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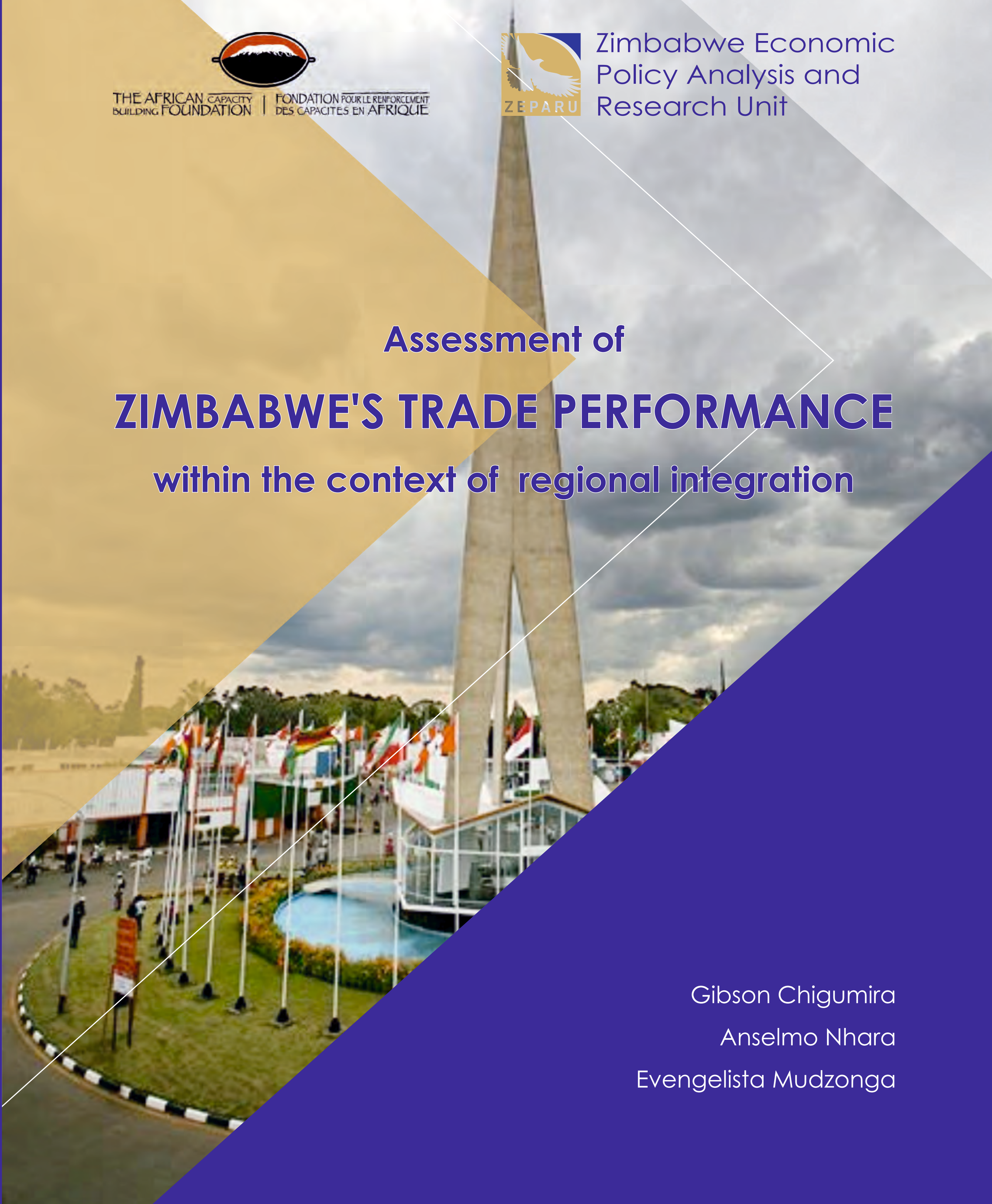
ZEPARU Zimbabwe Economic Policy Analysis and Research Unit



Assessment of ZIMBABWE'S TRADE PERFORMANCE within the context of regional integration

Gibson Chigumira

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Acronyms

ACP	African Caribbean and Pacific
CFTA	Continental Free Trade Area
AU	African Union
CET	Common External Tariff
CFTA	Continental Free Trade Area
COMESA	Common Market for Eastern and Southern Africa
CPA	Cotonou Partnership Agreement
CTC	Competition and Tariff Commission
DRC	Democratic Republic of Congo
EAC	East African Community
EBA	Everything but Arms
EMA	Environmental Management Agency
EU	European Union
FTA	Free Trade Area
GDP	Gross Domestic Product
GSP	Generalised System of Preference
IDP	Industrial Development Policy
IEPA	Interim Economic Partnership Agreement
ITC	International Trade Centre
LDCs	Least Developed Countries
MFN	Most Favoured Nation
OGIL	Open General Import Licence
SACU	Southern African Customs Union
SADC	Southern African Development Community
SI	Statutory Instrument
TFTA	Tripartite Free Trade Area
UNECA	Economic Commission for Africa
WTO	World Trade Organisation

Acknowledgements

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1. Introduction and Background

1.1 Introduction

Zimbabwe considers trade as one of the means to dealing with its developmental challenges. As such, the country participates in various bilateral, regional and multilateral arrangements. For example, Zimbabwe is a member of both the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA), Tripartite Free Trade Area (TFTA) and is negotiating the Continental Free Trade Area (CFTA). In 2009, Zimbabwe initialled an Interim Economic for the Ship Agreement (EPA) with the European Union pending the ratification of a full EPA. In June 2015 a grand move to deal with multiple membership challenges hindering deeper regional integration was initiated through the formation of a Tripartite Free Trade Area (TFTA) uniting three principal trading blocs namely COMESA, East African Community (EAC), and SADC, covering a population of 632 million and a combined GDP of over $1.3 trillion (Juma and Mangeni, 2015). The TFTA is expected to create more market opportunities for economic players in the region. Further, as part of fulfilling the Abuja Treaty of establishing an African Economic Community, the 55 African states including Zimbabwe are working towards the creation of a CFTA. It is envisaged that the CFTA will build on the regional integration progress made in the 8 African regional economic communities[2]. Overally, the process is aimed at deepening Africa's market integration and use trade as an instrument for achieving rapid and sustainable socio-economic development and accelerate the establishment of African Common Market and Monetary Union by 2023 and 2028 respectively.

Despite the commitments with trading partners to facilitate ease of flow of goods and elimination of barriers to trade, the economic challenges (liquidity challenges, high import tariffs, high cost of doing business) that Zimbabwe is going through are pushing it to apply protectionist policies on imported goods coming from the region, thereby undermining[3] deeper regional integration. Zimbabwe is protecting its markets using both tariff and non-tariff measures. Several import products were for

[2] Arab Maghreb Union (UMA); Common Market for Eastern and Southern Africa (COMESA); Community of Sahel-Saharan States (CEN-SAD); East African Community (EAC); Economic Community of Central African States (ECCAS); Economic Community of West African States (ECOWAS) and Intergovernmental Authority on Development (IGAD) and Southern African Development Community (SADC).

[3] The country achieved 85% liberalisation under the SADC Trade Protocol in 2008. Further, implementation of the remaining 15% was due in 2012. However, reversals in openness were noticed through various statutory instruments which have reversed some of the liberalisation measures that Zimbabwe had already implemented.

example, removed from the Open General Import Licence (OGIL) through the following pieces of legislation: Statutory Instruments 6 and 126 of 2014 as well as Statutory Instruments 18, 19 and 20 of 2016. Whilst most countries in the SADC region are making progress towards fulfilling their respective commitments under the SADC Trade protocol, Zimbabwe asked for derogation in 2010 with a view to allow its industry to recover, before complying with tariff phase down commitments under the SADC Trade Protocol.

The other challenge Zimbabwe is facing is that it does not have a substantive negotiating position on COMESA-SADC-EAC TFTA and the CFTA. Further, the country had initially planned to implement a full EPA with the European Union come 1 January 2013 but this was not achieved and is still to be finalised owing to lack of preparedness on the part of private sector among other factors. The private sector is not prepared to compete with cheap imports owing to the low capacity utilisation, use of antiquated equipment, lack of affordable capital for retooling, high costs of doing business among other challenges, all which render their products less competitive. In fact the country's manufacturing sector has been shrinking rapidly. The country has been recording a negative trade balance and low export competitiveness for nearly two decades. This brings to the fore the need for aggressive industrialisation as a strategy to enhance trade and exploit opportunities provided by the creation of the bigger markets.

A policy advice on how the country can balance its national interest whilst deepening its regional integration agenda is imperative. It is also important to understand whether Zimbabwe is fully exploiting its regional trade potential as a member of the regional trading blocs. This therefore calls for an assessment of the country's trade performance with a view to coming up with possible strategies on how Zimbabwe can exploit trade as a tool to spur its development agenda.

1.2 Objectives of the study

Specifically, the objectives of the study were:

- Assess extent of liberalisation and commitments under the parallel liberalisation agenda: SADC, COMESA, TFTA, IEPA, CFTA
- Assess the implications of Zimbabwe's trade policies , and practices, on commitments within the SADC, COMESA, TFTA, IEPA and CTFTA and gaps
- Assessment of institutional and human capacity challenges in implementing regional commitments
- Investigate whether Zimbabwe is fully exploiting its regional trade potential
- To give policy recommendations on ensuring that Zimbabwe fully harnesses its potential from regional integration while promoting industrial growth

1.3 Methodology

The study was largely a desk review of literature and documents complemented by key informant interviews with selected stakeholders in the trade sector.

Literature and document review

Literature review was undertaken to give a general understanding of regional integration in Africa. Literature review also helped reveal Zimbabwe's trade performance and the country's commitments to deeper regional integration. Relevant previous studies on Zimbabwe; policy documents and reports were also reviewed to gain a deeper understanding of the status of Zimbabwean economy with regards to progress in implementing regional integration programs.

Stakeholder engagement

ZEPARU identified key informants from selected stakeholders whose perceptions and opinions informed and enriched this assessment. These were drawn from government Ministries and departments, local authorities, export promotion bodies, development partners, exporting companies as well as their associations. The stakeholder engagements were done through an inception workshop to solicit ideas from stakeholders at the inception of the study. Further, a validation workshop was held to validate findings. Key informant interviews were developed for both the formal and informal discussions to solicit stakeholder views on the various issues pertaining to Zimbabwe's participation in regional integration: successes, constraints challenges and opportunities.

