INTERNATIONAL LICENSING AND TRADING CONDITIONS ABROAD: ZIMBABWE

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1.00 INTRODUCTION

1.01 Political outlook. After five years of war and almost three years of independence, Zimbabwe has regained a considerable amount of stability. Robert Mugabe, the leader of the Zanu-PF party and the country's prime minister, has so far been successful with his balancing act among the existing diverse elements - the radicals and moderates of his own party, the black opposition Zapu party led by Joseph Nkomo, and the white opposition party Republican Front led by Ian Smith. In the present parliament, Zanu holds 60 seats, Zapu 20 and the Republican Front the remaining 20.

Zanu is supported by most of the Shona people who live in the northeast and central parts of the country while Zapu is backed by the Ndebeles, a smaller group residing primarily in the southwest. Ian Smith, the former prime minister of the country before independence, leads the white group that now comprises less than 5% of the total population, but owns about 75% of the country's wealth along with several major international companies.

While the Mugabe government has declared its commitment to socialism, officials appear to be implementing this stance in a moderate manner so far. In fact, Mugabe has often reiterated the importance of the private sector and his wish that it would continue to cooperate. Even if the radicals get the upper hand (see below), it is likely that Zimbabwe will follow its own brand of socialism rather than taking on a specific foreign model.

Mugabe is thought to be moving toward a one-party state although he has said recently that this will not take place before end-1983. While he dismissed Nkomo and two other Zapu leaders from his government in February 1982 after arms caches were discovered on farms belonging to Zapu leaders, he brought younger Zapu men into his cabinet in an April ministerial shuffle. He also appointed two white ministers who are not connected with Ian Smith's RF.

But Mugabe still must balance the black voters' and party radicals' demands for faster change (in resettling blacks on commercial farm lands, speeding up social welfare programs and increasing the government's role in business) with the pleas of the whites and party moderates for slower pragmatic progress that will not ruin the economy. As long as Zimbabwe's foreign exchange earnings and foreign aid donations remain reasonably strong, Mugabe should have room to maneuver. He will be able to allocate some resources to social change without having to divert funds from the productive sectors of the economy. If the funds dry up (as is likely if the economic recession continues), room for maneuver will contract and hard choices will have to be made.

He also needs continued interethnic cooperation, particularly in restraining the Zipra guerillas roaming the southwest. With the rift between Zanu and Zapu expected to widen in 1983, this may not be possible.

Relations with South Africa are likely to continue on a business-as-usual basis despite often inflammatory rhetoric from Zimbabwe. South Africa threatened to cancel its preferential trade treaty with Zimbabwe, but renewed the agreement in March 1982. However, trade will be affected by the Zimbabwe dollar's appreciation of some 20% against the South African rand in the last twelve months.

Zimbabwe is a key member of the Southern African Development Coordination Conference (SADCC) along with Zambia, Mozambique, Malawi, Botswana, Lesotho, Swaziland and Tanzania. This 60-million people group is currently trying to solve transport and communication problems between members so as to replace the links that made them dependent on South Africa. However, little progress has been made so far.

Relations with Western nations and Japan, all of which are supplying aid and technology to Zimbabwe, are expected to remain friendly. The country will probably not turn in a major way toward the Eastern bloc for its development requirements.

Operating conditions in Zimbabwe are generally more favorable than in many other areas of Africa. The judiciary and the civil service are competent, corruption appears to be negligible, bureaucracy and red tape are not major problems and access to officials is generally easy. Also, the expatriate environment is relatively favorable with a moderate cost of living and lack of crime.

1.02 Attitude toward free enterprise. The Mugabe government's attitude toward the private sector was stated in his "Growth with Equity" speech in February 1981. It promised greater participation in the ownership and the management of the economy by the government and Zimbabwean nationals. But at the same time, it counted on maintaining a mixed public-private economy. By mid-1982 the government had formed a state-owned company to market abroad all minerals, appointing a white Zimbabwean minerals broker as manager and including representatives from two big private-sector foreign mining companies on the board which is chaired by the Secretary for Mines (2.02). Also, in purchasing equity in companies, the government has bought out foreign rather than domestic private shareholders.

At present, the unions have little influence over business activity although their presence could be felt more strongly in the future.

1.03 Market forecast. After five years of war, growth resumed again in 1980, and by 1981 GDP had surpassed its 1975 peak. But per capita GDP is still well below that point since population grows at the rate of more than 4% per year. In 1981 real GDP growth was officially estimated at 13.5% but unofficial opinion is that an 8% growth was more likely: experts put inflation at closer to 20% rather than the official figure of 15%.

In 1982 GDP growth could be flat. Industrial output showed no increase in first-half 1982 and mining and agricultural production were markedly lower. The government provided loans worth Z50 million to several of the big mines to prevent worker layoffs. But severe dismissal rules (12.06) and price controls (5.00) hampered local business activity.

Foreign trade results were poor: the world markets for both mineral and farm commodities were depressed. Exports dropped 12% from January-May 1981 levels and imports soared 19%. The five-month 1982 trade deficit was already one third higher than that for all of 1981. So the government had to cut back foreign exchange allocations for imports (13.02). Industrial materials, parts and components make up 25% of total imports, so industrial output will be restrained. Once world markets for minerals and farm products improve, however, growth could again pick up sharply.

Inflation is officially estimated at 15% per year but businessmen are convinced that the real rate is closer to 20%. Price hikes of this size should continue to be the pattern for the next several years despite the government's campaign to hold down prices (5.00).

The draft of the 1981-83 development plan (still not published) forecasts that private-sector gross capital inflow, i.e. new foreign investment, will provide 20% of gross capital inflow through the period (see box). It originally assumed that private investment would account for 51% of total investment in the period, though the figure was recently adjusted to 45%. The plan also sets real GDP growth at 8% annually, with the sectoral composition as follows: agriculture 12% (with peasant agriculture growing faster than commercial), mining 8%, manufacturing 11%, social services 6%, public administration 4%, electricity and water 7%, construction 7%, transport and communications 6.5% and all other sectors 6%.

1.04 Currency outlook. The parity of the Zimbabwe dollar is measured against a basket of currencies, in which the US dollar holds a 40% share, the South African rand 28% and sterling 14%. With the drop in the South African rand, the Zimbabwe currency has appreciated by about 20% against the rand. So the country's goods are now less competitive in the South African market which took 22% of total Zimbabwe exports in 1981.

Imports climbed sharply in 1981 and the current-account deficit mounted to $570 million vs $230 million in 1980. The 1981 deficit was financed largely by short-term borrowings and capital inflows totalling $450 million and long-term capital inflows of $92 million, mainly to the government. Foreign exchange reserves held up quite well, thanks to balance-of-payments aid. Reserves had peaked at Z212 million in October 1980 and totaled Z200 million by end-1981.

The trade situation worsened in 1982. January-May exports were down 12% from the year-ago level while imports had soared by 19%. By end-May the trade deficit was already one third larger than that for all of 1981. To slow the import drain, the government cut foreign exchange allocations several times during the year. The latest 15% cut in October means that late 1982-early 1983 imports could drop to two thirds of the 1981 level. And further cuts could occur if world commodity markets continue to stagnate (13.02).

PROJECTIONS FOR NATIONAL DEVELOPMENT PROGRAM
1981/82-1983/84
(Z million)

	1981/82	1982/83	1983/84	Total
Investments				
Public	520	627	759	1,906
Private	546	659	787	1,992
Total	1,066	1,286	1,546	3,898
Savings				
Public:				
(a) Central and local government	(489)	(489)	(479)	(1,457)
(b) Public corporations	98	107	118	323
Private	757	941	1,168	2,866
Total	366	559	807	1,732
Financial resource gap	700	727	739	2,166
Gross capital inflow				
(a) Private sector	137	148	160	445
(b) Public sector	563	579	579	1,721
Current account				
Exports	1,313	1,631	2,026	4,970
Imports	(1,532)	(1,794)	(2,093)	(5,419)
Services	(183)	(198)	(215)	(596)
Investment income	(131)	(142)	(153)	(426)
Transfers	(16)	(15)	(15)	(46)
Balance	(549)	(518)	(450)	(1,517)
Capital account				
Payments	(180)	(170)	(220)	(570)
Gross capital inflow	729	688	670	2,087
Balance	549	518	450	1,517

NB. Figures in parentheses are debits.
Source: Zimcord.

A part of 1982 imports may have been purchased with foreign aid funds. At the March 1981 Zimbabwe Conference on Reconstruction and Development (Zimcord), Western industrialized countries, international aid agencies and a number of less-developed countries pledged Z1.3 billion over three years to help the country rebuild and develop. Much of the aid is tied to purchases in the donor country: for example, in early 1982, the US was completing a $50 million program for the purchase of US capital goods. German, French, Swedish and Japanese aid is also reported to be tied while only part of the UK pledge is assigned for specific purposes.

The rest of the spiralling trade deficit has been financed by increasing the foreign debt, unofficially estimated at $1.5 billion in late 1982, double the end-1980 level. This would put the debt servicing ratio at 15% of export earnings although the government had hoped to maintain a 12% level.

The government has stated several times recently that it does not want to devalue although exporters are pressing for such a move so as to keep their prices competitive on world markets. Instead, the government is planning to offer an export incentive program (13.06) which it says would make devaluation unnecessary. Now that Zimbabwe has approached the IMF for help, that agency could insist on a devaluation. In early November, the Zimbabwe dollar was worth US$1.30.

1.05 Attitude toward foreign investment. Some 65-75% of the country's capital assets are presently held by foreigners so the government has adopted a policy of welcoming only selected foreign investment projects. In mid-October 1982, the government spelled out guidelines for foreign investors, restating the need for increased state participation in the economy but maintaining that the country also required a "strong and viable" private sector.

The new foreign investment guidelines state that foreign capital is welcome in projects in rural areas, joint ventures with black businessmen, labor-intensive projects, schemes using local raw materials and those which generate exports and provide new imported technology. The new code eases the former rule against takeovers of Zimbabwean companies or dilution of local capital by saying that investment approvals will be made on a case-by-case basis. However, the government warns that foreign investors should plan on accepting at least 20% local equity (see 3.01 for more details).

