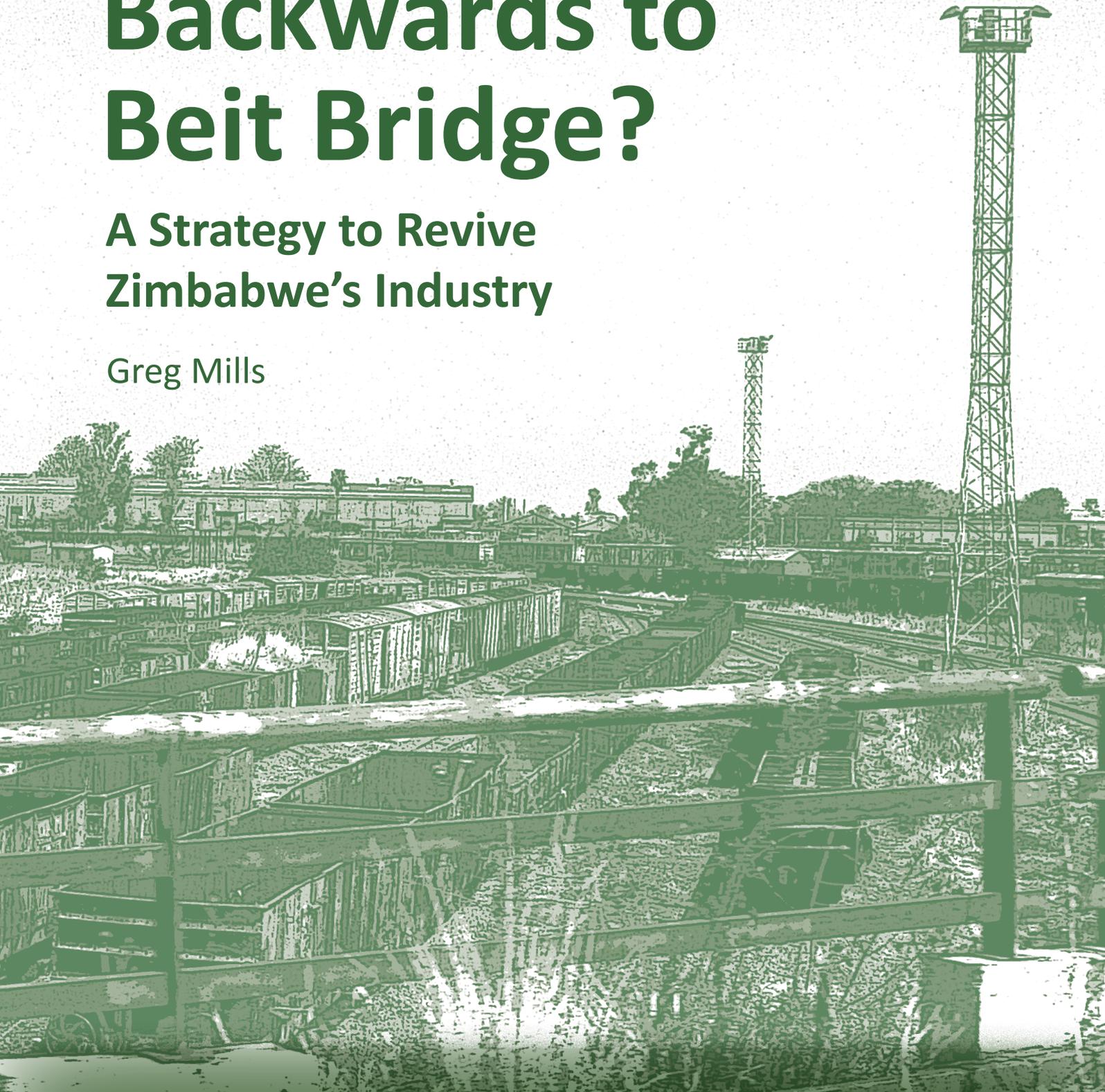


DISCUSSION PAPER 7/2012

Backwards to Beit Bridge?

A Strategy to Revive Zimbabwe's Industry

Greg Mills



Strengthening Africa's economic performance



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Contents

Abstract	3
Contemporary Reasons for Concern	5
Drivers for Decline and Recovery: Politics, Policy and Infrastructure	6
Backwards or ... Forwards to Beit Bridge?	13
Endnotes	16

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Cover photo of Bulawayo railway yard in August 2012 by Greg Mills.

Abstract

The advent of the national unity government (GNU) in Zimbabwe in 2009 halted the country's catastrophic economic collapse and stabilised a political and social environment pervaded by human rights abuses and institutionalised corruption. Yet despite the stability the GNU has offered, the trajectory of Zimbabwe's prolonged industrial decline – which started in the mid-1980s – has not been altered. In terms of the provision of basic services and infrastructure and the availability of opportunities for new and existing businesses, a whole gamut of statistics and governance indicators suggest that things remain on a steady downward trend. Instead of generating opportunities for greater prosperity through new services and production, wealth creation in Zimbabwe increasingly depends on redistribution of existing assets through political connections and trading on the margins.

The purpose of this paper is to attempt to understand the extent and reasons for Zimbabwe's industrial decline and outline prospective means for its resuscitation. Above all, Zimbabwe will require leadership to make decisions based not on personal or party self-interest, but focused instead on national development ambitions. If this leadership and the necessary policies fail to emerge soon, much of Zimbabwe's industry will soon be past the point of no return. Provided the politics improve, however, a number of key changes are necessary to revive Zimbabwe's industry. Most crucially, the key drivers – agriculture, transport, construction, mining and tourism – need to be reinstated. Emphasis also needs to be placed on using trade agreements wisely, especially for fast moving consumer goods (FMCGs); renewed investment in vocational training; reducing the costs of financing; and vitally, stamping out graft and corruption.

'The government wants us to eat politics, even though we are tired of it. But it's the only thing on its menu – power and politics.'

