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38

ACP EXPORT DIVERSIFICATION: THE CASE OF ZIMBABWE

Roger C. Riddell

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WORKING PAPER 38

ACP EXPORT DIVERSIFICATION:

THE CASE OF ZIMBABWE

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June 1990

ISBN 085003 133 8

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Acknowledgements

ODI Working Papers present in preliminary form work resulting from research undertaken under the auspices of the Institute. Views expressed are those of the authors and do not necessarily reflect the views of ODI. Comments are welcomed and should be addressed directly to the authors.

This Working Paper is one of five country papers prepared as part of a study of export diversification by the African, Caribbean and Pacific (ACP) signatories of the Lomé Conventions. The study is in two parts. The first involved an analysis of trade statistics to identify which states have begun to export which non-traditional products. In the second, fieldwork has been undertaken in a select group of states to identify the story behind the statistics. The results of these country investigations are reported in three Working Papers. Besides this one on Zimbabwe, two others (forthcoming) examine the cases of, first, Jamaica, Kenya and Ethiopia, and second, that of Mauritius.

The overall project is directed at ODI by Christopher Stevens. We are grateful for financial support from the Leverhulme Trust, but they are not responsible for the views expressed here.

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I. BACKGROUND AND OVERVIEW

The 1980s was an inauspicious decade for the trade of the African, Caribbean and Pacific (ACP) signatories of the Lomé Conventions; in fact, for many of them it was little short of disastrous. As a group, their share of European Community (EC) imports fell sharply and their economic situation worsened dramatically. Clearly, whatever the merits of Lomé II (1980-85) and Lomé III (1985-1990) they were no match for the negative economic forces that bore down on many ACP states.

So sharp has been the contrast between the ACP's position as most preferred and yet least successful trading partners with the EC that commentators have begun to question whether Lomé is worth the candle and, moreover, to assert that since the ACP have gained little from preferences their potential losses from liberalisation will be correspondingly modest. However, it is too easy to write off the Lomé trade preferences as valueless; much more cautious conclusions are required. The ACP's poor overall performance reflects two factors:

- first, the Lomé Convention provides the ACP with either zero or very limited preference over their major competitors for the greater part (by value) of their exports;

- second, ACP exports are more heavily concentrated than are those of other less developed countries on commodities for which world demand is growing slowly.

The evidence of the 1980s is that a number of ACP states have begun to break out of this unsatisfactory export product range, that the provisions of the Lomé Conventions have facilitated such diversification, that there is potential for further development during the 1990s, but, finally, that much remains to be done under Lomé IV to facilitate the process. The number of states that have achieved significant diversification is still a minority within the ACP group, but it is not an insignificant one. The success of Mauritius in developing its clothing exports is well-known, but it is by no means alone. In Kenya, for example, horticultural exports to the EC have developed very rapidly over the last five years and are now the country's third largest merchandise export. A recent analysis of non-traditional ACP exports has identified 28 states as significant exporters and, although many have exported only a small number of new products, one-third have exported six or more, and five have exported more than fifteen [McQueen and Stevens, 1989]. Moreover, diversification is not limited to the more advanced ACP states, such as Kenya, Mauritius, Zimbabwe and Côte d'Ivoire. It also includes poorer countries at lower levels of economic development, such as Ethiopia, Sudan and Ghana.

The analysis of trade statistics indicates which countries have begun to export which products, but it does not explain why this has happened, nor does it indicate whether there are residual restrictions in the EC market that are preventing an even more rapid diversification. It is the object of the country case studies to deal with these two neglected areas. The countries have been selected because they feature prominently in the trade analysis and, between them, they cover the main ACP sub-groups.

Very broadly, the purpose of this Working Paper is to attempt to understand better why Zimbabwe has managed to expand its non-traditional exports to EC markets and what constrains further expansion of these products to the European market. The paper falls into three major parts. This, the first, section sets the scene by providing an overview of the role of trade in Zimbabwe's economic development and a brief summary of trends in exports, particularly manufacturing exports. Section II provides, at a general level, an explanation for the growth of non-traditional exports to the EC. It does this by placing the incentives offered by exporting to Europe within the context of both other incentives (domestic and sub-regional) and other economic policies of the Zimbabwean Government. Section III provides detailed case-studies of particular products or sub-sectors, highlighting the specific reasons for expansion into the European market during the 1980s. The general explanations in Section II are derived in major part from the case-study material found in Section III, although the Paper also ends (Section IV) with a brief conclusion.

From 1966, the year after the illegal unilateral declaration of independence (UDI), until the second half of 1979, international trade with the then colony of Southern Rhodesia was prohibited under resolutions passed by the United Nations' Security Council. However, normal international trading did not begin until some time after the new country of Zimbabwe gained its political independence in April 1980 and the country then took its place among the community of nations. Following Independence, Zimbabwe acceded to the Second Lomé Convention, with effect from November 1980, was a signatory to the Third Lomé Convention from its outset, and, in 1990, was a signatory to the Fourth Lomé Convention. Detailed official international trade statistics by country of origin and destination have only been available for the period post-August 1980. Because of these unique features of Zimbabwe's recent history, discussion of Zimbabwean efforts at export diversification will be confined largely to the post-1980 period.

I.1 The Role of External Trade in Overall Development

External trade plays a major and increasingly important role in the economy of Zimbabwe with exports and imports combined now accounting for about one half of gross domestic product (GDP). Mid-1990 estimates (from the Economist Intelligence Unit) for 1989 give total exports at Z$1,589 mn and imports at $1,196, and forecasts for 1990 of Z$1,650 and Z$1,300 respectively.[1] The value of exports and imports

[1] In this Paper values are expressed variously, in Zimbabwe dollars, the United States dollars, the European currency, the ECU, the £ sterling and SDRs, as seems most appropriate or dependent upon the nature of the source used.

combined makes Zimbabwe the fifth largest trader in sub-Saharan Africa (SSA), after Nigeria, Côte d'Ivoire, Zaire and Cameroon.

In Zimbabwe, import levels are a critical determinant of aggregate growth levels, channelling essential intermediate inputs into agriculture, mining and manufacturing, as well as providing some 40% of the total value of investment spending. Given the present structure of the economy it is estimated [in the current development plan, GOZ (1986)[2]] that for each 1% rise in GDP an increase in imports of 1.18% is needed. In its 1985 country memorandum, the World Bank put the figure higher at 1.43% for the latter part of the 1980s but two years later it raised the ratio further to 1.64% for the period 1988 to 1990.

Not only is there a strong link between imports and aggregate growth rates but, under present and past policies, growth rates are being and have been constrained because of the Government's control and compression of imports for which there continues to be strong domestic demand. In accordance with pre-Independence practice, a key objective of macro-economic management has been to avoid running large current account deficits. The method of achieving this has primarily been to run a visible trade surplus (Zimbabwe has a substantial and rising invisible deficit), avoiding large external debt repayments and apportioning imports (through a rigorous system of quantitative allocations) in accord with this policy. In the period 1980 to 1982 the policy was briefly abandoned: imports were allowed to rise in excess of projected export earnings and this, together with rising non-service invisible payments, resulted in the country accruing a substantial external debt.

Between 1979 and 1982, the current account deficit increased sevenfold to Z$533 mn. Since then the deficit has been rapidly reduced until in 1986 a small surplus was again

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The following table provides conversion rates between these different currencies, per Zimbabwe dollar:

Year	Rate of Exchange of Z$1 for the following currencies:				
	ECU	US$	SDR	£ sterling	S.A. Rand
1979		1.4833	1.1259	0.6651	1.2400
1980	1.1170	1.5859	1.2434	0.6641	1.1835
1981	1.2981	1.3944	1.1980	0.7300	1.3866
1982	1.3447	1.0876	0.9859	0.6710	1.1670
1983	1.1089	0.9046	0.8640	0.6226	1.1017
1984	1.0074	0.6656	0.6790	0.5711	1.3163
1985	0.8119	0.6093	0.5547	0.4227	1.5777
1986	0.6095	0.5959	0.4872	0.4055	1.3144
1987	0.5214	0.6013	0.4239	0.3233	1.1611
1988	0.4682	0.5147	0.3825	0.2875	1.2288
1989	0.4867	0.4732	0.2273	0.2874	1.2414
1990 (March)	0.3552	0.4222	0.3236	0.2616	1.1203

Source: for 1988 and earlier, ECU-Zim$ rate from Eurostat data-base, all others (except 1990) from Reserve Bank of Zimbabwe data-base. 1990 from Financial Times, 27 March 1990.

2 The Second Five-Year Development Plan, 1991-1996 is expected to be published in early 1991.

achieved, rising in 1987 and still positive in 1988. The details are shown in Figure 1 and in Table 1.

Table 1: The Balance of Payments, 1980-88
Z$ million

	1980	1981	1982	1983	1984	1985	1986	1987	1988[a]
Exports	929	1002	998	1174	1484	1811	2206	2416	2863
Imports	861	1059	1114	1087	1237	1486	1686	1781	2155
Trade Balance	68	-57	-116	87	247	325	520	635	708
Services: Earnings	91	83	116	131	157	160	237	252	
Outflows	242	346	309	393	401	466	485	532	691
Investment income	85	75	83	93	101	112	111	77	
Investment payments	119	171	245	314	257	386	404	429	
Transfers	-40	-23	-62	-59	-52	16	54	79	
CURRENT A/C BAL.	-157	-440	-533	-454	-102	-159	+13	+82	+18
Net Capital Account	-44	134	343	286	233	280	138	119	+81
Unrecorded flow	120	86	66	10	34	83	-77	33	
Overall Balance	-81	-220	-124	-158	+164	+204	+73	+234	+180

Source: Figures from Central Statistical Office, Harare, and Reserve Bank of Zimbabwe, Economics Division, July 1989.

Note (a): Preliminary figures.

Success in eliminating the current account deficit, however, was achieved at the cost of severe import contraction which itself led to depressed levels of aggregate growth and, given the manner in which the cuts in imports were achieved, a dramatic fall in investment levels. Between 1983 and 1986, the volume of capital goods imports fell by 34%, gross fixed capital formation as a proportion of GDP contracted to an annual average of 12% (at fixed prices) in the years 1984-86 compared with 18% in the first three years of Independence and an average of 20% during the whole UDI period. As for imports of non-capital goods, largely fuel and intermediate inputs, these fell in volume terms by 22% from 1982 to 1986.[3] Overall, in 1987 imports (valued in SDRs) were only 53% of their 1981 value while in volume terms they were, in 1986, some 6% lower than the level of imports achieved in each of the years from 1973 to 1976.

While import contraction appears to have been the immediate constraint upon overall growth, more fundamental have been the factors which caused the authorities to reduce import allocations. There would appear to have been three major ones. First, there

[3] Figures from World Bank (1987b, Volume I:6 and 13). For a more recent discussion of the capital goods sector in Zimbabwe see World Bank (1990).

has been the less than sufficient growth in export earnings, associated, secondly, with inadequate amounts of external finance (including private foreign investment flows) coming into the economy to make up the shortfall in export earnings. Thirdly and more generally, there has been the failure to relate the level and degree of import demand for achieving high levels of sustained growth to the capacity of the economy to obtain sufficient non-debt-accruing foreign exchange.

A comparison of the Zimbabwe dollar values of external trade trends in Table 1 and Figure 1 with those in Figure 2 - which show the performance of imports and exports valued in SDRs over the past 11 years - highlights Zimbabwe's worrying external trade performance. Figure 2 reveals not only the substantially lower value of imports in 1987 compared with 1981 but also the dramatic contraction in real export earnings from 1981 to 1982 and little subsequent change. Overall, from 1981 to 1987 real export earnings (valued in SDRs) fell by 23%.[4]

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[4] The following tables of index values of imports and exports by different foreign currencies reveal the substantial differences between trade values in different currencies.

A. Index of the Value of Zimbabwean Imports, 1976=100.

	Zim $	SDR	US $	UK £	FRG Mk	SA Rand
1976	100	100	100	100	100	100
1977	101	93	97	86	86	98
1978	105	86	96	81	74	97
1979	143	116	131	100	96	131
1980	211	188	207	148	173	185
1981	266	288	229	205	218	266
1982	283	201	190	201	192	246
1983	277	171	155	180	180	227
1984	314	154	129	188	173	307
1985	378	151	143	166	147	446
1986	429	150	159	185	129	420
1987	455	139	170			
1988	559	154	192			

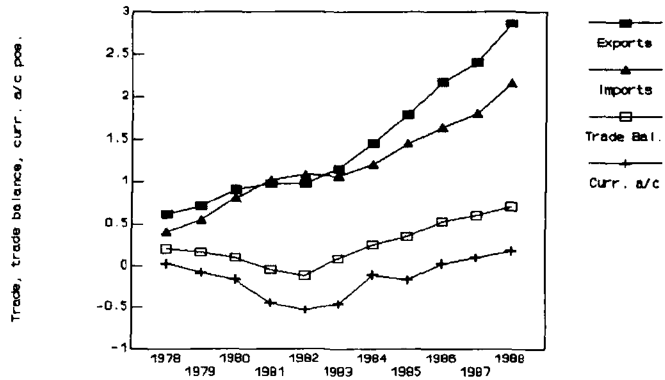
B. Index of the Value of Zimbabwean Exports, 1976=100

	Zim $	SDR	US $	UK £	FRG Mk	SA Rand
1976	100	100	100	100	100	100
1977	97	89	93	82	82	94
1978	108	88	99	83	77	83
1979	124	100	114	87	83	114
1980	152	135	149	106	125	134
1981	170	146	146	131	139	170
1982	156	111	104	111	106	136
1983	198	123	111	129	129	162
1984	245	120	100	147	135	240
1985	298	119	113	131	116	352
1986	328	115	121	141	98	321
1987	365	112	138			

Note: Export data are for domestic exports, that is excluding gold sales.

Source: C.S.O. Quarterly Digest of Statistics, September 1987, Reserve Bank of Zimbabwe Quarterly Economic and Statistical Review, Vol. 9, No.3, September 1988 and Hawkins (1989).