Despite the new investment code, foreign businessmen are still not sure how far Zimbabwe will move into socialism. As yet the government doesn't seem to realize that business has to be profitable and needs a climate of confidence and security in which to operate.

Local businessmen generally welcome foreign investors in non-competitive sectors but also want joint ventures with foreigners taking equity stakes in existing companies. The press takes the same attitude.

1.06 Amount of foreign investment. The government currently estimates that 65-75% of private-sector capital is in foreign hands. Although no detailed figures are available, mining investments by South African, UK and US companies account for a good part of the total capital. In the manufacturing sector, there is still a sizable amount of South African capital.

1.07 Examples of foreign investment. Foreign mining companies have spent an estimated $200 million in expansion and exploration in Zimbabwe since independence but only one major foreign manufacturing investment has taken place. In October 1982, H.J. Heinz, the US food company, agreed to purchase 51% of Olivine Industries, a local producer of vegetable oils. Heinz' partner in the venture is the Zimbabwean government with a 49% share in the $30 million company.

Negotiations took some 18 months and were complicated by the company's insistence that it should have a controlling interest, and that Zimbabwe should sign the US investment insurance pact (OPIC). Another problem was that in early 1982 the government removed the 16% subsidy on vegetable oil prices which meant that Olivine's profit margins would be squeezed. The government backed down on local control (see 1.05 and 3.02) and recently allowed vegetable oil producers to raise prices by 12-28%. However, it would not sign the US pact and Heinz reportedly has had to obtain private insurance cover.

. Siemens of Germany set up a joint venture with the state-owned Industrial Development Corp (IDC). The new firm, Electro Technologies Corp (ETC), is majority owned by Siemens. The chairman of IDC is chairman of ETC's board while a Siemens employee is managing director. ETC eventually plans to start local manufacture of electrical goods.

. Dandy Chewing Gum A/S (Denmark) set up a joint venture for a chewing gum plant with a local partner. The Danish company has a 49% share worth Z3 million. Despite its low priority, the project was approved because Dandy supplied foreign exchange to the local partner via a soft loan, has guaranteed that the plant would not run a foreign-exchange deficit, uses a high level of local content (sugar and packaging), guarantees exports to the parent's own markets if the local company's foreign marketing efforts fall below a certain threshold, and has located away from the main industrial areas.

. An important banking joint venture was signed in 1981. Bank of Credit and Commerce (BCC) the world's 10th largest Arab bank, set up BCC Zimbabwe in partnership with the government. BCCZ, with Z6 million capital, thus became the fifth commercial bank to operate in Zimbabwe. BCC holds 53% of the venture and the government 47%.

1.08 Profitability of foreign investment. No overall figures on investment profitability are currently available although profits and dividends remitted from Zimbabwe totaled Z50 million in 1980, according to official balance-of-payments figures.

Profits of local firms are under increasing pressure. The government ban on dismissing workers without permission (difficult and lengthy to get - 12.06) has led to firms closing down, three in early November alone. Furthermore, price controls on essential products such as cement and corn meal (5.00) have stifled investment.

1.09 Official sources of business information. Information on setting up a business in Zimbabwe and on local economic conditions can be obtained from the Associated Chambers of Commerce Zimbabwe (ACCOZ), P.O. Box 1934, Harare, and the Confederation of Zimbabwe Industries (CZI), P.O. Box 3794, Harare. The commercial banks also provide good information (see 11.02 for their names).

2.00 STATE ROLE IN INDUSTRY

2.01 General. Even before independence, the state played a large role in the Zimbabwe economy. Most farm products were centrally purchased and marketed, either domestically or abroad. A quasipublic Industrial Development Corporation oversaw the state shareholdings in industry and helped locate new manufacturing plants.

The present Mugabe government is committed to a socialist economic pattern that can best be summed up by its February 1981 credo, "Growth and Equity". In this statement, the government said that it "...will seek participation in strategic industries" and that "domestic participation in productive enterprises" will be encouraged. But it also stressed that it counted on a "strong and viable" private sector in its plans for the future.

Until November 1982, nationalization activity has consisted of taking over the foreign shareholdings in four companies, Zimbabwe Newspapers, Zimbank, Caps Holdings and Zimbabwe Omnibus, thus obtaining effective control. The other shares have been left with Zimbabwe investors. In the proposed Wankie Colliery acquisition, the government will add new capital to the company, obtaining effective 40% control by diluting the respective strength of both foreign and local shareholders. If this pragmatic approach continues, there will be no nationalizations unless the seller is willing.

2.02 State-owned industry. The public sector owns and operates the railways and the national airline (Air Zimbabwe) and telecommunications (Post & Telecommunications Corp). The Central African Power Corp is jointly owned with the government of Zambia.

Since independence, the government has bought out foreign shareholders in four companies (see 2.01) and is expected to purchase others when owners are willing to sell at market-related prices. (Z40 million was allocated in the 1981 budget for this purpose). The newly ocquired companies will be overseen by the Industrial Development Corp (IDC) which is also a partner in joint venture like Electro Technologies Corp, entered into with Siemens (1.07). IDC has also drawn up lists of areas in which

MAJOR STATE PARTICIPATIONS

(October 1982)

Entity	Government shareholdings (% of total shares)
Industrial Development Corporation	51
Zimbabwe Iron & Steel Co	49
Electro Technologies Corp	47
Wankie Colliery	40 1)
Zimbabwe Newspapers	44
Caps Holdings	42 2)
Bank of Credit & Commerce Zimbabwe	47
Zimbank	61

1) If plan is approved by extraordinary general meeting of Wankie shareholders.
2) Not yet finally decided.

foreign investors would be welcome e.g. fishery development, sheet glass production and other areas. Its officials can be contacted via P.O. Box 8531, Causeway, Harare, telephone 70-69-71.

The state exercises control over about 60% of the commercial farming sector via marketing agencies. The Grain Marketing Board purchases and sells at set prices coffee, soybeans, peanuts, wheat and corn (maize) and markets exports at world market prices. The Dairy Marketing Board purchases and sells milk, the Cotton Marketing Board purchases and exports cotton, the Cold Storage Commission buys and sells beef.

Recently, marketing of minerals has come under government control, because officials were reportedly worried that foreign firms were underinvoicing exports (which foreign companies heatedly denied). After parliament approved a law setting up the Minerals Marketing Corp (MMC), a white Zimbabwean minerals broker was appointed its general manager in June 1982. The Secretary for Mines is the chairman of the MMC's board and two foreign mining executives, the heads of Union Carbide's and Turner and Newall's local operations, are board members. (Businessmen were somewhat reassured by the appointment of the general manager and the two foreign executives to MMC's board). MMC will gradually take over mineral marketing as current contracts expire. (See accompanying box for company reactions).

The government has also stepped in to help mining and industrial companies that are in trouble because of the world depression in mineral prices. Minister of Finance, Economic Development and Planning Bernard Chidzero has allocated Z50 million to the mining industry including Rio Tinto Zinc's Empress Nickel mine to keep production going and to save miners' jobs. And in its proposed takeover of the Wankie Colliery, the government will pay a total of Z14 million in cash, with the Z2.8 million remainder coming from dividends payable on the new shares created. Wankie needed the new funds to obtain Z87 million in international loans from, among others, the US Export-Import Bank and the International Finance Corp.

2.03 National policy. Zimbabwe's constitution guarantees property rights, and the government has said that it will not nationalize companies. It has also refused to sign bilateral nationalization compensation agreements that would guarantee foreign investors against expropriation. The government points out that it is ready to buy companies or property when owners are willing to sell at market-related prices. As long as the moderate wing of the government maintains control, this policy should continue.

COMPANY REACTION TO THE MINERALS MARKETING CORPORATION

The government's Mineral Marketing Corp, which will assume control of all domestic and export sales of Zimbabwean minerals, will exercise a wide range of power over nearly all activities of the mining industry, now dominated by Union Carbide (US), Rio Tinto Zinc Corp and Lonrho Ltd (UK), and Anglo-American Corp (South Africa). In addition to taking a cut of firms' sales, the agency will dictate policies on customers, quantities and prices, allowing firms to appeal only the latter decisions. It can also designate processed mineral products as minerals, bringing them under its control, regulate producer stockpiles, and negotiate contracts without assuming legal liability.

The government's action results from suspicion that private foreign control of the critically important mining sector - worth over $550 million in export sales and one third of all hard currency earning last year - is not in Zimbabwe's best interests. Some local officials believe that companies have used transfer pricing in their sales to subsidiaries and have withheld important marketing information; the business community denies this.

Since the new law is being applied gradually, most mining executives are reacting with equanimity but putting any expansion plans on hold. So far, no firm appears likely to pull out. In fact, investments in mining have been among the strongest of those in any sector, totaling nearly $200 million since 1980. New exploratory programs have also been undertaken by most existing firms as well as by a recently arrived German company.

Still, firms fear that the marketing agency is simply the latest in a series of steps to boost government participation in the economy. An executive with one MNC that has major mining and processing facilities in the country cites several problems that could soon discourage existing and new investments in other sectors as well as in mining. These include wildcat strikes - particularly to gain a greater say in setting wages - and the inadequacy of training programs in replacing lost skilled workers (especially white emigrants). In addition, the firm reports feeling greater government pressure to alter transport routes for political reasons, e.g. channeling exports more through Mozambique than through South Africa, which could affect its operations regionwide.

On the other hand, some companies indicate that they are prepared to accept and adapt to the government moves, albeit reluctantly. A major UK mining firm long active in Zimbabwe feels the government has failed to recognize that world market constraints are a more serious problem than the issue of MNC control, and that it will soon find this out. In the meantime, the company hopes to benefit from its demonstrated commitment to Zimbabwe, where it was among the first foreign operations to sink substantial new funds when the country became independent. It is also "trying to be Zimbabwean," and has recently appointed a local national as deputy chairman. Moreover, the company plans to go ahead with a major new gold venture (already, gold must be sold only through government agencies). The same firm expects to enter coal production soon on a large scale, and is conducting feasibility studies on a new platinum project.

