC	Trade and Economic Relations Committee
TRIPS	Trade Related Intellectual Rights
UNCTAD	United Nations Council for Trade and Development
UNDP	United Nations Development Programme
WTO	World Trade Organisation
ZIMPREST	Zimbabwe Programme for Economic and Structural Transition

1. Zimbabwe Background

1.1 Zimbabwe's economic structure

Zimbabwe has one of the most diversified economic structures within Africa. This diversity impacts on the extent of issues with which Zimbabwe needs to be concerned in international trade negotiations. In turn this calls for a heavier involvement in such negotiations than would be required by many other less diversified developing economies. While it has the second strongest economy after South Africa within southern Africa, it is relatively very small in comparison. Zimbabwe has enjoyed a good reputation by developing country standards; however, recent developments in the economy have undermined that image.

The most important sector within the economy is Agriculture, followed by mining, manufacturing and construction.

Agriculture

The agricultural sector is the most important revenue earner for the country. Although agriculture encompasses no more than 15% of GDP, it is responsible for 40% of total export earnings. It is also the largest employment sector, with 74% of the labour force accrued within this sector. As such, it is not difficult to see that the current land redistribution exercise, if it continues on its current basis could place the whole economy in jeopardy. The most important commodities in terms of revenue generation are tobacco, maize and cotton. Although Zimbabwe had to import food commodities during the 1982, 1987 and 1992 droughts, up until the current land redistribution exercise it was the largest net food exporter within the region and was fully able to meet its own food requirements under normal conditions.

Manufacturing

The manufacturing sector is one of the largest and most diversified sub-sectors in sub-Saharan Africa, and has traditionally accounted for roughly a quarter of GDP. Zimbabwean industry is to a large extent a captive market where small companies produce a modest part of the total production. There has been a strong history of market collusion among major producers and price setting that has resulted in a business culture unconcerned with efficiency and competitiveness. This culture has been reinforced by Government and parastatal monopolies in a number of key sub-sectors. This sector has declined significantly in recent years, primarily due to the policies adopted by Government regarding macro economic policy and the land issue. This sector has been badly affected by down turn in the economy in recent years and the major restructuring that is currently taking place in the sector. Many companies face closure and the pressure on wage increases and price freezes will cause this situation to worsen. The current shortage of foreign currency has affected this sector badly and will continue to do so for the foreseeable future.

Mining

The mining sector is a major foreign exchange earner for the country. Over 90% of its production is exported, most of it in crude commodity form. The potential for semi-finished to finished goods production in this sector is enormous. Zimbabwe has relatively rich mineral deposits. Mining accounts for 45% of the country's foreign earnings yet only 9% of GDP. Gold and nickel have accounted for over half the value of mining output in the last ten years. Zimbabwe is the largest producer of gold in Africa after South Africa and Ghana. Other major minerals are asbestos, coal, copper, chrome, iron, tin, silver, phosphate, limestone, cobalt, lithium and platinum. The lowering of mineral prices in world markets and the down turn in the Zimbabwean economy, combined with the foreign exchange shortage and the fixed exchange rate, have adversely affected the sector. All companies in this sector are restructuring and attempting to reduce costs in order to survive the changes, some will face closure and this will have a major effect on the economy overall.

Transport and Communications

The transport and communications sector is one of the fastest growing sectors in the Zimbabwean economy. Telecommunication services, provided by the state-owned Post and Telecommunications Corporation (PTC), remain notoriously bad. This remains a serious obstacle to investment and expansion. However with the advent of the cellular telephone networks this has been partly resolved. Nevertheless, the services provided are sometimes unreliable due to poor reception, maintenance and theft.

The transport infrastructure is good by regional standards, with good roads servicing all major cities and towns within the country. Zimbabwe has an excellent road network of over 17,000 kilometres of surfaced roads and 19,000 kilometres of un-surfaced roads. However, because of excessive spending in the recurrent budget, at the expense of capital investment, the road network is in danger of serious deterioration. The National Railways of Zimbabwe (NRZ) once operated one of the most efficient rail systems in sub-Saharan Africa; however in recent years this has declined significantly and this is causing problems with importation of raw materials and with general transportation in the country. Air transport is carried out by Air Zimbabwe, the national airline, and a number of freight airlines, providing regularly scheduled links to major regional centres, as well as providing an air transport system within the country. The efficiency of the air transport system has deteriorated significantly over the past two years with a number of major carriers refusing to come to Zimbabwe because of fears over the standards of safety and problems with the supply of fuel, as well as lack of demand.

The Financial Sector

In terms of market share of the financial sector, commercial banks are the strongest players in the financial sector (43.8%), followed by building societies (21.5%), whilst finance houses have the smallest market share (6.2%). There has been considerable reform in the financial sector in recent years, which has resulted in increased market competition as different institutions can now enter markets that were previously barred to them due to regulations. However, the sector has been subject to a number of problems starting in 1998 with the collapse of one merchant bank and the ongoing fall out resulting. Combined with the changing economic situation and the sector’s vulnerability to farmers as a result of the uncertainty over the land reform programme this sector is increasingly likely to face hardships.

Current situation

Table 1: Selected development indicators for Zimbabwe, together with equivalent values for Africa as a whole and globally.

Indicator	Units	Frame	Zimbabwe	Africa	World
Population size	millions of people	1999	12	642	5,975
Population density	people per km^2	1999	31	27	46
Average annual population growth rate	%	1980-90	3.3	2.9	1.7
		1990-99	2.2	2.6	1.0
Urban population	% of total	1980	22	23	40
		1999	35	34	46
Gross National Product	10^9 US$	1999	6.1	320.6	29,232.1
GNP per capita	US$	1999	520	500	4,890
GNP per capita (measured at PPP)	US$	1999	2,470	1,450	6,490
Gross Domestic Product	10^6 US$	1990	8,784	297,397	21,390,644
Average annual growth in GDP	%	1980-90	3.6	1.7	3.2
Average annual growth in gross domestic investment	%	1990-99	-0.7	3.6	2.9
Net private capital flows	10^6 US$	1990	85	1,283	-
		1998	-217	3,452	-
Foreign direct investment	10^6 US$	1990	-12	834	193,382
		1998	76	44,364	619,258
External debt	10^6 US$	1990	3,247	176,873	-
		1998	4,716	230,132	-
Official development assistance	US$ per capita	1990	35	36	13
		1998	24	21	9
National poverty line (1990-91)	% population below	Rural	31.0	-	-
	national poverty line	Urban	10.0	-	-
		Total	25.5	-	-
Population below US$1 per day	% population	1990-91	36.0	-	-
Poverty gap at US$1 per day	shortfall as % of US$1	1990-91	9.6	-	-
Population below US$2 per day	% population	1990-91	64.2	-	-
Poverty gap at US$1 per day	shortfall as % of US$2	1990-91	29.4	-	-
Gini coefficient of consumption expenditure	-	1990-91	56.8	-	-
Prevalence of child malnutrition	% children under 5 yr	1992-98	16	33	30
Infant mortality rate	per 1000 live births	1980	80	115	80
		1998	73	92	54
Under-5 mortality rate	per 1000	1980	108	188	123
		1998	125	151	75
Life expectancy at birth (1998)	yr	Male	50	49	65
		Female	52	52	69
Public expenditure on health	% of GDP	1990-98	3.1	1.5	2.5
Adult illiteracy rate (1998)	% of people 15 yr	Male	8	32	18
	or above	Female	17	49	32
Public expenditure on education	% of GNP	1980	5.3	3.8	3.9
		1995	8.5	5.2	5.0
Food production index (1989-91 = 100)	-	1979-81	81.9	78.8	75.7
		1996-98	101.9	124.3	130.3
Arable land	hectares per capita	1979-81	0.36	0.32	0.24
		1996-98	0.27	0.25	0.24

Source: from World Development Report 2000/2001 (World Bank, 2000), supplemented by World Resources 1998-99 (WRI/UNEP/UNDP/WB, 1998).

The structural adjustment programmes loosely implemented throughout the 1990s followed the policies of the 'Washington Consensus' of trade and structural liberalisation. Although substantial reforms did occur, such as the implementation of a market determined exchange rate, the programmes were not hailed as a success, and of late much of the successful liberalisation completed is being undone by the re-imposition of state controls. In particular the overvalued and pegged Zimbabwe dollar has led to severe foreign currency shortages. The government's continuous borrowing from the banking sector has spearheaded inflation and interest rates to an unprecedented level. The persistent budget deficits have the effects of reducing investment, interfering with the functioning of the domestic markets and increasing the country's debt burden. Previous efforts on the part of the government to reduce its deficit were not adequate and were often delayed by red tape and unbudgeted expenditure.

In February 2000, the government unveiled the Millennium Economy Recovery Plan. This was in response to the challenges of high inflation, a large balance of payments deficit, low export growth, high government expenditure and the land reform issue. The major objective of the Plan was to remove the fundamental causes of inflation and to restore macro-economic stability in order to create an economic environment conducive to low interest rates, sustainable investment, stable real incomes and poverty alleviation. Implementation of the plan has not taken place, as yet, and it is not likely to have any meaningful effect on the slide of the Zimbabwean economy in the short term future.

The recent 2001 budget proposed the introduction of some significant reforms, including more stringent controls on expenditure and greater revenue collection. It is hoped to reduce the 2000 budget deficit of 23% of GDP to 15.5% of GDP. Consumer inflation is projected at 70% for 2001. The Government estimates that the economy declined 4.2% in 2000 and will decline by 2.8% in 2001. However, other estimates of the 2000 decline are in the region of 5 to 6 percent, or 10% over the two years 2000/01. Employment was estimated to have decreased by 100,000 jobs in 2000. Interest rates are expected to rise above 70% in the first quarter of 2001, however, the government is taking action to artificially curtail the rate of interest. The balance-of-payments deficit for 2000 is estimated at US$ 600 million (10.5% of GDP). Although the Ministry of Finance has stressed that there will be no immediate devaluation of the Zimbabwean dollar, the deteriorating balance-of-payments situation combined with the persistent real exchange rate appreciation anticipates accelerated currency depreciation. By November 2000, four months after the devaluation of the Zimbabwe dollar, the real exchange rate appreciated by 15%, effectively nullifying the 10% export incentive included in the budget. Domestic debt is estimated to have averaged $107 billion over the year 2000 at a cost of $52 billion or 48.6%. The debt is expected to escalate to $220 billion at the end of 2001, or 41% of GDP.

Without major changes to the macro economic situation in the country a worsening situation will continue. This will be exacerbated by the continued fuel and foreign exchange shortages. The critical shortages of fuel supply to the nation and the continuous rise in all commodity prices have increased costs at all levels in the economy and have reduced productivity - due to the constant need to queue, lowering the standard of living of most levels of the population and eroding the disposable income of the consumers. This has brought pressure for wage increases, which only further fuel inflation.

1.2 Trade strategy

Zimbabwe embarked on a new trade strategy from 1990 as a result of adopting an Economic Structural Adjustment Policy (ESAP). The ESAP had three core objectives and pillars: macroeconomic policy reform, trade liberalisation and deregulation. According to this new economic direction, trade liberalisation was intended as an instrument for creating a high and sustainable level of export growth and opening the economy to external competition, thus both earning the country foreign exchange and increasing productivity, along with economic growth and employment and consequently resulting in poverty reduction. A point worth noting nevertheless is that at the time of adoption and subsequent implementation of the structural adjustment policies, the government did not demonstrate any deliberate understanding of or intention to use the interrelationship between the wider economic developmental strategy and the specific role of trade in achieving that goal. In other words, while trade liberalisation was made one of the major objectives of reform, and was understood as important and instrumental to the achievement of the overall goal, this strategy was limited to the generation of export earnings to finance the programme. The strategy did not target any specific trade policy direction, e.g. specific trade negotiations for external market access for Zimbabwe's exports, or a strategy to diversify Zimbabwe's markets through negotiating new trade agreements. Neither was there any incentive programme for the country's exporters, nor any defined regional or international trade strategy.