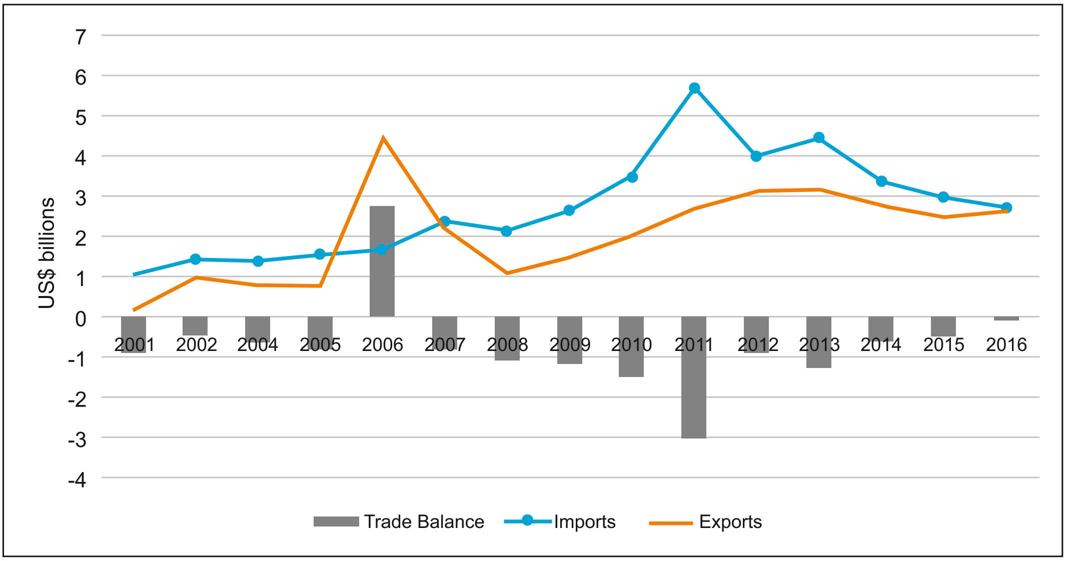
2. Overview of the country's trade flows in SADC, COMESA, TFTA and CFTA

2.1 Zimbabwe's Trade with SADC Countries

2.1.1 Zimbabwe's trade flows in SADC

SADC countries are important trade partners for Zimbabwe as most of its trade is with these countries. Since 2001, the share of SADC in Zimbabwe's total trade has increased from 42% to 66.5% in 2016. In value terms, Zimbabwe's total trade with SADC countries increased from US$1.2 billion in 2001 to US$5.3 billion in 2016. Figure 1 shows Zimbabwe's total trade with SADC countries.

Figure 1: Zimbabwe's trade with SADC countries



Source: Authors' computations from ITC Trade Map Database

For the greater part of the period 2001 to 2016, Zimbabwe recorded negative trade balance except in 2006 when the trade balance was positive. The negative trade balances were driven mainly by rising imports and falling exports.

2.1.2 Product composition of Zimbabwe's trade with SADC countries

Trade flows between Zimbabwe and SADC countries for 2016 show that Zimbabwe's export composition comprised of mainly raw materials. The products that contribute mainly to Zimbabwe's exports to SADC countries include tobacco and manufactured tobacco substitutes (35.2%), Natural or cultured pearls, precious or semi-precious stones (32.7%); and pyrotechnic products (16.6%); and; Ores, slag and ash (12.1%).

Table 1: Zimbabwe's Top Ten Export Products to SADC, 2016 Values in US$ millions

Harmonised System (HS) code	Product label	Value in US$ millions	Percentage of total exports to SADC
' 24	Tobacco and manufactured tobacco substitutes	925.628	35.17
' 71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad ...	859.672	32.67
' 26	Ores, slag and ash	318.498	12.10
' 72	Iron and steel	122.52	4.66
' 25	Salt; sulphur; earths and stone; plastering materials, lime and cement	53.283	2.02
'17	Sugars and sugar confectionery	48.232	1.83
'75	Nickel and articles thereof	34.976	1.33
' 52	Cotton	24.936	0.95
' 44	Wood and articles of wood; wood charcoal	23.604	0.90
' 09	Coffee, tea, maté and spices	20.647	0.78
' TOTAL	All products	2631.568	100.00

Source: Authors' computations from *ITC Trade Map Database*

Similarly, Zimbabwe's main import products from SADC countries are dominated by intermediate goods as well as production inputs. These include mineral fuels and mineral oils, cereals and, machinery and mechanical appliances. Of concern with regards to the composition of imported goods from the SADC is that some of the imported goods include agricultural products such as animal or vegetable fats and oils and their cleavage products. Considering that Zimbabwe has a comparative advantage in agriculture, it is worrisome to see the country importing these products which have the effect of displacing local products from the market.

Table 2: Zimbabwe's Top Ten Imports from SADC, 2016 Values in US$ Thousands

Product code	Product label	Value in US$ millions	Percentage of total imports from SADC
'27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral ...	345.734	12.71
'10	Cereals	297.79	10.95
'84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	259.067	9.53
'87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	157.646	5.80
'15	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal ...	146.588	5.39
'39	Plastics and articles thereof	141.327	5.20
'72	Iron and steel	108.952	4.01
'85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ...	94.456	3.47
'31	Fertilizers	73.986	2.72
'23	Residues and waste from the food industries; prepared animal fodder	73.824	2.71
'TOTAL	All products	2719.276	100.00

Source: Authors' computations from ITC Trade Map Database

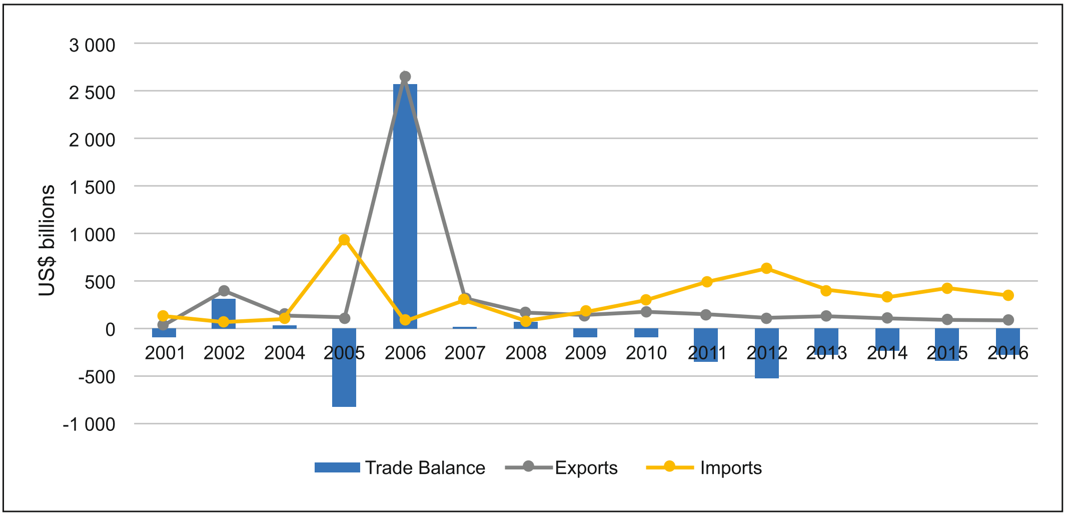
2.2 Zimbabwe Trade with COMESA

2.2.1 Zimbabwe's trade flows in COMESA

Zimbabwe's trade with COMESA countries is lower than its trade with SADC countries. In 2016, the COMESA region accounted for 5.56% of Zimbabwe's total trade. This represents a decline in the share of COMESA in Zimbabwe's total trade from the 30.58% recorded in 2005. Despite, the low share, COMESA countries remain important markets for Zimbabwe's exports where the country has managed to maintain its export share in this market since 2008. Zimbabwe's exports to the COMESA region have averaged US$154 million between 2007 and 2016 whilst imports have averaged US$357 million during the same period. However, just as the case with its trade with SADC, Zimbabwe has also experienced trade deficit in the COMESA except in 2002 and 2006 where the country experienced a trade surplus in its trade with COMESA countries. The surge in 2006[4] was driven mainly by rising mining exports which were on an increasing trend from 2002 up-to 2007 when the mining sector was then affected by the global economic crisis of 2008 (Nyarota et al., 2015).

[4] A spike recorded in Zimbabwe's 2006 exports emanated from exceptionally high export of HS : 27 Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral to Zambia in that year compared to other years. They further include high export values of several products such as 07081000:Peas (Pisum sativum), fresh or chilled ; 06031000: Fresh cut flowers and buds; 04012000:Milk and cream of >1% but =<6% fat content, not concentrated or sweetened; 01019000:Live Mules and Hinnies; and 02032900: Frozen swine meat, nes to the rest of the world

Figure 2: Zimbabwe trade with COMESA



Source: COMSTAT Database

2.2.2 Product composition of Zimbabwe's trade with COMESA countries

As is the case with exports to SADC, Zimbabwe's exports to COMESA countries in 2016 were dominated by agriculture related products. The major export products to COMESA in 2016 included: wood and articles of wood; sugars and sugar confectionary which accounted for 13.93% and 12.7% respectively of Zimbabwe's exports to the COMESA region. Other products which premiered the list of Zimbabwe's exports to COMESA included machinery, mechanical appliances, boilers; and fish and crustaceans, molluscs and other aquatic invertebrates. The top ten export products to COMESA account for 66.7% of Zimbabwe's exports to COMESA implying that that Zimbabwe's exports to COMESA are not diversified as they are concentrated in a few products.

Table 3: Zimbabwe's Top Export Products to COMESA, 2016 Value US$ Millions

Product code	Product label	Value in US$ millions	Value in US$ millions	Percentage of total Exports from COMESA
'44	Wood and articles of wood; wood charcoal		12.367	13.93
'17	Sugars and sugar confectionery		11.275	12.70
'84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof		8.3	9.35
'03	Fish and crustaceans, molluscs and other aquatic invertebrates		6.781	7.64
'48	Paper and paperboard; articles of paper pulp, of paper or of paperboard		5.53	6.23
'85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ...			4.3544.90
'72	Iron and steel		4.229	4.76
'11	Products of the milling industry; malt; starches; inulin; wheat gluten		3.44	3.87
'39	Plastics and articles thereof		2.876	3.24
	ALL PRODUCTS		88.793	100.00

Source: COMSTAT database

In terms of Zimbabwe's imports from COMESA, the picture mirrors that of imports from SADC as the products are similar to those imported from SADC countries. On top of the list of imports from COMESA are cereals which account for more than a third of Zimbabwe's imports from COMESA. Other products imported from COMESA include essentials of oil and resnoids, perfume, cosmetic or toilet preparations, sugars and sugar confectionary as well as beverages, spirits and vinegar.