3.00 ORGANIZING

3.01 General. There is no law specifically governing foreign investments but in mid-October 1982 the government issued a set of guidelines promising that foreign capital would be warmly received if it promoted projects in rural areas, created joint ventures with local businessmen, used local raw materials and labor, generated exports and provided for the transfer to Zambia of new technology. The new code relaxed somewhat the previous stand on local equity, saying that companies should be prepared to accept local capital for at least 20% of the total (3.07). It also removed the transfer ceiling of 50% of aftertax profits for dividends from mining companies but kept it for other industries (7.02).

Other sources that reflect the conditions affecting foreign investors include the government's "Growth and Equity" document published in February 1981 (see 1.02, 2.01) and company experience in actual acceptance or refusal of investments (see 3.02 A).

A foreign investor needs approval from a number of government organizations : the project committee of the Ministry of Industry, the exchange control authorities at the Reserve Bank of Zimbabwe (central bank), the foreign investment committee of the Ministry of Finance, Economic Development and Planning (procedures detailed in 3.02 A) and the Ministry of Home Affairs if foreign personnel are needed (12.07). Mining investments must also be approved by the Mining Affairs Board, agricultural projects by the Ministry of Agriculture and hotel development by the Ministry of Local Government & Town Planning. Commercial projects come under the Ministry of Trade and Commerce (3.02 B).

3.02 A: Basic approval procedure for new manufacturing investments and expansions. Approval is needed both for the foreign equity level that the investment will create and for the foreign exchange needed to implement the investment, respectively from the Ministry of Industry and the central bank. Officially, these bodies must examine the project before it is passed on to the Foreign Investment Committee (FIC) of the Ministry of Finance, Economic Development and Planning. However, experts strongly advise prospective investors to contact the FIC well before it officially receives the project.

NEGOTIATING WITH THE GOVERNMENT :
DOS AND DON'TS

* Spell everything out in detail; don't assume that officials understand all the fine points of your proposals.

* Always supply supporting documents. For example, if your project will promote exports, furnish a letter of intent from a customer who would buy the product once it is manufactured in Zimbabwe.

* Include all your capital costs and foreign exchange requirements in the first application. Don't come back after receiving approval and say you need an extra machine that you hadn't realized would be necessary.

* Explain carefully all the basic technical issues that make your project worthwhile. Government bureaucrats cannot be expected to become instant experts in a variety of industries.

* Speak personally to the head of each section of the government that must rule on your proposal, both before and after filling out the appropriate forms.

Foreign equity levels are studied by the projects committee of the Ministry of Industry. Companies fill out an application form which requires a feasibility study giving a description of the project, estimated costs, raw material requirements, market possibilities and estimated local and export sales. The committee looks for the number of jobs an investment will create, the enhancement of local industry through joint ventures, its relationship to rural development, the priority of the project in relation to national economic needs, the foreign exchange created or saved by the investment through export sales or import substitution and the effect of the investment on existing local producers. (There is reluctance to encroach on present industry without sufficient economic justification). Projects that reduce dependence on South Africa and do not transfer land to foreign ownership are also well received.

Investment approval is more likely if the proposal is in joint-venture form and does not dilute local control. Approvals have been given when the local partner was already in business, perhaps with full local control, in sector X and wish to set up a separate company in sector Y, in partnership with a foreign firm. Approvals are often denied if the foreign company wants to gain control. In its October 1982 investment code, the government set 20% local equity as the minimum. Previously, it had often insisted on local majority control.

Previously, the government on some occasions exercised flexibility in these matters. Siemens of Germany recently set up a joint venture with the government parastatal the Industrial Development Corp (IDC). The new firm, Electro Technologies Corp (ETC), has majority Siemens equity, with the IDC chairman as chairman of the board, while a Siemens employee is the managing director. "The arrangement is working very well and we have no reason to expect problems," says an ETC representative.

Companies have found that it is very hard to get approval on the basis of partnership with an emergent businessman. For a joint venture to qualify as an "emergent business", the government expects the black partner to have at least a 50% equity holding and to demonstrate that he has an equal, if not a dominant, say in management decisions. "It's not enough for the emergent businessman to have a chunk of equity but no say in the running of the company. The enterprise can't have a black face but a white heart", says a government official.

And, of course, location of the investment can help approval. Dandy set up fairly far outside Salisbury (Harare) and received not only government approval but also help with housing construction for workers.

The land question is equally crucial to investment approval. Recently, an elderly couple wanted to sell their fairly large commercial farm to a foreign company. Approval of the investment was made contingent upon the company's finding a local partner who could buy the land himself and contribute it as his share of a joint venture. No local partner with sufficient capital to purchase the land could be found, so the deal fell through. The land question is not so important for small tracts, such as factory plots, but the government will not contemplate deals in which Zimbabwe-controlled commercial farmland falls into foreign hands.

INDUSTRIAL SECTORS WHERE APPROVAL IS UNLIKELY : HOW THE GOVERNMENT REACTS

Zimbabwe's manufacturing sector is among the most productive and sophisticated in Africa. Over 6,200 separately identified products are produced. For example, locally made consumer goods include sugar and confectionery, canned vegetables and fruit, flour, coffee, tea, edible fats and oils, beers, wines and spirits, soft drinks, a variety of clothing and footwear, home and office furniture, kitchen ustensils, electric stoves, heaters, refrigerators and freezers, washing machines, carpets and curtains, ball-point pens, polishes and detergents, perfumes, cosmetics and pharmaceuticals, cars and trucks (local assembly), radio and televisions, travel goods, pipes, cigarettes and tobacco, books, metal and plastic containers, leather goods, pottery, air conditioners, batteries, boats, bottles, caravans, cassette tapes, dairy products, elastic tape, paints, electric fans and kettles, fire extinguishers, hoses, floor tiles, laboratory equipment, lawnmowers, light fixtures, nails, screws and pins, razor blades, rubber bands, scissors, spectacles, sportswear -- the list seems endless.

The country is almost as strong in the manufacture of capital and intermediate goods. These include bending rolls, grinding media, centrifugal pumps, nickel and copper converters, paper-drying plants, cement-drying kilns, ball and roll mills, sugar mill rolls, brick-making machines, brake cylinders and sluice valves.

A US health-products firm discovered that the ban against creation of new capacity in sectors that already have excess capacity is taken seriously indeed. The firm had been in Zimbabwe before independence and in 1981 submitted an application to expand its factory by adding a new manufacturing unit for production of female-hygiene products. The government found that another firm was already making such products and had excess capacity. The US company pointed out that the competitor served only the urban populace. It said the market could be expanded and the health of Zimbabwe's women improved if a concerted educational campaign were launched in the rural areas to explain the use of the product. As the local producer had no intention of increasing rural marketing, the US company said there should be no objection to its own expansion plan. The FIC disagreed and eventually forced the applicant to enter into a licensing agreement with the local producer. The US company's product will now be manufactured to its own specifications at the competitor's premises. The US firm itself will then market it in the rural areas.

The exchange control section of the central bank studies the foreign exchange requirements of the project at the same time as the Ministry of Industry. A prospective investor should obtain application forms from one of the commercial banks, fill it out and send it on to the central bank. The exchange control authorities examine the foreign exchange implications of the proposed investment. They investigate the foreign and local borrowing which the investment will entail, ensuring that payment terms are reasonable. They also examine the interest payments that will have to be made on loans for import of the initial capital equipment. "They want to make sure that the company is not using an inflated interest rate as camouflage for getting foreign exchange out of the country," says an expert on government procedures. If the investment entails over Z2 million-worth of loans, the project also needs special approval from the External Loans Co-ordination Committee, which examines the impact of the loan on Zimbabwe's debt service ratio.

A new manufacturing venture is most likely to receive approval if it will not use Zimbabwean foreign exchange for import of the initial capital equipment. A pharmaceutical company presently expanding its capacity is bypassing exchange-control problems by acquiring secondhand equipment from sister subsidiaries worldwide. The equipment will be reconditioned in Zimbabwe and will not cost the country any foreign exchange, with the transfer taking place only in the company's books. Such deals require government approval, but with no exchange outflow, permission is more easily obtained.

Another way of avoiding an initial foreign exchange cost that could deter investment approval is to have the foreign parent provide finance on soft terms. For example, the Danish firm Dandy (see 1.07) obtained permission for a highly unlikely project, a chewing gum factory, partly because it provided a soft loan to cover start-up costs.

The Dandy example also illustrates another technique for obtaining foreign investment approval. The parent company included a legally enforceable clause in the investment agreement, guaranteeing a certain level of exports from the Zimbabwe factory. If the local factory could not actually find the export markets, the parent company agreed to cede some of its own markets. For example, Middle East markets usually sourced from Dandy factories in Denmark would be sourced from Zimbabwe. Government officials are extremely skeptical about promises of export earnings. It takes something on the Dandy model to convince them that exports will actually materialize.

Once the exchange control authorities and the project committee have given their approval, the investment proposal is passed on to the Foreign Investment Committee (FIC) within the Ministry of Finance, Economic Planning & Development. This committee is chaired by that ministry and includes the Ministers of State, Industry, Trade & Commerce, Mines, Local Government & Town Planning and Justice. It must approve the foreign equity levels which the investment entails, taking into account the recommendations from the exchange control authorities and the projects committee.Experienced companies advise potential investors to contact the FIC for advice well before the investment proposal is officially reviewed.

The FIC looks kindly on investments that:

+ are in a new field not already covered in Zimbabwe; (see accompanying box);

+ are in joint-venture form, particularly in sectors associated with social welfare or strategic industries;

+ do not dilute local control in an existing company; (but see above and 3.07).

In practice, the FIC discusses many other issues besides equity level, and judgments made by the exchange control authorities and the projects committee are given a second airing. As demonstrated by the Dandy case (see 1.07), the FIC is flexible.

If the FIC approves the investment, the company involved then approaches the Ministry of Justice for registration. As a representative of this ministry was already involved in the FIC decision, registration is seldom a problem.

Once this final approval is received, the projects committee gives the investor access to its special foreign exchange reserve for new projects. This allocation covers start-up costs and is most generally used for the import of capital equipment. Ongoing foreign exchange requirements, for example for the steady supply of imported raw materials, are then met through a system of industrial import allocations (see 7.02).