CEO, Harare, August 2012

Bulawayo's architecture is impressive. Cecil John Rhodes, the man behind its 20th century edifice, ordered that streets 'should be wide enough to allow a wagon with full span of oxen to turn'. The extension of the railway through Botswana from South Africa in 1897 coupled with flourishing mining and cattle ranching industries, and Bulawayo's strategic position on the crossroads of the hoped-for Cape-to-Cairo and Botswana–Mozambique routes, gave birth to a substantial industrial sector.

Today, however, this is broken.

While the facade remains, much of the inner stuffing is gone. Empty shops and buildings hint at a deeper malaise. The railway yards and workshops lie as still as the railways – in 2000, the country carried 20 million tonnes of cargo annually and 100 trains daily on the network; today, in 2012, it carries eight trains and 1.7 million tonnes. In 2000, there were 350 manufacturing enterprises in Bulawayo employing 100 000 workers; today there are 250 employing around 50 000. Bulawayo's once-buoyant textile and clothing sector currently employs no more than 3 000 workers – 10 per cent of its peak. Shuttered factories bear testament to the industry's sorry decline.

Where factories once worked 24/7, today smoke seldom rises from their chimney stacks. A city of manufacturers has become a city of peddlers of the goods made by others. Where once steel was forged and shaped, today wire sculptors eke out a living hawking their wares. Where, too, once thousands of workers thronged the streets at the 5pm *shayela*, today a trickle of lucky ones make the journey home. Everywhere you hear the same refrain. 'It's hard here.' 'We have nothing.' 'South Africa has everything, good infrastructure, jobs'. 'The economy is stagnant'. 'There is nothing'. If the longest queue in Harare is at the passport office, Bulawayo's is outside the Western Union city branch to collect money sent by relatives and friends.¹

It is a city hunkered down in survival mode, all pretensions having been stripped away. Where once stood Rhodes' statue looking out over the city at the intersection of Main Street and Eighth Avenue, today

sits an empty plinth, reserved for a statue of the late Joshua Nkomo (affectionately known as the Father of Zimbabwe). His family is apparently unhappy about the statue's small size and, more distressingly, its North Korean origins given the Asian country's link to the 1980s Matabeleland *Gukurahundi* in which an estimated 20 000 of the ZAPU leader's people lost their lives and many more were permanently disabled. Outside the city centre, across the bus stop known as Ascot, the horse racing track has been consumed by bushveld, the rails which once guided the punters' favourites slowly collapsing and disappearing in the undergrowth. The importance of maintaining the once-rich foliage of Bulawayo's Central Park and the illuminated fountain constructed on the city's 75th anniversary have similarly been overtaken by the primacy of personal survival. On the road to Harare, the scaffold over the road carrying the words 'Zimbabwe Independence 1980' is broken and bent in the middle.

Empty shops and buildings hint at a deeper malaise

This is not a romantic *Rhodesiana* retrospective, however. Bulawayo was built on imperial ambition, subterfuge and conquest, the region invaded by Rhodes' British South Africa Company in November 1893 in pursuit of one of his 'big ideas' and dreams of power.² There is little purpose denying or, equally, gainsaying that. In fact, Zimbabwe's success continued beyond its 1980 independence, its prosperous decade of the 1980s and early 1990s derived from sound economic policies and a focus on education. The trade policies ensured the protection of local industries and emphasised import substitution. The Unilateral Declaration of Independence of November 1965 and the translation of this isolationism into the post-1980 anti-apartheid struggle may have had vastly different political origins and intent from Rhodesian colonial ambitions, but the

industrial aim and effect were the same: Protect local industry and interests against the behemoth 'down south'.

The purpose of this paper is to attempt to understand the extent and reasons for Zimbabwe's

industrial decline and outline prospective means of its resuscitation. But implicit in this, given the environment of the last half century, is not only 'can Zimbabwean industry survive without protection', but 'should those sectors that cannot be left to die'?

Contemporary Reasons for Concern

Zimbabwe's population is estimated at 11.5 million. Today there is an estimated 850 000 full-time, formal jobs, a little over half the amount of employment opportunities present in 2000, comprising 250 000 government employees (not including 70 000 ghost workers), 140 000 in industry, 125 000 in agriculture, and 220 000 in the services sector. As a result, only about 12 per cent of the adult population has regular employment, 85 per cent of the population lives below the Poverty Datum Line and 57 per cent have incomes below the Food Datum Line.

Assuming a population growth rate of 2.5 per cent, Zimbabwe will double its population in little under 30 years. At the same time, to achieve a goal of middle-income status by 2040, Zimbabwe will have to lift its per capita income ten times from \$300 in 2011 to \$3 000, in effect doubling every 7.5 years. This assumes, in turn, a *real* economic growth rate constantly over 10 per cent per annum for three decades.

The advent of the national unity government stabilised a rapidly deteriorating economic environment riddled with hyperinflation, a collapse of basic services, human rights abuses and widespread institutionalised corruption. Until that point, the violence, farm seizures and pattern of self-enrichment revealed starkly the intent of the ruling elite to retain power at any cost with party interests and power maintained at its core through the armed forces.

This system of elitist control has yet to be undone in Zimbabwe. Nor has the autocratic direction of the country been significantly altered by the unity government, despite the stability it has offered. As hard as it may be to stomach, the country's overall trajectory has been downward since the mid-1980s in terms of the provision of basic services and infrastructure,

and the availability of opportunities for widespread prosperity, as measured by a whole gamut of statistics and governance indicators. Instead of creating opportunities through production, as is intimated above, wealth creation has increasingly depended on redistribution of existing assets through political connections and trading on the margins.

Achieving the middle-income goal will require altering this trajectory. Doing so will involve more than improving governance or shoring up the productive assets of the economy. It will require a

85 per cent of the population lives below the Poverty Datum Line

strategic commitment to the concept of wealth creation through investment, property rights, and the rule of law: In sum, facilitating an enabling environment for business including political stability. More especially, attracting investments in the export-oriented industrial sector will require generally being at least as competitive in Zimbabwe's investor offerings as others worldwide to attract investors who would otherwise have no special reason to want to be in a country with a turbulent political history, inefficient soft and faltering hard infrastructure, and landlocked.

