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THE BENEFITS OF LIFTING SANCTIONS

Statement from the Prime Minister's Office

ZIMBABWE RHODESIA

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The lifting of sanctions will be a major step in boosting economic confidence.

In talking about the effects of lifting sanctions, it is necessary to generalize rather than to go into detail because until they have been lifted, there is always the danger that trade will be prejudiced.

The war is an important constraint on the economy but it is reasonable to assume that its intensity will reduce once sanctions are lifted.

Balance of payments

The end of sanctions will mean increased income in the current and capital accounts. This will enable us to start our recovery and proceed with new development projects.

Income from exports will increase almost immediately because we will be able to sell stockpiles of goods that have been difficult to move and we will be able to bring on stream production capacity that has been lying idle. Insofar as other goods are concerned — i.e. that have been sold in spite of sanctions — earnings will improve because it will no longer be necessary to sell at a discount. Although the outlook for commodity prices on international markets is less encouraging after the increase in oil prices, Zimbabwe Rhodesia's income at any given level of commodity prices will be increased without sanctions. It is estimated that the increase will be 15 per cent.

Transport always presents difficulties for a land-locked country like Zimbabwe Rhodesia, but past experience has shown that by giving priority to the high value commodities, export earnings can be kept at a maximum.

By having access to international capital markets, including suppliers' credit facilities, Zimbabwe Rhodesia will be better able to finance its public sector development plans. These include the provision of additional power, transport and communications facilities (without which other types of development will be restricted) and the development of rural areas, including resettlement, education and housing.

There will be an inflow of development capital to the private sector as well.

It would be reasonable to assume that without sanctions, the requisite number of skilled immigrants will be available to allow development to proceed at a good pace.

Although income in the current and capital accounts will be greatly enhanced, it will not be sufficient to meet the demand for imported raw materials, petroleum fuels, plant, machinery and general goods. Great care, therefore, will have to be taken in continuing to control imports to ensure that our foreign exchange resources are used efficiently. Larger import allocations will enable importers to make savings by placing more economic orders, and there is a chance that petroleum products will be obtainable at less than the open market rates that we are paying at present.

Insofar as invisibles are concerned, considerable savings will be made by not having to circumvent sanctions.

The balance of payments will continue to be under great strain but it will allow a much higher and, therefore, more beneficial level of activity. The ability of the Zimbabwe Rhodesia economy to recover from the effects of sanctions and to generate a large proportion of its development capital is not appreciated by the outside world.

Gross domestic product

The lifting of sanctions will give all the productive sectors of the economy the opportunity of increasing output. In the first year after sanctions are lifted, positive real growth in the domestic product will certainly occur — an increase in the region of 3 per cent. being well within our grasp.

Productive sectors

Commerce and Industry: It is known that several manufacturers, covering a wide spectrum from clothing to ferro-alloys, have idle capacity which can be taken up quickly once access can be gained to old as well as new markets. Other firms have plans to expand capacity to cater for the demand from overseas markets for labour intensive goods, and an increase in exports to neighbouring countries of foodstuffs and other goods can be expected. In some cases, our exports to neighbouring countries could be inhibited by their ability to pay. Projects have also been planned for industries that will extend the range of locally made substitutes.

Mines: The areas of production that will benefit immediately are chromite, lithium minerals, coal, gold, nickel and platinum group metals. It can be expected that an immediate increase in the production of chrome ore will be required mainly to meet increased demands from the local ferro-alloy smelters which, in turn, will provide a substantial increase in exports of high carbon ferro-chrome.

One major market for lithium minerals not at present available because of sanctions is the United States, and it is hoped that additional sales may take place.

In the long term, and as a result of increased foreign capital becoming available for investment in the mining industry, the following areas of the industry are likely to expand:

New deposits of coal are expected to be exploited for:

- Coking coal exports;
- The production of a low sulphur, low temperature coke for the ferro-alloy industry;
- In the longer term (10 years or more) perhaps an oil from coal project.

Several known gold mines will be re-opened and others will expand their production capacities.

It is expected that at least one further large nickel deposit will be exploited in the medium term.

There are at least three companies interested in exploiting known deposits of the platinum group of minerals, which also contain both nickel and copper.

Of the other productive sectors, the construction industry will be one of the first to benefit after several years of depression. It is, however, safe to say that all sectors of the economy will benefit.

Employment

As at December, 1978, the number of people in employment had fallen to 991 000, which was 63 000 lower than the peak reached in 1975. This is a measure of the unused capacity in the economy which will be taken up in the first year after sanctions are lifted. In the following year, another 55 000 new jobs could be generated.

Prices and wages

So far this year, there have been strong external pressures on prices caused by the direct effects of petroleum price increases. The pressure will be maintained as the indirect or "ripple" effects work their way through local and external price structures. The lifting of sanctions will help to lower the pressures by enabling producers to take up idle capacity and purchase goods to better advantage. Higher wages will be justified when productivity has risen. But it is important to note that until productivity has risen, restraint must be exercised in the granting of wage increases if we are to avoid aggravating our inflation rate.

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