If the foreign investor wants to bring in foreign personnel to help with the investment, he must also apply to the Ministry of Home Affairs for work permits.

3.02 B: Approval of commercial investments. A new commercial project must be approved by the Ministry of Trade & Commerce's projects committee. It is concerned with "applications for allocations of foreign exchange to be used to expand an existing wholesale/retail enterprise or commercial service" and with applications concerning establishment of "a new enterprise of this nature." In examining each case, the committee considers:

+ "whether the goods to be imported or the commercial service which is to be sustained would serve an essential need, ameliorate some deficiency in domestic supply of an essential item, and/or lead to a sustained net gain in foreign exchange.

+ "whether the applicant can show that he would be able to import, on a continuing basis, at a substantially lower foreign exchange cost than any existing importers of the item concerned with comparable standards of quality and aftersales service.

+ "whether, following a change of franchise resulting in the right to import an essential product being transferred from one firm to another, the existing holder of the allocation is not able to import a satisfactory substitute product.

+ "whether a new continuing need has arisen from the importation of additional spare parts or other materials to service plant, machinery, vehicles or equipment imported

Prior to this, the government had insisted on majority local ownership although some exceptions were made to this rule in the case of H.J. Heinz and Bank for Credit and Commerce (see 1.07).

For borrowing purposes, a company with over 15% foreign equity is regarded as foreign and is subject to limits on local borrowing (see 11.01).

3.05 Building and related permits. Currently, companies need only seek permission from local planning authorities for permission to put up a factory. In future, however, the government's plan to encourage rural development could mean restrictions on locating plant near Harare or Bulawayo or other main industrial areas.

3.06 Acquisition of real estate. While the acquisition of small tracts of land, such as those required for factories, poses no problem, the Mugabe government is committed to keeping the large commercial farms in Zimbabwean hands. So far, the government has not approved any deals in which Zimbabwe-controlled commercial farmland is sold to a foreign company.

It is conceivable that a prospective foreign investor could participate in a joint agrobusiness venture in which a local black partner contributes the land as his share of equity. To qualify as an "emergent businessman", however, the black partner must have at least a 50% participation, and demonstrate that he has an equal if not dominant say in management decisions. Unfortunately, most black businessmen don't yet have enough capital or borrowing power to participate in large-scale projects.

3.07 Acquisitions and takeovers. In theory, officials will examine case by case foreign purchases of Zimbabwean companies. However, the government has announced that it is opposed to 100% foreign acquisitions of domestic firms. In fact, it objects to any dilution of local equity. Nevertheless, Heinz was able to acquire for approved industrial or mining projects or, in certain circumstances, as a result of n.c.i. (no currency involved) arrangements."

Applicants must also provide information concerning tariff items and descriptions of goods to be imported; company registration details; company history in Zimbabwe, particularly regarding past import arrangements; details of company officers; company equity structure; marketing arrangements for the goods to be imported, f.o.b., landed and selling prices of goods to be imported; arrangements regarding continuity of supply; amount of foreign exchange required; and audited accounts.

Once the projects committee's approval has been obtained, the company will be allocated a percentage quota of the foreign exchange earmarked for import of the particular product. The exact amount of the exchange allocated to the product type as a whole in a given quarter is contingent upon the commercial import procedures outlined below.

If a firm is denied approval, it may still be able to sell its goods in Zimbabwe. To do this, it must convince established companies, which already have foreign exchange allocations, to import its products rather than those of its competitors.

3.03 Activities not open to foreign capital. Zimbabwe's new foreign investment guidelines issued in mid-October 1982 do not forbid foreign investment in specific sectors. However, the government is not likely to approve projects in areas where a local company is already producing similar goods. Also, most investments in strategic industries must be carried out as a joint venture with a state-owned company.

3.04 Limitation on foreign equity. The October 1982 investment rules state that foreign investors should allow local interests to take a minimum 20% share in total equity in new projects.

51% of Olivine in partnership with the government (1.07).

3.08 Local content requirements. The government is anxious to increase the proportion of local content in goods produced in Zimbabwe. Plans to include local materials or components are taken into consideration when approval for an investment project is sought (3.02). All local vehicle assembly operations must use locally manufactured or processed seats, glass, exhaust systems, tires, leaf springs, radiators, fuel tank and batteries.

3.09 Mandatory memberships. None, but companies find membership in the Associated Chambers of Commerce and/or the Confederation of Zimbabwean Industries useful (1.09).

3.10 Establishing a local company. The Companies Act of 1952, modeled on the UK and South African statutes, divides business entities into four categories, sole proprietorships, partnerships, incorporated companies (either publicly held and designated as "limited" or privately owned and designated as "(private) limited") and branches of foreign companies.

A limited company must file a memorandum of association and the articles of association with the Registrar of Companies showing the name of the company, details of the share capital, liabilities of the shareholders, particulars of directors resident in Zimbabwe and of the executive responsible for the management of the business and the address of its principal place of business. There are no minimum capital requirements.

Once a limited company is operating, it must also file annual balance sheets and a profit and loss statement. A limited company is entitled to offer shares to the public via a public offer and a detailed prospectus.

Private companies are not required to file annual financial statements with the Registrar unless one or more of their shareholders is a foreign public company. Private companies may not offer shares to the public, and their shareholders are limited to 50 people.

3.11 Establishing a branch. Most companies prefer to establish a locally incorporated company in Zimbabwe since officials usually consider such a subsidiary will play a more enduring role in the country's economic development. Also, branches must file annual financial statements with the registrar.

While the tax on branch profits paid to local or nonresident shareholders is only 8.4% compared to the dividend withholding tax of 20% for both resident and nonresident shareholders, the annual duty on issued share capital is levied on the capital of the foreign company, which is usually substantially higher than the issued share capital of a local subsidiary.

REQUIREMENTS OF PUBLIC AND PRIVATE COMPANIES IN ZIMBABWE

	PUBLIC	PRIVATE
Capital	No minimum; no legal reserve requirement.	No minimum; no legal reserve requirement.
Founders, shareholders	Minimum seven members; no residence or nationality requirements, except that one stockholder must be resident in Zimbabwe and authorized to accept legal notices on behalf of the company.	Minimum two members; maximum 50. No residence or nationality requirements, except those that apply to public companies.
Board of directors	Not required to be Zimbabwean nationals.	Not required to be Zimbabwean nationals
Management	No special requirements.	No special requirements.
Labor	No special requirements.	No special requirements.
Disclosure	List of members and financial statements must be supplied to registrar annually.	Same as for public companies.
Taxes and fees on incorporation	Registration fees are based on nominal capital and are very low.	Same as for public companies.
Types of shares	Ordinary or preferred shares permitted, as are convertible debentures. Companies may attach whatever rights they wish to any class of shares (e.g. special voting rights).	Share transfer restricted; no public subscription.
Control	Over 50% majority required for normal resolutions (unless bylaws provide otherwise); changing articles and liquiditation requires 75% of shareholders' votes.	Same as for public companies.

4.00 RULES OF COMPETITION

4.0. General. With a small market catering to a total population of less than 8 million, Zimbabwe presently accords low priority to restrictive trade practices. Since the government wants to limit goods to one type for each product, manufacturers operate under monopolistic or oligopolistic conditions.

4.02 Monopolies and market dominance. Monopolies are not legally defined, and no law specifically covers them.

4.03 Mergers. There are no special rules for mergers except that local equity should not be diluted (see 3.04).

4.04 Freedom to sell. Manufacturers may sell to whomever they wish and at prices stipulated in the price controls system (5.00). Unauthorized dealers may be sued if they deal in merchandise originating from abroad and protected under a registered Zimbabwean patent (6.02).

4.05 Resale price maintenance (RPM). Zimbabwe has no laws to uphold RPM.

5.00 PRICE CONTROLS

The sharp rise in 1981 inflation (officially 15%, unofficially 20%) led the government to freeze prices in December 1981, initially for a three-month period which was then extended for another month. The Control of Goods (Price Control) order replaced on April 30, 1982 the former system of margin control which had allowed businessmen to increase manufacturers, wholesale or retail prices while maintaining the same markup percentage. While some goods still come under margin control, prices of certain essential products are frozen, some are limited to maximum specific markups at the wholesale and retail level while certain manufactured goods must obtain approval from the Minister of Trade & Commerce (MTC) for price increases. On the other hand, export goods, food and drink (except local beer) sold for consumption on premises, eggs, fresh flowers, fruit and vegetables are exempted from control. (Prices of subsidized foods carry maximum price which have been allowed to rise as subsidies were removed).

Most manufacturers prices may be increased by any hike in factory costs, thus maintaining the manufacturers markup in place on the December 1, 1981 base date. (However, companies complain that this markup doesn't include the minimum wage increase granted at end-1981). Factory cost is defined as all costs incurred by a manufacturer. It includes industrial wages but excludes "salaries or other remuneration, rents, insurance, finance charges, distribution and storage charges and other similar overheads not directly related to manufacturing, advertising or depreciation."

While maintaining that they are penalized by not being able to include overheads in factory costs, manufacturers are more worried about the definition of industrial wages. These are described as "the remuneration paid to any employee and include remuneration paid to factory managers and chargehands but exclude remuneration paid to typists, clerks, messengers, gardeners, office cleaners, catering staff and other similar employees not directly associated with the actual manufacture of commodities". Businessmen point out that Zimbabwe's wage laws specifically state that anyone working in a factory has to be paid according to the minimum rates applicable for industrial workers, and are asking that all factory wages be classed as industrial wages.

For certain manufactured goods, MTC approval is needed for any increase in manufacturers' prices on goods such as local beers, spirits and wine, iron and steel, newspapers, tires, animal foodstuffs, pork products, paper and paper products, aluminum foil and plastic packaging and metal and glass containers. Price increases will depend on MTC's discretion, and producers are worried about the uncertainty surrounding its future decisions.

Delta Corp, the country's largest quoted company, criticizes this lack of predictability. The company produces beer, soft drinks and furniture, owns the largest hotel chain in the country and is involved in wholesaling. Said a spokesman: "Our clear (local) beer prices have not risen for 22 months. In every respect we qualify for a price increase as the landed and factory costs of the finished products and raw materials have gone up by as much as 60-70% in that time. If there is no increase, it is going to mean a cutback in operations. We have already stopped completely any capital expenditure."

