

U.S. sanctions no constraint to Zim economic recovery

Harare, October 5, 2009: Sanctions imposed by the United States government on certain individuals and companies that undermine democratic reforms in Zimbabwe are not a binding constraint to Zimbabwe's economic recovery, says a U.S. diplomat.

"While U.S. sanctions may have harmed the business interests of some individuals, there is no evidence that they have had any negative macroeconomic impact on Zimbabwe. In our contacts with entrepreneurs investigating opportunities in Zimbabwe, we have not heard any concerns about sanctions," said James Garry, Second Secretary for Economic Affairs at the U.S. Embassy in Harare.



James Garry

Garry spoke at a roundtable discussion with journalists on turning around the Zimbabwean economy organized by the U.S. Embassy Public Affairs Section in Harare on Monday.

Garry said the U.S. has been cautious in designating firms and individuals in Zimbabwe with whom U.S. nationals may not do business, adding that the goal of U.S. foreign policy is to see Zimbabwe's economy grow.

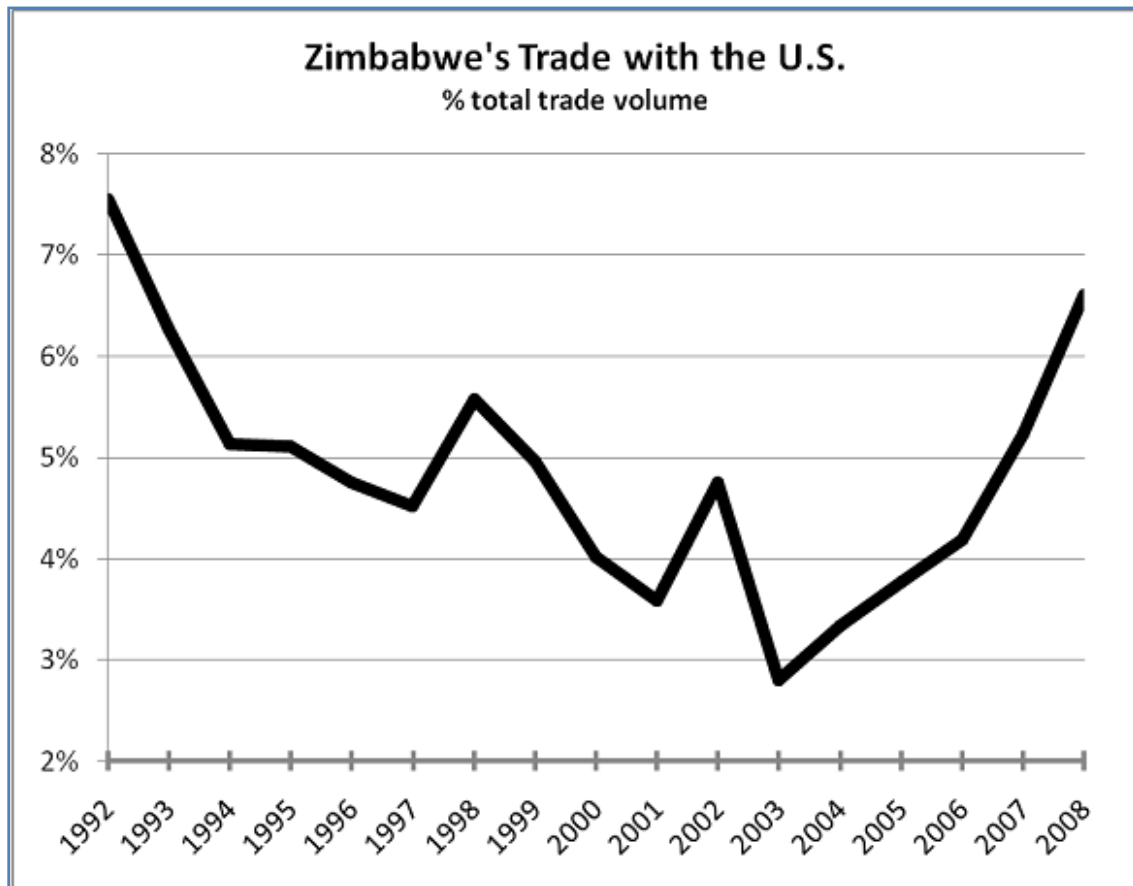
"The most immediate goal of U.S. foreign policy with respect to Zimbabwe is to see improvements in the health, well-being, and prosperity of its people. That is why the U.S. spent more than \$200 million over the past year on emergency assistance for Zimbabweans. But this assistance is therapy, not a cure," said Garry.

He explained the reasons why Zimbabwe failed to access loans from multilateral lenders, a situation he said began well before the introduction of ZDERA.

"Even before ZDERA was signed by (former U.S.) President (George) Bush, Zimbabwe was not in a position to borrow from the IMF because it already had arrears. After that, the IMF took additional steps. So by June 2002, the IMF board had made a statement of non-cooperation with Zimbabwe. In 2003, Zimbabwe lost

its voting rights. So what you see with the IMF, is first, a failed program, and then arrears, and then the IMF started taking these additional incremental steps to try and encourage Zimbabwe to alter its practices and essentially abide by the articles of agreement and clear its arrears," said Garry.

Trade volumes between the U.S. and Zimbabwe, noted Garry, continued on an upward trend since 2003, despite the decline in Zimbabwe's economy.



Garry, who analyzes macroeconomic developments in Zimbabwe for the U.S. Embassy, said internal, rather than external, factors will determine whether the economic improvements witnessed in the past six months turn into a sustained recovery, citing the progress on political reconciliation and implementation of the Global Political Agreement as most important.

"There are serious problems that will need to be tackled if Zimbabwe is to sustain its economic recovery and U.S. sanctions are not one of those problems," said Garry.

"It is essential that the government not impede this essential element of recovery. There is an excess of uncertainty over some government policies such as the re-introduction of the Zimbabwe dollar with limited reserves and apprehensions about indigenization," said Garry.

He noted that Zimbabwe's new economic environment has some important features that are bound to improve confidence. Inflation is no longer a problem, he noted. He observed that liberalization measures introduced by the inclusive government have made it much easier to do business in Zimbabwe.

"Based on what we hear from the business community, there is now a much lower degree of government interference in day-to-day transactions. All other things equal, this should be a significant boost for the economy," said Garry.

Garry said the acute shortage of credit facing the private sector will take time to repair, but noted that "the private sector is able to do this largely on its own."

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Please Note: The recent U.S. Senatorial hearing, which contains the most recent public USG statements on Zimbabwe and sanctions, can be accessed on <http://foreign.senate.gov/hearings/2009/hrg090930a.html> or available via e-mail or hard copy upon request.

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