Table 4: Zimbabwe's Top Ten Import Products from COMESA, 2016 Value US$ Millions

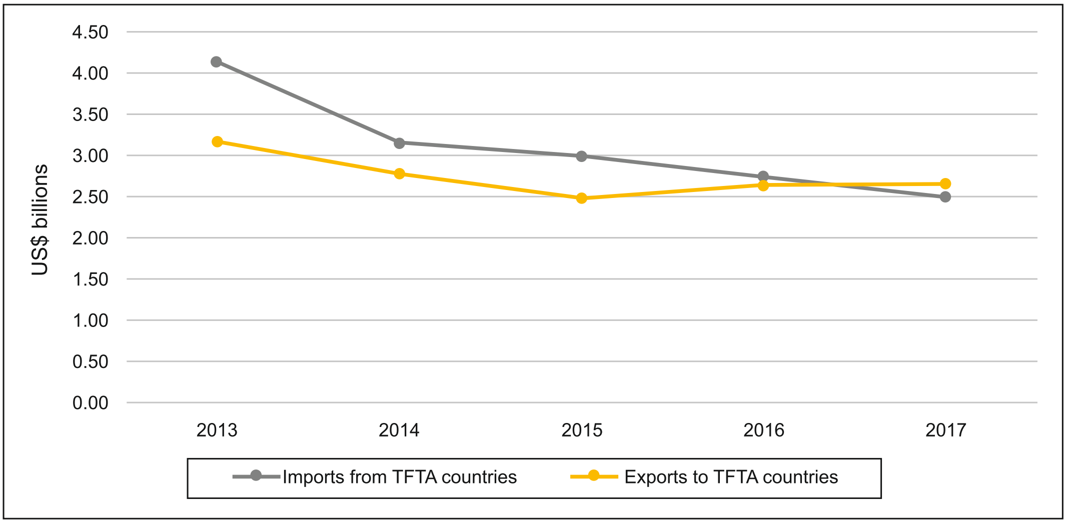
Product code	Product label	Value in US$ millions	Percentage of total Imports from COMESA
'10	Cereals	133.05	37.14
'33	Essential oils and resinoids; perfumery, cosmetic or toilet preparations	33.542	9.36
'17	Sugars and sugar confectionery	16.691	4.66
'22	Beverages, spirits and vinegar	15.317	4.28
'12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit industrial or medicinal ...	15.221	4.25
'34	Soap, organic surface-active agents, washing preparations, lubricating preparations, artificial ...	13.394	3.74
'23	Residues and waste from the food industries; prepared animal fodder	11.94	3.33
'25	Salt; sulphur; earths and stone; plastering materials, lime and cement	11.61	3.24
'87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	11.047	3.08
	ALL PRODUCTS	358.282	100

Source: COMSTAT database

2.3 Zimbabwe Trade Flows with the TFTA Countries

2.3.1 Trade Flows

Figure 3: Zimbabwe's Trade Flows between 2013-2017

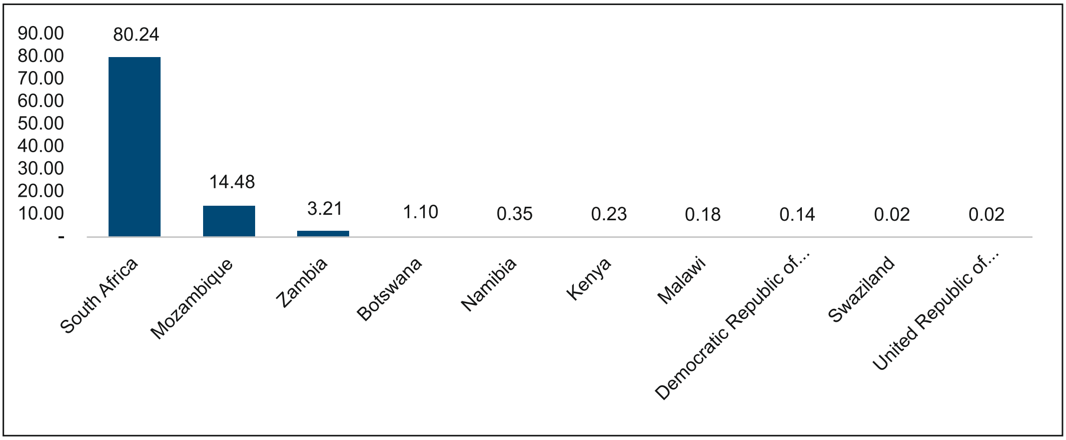


Source: UN Comtrade Database

The TFTA encompassing SADC, COMESA and the EAC presents Zimbabwe with an enlarged market for its products. Figure 3 shows Zimbabwe's trade with the other twenty-five COMESA-SADC-EAC TFTA over the period 2013-2017. The graph shows that since 2013, the country's total trade values with the TFTA countries have been decreasing. In addition, there has been consistently negative trade balance between 2013 and 2016 and the country experienced a trade surplus in 2017. Zimbabwe's exports to TFTA countries increased between 2015 and 2017 whilst imports decreased between 2015 and 2017. These changes resulted in narrowing of the trade deficit during the period 2015 and 2017.

2.3.2 Zimbabwe's Major trade partners in the TFTA region

Figure 4: Zimbabwe major export destinations in the TFTA

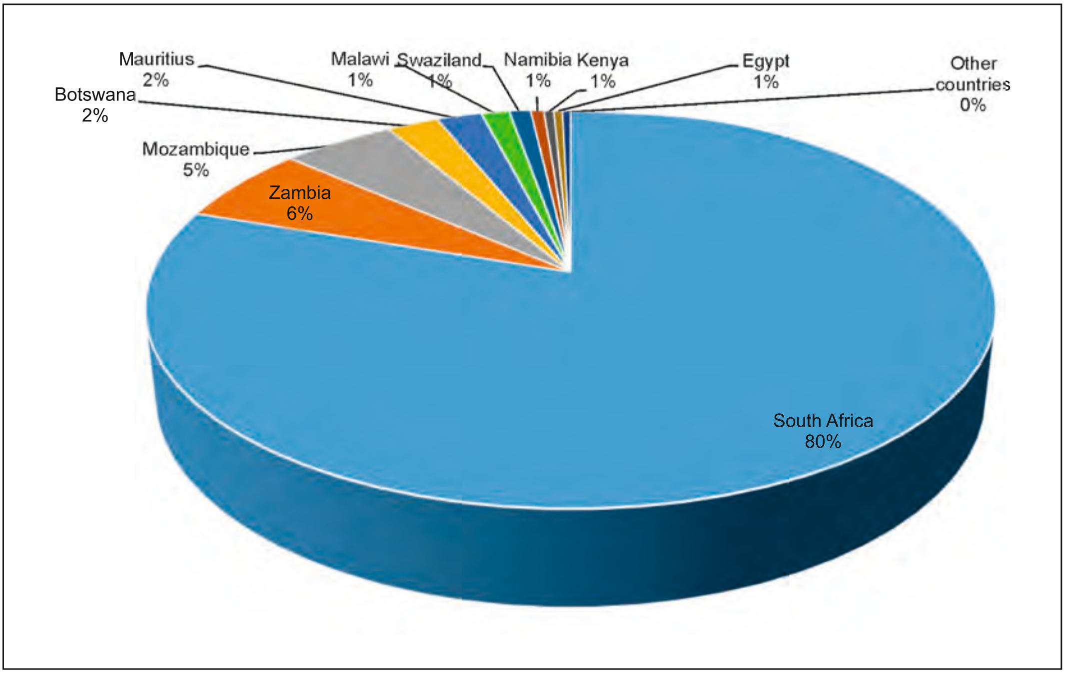


Source: ZimStat

The major destinations for Zimbabwe's exports are basically countries in the SADC and COMESA regions. This scenario might point to the trade potential in the TFTA region as the country might penetrate markets which its products are currently facing high tariffs. The major export destinations are South Africa, Mozambique and Zambia. These three countries when combined provide more that 95% market for

Zimbabwe's exports.

Figure 5: Zimbabwe's major import sources from the TFTA countries

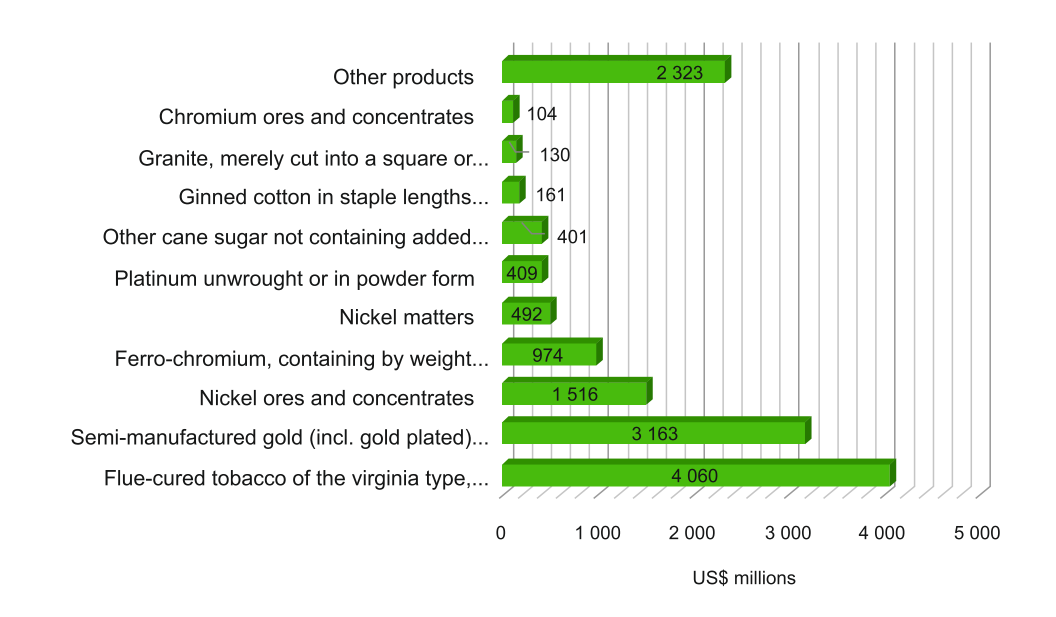


Source: Zimstats

In terms of imports, Zimbabwe sources most of its imports from South Africa, Zambia and Mozambique. This implies that currently the country gets its imports from countries in SADC and COMESA and again this shows that there is potential for expanded trade with TFTA countries.

2.3.3 Composition of Zimbabwe's Trade with TFTA Countries

Figure 6: Total Zimbabwe Exports to the Tripartite (2013-2017), Distribution by Product



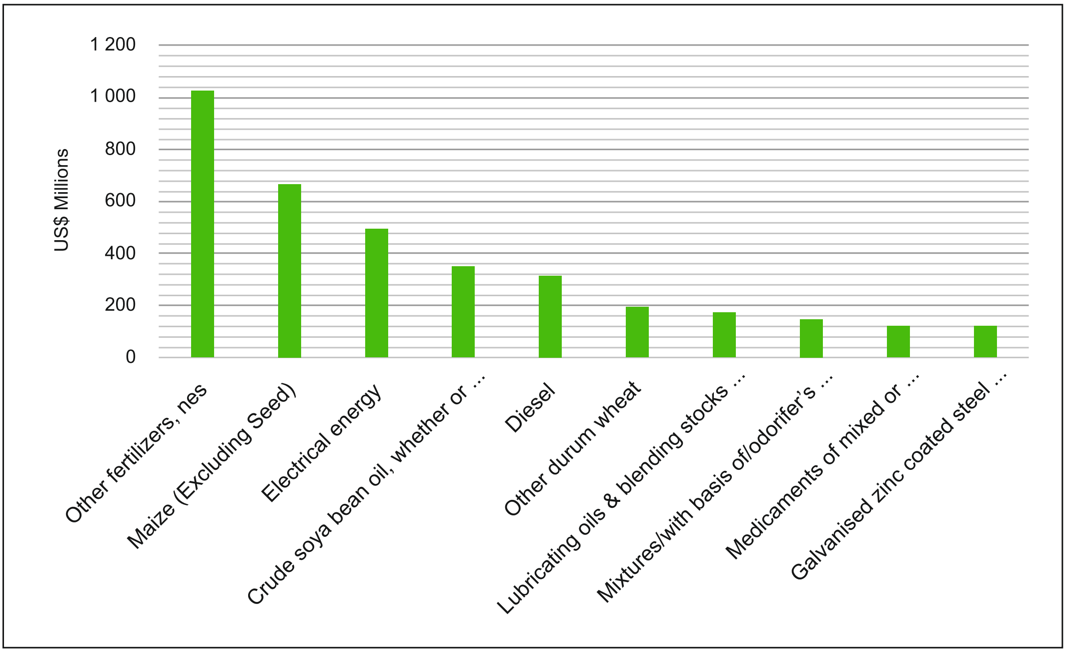
Source: Zimstats

Figure 6 shows that minerals constitute almost 50% of Zimbabwe's exports to the TFTA countries. The remaining proportion of exports is constituted by agricultural products such as tobacco and cotton. These two sectors together contribute 83% of Zimbabwe's exports to the tripartite region between 2013 and 2017.