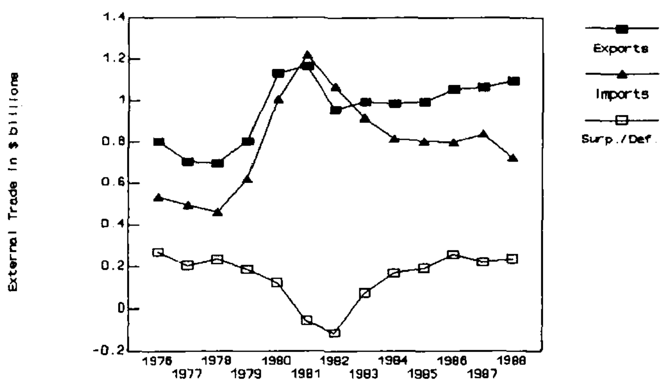
Figure 1: **External Trade and Current Account Balance, 1978-88**
Z$ billion



Source: Quarterly Digest of Statistics, various issues, CSO unpublished data (for 1987) and Reserve Bank estimates.

Note: 1988 figures are preliminary estimates.

Figure 2: **External Trade in SDRs, 1976-88**
Z$ billion



Source: Quarterly Digest of Statistics, September 1987, and IMF International Financial Statistics, 1986, unpublished CSO data and Hawkins (1989).

I.2 Overview of Exports by Product and Destination

Reflecting the relative sophistication of the Zimbabwean economy, the country exports a wide range of products in the manufacturing and processing spheres, as well as mineral and agricultural products more commonly associated with African trade. While the range of non-traditional exports has expanded rapidly in recent years, a handful of products still dominate the overall value of exports. Table 2 records exports of all product or product groups for 1987 valued at over 9 mn ECU.

Table 2: Zimbabwean Exports by Main Product Grouping, 1987
Million ECU

Product	Value	% of total Exports
Gold	229.2	18.6
Tobacco (flue-cured)	215.2	17.4
Ferro-Alloys	130.0	10.5
Cotton Lint	63.0	5.1
Nickel Metal	48.4	3.9
Asbestos	47.7	3.9
Iron and Steel	45.8	3.7
Sugar (raw and refined)	41.1	3.3
Maize	34.5	2.8
Beef (fresh, chilled and frozen)	28.6	2.3
Textiles	27.7	2.2
Copper Metal	25.5	2.1
Coffee	24.2	2.0
Clothing and Footwear	23.5	1.9
Leather and Hides	11.4	0.9
Animal Feeds	10.2	0.8
Tea	9.3	0.8
sub-total	1,015.3	82.2
TOTAL	1,235.5	100.0

Source: Central Statistical Office (CSO), Harare, July 1989.

There are four main markets to which Zimbabwe sends its exports, which together account for over three quarters of the purchase of all Zimbabwean exports. These are:

1. The 12 EC countries;

2. The members of the two central and southern African regional groupings - the Southern African Coordination Conference (SADCC) and the Preferential Trade Area for Eastern and Southern African States (PTA);[5]

3. South Africa[6], and

4. North America[7] (dominated by the United States).

For over two decades, the EC countries combined have been the largest purchasers of Zimbabwean exports. In the period since Independence in 1980, however, the EC market has become even more important. In 1981, 29% of all Zimbabwean exports went to the EC, 22% to South Africa, 11% to the SADCC/PTA countries and 8% to North America. Since then, expansion of exports to both the SADCC/PTA and EC markets has taken place while the share of exports to South Africa has fallen dramatically. By 1987, some 40% of all Zimbabwean exports went to the EC, followed by 15% to the SADCC/PTA markets, 10% to South Africa and 7% to North America. Preliminary figures for 1988 indicate that some 45% of exports went to the EC. If the trends of the past six years continue, then the EC will be importing one half of Zimbabwe's total exports before the mid-1990s. Figure 3 shows the steady rise in Zimbabwean exports to the EC in the period since Independence.

Within the EC, Zimbabwean goods were traditionally exported principally to the United Kingdom (UK) where, at Independence, they constituted nearly one third of all Zimbabwean exports to all EC countries. In recent times, however, the Federal Republic of Germany (FRG) has overtaken the UK as the single most important EC market. Besides the FRG, the most rapid expansion of Zimbabwean exports has been to Belgium and Italy, while not only has the share of total exports to France fallen but so too has the absolute value of exports. Figure 4 shows the share of exports to the EC by member country.

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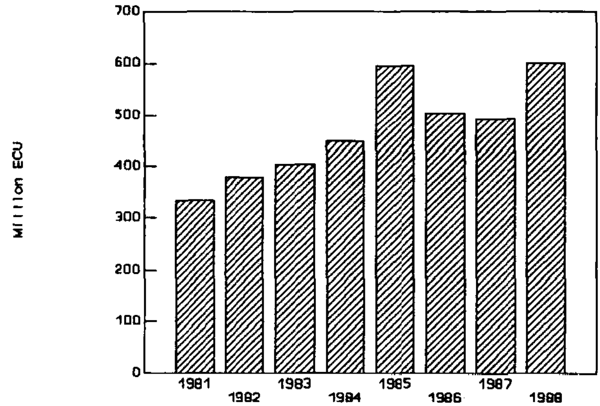
[5] In mid-1990, the following countries were members of SADCC: Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Tanzania, Zambia and Zimbabwe. The following were members of the PTA: Burundi, Comoros, Djibouti, Ethiopia, Kenya, Lesotho, Malawi, Mauritius, Rwanda, Somalia, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe. It is anticipated that Namibia will soon seek membership of the PTA.

[6] Zimbabwe is not a member of the South African Customs Union, whose members are Botswana, Lesotho, Namibia, South Africa and Swaziland. However Zimbabwe and Botswana have an important bilateral customs agreement which permits the free flow of trade between the two countries provided certain rules of origin of products are complied with. (See Government of Zimbabwe, Statutory Instrument No. 192 of 1988 and the article "Customs Agreement with Botswana" in CZI Industrial Review (Harare), June 1989.)

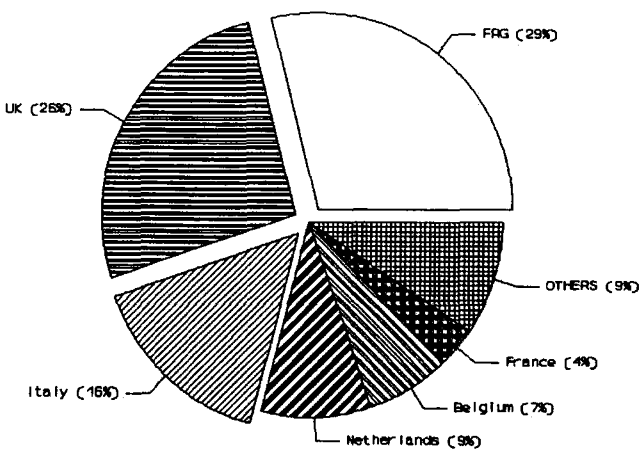
[7] Most goods exported to the United States come under the regulations of the Generalised System of Preferences (GSP). Additionally Zimbabwean sugar exports to the United States face quantitative restrictions, although quotas have been raised in recent years. Thus, for the year ending September 1990, Zimbabwe's quota of sugar exports to the United States was 25,767 tonnes compared with only 10,630 tonnes in 1988.

Figure 3: **Zimbabwean Exports to the EC, 1981-88**
Million ECU



Source: CSO (Harare) and Eurostat (Luxembourg), July 1989.

Figure 4: **Zimbabwean Exports to the EC, 1988**
Share of Total Exports to Each Country



Source: Eurostat, July 1989.

In terms of total value, the most important exports to the EC are agricultural products; these constituted nearly half of all Zimbabwean exports to the EC in 1988 and were made up principally of flue-cured tobacco, beef, cotton, sugar, fresh flowers and fruit.[8] Just over 30% of Zimbabwe's exports to the EC consisted of mineral and mineral products, consisting principally of asbestos, copper, nickel and tin. The remaining 21% were manufactured products, dominated by ferro-chrome and, to a lesser extent, steel but also including leather goods and a range of textile, clothing and footwear and some furniture products.

I.3 Trends in Manufactured Exports

Most non-traditional exports consist of manufactured or processed goods.[9] It is therefore instructive to look briefly at the development of manufactured exports both in relation to total commodity exports and in relation to total output of the manufacturing sector of the economy.

At current (Zimbabwe) prices, manufactured exports have expanded, at times rapidly, in the period up to the mid-1980s rising from Z$1.8 mn in 1938 to Z$28 mn by the start of the Federation, Z$98 mn by the commencement of UDI in 1965, Z$307 mn just before Independence in 1979, to Z$386 mn in and to Z$741 mn by the end of 1986. This seeming secular rise in manufactured exports is, however, deceptive for it conceals major structural changes apparent in different time periods. As a proportion of total commodity exports, the contribution of the manufacturing sector did increase in the period 1938 to around 1975; however, as shown clearly in Figure 5, manufacturing's rising share of total commodity exports progressively weakened over this period. After the mid-1970s, this steady, albeit less rapid, progress was quite dramatically reversed.[10] After the first three full years of Independence, the proportion of manufacturing to total exports had fallen back to the pre-UDI levels recorded in 1963-65, although an equally dramatic recovery took place in the three years from 1984 to 1986. However if the exports of cotton lint and ferro-alloys are deducted from both

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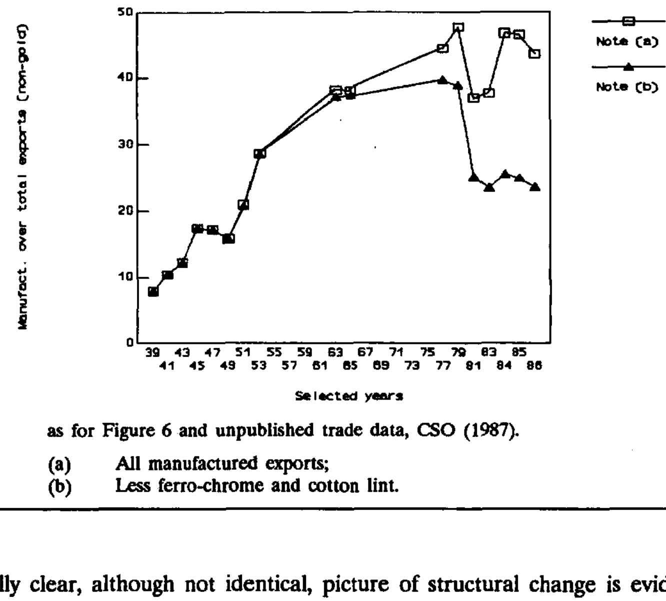
8 These figures of share of total exports by product excludes most of Zimbabwe's gold exports whose destination is not published.

9 In the discussion below, processed food and certain fresh/frozen fruit and vegetables as well as cut flowers are also examined in some detail.

10 The structure of exports changed quite dramatically during the early part of the UDI period, especially during the first few years of UDI. For instance, the exports of unmanufactured tobacco fell back from Z$94 mn in 1965 to Z$17 mn in 1966 and did not reach their pre-UDI levels again (at current prices) until just before Independence. Also during UDI there was a more than fivefold increase in the current price value of agricultural exports and a doubling of non-gold mineral exports. According to CSO figures, manufactured exports rose steadily after 1968 following an immediate 25% fall in their value at current prices. They then increased steadily and rose slightly as a proportion of total commodity exports.

manufactured and total exports[11], then the proportionate post-Independence fall is even more severe, bringing the ratio of manufactured to total exports down to just over 20%, back to the level previously achieved in the early 1950s, with only marginal recovery in the final 1984 to 1986 period.

Figure 5: **Ratio of Manufacturing to Total Commodity Exports 1939-86**



Source: as for Figure 6 and unpublished trade data, CSO (1987).

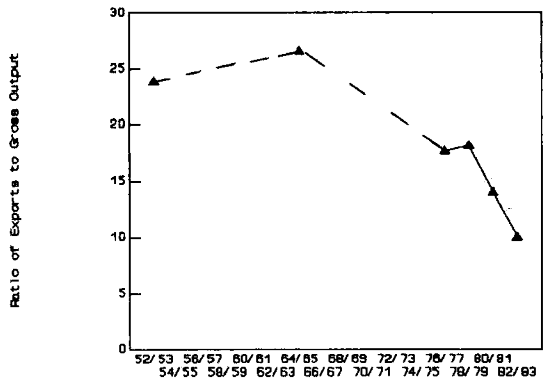
Notes: (a) All manufactured exports;
(b) Less ferro-chrome and cotton lint.

An equally clear, although not identical, picture of structural change is evident from examining the relation over time of manufactured exports to the total gross output of the manufacturing sector. As shown in Figure 6, by the early post-Independence period only some 10% of total manufacturing output was being exported compared with about 18% in the late 1970s and a peak level of around 26% at the commencement of UDI. The marked contrast between the Federal and UDI periods is shown strikingly in the Figure: in the former, exports continued to rise as a proportion of total gross output but in the UDI period this ratio fell, and far more rapidly than during the pre-UDI rise.[12]

[11] Agricultural lobby groups in Zimbabwe maintain that cotton should be treated exclusively as an agricultural product, even in its lint form, while mining lobby groups similarly lay claim to both unprocessed chrome ore and to processed ferro-chrome as mineral products.

[12] As gross output data for iron and steel, ferro-chrome and cotton lint production is not separately available, it is not possible to provide data of the export to gross output ratio without the inclusion of these products.

Figure 6: **Ratio of Exports to Gross Output, Total Manufacturing 1952/53 to 1982/3**



Source: Census of Production Data, various years, Statement of External Trade, various years, Monthly/Quarterly Digest of Statistics, various years.

Perhaps even more dramatic have been the changes which occurred in the export to gross output ratios for the different sub-sectors over time. These are recorded in Table 3. Over the period 1952/53 to 1982/83, Foodstuffs (sub-sector 1) exports have fallen from 19% to 4% of gross output, Clothing and Footwear (4) from a staggering 66% to a mere 5% and even for the Textiles (3) sub-sector the ratio has fallen. From the start of the UDI period down to the first few years of Independence in 1980, a decreasing amount of gross output has been progressively exported in each and every industrial sub-sector. With the exception of Textiles (3) and Metals (9), the ratio was less than 10% for every sub-sector, whereas it exceeded 14% for everyone at the start of UDI.