ESAP was a five-year programme. Following the end of its life-span in 1995/6, Government introduced a successor structural adjustment programme called ZIMPREST- the Zimbabwe Programme for Economic and Structural Transformation. In general the objectives of the new programme were similar to those under the first SAP, namely the promotion of high and sustainable economic growth and development, and consequently increased employment creation and reduced poverty levels. This time round there was a better appreciation of the potential contribution by trade, particularly in light of globalisation and trade liberalisation processes which had already manifested themselves in the emergence of the WTO-led multilateral trading system and increasing regionalism around the globe. Nevertheless, there was a similarity between the two programmes in that there was no detailed and direct co-relation made between the pursuit of specific trade policy instruments and the achievement of the programmes' objectives or goals.

The ZIMPREST document confirms that the ESAP-led trade liberalisation was basically directed at:

- "Personal foreign currency banking accounts, …
- Corporate foreign currency banking accounts, …
- Licensing of foreign exchange bureaux;
- Unification of official and interbank market exchange rates"

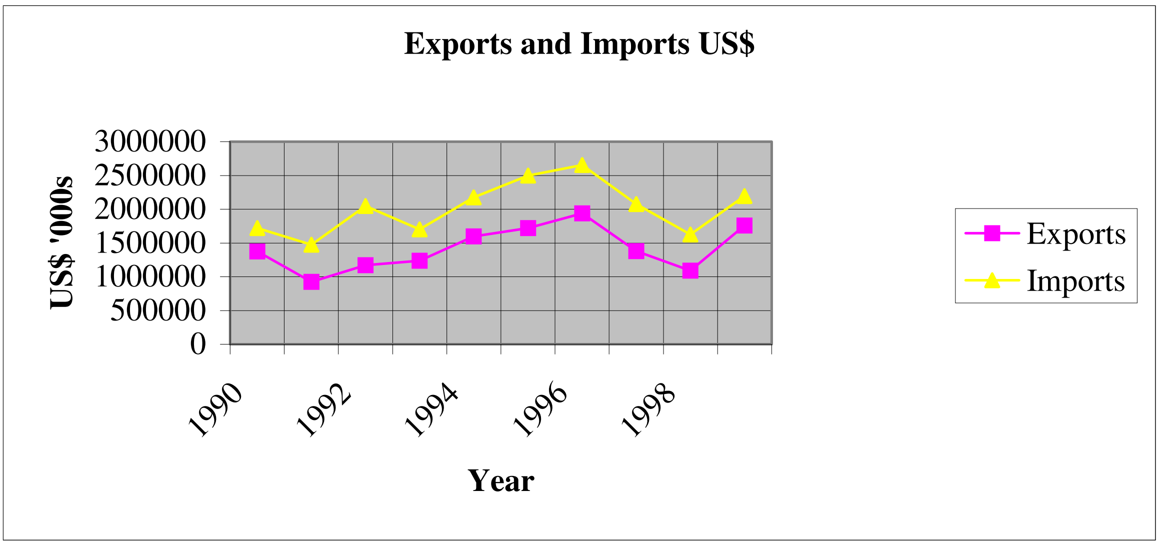
In other words, while ESAP considered that "trade liberalisation would constitute the cornerstone of the strategy for liberalizing the economy and forging mature relationships with our trading partners", the eventual scope of this activity did not go beyond the domestic exchange market liberalisation. Under ZIMPREST, "outward orientation" was stated as one of the guiding economic principles of this new reform programme: "For a country with a small domestic market, rapid growth requires outward-looking trade and investment policies"! In the operative part concerning specific policies and programmes to be implemented this "outward orientation" is however limited to regional trading arrangements and achieving " low and uniform tariffs with the rest of the world".

The linkage between national economic development and international trade (whether regional or global) is more explicitly recognized in some policy frameworks adopted by Government, in particular in the "Policy Framework for Industrial Development, Trade and Investment in Zimbabwe" adopted in 1999. Nonetheless, this recognition is principally directed at SADC, the ACP/EU relationship, tariff regime reform and export performance. Of significance is the fact that Government adopted both the ZIMPREST and the Policy Framework for Industrial Development in the midst of the WTO-led global trade liberalisation phenomenon, but neither the challenges of these developments nor the possible objectives or strategies by the country are mentioned in these policy documents.

Perhaps the simplest indication of the lack of direct strategy that government has adopted to ensure that trade is a recognized and defined factor in the achievement of the wider economic goal of growth, development and poverty eradication is the absence of a formulated or documented Trade Policy. During the implementation of ESAP, let alone at its introduction or negotiation, this issue did not arise. ZIMPREST was also ushered in without this factor having been defined. It was in 1996 that initial steps were taken to craft a national trade policy framework and this process led into further attempts by the National Economic Consultative Forum (NECF) to produce a document. Regrettably these efforts have still to result in the desired product.

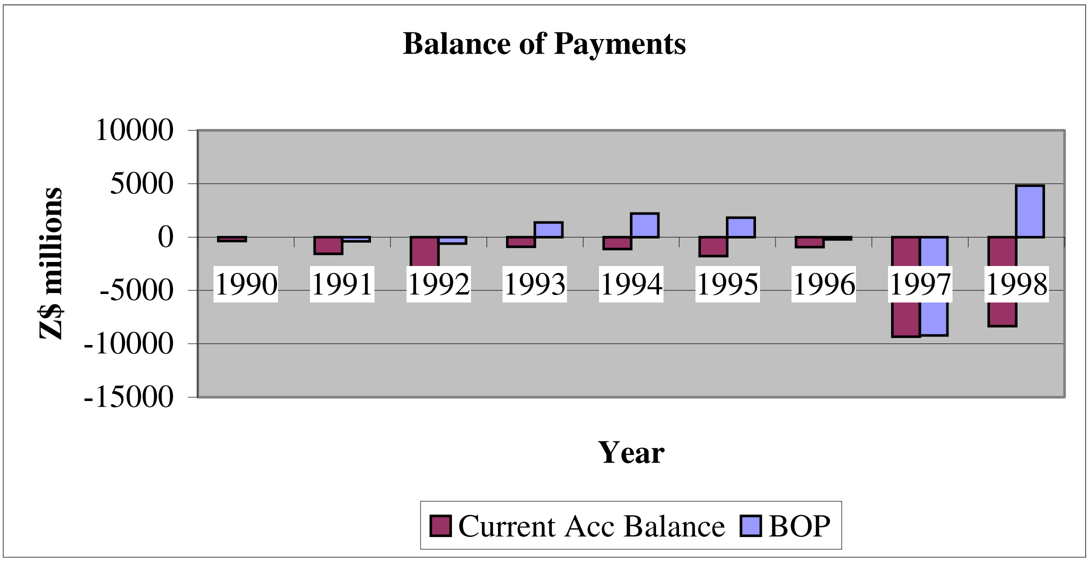
1.3 Time series trade and investment data

During the decade of the 1990s, exports increased in nominal terms by US$ 386 million, or 28.1%. Imports have increased similarly by 27.6% over this period. However, this has not been a steady increase, as the graph below illustrates:



After a slight drop between 1990 and 1992, exports saw a steady increase until 1996 when they started decreasing rapidly, falling almost to their lowest level in the decade in 1998. However, they recovered well in 1999. Imports followed the same general trend as exports except for a sudden surge of imports in 1992. Throughout the period the value of imports exceeded exports, resulting in a persistent current account deficit. The overall balance of payment (BOP) deficit was less predictable with the country achieving an overall surplus in '93, '94, '95 and '98. The BOP deficit for 2000 is estimated at US$600 million. Exports declined by 10% in US dollar terms in the first six months of 2000, while imports fell by 12.5%. Tourism earnings were estimated to have fallen 60% in 2000.

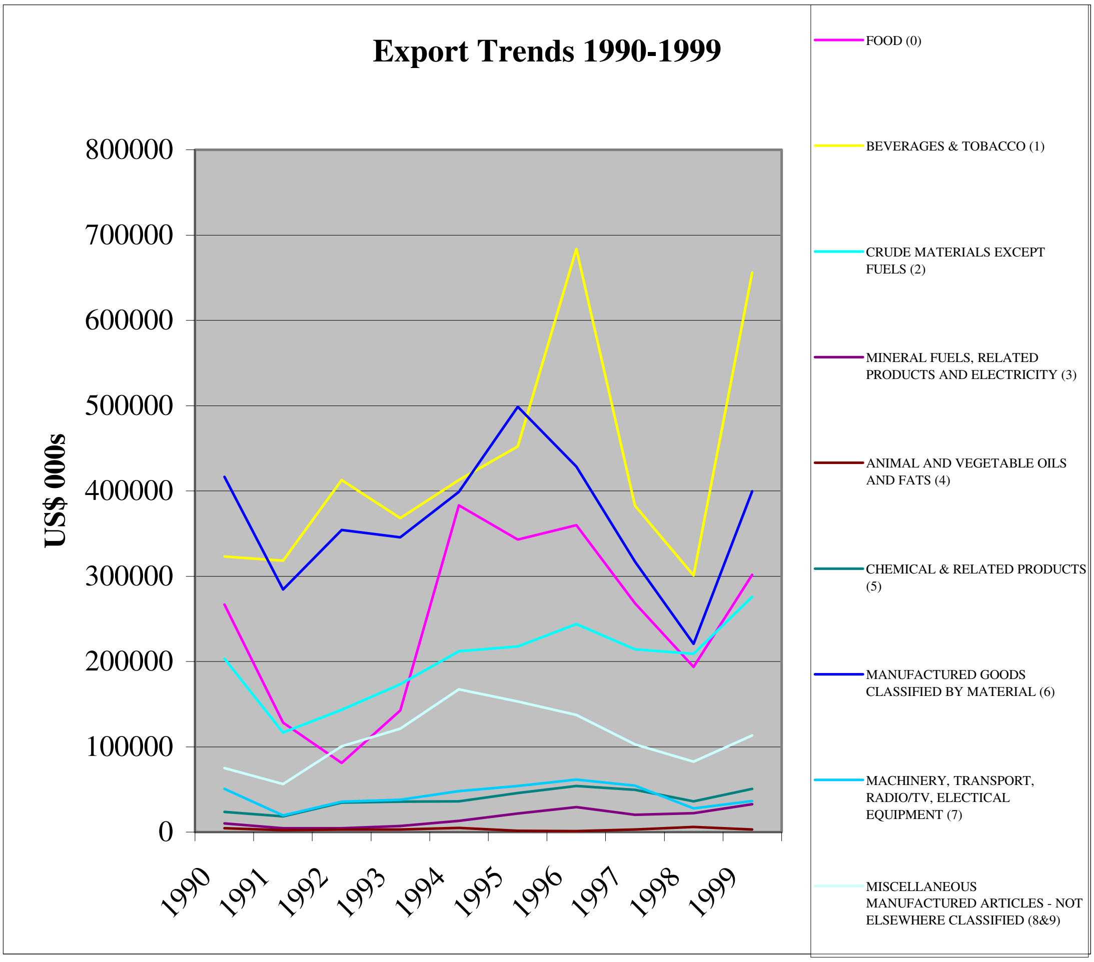
The fall in exports is expected to accelerate in 2001 fuelled by reduced agricultural output and low world gold prices. Imports, however, are expected to stagnate as they approach their irreducible minimum.