Those in government thinking about this future envisage this growth emerging principally from improvements to the agriculture sector, industry (particularly value-addition to primary products), and governance. As history shows, from Rhodesia to Zimbabwe, these three areas are closely related.

Drivers for Decline and Recovery: Politics, Policy and Infrastructure

Once an employer of 200 000 Zimbabweans, the industrial sector now officially provides work for around 140 000, though given that many of this number appear only nominally on the books of companies some of which are in deep trouble, it is likely, circa mid-2012, in reality around 100 000 and falling fast.

As one indicator, the Confederation of Zimbabwean Industries (CZI) has 50 paying corporate members today, where it once enjoyed 700. There is an estimated 50 per cent capacity utilisation of those industries remaining in Zimbabwe, though many argue that this figure is unrealistically high and based on unrepresentative sampling.

The Confederation of Zimbabwean Industries (CZI) has 50 paying corporate members today, where it once enjoyed 700

The underlying reasons for this are highlighted above. To reiterate, they include the absence of security for investments, a hyper-inflationary environment only arrested by the introduction of the US dollar³ in February 2009, the unreliability of supply of electricity, water and other utilities, and the collapse of the farming sector which fed much industry with its raw material and created a demand for services and goods. Underlying all of this, were the political and economic convulsions instigated by ZANU-PF and the rise, in parallel, of a shadow economy based on patronage and privileged access to state power and assets, such more recently as diamonds.

As protectionism has fallen, local manufacturing companies have collapsed, unable to deal with the twin-headaches of misguided government policy and foreign efficiency.

Take the milk industry, an example of the impact of land reform. In 1980, at independence, this sector produced 60 million litres per annum. The combination of an extensive aid programme and government stimulus saw the industry increase production to

260m/l annually by 1990 from 550 farmers, to the point that in spite of investment in new factories, the government lacked sufficient processing capacity 'and milk was thrown down the drain'. The industry was privatised in order to increase efficiency under the Enhanced Structural Adjustment Programme (ESAP) in 1996, but already by that time production had fallen to 180m/l as a result of widespread drought. Between 2000 and 2012 annual production figures fell from 150m/l to 60m/l, where they were in 1980.

Land reform had several impacts. First, the number of dairy farmers dropped from 550 to 150 as 'those who took farms have no interest in producing milk – an industry that is no walk in the park – and instead went into soya, tobacco and maize.' Second, the land policies removed 'bankable, credible security' for the farmer to borrow against. A third factor was 'the erratic supply and cost of utilities, especially electricity which is now the most expensive in the region'.⁴ As these impacts played out, many of the factories predictably fell into disrepair.

Today Zimbabwe's 50m/l annual milk shortfall is made up by cheaper imports from its southern neighbor. South African milk, produced at \$0.40c p/l (compared to \$0.62c in Zimbabwe), is on the shelves in Harare supermarkets for \$1.10 p/t (compared to \$1.60). 'South Africa has greater economies of scale, certainty on pricing, and cheaper utilities', reflects one Zimbabwean CEO.

The number of dairy farmers dropped from 550 to 150 as 'those who took farms had no interest in producing milk'

Not only has the country 'become a corridor of consumption for South Africa,' but four of the eight Zimbabwean *Dairiboard* factories are inactive, and milk factories countrywide are operating at around 20 per cent capacity. These effects are worsened, industry specialists argue, by a 'fragmentation

of policy', where 'industrial policy is not linked to financial policy and nor to trade policy'.

To an extent Zimbabwe's 'industrial shedding' would of course have happened regardless of government policies. It is the price of having low-volume, often antiquated industrial technology and methods, 'a pervasive feature of the country'. But bad politics has turned inevitable change into devastating collapse.

Clothing manufacture is perhaps the quickest, 'capital-lite' route to increasing employment

Take a further example: The clothing and textile manufacturing sector. These businesses once employed 35 000 and 18 000 workers respectively, from meeting local and regional needs to producing Pierre Cardin and Van Heusen wares for export. Today the figures have diminished to 6 500 and 1 500, and are still falling. Giants of the industry have faltered, including the moribund David Whitehead plant in Chegutu, once employing 6 000, and Archer plant in Bulawayo, today under Judicial Management. Only the hardy and resourceful few have battled on.

Their struggle illustrates other, related sectoral issues. Today 97 per cent of the 250 000 tonnes

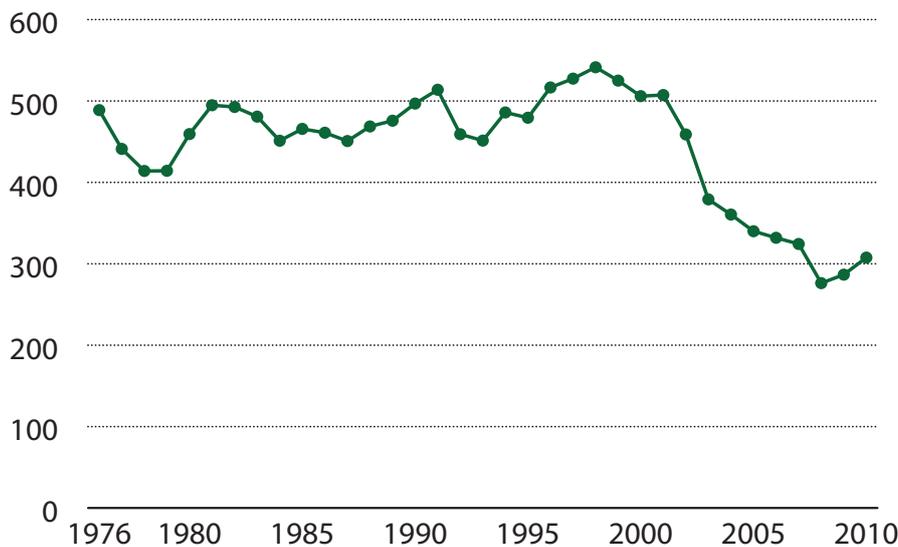
of cotton produced annually in Zimbabwe (almost exclusively by 300 000 peasant farmers) is exported as cotton lint (i.e. ginned, but otherwise unprocessed), while the remaining three per cent is divided equally between yarn, fabric and clothing.⁵

Clothing manufacture is perhaps the quickest and 'capital-lite' route to increasing employment. A sewing line employing 80 people in a single shift costs only \$20 000 to set up; by comparison, a single textile loom employing six people across three shifts will cost \$100 000.⁶ Zimbabwe will, however, have to act regionally and domestically to realise this opportunity. And this will demand some political horsepower.