Zimbabwe imports a variety of products from the Tripartite region since no single product commands a greater percentage. The main import products from the region largely comprise of intermediate goods such as fertilizers and lubricating oils. In addition, Zimbabwe imports maize from the tripartite region. Figure 7 shows

Zimbabwe's top ten import products from the TFTA countries during the period 2013 to 2017.

Figure 7: Zimbabwe's Imports from the Tripartite (Total 2013-2017), Distribution by Product



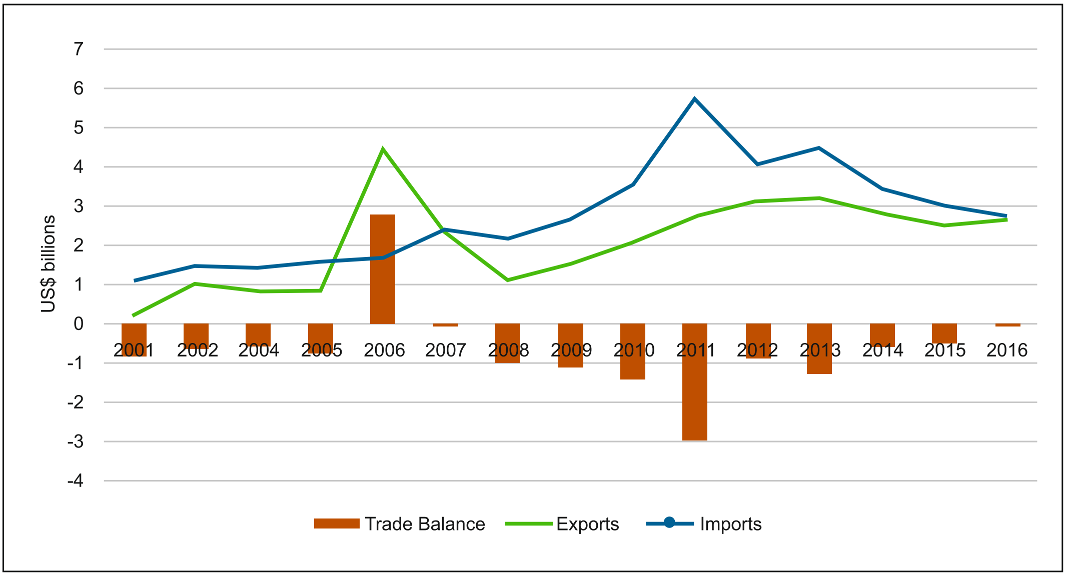
Source: Zimstats

2.4 Zimbabwe's trade flows with countries in the CFTA

The CFTA will bring together all 55 member states of the African Union covering a market of more than 1.2 billion people, including a growing middle class, and a combined gross domestic product (GDP) of more than US$3.4 trillion. In terms of numbers of participating countries, the CFTA will be the world's largest free trade area since the formation of the World Trade Organization (WTO) on 1st January 1995. Estimates from the Economic Commission for Africa (UNECA) suggest that the CFTA has the potential both to boost intra-African trade by 52.3 percent by eliminating import duties, and to double this trade if non-tariff barriers are also reduced.

Since 2001, Zimbabwe's trade flows with African countries that make up the CFTA have increased. Exports to CFTA countries have increased from around US$200 million in 2001 to about US$2.6 billion in 2016 whilst imports have increased from US$1 billion to US$2.74 billion in 2016. However, of concern is that for the greater part of the period 2001 to 2016, Zimbabwe experienced negative trade balances except in 2006 when it recorded a trade balance of over US$2.7 billion. Figure 8 shows Zimbabwe's trade flows with the countries that make up the CFTA.

Figure 8: Zimbabwe's trade flows with AfCFTA, 2001-2016



Source: Authors' computations from *ITC Trade Map Database*

3. Extent of liberalisation and commitments under the parallel liberalisation agenda: SADC, COMESA, TFTA, IEPA, CFTA

The section looks at Zimbabwe's liberalisation commitments in SADC, COMESA, TFTA, IEPA, CFTA and their implications. It further interrogates the extent to which the country participates in regional integrations initiatives to which it is a member.

3.1 Extent of liberalisation and commitments under SADC

3.1.1 Liberalisation commitments in SADC

In August 2008, the SADC Free Trade Area (FTA) was launched in Johannesburg, South Africa, 12 years after it was signed in Maseru. It was a momentous milestone to be reached by the regional grouping towards deeper regional economic integration. A total of 12 of the 15 countries began implementing the SADC FTA, while the remaining three countries that are Seychelles, Angola and Democratic Republic of Congo were to join the FTA at a later date. The SADC FTA is a step along the path towards deeper regional integration which is the key to strategies and objectives of SADC. The SADC developed an important trade and regional development related instruments for implementing SADC programmes, which is the Regional Indicative Strategic Development Plan (2005-2020) which sets ambitious targets for regional integration within SADC. According to the plan, SADC was expected to have launched a Customs Union by 2010 however this was surpassed due to non-full implementation of programmes and policies. Completion of negotiations for the Common Market and Monetary Union and Central Bank were set for 2016, while launch of Regional Currency was set for 2018 but indications are that these will not be achieved.

SADC has made significant progress in liberalising trade, with most SADC countries having 'reduced and eliminated tariffs and quotas under the Protocol on Trade since 2000'. The SADC FTA agreement shows wide variations in implementation (Sandrey, 2013). While a nominal FTA was held to be in existence since 2008, the maximum tariff liberalisation was only attained in January 2012, when the tariff phase-down process for sensitive products was completed. However, for Mozambique the phasing-out of tariffs on sensitive products was expected to have been completed by 2015, while Malawi, Zimbabwe and Tanzania have derogations, particularly for sugar, where regional trade liberalisation remains problematic (e.g., under the SADC Trade Protocol, quota restrictions are placed on access for sugar exports from SADC countries to the SACU markets, while no SADC member state grants tariff concessions to sugar imports from SACU members). There are also product exclusions from tariff elimination commitments, for example, for prepared foodstuffs and animal products.

Overall, the SADC FTA is seen as making solid progress on the implementation of tariff elimination commitments, although there remains "quite some distance to travel". However, the review of trade data for SADC countries shows that "intra-SADC trade is low" and "not necessarily increasing".

3.1.2 Zimbabwe's Commitments under SADC

The Southern African Development Community (SADC) Protocol on Trade was implemented in 2000 with the objectives of, inter alia, liberalizing regional trade in goods and services and establishing a free trade area in the SADC region (SADC Trade Hub Audit Report, 2011). In implementing the Trade Protocol, each Member State made two tariff phase-down offers namely the i) General[5] and ii) Differentiated[6] Offers. Non-SACU SADC Member States submitted two tariff offers; one applicable to all SADC member states except South Africa (Differentiated Offer) and the other applicable to South Africa (General Offer). SACU countries on the other hand submitted a single offer applicable to non-SACU members.

Based on the principle of asymmetry, SADC phased down its tariffs on goods which were classified into four categories, (A, B, C and E)[7] depending on the degree of sensitivity of the sectors in terms of revenue generation, employment creation and strategic importance of a sector.

From the date of implementation of the SADC Trade Protocol, Zimbabwe immediately reduced all tariffs of Category A products to zero. The country then gradually reduced tariffs to zero % on revenue sensitive goods in Category B over eight years i.e. 2000 to 2008. The Protocol had a trade liberalisation programme in which 85% of all intra-SADC trade were expected to be duty free by 2008 leaving the remaining 15% of imports that were classified as sensitive products to be fully liberalised by 2012. By 2008, Zimbabwe had complied with the phasing down of tariffs for products in categories A and B, with 87% of those tariff lines for both offers being zero rated. The phasing-down of tariffs for Category C products which was supposed to begin in 2009 was not implemented. The country was supposed to further reduce to zero products in Category C i.e. sensitive products (products sensitive to industrial and agricultural activities) between 2009 and 2012. Noting the challenges being experienced by the economy, Zimbabwe applied for derogation from its obligations from the SADC Trade Protocol for Category C products which

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[5] Tariff offer applicable to trade with South Africa only

[6] Tariff offer applicable to the rest of the SADC Member States

[7] Category A- tariff rates were to be reduced to zero upon the Protocol coming into force, during the year 2000;
Category B- tariff reduction over an eight year period(2000-2008);
Category C- tariffs to go down over twelve years period.
Category E-Exclusion List - Goods such as firearms and ammunition to be excluded from the phase down process.

was granted in February 2010. The derogation expired in December 2011 and phase down was expected to commence in 2012 up to until 2014. The challenges faced by local industry in 2008 including amongst others i) antiquated technology, ii) lack of lines of credit, iii) low capacity utilization and iv) continued sanctions, had not eased by the beginning of 2012. The country could not therefore meet its obligations under SADC given these challenges. Category E is an exclusion list of goods such as firearms and ammunition to be excluded from the phase down process.

In January 2012, Zimbabwe introduced 25% surtax on selected products such as colour televisions, stoves, soap, whole chickens, frozen cuts and offals, milk and cream, yoghurt, fermented milk, butter milk, cheese, bird eggs, potatoes, tomatoes, onions and shallots, among others through the Statutory Instrument 156 of 2011. Section 3 of this Statutory Instrument however, excludes goods traded through bilateral trade agreements that Zimbabwe has with Malawi, Namibia and Botswana.

In 2016, as a response to the deteriorating current account balance, the Government of Zimbabwe through the Ministry of Industry and Commerce responded by gazetting Statutory Instrument No. 64 of 2016 (SI64/2016) as an amendment notice to Statutory Instrument 8 of 1996 (SI 08/1996). The SI 64 adds a list of imported goods to the existing schedule of controlled imported goods as contained in a notice of SI 08 of 1996. After Zimbabwe gazetted SI64/2016, there was a feeling that by placing restrictions and bans on some imports, Zimbabwe was now reneging on its commitments under SADC and was likely to court a backlash for that. The first part of the Trade Protocol is devoted to trade in goods and the removal of trade barriers including quantitative restrictions. Subject to a few exceptions and the national treatment rule, Article 7 of the Trade Protocol states that 'Member States Shall not apply any new quantitative restrictions and shall in accordance with Article 3, phase out the existing restrictions on the import of goods originating in Member States, except where otherwise provided for in this Protocol'. Therefore, under the SADC Trade Protocol, it is retrogressive for a country to introduce new quantitative import restrictions.

3.2 Extent of liberalisation and commitments under COMESA

3.2.1 Liberalisation commitments in COMESA

COMESA was initially established in 1981 as the Preferential Trade Area for Eastern and Southern Africa (PTA) and this was transformed into COMESA in 1994. Currently COMESA membership stands at nineteen[8], fourteen of which are participating in the Free Trade Area (FTA) which was launched in October 2000. Non-FTA member states (Eritrea, Ethiopia, eSwatini, Uganda and DRC) are currently trading duty free, subject to compliance with COMESA Rules of Origin. There are no sensitive or exclusion lists.

[8] Burundi, Egypt, Eritrea, Ethiopia, DRC, Kenya, Libya, Malawi, Mauritius, Mozambique, Madagascar, Namibia, Swaziland, South Africa, Rwanda, Tanzania, Zambia, Zimbabwe and Uganda

COMESA launched its Customs Union in June 2009 and implementation of the Customs Union had been set for June 2012. However, this target could not be realized, since there remains outstanding work, relating to domestication by Member States of the COMESA Tariff Nomenclature (CTN), CET rates and submission by Member States of lists of sensitive and excluded products. Initially, COMESA had aimed to achieve a Monetary Union by 2015 and COMESA Community by 2025, however the 2015 target was missed and there are indications that the 2025 target of achieving COMESA Community will again be missed since nothing is taking place regarding these targets.