Exports

Exports ended the decade slightly higher than their 1990 levels at US$ 1,759 million, an increase of US$ 386 million. The trend was an initial decrease in exports in 1991 from whence they steadily increased until 1996. 1997 saw a sharp fall in export value and by 1998 exports had fallen below 1990 levels, however, 1999 came with a surge of exports to end the decade with an overall increase in exports.

Export products



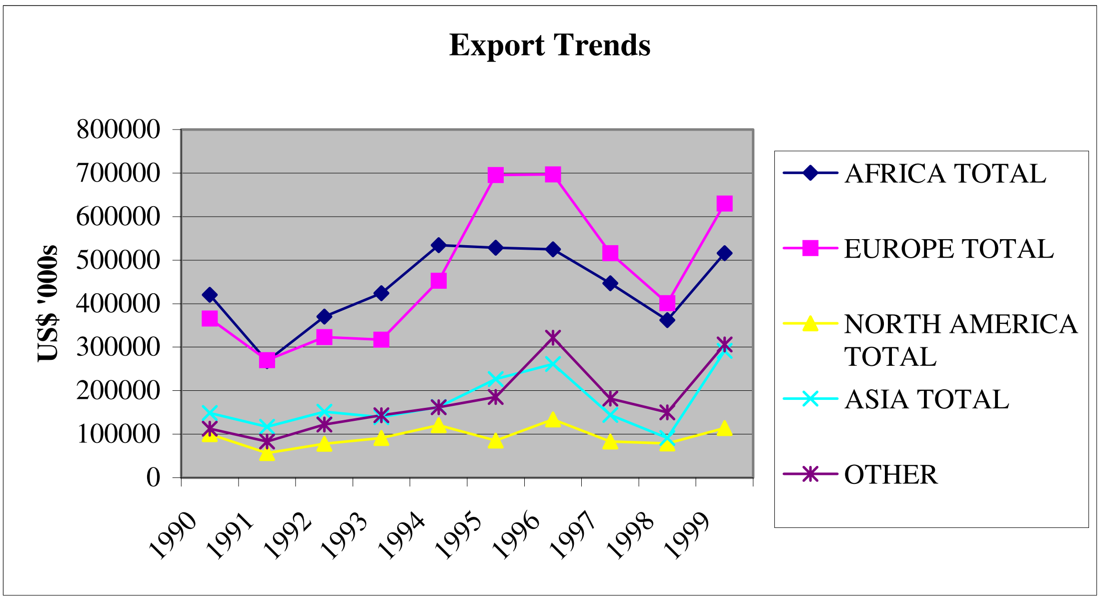
The proportion of food products exports in total exports decreased slightly from 19% to 16% during the decade. This is largely due to stagnant growth in exports during the decade except between 1994 and 1996 when exports remained high for three consecutive years, but decreased again after that.

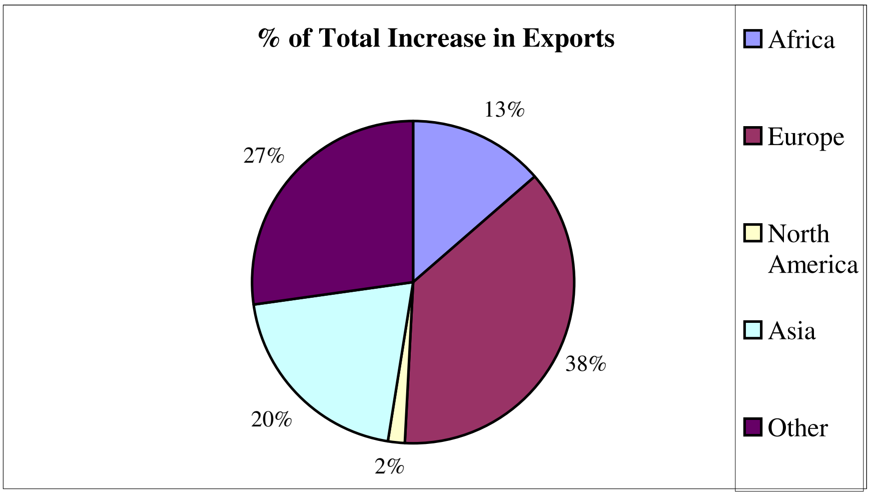
Beverages and tobacco increased their share of total exports during the decade from 24% to 35%, with a steady increase each year except for sharp falls in 1997 and 1998. Section '2' goods - crude materials except fuels, remained fairly constant at around 15% of total exports.

Mineral fuels, related products and electricity remained relatively unimportant but doubled their representation of total exports from 1% to 2% in the latter half of the decade. Likewise, animal and vegetable oils and fats remained insignificant and static except for a once-off large increase in 1998. Chemical and related products increased their share of total exports from 2% in 1990 to 3% in 1999. Manufactured goods fell as a percentage of total exports from 30% in 1990 to 21% in 1999. Machinery slightly increased its share of exports from 5% to 6%.

Export markets

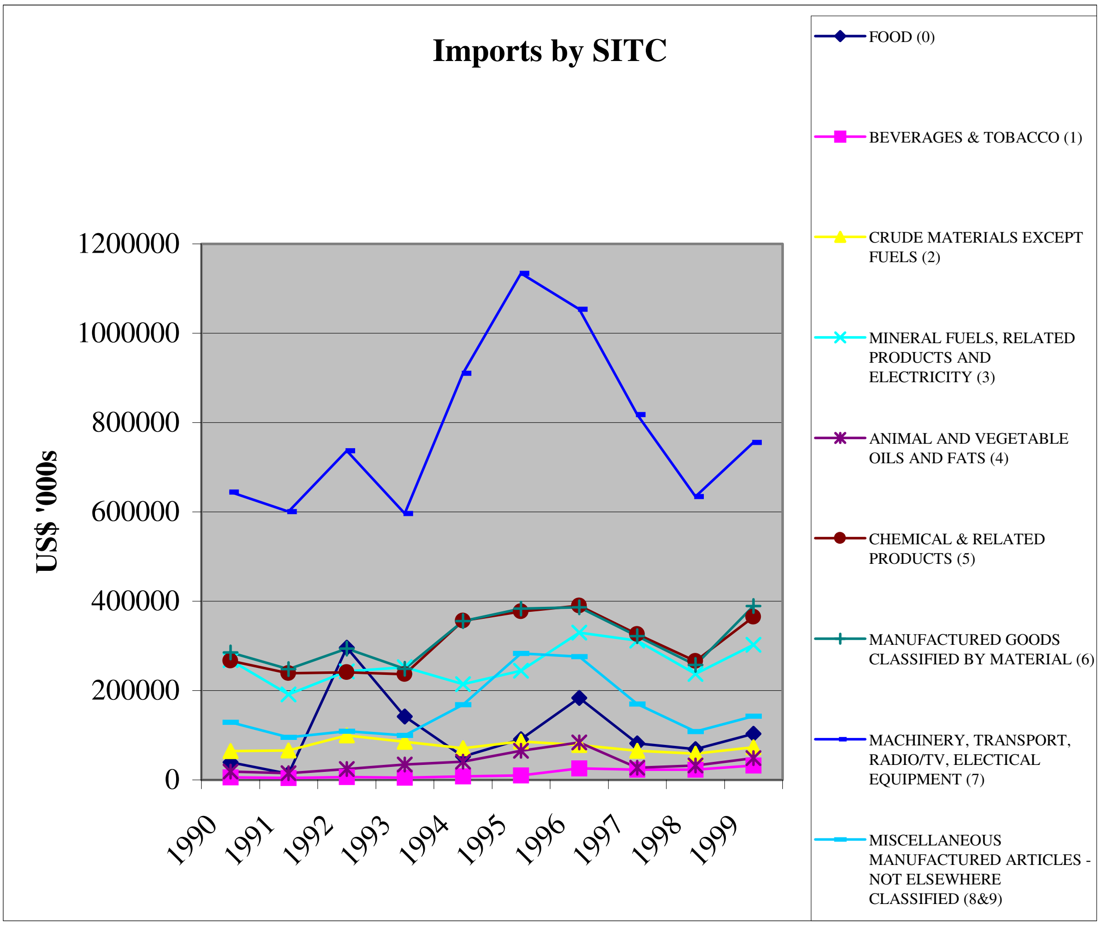
In terms of the distribution of exports, most markets followed a similar trend of an initial fall in export value in the first year, followed by a general increase until 1996 when exports again began to slump, only recovering in 1999. Europe overtook Africa as Zimbabwe's major export region for the first time in 1995, apart from a very slight excess in 1991, and this is a position it retained for the rest of the decade. As such, the European market recorded the greatest increase in export value, representing 38% of the total increase in exports over the decade. Following at 27% of the total increase were 'other countries' and Asia at 20%. Increases in exports to Africa represented just 13% of the total. Minor regions (other), Asia and Europe all posted percentage increases greater than the average increase of exports, with Africa falling slightly behind.





