

# U.S. Sanctions and Bilateral Trade with Zimbabwe 2001-10

# Key Points

- There is no evidence of macroeconomic effects from U.S. sanctions on Zimbabwe.
- Zimbabwe's economy was in decline before the U.S. imposed targeted sanctions in 2003.
- Zimbabwe lost access to multilateral loans when IMF and World Bank programs failed, not because of U.S. sanctions.
- Trade between the U.S. and Zimbabwe doubled between 2003 and 2008.
- Following a sharp decline due to the 2008-09 global economic downturn, bilateral trade is growing again.
- U.S. assistance brings relief to millions in Zimbabwe.

# Chronology

- 1998: Budget deficit 4.6% of GDP, inflation 32%
- 1999: IMF and World Bank suspend financial assistance
- 2000: Real GDP falls 4.9%, inflation 56%
- 2001: IMF arrears (February), ZDERA (December)
- 2002: IMF ends cooperation, closes Harare office
- 2003: U.S. E.O. (March), IMF suspends voting rights (June)
- 2004: Real GDP falls 4.2%
- 2005: Real GDP falls 5.4%
- 2006: Zimbabwe clears arrears to IMF GRA
- 2007: Real GDP falls 6.9%
- 2008: Real GDP falls 14.1%, hyperinflation
- 2009: IMF restores some technical assistance
- 2010: Zimbabwe 's IMF voting rights restored