3.2.2 Zimbabwe's Commitment in COMESA

Zimbabwe has been active in COMESA since its formation as a PTA and has been participating in the COMESA Free Trade Area since its inception in 2000. Zimbabwe is already offering 100% COMESA FTA regime to FTA member states. With regards to the COMESA Customs Union, work has been on-going and provisional schedules of sensitive products and tariff alignment have been completed. Although the country has committed itself to the proposed Common External Tariff (CET) based on the principle of the degree of processing capital (zero percent), raw material (five percent), intermediate inputs (15 percent) and finished goods (30 percent), the proposal of the 5% tariff band is posing a challenge to the country due to its impacts on revenue and competitiveness of locally produced goods. Reduction of tariff rates for raw materials which are at 5% to the 0% would result in revenue loss. Similarly, raising the country's tariff rate for intermediate goods which are at 5% to the proposed 10% CET, might negatively affect the cost of production for the local industry and hence reduces its competitiveness. Zimbabwe's top five COMESA Partners are Zambia, Malawi, DRC, Swaziland and Mauritius[9].

3.3 Liberalisation commitments in TFTA and extent of Zimbabwe's participation in the TFTA initiatives

The Tripartite Free Trade Area Agreement (TFTA), bringing together member and partner states of the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC) and the Southern African Development Community (SADC), was signed in Sharm-el-Sheikh, Egypt on 10 June 2015 by representatives of most of the 26 countries covered by the deal. The TFTA agreement is made up of 45 Articles and 10 Annexes. Tariff liberalisation, disciplines on non-tariff barriers, rules of origin, trade remedies and provision for dispute settlement lie at the core of what was agreed. Other provisions include elimination of quantitative restrictions, customs cooperation, trade facilitation, transit trade, infant industries, balance of payments, etc.

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[9] COMSTAT Database

The TFTA aims at liberalising 100 percent of tariff lines taking into account the usual general, specific and security exceptions. This is to be achieved by consolidating the tariff regimes of the EAC which is a customs union and the Southern African Customs Union (SACU), a subset of SADC member states, into the TFTA in line with the principle of building on the *acquis*[10] and subject to reciprocity. In addition to the 10 EAC and SACU countries, 10 COMESA countries participating in the COMESA FTA made TFTA tariff offers based on the COMESA acquis of 100 per cent tariff liberalisation on a reciprocal basis. It should be noted though that the modalities for tariff negotiations agreed among tripartite countries in 2013 are not ambitious at all. It was agreed that 60-85 percent of tariff lines will be liberalised upon entry into force of the Agreement and the remaining 40-15 per cent to be negotiated over a period of 5 to 8 years. This presents a challenge for countries that have fairly liberalised trade regimes (with more than 80 percent of their tariff lines at 0 percent MFN) vis-à-vis the principle of building on the acquis.

Entry into force will follow the conclusion of the outstanding technical work which was expected to be within 12 months of the launch in Sharm-el-Sheik - and ratification by 14 of the 26 parties to the agreement. Much technical work on tariff liberalisation, rules of origin and trade remedies remains to be completed. The decision to negotiate list rules, as opposed to agreeing on a general rule delayed negotiations on rules of origin. With regard to trade remedies, negotiations started late and it was agreed that interim provisions will apply while finalising a tripartite mechanism. In spite of these complex issues, the TFTA Agreement is a milestone in the rationalisation of Africa's multiple trade integration arrangements.

For Zimbabwe, the country is already trading on FTA terms with twenty-one countries[11] , implying that there will be no tariff negotiations with them. Applying the Acquis principle, means that Zimbabwe will only have tariff negotiations with four non-FTA countries and these are Ethiopia, Eritrea, Angola and DRC within the TFTA.

The TFTA calls for member states to negotiate on the principle of flexibility and special and differential treatment. Least developed countries in the TFTA will receive concessions in terms of market access. Thus, Zimbabwe will be expected to extend concessions to the four countries it is negotiating with in the TFTA given that they are classified as least developed countries[12]. Essentially, the principle is meant to prevent deindustrialization but countries may tend to use it to slow down liberalisation and hence delay deeper integration from which Zimbabwe can effectively benefit. Flexibilities may apply on transition period where it is varied

[10] Building on the *acquis* is one of the negotiation principles for the TFTA, which means building on what has been achieved or agreed
[11] EAC, SACU, Comoros, Djibouti, Egypt, Libya, Madagascar, Malawi, Mauritius, Mozambique, Seychelles, Sudan and Zambia
[12] Angola, DRC, Eritrea and Ethiopia

depending on the level of economic development of the member states. Flexibilities would also take into account special economic challenges faced by the member states giving Zimbabwe an opportunity to negotiate a better schedule for liberalisation given the economic challenges it is currently facing.

3.4 Liberalisation commitments in IEPA and extent of Zimbabwe's participation

Zimbabwe as part of the African Caribbean and Pacific (ACP) Group has had a long trade relationship with European Union (EU) under successive EU unilateral trade arrangements for the ACP Group starting with the Yaoundé, to Lome Conventions (from 1969-2000) and the Cotonou Partnership Agreement (CPA) (from 2001-2007), GSP/Everything but Arms (EBA) for least developed countries (LDCs) to the current Economic Partnership Agreement (EPAs) negotiations. The rationale for non-reciprocal preferential trading schemes by developed countries in favour of exports of developing countries was to increase their export earnings, promote their industrialization and accelerate their rates of economic growth. Under the Lome and CPA, over 97 per cent of exports by ACP countries including Zimbabwe entered the EU market duty free yet the share of their exports in the EU market constantly declined while that on non-preference receiving Asian countries increased. ACP exports did not diversify and these countries continue to be suppliers of raw material for EU manufacturers without meaningful value addition in their countries.

Accordingly, the EU became a premium market for Zimbabwe which successfully used the preferences. Prior to 2000, the value of Zimbabwe's exports to the EU was enhanced by duty free treatment to most of its products as well as the guaranteed quotas and prices for the commodity protocol products (sugar and beef), which were higher than world market prices. Under the Convention's Beef and Veal Protocol, Zimbabwe had a preferential tariff quota that allowed it to export 9 100 tonnes of beef into the EU annually and since 2002, the Sugar Protocol provided Zimbabwe with a preferential tariff quota of 30 225 tonnes annually supplemented by a variable Special Preferential Sugar quota. Zimbabwe also benefited from the Stabilisation of Export Earnings fund for supporting export earnings owing to a decline in prices of commodity exports. Despite all these preferences, a number of factors limited benefits obtained from the EU trade preferences. First and foremost there were supply side constraints, second, the structure of Zimbabwe's exports which for a long time have been dominated by a few commodities and minerals that are often subjected to high price volatility and declining terms of trade. Additionally, barriers arising from poor infrastructure facilities, land-locked situations and, in some cases, poor macroeconomic policies introducing distortions into the economy also affected its ability to effectively exploit trade preferences hence its market share in the EU declined over time.

To replace the non-reciprocal trade preference under the CPA that were set to expire in 2007, the ACP and EU launched EPA negotiations in 2002. EPAs are designed as reciprocal trade arrangements leading to establishment of free trade area between the ACP countries and EU. Zimbabwe as part of the Eastern and Southern Africa (ESA) EPA configuration initialled the interim EPA in 2007 which allowed it to enjoy full duty free market access into the EU under the Market Access Regulation (MAR 1528/2007) together with other 35 non LDC ACP States which by then had initialled EPA with the EU.

Zimbabwe signed the interim EPA in 2009 alongside three other states namely; Mauritius, Madagascar and Seychelles and ratified in 2012. Upon ratification, the EU opened its market to Zimbabwean products on a duty-free-quota free basis, Zimbabwe did not immediately begin the process of gradual liberalisation of the tariff applicable to EU goods entering Zimbabwe. It was not until October 2016 that Zimbabwe gazetted the first EPA tariff schedule through S.I 117 of 2016. The expectation was that the 2016 gazette was going to be followed by another gazette in 2017 covering the period 2017 to 2022 when tariffs will be zero except for goods on the exclusion list. Consequently Zimbabwe is lagging behind in her commitment to gradually open up its market to EU products.

Under the interim EPA Zimbabwe is expected liberalise 80% of its imports from the EU. There are, however, concerns that the interim EPA will pose challenges to local industry as the country's economy is far from being ready to deal with reciprocity and the liberalisation of imports. The liberalisation of imports will pose a severe threat to the country's already weak industrial sector.

4. Zimbabwe's Trade Policies and practices and implications to regional commitments

4.1 Trade policy instruments

Zimbabwe exercises trade policy options in line with its regional and international obligations. It grants tariff preferences under bilateral, regional and multilateral trade agreements (SADC, COMESA, WTO) to which it is a signatory. Zimbabwe has a number of Bilateral Trade Agreements (BTAs) with a number of countries in the region and beyond. It is also part of the Tripartite Free-Trade Area (TFTA) encompassing the COMESA, SADC and EAC that was launched in 2015 and in 2018 it signed the African Continental Free Trade Area (ACFTA). In addition, the country is also negotiating the comprehensive EPA with the EU and it is one of the ESA countries that have ratified an interim EPA with the EU following the expiry of the Cotonou agreement.

Zimbabwe's Trade Policy consists of various instruments aimed at influencing the direction and pattern of trade development. The instruments include Tariff-Based Instruments, Non-Tariff Measures, Trade Defence Mechanisms and Trade Development Instruments. Currently, there are import bans on agricultural imports and export bans on maize. Duty suspensions may apply for selected products such as essential food items, and full rebates of the customs tariff and VAT may be granted for a variety of reasons. A range of other duties and charges may also be imposed on imports and/or exports. Internal taxes (VAT and excise duties) apply to imports and locally produced goods; there are also specific excise duties on tobacco products which may differ depending on their origin. The application of these instruments is guided by the need to stimulate domestic production, revenue generation, promote value added exports and safeguard domestic industry and consumers against unfair trade practices.

The country is in the final stages of reviewing its trade policy after the expiry of its first ever trade policy in 2016. The Trade Policy is aimed at increasing exports, promoting the diversification of the country's export basket, promoting value-addition of primary commodities, consolidating and expanding existing export markets. To complement trade policy, the country also came up with a National Export Strategy (2017-2021) and the National Industrial Development Policy (NIDP). The NIDP is aimed at:

- improving the manufacturing sector's contribution to GDP of Zimbabwe,
- creating employment in the manufacturing sector,
- Increasing capacity utilization of its industries through re-equipping and replacing obsolete machinery and new technologies for import substitution and enhanced value addition as well as increasing the manufactured exports to the SADC and COMESA regions and the rest of

the world. In addition, a number of incentives such as duty drawback and Special Economic Zones (SEZ)[13] are currently being put in place.

Zimbabwe grants at least most-favoured-nation (MFN) treatment to all its trading partners, including those that are not WTO Members. According to the WTO (2018), its simple average applied MFN for agricultural products is 26.4% whilst for non-agricultural products is 15.7%. The heavily protected products are agricultural products with bound rates of 150% and applied average rates ranging between 4 and 47% whilst non-agricultural products are less protected. The MFN simple applied duties for non-agricultural products ranges from 5.9% for non-electrical machinery to 74.6% for fish and fish products (WTO, 2015). Table 5 shows the bound and applied average rates for various product groups.