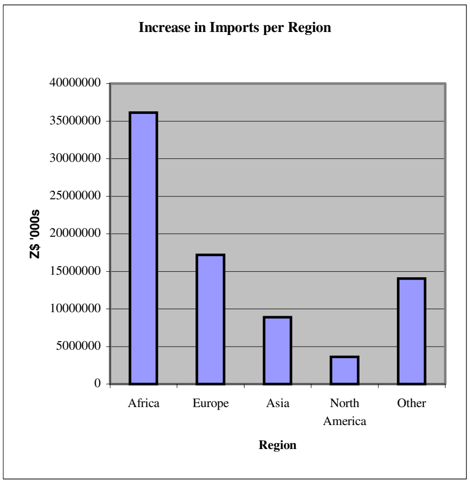
Imports

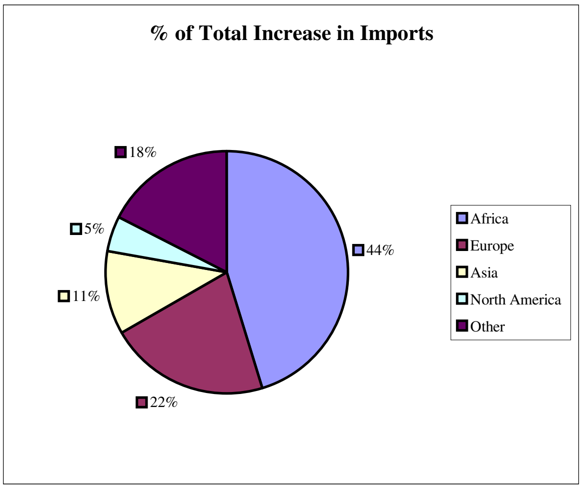
By product

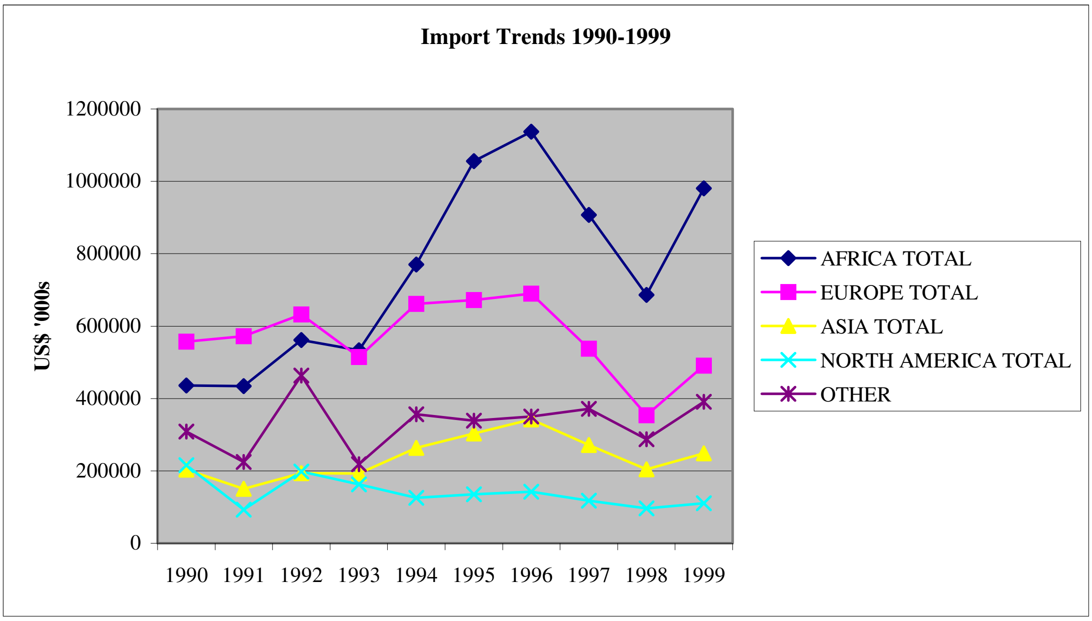


From the above graph a number of trends can be observed. Food imports are highly volatile, with particularly rapid increases in 1992 and 1996; the years of the two major droughts of the decade. Beverages and tobacco imports have been steadily increasing with a surge of imports in 1996, initiating a higher level that has been maintained subsequently. Imports of crude materials have remained fairly constant, as have mineral fuels, related products and electricity. Imports of animal and vegetable oils and fats increased from 1991 to a peak in 1996 but fell sharply in 1997 only rising again in 1999. Imports of chemical and related products remained fairly constant between 1990 and 1993 but recorded significant levels of growth in 1994-1996 as well as in 1999. Imports of manufactured goods followed a very similar trend to that of chemical products, with the result that their trend lines are almost identical, with the exception of slightly greater growth in 1992 and 1999 of manufactured goods. Imports of machinery, transport, radio/TV and electrical equipment shot up to a peak in 1995 and have subsequently fallen each year since except 1999. Likewise, miscellaneous manufactured articles peaked in 1995 and stayed at a similar level for 1996 but after that fell to almost pre-1995 levels. Overall, imports have increased over the decade, with particularly large increases in 1995 and 1996. This reflected the liberalisation of the current account.

By source







The largest increase in imports over the decade has been from Africa, this is largely due to the opening up of South Africa in 1994. The value of imports from Africa overtook imports from

Europe in 1995. Africa's share of Zimbabwe's imports has thus increased from 25% of total imports in 1990, to 44% of total imports in 1999, whilst Europe's share has fallen considerably from 32% to 22%, and North America's share from 13% to a mere 5% of the total.

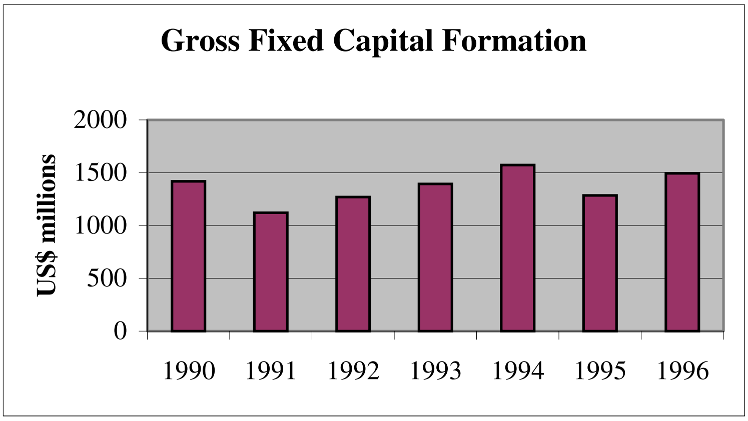
Conclusion - from the growing BOP deficit it is apparent that Zimbabwean exports are struggling, while imports cannot be reduced much further. This is likely to be an ongoing problem. Europe is growing as Zimbabwe's primary export market, overtaking Africa midway through the decade. The performance of manufactured exports has been disappointing, with their share of total exports decreasing over the decade by 9 percent, from 30 percent to 21 percent. The greatest growth in export share was of beverages and tobacco which increased its share by 11 percent and was the leading class of exports for the second half of the decade. However, in terms of imports Zimbabwe has vastly increased her imports from Africa. This regional trade disparity also indicates the extent of one-way trade in Africa, as imports from South Africa grow in the face of sluggish exports to that country. During times of relative economic stability imports of manufactured goods and machinery have been very high, but this was curtailed with the sharp fall in the exchange rate in 1997. There has not been the desired shift away from exports of primary products, but rather a move to greater dependence on this sector.

Investment

Accurate investment figures for Zimbabwe have been hard to obtain, and so the following figures are the result of a combination of the most reliable sources. After an initial increase in the early 1990s investment in Zimbabwe has been declining over the last three to four years, with the number of projects being approved by the Zimbabwe Investment Centre being reduced, as well as the level of projects actually implemented. The implementation rate fell from an estimated 55% of approvals in 1996 to 30% in 1998. Investment in the manufacturing sector peaked in 1997, prior to the 14 November 1997 crash of the Zimbabwe dollar. This sector has also been adversely affected by the downturn in agriculture, as the commercial farming sector is one of their main markets. Investment in mining has fallen significantly due to the drop in mineral prices, and most new projects and expansions have been put on hold. Investment in agriculture has almost come to a halt due to the uncertainty and disruption caused by the haphazard land reform policy. All expansion projects have been put on hold, and routine maintenance of assets has been reduced. Farmers are also facing cash flow problems as banks recall their loans. Although this sector was the main source of positive growth in 2000, contributing 0.5% to GDP growth, it is likely to be the main source of economic decline in 2001. Although tourism earnings have been decreasing since 1997, investment in this sector continued to some extent. Investment in the construction industry was maintained until 1997/1998 but has subsequently declined rapidly.

There has been noticeable investment in the commercial sector, particularly in telecommunications with the introduction of cellular network systems. However, the banking sector has not performed well resulting in little new investment. Investment in transport has generally decreased, particularly in rail infrastructure in recent years.

The finance minister estimated national savings in 1999 to be only 9% of GDP, well below the average level of savings in LDCs of 18% of GDP, although even this average is below what is required for sustained economic growth. As we can see below, Gross Fixed Capital Formation has remained fairly static over the decade.



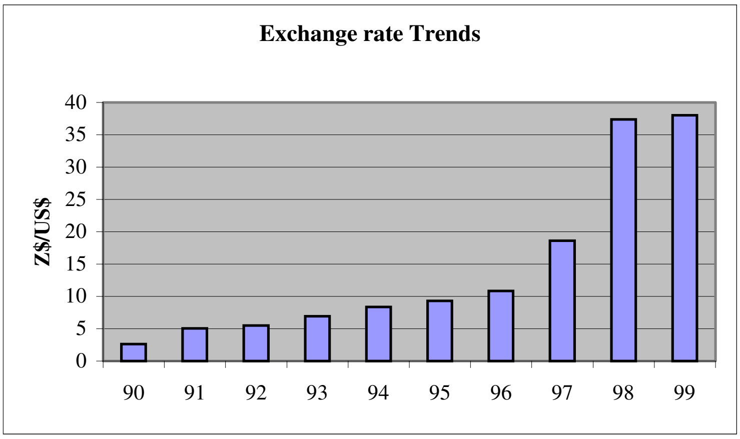


Table 2: Gross capital formation by industry at current prices, US$ Million

	1994	1995	1996	1997*
Exchange rate for 1USD	8.39	9.31	10.84	18.62
Agriculture and Forestry	147.81	161.74	119.28	112.78
Mining and Quarrying	93.57	214.80	218.63	109.83
Manufacturing	436.63	445.50	458.95	322.12
Electricity and Water	85.59	145.74	101.48	83.11
Construction	68.66	46.29	35.98	42.53
Finance and Insurance	125.04	119.32	136.72	89.42
Real Estate	84.16	67.98	55.26	55.97
Distribution, Hotels and Restaurants	172.60	164.00	135.42	123.19
Transport and Communication	111.09	141.88	115.96	91.71
Public Administration	22.29	38.45	57.29	21.81
Education	18.95	24.06		15.60
Health	26.58	9.67		13.64
Other Services and Unallocatable	18.83	25.13	18.08	15.92
General Purpose Investment by Government	4.29	5.91	39.58	3.69
Total Gross Fixed Capital Formation	**1416.10**	**1610.46**	**1492.62**	**1101.33**

Source: National Accounts 1985-1997, CSO

*Detailed figures for 1996 and 1997 have been calculated from total figures for the same year with the average of percentages given to each sector in 1994 and 1995.

Table 3: Investment summary, US$ Million 1996-1998

Foreign Asset / company based investment

	1996	1997	1998
Investment approved			
Manufacturing	68.3	126.2	154.9
Mining	324.7	47.4	113.7
Agriculture	62.5	5.7	1.9
Tourism	243.5	27.3	83.5
Construction	87.5	115.1	293.6
Commercial	92.9	112.0	932.4
Transport	4.3	2.7	31.3
Other			
	883.7	**436.4**	**1,611.2**
Actual investment to date			
Manufacturing	37.6	63.1	38.7
Mining	178.6	23.7	34.1
Agriculture	34.4	2.9	0.6
Tourism	133.9	13.6	25.1
Construction	48.1	57.5	58.7
Commercial	51.1	56.0	93.2
Transport	2.4	1.4	9.4
Other			
	486.0	**218.2**	**259.8**
Portfolio Investment			
Shares Purchased	92.2	255.2	54.9
Shares Sold	92.8	76.0	46.0
	(0.5)	**179.1**	**9.0**
Total net investment	**485.5**	**397.3**	**268.7**

Local EPZ

	1996	1997	1998
Investment approved			
Manufacturing	42.5	42.2	29.2
Mining	-	5.1	-
Agriculture	17.6	13.0	41.2
Tourism			
Construction	-	-	161.8
Commercial			
Transport			
Other	0.2	8.3	4.5
	60.3	**68.7**	**236.7**
Actual investment to date			
Manufacturing	6.8	21.0	-
Mining	-	-	-
Agriculture	3.7	2.7	1.6
Tourism			
Construction	-	-	-
Commercial			
Transport			
Other	-	8.3	1.3
	10.6	**32.0**	**2.9**

Local EPZ

	1996	1997	1998

Publicly quoted Company investment in asset growth or expansion

	1996	1997	1998
Manufacturing	(20.8)	(86.6)	(84.7)
Mining	(5.0)	(99.4)	(85.2)
Agriculture	33.5	(15.0)	(91.5)
Tourism	16.3	(74.0)	(81.3)
Construction	4.0	(48.7)	(60.9)
Commercial	46.3	(41.0)	(24.7)
Transport	0.3	(7.3)	(7.3)
Other	73.0	(102.7)	(107.1)
	147.6	**(474.7)**	**(542.9)**

Total Local Investment

	1996	1997	1998
Manufacturing	(14.0)	(65.6)	(84.9)
Mining	(5.0)	(99.4)	(85.2)
Agriculture	37.2	(12.2)	(89.9)
Tourism	16.3	(74.0)	(81.3)
Construction	4.0	(48.7)	(60.9)
Commercial	46.3	(41.0)	(24.7)
Transport	0.3	(7.3)	(7.3)
Other	73.0	(94.4)	(105.8)
	158.2	**(442.7)**	**(540.0)**

Source: Study on Nature and Level of Investment in Zimbabwe, March 1999, Imani Development

1.4 Overview of existing trade agreements

World Trade Organization

Zimbabwe is a founder member of the WTO, having acceded (March, 1995) to it almost immediately upon its entry into force on 1 January 1995. The country was also a founder member of the General Agreement on Tariffs and Trade (GATT), the predecessor to the WTO. By virtue of the "single undertaking" principle, Zimbabwe is bound and has accepted all the multilateral agreements constituting the WTO Agreement, so-called Annex instruments, unlike under the GATT where there was some sort of "a la carte undertaking", to paraphrase the oft used "GATT-speak". Zimbabwe is not a member of any of the WTO plurilateral agreements namely, on Government Procurement, Civil Aircraft or on Bovine Meat.