Southern Africa is virtually the only developing region worldwide that is, in the words of one analyst, 'stuffing up clothing and textiles.' In addition to the special domestic political circumstances in Zimbabwe, there are five reasons why the region has lost 200 000 textile jobs over the past decade, including 130 000 in South Africa alone, and why smaller producers like those in Zimbabwe have battled to survive.

The first is the failure to regulate properly imports from the Far East in general and China in particular. China today dominates the southern African clothing market. Industrialists routinely bemoan the 'absence of a level playing field with China and the Far East' and that 'we looked East and got too much', that Chinese goods are not regulated sufficiently given

Graph 1: Zimbabwe GNI per capita (Constant 2000\$)



their high levels of domestic (Chinese) subsidy. The latter is estimated by Zimbabwean analysts to be in certain items as much as 180 per cent of labour costs.⁷ This is not helped by Chinese 'privileged' immigrant status, by which migrants are permitted to bring a container of 'personal' effects duty-free. One might argue that Zimbabwe is, in some respects, China's first African colony; and it's not a pretty governance result, with local industrialists now complaining that the economy is being run 'on arbitrage and exploitation – like a tuck-shop'.

The region has battled with uncompetitive labour/ productivity rates relative to East and South Asian producers

Related to this, second, are region-wide problems of fraud and graft. It is estimated that the Zimbabwe Revenue Authority (ZIMRA) should annually collect \$100 million from clothing imports based on the 40 per cent duty plus \$3 p/kg regime; in reality, widespread fraud allegedly occurs both at the border and bonded warehouses. It is similarly alleged that while Chinese firms exported an estimated \$12 billion worth of clothing to South Africa in 2011, the declared value was just \$6.2 billion. But the 'biggest corruption,' says one Harare-based entrepreneur, are 'the SA suppliers using SADC certificates of origin for things that don't comply. And the biggest cheats are the bigger stores.'

Third, the region has battled with uncompetitive labour/productivity rates relative to East and South Asian producers, even though these have been kept comparatively low in Zimbabwe where, for example, \$155 is the starting monthly salary. 'Anything over \$230 would kill us in the clothing sector' says one Zimbabwe producer.

The fourth reason is most troubling. South Africa supplies Zimbabwe with over 80 per cent of its imports, some \$500 million a month in 2012. Zimbabwe is South Africa's biggest African trading partner. Yet Pretoria has proven remarkably ungenerous over insisting on a two-stage transformation process for regional clothing producers. In layman's

terms, this means that regional manufacturers cannot use third party fabric to transform into clothes and then export duty-free to South Africa. They have to make clothing and also participate in another phase of the value chain (cotton growing, spinning or weaving) up to 25 per cent of the cost. Yet not only does South Africa prop up its own producers with direct government financial support and soft loans, it is requesting the same third-party single-transformation preference in its own negotiations with the US and Europe. Zimbabwe would, some argue, be better off if it reverted in this regard to the 1964 Bilateral Trade Agreement with South Africa, under which the clothing quota represents 2 per cent of South African imports. But Pretoria continues to insist that only the SADC Free Trade Protocol is valid.

South Africa is technically correct to insist on the provisions under the SADC Free Trade Protocol, which applied from 2001. But given that the rest of the region supplied, in 2011, just 1.2 per cent of South Africa's clothing imports, and the importance of this sector to the poorer regional countries, this is not only uncharitable but short-sighted. 'Only China is winning from the current arrangement', as one manufacturer put it.

In 2005 Zimbabwean clothing producers used 100 per cent local fabric, this has shrunk in seven years to just 5 per cent

The final reason is Zimbabwe specific. Faced with a shrinking domestic market amidst the political drama of the 2000s, Zimbabwe's textile producers were slow to respond. Rather than providing what the customer required, the textile producers inflexibly produced what they could. As a result, whereas in 2005 Zimbabwean clothing producers used 100 per cent local fabric, this has shrunk in seven years to just five per cent.

It is thus too easy, however, to point a finger at the failure of industrialists in adding value. The furniture industry should be – and once was – a key export sector, using the country's natural advantages

in timber. Today, however, the industry is reeling, employing just 2 100 workers (from 8 000 in 2000) in some 25 Harare- and nine Bulawayo-based companies. Between 2009 and 2012, for example, six factories closed, while four others are working three-day weeks. The industry doyen, Wilson, established in 1958 and with a client list that includes hotels from Florida to Dubai, has downsized from three to two factories and from 950 workers in 2000 to 400 by mid-2012. This decline has been put down to a lack of competitiveness in international markets which, in 2000, accounted for 95 per cent of Wilson's sales. Today this is down to just 25 per cent.

On average, producers can expect their vehicles to spend up to a week at the Beit Bridge border post

The reasons behind this include, again, the high cost and erratic supply of electricity, the disincentive to investment posed by indigenisation laws which do not offer the policy clarity and reassurance required, the high cost of local borrowing, a deterioration in business ethics and efficiency, and the related challenge posed by cheaper Chinese, Malaysian, Vietnamese and Indian imports which 'seem to manage' to avoid the obligatory import duties – on furniture 20 per cent into South Africa; 40 per cent into Zimbabwe. The question of integrity is linked to border operations more generally. On average, producers can expect their vehicles to spend up to a week at the Beit Bridge border post 'if they don't pay anything'.

The opportunities for this sector lie mainly in accessing the South African market. But the effects of the years of hyperinflation are beginning to tell, with an urgent need for reinvestment in equipment and vehicles in order to enhance competitiveness. 'If something does not change,' reflected one stalwart, 'we will become an assembler only of Chinese furniture for the region.'