[13] SEZs are geographical areas governed by one oversight management body that offers special trade incentives to firms that choose to locate themselves within the zones. The zones are set up to meet fiscal, social and infrastructure policy rationales to facilitate economic growth through the use of reduced tariffs and more efficient controls.

Table 5: Zimbabwe Tariffs and Imports by Products (2014)

Product Group	Final Bound Duties		MFN Applied Duties		Imports	
	AVG	Duty free in %	AVG	Duty free in %	Share in imports	Duty free in %
Animal Products	150	0	30.1	8.1	0.3	0.6
Dairy Products	150	0	27.9	11.9	0.7	45.0
Fruit, vegetable, plants	139	3.8	29.1	3.6	0.5	2.8
Coffee, tea	139.6	0	32.7	0	0.2	0
Cereals & Preparations	148.4	0	21.2	8.4	6.0	24.2
Oilseeds, fats and oils	146	0	11.3	0	2.2	13.2
Sugars & Confectionary	150	0	13.2	5.9	1.4	3.7
Beverages and tobacco	150	0	53.6	12.6	1.7	0
Cotton	105	30	4.0	20	0.1	0.2
Other Agricultural products	124.7	0	9.3	6.8	1.4	0.9
Fish and fish products	4.7	78.2	12.1	46.0	0.4	3.2
Mineral and Metals	11.8	3.6	12.8	0.8	21.4	5.1
Petroleum	-	-	22.2	12.5	19.2	2.3
Chemicals	18.4	0	7.4	5	11.5	24.4
Wood, paper etc	12.2	0	17.2	3.0	2.4	12.4
Textiles	26.4	0	16.7	0	1.7	0
Clothing	-	-	66.8	0	0.7	0
Leather, footwear etc.	5	0	22.5	0.3	1.6	3.6
Non-electrical machinery	8.9	0	5.9	43.7	8.7	53.3
Electrical Machinery	3.3	76.7	13.4	16.7	5.3	51.2
Transport Equipment	12.5	0	12.6	11.8	9.6	14.7
Manufactures n.e.s	20.4	0	16.5	8.1	3.1	17.0

Source: WTO World Tariff Profiles, 2015.

4.2 Transparency and predictability of Zimbabwe's Trade Regime

In terms of predictability and transparency of the country's trade regime, the WTO highlighted that Zimbabwe's trade regime is not transparent and predictable because of a number of issues which include prevalence of a number of NTBs which, add to the already burdensome environment for doing business. According to the World Bank's Doing Business 2018 Report for Zimbabwe, Zimbabwe's overall ranking was 155, four points better than the 159 of year 2017. Globally, Zimbabwe stands at

148 in the ranking of 190 economies on the ease of trading across borders in 2018. In fact, Zimbabwe made trading across borders more difficult by introducing a mandatory pre-shipment inspection for imported products. This is an indication of the extent of the effect of NTBs on Zimbabwe's trade with other countries in the world. The low ranking of Zimbabwe on the various aspects of import and export as compared to Sub-Saharan African countries is a cause for concern as it impacts on intra-regional trade which the COMESA, SADC, TFTA and the recently launched ACFTA aim to increase.

The assertion about the unpredictability was further confirmed by the introduction of the Statutory Instrument 64 of 2016 which was introduced, without any notification or advance warning to the trading community and the SADC/COMESA Secretariats. In 2017, the SI64 together with other statutory instruments were consolidated to SI 122 of 2017 and expanded the list of items that required import licences. However, following shortages of basic goods in the market, the Government suspended the instrument again without giving local producers prior notice. The products which were covered under SI 122 included school uniforms. The statutory instrument did not provide give tariff codes for school uniforms and neither did it defined what a school uniform was and thereby making it difficult for traders to understand what exactly was being controlled. SI 122 like its predecessors did not have a specific life span until its suspension in October 2018.

In addition, during the period when the SI 122 was in place, the situation was worsened by the fact that the Government was not clear on the criteria which was used to award an import permit. Historically, the import licensing regime and the lack of transparency in the criterion and practice of granting import licenses has created conditions for rent-seeking behavior. It has also been argued that SI 64 was implemented unilaterally, without due regard of clearly laid down provisions of Safeguards and Trade Remedies enunciated in the SADC Protocol on Trade and the COMESA Treaty that would allow for the protection of national industries. What is often overlooked by government policy makers is that trade agreements are designed to allow private entities to engage in cross-border trade, in an environment that is characterised by predictability and certainty. Adherence to these international and regional trade agreements therefore is central.

Furthermore, the predictability and transparency of Zimbabwe's trade regime was also negatively affected by import ban of maize which was imposed immediately following the harvest of the 2016/2017 cropping season. This affected Regional and international farmers who are in grain export business as they were caught by yet another surprise announcement. The other problem which has affected the predictability of the country's trade regime is that trade policy governance in Zimbabwe has of late become elitist and driven by strong business lobby groups, who often find themselves in complex political overlaps. As a result, some of the decisions made especially between 2016 and 2017 were more politically motivated with less economic justifications.

In 2011, Zimbabwe was granted a 2 year derogation which ended in 2012. The phase down was supposed to resume immediately thereafter and be completed in 2014. This did not happen but instead, the country introduced surtax in 2012 and has been reversing the phase down for Category A and B products by reviewing the rates of duty upwards. Examples include soap, beverages and cooking oil among others. Zimbabwe's justification for its actions was that it was still facing economic challenges and it intended to protect and nurture its struggling industries. However, its failure to resume tariff phase down following the expiry of derogation created predictability challenges and uncertainty with regards to Zimbabwe's commitment to deepen regional integration among its peers in the region.

While Zimbabwe argues that the derogation being applied for and the extension of the list of goods that required import licences were meant to "allow Zimbabwe time and policy space for local industry to retool and build production capabilities to enhance competitiveness", SI 122 included goods which were in short supply in Zimbabwe such as crude oil. During the lifespan of 122, Zimbabwe imported more than 90% of its crude oil from countries such as South Africa and Brazil and such actions bolstered observers' argument that the issue of the import licensing was being used as a government revenue generating measure.

5. Institutional, regulatory and human capacity and other challenges in implementing regional commitments

This section assesses the institutional, regulatory human capacity gaps and other challenges in Zimbabwe's trade policy implementation agenda.

5.1 Institutional capacity: Private/ Public sector capacity challenges

While the absence or weakness of physical infrastructure limits the potential human development impacts of regional integration, the linkages are further undermined by weak capacities, institutions and policies. Sentiments from consulted stakeholders revealed that Zimbabwe is not yet ready to undertake/participate in all these regional groupings SADC/COMESA/TFTA/ IEPA. The Ministry of Industry and Commerce for example seems to be overwhelmed by the work that is required to fulfill the country's commitments in the regional blocs. The country therefore needs a smart approach to regional integration.

Further, some stakeholders were of the view that the Ministry of Industry's organizational structure seems to be misaligned to offer the requisite support to the country's trade strategy. In addition, discussions with stakeholders revealed that there is lack of coordination between Ministry of Industry and Commerce and that of Foreign Affairs and International Trade when it comes to trade matters thereby resulting in the country missing some regional trade opportunities. Stakeholders interviewed highlighted that:

i. There is a glaring gap in leadership and decision making skills in the government institutions mandated to facilitate trade, partly explaining Zimbabwe's trade performance. Infrastructure deficits are particularly a challenge. The medical sector where the Regulator does not have adequate testing equipment to certify the safety of drugs that enter into the Zimbabwean market from its trading partners was cited as one example. It relies to a great extent on Standards Association of Zimbabwe laboratories that also need to be further resourced. This has led to the supply of fake medicines or those that are not necessarily suitable for Zimbabwe. Feeling from some of the consulted stakeholders is that this has resulted in the country becoming a dumping ground.

ii. There is weak participation of industry including the micro enterprises in shaping regional trade negotiation positions. This could arise from the notion that trade policy negotiations and trade policy governance is a prerogative of government with little input if any from the private sector and civil society organizations. In comparison, it was highlighted that South Africa's trade policy governance is a largely stakeholder inclusive process. It was further revealed that business membership organizations (BMOs) are inadequately capacitated to generate and disseminate trade information to their membership as well as position papers which articulate the concerns of business that need to be considered in the trade negotiations.

iii. There is fragmented efforts and coordination challenges with regards to driving the regional integration and trade policy agenda. For example, some of the policy instruments and/or strategies adopted by the Ministry of Industry and Commerce; Ministry of Foreign Affairs and International Trade; Ministry of Finance and Economic Development in fulfilling their mandates have implications on progress or lack of it in the implementation of the regional integration and trade agenda. Implementation of gazetted tariff schedules with the Regional Economic Communities (RECs) and other trade arrangements like the Interim Economic Partnership Agreement (EPA) among other trade and regional integration initiatives depend to a large extent on political champions who elevate trade and regional integration issues on the policy agenda. Where there are mandate overlaps among Ministries and Trade Promotion/Regulatory bodies this may create policy or institutional conflicts emanating from turf fights.

5.2 Regulatory framework and gaps

Multiple licensing and high import licensing fees were highlighted as some of the regulatory challenges affecting traders in Zimbabwe. It was revealed that traders have to comply with multiple licenses that are costly calling for the need to expeditiously operationalise the one stop shop. In addition, cumbersome customs procedures have further promoted informality in the movement of goods out of the country. Import permits take long to approve and many companies end up missing deadlines when delivering orders to customers. Table 6 reveals that its takes a trader in Zimbabwe 228 hours to fulfill border compliance procedures compared to 163 hours in Zambia and 41 hours in Mauritius. Reliability of supply by Zimbabwean exporters is ultimately not matching regional demand partly owing to these delays.

Table 6: Trade costs for Zimbabwe and other countries in 2017

	Mauritius	Zambia	Zimbabwe	Sub Saharan Africa
Time to export : border compliance (hours)	38	148	74	101
Cost of export: Border compliance (USD)	303	370	285	571
Time to export: Documentary compliance (hours)	9	130	99	91
Cost of export: Documentary compliance (USD)	128	200	170	225
Time to import : border compliance (hours)	41	163	228	141
Cost of import: Border compliance (USD)	372	380	562	662
Time to import: Documentary compliance (hours)	9	134	81	105
Cost of import: Documentary compliance (USD)	166	175	150	313

Source: World Bank Doing Business 2018 Reports for Mauritius, Zambia and Zimbabwe: www.doingbusiness.org

The other gap highlighted as major impediments to trade include the lack of a National Quality Infrastructure Framework to govern the quality of goods that enter into the country. This is exacerbated by the fact that Zimbabwe does not have a Standards Act in place to enforce standards which are currently voluntary hence this tends to compromise the quality of goods penetrating the Zimbabwean market. It was noted that the Consignment Based Pre-shipment Assessment by Bureau Veritas which was introduced by Statutory Instrument 132 of 2015 has resulted in long delays in importation of raw materials much needed for exports and thus undermining timing of production of exports. This results not only in increased production costs but also compromises export competitiveness of locally produced goods.

5.3 Human capacity challenges

Most stakeholders confirmed gaps in the country's technical expertise to understand trade issues, as well as crafting the best negotiating position for Zimbabwe. Stakeholders observed that there are capacity/skills gaps within government partly due to uncompetitive remuneration packages which are not attractive to highly competent and skilled personnel required to effectively run trade departments within ministries, trade promotion, regulatory and advisory bodies. The Competition and Tariff Commission (CTC) was cited as one institution facing challenges of attracting the requisite technical skills to undertake trade defence, and the necessary trade investigations as well as to provoke the safeguard and trade remedies provisions of the regional; trade agreements such as the SADC trade protocol. This has seen misuse of rules of origin by some SADC member countries going unchallenged, for example, where Chinese products find their way onto the local market using SADC rules of origin.

