



ZIMBABWE NATIONAL CHAMBER OF COMMERCE

Presentation by the Deputy
President: Mr D Norupiri

“New Government, New Policies, New Expectations”

TOPIC

Issues to be Addressed for Enhanced Economic Growth”.

1. FACTORS AFFECTING INDUSTRIAL COMPETITIVENESS

A. Duty Regime on Raw Materials

- There is need to review the import duty regime levied on raw materials imported for production so that they do not render our locally manufactured products uncompetitive. A good starting point is to look at the duty regime which prevailed in 2007. These were supportive of the local manufacturing industry but were subsequently adjusted to favour the importation of finished food products in response to shortages of food in the local supermarkets.
- A case in point is that palm oil which is a raw material in the manufacture of soaps is levied duties of 55% yet imported soap comes in duty free thus making it difficult for locally manufactured soap to compete effectively with imported soap.
- We therefore recommend a complete scrapping of duty on raw materials. The revenue foregone will be realized from Corporate Tax, PAYE and VAT since there will be high capacity utilization and an increase in employment levels.
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B. GMO

- As a country, we do not allow the production of GMO crops, yet we allow the importation of finished food products which are made from GMO crops. These tend to be cheaper than locally manufactured foodstuffs as the yield per tonne of GMO crops is substantially higher than the yield on GMO-free crops. This creates an uneven playing field.
- We also have certain health regulations like not allowing the importation of artificial food sweeteners yet we allow finished products which contain these artificial food sweeteners. The later are considerably cheaper than sugar, therefore the affected locally manufactured foodstuffs also tend to be more expensive than their imported equivalents, thus rendering our own industries uncompetitive.
- The food inspection regulations introduced by the Ministry of Health, which require importers of foodstuff and raw materials used in foodstuff to foot the bill of inspection by our local health inspectors in the country of origin also impose an additional cost on our cost of production, thus negatively affecting our competitiveness.
- For us to remain competitive in the presence of GMO imported products, we propose a levy on all products which GMO raw materials to cushion farmers.

C. Porous border posts

- A lot of smuggling of finished goods is happening at our border posts and such smuggling appears to be at a commercial level. Such products tend to be found on the markets at a cheaper price than our own equivalent manufactured goods, thus negatively affecting our productive industries.

D. Capital

- Most businesses are currently constrained by the scarcity of capital and where such capital exists it tends to be expensive.
- At the very least, there is need to redefine the industry and sectors to which the scarce capital is deployed with a bias towards Greenfield businesses in the SME sector.
- The Government has to avoid funding businesses which have served their time, to avoid further losses. A deliberate policy for government to allocate a certain percentage of revenue from diamond and other minerals to capitalize the industry is also recommended

E. Dumping

- There is considerable dumping of goods in the country. This dumping happens either in the form of importation of goods whose “sale-by” date is imminent and thus the shelf life of the goods are about to expire, or the importation of goods at below production cost (as the exporters enjoy export rebates in the country of origin). Equivalent locally manufactured goods are therefore unable to compete with these “dumped” goods.
- A further consequence of this practice is to widen the country’s trade deficit.
- To capacitate Ministry of Health department of Port health in order to minimize substandard or expired products.
- We recommend policies which allow only goods which cannot be manufactured by local companies to be imported.

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TO BE ADDRESSED

A. Value Addition

- There is need for the beneficiation of our minerals and agricultural produce.
- In respect of the minerals, there is need to promote our diamond cutting and polishing industry so as to avoid the current situation where our diamonds, have currently created over 60 000 jobs in the cutting and polishing industry in India whilst not creating jobs in this industry in Zimbabwe.
- We also need to consider setting up a refinery for our platinum, so that we create the appropriate downstream industries and also realize the appropriate royalties from everything produced.
- In respect of agriculture, a resuscitation of a company like Cairns will in turn support the farmers.

A. Labour Laws

- There is need to review our labour laws with a view to making them more flexible.
- The current laws tend to protect the employer at the expense of the organization and in some instances, other employees..
- Currently, companies are experiencing difficulties in making the statutory contributions to NSSA. However NSSA has since increased the contributions significantly without adequate consultation thus exacerbating the current challenges.
- It is also further suggested that the funds residing at NSSA should be ploughed back into businesses in order to sustain and create more jobs. This will in turn help expand NSSA's revenue base.

C. Bankruptcy Laws

- There is need to review the country's bankruptcy laws so that they provide adequate support and “breathing space” to companies which are in distress whilst they try to implement appropriate turn round strategies.
- We note that companies which have been placed under judicial management in Zimbabwe have not been very successfully resuscitated. The process appears to be only enriching the Judicial Managers.

D. Export Incentives

- There is need to review the incentives offered to local companies involved in exports.
- Such incentives could include but not limited to, rebate of duty on imported raw materials used in the manufacture of export products and some corporate tax incentives to exporting companies.

E. SMEs

- We should create new industries through SMEs eg in the diamond cutting and polishing sector. By so doing we create more jobs, leading to greater consumption capacity and thus increased demand for our products
- There is also need for some “protection” of our SMEs from foreign competition.
- A case in point on how SMEs are able to create jobs is in the country’s milling industry. Two of the country’s giant milling companies are struggling to survive whilst one has closed shop. The space they have vacated, has been occupied by small players who have not only created jobs but have been able to meet the country’s demand in this sector.

F. Currency

- A proper research needs to be conducted on the desirability, timing and implementation modalities concerning the return of our own local currency

G. Shared Vision

- All stakeholders including Business, Civic society, Government and Labour need to buy into a shared National Vision.

H. Foreign Direct Investment (FDI)

- This is much needed but we need to identify sectors which are not over-traded in order to protect our own indigenous companies thus promoting our own indigenization and empowerment policies.