The international agreements under the umbrella of the WTO which form contractual obligations and rights for Zimbabwe are those pertaining to Trade in Goods, Trade in Services, Trade Related Intellectual Rights (TRIPS), Dispute Settlement and the Trade Policy Review Mechanism. Within the spectrum of these instruments, Zimbabwe has undertaken specific tariff liberalisation commitments, e.g. tariff cuts and bindings in the case of goods, and market access measures in the case of services on the one hand, and rules commitments on the other, e.g. anti-dumping and subsidies and countervailing disciplines, trade-related investment measures and intellectual property rights norms. In both aspects, implementation of the commitments ranged from immediate, phased (in respect of tariff reductions) to delayed time frames. As at present however transitional periods for delayed implementation have expired and therefore the country will be expected to abide by all the full obligations under the WTO.

In real terms however, Zimbabwe is in many respects not ready. The obligatory institutional and legal mechanisms required under the various WTO agreements for a member to be deemed, prima facie, as conforming, e.g. the requirement to bring or establish and notify the necessary domestic legislation consistent with the relevant WTO disciplines, are just not yet there. Nor is the country in a position to enjoy the flip-side of the bargain, namely fully exercise its rights or enjoy any of the trade benefits expected to result from the Uruguay Round package. Examples of this double dilemma are numerous: legislative instruments for anti-dumping and countervailing measures and TRIPS are still under preparation when this should have been done already and although the country has been affected or had interest in a few instances of trade disputes (eg on the asbestos issue), it could not participate in the dispute settlement processes in the WTO due to failure to make relevant submissions. Domestically, authorities have not been able to investigate allegations of dumping primarily because of the absence of enabling anti-dumping legislation that conforms to the WTO Agreement and which is still to be enacted by Parliament. At the same time, the country is in the process of building, within the Tariff Commission, relevant capacity and expertise to ensure that its rights to defend its trade interests under the appropriate WTO Agreements can be fully exercised.

ACP/EU Partnership Agreement

Zimbabwe has been a member and beneficiary of the Lomé Conventions since attaining its independence in 1980. There are two aspects of its benefits, which constitute the essence of the relationship characterising the ACP-EU agreement: market access and development aid. With regard to the former, Zimbabwe has enjoyed either duty free or preferential duties and export quotas for sugar and beef products in the EU market. Under developmental aid, Zimbabwe has accessed European Development Fund financial assistance for development projects and export stabilisation support.

Over the past two years the parties to the Convention have negotiated a new and transitional agreement (the Cotonou Agreement) to run for eight years beginning year 2000. At the end of that period, the central principle that has defined the ACP-EU trade, namely non-reciprocal preferences offered by the developed EU side, is expected to be replaced essentially by reciprocity as far as the trade relationship will be concerned. In the meantime the Partnership Agreement will offer the ACP countries similar treatment for their exports as that under the Lomé framework.

The elements and general negotiating framework for the future trade and economic arrangements between the parties are defined in the said Partnership Agreement, and include the following:

- The negotiation of new and WTO compatible trading arrangements for the Parties
- The provision of financial assistance to ACP members for the purposes of debt relief, structural reforms, institutional development and capacity building, humanitarian and emergency assistance and investment and private sector development, etc.
- The respect of certain political principles by both member states, specifically the so-called essential and fundamental elements of the Agreement, namely human rights, democracy, rule of law and good governance.

Common Market for Eastern and Southern Africa

The Common Market for Eastern and Southern Africa (COMESA) is a regional trade grouping that comprises 20 countries of the southern, eastern and northern parts of the continent, namely: Angola, Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe. Since 1981 the member countries had established a Preferential Trade Area (PTA) to promote regional integration and they decided to transform the PTA into COMESA in 1994, so as to underline their ultimate objective to create a common market and eventually an economic community in the region.

As defined in the Treaty establishing COMESA, the main objectives of the regional block include: the creation of a free trade area (FTA), a customs union and eventually a common market or community of states with a single monetary union and currency. Towards this end, COMESA has adopted and has been implementing a wide range of programmes covering both social and economic sectors, which are necessary to be accomplished in pursuit of the regional economic community. The principal ones are:

- Trade liberalisation: reduction and elimination of tariffs and non-tariff barriers; rules of origin; customs facilitation procedures, management systems and harmonisation; and a common external tariff;
- Transportation and communication facilitation: e.g. harmonisation of road transit charges, carriers licenses, vehicle dimensions and axle loads, insurance; and air transport services liberalisation; as well as telecommunications liberalisation;
- Financial and monetary area: a harmonisation programme; restructuring of the clearing house and fuller utilisation of the PTA Bank; and the COMESA Re-Insurance Company (ZEP-RE); and
- In the areas of investment, standards and free movement of people.

Zimbabwe has been an active proponent of the objectives and development of the COMESA programme, and that of its predecessor- the PTA. The principal driving motive behind the Government’s strategy for this position has been that COMESA offers a natural market for which Zimbabwe could take advantage because of its relatively superior economic development. Zimbabwe is a small economy in terms of geographical and demographic indicators, and COMESA more than compensates for this “deficiency” by offering a market of some 400 million people (Zimbabwe has 12 million). Accordingly the country has implemented and achieved the major milestones of the regional integration programme, particularly in the area of trade liberalisation: the reduction and recently the elimination of customs duties as of 31 October 2000 with the adoption of the COMESA Free Trade Area;

the adoption of simplified rules of origin and the COMESA Certificate of Origin; and the installation of a customs management system (ASYCUDA) to facilitate trade. Zimbabwe is also committed to the introduction of the COMESA Common External Tariff and establishment of the Customs Union in 2004.

Southern African Development Community (SADC)

The Southern African Development Community (SADC) is the successor of the Southern African Development Coordination Conference (SADCC), which had been established in the early eighties as an essentially counter- instrument of the southern African countries against the apartheid South Africa. When the latter joined the former countries as a full democracy the SADCC was transformed from its original anti-South Africa axis into an instrument of regional cooperation and the SADC Treaty was signed in Windhoek, Namibia in 1992. Presently SADC comprises 14 countries namely: Angola, Botswana, the Democratic Republic of Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe. All but 5 of these 14 member states also belong to COMESA: the exceptions being Botswana, Lesotho, Mozambique, Tanzania and South Africa. From Zimbabwe’s point of view, and for the region this poses a significant challenge in terms of trade policy formulation and pursuit particularly in recent years when the objectives and programmes of the two regional blocs are seemingly heading towards the same point: a single regional community.

Under SADC, regional economic co-operation is pursued through an essentially sectoral co-ordination approach. Up until now there have been 18 sectors constituting the SADC Programme of Action (SPA) and which have been co-ordinated by each of the member states by sector. For example Zimbabwe has been co-ordinating the agriculture and food security sector, Namibia - fisheries, Botswana- Tourism, South Africa- Finance and Investment, Mauritius – tourism etc. From the viewpoint of trade, the relevant sector has been the Industry and Trade Sector which has been co-ordinated by Tanzania. It is under this sector that the SADC Trade Protocol was developed. Tanzania, as the co-ordinating country has been responsible for organisational and institutional aspects of the meetings and work related to the Trade Protocol.

However this structure is currently in the process of change. A new structure has been agreed upon under which professionally staffed Directorates will gradually be established at the Secretariat in Gaborone. The first of these new Directorates will be the Economics Directorate that will cover the trade, finance and investment sectors. At the time of writing (August 2001) this Directorate is in the process of being established. This will henceforth take over responsibility for trade from the Tanzania Sector Coordinating Department.

The Trade Protocol was signed by the SADC Heads of State and government in 1996 after a two-year period of negotiations. Up until this juncture when member states decided to negotiate a trade component in SADC, it had often been said that COMESA and SADC were complementary in that the former would be a regional trade organisation while the latter concentrated on project and wider economic co-operation. It was therefore not surprising that it soon became usual that member states belonging to both or either of the two organisations called for the examination of these organisations but primarily to avoid duplication. This matter has however still not been settled although it remains on the agenda of successive and rotating Chairmen of the supreme Policy Organs of the two organisations.

The objectives of the Trade Protocol include the following:

- The liberalisation of intra-SADC trade in goods and services but with initial emphasis on trade in goods
- The establishment of efficient production chains within SADC on the basis of current and dynamic advantages in member states
- Enhancing the investment climate of SADC for both regional (cross-border) and international investors
- The establishment of a Free Trade Area within eight years of the entry into force of the Protocol.

The Protocol itself however did not contain the specific implementation arrangements. It provided the framework and objectives. The details have been worked out by the Trade Negotiating Forum that has been meeting regularly over the last few years.

Initially it had been projected that the eight years for implementation of the Protocol would commence on 1 January 2000. However this was not to be since the Trade Protocol itself only legally entered into force on 25 January 2000, i.e. following its ratification by the required number of member states (eight). The effective implementation of the Protocol was then set for 1 September 2000 when it was considered that the necessary tariff schedules, rules of origin documentation and the legal instruments would be ready to allow the exchange of preferential trade transactions among member states. Only South Africa and Mauritius were in fact ready by this date, having deposited the relevant instruments of ratification, by that date. Zimbabwe promised to join in this implementation soon thereafter but without giving a specific date. At the time of writing (August 2001) Zimbabwe has deposited all the necessary documentation with the SADC Secretariat and has indicated its readiness to trade under the protocol. There is however still a technical problem in that the official certificates of origin that are required in order for an exporter to be given tariff preferences by the SADC importing country are not yet available due to a shortage of the necessary printing ink. It is assumed that this problem will be rectified in the not too distant future so that Zimbabwean exporters can get the benefit of preferential trade. All other signatories to the Trade Protocol have by now complied with the necessary formalities. This means that the 11 signatory countries can now (at least in theory) all trade under the terms of the Protocol. The Trade Negotiating Forum is however still working on finalising rules of origin for some contentious sectors. The most contentious sectors where agreement is still to be reached are in such areas as motor vehicles and components, plastic products and wheat products. Sugar is being negotiated in a separate protocol. Agreement has just been reached on the highly contentious textiles and garments sector, although this has instituted a quota arrangement that is not very satisfactory for some member States.

Zimbabwe/South Africa Bilateral Agreement

The two countries have a bilateral agreement that dates back to 1964 but has undergone various permutations of full or partial dormancy, partial implementation as well as re-negotiations over the years. Perhaps one of the lowest points in the history of this agreement was in 1992 when the new "democratic" South Africa unilaterally abrogated it and steeply hiked tariffs on Zimbabwean imports which had been enjoying zero or reduced customs duties thus effectively pushing Zimbabwean products, especially textiles and clothing items, out of the South African market. Since then there have been negotiations between the countries that only led to some agreement in 1997 and 1998 focusing on the following areas:

- Clothing and textiles
- Agricultural goods
- Other goods (manufactures goods).