Disturbing though these changes in manufacturing exports have been, more recent evidence suggests that in the post-1983 period some more favourable changes have occurred. As can be seen from Table 4, some of the sub-sectoral increases in manufactured exports have been very significant, while Beverages and Tobacco (2) and Wood and Furniture products (5) have performed exceptionally poorly. Overall, the exports of manufactures excluding cotton lint, ferro-alloys and steels products have more than doubled over the past seven years, rising from Z$147 mn in 1980/81 to Z$318 mn in 1985/86. Additionally, it is also important to highlight that in spite of the value of the exports of ferro-alloys, cotton lint and steel products doubling from Z$197 mn in 1980/81 to Z$412 mn in 1985/86, the proportion of "other" manufactured exports rose, if minimally, from 42.7% to 43.6% of <u>all</u> manufactured exports.

Table 3: Ratio of Manufactured Exports to Gross Output by Sub-sector [a] 1952/53 to 1982/83

Sub-sector	Manufactured Exports over Gross Output (percentage)					
	1952/53	1964/65	1976/77	1978/79	1980/81	1982/83
1	18.80	16.70	14.31	13.86	6.05	3.71
2	17.01	14.44	5.11	4.50	2.54	0.84
3	56.17	17.11	29.03	30.47	25.50	23.57
4	65.95	51.53	21.95	17.14	10.70	5.43
5	21.09	31.08	21.58	15.75	10.86	8.42
6	5.70	15.48	2.73	2.47	1.60	2.23
7	19.53	23.60	5.02	5.60	4.43	2.95
8	16.92	20.28	5.88	2.92	4.55	5.40
9	23.91	40.48	25.24	28.55	27.66	23.07
10	10.52	21.81	10.27	10.37	8.27	3.23
11	28.17	84.79	55.67	64.15	22.81	33.77
TOTAL	24.07	25.41	16.66	17.24	13.25	9.51

Source: Census of Production and Statement of External Trade Various Years.

Note (a): The <u>current</u> Zimbabwean industrial classification and the one mostly used throughout this paper (unless specific reference is otherwise made) divides manufacturing into 11 sub-sectors as follows:

1. Foodstuffs.
2. Beverages and Tobacco.
3. Textiles.
4. Clothing and Footwear
5. Wood and Furniture.
6. Paper and Paper Products.
7. Chemical and Pharmaceutical Products.
8. Non-Metallic Minerals.
9. Metals and Metal Products.
10. Transport Equipment.
11. Miscellaneous Manufactured Products.

Table 4: Sub-sectoral Changes in Manufactured Exports, 1980/81 to 1985/86
Z$ million (current prices) [d]

Sub-sector	Manufactured Exports 1980/81 (two year averages)	Manufactured Exports 1985/86 (two year averages)	Percentage Change
1	33.9	95.7	182
2	24.5	3.3	-27
3[a]	13.7	45.0	229
4	18.5	25.2	36
5	10.4	9.5	-9
6	2.1	7.4	252
7	17.1	32.1	88
8	3.4	9.5	179
9[b]	29.3	44.0	50
10	5.7	14.4	153
11	8.2	31.9	289
Total[c]	146.8	297.9	103

Source: Statement of External Trade 1980 and 1981 and unpublished trade statistics, CSO.

Notes:
(a) Excluding exports of cotton lint.
(b) Excluding exports of ferro-alloys and steel.
(c) Total excluding the above named items.
(d) The statistical digest does not categorise exports by industrial sub-sector so judgments had to be made to classify them in this manner.

Substantial changes have also been occurring in relation to the destination of manufactured exports. Whereas in the two year period 1964 and 1965, 92% of all Zimbabwe's manufactured exports[13] went to either South Africa or the Southern African Development Coordination Conference (SADCC) countries, in the period 1981 to 1983, only 43% of all manufactured exports went to Zimbabwe's southern African neighbours.

In late 1987 comprehensive trade data by seven digit classification for each country destination were made available to the author for the years 1984, 1985 and 1986, enabling a far greater depth of analysis of manufacturing exports than has been possible for any year since 1964. In aggregate, these data confirm the UDI trends just

[13] This includes cotton lint, ferro-chrome and steel exports but excludes all other processed metal products. These figures were derived from published Statement of External trade data and information provided by the Central Statistical Office.

mentioned. In 1984, only 41% of all manufactured exports went to countries in southern Africa, falling to 34% by 1986. If the exports of cotton lint, ferro-chrome and steel products are excluded[14], dependence on southern African markets increases significantly although the reduction in dependence is clearly observable over recent years. Whereas in 1984, 69% of all such exports went to southern African countries, this ratio had dropped to 61% by 1986. As the data in Tables 5 and 6 indicate, the most important changes observable in recent years have been the decrease in dependence upon South Africa as a destination for manufactured exports (estimated to be taking about 32% of total manufactured exports in 1980, with the exclusion of cotton lint[15]) and the significant rise in the share of non-traditional manufactured exports being sold to destinations outside Africa. In 1986, 34% of non-traditional manufactured exports went to non-African countries compared with 23% in 1984, and for five manufacturing sub-sectors over 40% of all manufactured exports were sold outside Africa.[16]

In contrast with most other ACP countries, Zimbabwe has thus a relatively sophisticated manufacturing sector and it exports products from each of its 11 industrial sub-sectors (see Tables 4 and 6). The single most important grouping of manufactured exports is steel and steel products. In 1987, iron and steel exports were valued at Z$93 mn. Indeed some 60% of manufactured exports from Zimbabwe in the period 1985 to 1987 consisted of exports from the following sub-sectors: chemicals, metals and metal products, machinery and transport.[17]

Most discussion in the next section will be centred around the expansion of non-traditional exports to the EC of products identified in McQueen and Stevens (1989). However it is important to emphasize three factors. The first is that Zimbabwe exports a wide range of fairly sophisticated manufactured products, predominantly to the countries of southern and central Africa. These include South Africa which, although a more sophisticated economy than Zimbabwe, imports from Zimbabwe numerous products including chemicals, vehicles and machinery as well as simpler products such as food, clothing, textile, leather, footwear and wood and furniture products. As shown in Table 5, some 40% of Zimbabwe's manufactured exports (including iron and steel products) are sold to markets within Africa.

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[14] As iron and steel exports have historically been the single most important manufactured export category for decades their influence has always been dominant. It is therefore common practice to record manufactured export trends with and without them. Footnote 10 explains the controversies over the inclusion and exclusion of the other categories listed here.

[15] That is, including steel and ferrochrome exports; if ferrochrome exports are excluded the proportion rises to 40%. For the 1980 data see Riddell (1981a).

[16] Data analysed by Mr. Robin Wilde.

[17] Manufactured exports here defined include iron and steel exports but exclude cotton lint, ferro-chrome and processed and refined metal products.

Table 5: Manufactured Exports by Area of Destination 1980, 1984 and 1986, Z$ million

Market	Total Manufactured Exports				Total Manufactured Exports less cotton lint, ferro-chrome and steel			
	1984	%	1986	%	1984	%	1986	%
South Africa	137.4	23	101.7	14	82.3	30	65.1	20
SADCC	114.5	19	144.6	20	106.9	39	134.9	41
Other African	23.6	4	32.7	4	22.3	8	19.36	
Non-African	318.6	54	462.0	62	63.3	23	112.9	34
Total	594.1	100	741.0	100	274.8	100	332.2	100

Market	Total Manufactured Exports: Less cotton lint						Total Manufactured Exports: Less cotton lint and ferro-chrome					
	1980	%	1984	%	1986	%	1980	%	1984	%	1986	%
South Africa	93.7	32	100.7	21	69.4	11	89.2	41	97.5	30	65.6	16
SADCC			114.5	24	144.6	24			114.5	35	144.4	36
Other African			23.6	5	32.7	5			23.3	7	32.4	8
Non-African			240.0	50	363.8	60			88.8	27	158.1	40
Total	288.9	100	478.8	100	610.5	100	218.7	100	324.1	100	400.5	100

Source: "Domestic Exports Valued FOR by Item/Country", CSO, Harare, 1988 (mimeo) and Riddell (1981b).

The second point to note is that Zimbabwe exports to the EC include iron and steel products. Thus in 1987, of the two major iron and steel export items (672510 and 673260[18]), valued at Z$68 mn, Z$5.7 mn (8%) went to EC markets. The third point is that a number of Zimbabwe's more complex non-traditional manufactures besides steel and those discussed in the next section are now being exported to countries outside Africa, including to countries of the EC. This is illustrated by the data in Table 6 which record a selection of these more complex non-traditional exports to non-African markets valued at over Z$70,000.

[18] These numbers, and those following for detailed Zimbabwean-based trade data, refer to the United Nations' Standard International Trade Classification (SITC) revision 1.

Table 6: Manufactured Exports by Industrial Sub-Sector and Destination 1980, 1984 and 1986, Z$ mn

Sub-Sector	Percentage Export by Respective Destination: South Africa '80	South Africa '84	South Africa '86	SADCC '84	SADCC '86	Other African '84	Other African '86	Non-African '84	Non-African '86	Total Exports Z$ mn 1980	1984	1986
1	37	16	12	33	34	22	9	29	45	6.8	70.4	98.5
2	73	83	69	6	6	3	10	8	15	5.6	3.5	2.8
3	--	33	22	9	8	-	-	58	70	--	154.5	179.7
3[(a)]	58	36	14	37	38	-	1	27	46	10.7	39.2	49.2
4	93	55	36	12	15	1	1	32	48	15.4	20.5	28.9
5	86	60	43	30	41	5	4	5	12	8.8	11.8	9.1
6	56	7	14	80	76	1	3	12	7	1.2	8.6	6.7
7	26	8	9	78	77	2	4	12	10	1.8	31.2	30.6
8	15	54	4	40	75	5	3	1	18	0.6	10.0	11.5
9	--	14	6	11	11	2	5	73	78	--	248.3	324.3
9[(b)]	27	34	12	16	30	4	14	46	44	23.8	93.6	114.3
10	61	14	5	66	67	20	27	0	1	9.4	10.4	16.2
11	90	31	32	6	4	1	1	62	63	5.1	25.0	32.2

Note: (a) Sub-sector 3 with cotton lint export data omitted;
(b) Sub-sector 9 with ferro-chrome exports omitted.

Source: As for Table 5.

Table 7: Selection of More Complex Manufactured Exports from Zimbabwe to Non-African Markets

SITC Code	Product Name	Destination	Year	Value (Z$)
122209	cigarettes	UK	1986	92,000
598999	chemicals products	UK	1986	202,000
625	tyres (various)	UK	1985	90,000
664700	glass windscreens	USA	1986	193,000
678209	iron and steel pipes	Australia	1986	187,000
744220	cranes	Australia	1986	157,000
792900	aircraft parts	UK	1984	70,000
897310 and	jewellery	Netherlands	1986	88,000
897409		FRG	1985	130,000
		Italy	1986	163,000

Source: CSO Harare, Unpublished Trade Data (1986 and 1989).

II. THE EXPANSION OF NON-TRADITIONAL EXPORTS TO THE EUROPEAN COMMUNITY: SEEKING GENERAL EXPLANATIONS

II.1 Introduction

The trends in the export of 49 separately identified products from Zimbabwe to the EC up to 1987 are shown in McQueen and Stevens (1989). Three particular features from these figures should be noted. The first is the substantial rise in the value of these exports: from 3.8 mn ECU in 1982 to 30.5 mn in 1984 and to 48.4 mn by 1987. Discussions with leading Zimbabwean exporters and analysts at the Confederation of Zimbabwe Industries in 1989 and early 1990 suggest that this rate of expansion has been sustained in the post-1987 period.

The second observation relates to expansion by sub-group. If the exports are arranged into the following categories -fresh flowers, meat, vegetables, fruit and juices, hides, leather, cotton yarn and textiles, clothing, footwear and furniture - then substantial expansion in export values to the EC has taken place in all categories with the exception of wood and furniture and leather shoes. The third observation is that there has been little major change in the share of the total originating in the major sub-groups. Thus in 1982, 77% of all these exports to the EC came from the following sub-groups: leather and hides, cotton yarn and textiles, clothing and meat. In 1987, the share of these products constituted 83% of the total. It should be stressed, however, that with a **thirteen-fold** rise in the value of these exports from 1982 to 1987 (at current ECU prices), even the performance of the other groups of products has been far from derisory.

To what can be attributed this growth of non-traditional exports to the EC? Some of the most important factors would appear to be the following:

- the stage of development (and industrialisation) reached by the country;
- changing relations with South Africa and, to a lesser extent, other countries of southern Africa;
- particular aspects of the Lomé Convention, and, finally,
- domestic economic policies within Zimbabwe.

We shall examine each of these in turn, and additionally consider other factors which influence (or may have influenced) the further expansion of non-traditional exports.

II.2 The Stage of Industrialisation Reached

A major element contributing to non-traditional export expansion has been the fact that Zimbabwe has had a long history of industrialisation. In 1938, when the first industrial census was taken, not only had the iron and steel foundries and mills been built and the Rhodesian Iron and Steel Corporation established[19], but the country was exporting goods manufactured in **each** of the International Standard Industrial Classification (ISIC) sub-sectors. By this time - over 50 years ago - Zimbabwe's manufacturing sector was already responsible for 10% of Gross Domestic Product(GDP), it employed 7% of the formal sector labour force and accounted for 8% of total export earnings. To put this into contemporary perspective, SSA-wide data show that by 1984 in at least 70% of countries, the ratio of Manufactured Value Added (MVA) to GDP was less than 10%, in over 56% of countries manufactured exports accounted for less than 10% of total national exports and in over 40% of countries fewer than 10% of employees were working in the manufacturing sector.

This long history together with the particular skills of adaptation developed during the 1965 to 1979 UDI period has meant that the country has been able to develop a quality of product and a reliability of supply essential for the development and maintenance of export markets in a number of manufacturing sub-sectors. This has been possible because of the depth of engineering and technical skills, plus supporting physical and financial infrastructure which has enabled the manufacturing sector to utilise and adapt imported plant and machinery (for further discussion of this point see Riddell (1990b).

Until recently, however, the external benefits of this build-up of skills and product development was directed principally to the sub-region and towards South Africa in particular.

II.3 The South African Factor

During the pre-Independence period, colonial Zimbabwe developed strong and complex economic relationships with South Africa. These inter-linkages were strengthened further during the UDI period, so that by 1979 over 80% of all exports of non-primary products went to the South African market. Most notably, the export of non-traditional manufactured products to Europe, which had been developed in pre-1965 (especially with Britain), declined significantly during the UDI period.