The company bemoans the lack of any pricing formula. The strength of its case is shown by the cost composition of its beer. Each bottle ex-factory costs Z0.25, of which Z0.15 goes to excise and Z0.10 to its coffers. The average selling price of a bottle throughout the country is Z0.42. So for clear beer, the people who sell it get more than the people who make it. (Delta is happier about the pricing mechanism for its furniture division, for it considers the markup percentage in force on the base date adequate.)

For essential goods - corn meal sold at retail, vegetable oils and fats, fuel oil, chemical fertilizers, cement and freshwater sardines - no price increase above the base date of Dec. 1, 1981 is supposedly allowed (although vegetable oil prices have been raised (see 1.07).

Imported goods prices can be increased by any rise in the landed cost of a product. Landed cost is defined as the charge incurred per unit for the cost ex-factory or ex-supplier, including packaging, dispatching, transport to the factory or business premises of the buyer, insurance before arrival at factory or premises, customs duty and clearing charges, interest, bank and finance charges, buying, shipping and confirming commissions.

It excludes trade discount. Markups are those which existed on Dec. 1, 1981 although companies complain they don't include the end-December 1981 hike in the minimum wage.

For certain essential imports, however, price increases determined by calculating markups, profits and discounts also requires ministerial approval. This system applies to motor vehicle parts, tractors and other farm equipment, agricultural chemicals, lubricating oils, jute grainbags, explosives used in mining, textbooks, typewriters and ribbons, cash registers, calculators costing less than Z1,000 f.o.b, duplicating and photocopying machines and medicines listed in the Drugs & Allied Substances Control Act.

Most wholesale and retail prices are based on the markups in force at the Dec. 1, 1981 base date. However, a certain number of goods are subject to maximum markup regulations: school uniforms, refrigerators, radio and television sets, glassware, rice, soap and milk powder. Maximum wholesale and retail markups are respectively 30% and 50% for school uniforms, 20% and 35% for refrigerators and 10% and 15% for foodstuffs and soap.

6.01 General. Zimbabwe's sophisticated manufacturers are often licensed to produce goods since the small local market would make new plants inefficent.

The dissolution of the former Federation of Rhodesia and Nyasaland in 1963 into Zambia (ex Northern Rhodesia), Malawi (ex Nyasaland) and Rhodesia (ex Southern Rhodesia) changed registration requirements and created separate licensing laws in each of these countries. As a consequence, all applications for the registration of industrial property rights in the former Rhodesia had to be filed with the Registry of Salisbury under observance of the requirements of the legislation of Rhodesia. Then in April 1980, Rhodesia became the independent state of Zimbabwe. As far as industrial property is concerned, the laws effective prior to independence remain operative. Since that date, Zimbabwe has acceded to the Stockholm text of the Paris Convention. It has also become a member of the World Intellectual Property Organization (WIPO) and of the Lusaka Agreement on the Creation of an Industrial Property Organization for English-speaking Africa (ESARIPO).

6.02 Patent and trademark protection. Zimbabwe continues to adhere to the patent and trademark legislation in effect prior to independence. The main laws governing industrial property are Patents Act No. 26 (1971), Patents Regulations (1971-1975). Trade Marks Act No. 2 (1974), Trade Marks Regulations (1974-1975), Industrial Designs Act No. 26 (1971) and Designs Regulations (1972-1975).

Zimbabwean patent law recognizes patents of invention and patents of addition. Patents of addition can be obtained for an improvement in or modification of the main invention. Patents are valid 20 years from the date of filing and may not be extended. The object of the patent must not have been known or used in Zimbabwe prior to the effective date of the application. Foods or medicines consisting of a mixture of known ingredients, or processes producing these substances are not patentable.

A compulsory licensing system is in effect. Any person who can prove that he has been unable to obtain a license on reasonable terms may, after three years from sealing or four years from the date of application - whichever term ends later - apply for a compulsory license on the grounds that the requirements of the public have not been met. Compulsory licenses on foods, medicines, and surgical or curative devices may be granted at any time.

Infringement actions may be brought before the High Court by the patentee or the exclusive licensee. If appropriate, the Court may allow the patentee to amend his patent. By way of counter-claim, the defendant may apply for revocation of the same patent.

The Zimbabwe Trade Marks Register assumes registration (although it is not obligatory) in either Part A or Part B of the Register. Both these sections correspond closely to the British Register; Part C contains Certification Marks and Part D is for Defensive Marks. Registration in Part A of the Register gives exclusive rights to use of the mark, whereas Part B, which grants similar rights, offers less protection in case of an action for infringement.

Registered trademarks have a ten-year life and may be renewed. Registrations renewed before Jan. 1, 1975 remain valid for the renewal period provided for by the former law, i.e, 14 years. First use of the trademark confers proprietary rights; however, no actions may be taken for infringement of an unregistered trademark. Names of chemical elements or compounds are not registerable as trademarks for chemical substances or preparations.

Infringement actions are dealt with by the High Court. The Merchandise Marks Act (cap 290) makes provision against fraud or forgery in connection with the use of trademarks and against the use of false descriptions. Also incorporated are measures designed to prevent false descriptions regarding the origin of goods.

6.03 Legal and administrative limitations on licensing. Licensing agreements are usually arranged by the contracting parties. Licensors may not restrict their licensees' freedom of action except as is necessary to protect the patent rights. For example, limitations may be placed on the scope, extent, territory or duration of the agreement but not beyond what is necessary to safeguard patent rights. Tie-in clauses presumably would be allowed if patents could not operate without them.

Under the Patents Act, licensing agreements must be registered with the Registrar of Patents to have effect against third parties. Licensees may sue in their own name if they believe the license has been violated; licensors must institute proceedings, however.

6.04 Royalty and fee patterns. Royalties and fees are based on commercial considerations. There is no withholding tax on royalty or fee payments to nonresidents (8.11).

Conventions. Stockholm text of the Paris Convention.
Basic laws. Patents Act 1971, Patents Regulations 1971-75, Trademarks Act 1974, Trademarks Regulations 1974-75, Industrial Designs Act 1971 and Designs Regulations 1972-75.

PATENTS

Duration. Twenty years from date of application.
Novelty. Invention is new if it does not form part of the state of the art and if it has not been made available to the public anywhere at any time prior to the date of application (or the foreign priority date, if not more than 12 months earlier). Invention may be exhibited at official internationally recognized exhibition within six months before application date.
Unpatentable. Plant or animal varieties, biological processes, inventions contrary to public order or morality and scientific principles and discoveries.
Application procedure. Application to the Registrar of Patents, Designs and Trademarks must include a Zimbabwean service address, description sufficiently clear to enable a skilled person to put the invention into effect with relevant plans and drawings, claims, signed power of attorney (if made by an agent) and information of prior foreign application (if any).
Examination procedure. Examination as to formal correctness only; patents are granted at patentee's risk as to existence of prior patent. As soon as the patent is granted, the Registrar will publish notification of the grant, including a description of the patent.
Fees. Nominal.
Compulsory licensing. Application may be made to the courts for a compulsory license if, after four years from the date of the patent application or three years from the date of grant (whichever is later), a patent is not worked in Zimbabwe, it is insufficiently worked, working is prevented by importation or the patentee refuses to grant a license on reasonable terms, thus prejudicing development of industrial and commercial activities in Zimbabwe. Compulsory licenses also may be granted if necessary to work a later patent or if in the public interest.

TRADEMARKS

Duration. Ten years from application date; renewable for like periods, three months before expiration.
Fees. Nominal.
Legal effect. First use confers legal rights.
Application procedure. Examined for registrability and similarity to previous registrations. If acceptable, application is published; opposition due in three months. Appeals to High Court.

7.00 REMITTABILITY OF FUNDS

7.01 Exchange controls. The exchange control system, administered by the exchange control authorities of the Reserve Bank, is designed to control the transfer of all funds in and out of Zimbabwe in order to allocate the limited amount of foreign exchange among the various economic sectors. This system is expected to remain in effect until foreign exchange reserves and earnings improve.

The prospective investor applies to the exchange control authorities with a detailed resumé of his project (see 3.01 and 3.02). On receiving approval, he is given access to the special foreign exchange reserve set aside for new projects. His allocation must cover start-up costs, notably the import of capital equipment. Future foreign exchange requirements will be allocated from the available pool of foreign exchange according to the procedure outlined below.

Foreign exchange quotas for imports are set up four times a year, based on a global figure established by the Ministry of Finance, Economic Development and Planning. About 50% of the total allocation goes to the Ministry of Industry and the Ministry of Trade and Commerce for private-sector goods.

The Industrial Imports Controller (IIC) then gathers information concerning the various companies' needs for maintaining ongoing industrial activities, e.g. raw materials, components and spare parts. The IIC and the Ministry of Industry then reconcile, by order of predetermined priorities, the amount requested with the amount available. The priorities themselves are dictated by national economic priorities; e.g. health or transport will receive funds while non-essential consumer goods may be denied them. Export potential also has high priority, particularly foreign-exchange generating capacity. The money is then distributed by the Confederation of Zimbabwe Industries (CZI -- see 1.09).

Commercial imports (aside from essential commodities) follow a slightly different pattern since they are divided into five categories by order of priority, ranging from most essential to luxury consumer goods (see 13.02). If there is a shortage of foreign exchange, only the highest-ranking categories will receive allocations. At this stage, the Commercial Imports Controller

(CIC), a civil servant based in the offices of the Associated Chambers of Commerce (ACCOZ - see 1.09), allocates funds to the various companies. His decision as to the amount handed out is based on the individual company's performance, i.e. its percentage share of the market for the given product during the preceding year.

In the past, companies could occasionally apply for ad hoc allocations for industrial purposes (up to Z5,000) or commercial (up to Z2,500). A joint committee chaired by the Ministry of Trade and Commerce and the Ministry of Finance, Economic Planning and Development met every week to review such requests. Besides the firm's past performance and the amount of money the government had available, the firm had to successfully argue the potential for import substitution, job creation or generation of foreign exchange. Industrial allocation requests for more than Z5,000 were forwarded to the Ministry of Industry's Revolving Export Fund for study. Currently, these extra circuits are blocked by the foreign exchange shortage.