When South Africa started causing problems with this agreement, Zimbabwe's private sector soon experienced very negative impacts. This spurred the private sector into action and for the first time in the area of trade negotiations saw the country's private sector institutions (especially the Confederation of Zimbabwe Industries and the Commercial Farmers' Union) take an active interest. The reason for this was simply that their members were experiencing serious loss of export market. Even with this involvement however, Zimbabwe was at a serious disadvantage in negotiating strength and capacity.

The agreement is preferential, but not based on full reciprocity as is the case for other bilateral agreements that Zimbabwe has signed with the neighbouring countries of Botswana, Malawi and Namibia. Zimbabwe is granted under the agreement special quota and tariff concessions for its products to enter the South African market and these concessions do not have to be reciprocated.

A huge trade balance in favour of South Africa has always marked Zimbabwe's trade with South Africa, and this situation appears to have been exacerbated by the distressed performance of the Zimbabwean economy, especially the textile and clothing industry, during the post-ESAP period. It is estimated that this imbalance has ranged between US$800million to US$600million/year during 1996 to 1999.

The dilemma facing Zimbabwe in its bilateral trade with its southern neighbour, is manifested in various areas:

- South Africa is Zimbabwe's largest single trading partner, for historical, geographical and economic reasons
- Although the two countries may be considered the major economic powers in the region, the South African economy is by far bigger and more industrialized than the Zimbabwean one, thus creating an environment where the latter is dependent on the former and unequally so
- South Africa's export basket to Zimbabwe consists of capital and intermediate goods like machinery, chemicals, transport equipment, and electrical products; as well as consumer products that carry a high value tag. Zimbabwe's major exports to South Africa consist of such items as textiles and clothing, wood products, minerals, agricultural goods, tobacco, base metal products and furniture.
- While a significant share, if not the major one, of South Africa's exports to Zimbabwe fall outside the bilateral trade agreement, the opposite is the case for Zimbabwe: the country is heavily dependent on the trade agreement in order to export to South Africa. Consequently, Zimbabwe has found itself in a situation where it is always the "demandeur" to negotiate an agreement with its neighbour.

The medium and especially the long-term future of the bilateral agreement will depend on the evolution of the SADC Trade Protocol. The Protocol allows member states to maintain existing bilateral and preferential arrangements to operate in parallel with it until the affected member states consider the Protocol more favourable. For the Zimbabwe/South Africa Agreement it would appear that this might not be the determining factor, but the willingness of the parties to the Agreement to extend it.

Zimbabwe' Bilateral Agreements with Botswana, Malawi and Namibia

Zimbabwe has entered into bilateral preferential trade agreements with three other neighbouring countries (Botswana, Malawi and Namibia), which are essentially the same both in form and content. Zimbabwe has on the whole been the stronger partner in these negotiations, with more to gain for its exporters (although the other countries also have export opportunities that have been significantly developed under the bilateral agreements.) The main and common elements of these agreements are the following:

- Zero tariffs for goods meeting the rules of origin
- 25% local content rule of origin
- Cumulative rule of origin
- Inclusion of articles from waste and scrap as qualifying manufactured products.

The **Botswana** Agreement originally dates back to 1956 when it was signed between Rhodesia and Nyasaland, Basutoland, Bechuanaland and Swaziland. After Zimbabwe became independent, a new agreement was entered into between the two countries in 1988. Out of the above listed main and common elements characterising Zimbabwe's bilateral agreements, only the duty free access and the local content criterion of 25% were agreed in the Zimbabwe/Botswana agreement of 1988. Even then clothing was partly excepted from these conditions in that quantitative restrictions (quotas) were applied, in addition to the rule of origin requirement.

The consistent trade imbalance in favour of Zimbabwe has over the years led to discontent from the Botswana side and eventual friction over bilateral trade. Botswana particularly raised the issue of cumulation when it established a huge Hyundai motor plant and targeted Zimbabwe as the export market for vehicles. Zimbabwe on its part also pushed for the inclusion of the waste and scrap metals. These issues were only resolved between the parties early 2000 after protracted discussions and the intervention of the respective Heads of State. Currently this resolution has still to be formalized in an amended agreement.

Botswana for a long time occupied the second spot as Zimbabwe's largest trading partner in the region after South Africa. Beginning mid 90s it however lost this position to Zambia although the latter did not have a bilateral preferential agreement with Zimbabwe, but the COMESA (PTA) arrangement.

With **Malawi,** Zimbabwe concluded an MFN trade agreement in 1986 after abrogating an earlier free trade agreement, but this was subsequently re-negotiated into a preferential agreement that came into effect in 1995. As was the case with Botswana, the trade balance between the two countries has always been heavily tilted in Zimbabwe's favour, and this led Malawi to demand amendments to the existing agreement. The cumulation principle would be included in such a revised agreement, and other aspects to increase Malawi's access to the Zimbabwean market would be considered. The main reason for the imbalance in trade arises form the fact that Zimbabwe exports manufactures to Malawi, e.g. fertilizers, iron and steel products, meal and flour while the latter supplies largely basic agricultural products: rice, pepper and sauce, oil seeds, etc.

Namibia was the latest country in the region to sign a preferential agreement with Zimbabwe- in 1992. As mentioned earlier, the agreement is standard when compared with the preceding two, and has also been amended to include cumulative principle and waste and scrap. These changes are however still to be effected as the new agreement awaits signing.

The preferential bilateral agreements between **Zimbabwe** and **Botswana, Malawi and Namibia** exist within the context of other regional preferential arrangements in which these countries belong. All the four countries belong to SADC; Botswana and Namibia belong to SACU; and Zimbabwe, Malawi and Namibia are members of COMESA. Except for the rule of origin of 25% local content, COMESA's zero tariff regime is equivalent to the bilateral preferential regime for Zimbabwe, Malawi and Namibia. For Botswana in particular the SADC Trade Protocol arrangement would be different from the bilateral regime in view of its different rules of origin and phased tariff reductions in some instances, but could eventually offer equivalent treatment. This situation poses a challenge to the trade policy officials and their governments particularly as they are still finalize the bilateral agreements when the regional arrangements have been concluded and are being implemented.

2. Trade Negotiations in the Last 10 Years

2.1 Key issues and interests

Of the five categories of negotiations in which Zimbabwe participated in the last ten years, only two sets, namely SADC and COMESA, bear the positive signs of the country's participation and influence. In one respect this could be explained by historical circumstances: in the case of the GATT/WTO and the Lomé Conventions, and to some extent the bilateral agreements with Botswana, Malawi and South Africa, Zimbabwe had to negotiate accession to, and not the terms of these arrangements since they already existed prior to its independence. Consequently, and as will be demonstrated the definition or identification of negotiation issues for Zimbabwe was therefore largely predetermined by others in the GATT/WTO, ACP/EU and some of the bilateral agreements. What was left was for the country to then define and identify its negotiation interests within these already established frameworks and agendas. While this appeared a lesser task, in effect it proved inherently problematical and disadvantageous for a country that had no experience in such negotiations, did not have an established trade policy framework and whose immediate priorities lay elsewhere. In contrast, the country is a co-founder, together with its regional neighbours, of the two regional integration and trading arrangements of SADC and COMESA that were born after Zimbabwe's independence in 1980. In this instance Zimbabwe played a significant and influential part in defining the negotiation agenda and subsequently the outcomes of these negotiations. Indeed, these negotiations were the major priorities of both the government authorities and the business sector.

GATT/WTO

Zimbabwe (then Southern Rhodesia) was an original signatory to the GATT, having been a member from 1948. As a consequence of that membership, the country had "bound" some of its tariff lines (10% of total tariff lines), and subsequently signed onto one of the Tokyo Round Codes (Customs Valuation) in 1987. The Uruguay Round, launched in 1986, saw an unprecedented expansion of trade issues well beyond those traditionally dealt with by GATT, and many developing countries, including Zimbabwe, were not prepared for this development. There were fifteen issues formally allocated into individual negotiation groups: fourteen under the trade in goods category and one in the trade in services negotiating group. In addition there were negotiations on other related issues, including on "surveillance" and what was termed "coherence" between trade and monetary and financial policies. It would be fair to state that Zimbabwe along with many countries in the developing world had no real say in the determination of these negotiation issues. In fact Zimbabwe only established a Permanent Mission in Geneva in 1986, whereas the negotiations that eventually culminated in the Uruguay Round agenda had been going on since 1982! In addition the Mission initially did not even have a trade official on its limited staff establishment (three people) whose "brief" included UNCTAD and other UN agencies.

At the capital (Harare) level the situation was not any better. The responsible ministry of trade did not have the required trade expertise to understand and analyse the issues on the Uruguay Round agenda in order to provide government with the relevant advice. On the other hand, the business sector did not show any awareness or interest in these negotiations. In these circumstances it was inevitable that the country's "interests" in the Round were initially determined solely by ideological criteria based on Developing Countries' group versus the Developed Countries. On this basis the general stance of the GoZ was to echo the positions of leading developing countries like India and Brazil on such issues as market access, services and intellectual property rights negotiations. As noted by representatives of the private sector and civil society, the country had not carried out any research, workshops or other background work on these issues in order to determine its own real and relevant interests. Negotiations were handled almost exclusively by government officials with practically no involvement from the private sector, which remained uninformed and on the whole were not consulted. The private sector, for its part, showed little interest, being unaware of the issues and their likely consequences.

As it is well known, the Uruguay Round negotiations developed into a long drawn-out process, with the final package being concluded after seven years (1994). Zimbabwe officials, like many other developing countries, used their acquired knowledge and experience of this process to improve their participation in the negotiations, by increasingly clarifying their national interests in the same negotiations. By the mid-term review of the Uruguay Round (1998), the country had identified such specific areas as agriculture, tariff and non-tariff barriers, tropical products and MTN Agreements and arrangements as key issues of interest. The private sector was beginning to get involved by this stage, being prompted by NGOs and the donor community. However the country's interests in these issues were almost always expressed and pursued in the negotiations process entirely in general terms, again invariably following the queue of the more powerful developing countries.

Lomé Convention

In the context of the negotiations for the successor arrangement for the Lomé IV Convention, the "other party", i.e. the EU, and not Zimbabwe, defined the agenda and issues. When the Lomé IV was concluded between the ACP and EU in 1995, both parties knew there would be negotiations in 5 years' time when the Convention expired. The ACP member states nonetheless believed the future negotiations would be based on the *aquis* of the previous Conventions, i.e. non-reciprocity. These countries were not prepared therefore when the EU proposed and achieved a re-negotiation agenda for a change in the future relationship of the two parties. The outcome of those negotiations, in the form of the Cotonou (Partnership) Agreement demonstrated the total un-preparedness of Zimbabwe along with the other the ACP countries for this development.

The core elements of the joint ACP-EU co-operation had always been non-reciprocal trade preferences and developmental (financial) assistance for the ACP countries by the European Community. The EU proposed to renegotiate these two elements: the first objective being to align (make compatible) the ACP-EU trade regime with the WTO principles, and the second objective was to reform the system of delivering EDF assistance to ACP states. The Conventions also contained other "framework" issues like democratic principles, rule of law, respect for human rights, etc. On the part of Zimbabwe, trade (market access) and financial assistance from the EU were always the two major issues for any negotiation in the context of the partnership. Specifically this related to the preferential export quotas for sugar and beef, reduced or zero customs duties for other products like tobacco, horticulture, minerals and manufactures; and the extensive financial aid to several economic and social sectors like agriculture, tourism, environment, education and health. Consequently, the country's key interests were always to maintain these advantages, and they remain the same interests for the new negotiations due to begin formally in September 2002.