Furthermore, the study also noted that trade promotion institutions lack financial capacity to implement their activities. ZimTrade for example, lacks funding to implement rigorous market intelligence, export promotion, export development and advocacy programmes. It relies on development partners' support. As a result of the funding challenges, these institutions often struggle to retain trained and experienced staff.

5.4 Other Challenges

Harsh macroeconomic environment

Zimbabwe's manufacturing sector has been shrinking due to company closure; low investment and capacity utilization. This is partly due to the harsh macro-economic environment that the country has been experiencing for nearly two decades now in addition to low investment in critical infrastructure. This includes energy, water and transport infrastructure that are key enablers to support the productive sector activities. Most of the players in the sector are using antiquated equipment and are not adequately capacitated to seize market opportunities in the export markets. Average capacity utilisation for the manufacturing sector is 37.5%. ZimTrade (2014) found out that of the surveyed companies 40% were exporting, whilst 60% were not. For those which were exporting, it was highlighted that they were exporting 40% of their current production volumes. However, this is 10% below the government set threshold of 50%.

The harsh macroeconomic environment and the poor performance of the manufacturing sector has seen Zimbabwe been pointed on violations of regional economic community's agreement provisions such as the SADC Trade Protocol and the COMESA treaty through implementation of import management programmes as espoused in Statutory Instrument 64 of 2016. Whilst this has resulted in increased capacity utilisation by some companies, it has attracted retaliation from member states like South Africa and Zambia. The latter has introduced a 30% surtax in certain imports from Zimbabwe, has led to setting up of a Tilapia farm in Siyavonga to counter the monopoly power that a Zimbabwean company was enjoying. It has led to South Africa cancelling the 1964 bilateral trade arrangement it had with Zimbabwe. Further, companies that had sister companies in the region were heavily affected as they can no longer receive produced products from their parent companies in South Africa for example.

Further, Zimbabwe is operating in a multiple currency regime, and does not have a currency of its own hence has limited policy space to influence export competitiveness of the country. Linked to this is the huge foreign currency shortages and in the face of limited locally available raw materials, importers struggle to find foreign currency to import the raw materials needed in production of goods. Premier Portland Cement (PPC) Zimbabwe, a company that produces cement in Zimbabwe used to dominate the Democratic Republic of Congo (DRC) and Zambian markets in supply of cement. However, due to scarcity of foreign currency, supply of cement to these markets have been erratic resulting in it losing the market share as the importers are opting for more reliable suppliers even though they are slightly expensive.

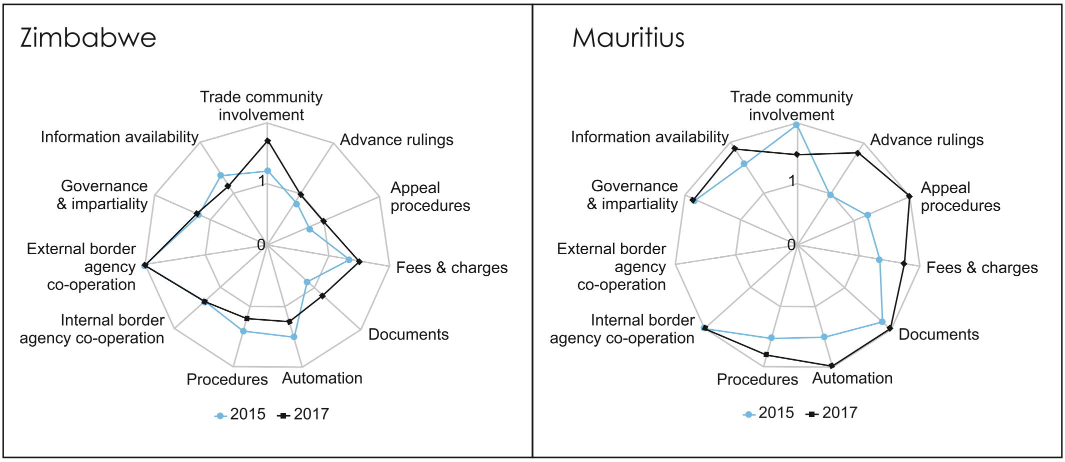
Concerted policy initiatives and reforms to address the macroeconomic challenges confronting the economy, in particular the shortage of foreign currency will assist in the revival of the manufactured exports into regional markets. Policies that foster sector and inclusion, innovation and broad based participation in the economy will go a long way in unleashing the country's export potential. Revival of the manufacturing sector base can also be supported by a robust industrialization agenda. Zimbabwe can pick a lesson from China where it only opened up to the world through its accession to the WTO after its industry was strong enough for external competition.

Poor trade facilitation

Zimbabwe was ranked poorly on trading across borders under the World Bank's 2018 ease of doing business indicator. Major challenges that the business community faces when moving goods across borders were highlighted as the cost to import/export mainly relating the border compliance fees; followed by the lengthy duration it takes for documentary compliance (CZI, 2017). High transport costs as presented in Table 6, largely explain why Zimbabwe along with other countries in the region trade with their neighbouring countries instead of the whole regional bloc. In COMESA for example, most member states trade bilaterally with neighbouring countries save for Egypt and Kenya and to some extent Mauritius. Figure 9 compares Zimbabwe and Mauritius which is one of the highly rated African countries in terms of ease of doing business. It shows that the country lags behind Mauritius in trade facilitation indicators. However, notable improvements were registered between 2015 and 2017 in information availability, trade community involvement, advance ruling procedures, appeal procedures, fees and charges as well as documents. This could be attributed to the Ease of Doing Business Reforms Initiatives that the country embarked on in 2015.

The other challenge which came out from the stakeholder interviews was the issue of limited information sharing of existing trade opportunities in the region between government and private sector. Government officials who spearhead the negotiations are quite aware of opportunities that the regional integration arrangements avail, and the potential regional markets that Zimbabwean business exporters can readily exploit. However, some stakeholders noted that this information is not adequately and timely shared with the private sector players. Concerns of limited exposure to regional markets through trade expos or mission visits were also raised. Such exposure to the broad spectrum of the private sector can enable them to showcase their products, link up with potential customers and understand their requirements which will assist in product development and marketing strategies.

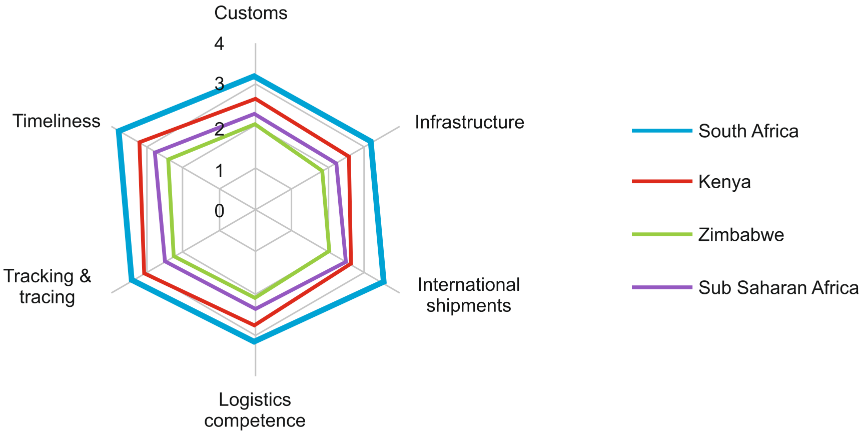
Figure 9: Trade Facilitation indicators for Zimbabwe and Mauritius between 2015 and 2017



Source: OECD, http://compareyourcountry.org/trade-facilitation

The country's trade facilitation challenges are further highlighted in Figure 10 which illustrates how Zimbabwe fares in the World Bank logistical indicators against its regional comparators.

Figure 10: Logistics Index for Kenya, South Africa and Zimbabwe against Sub Sahara Africa average



Source: https://lpi.worldbank.org

Low export competitiveness

- This is largely as a result of low domestic competitiveness as evidenced by the non-competitiveness of most producers in agriculture and manufacturing sectors. For example, cotton price offered by COTTCO is not viable for farmers to continue producing the crop. As a result most farmers have migrated to producing other crops like tobacco even in the ecological regions that are not most suitable for those crops.
- Use of a strong currency further explains why Zimbabwean exports are losing competitiveness in the region.
- In addition, business community suffers from high costs of doing business in Zimbabwe. Raw material and labour costs were ranked highly as cost drivers, with the former accounting for 44.1%, and the latter 15.3% of overall production costs in a study carried out by ZimTrade in 2014.

Undiversified exports

- Zimbabwe's export products are not diversified and concentrated in low value primary commodities.

Dwindling export markets

- Zimbabwe's export markets have been declining over the years as evidenced by an increase in its Hirschman Herfindahl export market concentration[14] from 0.138 in 2006 to 0.535 in 2015 (OECD/WTO, 2017). Regional comparators like Mauritius have diversified export markets as evidenced by a lower Hirschman Herfindahl export market concentration of 0.072 in 2015 (OECD/WTO, 2017).

Low trade finance

- Evidence shows that Zimbabwe generally receives very little international financing that is trade related. OECD/WTO (2017) reveals that while Zambia and Mauritius respectively received $78.3 million and $43.8million as Other Official flows that are trade related in 2015, Zimbabwe did not receive anything. Further, aid for trade that Zimbabwe received under the Official Development Assistance was only $59.9 million compared to $266.8 million received by Zambia
- In the past Zimbabwe used to receive export support through the STABEX and SYSMIN under the Lome Convention between the ACP countries and the European Union.

Outdated Industrial structure

- Sentiments from some of the stakeholders indicated that the pattern of Zimbabwe's trade flows, and indeed its industrial structure, are very much the product of its colonial past. Unlike in Japan and the East Asian Tiger economies, no rigorous effort has been made during the post-Independence period to identify the country's current, as well potential comparative advantage, with a view to nurturing such industries with appropriate policy interventions.

Non-tarrif barriers in some export markets

- There are very stringent requirements in the EU markets that include product quality, standards, labeling, Sanitary and Phytosanitary regulations, and certification among others that Zimbabwean exporters find difficult to meet.

Trade policy gaps

- No long term policy to guide Zimbabwe's trade agenda. While tobacco is the country's major export, the international price is moving on a downward trend. The implementation of tobacco initiatives and possible innovations like production of synthetic tobacco pose a serious threat to

[14] Hirschman Herfindahl export market concentration is a measure of the dispersion of trade value across an exporter's partners. A country with trade (export or import) that is concentrated in a very few markets will have an index value close to 1. Similarly, a country with a perfectly diversified trade portfolio will have an index close to zero.
https://tcdata360.worldbank.org/indicators/hh.mkt?country=BRA&indicator=2370&viz=line_chart&years=1988,2015

the country's export revenue. In this regard diversification of the country's export basket will assist in averting this risk. This requires expeditious and consistent implementation of value addition of the country abundant mineral resources and agricultural products. Implementation of a robust value addition and beneficiation programme requires supportive policy measures; incentive frameworks; increased investment in new technologies and securing markets for the value added products.