Thus outside of clothing, with its specific regional solution and relatively low power-to-job requirements, it is difficult to envision widespread beneficiation without an enabling and competitive

policy environment, including infrastructure, cheap financing, improved governance, and attractive policies. For example, in the area of power, Zimbabwe has between 600–900MW of power available, though the 2012 requirement is for 2 000MW.

Another, compounding reason for the decline is that Zimbabweans have voted with their feet. One Zimbabwean industrialist wistfully commented as he looked out of his window at a neighbouring school, that 'We have become an exporter of raw materials and raw talent.' Once so burnt, emigrants are unlikely to hurry home. The means have to be found, thus, to ensure the retention of existing and/or creation and attraction of fresh talent.

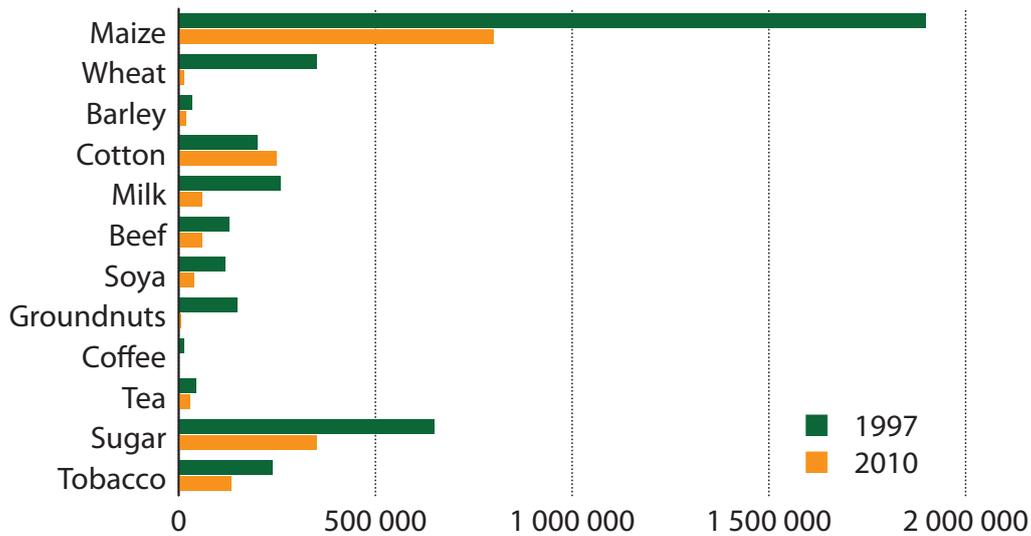
Just as the yardstick of state failure is commonly measured in terms of violence and economic decline, the solutions are led by aid agencies and the military. But this misses the point. The underlying cause of state failure – like the solution – is political. Without getting that right, in Afghanistan as in much of Africa, solutions can only be temporary at best.

In Zimbabwe's case, the political solution will have to involve the creation of a representative government through a free-and-fair election, following which would occur the re-establishment of private land title (of which restitution/compensation of the dispossessed is a key aspect in encouraging forward investment) in unscrambling the current legal mess; the substitution of punitive indigenisation legislation which has precluded long-term investment by a strategy aimed at positive empowerment; the depoliticisation of the judiciary and government service; and the containment of pronounced public and private sector corruption.

The underlying cause of state failure - like the solution - is political

A political solution first and foremost needs to resolve who is running the country, while simple respect for private property would leverage much local and foreign confidence and, if and when the opportunities manifest themselves, investment. 'Getting the international community and the donors back,' captains of industry are aware, 'depends on having a credible election outcome and

Graph 2: Zimbabwe: Agriculture production (tonnes), 1997 and 2010



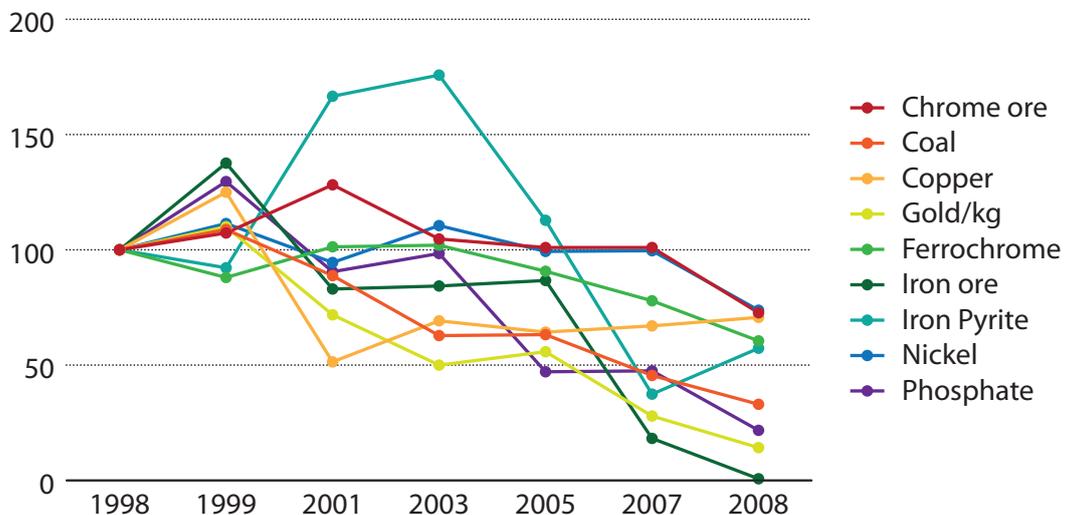
government.’ It will also require respect (albeit very belatedly) for Bilateral Investment Protection and Promotion Agreements (BIPPAs).