Blocked funds, i.e. nontransferable profits, dividends or capital arising from investments made before June 30, 1980 may be invested in six-year government bonds earning 4% annual interest tax-free. With permission of the exchange authorities, blocked funds may be reinvested by a company in its local subsidiary or branch or placed with Zimbabwe financial institutions at market interest rates. Dividends or interest resulting from such investments are transferable.

7.02 Transfer of profits and dividends. Since March 31, 1981, companies can remit up to 50% of after-tax profits in dividends to nonresident shareholders. Mining companies are allowed to remit higher amounts but they must apply to the Reserve Bank to do so. Branches of local companies are held to the same rules as subsidiaries. Dividends to individual shareholders are limited to Z15,000 a year.

All companies wishing to transfer profits or dividends to nonresidents must apply through local commercial banks to the exchange control authorities for permission.

7.03 Transfer of interest. Interest on foreign loans approved by the Reserve Bank may be transferred but only to an annual maximum of 10% interest. To be eligible for approval, loan principal must remain in Zimbabwe for two years. Interest payments to individual lenders are limited to Z15,000 per year.

7.04 Transfer of royalties and fees. There is no limit on transferability of royalties and fees so long as the licensing contract or management agreement has been registered with the Reserve Bank.

7.05 Repatriation of capital. Capital invested in Zimbabwe since independence may be repatriated after two years. The total amount is reduced by dividend income or profits already transferred abroad. Any amounts exceeding this net balance may be placed in six-year government bonds which earn 4% taxfree annual interest. The bonds can be redeemed after six years, and the capital remitted abroad.

7.06 Repayment of principal. Principal for an approved loan is transferred abroad at varying periods but the government hopes for longer rather than shorter times (see 7.03).

7.07 Guarantees against inconvertibility. There are no official guarantees against inconvertibility.

8.00 CORPORATE TAXES

8.01 General. Zimbabwe's tax system still encourages investment with a 100% initial allowance for purchases of capital goods and industrial buildings. The July 1982 budget reinstated the 100% initial allowance which had been reduced to 30% in 1981. It also made corporate tax payable in three equal installments (previously, tax was paid in only two installments).

8.02 Corporate income tax rates. Corporate tax is levied at a basic 45% rate plus a surtax. Since the 1981/82 fiscal year, the surtax is 15%, for a total of 51.75%. In addition, all shareholders must pay a 20% withholding tax on dividends.

Branches of foreign companies pay corporate income tax plus a special branch profits tax in lieu of dividend withholding tax. The branch tax is levied at a fixed rate of 15% of 56% of total taxable income for an effective rate of 8.4%. The final tax for branches is therefore 60.15%.

8.03 Taxable income defined. All income earned in Zimbabwe is taxed whether or not the taxpayer is resident. Royalties and service fees received are included in taxable income as are certain types of interest (see 8.10). Foreign income receives a credit against foreign taxes paid. Capital gains are taxed separately (8.08).

Firms may deduct legitimate business expenses in calculating taxable income. Also, royalties, interest and service fees paid to affiliates abroad for trade purposes or to generate income are deductible. Capital losses are not deductible.

Inventories are stated at cost, replacement or market value, whichever is lower. Net operating losses are carried forward indefinitely; there is no loss carryback.

8.04 Depreciation takes two forms, initial allowances and ordinary depreciation. Since the beginning of companies' 1983 financial years, the initial depreciation allowance for capital expenditure has been reinstated at 100% for expenditures on farm improvements, industrial buildings, railroad track and accessories, machinery, implements or utensils, staff housing and tobacco barns. Initial depreciation for mining companies is also 100% as of the 1982 budget.

Ordinary depreciation on a straight-line basis is 5% for industrial buildings, hotels with liquor or casino licenses and farm improvements and 2.5% for commercial buildings constructed by the owner. Movable assets are depreciated by the declining-balance method. Rates are generally 10% for machinery, equipment and furniture and 20% for motor vehicles. Cost of commercial vehicles is fully deductible and passenger cars up to 29,000.

From June 1981 and for a five-year period, 100% special initial allowance is available in growth points in the rural areas (to be specified by the Ministry of Finance, Economic Development & Planning). Capital expenditures on commercial and industrial buildings, articles, implements, machinery and utensils also receive an additional 15% investment allowance although motor cars are excluded.

8.05 Schedule for paying taxes. As of the July 1982 budget, companies are required to pay taxes in three equal installments, every four months after the tax year. Previously, they had to pay in two installments.

8.06 Excess profits tax. None

8.07 Capital taxes. None, but an annual stamp duty of Z20 is charged on the first Z20,000, Z30 for each subsequent Z20,000 up to a maximum of Z200 on issued capital of local subsidiaries and, for branches, on the parent's capital.

8.08 Capital gains taxes. As of August 1981, the government has taxed capital gains at a flat rate of 30%. The tax is applied on all gains over Z1,000 from sales of marketable securities and fixed assets. The taxable amount can be reduced by 5% of cost for each year or part of a year that the asset was held.

8.09 Tax on dividends. The withholding tax on dividends distributed by local companies is 20% for both resident individuals and nonresident companies and individuals. There is no withholding tax on dividends paid to resident companies.

Dividends received from abroad by residents are taxed at a 20% rate, with credit being granted for tax withheld at source.

8.10 Tax on interest. A withholding tax of 10% is levied on interest paid to nonresidents. However, interest payments on loans issued by the government, local authorities and the Post Office Savings Bank are tax free.

8.11 Taxes on royalties and fees. There is no withholding tax on royalty payments and service fees paid to foreign affiliates but third parties have to pay a 10% withholding tax.

8.12 Tax treaties. Agreements for relief of double taxation concluded by preceding Zimbabwean governments have been cancelled so that the only treaty currently in existence is that with South Africa. The South African treaty does not reduce the withholding tax on dividends and interest. Treaty negotiations are currently underway with the UK.

8.13 Taxation of headquarters companies. No special regime has been worked out yet for taxing headquarters companies which do not generate profits.

8.14 Turnover, sales and excise taxes. The July 1982 budget raised sales tax from a basic 12% to 15% on most goods and 18% on luxuries. Also a 15% tax on hotel accomodations, air transport, taxi fares, and telecommunications services was introduced. The equalization tax on imported goods was hiked from 5% to 15% at the same time.

Effective August 1982, excise duties levied on tobacco were increased by 24% and by 2¢ per pack of ten cigarettes. Excise duties on alcohol and soft drinks have also gone up, though less drastically.

9.00 PERSONAL TAXES

9.01 General. The 1982 budget sharply increased the surtaxes on personal income for persons paying more than Z4,000 a year in taxes. These individuals face a surtax equal to that applicable for the same size income bracket, i.e. Z4,000 tax pays a 16% surcharge, Z5,000 tax 18% up to a maximum surtax of 33.3%.

A pay-as-you-earn scheme is in effect for employees.

9.02 Persons liable to tax. Any individual residing in Zimbabwe or maintaining his principal economic interests there is liable for income tax. Tax is payable primarily on income from within the country: most foreign income, except interest, dividends, and dividends from building societies, is exempt. Foreign dividends are taxed at a 20% rate: relief against Zimbabwean tax is automatically granted if foreign income has been taxed abroad.

9.03 Determination of taxable income. Income tax is calculated on gross income, reduced by deductions for married taxpayer status, children and insurance and medical expenses. A husband is permitted a further deduction if his wife has a "married woman's earned income" i.e. taxable income from employment or carrying on a business. A wife's income from interest, dividends, rents or royalties is not eligible for this benefit.

9.04 Tax rates. Tax rates start at 10% on the first Z1,000 of taxable income and rise to 45% on all income over Z17,000. In addition there is a surtax starting at 15% on tax due of Z4,000 and rising to 33.3% when tax due is over Z12,000.

A married executive with a dependent spouse and two children and earning the equivalent of $35,000 or $50,000 would pay approximately 30.9% or 42% of his income in tax. (See accompanying table for details.)

9.05 Capital taxes. None.

TAX RATES IN ZIMBABWE, 1982

		Married taxpayers	
		Amount of tax	Cumulative tax
On the:			
1st Z1,000 of taxable income at	10%	100	100
2nd Z1,000 of taxable income at	12%	120	220
3rd Z1,000 of taxable income at	14%	140	360
4th Z1,000 of taxable income at	16%	160	520
5th Z1,000 of taxable income at	18%	180	700
6th Z1,000 of taxable income at	20%	200	900
7th Z1,000 of taxable income at	22%	220	1,120
8th Z1,000 of taxable income at	24%	240	1,360
9th Z1,000 of taxable income at	26%	260	1,620
10th Z1,000 of taxable income at	28%	280	1,900
11th Z1,000 of taxable income at	30%	300	2,200
12th Z1,000 of taxable income at	32%	320	2,520
13th Z1,000 of taxable income at	34%	340	2,860
14th Z1,000 of taxable income at	36%	360	3,220
15th Z1,000 of taxable income at	38%	380	3,600
16th Z1,000 of taxable income at	40%	400	4,000
17th Z1,000 of taxable income at	42.5%	425	4,425
Balance of taxable income	45%		

PERSONAL TAXATION IN ZIMBABWE, 1982

The tax burden for a married executive with a dependent spouse and two children and an annual income of $35,000 or $50,000 (Z26,923 or Z38,462 at Z1:$1.3) would be approximately as follows:

Gross income	Z26,923	Z38,462
Deductions		
Married taxpayer	3,000	3,000
Children (2 x 500)	1,000	1,000
Insurance premiums	360	360
Total deductions	4,360	4,360
Taxable income	22,563	34,102
Tax on first Z17,000	4,425	4,425
on balance at 45%	2,503	7,696
Total income tax payable	6,928	12,121
Surtax: 20% on Z6,000	1,386	--
33.3% on Z12,000 or over	--	4,040
Total tax due	8,314	16,161
Tax burden as % of total income	30.9%	42%

10.00 INCENTIVES

The Mugabe government has said that it will not make special incentives available to foreign investors coming to Zimbabwe. However, a company locating in a rural growth point would be eligible for special investment allowances (8.04) once the Ministry of Finance, Economic Development & Planning (MFEDP) issues a list of the towns benefitting from this privilege.