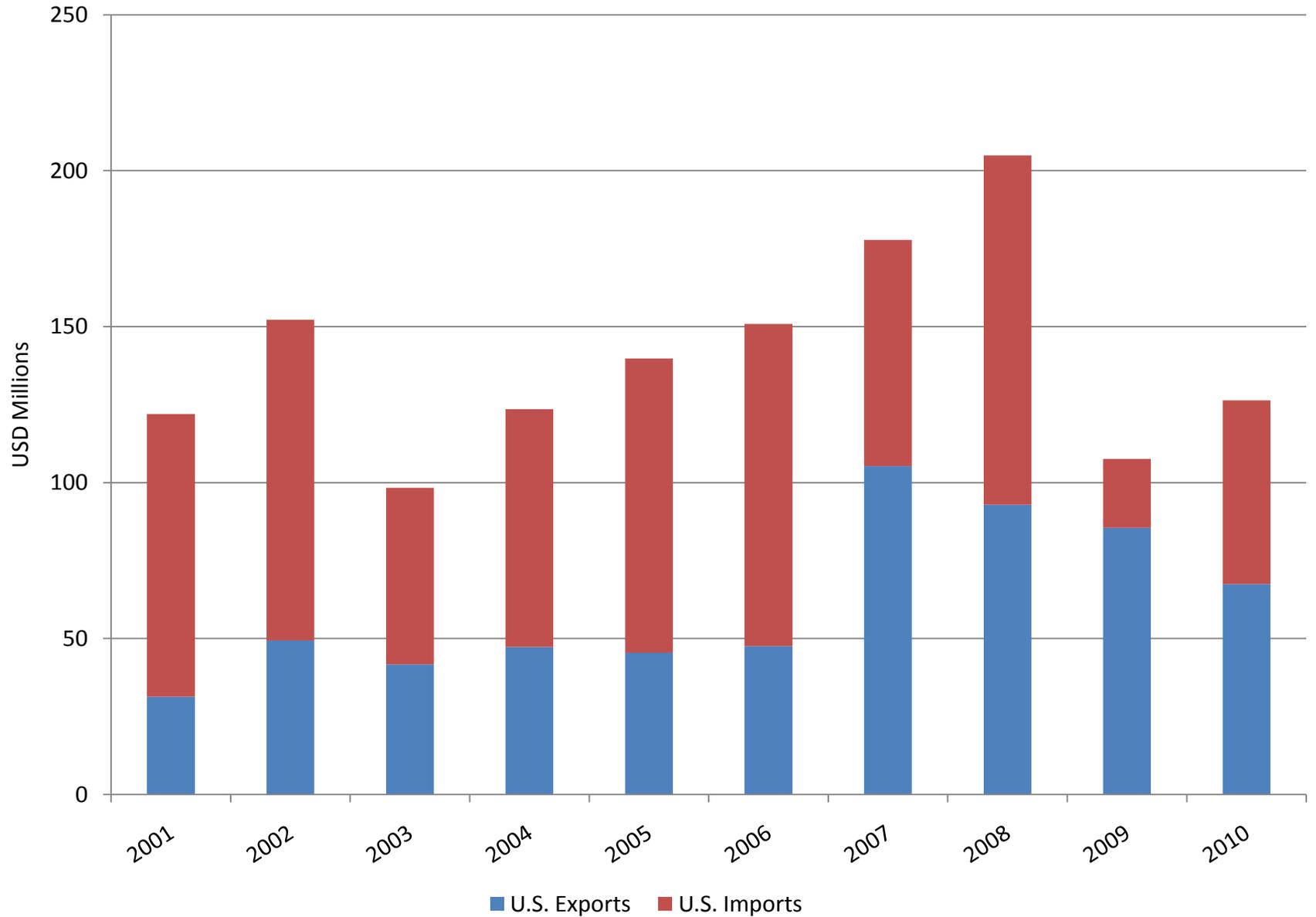
# Expanding Bilateral Trade

- Trade volume between the U.S. and Zimbabwe doubled in the five years after targeted sanctions began in 2003.
- Zimbabwe had a trade surplus with the U.S. each year from 1996 through 2006.
- In 2008 trade with the U.S. accounted for 6.5% of Zimbabwe's external trade, more than twice the 2003 share.
- Bilateral trade declined sharply in 2009 with the global economic downturn but grew by 17 percent in 2010.

**U.S. TRADE WITH ZIMBABWE** (USD millions, current prices)

<b>Year</b>	<b>U.S. Exports</b>	<b>U.S. Imports</b>	<b>Balance</b>
2001	31.3	90.7	-59.4
2002	49.4	102.8	-53.4
2003	41.7	56.6	-14.9
2004	47.3	76.2	-28.9
2005	45.5	94.3	-48.8
2006	47.6	103.3	-55.7
2007	105.3	72.5	32.7
2008	92.9	112.0	-19.1
2009	85.5	22.1	63.4
2010	67.5	58.9	8.6

## U.S.-Zimbabwe Trade in Goods 2001-10



# U.S. Assistance to Zimbabwe

- The U.S. has provided over \$1.4 billion in assistance to Zimbabwe since 2001.
- The U.S. has provided over \$175 million to fight HIV/AIDS since 2000.
- In addition, the U.S. provided more than \$61 million in non-food humanitarian assistance since 2002.
- In response to President Obama's commitment to Prime Minister Tsvangirai, USAID is now supporting the production and distribution of textbooks and is commencing agricultural activities. This includes inputs, training for farmers, and re-establishment of farm-to-market linkages.

# ZDERA

- Zimbabwe Democracy and Economic Recovery Act became law in December 2001.
- U.S. Treasury Department to consider debt relief, financial assistance, and technical support for Zimbabwe when:
  - Rule of law restored
  - Free and fair elections held
  - Government committed to transparent land reform
  - Government fulfills terms of agreement to end war in DRC
  - Military and national police subordinate to civilian government
- Until then, U.S. representatives at international financial institutions must vote against loans to Zimbabwe.
- The U.S. does not have a veto over multilateral lending.

# Targeted Sanctions

- Executive Order 13288 signed March 7, 2003.
- Prohibits transactions between U.S. nationals (citizens and residents) and Zimbabwean entities named on the U.S. list of “specially designated nationals” (SDN list).
- List may include “any person determined by the Secretary of the Treasury, in consultation with the Secretary of State” to have “engaged in actions or policies to undermine Zimbabwe’s democratic processes or institutions.”

# Sources

- Trade data

<http://www.census.gov/foreign-trade/balance/c7960.html>

- ZDERA text (search for S.494 from 107<sup>th</sup> Congress)

<http://thomas.loc.gov/home/multicongress/multicongress.html>

- Targeted sanctions

<http://www.treasury.gov/resource-center/sanctions/Programs/Pages/zimb.aspx>