At Independence, a number of factors converged to initiate a major attempt to shift export trade away from South Africa. The first was that Zimbabwe had clearly become far too dependent for economic and strategic comfort upon a single market, hence the build up of **economic** pressures to diversify. Secondly, there were strong **political** pressures from the incoming government to reduce dependence upon South

[19] The Rhodesian Iron and Steel Commission (RISCO) was established in 1942.

Africa, and hence to diversify both the destination of exports and the origin of imports into the country. This itself was parallelled by pressures from a wide range of South African private interests to divest from what was perceived as its now-hostile northern neighbour.

Thirdly, there has been the sanctions factor. During the 1980s - at least until mid-1989 - international pressure to extend the range of sanctions against South Africa increased. Amid the complex consequences arising from this pressure, two merit attention here. One was that to the extent that sanctions "work" they reduce the level of economic activity within South Africa and thus lead to a fall in the demand for imports. This clearly reduces the attraction of Zimbabwe-South Africa economic linkage and exposes the vulnerability of Zimbabwean dependence upon South African markets. The second is that as major international importers of South African produce reduce or cut off their imports of South African products, to the extent that Zimbabwe is able to supply these markets with her own produce, the sanctions factor provides an additional boost to diversification away from South Africa.

With the converging of all these factors and influences as the decade proceeded, the 1980s have seen significant pressures for Zimbabwe to shift its exports away from South Africa.

Two major alternative markets have presented themselves. The first, and closer to home, is the SADCC/PTA market (see Footnote 6). While export expansion to these markets has certainly occurred, there has been little increase in the **share** of Zimbabwean exports going to PTA/SADCC states. This has been due to a number of factors. One is that the imports required by these countries have not always been those that Zimbabwe had traditionally supplied to South Africa - the demand in these countries has been either for simpler products or for more sophisticated items (computers etc.) which Zimbabwe produces in only limited quantities and of varying quality. The second problem has been the shortage of foreign exchange to purchase products which Zimbabwe could export and for which there has been at least pent-up sub-regional demand. The result has been that the regional markets have not absorbed all the products (both the number and range of products) which Zimbabwe has been willing and able to export.

II.4 The EC and the Lomé Conventions

The second market has been the EC countries. As Independence and the pressures to reduce export dependence upon South Africa coincided with Zimbabwe's accession to the Lomé Convention, a ready alternative was coincidentally provided. The growth of Zimbabwe's exports to the EC has been enhanced by the provisions of the Lomé Convention to which the country acceded at Independence in 1980.

The Convention provides duty free access to the Community's markets for most of Zimbabwe's leading exports, including the country's seven leading export products (see

Table 2). While the Convention does not allow duty free access for agricultural products covered by the Common Agricultural Policy (CAP) (which are subject to tariffs and, in some cases, to seasonal quotas) duty free access is provided for Zimbabwe's principle foreign exchange earner, flue-cured tobacco.

For beef and sugar, the Convention contains special arrangements. For beef, Zimbabwe has a theoretically fixed quota of 8,100 tonnes to the EC. In recent years, however, as other African Caribbean and Pacific (ACP) countries have failed to meet their quotas, Zimbabwe has been able to take up a portion of their unused quotas. Thus, for instance, in November 1988, the EC was able to announce a quota of 9,850 tonnes for 1988/89. In the event Zimbabwe was able to fulfil its quota in 1988 in full and to export additional amounts of beef under the less favourable price-regime. In the first half of 1989, Zimbabwe suffered a limited outbreak of foot and mouth disease which "temporarily" halted the export of beef to the Community for thew whole of that year. Given the comparatively high veterinary standards prevailing in Zimbabwe, it was not initially expected that this problem would cause anything but a temporary halt to beef exports to the Community. Indeed in mid-1989, Zimbabwe had applied to other ACP states to allow it to take over some of their unfilled beef quota and increase its own to 11,600 tonnes for the year. However as of mid-1990, the ban had still not been lifted and doubts were being expressed in Harare as to the veracity of the claim by the Cold Storage Commission (CSC) that exports to the EC would be resumed in late 1990.

Zimbabwe has a quota of 30,204 tonnes of sugar to EC markets which it has successfully filled since acceding to the Lomé Convention. In addition, Zimbabwe is one of four African countries which supplies 75,000 tonnes of sugar to Portugal at a price based on that paid to European sugar producers. It is Zimbabwe's wish to have this special quota converted into a permanent ACP quota at protocol or similar conditions.

It is, however, the terms of the Convention allowing duty free access for almost all of Zimbabwe's leading exports into the Community which have been of most profound influence. While in value terms Zimbabwe benefits most from its exports of flue-cured tobacco (119 mn ECU in 1988 and 46 mn ECU for the period January to June 1989)[20], major expansion of exports to EC markets has taken place (as noted above) in the area of non-traditional exports.

It would be erroneous, though, to conclude that expansion to the EC market has either been due exclusively, or even predominantly, to the benefits of the Lomé Convention or that the expansion achieved has been without its difficulties. Through deliberate policy, the South Africans have disrupted Zimbabwe's transport links with the sea, particularly the cheaper routes through Mozambique. In the mid-1980s, over 85% of Zimbabwe's non-African trade was having to pass through South African ports and use

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[20] The 1989 figures are the value of export permits issued in Zimbabwe (Tobacco Marketing Board, Harare, July 1989).

South African railways, paying premiums which significantly increased the costs of exporting and therefore made Zimbabwean products to the EC less competitive.

II.5 Devaluation and Export Incentives

A potentially more long-term problem has been the shortage of foreign exchange and the subsequent reduction in imports, noted in section I, above. As the early 1980s progressed, exporters were finding it increasingly difficult to purchase the imports that were needed to manufacture products for export, and these supply constraints were exacerbated by having to export with the added handicap of an over-valued exchange rate.

These constraints have been increasingly addressed but by no means solved - in subsequent years. The Zimbabwe dollar was devalued by 20% in late 1982 and its value progressively decreased thereafter. Figure 7 shows the movements in the nominal and real effective exchange rates during the 1980s.

To address the foreign exchange shortages, a series of export incentives together with the significant expansion of an export revolving fund (which, in effect, guarantees foreign exchange required to purchase imports required for exports) have been introduced. By mid-1989, the main ones were as follows:

- Manufacturers producing for export are assured of automatic access to foreign exchange (up to 60% of the value of exports) to finance the import content of exports. This facility is called the *Export Revolving Fund (ERF)*.

- An *Export Incentive Scheme* operates whereby non-traditional exports receive a tax free cash payment equivalent to 9% of the value of these exports, provided that the goods to be exported have a minimum local content equivalent to 25% of the export value.

- In addition, manufacturing exporters receive a bonus *Supplementary Allocation* of foreign exchange equivalent to 25% of their previous years' incremental export performance. This money can be utilised in either the domestic or export markets.

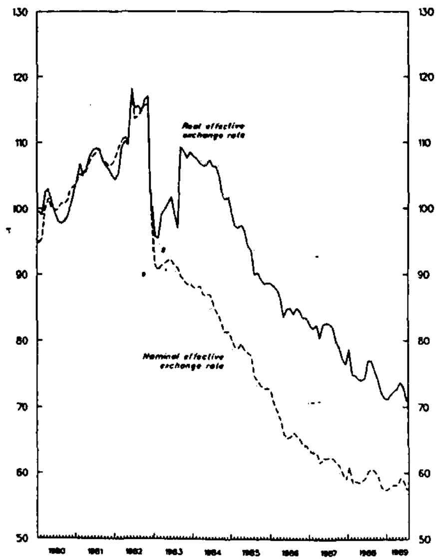
- Tax relief on exports are covered by a series of regulations. Most importantly, a system of duty drawbacks allows full remission of duty on imported materials contained in manufactured exports.

- An *Export Promotion Programme* which provides for the import requirements for exports in the agricultural and mining sub-sectors also allows for freer access to imports than under the normal allocation system.

- Refunds of import or sales tax[21] on imports and or local purchases of capital goods for projects which involve exports apply to those projects approved by the Ministry of Finance, Economic Planning and Development.

- Within the PTA, tariff reductions ranging from 10 to 70% are applicable to exports to member countries, providing certain ownership and rules of origin criteria are met.[22]

Figure 7: **The Nominal and Real Effective Exchange Rate of the Zimbabwe Dollar**



Source: IMF, 1989:46a.

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21 Sales tax is similar to Value Added Tax (VAT) applicable in EC countries.

22 Local equity has to be at least 30 percent for tariff reductions to apply, although certain transitional arrangements relieve the immediate impact of the ownership and management conditions of the PTA treaty.

II.6 Exports versus the Domestic Market

Few manufacturers in Zimbabwe export 50% or more of their total output. One of the reasons for this is not so much that Zimbabwean products are excessively uncompetitive internationally[23], but that domestic prices have tended to be higher than the prices which could be obtained from exporting.[24] This has led a number of producers to argue that exporting has been little more than the "icing on top of the cake" rather than a major part of business. While this attitude has been changing, and many more exporters now consider their export business to be an important and permanent part of their overall operations, it also needs to be recognised that a number of particular factors have helped to boost exports of non-traditional products. Besides the specific export incentives, listed above, reference needs to be made to a number of others.

Perhaps the single most important factor is itself linked to the all-pervasive issue of foreign exchange. The increasing shortage of foreign exchange in the post-1982 period has itself led to a depression of the local market, and to the majority of producers working at levels far less than full capacity.[25] The availability of foreign exchange for exporters, through the Export Revolving Fund (ERF), has enabled companies to expand capacity and utilise fixed cost plant and labour.[26] As a result, it has been common for companies to price exports on a marginal cost basis and to utilise the export market to boost capacity utilisation. What is more, there is no doubt that as the ERF became a feature of business life, and foreign exchange for the domestic market became more and more scarce, businesses were also increasingly using their export allocation to purchase imported inputs which they then used to produce for the more lucrative domestic market. In short, the artificial division between producing for export and for the domestic market has become increasingly less sharp. In part, the Supplementary Allocation (described above) was meant to address the problems arising from this particular abuse, but it has also been interpreted as an acknowledgement that abuse is quite widespread and that, barring a radical overhaul of the foreign exchange system (see below), it can only be restrained, not eliminated.

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[23] For a discussion of the competitiveness of Zimbabwean exports see Riddell (1990b, forthcoming) and World Bank (1990).

[24] Not that this is unusual. The phenomenon is widely acknowledged in Japan, for instance.

[25] For the capital goods industry this is discussed in World Bank, 1990:8-9).

[26] Since the early 1980s, government legislation has made it extremely difficult to lay off workers, so in that sense labour is now widely considered as almost a fixed cost by manufacturers.

II.7 Foreign Investment and Liberalisation

For all the success in expanding non-traditional exports, could more have been achieved? In attempting to answer this question we shall first consider the issue of foreign investment. In the 1980s, the inflow of foreign investment into Zimbabwe has been disappointing, not least investment from the OECD countries. Thus the net flow of private investment from OECD countries to Zimbabwe fell by 64% from the first half of the 1980s to the second half, with Zimbabwe's share of total private foreign investment in SSA falling from 8% to just 3.3% between the two periods (OECD, 1988). To the extent that investment by European countries into Zimbabwe enhances the expansion of non-traditional exports from Zimbabwe to the Community, the poor performance of European companies in this area must be a reason why non-traditional exports to the EC have not been even higher.

But do links between subsidiaries in Zimbabwe and either world-wide companies with extensive European networks or European-based companies necessarily further the expansion of non-traditional exports? The evidence (discussed in more detail in section III, below) is ambiguous. On the positive side, being a Zimbabwean subsidiary of a world-wide company appears, in some cases, to have led to orders from Europe being placed to which the Zimbabwean company has positively responded, while, in other cases, it has enabled export markets to be found when the Zimbabwean subsidiary signalled its desire to be parent company to initiate or expand its market in Europe. Yet in other instances, independent companies have been able to secure orders and expand exports to Europe (albeit frequently with the assistance of "agents"), while on the other hand being a subsidiary of a multinational corporation appears to have acted as a disincentive to expanding either into the export market in general or to European markets in particular. While it is difficult to judge the overall impact of these different reactions, it does appear that, as part of its package of measures[27] to attempt to increase the flow of private foreign investment into the economy, government has been persuaded at minimum that new inflows of foreign investment would assist its aim of expanding non-traditional exports.[28]

Closely related to the question of foreign investment and market linkages is the whole - and complex - issue of trade liberalisation. Throughout the 1980s the World Bank has lobbied the government hard to try to persuade it that an abandonment of many of the macro-economic controls inherited at Independence should be abandoned, including the

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[27] In April 1989, the Government of Zimbabwe launched a new initiative to encourage more foreign investment into the country, beginning with the publication of a booklet, The Promotion of Investment: Policy and Regulations, and followed a month later with a major international investment conference in London. At the same time as the Investment Regulations were published, the Government also released its Investment Register. Although not intended to be a comprehensive listing of new investment opportunities, the Register (to be up-dated annually) contains a list of 68 major projects for which the Government wishes to mobilise domestic and external resources.

[28] For a Africa-wide - and generally pessimistic - assessment of the prospects for new foreign investment inflows into the continent in the 1990s see Cockcroft and Riddell (1990).

interventionist system of foreign exchange allocations will provide a major boost to both overall economic growth in general and to an expansion of non-traditional exports in particular. By early 1990 it was apparent that sufficient support for this view from within government had been canvassed for it to be ready to announce a phased (four to five year) programme of trade liberalisation, a move that is supported by the leadership of the Confederation of Zimbabwe Industries.

It is, however, by no means clear that trade liberalisation, whatever form it takes, will lead either to an **automatic** or **rapid** increase in non-traditional exports. This is apparent even from an examination of the arguments in favour of such a move put forward by its most articulate proponents, the World Bank. Thus the Bank's 1987 strategy document (1987b) appears to imply that non-exporting industries could in practice be **worse off under trade liberalisation**, with those which have enjoyed high levels of protection actually "suffering" (1987b:38):

> *Reform of the foreign exchange allocation system is the key issue for medium-term structural change... It would have varying effects on different activities. In combination with exchange rate movement, the beneficiaries would be exporters, the bulk of agriculture, mining and much of manufacturing, including labor and natural resource-based activities, such as agro-processing, textiles, garments, ferrochrome, iron and steel and light engineering. The average impact on manufacturing would probably be neutral, but those parts of the sector that have enjoyed high levels of protection, such as consumer durables and automobile assembly, would suffer.*

The Bank fails to instill confidence either that the desired manufacturing sector expansion will result from its policy proposals; it falls back on vague sentiments of optimism. "In terms of individual products, the experience of other countries indicates that it is highly difficult to predict which manufacturing sub-sectors will enjoy rapid growth, but there is sufficient evidence on the responsiveness of Zimbabwe's manufacturing sector to be optimistic on its export prospects" (1987b, Volume I:70).