Regional agreements

Zimbabwe's objectives in both regional integration and bilateral relations at the technical level have been determined primarily by trade factors, with the exception of the forerunner of SADC (i.e. SADCC) where there were also regional political considerations vis-à-vis apartheid South Africa. Having said that however, it would appear that the initiative for regional integration has been driven at the highest level by political motivations rather than economic.

As earlier outlined, the majority of the trade arrangements in which the country got involved in subsequent negotiations preceded Zimbabwe's independence, and therefore tended to circumscribe its autonomy and role to define the negotiation issues. This was the case with the bilateral trade agreements with its powerful neighbour, South Africa, Botswana and Malawi where the old agreements came under re-negotiation. The exceptions were the development of COMESA and SADC, and the bilateral agreement with Namibia in the sense that these arrangements came into being after independence and on the basis of increased intervention by the country. The overwhelming observation by private sector stakeholders is that these developments, whilst of interest and significance to them, were initiated and dominated by government, with the private sector being co-opted at subsequent and sometimes already advanced stages. It was pointed out that there were no industry or sector specific studies undertaken before political decisions were made to participate in the negotiations, with the consequence that issues and national interests were not defined *a priori*.

With specific reference to the SADC Trade Protocol, Zimbabwe together with other members feels that they were following South Africa's defined agenda regarding the objectives of the Protocol, the scope and pace of liberalisation and rules of origin. To illustrate the point that Zimbabwe did not define and formulate its tactics or strategies for the Protocol negotiations, and indeed others like COMESA, the private sector pointed out that policy decisions taken by government (without consulting the business sector) contradicted the country's commitments under the other negotiations. During the meetings of the SADC TNF, it was very apparent how well prepared the South African negotiators were, often with strong private sector participation, compared to Zimbabwe and the other countries.

On the whole though, there were fewer complaints by business regarding Zimbabwe's negotiations under COMESA than in the other areas, except until the recent accession of Egypt to COMESA. A combination of factors could explain this: there were some regional studies undertaken on the proposed trade liberalisation; country specific analytical studies were also carried out on the rules of origin; data were collected and analysed by regional consultants on the revenue impact of duty reductions, etc, and this provided some respectable basis for carrying out the negotiations. Moreover, it was pointed out that the other COMESA countries were significantly worse-off in terms of pre-negotiation preparations than Zimbabwe. In addition, it was assumed that the country's relative economic supremacy in the region provided it with some safeguard to seek changes, in future, in any provisions that later proved adverse to its interests.

Bilateral agreements

With regard to the bilateral agreements, the Zimbabwe/South Africa Agreement perhaps best illustrates the country's fundamental weaknesses in the field of negotiations. The agreement is the oldest amongst the bilateral arrangements that Zimbabwe maintains, dating back to 1964. However South Africa has invariably always dictated the terms of implementation of the agreement: at times unilaterally abrogating it; determining or adjusting the import quotas and the products; the rules of origin; and the duration of these preferences. According to private sector representatives, and some government officials Zimbabwe has always been upstaged by the South Africans in all of the re-negotiations of the bilateral agreement. Cases were mentioned of South Africa rejecting Zimbabwe's demands, for example, when the latter requested increased export quotas for its textiles and clothing products. South Africa would even argue and proffer data to support claims that the Zimbabwean requests were beyond the industry's capacity to supply, and citing information gathered from the Zimbabwean industry itself. Alternatively the South Africans would offer Zimbabwe piecemeal concessions, e.g. on agricultural products at one time, and on textiles and clothing at another. The fact that this "stronger partner/ weaker partner" relationship has not fundamentally changed for such a long time, and even after the coming in of a new and sympathetic South African government, underscores Zimbabwe's continued failure to build relevant negotiating capacity, expertise and strategy on one of its most important trade areas.

2.2. Formation and composition of negotiating team

Government officials, predominantly from the Ministry of Industry and International Trade (formerly Industry and Commerce) have, until very recently, been the main negotiators for the country in multilateral, regional and bilateral trade negotiations. This scenario was the same whether the negotiations were a continuous process requiring the permanent presence of negotiators, as was the case of the Uruguay Round under GATT or where the negotiations required periodic participation (travel), e.g. ACP/EU, regional and bilateral trade negotiations. In the past, the Trade and Economic Relations Committee (TERC), composed of representatives of various government departments, discussed the issues for the negotiations and recommended to the Minister of Industry and Commerce the desirable composition of Zimbabwe's government delegation. However these departments would make their own appointments regarding the persons to join the trade delegation, usually without reference to those persons' negotiation skills, expertise or experience.

With regard to the GATT/WTO the country's Mission in Geneva automatically constituted the permanent negotiating "team", even though in essence only the trade attachés took part in the negotiations. The maximum number of such attachés at the Mission has been two at a time, while the negotiations covered more than 14 separate issues and negotiating groups! During the Uruguay Round negotiations, the country had two trade attachés permanently based in Geneva, in a Mission with twelve persons. The workload at the GATT was overwhelming even for an average delegation of approximately five people (i.e. in comparison with other developing countries) working full time on the Uruguay Round negotiations. These attachés also covered work in other international organisations at Geneva (UNCTAD, ITC) and Vienna (UNIDO), as well as export promotion in Italy, Austria and Switzerland. It could therefore not be expected that Zimbabwe would have an "effective presence" in the negotiations process, let alone participation. This situation was exacerbated by the lack of regular advice and directions from Harare on the issues at the negotiation table. Often the attachés had to recommend to the Trade Ministry draft positions, developed informally with the assistance of UNCTAD, other groups, etc in order to get feedback. Zimbabwe's market access offers on goods, i.e. tariff reductions and bindings subsequently annexed to the Marrakech Protocol, as well as under GATS (financial, telecommunications and tourism services) were developed in this manner. This was obviously a reversal of roles as national positions, whether draft or final, are expected to emanate from capitals. An effort to change this situation began with the formation of the Standing Committee on WTO in 1998 for the coordination of positions and issues among various government departments. Subsequently this committee evolved into a wider mechanism by including private sector organisations but not yet the civil society. The most significant stage was reached in the preparations for the Seattle Ministerial Meeting when the country organized, with the technical assistance of UNDP, UNCTAD and DFID, a consultative conference of all stakeholders in November 1999 and produced a position paper for Zimbabwe's negotiators.

In principle, the Geneva team was supposed to be backstopped by Ministry officials at Head Office, i.e. in the capital. In practice, this capital-based staff did not have the requisite knowledge, analytical and institutional capacity or networking with the private sector that would enable the home-based "team" to provide vital operational support and guidance to the negotiators in Geneva. It is the private sector's point of view that government did not appreciate the importance of the negotiations to Zimbabwe's economic interests, or the role of the private sector in national development, hence its monopoly of the negotiations to the exclusion of other stakeholders. On the other hand, and according to some government representatives, the Zimbabwean private sector did not show any interest in international or other markets outside the domestic and South African limits, a legacy from the pre-independence era. In the end, the negotiation of the various international, regional and bilateral trade arrangements was seen, by other stakeholders and indeed by government itself, as a responsibility of government. The private sector would cite lack of funds as an additional reason for their inability to get involved.

There is now ample evidence that the lack of active participation or involvement of the private sector, coupled with zero or negligible institutional support from home, seriously handicapped the Geneva-based negotiators. This situation was replicated with regard to the ACP-EU negotiations. In the context of regional trade negotiations and the bilateral arrangements (with the exception of Zimbabwe/South Africa), the country's negotiators are considered to have fared better, mainly because these other parties adopted a similar approach of fielding government negotiators. In recent years, there has been a marked change of approach, with an increasing tendency and practice to involve the private sector in the preparations for negotiations, and as members of the negotiating team or delegation to the meetings. The most significant of such cases are the negotiations for a successor agreement to Lomé IV Convention, SADC Trade Protocol negotiations and the third WTO Ministerial Meeting (Seattle) where either officials or Ministerial delegations included members from the business associations, trade/producer associations and councils. While this was a positive development, it also revealed the private sector's own dearth of knowledge of wider trade issues, their lack of appreciation of how negotiations can address business needs, and the low capacity of the sector to provide trade analysis, advice and other specialized support to the negotiating team.

2.3 Consultation and lobbying processes

In the aftermath of the Uruguay Round, and particularly towards the first WTO Ministerial Meeting at Singapore (1996) there emerged a strong domestic anti-WTO sentiment, largely from the civil society. The rallying criticism was that Zimbabwe, like other developing countries had signed and ratified the Uruguay Round Agreements without consulting its own people. Certainly, in the case of these negotiations, government, private sector and the civil society confirm that no significant formal or informal internal consultations took place during the course of the Round. It was after the signing of the WTO Agreement that government and other international organisations (supported by donor finance) launched public awareness programmes like workshops and seminars, on the agreements and their implications. In other words, this "consultative" process was undertaken post-facto, resulting in the widespread criticism that government itself did not understand the implications of the deal that it had signed. Due to the general absence of knowledge within the private sector on international trade issues, such as the WTO, awareness raising had to start at a very basic level. Even the private sector organisations themselves had little to no capacity to understand these issues or disseminate meaningful information to their members.

At a global level, Zimbabwe officials participated in general consultations or exchange of views within the informal group of developing countries in the GATT, the Group of 77 in UNCTAD and Group of 15. As earlier noted, the country tended to follow and generally support the positions of the more powerful and articulate developing countries such as Brazil, India, Yugoslavia, etc. In the post Uruguay Round period, and particularly up to the Third WTO Ministerial Meeting, Zimbabwe officials (and to a lesser extent private sector) increasingly got involved in regional and intra-regional inter-governmental consultative groupings: SADC, OAU, Africa Group at Geneva, the South Centre and the Like-Minded Group (LMG), as well as mixed government-business-NGO forums such as SEATINI (Southern and Eastern African Trade and Information Initiative).

The ACP-EU negotiations for a successor arrangement to Lomé IV had established formal and internal procedures for consultations, either within the ACP Group or jointly with the EU (eg ACP Summit and Council of Ministers, ACP Secretariat, Committee of Ambassadors; Joint Summits, Parliament, Councils and Committees). At the domestic level, there now were various consultations between government and other stakeholders, but again the dominant vehicle of these consultations were workshops and seminars. As with the WTO issues, the nature of consultations between government and other stakeholders has changed in the last few years. There are now more formal structures of dialogue and cooperation, particularly through the establishment of an ACP-EU negotiating committee that comprises all the stakeholder representatives. The major hurdle that still remains is how to build capacity, expertise and analytical skills of the members of these committees.

At the regional negotiations' level, the country experienced a better-organised and executed consultative process. The private sector confirms that government consulted them to some extent regarding COMESA developments, although the same process was not followed with regard to the PTA – COMESA's forerunner organisation. The consultations were usually in the form of surveys and studies carried out by consultants, or workshops held on the effect of decisions either already taken or contemplated by the member governments. This was similarly the case for consultations regarding the negotiation of SADC. Examples are studies on the impact of the removal of tariff barriers on intra-regional trade; customs revenue, output and employment that were done in both COMESA and SADC after member states had signed the FTA protocols. All stakeholders have emphasised that consultations should precede and continue simultaneously with negotiations. In this way the consultations become a forum for generating the objectives and proposals for the negotiations, and also serve as a monitoring mechanism during the negotiation process. Some improvement has been made in very recent times. Government and other stakeholders have created such a consultative process, principally in the form of the Standing Committee on Trade Policy, and special working groups or committees on such issues like SADC, COMESA, ACP-EU relations, AGOA, as well as ad hoc committees on the bilateral agreements between Zimbabwe and neighbouring countries. There has also been some dialogue through the Technical Working Group of the CBI, but again it was very limited.