If getting the politics right is the essential first part of a development ‘solution’, the following have also to follow in getting the economy growing at the margins necessary and in particular reviving the industrial sector:

- **Reinstating Key Drivers:** Agriculture, Transport, Construction, Mining and Tourism.
 - **Agriculture:** Much of industry, like the economy overall, depends on the health of the agriculture sector. Zimbabwe was once a net

food exporter which, by the time of independence, ranked first in the world in per-hectare yields of groundnuts, second in maize and soya, and fourth in wheat.⁸ The tobacco sector has recovered, by 2012, to produce an estimated 140m kgs (compared to a peak pre-crisis production of 237m kgs). Much of this production is now from smallholders, often the former workers of commercial farmers, ensuring that wealth is broad-based. But other sectors have yet to experience this recovery. Zimbabwe has a maize requirement of 1.8m tonnes, of which today there is a 1.2m tonnes

Graph 3: Zimbabwe: Production of Select Minerals (1998=100 per cent)¹⁰



shortfall, with implications not only for food security, but millers and other aspects of value addition. The production of wheat, too, has plummeted from 400 000 tonnes to less than 40 000 tonnes.

- **Mining:** The increase in the production of gold over the last few years to nearly 13 tonnes in 2011,⁹ could be paralleled in other products. Some see mining as having the potential to increase its share of GDP from the current eight per cent to 12 per cent. In this, however, there is an overall need to focus on production before beneficiation, even though the export

Some see mining as having the potential to increase its share of GDP from the current eight per cent to 12 per cent

of ore and concentrates yields a much lower return: the former is a realisation of comparative advantage, the latter dependent on competitive policy and infrastructural aspects, being realised only when key infrastructure constraints (notably electricity) are addressed. Important in this regard also is fixing the rail network, starting with the re-skilling of senior management, encouraging greater reliance on the extensive rail network rather than the more expensive road system. Miners cannot be expected to take all the risk *and* provide their infrastructure.

- **Construction:** This is an often neglected sector but one critical to instant job creation and infrastructure delivery. Zimbabwe still retains considerable capacity in building materials, including three local cement plants, local brick-, tile-, fitting- and window-manufacturers. A national home-ownership drive centred around access to affordable finance may be one catalyst.
- **Tourism:** Growth in this sector is complicated by investor doubts of security of tenure

and over regularity and costs of access. The future here, as elsewhere, hinges on the path of indigenisation. In terms of access, a decision needs to be made urgently to create a strategic partnership for Air Zimbabwe, without which the costs especially on the key Jo'burg–Harare and Jo'burg–Bulawayo routes will become less competitive and the products at the other end less attractive. The revival of this sector – currently sitting at around one-third utilisation/occupancy – should boost construction among other domestic services, especially in the now less-accessible tourist resorts. At present, the best ways for tourists arriving in Harare to reach Victoria Falls are to either charter a light aircraft, or to fly to Jo'burg to catch a direct flight to Victoria Falls.

- **Transport and Power:** 'We are still driving on roads build in the Rhodesian days, and drinking water from Rhodesian pipes and plants' is a common refrain. From Beit Bridge to Chirundu, Zimbabwe's road network is a premix cement patchwork, its signs and road-markings non-existent or at best faded and rusting relics, street lighting and traffic lights in dire need of total refurbishment, and safety features are everywhere degraded. A national infrastructure master plan focusing on transport, water and electrification would be a good

Growth in the tourism sector is complicated by investor doubts of security of tenure and over regularity and costs of access

place to start. Resuscitating rail in Zimbabwe could not only offer relief to the hard-pressed road system, but could provide, too, a regional centre for such engineering operations given both South Africa's geographic distance and the state of its own railway facilities. Power is another area requiring, as has been illustrated above, both urgent and sustained

Table 1: Wage Overheads in Emerging Asia

Country	Avg. minimum annual salary (worker, Intl. dollar)	Avg. mandatory welfare (% against salary)	Total labour cost (Intl. dollar)
Bangladesh	798	n/a	798
Cambodia	672	n/a	672
China	1 500	50	2 250
India	857	10	943
Indonesia	1 027	6	1 089
Laos	1 057	9.5	1 157
Malaysia	4 735	23	5 824
Mongolia	2 004	n/a	2 004
Myanmar	401	n/a	401
Nepal	1 889	n/a	1 889
Pakistan	984	7	1 052
Philippines	2 053	9.4	2 246
Sri Lanka	1 619	n/a	1 619
Thailand	2 293	6.9	2 451
Vietnam	1 002	15	1 152

Source: IMF World Economic Outlook Database, October 2010.

action. If Zimbabwe's \$10 billion economy requires 2 000MW of power, it is estimated that a middle-income, \$3 000+ per capita (\$100 billion GDP) economy circa 2040 will demand at least 12 000MW.

- **Vocational Training:** Post-independence Zimbabwe was characterised by an extraordinary educational effort. Majority rule saw school enrolment double to 1.76m with the reopening of 2 000 schools closed by the war.¹¹ A similar effort will have to be made once more, especially with vocational, apprentice-type training. The health of this system would, of course, be a function of the state of industry, but the right policy regime and incentives should be put in place.
- **Gaining Global Competitiveness:** Zimbabwean industrialists complain that there is 'no way that China can land goods at costs that are half the material costs to us'. In part this is a function of corruption at the borders, in part of Zimbabwean technology inefficiencies, and in part comparatively high wages/low productivity. The minimum wage for a

Zimbabwean textile worker at \$155 monthly is still more than double their Bangladeshi or Cambodian counterpart; or the \$240 in the furniture industry more than twice that in Vietnam (\$95).

Post-independence Zimbabwe
was characterised by an
extraordinary educational effort

- **Liquidity and the Costs of Finance:** Much has been achieved since 2009 when Zimbabwe's foreign exchange liquidity stood at \$6 million. But the costs of finance remain very high – around 20 per cent for smaller borrowers and 16 per cent for larger companies. Banking consolidation among an undercapitalised (\$3.5 billion) 25-strong banking sector is one place to start in improving things. The plan to double the minimum bank capitalisation threshold to \$25m by the

end of 2012 will assist this process. There are calls, too, for the recapitalisation of the existing Agri-Bank to specialise in finance to this sector, though security of tenure is recognised as an essential requirement to make this work.