A major worry with the Bank's proposals is possible de-industrialisation and the closing down of major sub-sectors of manufacturing industry. The Bank comments thus (1987b, Volume I:39):

> *these concerns are understandable... but it is the view of this report that the present system of quantitative allocations of foreign exchange will hinder and not support industrial restructuring. Trade liberalisation is viewed as an essential component of a package that will raise (not lower) industrial growth and lead to further deepening of the industrial structure.*

A final worrying aspect of the Bank's proposals lies in the increased vulnerability the Zimbabwean economy would have to external developments. A particular concern relates to greater dependence on South Africa. In commenting on this issue the irony of the Bank's proposals is revealed. It states that in the event of action by South Africa leading to severe adverse effects on the economy, **it may be necessary to re-introduce controls, including the current system of foreign exchange rationing.** Is this conclusion seen as reason for caution? Not at all. The Bank argues that with Zimbabwe's experience it is "unusually well-equipped to do this quickly and efficiently" and with the old system re-established it would be well able "to undertake radical adjustments in both its macroeconomic management and allocative policies" (1987b, Volume I:125).

Until the new policies to be announced have been in place for some time, it remains very difficult to predict the extent to which the expansion of exports, and particularly non-traditional exports, in the 1980s can be sustained into the 1990s or the extent to which new foreign investment, and particularly that which could stimulate further export expansion, will be forthcoming.

So much for the more general observations. The rest of this Working Paper will examine in turn each of the major products and sub-groups to attempt to answer the question of why expansion of non-traditional exports has taken place.

III. THE EXPANSION OF NON-TRADITIONAL EXPORTS TO THE EC: CASE-STUDIES OF PARTICULAR SUB-SECTORS

III.1 Foodstuffs

In this sub-section, we consider in turn three major export areas: processed meat products, vegetables and fruit and fruit juices.

- **Processed Meat**

While the major meat exports to the EC are the beef exports under quota (described above), these have by no means been the only type of meat product exported to the Community in the 1980s. One item in particular has dominated processed meat products and that is the export of canned or corned beef. During most of the 1980s, the export of a single firm Super Canners of Bulawayo has been responsible for over 70% of the total Zimbabwean export of processed meat to the EC and of almost all the corned beef exports.

The experience of Super Canners, a family-owned meat-canning business in the country's second city of Bulawayo, both highlights the competitiveness of Zimbabwean industry and challenges the widely-expressed view among manufacturers that firms are only able to expand substantially into the export field if they have a secure domestic market upon which they can fall back. Not only did Super Canners export between Z$15 and Z$20 mn of food products each year for most of the 1980s - consisting almost entirely of corned beef and making it the second largest food exporter in the country to the CSC - but it exported its entire output, not to neighbouring countries within Africa but solely to the United Kingdom.

What made Super Canners competitive in the manufacture of a product where international competition is so fierce?[29] According to management, its success depended upon the following factors: good management that was versatile and flexible[30]; good job security for the firms's employees and competitive wages leading to low labour turnover; access to the European market under the Lomé Convention; reliable local supplies of beef and tin-cans (usually); high quality of engineering capability within the firm, the ability to adapt a modern, highly-efficient plant consisting mostly of imported machinery to local conditions and quickly to deal with breakdowns, and, finally, continuity of high quality personnel

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[29] Major competitors in Europe are Brazil, Argentina, Kenya, Uruguay and Botswana.

[30] It is not unusual for the management of successful companies to laud their own merits and attributes, but in this instance confirmation of outstanding management was confirmed by other firms in the meat canning industry.

able to maintain sales and, if necessary, to anticipate the need to find alternative markets.

The story of its entry to the European market is of particular interest. In 1981, the main market for the firm's products was South Africa, made price competitive in part because of substantial capital investment and plant refurbishment which took place during the 1970s. Then suddenly and without prior notification, South Africa imposed a ninefold increase in its canned beef import tariff, raising the level of duty from 11c per kg to Z$1.00 per kg.[31] The effect was that, at a stroke, the major single market was eliminated. However all was not lost and quite rapidly the firm was able to expand substantially into the United Kingdom market, absorbing the lost South African sales. Super Canners' ability to switch to the UK market, eventually for all its product, had its origins a good many years before South Africa's tariff raising action occurred. Anticipating political independence, the firm began to investigate the UK market as early as the mid-1970s and straight after Independence in 1980 it approached the EC for veterinary approval for its factory; EC certification was obtained in that year.

While one of the main reasons for its location in Bulawayo was to be near to its main sources of raw materials - the CSC abattoir is situated across the road and Metal Box's canning factory was, until recently, located nearby - events of 1986/87 indicate that these factors were by no means fundamental to its competitiveness. Not only has the canning factory moved to Harare but its move led to quality problems and South African cans (some 20% more expensive) had to be imported by Super Canners to Bulawayo. But of even more cost significance[32], for three months during that period, the CSC was not able to supply the basic ingredient, beef. As a result, supplies were obtained from as far away as the Republic of Ireland, transported to Bulawayo for canning and returned to Europe, to the UK, to be sold. Although during this unique exercise little more than current running costs were covered, the scale of the operation indicates the potential for establishing competitive industry in Zimbabwe.

Without wishing to detract from the considerable achievement of Super Canners, two important factors which worked in its favour need to be highlighted, both of which assisted the lowering of unit costs. The first was that over the longer term the firm benefited from the relatively low price of Zimbabwean beef in

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31 The action taken by South Africa was partly in response to lobbying by South African companies and partly because the Namibian factories were only working at 50% capacity. It was far easier, politically, for the South African authorities to concede to these pressures after rather than before Zimbabwe became independent.

32 The cost element of a can of corned beef constitutes only about 5% of the final selling price.

comparison with international prices.[33] The second is that even though the freight and insurance costs of shipping its product to Europe were comparatively low (estimated at only some 5% of the ex-factory price), its competitiveness was undoubtedly assisted by the freight subsidies under which the National Railways of Zimbabwe (NRZ) have operated.[34]

Of course, these benefits would apply to any firm operating in the canned meat business. It is therefore of more than passing interest to look briefly at the operations of Lemco - the largest producer of canned meat, vegetable and fruit products in Zimbabwe - because exports have traditionally played only a very minor part in its overall operations (accounting for between 5% and 15% of turnover) during most of the 1980s.[35] The company has relied for sales almost entirely on the domestic market where, for canned meats and also for canned fruits, jams and vegetables, it has the largest market share. Its limited exports have tended to go to regional markets.[36]

The root cause of Lemco's failure to expand into the export market would appear to lie with its management.[37] Past policy appears to have been to rest content with supplying the domestic market for canned beef, which it almost entirely dominates.[38] While its near-monopoly position has not led to domestic prices becoming widely out of line with border prices, there is little to indicate that it has aggressively sought to lower unit costs - at least to the extent of being able to penetrate the much larger European market for its products or, more simply, to even think much about expanding substantially into the export field.

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[33] In the years 1980 to 1986, the world price of beef (fob US ports) has been 80% higher than the domestic price of Zimbabwean beef, indicating a far wider differential in comparative border prices (average world price US227c/kg, average Zimbabwe price US127c/kg). Nonetheless with its 8,100 tonne quota under the Lome Convention Zimbabwe is able to export this quantity of beef at premium prices: in 1987/88, the domestic selling price of beef was $2,563 a tonne, for the export market it was $4,346 a tonne.

[34] As of June 1986 the accumulated unpaid deficit of NRZ amounted to $123 mn while inefficiencies in the organisation were pinpointed in the Committee of Inquiry Report on the National Railways of Zimbabwe, tabled in parliament in Harare in August 1987.

[35] Lemco changed its name from Leibigs shortly after Independence. Even more recently, following a takeover outside Zimbabwe, it has been taken over by Unilever.

[36] In 1987, however, it sent a consignment of canned meat to Europe and after the Chernobyl disaster received a number of export enquiries from potential buyers in Europe looking for nuclear-free beef.

[37] A new managing director took over at Lemco in 1987 and the points raised here in no way reflect on his perspectives on the company; indeed he appears to be fully aware of the company's export potential and is directly involved in pursuing these.

[38] There are no other large domestic manufacturers of canned beef; smaller quantities are supplied by General Meat Products and Delicatess Meat Products. However there is some competition with Colcom the large and sole manufacturer of canned pork products.

If import restrictions were lifted it would still substantially be able to hold onto the domestic market in the face of South African competition.

There would appear to be a chain of factors that together have restricted Lemco's export expansion. To export to the EC requires EC-registration of the canning factory; this has not been obtained because the West Nicholson plant is too small and too old to meet modern standards. A few years ago the cost of expanding and up-grading the factory would have been about Z$1 1/2 mn but no decision was made to approve this investment programme. To some extent Lemco was in a far better position to export to Europe than Super Canners - it is part of a worldwide corporation with all the marketing expertise this brings and, domestically, it owns substantial cattle ranches located near their factory, therefore giving it direct access to the main raw material. On the other hand, there are problems of water supply to the factory at West Nicholson.[39]

The Super Canners story would appear to show that within Zimbabwe are the ingredients for highly efficient food manufacturing which is competitive worldwide; the story of Lemco shows that especially with a captive and expanding domestic market and where domestic prices are not out of line with border prices, there is no guarantee that this export potential will necessarily be exploited.[40]

There is, however, a sting in the tail. In July 1989, Super Canners was served with a provisional certificate of liquidation, having accrued debt of Z$10 mn. Its problems were relatively simple: the CSC could no longer guarantee to provide sufficient quantities of beef trimmings to the canning operation and the company was not able to gain access to an assured supply of imported meat at competitive prices.[41] The factory closed down at the end of September 1989 and was put into the hands of the liquidators.[42] In early May 1990, it was announced that the Treasury had given permission for the CSC to purchase the

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[39] Not that Super Canners have been free from water problems for there were severe water rationing in the City of Bulawayo throughout 1987.

[40] It was not possible in this present research to find out whether internationally Liebigs has been operating a market division policy which might have had the effect of restricting its Zimbabwean subsidiary from seeking access to certain potential export markets.

[41] Allegations were made that the firm had been engaged in substantial transfer pricing and that this was a reason why the CSC stopped supplying meat and, later, indicated its intention on taking over the factory or running it as a joint venture.

[42] There had been an earlier omen of these sorts of difficulties. Thus, prior to obtaining permission to import beef from Ireland the factory stood completely idle for three months, incurring a loss to the national economy of foreign exchange amounting to close to Z$4 million. The problem is simply told: Super Canners had realised well in time that the Cold Storage Commission would be unable to supply it with all its beef requirements some months hence. However in spite of giving prior warning of the impending shortage of domestic beef, permission was only given for it to import its beef requirements three months after domestic supplies stopped.

factory at a price of $11.4 mn and that it would open "within a few days". It is apparent, especially if the original owners were involved in transfer pricing, as alleged, that the circumstances prevailing in Zimbabwe have allowed a major export of processed meat into the EC which could re-commence in the near-term.

- **Horticultural Products**

Horticultural exports have been a major growth area of Zimbabwean export trade in the 1980s, with the countries of the EC being the dominant destination. The Horticultural Promotion Council (HPC) estimated in early 1990 that total exports of fruit, vegetable and flowers in the 1989/90 season (ending May) would total 6,000 tonnes. This compares with 5,000 tonnes exported in the 1988/89 season, and 2,500 tonnes exported in the 1987/88 season, thus revealing yet further expansion beyond the 1987 data quoted in McQueen and Stevens (1989). The HPC estimates that for the 1989/90 season, total exports will be valued at some Z$45 mn, compared with Z$33 mn in the previous season. For the future, the HPC was arguing at the end of 1989 that by the mid-1990s, Zimbabwe's exports of horticultural products could be between Z$120 mn and Z$150 mn (Financial Gazette, 1 December, 1989).

We now look in more detail at, first, fruit and vegetable and, then, fresh flower exports to the EC.

(a) Fruit and Vegetables

Fruit and vegetables are products which Zimbabwe has already gained and is likely to continue to gain (in the near-term at least) from orders stemming from trade sanctions imposed by different EC members on South Africa. This, however, makes the accuracy of some of the published trade statistics suspect, as well as (in the case of citrus exports at least) leading to some rather perverse occurrences.

For instance, fresh sweet potatoes have been sold in British supermarkets at least since late 1987, labelled under the country of origin "Zimbabwe". Yet discussions with the HPC in mid-1989 revealed that Zimbabwe was not exporting sweet potatoes.[43] On the other hand, of Zimbabwe's significant citrus fruit exports (8,000 tonnes sea freighted in 1988/89), two thirds are exported to Europe through Oceanic Hamburg. The remaining one third, however, which is grown near the South African border close to Beit Bridge, follows the route travelled by much citrus produce

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[43] As South Africa has labelled some of its fresh produce exports "Made in Swaziland" in its attempt to avoid the effects of sanctions, there is reason to believe that the practice of incorrectly labelling its produce could include "Made in Zimbabwe".

exported illegally during the UDI period: it goes to the City Exchange, Pretoria, and is marketed under the South African Outspan label.

Of the vegetables that Zimbabwe exports to the EC, the most important are peas and beans, particularly the *mangetout* variety of pea. The most important (and dominant) supply is from the Hortico Group, which farms near to Harare and exports its crop to Britain. The *mangetout* are flown to Europe on the twice-weekly British Airways flight. This particular trade developed after Independence following visits to Britain by Hortico, where discussion took place with Marks and Spencer and eventually firm orders were made. The size of the order has increased substantially through the 1980s and Zimbabwean *mangetout* peas now dominate the sale of this product at Marks and Spencer outlets. Hortico's turnover has risen from Z$300,000 in 1985 to Z$4.2 mn in 1989, and to a forecast Z$10 mn in 1990.