In the July 1982 budget, MFEDP allocated Z5 million to pay for export incentives (13.06). Companies going into partnership with a black "emergent" agent could benefit from his priority access to foreign exchange allocations (13.03).

Skilled immigrants and their families receive a special Z800 annual income tax deduction for their first two years in Zimbabwe, and expatriates are allowed to transfer one third of wages back home (12.07).

11.00 CAPITAL SOURCES

11.01 General. Zimbabwe's banking and financial infrastructure is highly sophisticated, and second only to South Africa's on the African continent. It is fundamentally similar to the British system, on which it is modelled.

The Reserve Bank of Zimbabwe is the country's central bank and the custodian of its foreign exchange reserves. It issues currency, administers exchange controls and implements the government's monetary policy.

Government borrowing requirements are high: the public deficit is expected to rise 20% to Z590 million this year. Banks must currently put aside 8% of demand deposits and 4% of time deposits and have been advised to maintain a liquidity ratio of 40% of their liabilities to the public. This should keep interest rates at or above present levels (although they are still several points below the unofficial rate of inflation).

The two discount houses - Bard Discount House Limited and DCZ Discount Company Limited - provide liquidity to the banking system, and also act as dealers in Treasury bills, bankers' acceptances and other short-term securities.

Three building societies operate in Zimbabwe - the Beverly Building Society, Central Africa Building Society, and Founders Building Society. Their main role is to attract savings in order to subsequently offer mortgage loans. They offer paid-up preference shares, subscription shares for periods of up to 60 months, and fixed deposits.

Zimbabwe also possesses two specialized financial institutions. The Export Credit Insurance Corporation (ECIC) covers political and commercial risks as well as domestic credit insurance, and the Agricultural Finance Corporation (AFC) extends credit to farmers.

There is a Stock Exchange in Harare on which both shares and government bonds are traded. Some 64 companies are currently quoted (11.04).

There have always been controls on local borrowing by foreign-controlled firms, but in December 1981 the regulations were significantly tightened. Previously, only companies with 51% or more foreign equity were considered foreign controlled. Now companies with foreign equity over 15% are counted as foreign. Previously, a foreign-controlled company was routinely permitted to borrow 20-25% of the amount of foreign capital introduced into Zimbabwe, and in special circumstances the limit was raised to 50%. Now there is an escalating formula, with borrowing limits becoming increasingly severe the greater the foreign shareholding. For example, a company with nonresidents holding one quarter of its shares can borrow up to 60% of shareholders' funds, while a company with 70% foreign equity can borrow only 21%.

The borrowing limit can be exceeded with permission of the central bank. But a Harare banking source says many companies used up their special permission during the four-month price freeze (5.00), imposed while the new price controls were being worked out.

Companies can raise funds abroad with the permission of the Reserve Bank (central bank) which may consult the Ministry of Finance, Economic Planning and Development (MFEPD). However, the funds must be kept in Zimbabwe for two years and interest is limited to a 10% annual maximum rate.

In the July 1982 budget, the government provided Z50 million in bank guarantees for loans to ailing mining and industrial companies. The aid is meant to keep the companies viable so workers will not be laid off.

11.02 Short-term credit. At present there are five commercial banks operating in Zimbabwe: Standard Bank Limited, Barclays Bank International Limited, Grindlays Bank Limited, the Bank of Credit and Commerce, and Zimbank, in which the government has a 61% stake through its purchase of the South African holding Rhobank. The first four banks operate as a cartel through the Register of Cooperation agreement, which dictates a common policy in fixing of interest rates on deposits, charges for bank services and interest rates on advances to different categories of borrowers.

The commercial banks are important sources of both short- and medium-term credit, and give priority to loans for productive capital investment rather than for consumer goods.

Several confirming houses provide on-the-spot facilities for importers and exporters on a worldwide basis. They grant short-term financial credit facilities for the movement of goods to and from Zimbabwe, and for the purchase of raw materials for industry.

Commercial banks currently charge 13% for overdrafts and 12-13% p.a. for bill finance.

11.03 Medium and long-term credit. The four merchant banks (the Merchant Bank of Central Africa Limited, RAL Merchant Bank Limited, Syfrets Merchant Bank and the Standard Merchant Bank) provide a full range of investment banking services. They grant medium-term loans and acceptance facilities, give investment advice, finance capital issues, act as underwriters, promote mergers and amalgamations and act as company brokers.

Four of the commercial banks offer medium-term credit as well while Zimbank not only provides medium-term industrial and commercial loans, but is also the leader in the hire purchase and leasing fields.

The activities of the development corporations in Zimbabwe are similar to those of investment bankers. The Anglo-American Development Corporation provides finance to develop the country's natural resources. Ipcorn Limited - a privately-owned institution - promotes industrial development through loans or minority equity participation. Finally there is the Industrial Development Corporation, a quasi-public organization in which the Zimbabwe government holds a majority stake, and which has an authorized capital of Z12 million and a paid-up capital of Z10 million. Its role is to assist in financing the expansion of existing industries and newly approved projects by providing loans or equity participations.

Currently, the commercial and merchant banks provide medium-term (two to five-year) funds at 13.75% p.a. Long-term funds (five years and up to 10 years) cost 14.75% p.a.

Medium- and long-term farming loans are available from the Agricultural Finance Corporation (AFC) at 14% per annum. Medium-term loans are supplied for irrigation works, bush clearing, farm buildings, machinery, implements and livestock. Long-term loans are available for capital expenditures such as the purchase, development or improvement of land and water resources, the construction of buildings including staff housing units and other permanent improvements, and the purchase of livestock for breeding purposes.

11.04 Stock and bond financing. The Zimbabwe Stock Exchange today lists 64 local industrial and mining companies. The capitalized value of Zimbabwe shares listed is in excess of Z1 billion. Government, municipal and Electricity Supply Commission bonds with a nominal value in excess of Z800 million are also listed. In addition to dealing in these securities, its members can trade in all shares listed on the Johannesburg and London Exchanges, within the limits imposed by local exchange control regulations. Currently, pessimism over the long-term outlook is depressing trading volume and prices.

The local merchant banks and individual brokers can provide broking and advisory services for both the local and South African markets. Any company seeking a listing on the Stock Exchange must make an application through a sponsoring stockbroker, and must prepare a prelisting statement in accordance with the rules of the Exchange.

12.00 LABOR

12.01 General. The present Zimbabwean workforce numbers about one million, but it has been estimated that there is a work-age population of about three times that figure, and that it is increasing by 100,000 yearly. Of those employed, about one-third are in agriculture, 15% in manufacturing and 6% in mining.

These figures belie the chronic shortage of skilled labor: artisans and technicians are at a premium, and finding staff to man operations remains a serious problem for the investor. Firms are advised to establish their own training programs should their activity depend on a supply of skilled workers. Managers are also difficult to find (see accompanying box).

Technical training has been given high priority by the government, which is committed to establishing appropriate vocational programs in partnership with private industry. The setting up of a national center to license training schemes and certify training standards has been proposed.

12.02 Unions and work stoppages. Labor unions are authorized by the Industrial Conciliation Act of 1959. At independence, Zimbabwe had numerous white, several black, and many white-dominated unions which blacks could join. Government policy since 1981 has been to organize all unions under the umbrella national trade union, the Zimbabwe Congress of Trade Unions (ZCTU), headed by Alfred Makwarimba. Many former individual unions have been merged along industry lines, reducing the total number of unions by over a half.

At present, less than 20% of the workforce is unionized and industrial agreements cover only 16% of all employees. Employee consultation via workers' committees or workers' councils is likely to become a reality in the near future. It has already been attempted, successfully for both parties involved, in several instances.

Industrial boards, composed of industrywide unions and employers' organizations, formerly negotiated working conditions. These boards are soon to be replaced by industrial councils, which in turn will give unions the legal right to bargain - a right which they have previously been denied.

PROBLEMS WITH MANAGEMENT AND SKILLED PERSONNEL

There is a shortage of management personnel in Zimbabwe, especially for jobs requiring technical knowledge. People who do have the skills may have "white Rhodesian" attitudes, which are not conducive to harmony in labor relations. Expatriates can be brought in, but the government sometimes cracks down on this because of the foreign exchange drain incurred when expatriates remit their salaries (12.07). Companies can occasionally get round this problem by recruiting highly educated Zimbabweans, both black and white, who fled to Europe or the US during the war. One pharmaceutical firm is currently replacing a retiring expatriate with just such a foreign-based Zimbabwean.

Salary control forms the major problem with management-level personnel (12.03). Companies fear that if they cannot properly remunerate their staff, employees will either leave for an alternative company, starting at a higher wage level, or will leave the country.

While the cost of maintaining expatriates in Africa is always high, Zimbabwe is toward the cheaper end of the scale. Housing is relatively inexpensive, chiefly because house prices are depressed by the white exodus. Food, especially beef, is cheap owing to subsidies. On the other hand, transport costs for the expatriate and his family to and from Europe or the US are high because of the huge distances involved.

Skilled workers or artisans are also in short supply. In mid-1982 the government responded to the emigration of artisans in what many businessmen consider a highly counterproductive manner. The government ordered that artisans remain in the country for a period after their apprenticeship equal to the length of that apprenticeship - usually about 3-5 years. Artisans must obtain government permission to go abroad, and they must post a bond with the authorities guaranteeing their return. While they are covered by the new regulation they will have 10% of the minimum wage deducted from their pay, which will be returned at the end of the bonding period.

The new regulation is vigorously opposed by both the business community and the artisans themselves, and it will probably force companies to pay higher wages to recruit artisans.

Authorities are encouraging workers to set up worker committees, basically fledgling unions, and eventually workers' councils. These would consult with management about working conditions and investment decisions. Very few production units have these organizations yet, but one major foreign company that does says the arrangement works quite smoothly. The workers' committee meets with management once a week and discusses a prearranged agenda. The management prints minutes of the meeting for distribution to all workers, to avoid misrepresentation of management views by worker-committee members.