- **Using Trade Agreements Wisely, Especially for fast moving consumer goods (FMCGs):** As noted above, Zimbabwean industry regularly complains about the hostility of South African trade policy, whereby South African rules of origin restrict the export of Zimbabwean clothing, textiles and engineering items. Not only does resolving this offer some possibilities, but Zimbabwe will need also to target the 420 million COMESA (Common Market for Eastern and Southern African) market more effectively, as has been done, for example, with the Bulawayo-based Datlabs pharmaceutical products, though logistical distribution remains problematic for these markets (see below on the route to Zambia).
- **Graft and Governance:** This is a key focus across sectors, and has inevitably a strong political dimension and response. For Zimbabwe to move rapidly on an ambitious middle-income path, it will have to transform its political economy from one characterised by graft, patronage and government indifference to something wholly different. One measure of progress is the international Doing Business Indicators, and the Transparency International Corruption Perception Index rankings. In the former it sits at 171 out of 183 countries in 2012;¹² in the latter, 154/182.¹³ As the Transparency International Zimbabwe (TIZ) executive director, Mary-Jane Ncube, has noted, 'Corruption is one of the major stumbling blocks in moving the country out of the current crisis. This reflects

a government which is not listening to the people. People are saying we are sick and tired of corruption and we are experiencing it in every aspect of our lives, but the government is failing to address this issue except making it a political rhetoric.'¹⁴ Graft has a direct effect on the cost of doing business in Zimbabwe

Corruption is one of the major stumbling blocks in moving the country out of the current crisis

and therefore the competitiveness of companies either via inflated costs for goods and services or through poor infrastructure and provision of public services. Businesses routinely emphasise the need for government – not themselves – to take the lead in corruption prosecutions. Related to this issue is the need for a strengthened competition commission and a revitalised ZIMRA, interviewees stressed, based on the model of 'South Africa's SARS'.

- **Plan and Implement:** Plans are by themselves not enough; implementation has to follow. Industry is, in this regard, calling for 'thoughtful leaders in power with credibility, a vision and an economic policy.'

To reiterate, sectoral recovery and the subsequent achievement of a middle-income status vision, will only be possible with political stability and the restoration of investor confidence through sound and competitive policy, the impartial imposition of the rule of law, and investment in government services: In sum, better politics, policy and infrastructure.

Backwards or ... Forwards to Beit Bridge?

The battered yellow minibus taxi accelerated backwards in the direction of Beit Bridge away from the roadblock near Esigodini on the road to Bulawayo.

He had little chance. Not only was the wide-eyed driver up against the police's BMW, which had done a U-turn to go after him, but he had a full load of passengers and only one (slow) speed in reverse.

It is an apt metaphor for Zimbabwe's plight. Travelling through the Beit Bridge border post is as intimidating as its reputation suggests, especially so for first-timers, uncertain of the various procedures and steps. The South African side was a nine minute glide-through, at least for a national passport holder. The Zimbabwean half more than made up for this efficiency by being chaotic and bureaucratic, for example with no fewer than ten different, stupefying steps for those travelling by cars.

First, queue to buy the blue vehicle exit pass. Invariably much time will be spent in the queue out the main door before one discovers that is not the right line-up. Second, get the passports stamped, which means returning to the first queue. Third, obtain the temporary vehicle import permit, with the car's original registration document in hand (and bank clearance letter if the vehicle is being leased). Fourth, queue again to purchase the vehicle carbon tax, the rate being dependent on the engine capacity.

Fifth, if you have not obtained the SADC 3rd party insurance before arriving in Zimbabwe, this step looms. Then sixth, obtain a police clearance certificate round the back of a small building set off across the road. At least there was a friendly man in there, unlike the ZIMRA types behind the other counters who smile, but never at work. They may be overworked and having problems with their computer system, apparently, but that does not explain the need for the studied unhelpfulness.

Travelling through the Beit Bridge border post is as intimidating as its reputation suggests, especially so for first-timers, uncertain of the various procedures and steps

Next, seventh, proceed to the customs queue for inspection, there being two lines, red and green, with apparently little distinction between the two processes, not least since they both depended on the energy level and ability of the single customs official armed with a large stamp bouncing from car to truck, *bakkie* to bus. With no queue to stand in,

one bids and pleads for his attention, in the company of many Zimbabweans trying similar, though apparently more successful techniques. If and when successful, he will attempt to calculate the value of the goods in your possession, whereupon you proceed back inside the border post building to pay the duty. Three queues were involved in finding the right one, again a product of the absence of signposting.

The customs payment is the moment, roughly three hours into the process, where the folly of the system is most apparent

Ninth, once this is done, the customs official, by this stage knee- and elbow-deep in going through the possessions of three busloads of passengers, and busier than a one-armed pizza maker, is cornered long enough to stamp the customs payment assessment on the vehicle pass. Then, tenth, you are on your way, with just two border checks to pass through where the blue pass is shown and taken before heading up the bumpy road from Beit Bridge to Bulawayo.

The customs payment is the moment, roughly three hours into the process, where the folly of the system is most apparent. People are paying duties on manufactured goods bought much cheaper in South Africa because of the absence or inefficiencies of Zimbabwe's own industry.

The purpose of this is not strategic, even though some politicians might want it to be such: That is, to safeguard domestic jobs as part of a protectionist import substitution arrangement, which Rhodesia and then Zimbabwe has relied on for five decades to build and maintain its industry. And it's not as if the tariff payment is the mainstay of government revenue. Tariffs account for an estimated \$380 million of the current \$3.5 billion Zimbabwean budget, the bulk being made up of 15 per cent VAT (over \$1 billion) and PAYE.