This particular export development was clearly related to the ability of the Group to grow and supply produce of high quality and to air freight it to Britain. Essential, too, has been the input of technological and marketing expertise of the purchaser, Marks and Spencer. There was one additional factor which the HPC believe was also crucial: members of the Hortico Group (Zimbabwe) and Marks and Spencer (UK) have had family connections going back to World War II. While this particular export development is thus tinged with unique factors, leading, minimally, to crucial initial introductions, it has undoubtedly helped put Zimbabwean vegetable growers on the European "map". As a result of the mangetout successes, representatives of Sainsburys (UK) and Scipio (Netherlands) have been to Zimbabwe to find suppliers especially of peas, beans and tropical and sub-tropical fruits. Further export expansion of these products is thus anticipated.

In regard to tropical and sub-tropical fruits, mention needs to be made of the rapid expansion of two particular fruits: passion and kiwi. To 1989, most exports have been of passion fruit; the 1,100 hectares planted to passion fruit (mid-1989 figures) gives Zimbabwe the largest hectarage planted to passion fruit in all developing (including Latin American) countries. However massive planting of kiwis has taken place in recent years, and by mid-1989, some 200 hectares had been planted to kiwi fruit but only 5% by then had fruited. Thus further export expansion of kiwis in the next few years is almost certain to take place. Additionally there has been a big development in mango production in the Chegutu area of Mashonaland and the HTC are anticipating a 250 hectare development in the next five years. Finally a market survey of the OECD market undertaken by the Agricultural Management Services of Standard Chartered (Zimbabwe) reveal a growing market for kumquats and avocadoes as well as kiwis and mangoes, all of which can be grown to high standards of quality in Zimbabwe (Financial Gazette, 10 November, 1989).

Zimbabwe has managed to develop and sell these products to Europe for two major reasons: climatic conditions most favourable to production and the managerial and technical ability to produce fruit of high and consistent quality. Although the Zimbabwean passion fruit (according to the Zimbabweans) is of a higher quality than the fruit produced and exported to Europe from Kenya, the Zimbabwean product cannot obtain as high a price. While this is in part because Zimbabwe is (at present) less well known, the major factor has been the inability of Zimbabwe to prove to wholesale purchasers (largely in the Netherlands where most Zimbabwe fruit and vegetables are marketed) that they are able to supply on a reliable basis because of transportation difficulties.

Problems of air freight have been a significant constraint on both expanding exports of fresh/frozen/chilled fruit and vegetables and of ensuring future growth of orders.[44] One problem has been conflict with the Dutch authorities over reciprocal landing rights in Zimbabwe and Holland for KLM; this resulted in the national air-cargo line Affretair losing landing rights at Schiphol airport for a period in 1988/89. More generally, however, the main long running cause of the problem is that there is a major imbalance between the higher volumes of freight flown to Europe and lower volumes of south-bound air cargo.

While, in theory, there would be scope for utilising spare capacity from South Africa, the South Africans have strict rules which forbid cargo planes from leaving the country without a full load. Attempts have been made to address the problem temporarily by using charter flights (such as National Air Charters of Zambia) but this has not solved the problem of unreliability of supply of air freight space, a problem which, of course, has affected relative costing of air-freighted exports.

Besides fresh/chilled/frozen products, there has been some exporting to the EC of canned fruit, vegetables and juices as well as jams, purees and concentrates. For instance, guavas have been sold in British supermarkets, under the Sharwood label.[45] As the data in Table 8 show, however, this is not an area in which either expansion has taken place in

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[44] The problem does not arise with *mangetout* exports because Hortico has managed to secure the limited cargo space on the twice weekly British Airways flight to London. Citrus exports go to Europe by sea.

[45] As the Zimbabwean producer Cairns Holdings agrees (discussion with author, July 1989), Sharwood is an odd choice because of its close association with spices and curry products, even if it does bear the wording "By Appointment To Her Majesty The Queen"!

the period 1984 to 1987 or in which the EC is the dominant market. The most marked characteristic is the volatility of exports.

Table 8: **Export of Fruit Juices from Zimbabwe, Z$000**
SITC Nos 058510 to 058630

	1984	1985	1986	1987
Total Exports	1,363	300	1,137	835
Exports to EC	180	155	839	477
EC as % of total	13	52	74	57

Source: CSO, Harare, Unpublished Trade data.

A sense of the problems in expanding the export of processed/canned fruit, jams and juices from Zimbabwe is illustrated by examining recent developments of one of the country's leading manufacturers, Border Streams, leading processor of a wide range of jams, preserves, fruit and fruit juices. Border Streams is one of some half-dozen privately-owned firms in the fruit and vegetable preserving/canning business in Zimbabwe. In the mid-1980s the former family firm was taken over by the large national conglomerate, the Cairns Corporation. In spite of quite fierce competition among producers for increasing shares in the domestic market (all companies argue that the market is "over-traded") there has been little expansion of the industry as a whole into the export market: in 1983, exports of jams, including pulps, were valued at Z$3,000, of fruit juices at Z$22,000, and of processed vegetables at Z$2.7 mn. This is in spite of both Zimbabwe's ability to grow tropical and semi-tropical fruits and vegetables[46] and the large and growing markets in the Middle East, the EEC and Japan for such processed products which, in the case of the EC, could be imported under the concessional terms of the Lomé Convention.

Three key factors appear have to have inhibited export expansion. First, the lack of a reliable supply of high quality products from the farming community; second, the age, quality and size of the processing/canning plants which were established for a smaller domestic market, and, third, a reluctance on the part of management to attempt to exploit these potential export markets.

[46] Located in the southern hemisphere, its season is both longer than South Africa's and starts some two months beforehand.

The case of Border Streams is of interest because it has attempted to address each of these constraints. While the takeover by Cairns was in part meant to provide greater rationalisation for more efficient production for the domestic market, the radical steps taken - moving the factory to the eastern border city of Mutare, integrating the operation with its Tomango Foods operation in Mutare to increase throughput and installing a wider range of more modern capital equipment - have provided the company with most of the technical ingredients necessary to produce high quality export products. A joint marketing strategy with other companies, marketing under a joint label is also under consideration.[47] As for the raw material supply problems, although these are by no means all solved, the expansion of irrigation facilities, increased pest control, a far greater realisation amongst farmers that diversification to this type of farming can be highly profitable[48] and greater specialisation to a smaller range of products have all assisted them overcoming this constraint. Local high quality pectin is also now available, replacing imports. Finally, there is an increased awareness among management that there is a huge potential for export expansion, even if awareness has also grown of the international competition. Greatest attention is being focused on a range of high value products, including asparagus, tropical fruit juices and jam pulps (guavas, mangoes, grenadillas) and, with tomatoes, tinned trout. What is more, trial container loads of these products to Europe have been exported.[49] Some progress has clearly been made in recent years to address the constraints inhibiting exports and this is borne out by recent trade statistics. In 1986, the exports of jams were valued at Z$48,000, compared with Z$2,000 in 1983, while fruit juice exports in 1986 were valued at Z$1.1 mn compared with Z$22,000 in 1983.

(b) Fresh Flowers

The four major types of flowers exported are roses, chrysanthemum, protea and gypsophila. Table 9 records both the rapid rise in the export of fresh flowers from Zimbabwe in recent years and the total dominance of the EC as the market to which these goods are sold. The rapid expansion revealed in the Table has continued in the subsequent period. For instance in 1989, one farm, Protea Valley Farm, at Ruwa, just outside Harare, exported alone 8 mn stems of flowers, including protea, valued

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[47] Since late 1988, fresh fruit, flowers and vegetables have been able to be exported under the "Zimbabwe: Fresh Produce" logo.

[48] This has been highlighted recently in a report on Zimbabwe's horticultural sector prepared for the Government by the Netherlands-based B.V. Project Development (Prode).

[49] Border Streams began exporting marmalades to Britain in 1984, prior to its purchase by the Cairns group, but in minute quantities and at the cost of creating shortages in the domestic market.

at some Z$3.2 mn. This particular farm is owned by the tobacco company, Rothmans, who invested nearly Z$3 mn in the 99 acre farm in the three year period to 1989. The manager put the success of the project down to "strict management from the seed-bed to the grading house"; in the period 1987 to 1988, up to 40% of the flowers had to be thrown away due to a combination of freight problems and poor handling.

Table 9: **Exports of Fresh Flowers (SITC 292710), Z$000**

	1984	1985	1986	1987
Total Exports	237	337	2,562	3,787
Exports to EC	195	311	2,507	3,773
EC as % of total	82	92	98	99

Source: CSO, Harare, Unpublished Trade data.

The origin of commercial flower exports from Zimbabwe can be traced back principally to the action of a small number of Dutch international flower companies - Van Dyk Flora, Van Ziever Den Oz and Via Flor - which, according to the Zimbabwean growers, "aggressively look for suppliers of flowers in the European off-season". After visits to Zimbabwe in the early 1980s, they came to the conclusion that the climate around Harare was "the best in the world" for growing flowers, "even better than California" and, as a result, developed contact and contracts with the Harare flower growers. With firm contracts and very attractive prices, farmers responded and quickly expand capacity. Almost all the growing of these fresh flowers takes place around the Harare area. The reputation of Zimbabwean quality grew rapidly and was rated so high in the Netherlands that, until recently with the transport problems (discussed above), Dutch buyers "bought blind" when they knew a shipment of roses was coming from Zimbabwe and was going to be sold at the Dutch auctions.

Providing the transport problem can be addressed, there is little reason to believe that this particular market cannot be expanded, two, five or ten-fold over the coming years. From the Zimbabwean point of view there is clearly merit in expanding fresh flower exports in preference to fruit - the returns (at 1989 prices) for fresh flowers were Z$10,000 a tonne but only some Z$5,000 for fruit and vegetables. Additionally, the returns to farmers are far higher than for the traditional crops of maize and cotton.

III.2 Hides, Leather and Shoes

In terms of increased value added, the export of first hides, then leather and, finally, (leather) shoes can be seen as the ordered progression in the development of this particular industry. The easiest product to export is the wet-blue (initially-processed) hide; this is followed by crust-leather and then finished leather. Progress into the shoe market also takes place in a number of stages, from shoe-parts, such as shoe uppers, to the finished product.

During the 1980s, Zimbabwe has shifted the pattern of its exports from a dominance of wet-blue products to leather (leather-crust and finished products). The value of leather shoe exports has remained at about one quarter of all exports from this sub-group. Recent trends in all three sub-groups is shown in Table 10.

As can be seen from Table 10, the EC is the major market for both hides and further processed leather, with the data for leather products revealing both a comparatively higher and rising share going to EC markets. In strong contrast, however, the value of leather shoe exports to the EC has been insignificant - falling from about 2% of total shoe exports in 1984 to a negligible amount by 1987.

The basic starting point of trade in leather and leather footwear is the quality of the hides used. According to Superior Footwear (responsible for one third of all leather and wet-blue exports from Zimbabwe in 1987), Zimbabwe has some of the best quality hides in Africa, although the quality appears to have declined somewhat in the post 1987 period, while the quantity of hides available locally is well below the demand of the tanneries: in 1990 Superior needed 12,000 hides to operate at full capacity but the CSC could only supply about 2,500 (The Herald, 22 March, 1990).[50] Zimbabwe has four tanneries, but in world-wide terms the through-put is small. The advantage is that the quality of the hides is sustained and even enhanced in the processing stage giving a quality of semi-processed leather from Zimbabwe judged by the industry (world-wide) to be on a par with or even better than South Africa, Botswana, Brazil and Argentina.

But smallness also has its disadvantages. To sustain an adequate level of throughput the Zimbabwean tanneries are unable to specialise in particular types of leather - as the European tanneries do - so they are not able to produce consistently the "extra-high" quality required for top-class shoes. Thus Zimbabwe imports unprocessed skins

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[50] This is largely because the price given to farmers for their hides is categorised as "fifth quarter" and therefore relatively low. If the CSC increased the price of hides then farmers would have a greater incentive to care better for this part of the animal and, for instance, not to brand the beasts in an indiscriminate way.

(including buffalo and crocodile) from China and other Asian countries to maintain output levels, although the leather processed from these sources goes only to the sub-regional markets.

Table 10: Exports of Hides, Leather and Footwear, Z$000

	1984	1985	1986	1987
A. **Hides** (SITC 211100 to 211900)				
Exports	12,969	13,099	9,305	6,658
Exports to EC	4,506	5,790	4,192	5,661
EC % of Hide Exports	74	63	62	63
Hides as % all	60	55	38	19
B. **Leather** (611200 to 612100)				
Exports	2,892	7,015	7,885	18,271
Exports to EC	1,764	4,896	6,248	14,421
EC % of Leather Exports	61	70	79	79
Leather as % of all	13	29	32	54
C. **Leather Footwear** (851020)[(a)]				
Exports	5,643	3,046	6,818	8,050
Exports to EC	109	13	1	5
EC % of Shoe Exports	2	-	-	-
Footwear as % of all	26	13	28	24
Total for Sub Group	21,734	23,873	24,432	34,149

Source: CSO, Harare, Unpublished Trade data.

Note (a): This does contain some non-leather shoes, but the data do not provide an indication of the amounts involved.

Superior Footwear has increased exports sales (almost entirely initially of wet-blues but now further processed leather) to the EC from almost zero in 1979 to Z$5 1/2 mn by 1989; with the coming on stream of its new Z$6 mn factory in 1990, it anticipates further growth to Z$9 mn by 1991. The provisions of the Lomé Convention, particularly duty free access to EC markets, were a major factor in boosting export sales. The export of wet-blues was initiated by regular visits to customers in Europe (mostly to Italy), including (very costly) visits if there was initially a question over quality. Once quality and supply reliability were assured, it was then possible for the company to start to raise the price of the product. Today, Zimbabwean leather commands a substantially higher price in Europe than, for instance, leather from Kenya. In moving into the crust and finished leather export side, the company received technical advice on quality aspects from its biggest Italian customer, Cogolo, who sent staff down to Zimbabwe.

Superior Footwear believes that there are major impediments inhibiting a further significant expansion into the final stage of leather footwear exports to EC countries. One is that the Zimbabwean leather industry is not able to act with sufficient speed to the changes in market fashion in Europe. Once the fashion shows have set the trend in design and colour for the year, shoe companies have to react very quickly to produce the new shoes demanded by the market. Zimbabwe, with its foreign exchange shortages and its distant location, simply cannot respond with speed both to obtain the necessary shoe-making equipment (for instance for a change in heel size and shape) and the necessary colours and dyes, in order both to manufacture the shoes quickly and have them in the European shops on time.