The major handicap facing these committees and their members continues to be lack of knowledge, technical expertise and negotiating skills. In a way therefore, while the country has made some positive improvement by widening and deepening the consultative environment, there remains a bigger challenge to translate this into achieving a more meaningful and effective participation in the various trade negotiations.

2.4 Negotiation positions and processes

The overall experience and assessment about the trade negotiations in which Zimbabwe has been involved, especially the multilateral ones, show a tendency to develop negotiating positions only in reaction to other parties' agendas, rather than on a "pro-active" basis. Within the regional negotiations, the agendas have often been set or driven by the Secretariat rather than the member States. As a result the country would be inherently disadvantaged in the subsequent negotiations. On many other occasions, particularly during the Uruguay Round, Zimbabwe did not hold any negotiation stand at all, as none had been developed. Several reasons have been advanced for this state of affairs: ranging from insufficient analytical capacity in both government and private sector to understand the issues and their implications; poor prioritisation of interests, leading to the direction of scarce human and material resources to more political areas of the country's foreign policy, rather than trade; and lack of a defined national policy framework and strategies addressing some of the trade challenges.

2.5 Zimbabwe's actual participation in the negotiations

By all accounts, the level and quality of participation by Zimbabwe in the Uruguay Round was typical of many developing countries, in particular those in Sub-Saharan Africa: marginal. At any one time during the negotiation period there was a maximum of two persons covering the day-to-day process, who were augmented by capital based staff only at ministerial stages of the negotiations: reviews, signings, etc. A more substantive factor that contributed to the country's marginal participation stemmed from the low capacity and competence of those negotiators to effectively articulate and pursue issues of their interest in the negotiations. GATT as an institution and a framework for regular trade negotiations has been hailed as "member-driven" and based on contractual rights and obligations. In practice this camouflages a "power-driven" institution where the stronger and more articulate members always prevail in setting the negotiation agenda and dictating the scope, pace and direction of the negotiations. Moreover, apart from the complexity and wide-ranging nature of the negotiations, substantive discussions took place in both formal and informal meetings, including the "green room".

Zimbabwe therefore found itself "riding" along with the negotiations, until late in the process when the negotiators had acquired improved skills and understanding of the issues through a variety of training courses, studies and "learning-on-the-job" experience. Zimbabwe's commitments on ceiling bindings (150%!) for agricultural products under the Agreement on Agriculture, market access liberalisation on industrial tariffs and the schedule of commitments under the GATS included in the Uruguay Round package were made late in 1993 – a few months before the conclusion of the negotiations. In fact the earliest available study on the service sector in Zimbabwe, ("Services in Zimbabwe'- CAPAS (UNCTAD)), whose objective was to "assist negotiators make optimal policy decisions within both the national context and context of the Uruguay Round" was produced in 1994! The country's participation profile and weight however increased gradually, with Zimbabwe playing a more elevated role during preparations for and in the course of the 3rd WTO Ministerial Meeting. This was achieved through a combination of workshops, national studies and coordination with regional and interregional groups on the issues for the Meeting and the proposed new round. This process was facilitated by the donor and NGO community, without which such involvement would not have happened.

The negotiations for a successor agreement for the ACP-EU Lomé Convention officially started in 1998. However, the ACP as a Group adopted a political decision that practically circumscribed these negotiations and resulted in the extension of the Lomé IV Convention. The fora for these negotiations have traditionally been rather rigid: with individual member states' roles subsumed by collective groups of ACP Summits, Ministerial Councils and the ACP Secretariat. This situation is likely to change in the future negotiations scheduled to begin in the year 2002. Zimbabwe is presently carrying out preparatory work for these forthcoming negotiations.

In terms of regional negotiations, the country's participation is obviously more prominent due to its relatively stronger economic muscle when compared to its neighbours. The agreed COMESA programmes on trade liberalisation, rules of origin, customs administration and other sectoral programmes in many ways reflect Zimbabwe's negotiating positions, even though in certain instances Zimbabwe has subsequently failed to implement fully some of those programmes. In the case of SADC, the economic giant in the region-South Africa has tended to dominate the negotiations in terms of preparedness, articulation, defence and advocacy of its national interests. Zimbabwe has however participated strongly in all the various negotiating structures of the Trade Protocol: the Committee of Ministers of Trade, the Committee of Senior Officials, the Trade Negotiating Forum, the High level Committee on Rules of Origin, and the specialised committees. Zimbabwe's participants in these negotiating groups are drawn from government departments, trade and industry chambers, and special sectoral and sub-sectoral interests (associations, companies) who constitute the national committee on the Trade Protocol.

2.6 Outcome of the negotiations

At the conclusion of the Uruguay Round, there were various pro and counter views and studies regarding the results of the WTO package. Most of the contentious issues concerned the benefits of the Agreement to member countries, especially developing countries. With the exception of a few developing countries (e.g. India and ASEAN countries) many developing countries could not carry out such assessment studies at that time.

In Zimbabwe it was only late in 1999 that a country specific study was commissioned (with donor funds) on the “impact of the Uruguay Round Agreements on the economy and external trade”. The aim of the study was to “assist government, business sector and other stakeholders to better understand the overall impact of the Agreements on the country; facilitate adaptation to the agreements; and take maximum advantage of the trading opportunities….”. There has not been any study on the results of the Round vis-à-vis the original objectives of Zimbabwe and other developing countries when they started the negotiations. One reason is that the evolution of the negotiations constantly changed these countries objectives. However another and more plausible reason is that these countries, as was the case for Zimbabwe did not establish any clear-cut expectations or targets from the very beginning.

At present the country is facing difficulties complying with the obligations of the WTO Agreements in the areas of aligning its domestic legislation, rules and standards; fulfilling notification requirements, etc. It has not utilised any of its potential rights and benefits under the Agreements, such as initiating anti-dumping measures. This is the reason the studies carried out have mainly emphasised the impact and implications of the resultant package. The country’s main and general negotiating line during the negotiations was that the outcome should safeguard its trade and economic interests that reflected its development level. Other countries had specific targets regarding priority issues to be covered by the agreements, the level of tariff liberalisation and the specific markets, etc.

During the last few years the appreciation and understanding within Zimbabwe on issues related to the WTO, and especially in the context of the globalisation and liberalisation debate, has significantly grown. It is clear that a polarisation of views is emerging, particularly between the business sector on one hand and the civil society on the other, on the merits or otherwise of the country’s membership of the WTO. Clearly government in future will need to define its objectives and strategies better and work together with all the other stakeholders, whether in the preparation of the negotiations, participation or implementation of the results. Generally, the results of negotiations under COMESA and SADC have been considered more positively by both business and the civil society. However, increasingly there is concern regarding the real benefits for Zimbabwe from the COMESA Free Trade Area as well as the phased liberalisation under the SADC Trade Protocol in view of the country’s declining economic performance and capacity. The original set objectives, and the achieved targets now seem incongruent with the prevailing economic conditions, with the consequent expressions of dissatisfaction with their implementation and utility.

Table 4: Zimbabwe's obligations under different agreements

WTO	SADC	COMESA	COTONOU AGREEMENT	BILATERAL AGREEMENTS
GOODS: -Agriculture: Under the market access commitment, Zimbabwe should reduce its tariffs by a simple average of 24% between 1995-2000; No major commitments under domestic support or export subsidies except notification obligations	-Trade Protocol: Implementation of tariff phase-down from 2000-2012	-Implementation of Free Trade Area (zero duties effective Oct. 2000) Implementation of common external tariff (2004)	-Utilisation of Lome IV preferences under transitional arrangement; -To negotiate new trading arrangement to apply from 2008	-Preferential agreements with South Africa, Malawi, Botswana and Namibia
-Industrial Tariffs: Phased reductions of bound Marrakesh Schedule of tariffs from 1995-2004				
-**WTO Rules**: Align anti-dumping, subsidy & countervailing disciplines, safeguards, TRIMS, etc with domestic laws and regulations	-Generally comply with WTO relevant instruments	-To formulate COMESA relevant provisions	-To follow WTO relevant rules	-No specific commitments
SERVICES: -Initial and limited liberalisation of financial, tourism & telecom services -Still to accede to new Protocols on financial and telecom commitments	-Members beginning negotiations on trade in services package for the Trade Protocol	No similar obligations or process	-Future Negotiations on EPAs to include services; -Commitment to abide by GATS obligations	-No specific commitments on services
TRIPS -Comply fully with TRIPS Agreement as from 2000 after expiry of transitional period	-To apply TRIPS compliant measures	-No similar commitments	-To comply with TRIPS -Cooperate and negotiate additional IPR protection	-No specific commitments

3. Lessons Learned

In conclusion, and based on the foregoing analysis of Zimbabwe's participation in a number of negotiations, there are a number of problems which are often symptomatic of policy development in general in Zimbabwe. The following emerge as common problems to be addressed:

- a poor understanding by Zimbabwe negotiators of the implications of the issues, especially on a sectoral economic basis. It was pointed out that in most cases negotiations were entered into without *a priori* studying the development of key economic sectors, e.g. textiles and clothing and the motor industry in the case of SADC Trade Protocol negotiations.
- inadequate preparations devoted to the formulation of negotiation objectives: it was not unusual for the Zimbabwean delegation to go into negotiations without a plan, strategy or targets.
- shortage of adequately trained negotiators in Zimbabwe
- little effort devoted to researching and understanding the concerns and positions of other parties. The better-prepared countries would usually steer negotiations in their direction and interest.
- little thought to seeking partners and developing alliances with other like-minded countries on an issues-led basis.
- lack of adequate information and capacity within the business community to provide relevant information when required.
- inadequate consultations with the private sector or the broader civil society to help formulate positions,
- lack of participation by the private sector or the broader civil society in the actual negotiations
- lack of appreciation of the issues and the importance of the negotiations by the private sector
- Shortage of financial and human resources to adequately participate in all the trade negotiations that have been taking place

In addition to these there are a few problems specific to the development of trade policy:

- lack of adequate quantitative analysis of trade data and of factual argumentation. The majority of negotiating positions were of a general, "sweeping" or political nature where others advanced economic arguments backed up with solid evidence, including draft written proposals.
- inadequate staffing at Zimbabwe's mission in Geneva. The two trade attaches have a number of functions other than WTO that restrict ability to be satisfactorily involved in WTO issues
- lack of political will and appreciation of the importance of trade issues by Government Ministers. A point was made that very few ministers can hold a competitive debate or discussions on such negotiation issues with their counterparts from other countries.

Notwithstanding these problems, a number of positive changes and improvements, have occurred in recent times:

- the establishment of various consultative mechanisms between the government and other stakeholders, especially through the Standing Committee on Trade Policy and other sub-committees on specific matters
- an improvement in the availability and distribution of information on issues under negotiation
- improved dialogue with stakeholders through the holding of workshops, seminars, company consultations and the media
- Improved preparations for some of the negotiations that were preceded by the commissioning of country specific studies on targeted issues
- The donor community has recently shown keener interest to assist in capacity building and with the national consultative process. This was especially apparent in the preparations for the WTO 3rd Ministerial Meeting.

The summary conclusion is that the country needs to build capacity throughout the whole stakeholder spectrum, i.e. government, private sector, academia and non-government organisations in such areas as analytical and policy-making skills, negotiations, etc. It has also been emphasized in many quarters that the changed (i.e. negative) economic environment in the country calls for a re-examination of priorities and a more efficient targeting of resources.

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