- Policy coordination and clarification of institutional and Ministerial mandates will assist in driving export growth as well as the deepening of regional integration and trade agenda. For example, the stakeholders are awaiting further policy clarity on the operationalization of Special Economic Zones and its prospective merger into the newly formed Zimbabwe Investment and Development Authority (ZIDA) which will include the Zimbabwe Investment Authority (ZIA) and the Joint Venture Unit. All these institutions' current mandates are key for investment promotion; infrastructure development and manufactured export growth.
- Inconsistencies in the country's policies. Some of the consulted stakeholders felt that the country often operates with outdated statutory instruments even if the conditions have changed. The statutory instruments restricting imports should be controlled to take into account gluts and shortages of goods. In countries like Kenya, there is an institutional arrangement monitoring availability of goods against national demand and borders are regulated accordingly in order to avoid unnecessary market shortages, price hikes and raw material shortages for industry.
- Some of the country's trading partners indicated that Zimbabwe does not expressly state the use of regional trade arrangements in its national policies as engines for growth thereby sending a negative signal on the extent to which the country values trade cooperation. Mauritius for example uses EPAs to access both the EU and the ESA region. International trade has acted as a driver of the Mauritian economy. Openness to trade has remained high and further increased between 2004 and 2014, along with an increase in the GDP per capita (Government of Mauritius, undated).

Competition from China and India

- Zimbabwean products continue to face stiff competition regional markets from Chinese and Indian substitutes largely due to lack of economies of scale. However, unfair trade practices are squeezing some of the Zimbabwean products off the regional markets like Zambia and Tanzania.

5.5 Policy interventions in place to address sluggish trade performance

- The 5% export incentive by RBZ is a price competitiveness measure to cushion exporters
- The RBZ rolling out a $90 million fund as a supply side initiative to boost the production capacity of the economic players like the gold miners, cross border traders, women and youth in business
- The Government embarked on a Rapid Results Initiative to ease the doing of export business. The initiative identified regulations, permits and procedures that are impeding exports and made some recommendations requiring legislative and non-legislative reforms. The initiative proposed the reduction of export registration fees and permits charged by various government institutions facilitating export trade such as the Ministry of Industry and Commence, Ministry of Agriculture, Agricultural Marketing authority Medicines Control Authority of Zimbabwe, Zimbabwe Revenue Authority, Environmental Management Agency and the Ministry of Environment, Water and Climate to reduce ozone depletion. Selective legislative proposals are outlined hereunder:

Export support however, must be holistic in approach and focus on the supply side , market price and key enablers (e.g. utilities).

6. Opportunities for Zimbabwe to harness its potential from regional integration

This section provides a summary of opportunities that Zimbabwe can exploit internally and in the regional trading blocs in order to deal with its development needs.

6.1 Abundance of human capital

Zimbabwe needs to capitalise on the best human capital skills it has when compared to other sub Saharan African countries. These skills have been absorbed in neighbouring countries and beyond thereby contributing immensely to those countries' economic development. The government needs to tap into this for the reindustrialization of the country. Human resources is an important resource just like precious minerals which can be a basis for industries such as the financial, health and information communication technology (ICT) sectors. Thus, the country can be a hub of these industries in the region outside South Africa.

6.2 Regional value chains

Regional economic communities offer bigger market opportunities for Zimbabwe. However, the country's participation in regional value chains is sub optimal. Huge opportunities lie in agro-processing; leather; African traditional medicines; fruit and nuts; hides and skins; scrap metal; manufactured tobacco and cotton yarn. The country can leverage on this advantage by reviewing its policies in favour of these value chain opportunities.

6.3 Trade in services

Another opportunity lies in trade in services which could be in financial, tourism, transport, and education sectors. Most Zimbabweans go abroad for further education. Countries like Mauritius have upgraded their university education to match the European standards and are collaborating with International Institutions of Excellency like Oxford and Harvard to offer their degrees. They are further offering scholarships to African students. Zimbabwe used to attract foreign students in its institutions of higher learning and can still ride on its strength of having the highest literacy rate in Africa to increase trade in services in the education sector. Mauritius has gradually moved away from a productive model based on light manufacturing and agro-based production to an economy centred on services. Mauritius' exports of services overtook those of goods in 2008 and the service sector has been moving into higher value added and sophisticated services by intensifying growth into sectors such as professional, financial and information technology services (Government of Mauritius, undated). Similarly, while South Africa's export basket continues to be dominated by commodities, this is with the exception of its exports to African markets (Vickers, 2014).

6.4 Strategic geographic location

Some of the stakeholders revealed that Zimbabwe's opportunities lie in its geographical location. The country is strategically positioned to provide a gateway to markets within the Southern African Development Community (SADC), the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC) and beyond. It is linked to countries such as Mozambique, Botswana, Zambia, Malawi, Tanzania and the Democratic Republic of Congo through the North-South Corridor, the most extensive corridor system in the region. The rail network connects all major economic centres, providing transport for bulk raw materials, finished goods and passengers. It also provides transport for the country's exports and imports to seaports in South Africa and Mozambique. Zimbabwe also share border with South Africa which is one of the largest economies in Africa and can therefore leverage on this advantage by creating warehouses that can then be used by some of South African companies and firms in its regional counterparts including Zambia, Botswana and Mozambique as a way of generating revenue.

6.5 Participation of Zimbabwe in regional economic communities

Strategic utilization of trade preferences in major markets which include the European Union, Africa and North America has been instrumental in the Mauritian economic miracle since independence (Government of Mauritius, undated). The fact that Zimbabwe still participates in a number of regional economic communities presents an opportunity for the country to unlock its developmental potential. Elsewhere, progressive deepening and expansion of regional integration and entry of bilateral trade have widened the scope of trade opportunities for the Kenyan businesses (Government of Kenya, 2017). There is an emerging trend towards exports of services, particularly professional services; horticultural products targeting the European market are driving its economy; and new market opportunities are being exploited through exports of apparels, textiles and coffee under the AGOA initiative; trade in livestock products in to the Middle East as well as tourism to the Asian tigers (Government of Kenya, 2017). Thus, Zimbabwe can regain its market share in the traditional markets in addition to exploring opportunities in emerging markets.

7. Recommendations on how Zimbabwe can deepen its participation in the regional economy

- The country needs to relook at its trade policy strategy. In most regional trade and international trade agreements, Zimbabwe is usually among the "early birds" to sign the Agreements but will later fail to implement due to competitiveness issues of its industries. In most cases, the country commits itself to trade liberalisation without engaging the stakeholders who will be directly affected by the agreement. It is therefore recommended that the country uses a value chain approach to ensure that all players involved in a particular sector are involved during the consultation process. The Business Membership Organisations must also be given enough time to provide their input rather than the current situation where they are asked to provide their input at short notice. There is also need to do thorough research and focus on one regional grouping rather than to stretch the thin resources to all regional integration initiatives.
- The country needs to pursue a robust industrialization strategy focusing on value addition and beneficiation to produce high value manufactured exports. Zimbabwe's export basket is currently dominated by primary products that are similar to its regional counterparts, this call for the country to specialize in product differentiation in order to beat regional competition. Zimbabwe needs to adopt new technology, invest more in product research and development to meet international competitiveness. Zimbabwe's engineers need to move a gear up and mimic machinery and equipment that are used elsewhere for the production of goods in the local market. Research and development institutions need to be adequately equipped and resourced to provide support to the industrialization agenda.
- The country needs to take advantage and participate initially in regional value chains and then global value chains where it has comparative and competitive advantage. Examples of such value chains include the agro-processing, leather; cotton to clothing and pharmaceuticals. Botswana for example produces lots of hides but has a very small shoe industry and a very small population. Zimbabwe can ride on this opportunity given its proximity to Botswana and the competitive advantage that Bata Shoe Company has in sole production. Further, Zimbabwe can also link its leather sector to Ethiopia, the hub for the leather value chain on the African continent. Further, Zimbabwe produces one of the best cotton yarn in the region which can satisfy demand from member states like Mauritius that produces textiles and

clothing for high value markets like the US. Currently Mauritius is importing yarn from China yet this is could be sourced from a fellow COMESA member, Zimbabwe.

- There is need for the country to address trade facilitation challenges through taking a relook at laws that support Trade Facilitation Agreement in line with ease of doing business. In addition trade facilitation can be enhanced through rolling out the one stop border post initiative implemented at Chirundu border post to other national borders such as Forbes, Nyamapanda. Establishing the Beit Bridge Border Post as a one stop border post will greatly improve efficiency and transit times at this very busy border post. The government should also rationalize its licensing system with a view to making it more transparent, as well as ensuring a clear policy on the export of on unprocessed minerals. Streamlining and removal of cumbersome custom processes and harmonizing the work of multiple agencies working at the border posts will assist in facilitating trade and reduce transaction costs.
- Consultations with stakeholders revealed that the country should not only focus on promoting trade in goods but should also focus on promoting trade in services such as education and health services. Thus, sectors such as education and health should be viewed as industries with potential to generate foreign currency receipts.
- Zimbabwe can ride on the COMESA Trade and Development Bank that avails credit to private sector players in the region. The regional bloc has just adopted an industrialization policy geared towards increased regional industrial capacity. The same with SADC industrialization strategy.
- Zimbabwe needs to finalize its trade policy and her national export strategy taking into consideration the changes that have occurred in the country and ensuring that there is adequate consultation from all stakeholders involved in trade including small to medium scale enterprises (SMEs). It is quite important for the trade policy to be anchored on strategies that are consistent with the vision of achieving a middle income status by 2030.
- The process of creating the ZIDA to be expedited and ensure mandate clarity and institutional co-ordination. Operationalization of the Special Economic Zones is key for attracting investment in exporting industries. The Special Economic Zones Authority's current mandate is aimed at promoting value addition and beneficiation by offering targeted and specific incentives to qualifying investments.
- For certain sanitary and phytosanitary (SPS) measures imposed by Zimbabwe, it is recommended that the requirements be guided by a risk-based analysis, and calls for further transparency in Zimbabwe's SPS and technical barriers to trade regimes, including through better compliance with notification obligations. In addition, the government should consider reducing cost of Phytosanitary Certificates.

- This study also recommends that Zimbabwe should improve its business environment by addressing governance issues and further liberalizing its trade regime, with a view to attracting foreign investment. Enhancement of and full compliance with multilateral commitments would help by increasing the policy credibility and predictability. The policy makers should also move away from political solidarity, and promote thriving private sector development in Zimbabwe through transparent and predictable regional trade policy.
- Sentiments from the consulted stakeholders further revealed that the country's approach to trade is generally misplaced. Trade is largely understood as trade in complete products yet 66% of global trade has long shifted from trade in complete goods to trade in components/tasks. Zimbabwe therefore needs to undertake studies to identify components where it has competitive advantage and concentrate on those. This will foster the country's participation in regional value chains. One such opportunity lies in sole production by Bata Shoe Company. The other one is batteries. Small as it is Zimbabwe, used to dominate the South African motor industry in supply of vehicle batteries. Due to deindustrialization, the country has since lost that opportunity.
- A clear vision of comparative advantage is a starting point for the design of policy interventions and is the benchmark for deciding which industries can contribute to the country's industrialisation in the long term. Without such a tool to assess the appropriateness of policy interventions, policies can become ad hoc or indeed be misdirected to supporting industries which may have been established in different historical circumstances and which no longer have productive value for the economy.
- There is need for the government to promote Micro Small and Medium Enterprises (MSMEs) for them to be more competitive in the international markets including through the utilisation existing simplified trade regimes which stakeholders felt are not being popularized to the MSMEs.

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