Another important constraint is that at present Zimbabwe is not geared up to producing the high quality finish on shoes required for the EC market. Zimbabwe is able to and does export leather shoes, but this is principally to the South African, PTA and SADCC markets, where quality and finish standards are not so rigorous. The development of the export industry into the leather footwear market in Europe is thus going to be difficult; if it is to become more significant in the next few years, it is likely to be restricted to the more traditional "fashion-free" lines such as moccasins.

These conclusions are borne out by Bata Zimbabwe, the leading manufacturer of shoes in the country which has recently begun exporting a small number of leather shoes to Italy. Bata Zimbabwe already exports a range of canvas shoes (lower end of that particular market) to the EC and to the USA, besides supplying the regional market.[51] For instance in 1988, it sold 70,000 pairs to Italy and in 1989, 60,000 pairs to France and the UK. These are small volumes, however, compared with 1.2 mn pairs sold annually to South Africa.

Bata Zimbabwe turned to the European market (for non-leather shoes) initially not because of any attractions of duty free access but because of a sudden and significant tariff hike imposed by the South Africans: the company had shoes and needed to place them somewhere. (The tariff was subsequently lowered, permitting re-entry into the South African market). With this exception, Bata's canvas shoe exports to Europe have principally been a response to requests from Bata subsidiaries in European countries, not the result of initiatives taken from Zimbabwe. Thus exports of canvas shoes to the UK go through Bata UK. Even exports to its the main non-domestic market, South Africa, are contracted within the context of an inter-company trading arrangement with the South African subsidiary of the Bata group. Even though Bata has disinvested from South Africa, this marketing arrangement continues.

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51 Bata also exports a small number (5,000 pairs) of "veldskoens" to the USA.

As for the leather shoe order to Italy, this is small, consisting of only some 3,00 pairs of leather upper and rubber soled shoes - a very basic leather shoe and therefore a product less influenced by fashion trends. What is more, according to the company, this order has been far too much trouble than it has been worth. Bata Italy sent down a technician to help with the production and finishing - the idea of producing the shoes in the first place came from Italy - and it is not an experience that Bata Zimbabwe would like to repeat.

For Bata Zimbabwe, exports account for about 15% of production of which the vast majority go to the southern African region. (For the industry as a whole the figure is about 12% -Financial Gazette, 5 August, 1988.) What is more, company officials argue that the major stimulus for expanding exports has been to obtain the extra foreign exchange top-up to be used to boost the meagre foreign exchange allocations provided for local market production. Clearly, too, Bata's international links and contacts have played a major role in creating firm export orders for the firm which, except in the case of South Africa, have been small both in comparison with the size of the domestic market throughput and in comparison with that achieved by smaller firms such as Superior Footwear.

III.3 Textiles

As shown in Table 2, above, textiles constitute the single most important category of manufacturing exports except for iron and steel products. But in contrast with iron and steel exports, textiles have experienced a rapid expansion, especially in the post 1983 period. From 1983 to 1987, textile exports rose from Z$14 mn to Z$53 mn.[52] What is more the EC has been the destination of a rising share of this increase: thus from 1984 to 1987, the EC share of total textile exports from Zimbabwe rose from 20% to 37%.

Textile exports can be divided broadly into three sub-categories - yarns, fabrics and other items (consisting largely of bed and kitchen linen). As Table 11 reveals, the trends in both exports and in the share of exports going to EC countries has differed quite markedly in the period 1984 to 1987. EC countries have become the major single market for the export of yarns while the share of fabric exports going to EC markets has fallen from over 50% in 1984 to less than 10% by 1987. For their part, total fabric exports have doubled in value (at current prices) and increased their share of total textile exports. As for "other textile" exports - largely kitchen and bed linen - the EC has become an increasingly important destination, even though this element of the textile trade has fallen in overall significance - accounting for only 10% of total textile exports in 1987 compared with over 20% in 1984.

Mention needs to be made of the important role of Botswana in the development of Zimbabwe's textile industry and as the destination of a significant share of total exports.

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[52] Iron and steel exports rose from Z$57 million to Z$88 million over this period.

As Table 11 shows, the value exports of yarn to Botswana have been extremely high, until 1986 they exceeded total exports of yarn to EC markets. There are a number of reasons for this. An important one is that David Whitehead's factory for making cloth is located in Botswana; its yarn (spun in Zimbabwe) is exported to Botswana for manufacture and eventual export - of which the EC countries are the major market. Cone Textiles also has a factory for making denim located in Botswana. Additionally, as Botswana is a member of the South African Customs Union the country is used as a means of penetrating the South African market, circumventing tariffs and (especially quotas) which Zimbabweans exporters to South Africa have to face. Thus the exporting of Zimbabwean textiles "to" Botswana should be seen principally more as a means of adding value and furthering exports to third markets than as an end in itself.

Table 11: **Exports of Textiles, Z$000**

	1984	1985	1986	1987
A. Yarns (651)				
Exports	14,211	15,601	21,072	26,799
Exports to EC	2,273	4,696	9,529	16,531
Exports to Botswana	8,875	7,883	7,069	9,094
EC % of Textile Exports	16	30	45	62
Botswana % Textile Exports	62	50	33	34
Yarns as % all	45	48	50	50
B. Fabrics (652 to 65839)				
Exports	10,918	12,947	17,263	21,099
Exports to EC	5,888	7,044	3,929	1,830
EC % of Fabric Exports	54	54	23	9
Fabrics as % of all	34	40	41	40
C. Other Textile Exports (658410 to 658460)				
Exports	6,509	3,969	3,419	5,303
Exports to EC	244	44	1,126	1,449
EC % of Other Exports	3	1	33	27
Other Exports as % of all	21	12	9	10
Total for Sub Group	31,638	32,244	41,754	53,181

Source: CSO, Harare, Unpublished Trade data.

Zimbabwe's textile industry is dominated by a handful of large companies: David Whitehead (a Lonrho subsidiary), Merlin (locally incorporated but with South African capital), Zimbabwe Spinners and Weavers (Spinweave, Zimbabwe -owned), all three of which are quoted on the Zimbabwe stock exchange, and Cone Textiles, a privately-owned Zimbabwean company. Between them in 1988, David Whitehead, Merlin and Spinweave had a turnover of Z$142 mn and a net asset value of Z$81 mn (Financial Gazette supplement on Top Companies, 16 September, 1988).

Discussions took place in July 1989 between the author and three of these companies - David Whitehead, Spinweave and Cone Textiles. All of them began exporting to the EC in the early 1980s but in no case was the shift to supplying the European market a deliberate policy. For David Whitehead the move to Europe was stimulated by the dramatic fall in domestic sales in 1983 but additionally spurred by poor prospects for future demand in the southern African region in general and, in particular, by the rising tide of protectionism against imports from within South Africa: in the early 1980s, South Africa instituted a short-lived but total ban on textile imports. These factors also stimulated the shift to Europe by Cone Textiles who, in 1989, estimate they will export about 12% of their total output, a share not substantially at variance with that of David Whitehead.

For Spinweave the shift to Europe was even more accidental. A UK agent went to Tanzania to secure his normal order of yarn but the factory could not deliver. The agent continued down Africa came to Zimbabwe and met (largely by accident) with representatives from Spinweave who picked up the order. What started as exports valued at Z$884,000 in 1983 rose to Z$4.4 mn in 1985 and Z$15 mn in 1988. (In 1988, Spinweave was named exporter of the year.) Today some 75% of Spinweave's production is exported, most of which goes to Europe. Company forecasts are for exports to rise to Z$26 mn in 1989 and to over Z$30 mn in the early 1990s.

Not only has the switch to Europe not been part of a deliberate and well planned decision and plan of action for the textile industry in Zimbabwe, but little radical had to be done to the plant and machinery in use to penetrate the European market. For instance, when Cone switched its attention to Europe, all it had to do initially was to adapt its machine to alter the fabric construction. This is not to say that exporting to Europe has been carried out with old and out-dated plant and machinery. Far from it. The textile industry in Zimbabwe as a whole has been characterised in recent years by substantial investment and continual up-dating of technology. For instance Spinweave spent Z$28 mn on investment and expansion in the period 1984 to 1987, with machine selection influenced considerably by advice from the European purchasers of yarn and cloth, while David Whitehead spent over Z$24 mn between 1980 and 1986, including Z$10 mn to modernise its Kadoma factory, and announced a four year plant modernisation programme valued at Z$14 mn in mid-1988.

The exception has been Merlin, which has spent $Z40 mn and established a new subsidiary, Merspin, to create a new cotton spinning mill in Bulawayo, one of whose prime objectives is to enhance its export potential especially to the EC market. Its plans are twofold. First, to produce sufficient yarn for Merlin's own requirements, which include the manufacturing of towels in sufficient quantities to export these products to Europe; secondly, to expand productive capacity to export yarn, again, especially to Europe.

The ability of the Zimbabwean textile industry to move, without much pain, to the European market has been due to a number of factors. First has been the quality of the textile products sold. As Zimbabwe's textile industry is dependent almost entirely upon cotton, both the quality and expansion of Zimbabwean cotton production have been major factors in the export drive: cotton production rose from 182,000 tonnes in 1980-81 to a peak of 320,000 tonnes in 1987-88.

However mention needs to be made of recent falls in production levels (to 250,000 tonnes in 1988/89) and with problems experienced in the grading of fibres which have led to some disquiet in textile circles, in 1989, about sustaining the high quality of cotton into the 1990s. Another development constraining more rapid export expansion is the fact that Zimbabwean clothing exports have also expanded rapidly in recent years. The result is that increasing amounts of textiles are be utilised and are likely to continue to be utilised by clothing exporters (see below), in the context, too, of booming domestic sales of clothing.

The quality aspect needs to be put into perspective, however. Zimbabwe, in general, is not supplying either yarn or, more particularly, fabric, to the "top of the European market"; its particular niche is in the middle to lower range. As a result, sales have been particularly sensitive to fluctuations in demand in Europe as occurred in the periods 1987 and 1988, in part because of the stock market crash which led to lower stocks being carried by European firms. Of relevance, too, is that Spinweave maintains that its first venture into Europe (back in 1983) was with product of rather poor quality which, however, it was able to sell because of the comparatively low prices it offered. As quality improved and as Spinweave became known as a regular supplier, so the prices charged could rise.

Yet perhaps the single most important element in the success of Zimbabweans textile exports to Europe has been having the right contacts in Europe: people "on the spot" knowledgeable about the market and able to sell the product. For David Whitehead, selling in Europe provided no particular difficulty or skill because the company is part of the Lonrho group which was able to organise the sale of yarn, cloth and fabrics either to its own subsidiaries or through them to other outlets. For Spinweave having a good agent in Europe has probably been the key to the whole exercise: the agent not only sells Spinweave's products in Europe but advises on what to produce, on quality control and even on the type of machinery to buy. Equally for Cone Textiles, all exporting is done for them through their (German/Italian) agents which the company argues has been fundamental to their export development within the EC. Indeed discussions with representatives from Cone Textiles suggest ignorance of either the end purchasers of their product or of the final selling price - an ignorance which could clearly lead them vulnerable to price abuses.

There is no doubt, too, that the in the climate of non-tariff barriers, provision of duty free access to Europe under Lomé has provided a critically important reason for the expansion of textile exports to EC countries in the 1980s (coinciding with the demise of the South African market). This, however, was boosted by a number of domestically-initiated policies such as the post-1982 devaluation and depreciation of the Zimbabwean dollar - an advantage, however, which has not sustained into 1989.[53]

What is more, the Lomé advantages are by no means seen as a permanent benefit. From among the non-Lomé countries, major competitors would include Pakistan, Taiwan, Thailand, India and China while within Europe itself, a number of textile manufacturers express concern for the future in relation to Greece and Portugal. However the single major worry relates to Turkey. It is argued that Turkey, whose textile exports have expanded by some 15-30% a year to reach US$1.05 billion in 1988, provides the greatest external threat to Zimbabwe's export expansion to the EC. Like the Zimbabwean product, Turkish cotton is hand-picked while it has considerable transport advantages over land-locked Zimbabwe. At present Turkish exports to the Community are constrained by quotas but, argue the Zimbabweans, purchasers in Europe always buy Turkish products in preference to Zimbabwean and only switch to Zimbabwean products when Turkish quotas have been filled. Zimbabwe is thus particularly concerned if Turkey's membership of the EC were ever to be granted.

It is important, too, to place the expansion into Europe into its proper perspective. For fabrics, as the figures in Table 11 clearly show, the EC countries are <u>not</u> the major market: export expansion of fabrics has been vigorous in the 1980s with a significant <u>fall</u> in exports to Europe. While fabric exports to the SADCC and PTA states have been fairly firm, of major importance has been the United States' market. In 1986, Z$4.4 mn worth of fabrics were exported to the USA (under GSP terms) and only Z$3.9 mn to EC countries, while in 1987, the USA imported in excess of Z$6 mn worth of fabrics from Zimbabwe compared to only Z$1.8 mn to EC countries. Thus for fabrics in particular, the relatively poor performance of exports to the EC has by no means been caused by a lack of competitiveness of the Zimbabwean product: expansion into the USA has occurred without the particular advantages of the Lomé Convention.

III.4 Clothing

There are some 800 clothing manufacturers in Zimbabwe, of whom about 600 are informal sector operators employing less than 30 employees. They are responsible for about 20% of total domestic production and are not exporters. Of the remaining 200 formal sector manufacturers, about 30 are exporters, but of these less than 10 firms account for over 80% of total clothing exports. For the industry as a whole, some 10 to 15% of production is exported; however for some clothing exporters the

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[53] As Spinweave points out in their 1989 annual report, the Zimbabwe dollar appreciated against both the £ Sterling and the Deutsche mark in the first six months of 1989.

export/output ratio is far higher. Thus for Fashion Enterprises, the largest clothing exporter in the country, up to 50% of output is exported. Other major exporters include Continental Fashions, Concorde Clothing, Bulawayo Clothing and Archer Clothing.