Strikes and work stoppages have been a frequent occurrence since independence, in part because some workers feel that the government is not promoting their cause with sufficient vigor. Wage issues are the main problem. Although the government has set and is enforcing a minimum wage, it has also shown determination in maintaining labor discipline by punishing wildcat strikes.

The Industrial Conciliation Act has provisions for mediation procedures. Should a dispute arise, it is first taken to an arbitrator, who is appointed by both parties to the dispute in consultation with the government. Most cases so far have been resolved by this stage. If settlement proves impossible, the dispute goes to a Ministry of Labor tribunal. If necessary, an appeal may then be made. When this occurs, the government can appoint a magistrate to investigate the case. Should this fail, the case goes to the President of Zimbabwe himself. Eventually the Industrial Conciliation Act will be replaced by a National Labor Relations Act, but the draft of this legislation is still under discussion.

Conditions at the workplace are constantly improving. The Factories and Works Act, in conjunction with local building, safety and health laws, covers the construction and operation of factories.

12.03 Wages. Minimum hourly or monthly wages are prescribed for most industries but in practice the prevailing rates paid substantially exceed these levels. The Minimum Wages Notice of 1981, which went into effect Jan. 1, 1982, set the minimum wage for agricultural and domestic workers at Z50 per month, and for all other workers at Z105 per month. Piece rates apply in several sectors and overtime is payable at increased rates.

The Control of Salary and Wage Increases Regulations of December 1981 stipulates that increases for wages exceeding the minimum level are to be made on a sliding scale (see box).

The law adds that employers shall not take on a new employee and "pay him more than (the employer) would be allowed to pay an employee of his grade and category if he had been employed by (the employer) on the fixed date (Dec. 25, 1981)." Nor can a company fire an employee and rehire him within six months at a higher salary than would have been permitted if he had not left. Also, if an increase is given (within the law) to one employee, then the salaries of all employees paid less than he is must be increased. Fees and allowances paid to directors cannot be raised.

These regulations can be waived if 1) adherence would cause undue hardship; 2) an employer has already granted an adequate increase; 3) the honoring of a periodic incremental agreement would not be contrary to the spirit of the law or 4) it would be in the interest of the state to retain an employee within Zimbabwe, and this would necessitate paying him a higher salary.

The starting wage for a newly qualified mechanic is Z125.40 per week while foremen average Z200-250. Clerks earn Z400-500 per month, secretary-typists Z800, a newly qualified chartered accountant Z1,200 and an experienced accountant Z1,800. A newly qualified engineer is paid Z1,000 monthly and a sales manager Z1,500.

12.04 Working hours. The average work week is 44 hours, reduced to 40 hours in certain sectors. Overtime is currently banned so job levels will be maintained. According to the Minimum Wages Notice of 1981, part-time employment is permitted only for workers in households.

EMERGENCY POWERS (CONTROL OF SALARY AND WAGE INCREASES) REGULATIONS 1981

Annual income on Dec. 25, 1981	Range of maximum increments that may be negotiated, authorized or required on column 1 (%)
Up to Z 1,200	23.5
2,200	20
3,000	17.5
4,000	16
5,000	15
6,000	14.5
7,000	14
8,000	13.5
9,000	13
10,000	12.5
12,500	9
15,000	5
18,000	2
20,000	1
Over 20,000	no increase

12.05 Fringe benefits. Employees are usually given two to four weeks annual vacation, two weeks after one year of service and four weeks after 10 years of employment.

Workers in mining, agriculture and domestic service and some industrial workers receive housing, education and medical care as part of their working conditions. Medical insurance is not government sponsored, and coverage is generally provided by private insurance firms. An initial investment allowance of 100% of the cost of staff housing (limited to Z5,000 per unit) is granted to any company providing such housing for its employees. Companies usually offer canteens and resting places for their personnel.

There are no publicly sponsored pension schemes at present. However, the Commission of Inquiries into Wages and Prices is expected to take up this subject.

12.06 Dismissal is illegal since December 1981, and no worker can be made redundant except under special circumstances. There is no public unemployment compensation scheme at present.

12.07 Limitations on foreign nationals. Since it is the policy of the government to provide jobs for Zimbabweans whereever possible, the government does not want to depend on foreign workers and no specific legislation grants benefits to expatriates. However, the government is actively recruiting skilled foreign workers at present. And immigrant families receive a Z800 income tax deduction for the first two years they are resident in Zimbabwe.

Aliens entering Zimbabwe to take up employment require work and residence permits. An application for both must be filed with the Ministry of Immigration Control before arrival. Applications should be accompanied by a confirmation letter from the employing firm; they may be transmitted through the consulate or, preferably sent directly to the ministry. Since late October, the approval process has been speeded up, and large companies may now bring in more expatriates.

The hiring of expatriate labor also requires permission of the Reserve Bank, and expatriation of salaries is subject to the bank's approval. Currently, expatriates can transfer one third of their salaries back home.

13.00 FOREIGN TRADE

13.01 General. Trade policy in Zimbabwe has changed little since independence. Import policy is still based on a structured system of foreign exchange allocations and import licensing (see 13.02).

South Africa remains Zimbabwe's chief trading partner, maintaining the position it acquired before independence. It purchased 21.6% of Zimbabwe's Z881 million total exports (excluding gold and re-exports) in 1981. West Germany was the second biggest export market, taking 8%, followed by the USA (7.9%), the UK (6.9%) and Zambia (4%). Exports to Malawi, Mozambique and Zaire are reported to have increased. Zimbabwe is a member of the new South African Economic Coordination Group, with Botswana, Lesotho, Swaziland, Zambia, Tanzania, Mozambique, Angola and Malawi and sold an estimated 12% of exports to this group.

South Africa supplied Zimbabwe with 27% of its total imports in 1981, the UK furnished 10%, the US and Germany 7% each and Japan, 6%. The preferential trade agreement with South Africa was extended in March 1982 but it now can be cancelled at one day's notice by either side. So South African businessmen are hesitant, fearing to get caught by changing circumstances. At present imports with a 25% South African content can qualify for a preferential rate of Zimbabwean duty, usually 5%.

The bulk of Zimbabwe's imports comprises raw materials, petroleum products, components for the electronic, electrical and engineering industries, chemical raw materials for the plastics, pharmaceutical and agricultural industries, and spare parts for vehicles of all sorts. For some time, companies have been replacing obsolete equipment and will continue to do so. The construction industry will probably experience an upsurge in the next few years, and higher imports of glass, timber, lift mechanisms and electrical and safety equipment can be anticipated.

Exports from Zimbabwe range through a wide spectrum of agricultural and mining products in processed or semi-processed form as well as manufactured goods. The percentage of capital goods exported, especially in the mining and engineering fields, is growing steadily, and the provision of services such as transport, insurance, banking and consultation on technical matters is expected to become an increasing source of revenue as trade connections with surrounding countries are re-established. Mining and mineral products - the main emphasis being on gold, chrome, asbestos and coal - will again become star export earners once world business picks up.

Zimbabwe has received "special aid" status from the USA which enables it to supply materials or expertise to USAID projects anywhere in the world. Finally, Zimbabwe acceded to the EEC's Lomé Convention in 1980. This agreement entitles it to an EEC sugar quota of 25,000 tons; a beef quota may also be forthcoming.

13.02 Import controls. Import controls are carried out under the terms of the Control of Goods Act (Chapter 280), the Control of Goods (Import and Export) (Commerce) Regulations, 1974, as amended and the Control of Goods (Open General Import License) Notice, 1979, as amended. Except for the few items admitted on the Open General Import License, all imports are subject to import licensing (which in turn depends directly on foreign exchange allocations, (see accompanying box).

Once the foreign exchange allocation is obtained, application for "authority for license to import" must first be made through the exchange control section of any commercial bank. This procedure may take up to 2-3 weeks. When the approval is granted by the exchange control department, industrial approvals are forwarded to the import controls section of the Ministry of Industry and commercial approvals to the Ministry of Trade and Commerce.

Licenses are then issued by the Import/Export Licensing Offices of these ministries against allocation certificates. The quota periods for foreign exchange allocations run for six months, but in practice the allocation certificates have been restricted to cover only three months' allocations at a time. The import license must be taken out within the quota period in which the allocation is granted and is valid to the expiration of the quota period following the one in which it was issued. This validity period may be extended under certain circumstances.

IMPORT ALLOCATION PROCEDURES

Foreign exchange for imports is allocated four times a year. In advance of each quarter's announcement, the Ministry of Finance, Economic Planning & Development, in coordination with other ministries, analyzes the state of the country's revenues and sets a "global" figure that can be used for all imports for the coming quarter. In the fourth quarter of 1981, this figure was about Z200 million. Foreign exchange is then allocated to a number of ministries, government organizations and public projects. About 50% of the "global" allocation is made available to the Ministry of Industry and the Ministry of Trade & Commerce for private-sector imports. The former usually receives slightly more foreign exchange than the latter. Each ministry then divides the available foreign exchange among competing requirements.

Industrial Imports

Initially, the Ministry of Industry sets aside money for imports of fuel, mining equipment and capital equipment (for startup of new projects). The remaining foreign exchange is then put in a pool for companies wishing to import inputs for ongoing industrial activities. The usual demand is for raw materials, spare parts and replacement equipment.

While the Ministry of Industry is computing available funds, an Industrial Imports Controller (IIC) gathers information from companies about their import requirements. The IIC's office is housed within the Confederation of Zimbabwe Industry, a private concern, but is actually part of the Ministry of Industry. The IIC forwards the companies' requirements to the ministry, which usually discovers that they exceed available funds.

The IIC and the ministry then work out together how much money should be allocated to each company. Decisions are based on priorities handed down from the top levels of the ministry. In the last quarter of 1981, for example, priority was given to imported paper to supply printers, who, in turn, were producing books essential for the primary education program.

Once they have taken care of the top priorities, the IIC and the ministry decide what sectors' allocations cannot possibly be cut. For example, in the last quarter of 1981, they decided that inputs required for battery manufacture could not be cut. This