Rather it is the centrepiece of a giant tariff evasion game. Zimbabwe imported an estimated \$8.3 billion worth of goods in 2011, while exporting just \$4.7 billion, the balance of payments difference being made up through items that remain

unaccounted for: smuggled goods (diamonds, perhaps as many as \$2 billion worth of cigarettes for the South African market, *diaspora* remittances, and some foreign assistance. The bill for second-hand and new car imports into Zimbabwe amounted in 2011 to \$1 billion annually, which alone should bring in \$600 million in taxes. Add to that the 640 000 cars, 370 000 trucks, 26 000 buses and 7.4 million travellers transiting yearly over Beit Bridge and customs' income of \$380 million seems low, seemingly the product of tax evasion rather than application.¹⁵

The bill for second-hand and new car imports into Zimbabwe amounted in 2011 to \$1 billion annually

The reason why the government does not have an efficient system at the border is the same reason for the 12 police roadblocks between Beit Bridge and Bulawayo, or the 17 counted during the 370kms between Bulawayo and Harare, or the 13 over the 355kms Harare–Chirundu route. The greater the number of steps and checks and lack of clarity over procedures, the greater the scope for bureaucratic 'manoeuvre' otherwise known as graft. It would not take a rocket scientist to devise a simple border-control system for Zimbabwean, South African and other cars and trucks, or for local and foreign foot passengers, with a single stop for each. But doing that would remove the need for touts and their back-handers to the officials.

Things happen for a reason, usually, but they also don't happen for a reason.

The Chirundu border post with Zambia has been refurbished using donor money into what is advertised as a model regional one-stop-border-shop.

The chaotic, nearly two kilometre long queue of trucks on the Zimbabwe side suggests that things are not quite that perfect yet, an instinct backed up by experience which involved a lot of 'shopping'. First, the passports had to be stamped by the friendly, in this case, Zimbabwean official. Then it was around the corner to the 'Interpol Desk', two Zimbabwean officials reeking of the morning after the night before, in civvies, slouched behind a desk covered in

newspapers and two A4 textbooks for writing bits of information. Upon asking what I needed to do or get, one pointed to the sign taped to the wall which stipulated the need for original registration papers, passport, and police clearance among other bits of paper. All fine, apart from the police clearance, which we had no idea was needed and was a little difficult to acquire from South Africa on a Saturday afternoon on the Zimbabwe–Zambian border. We were told to 'wait at the car', which we did for 30 minutes, when the two emerged into the sunlight in the company of their more helpful Zambian counterpart to check the engine and chassis number, telling me all the time that we would not get through and would have to 'go back to South Africa'. Then it was back inside – where I was repeatedly asked by the pair 'what are you going to do for us'. Playing dumb and making small talk, they grudgingly filled out my name in one of the text books (using my pen, which was not returned) and with much effort stamped two sundry pieces of paper. It was then over to the Zambian side of the room for a similar stamp, before heading out the building and over the road to acquire the \$25 Zambian road insurance. Then crossing back to the main building, the \$35 carbon tax was followed by the temporary customs import permit before heading to another building to pay the \$10 'Siavonga District Council' charge and a \$20 toll fee. By this time we had acquired two customs 'agents' replete with official badges, who approached us on behalf of 'the pair' for their payment and the costs of their apparent facilitation.

A several-stop-rather-expensive-shop as it turned out.

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Industries internationally follow evolutionary cycles along the lines of 'survival of the fittest'

Industries internationally follow evolutionary cycles along the lines of 'survival of the fittest', through which economies are based on strong companies capable of competing globally (or domestically against

globally-sourced products). But in Zimbabwe, many of the best companies were culled as a result of the draconian monetary policies during the 'lost decade' of the 2000s. Not only did they have to cope with the loss of between 25 and 45 per cent of their export proceeds to the government in the form of foreign exchange revenues, but in the 2009 switch to the US dollar zeroed all ZW dollar balances. Combined with the earlier hyperinflation, the global economic downturn (which, for example, killed off the once-thriving ostrich export industry) and compounded by extreme political uncertainty around elections and indigenisation, the effect has been catastrophic. The most important domestic industry increasingly is taxing the goods produced by others. And in the absence of thriving larger companies, the SME sector lost their value-chain leader, source of training and R&D, as well as their trade focus.

Rebuilding, however, will be important for the government to avoid picking winners, but rather to focus on creating an overall environment that enables the business community to do this for themselves. To do so, Zimbabwe will require leadership to make decisions based not on personal or party self-interest, but focused instead on national development ambitions. If this leadership and the necessary policies fail to emerge soon, much of Zimbabwe's industry will soon be past the point of no return.

As one Zimbabwean industrialist has put it, 'We are at a crossroads of a past system favouring redistribution, with one promising value and wealth creation. Which we choose will determine our future.' A failure to do so will ensure Zimbabwe's future is to sell unprocessed natural resources and trade goods made by others.

Endnotes

- 1 Remittances into Zimbabwe are estimated to flow at anywhere from \$1m per day to three times this amount given the difference between formal and informal channels.
- 2 See 'A New Rand?' in Thomas Pakenham, *The Scramble for Africa*. (Johannesburg: Jonathan Ball, 1991), p. 372.
- 3 The introduction in February 2009 involved a multi-currency system, comprising US\$, ZAR, Botswana Pula, GBP and Euro, and not only US\$, although the US\$ became the functional reporting currency.
- 4 At \$12c per kw/h, with South Africa around one-quarter of this amount.
- 5 A key poverty alleviation crop, in 2012 there is a danger of the bottom falling out of the cotton market, with the international price dropping to under \$30c.
- 6 I am grateful for the input of Jeremy Youmans here.
- 7 I am grateful to Eric Bloch for this point.
- 8 See David Lamb, *The Africans: Encounters from the Sudan to the Cape*. (London: Methuen, 1985), p. 334.
- 9 As in many areas of Zimbabwe's statistics, these figures vary wildly.
- 10 I am grateful to John Robertson for this graph, the data on agriculture production, and the earlier graph on Zimbabwean economic growth. Platinum (not shown) has been the best performing mineral over this time, with production increasing ten times between 1998–2008.
- 11 Lamb, op cit, p. 335.
- 12 See <http://www.doingbusiness.org/data/exploreeconomies/zimbabwe?topic=enforcing-contracts>.
- 13 See <http://www.transparency.org/research/cpi/overview/>.
- 14 See <http://bulawayo24.com/index-id-news-national-byo-18465-article-Zimbabwe+unity+government+corrupt,+says+Transparency+International.html>.
- 15 A further indication of the extent of corruption can be gauged from the reputed cost of a minibuss passenger Harare–Joburg at R1 500 without travel papers, and R400 return.