At the time of Independence, over 90% of Zimbabwe's clothing exports went to South Africa. The period 1980 to 1984 was one of adjustment as exporters re-assessed the South African market, re-organised and re-oriented themselves. Total clothing exports fell progressively from Z$12.3 mn in 1980 to a low of Z$4.7 mn in 1983. Since then, however, expansion has been rapid and sustained. The value of clothing exports has risen by an average of over 60% a year (at current prices, Zimbabwe dollars) from 1984 to 1988, reaching Z$45.4 mn in 1988. Forecasts by the Zimbabwe Clothing Council (ZCC) in mid-1989 suggest that total clothing exports for 1989 will be between Z$52 and Z$55 mn.

The details of the share of total exports going to Europe by different types of clothing are shown in Table 12. As can be seen from the Table, European Community markets have taken a rising share of clothing exports, accounting for 37% of the total in 1984 and for 50% in 1987. ZCC data for 1988 record clothing to the EC at Z$25 mn, 55% of total clothing exports. The second largest market remains South Africa, taking, in 1988, 20% of total clothing exports. The main product exported to South Africa is underwear. In 1988, clothing exports to the USA were valued at Z$6 mn, 13% of the total and the SADCC countries imported some Z$5 mn, 11% of total clothing exports from Zimbabwe.

Fashion Enterprises, the largest exporter of clothing from Zimbabwe, produces women's outer garments, of which about half the production is exported. The company is privately owned (by Mr. George Whyte) and its domestic and export sales are not published. Although in Zimbabwe the company is considered a leader, in European terms it would be better termed a "style shop". The products exported are not high fashion nor are they the "rubbish" end of the market; they are at the middle to bottom range. Most exports go to the Netherlands, FRG and France, very little is exported to the UK. The company's export drive began in the late 1970s but it took some five years to become known in Europe and thereafter for exports to "take-off". Clothes are sold both directly to chain stores in Europe and also through agents.

According to a senior official of Fashion (and immediate past President of the ZCC), Zimbabwean clothing exports are successful for a number of reasons: reliability of supply, consistent good quality and price competitiveness. Representatives of the clothing industry, however, argue that both the value of clothing exports and the recent rapid growth in clothing exports conceal a certain fragility. They maintain that clothing exports from Zimbabwe to Europe are only possible for two key reasons: first, because of the duty free concessions of the Lomé Convention and, second, because of the price differential on domestic sales. Additionally, like textile exports, clothing exports have been helped considerably by the post-1983 fall in the value of the Zimbabwe dollar. A particular concern is potential competition from Asia and from southern Europe.

It is the view of officials and former officials of the ZCC that the creation of the internal market and further liberalisation of imports from non-Lomé countries would be likely to influence Zimbabwean clothing exports to Europe adversely.

Table 12: **Exports of Clothing, Z$000**

	1984	1985	1986	1987
A. Men and Boys Outer Clothing (842110 to 842990, plus 8441 and 84632)				
Exports	4,426	5,931	8,042	16,430
Exports to EC	1,686	1,358	2,500	8,541
EC % of Mens & Boys Outer Clothing Exports	38	23	31	52
Mens & Boys Outer Clothing Exports as % Total	32	36	40	49
B. Women and Infants Outer Garments (843110 to 843910, plus 845220 to 845290)				
Exports	4,970	8,440	9,843	14,269
Exports to EC	2,633	4,565	5,427	7,168
EC % of Women's and Infants Outer Clothing Exports	53	54	55	50
Women's and Infants Outer Clothing as % Total	36	52	49	42
C. Women and Infants Under Garments (8443, 84631, 846340 to 84652)				
Exports	2,002	1,332	1,872	2,398
Exports to EC	536	450	870	1,133
EC % of Women and Infants Under Garments Exports	27	34	46	47
Women and Infants Under Garments as % Total	15	8	9	7
Total for Sub Group[(a)]	13,629	16,315	20,054	33,690

Source: CSO, Harare, Unpublished Trade data.

Note (a): Includes both men's and boy's under-garments and clothing exports not otherwise categorised.

They would also maintain, however, that Europe is preferred by Zimbabwean exporters in comparison with selling on the US market because once contact have been made and firm orders placed it is their experience that follow-up order are more likely to be made by European importers. For United States' buyers, the likelihood of being dropped even after a big order has been secured remains. One reason for this is that much of the United States' business is done indirectly through, for instance, Hong Kong and Taiwanese companies in contrast to direct buying from European purchasers. In Zimbabwean terms, simply massive orders are made by US purchasers both to Asian clothing producers and "middle-men" who either, in the former case, are not able to meet the order from their own factory or, in the latter, obtain orders from across the globe. Zimbabwe gains because it is a reliable, but small, supplier which is able to help make up some of the shortfall in these large orders. Partly in response to this phenomenon, a number of smaller Zimbabwean clothing manufacturers, such as Carousel and Truworths, have joined together to respond to a combined order that individually they would not have the capacity to meet. Thus one of Zimbabwe's advantage in the European clothing market is fitting into a niche between the big exporters from Asia, by having the versatility and flexibility to complete small orders reliably.

Additionally, Fashion has one major advantage (over, for instance, leather exporters mentioned above): it has its own dyeing and printing operations into which significant capital investment has been channelled. This enables the company to respond quickly to changes in fashion in Europe: it is able to alter its production lines on a daily basis. While this particular facility was set up in 1973 largely to maintain the competitive edge in the domestic market, it has certainly been beneficial in the promotion and expansion of the company's exports.

Computerisation has not yet had a major impact on the Zimbabwean clothing industry. For Fashion, one of the companies most advanced in the industry, neither the machines nor even the cutting of cloth is done by computer; however its accounts department has recently been computerised and colour-mixing is also carried out with the aid of a computer.

Concorde Clothing, in Zimbabwean terms, is a fairly large private (97% externally-owned) manufacturer and leading exporter of men's outer-wear garments (shirts, trousers etc.). It is of particular interest not only because it exports some 12% of its production but because it is one of those companies which, unlike Fashion, originally exported exclusively to South Africa.[54] Throughout the 1970s and into the 1980s, the South African market had become less attractive not only because of the general trends (discussed above) but also as the particular benefits for the clothing industry of the 25 year old Zimbabwe/South Africa trade agreement eroded over time. This was because the agreement was made in terms of Zimbabwe dollars, whose value has progressively fallen, leading to a smaller and smaller share of exports qualifying for preferential entry to South Africa.

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[54] It did export small quantities to Britain in the early 1960s but this trade ended quite soon after UDI.

The easiest alternative to South Africa was the European market, especially because of the advantages of Lomé. As a result contacts were made by Concorde with an agent in Europe and, because of reliability of supply, quality of product and competitive prices, export orders came in and expanded. For Concorde, most trade is with the UK, with smaller orders to Italy and the FRG. The main outlets are the chain stores and, importantly, mail order firms. The company believes that its quality is in fact somewhat better than that of the large companies in Asia because of more labour-intensive production (which gives a better quality finish), in part the result of less modern equipment being used. Other advantages are that with small factories, Zimbabwe has shorter lead times to alter design, while because clothing exports to Europe are air-freighted they can be in the shops within three or four days of leaving the country, whereas the Asian clothing goes by sea.

The potential for further export development is there insofar as orders are concerned. On a world-scale, Zimbabwe's clothing industry remains small, yet its quality and reliability has meant that almost all the (ten or so) major clothing exporters have received massive orders that they simply do not have the capacity to meet - Concorde has received orders from the United States for one mn shirts - enough to keep all factories in Zimbabwe occupied for weeks on end. Nonetheless for Concorde as for Fashion, exporting can only be sustained because the lower prices for exports compared with that obtained in the domestic market. The company does not believe it would be able to expand exports significantly above the present level (some 12-15% of turnover), unless there were very significant changes in the exchange rate, which is unlikely to occur in the near term.

Finally, however, the clothing industry as a whole has expressed some disquiet about the proposal to liberalise trade especially through lowering tariffs on clothing imports and removing the ban on competitive imports. It was the view of the ZCC in mid-1989 that radical liberalisation would not only spell the ruin of the country's clothing exports, but that it would also lead to the elimination of a substantial part of the domestically-oriented industry. It remains to be seen the extent to which these fears will be borne out once the liberalisation package is announced by the Government and its effects are monitored.

III.5 Furniture

In contrast to both textiles and clothing, the story of furniture exports to Europe has been one largely of failure. Though expansion has taken place, neither the total value of exports nor the rate of expansion of furniture exports have matched the performance of the clothing and textile sub-sectors: in 1987, the value of furniture and fixture exports was Z$6 mn, only 14% higher (in current prices) than the Z$5.3 mn reached in 1981. Only about 2% of production is exported (CZI, 1987). Exports to the European Community countries (especially Netherlands and the UK) have risen during the period but in 1987, almost 70% of furniture exports (metal and wood products) still went to southern African countries, dominated by South Africa. Indeed the comparative shift away from South Africa since Independence has not led to an expansion to the EC as has occurred in the textile and, to a greater extent, in the clothing industry, but rather but to the development of exports to the regional market.

The reasons for this lack of expansion are relatively straight-forward. Furniture products tend to be high-bulk and relatively low-value so that transport costs from Zimbabwe substantially erode potential competitiveness. Additionally in the potentially more hopeful knock-down furniture business, there has been rapid expansion of the highly capital-intensive, good quality/good finish Scandinavian products, such as Ikea, which have captured the dominant imported share of the expanding market. It is the view of one of the executives of the Zimbabwe Export Promotion Programme (ZEEP) that there is little significant potential for the expansion of furniture exports to the EC market.[55]

A final constraint relates to the export of lounge furniture to Europe. At present Zimbabwe is precluded from exporting lounge suites and any furniture with foam rubber to Europe, as these are bnot anti-flammable proof. The local industry does not as yet have the technology to produce anti-flammable foam rubber. What is perhaps remarkable, therefore, is that Zimbabwean exporters have managed to expand to the extent to which they have (See Stevens and McQueen 1989).

Given this background, the record of Art Flooring is of particular interest both because it exports upwards of 75% of its total production - **parquet flooring** - and because, from the 1950s, it has been exporting to the European market. Although initially privately-owned (it began operations in 1954), it is now a subsidiary of Dunlop Zimbabwe. In 1987, Art's exports were valued at Z$650,000 (up from Z$180,000 in 1985) and it had a full export book for two years. The company has no difficulty exporting its product to almost anywhere in the world.

Of interest, too, is that following a boom in sales in the early 1980s it decided, in 1982, to concentrate exclusively on the South African market,severing the contacts and markets it had developed in Switzerland, the FRG and Italy. Almost as soon as this decision had been taken, the bottom fell out of the South African market and the company had to attempt to re-gain its foothold in the European market. This it did without much difficulty, in part because this coincided with the boom in the "natural" look in Europe.

The key, however, to both the company's export success and its ability to return again to the European market after the error of its 1982 withdrawal from Europe, lies principally in the quality of the product. The raw material - Zimbabwean teak - is unique in its hardness, its durability and wearing qualities: it is some two times harder

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55 Interview with Mr. N. Meehnan, July, 1989.

than European hardwoods.[56] The only other ingredient required therefore was the ability to produce the flooring. This was enhanced in 1983 with the purchase and import of a brand new machine (a Schroeder from Austria) giving it the state-of-the-art technology, together with the skills of the manager/engineer with 27 years experience who was able to adapt the machine for local Zimbabwean conditions.

Price has a relatively minor factor in the success of Art and it is the opinion of the firm that customers, especially in the FRG, would be willing to pay considerably more for the product than that charged. Hence for this particular commodity, the benefits of the Lomé Convention have not been a major factor in the development of exports. Indeed there is no particular reason why the flooring should be sold to countries in the EC rather than to others - a factor which helps to explain why Zimbabwean teak flooring was used exclusively in the new Helsinki opera house.

The one major problem facing both the company and the country (for other companies like PG Timbers also manufacture parquet flooring) is the shortage of raw material. There is only some 10 to 15 years supply of this particular type of teak in the country while supplies from Mozambique (which are good and have been used) have been restricted because of the war. In late 1989, the Government announced that it was tightening up on the export of indigenous hardwoods, initially by ensuring that no hardwood could be exported without a license from the Forestry Commission. The future of export sales of furniture manufactured from southern African hardwoods thus remains uncertain for the 1990s.

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[56] Brinell hardness, 10% moisture, kk/mm^2: African teak, 6; European beech, 3; German oak, 2.4. (Figures supplied by Art Flooring.)

IV. CONCLUSIONS

It should be apparent from the preceding discussion that there are a series of different and sometimes complex reasons why Zimbabwe has managed to expand its non-traditional exports to the European market. There are, in the first place, unique factors - such as family links and ties and climatic conditions - which have been and continue to be important. These have been enhanced by the presence of both managerial and technical skills and, based on these factors, the exploitation of market opportunities. Other elements have been a series of policies introduced by the Zimbabwean Government; these include, for instance, the package of export incentives instituted in the post-1982 period and the policy of currency devaluation. There are, too, more particular factors applicable at particular points of time - such as the increasing need of manufacturers for the domestic market for increased access to foreign exchange which has stimulated exports as a way of acquiring scarce foreign exchange. Still other factors relate to particular developments in southern Africa. While the package of incentives provided by membership of the PTA has clearly been of relevance here, of major importance has been the changing role of South Africa from major to minor market for Zimbabwean exports.

It is within this context that the incentives offered to Zimbabwean exporters by EC countries, and particularly those provided by the Lomé Convention, must be judged. There is no doubt that these have provided a critically important reason for the expansion of non-traditional exports to Europe as the 1980s have progressed. There is little doubt, however, that without the particular developments that occurred in relation to South Africa during this period, the expansion of non-traditional exports would have been far less impressive. Yet it is also true that the extent to which Zimbabwe has been able to utilise these incentives has been based on the quality of the products manufactured (or grown), itself related to natural endowments, managerial and technical skills, and to the level of development reached in the country.

For the future, it seems likely that until a democratic government is installed in South Africa, regional developments in southern Africa will favour further expansion of both traditional and non-traditional exports to EC markets to 1992 and beyond. To the extent, however, that the European market is opened up further to competitive imports from non-Lomé countries, Zimbabwean export expansion to the EC is likely to be constrained. It does not appear, however, that developments in eastern and central Europe will adversely effect non-traditional exports across the board, although the impact on textile and clothing exports remain unclear. Finally, it is important to stress that located in the hinterland of Africa with no direct access to the sea, Zimbabwe's relative competitiveness as a source of imports of non-traditional products to the EC will continue to be (permanently) hampered by relatively high transport costs of moving goods into Europe, providing a further break on sustained expansion of exports into the 1990s.

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