

Zimbabwe to expand use of yuan as China cancels \$40m debt

HARARE: Zimbabwe said on Monday, 21 December, that China plans to cancel \$40m in debts as the southern African country seeks to expand use of the yuan in its multi-currency economy.



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"They (China) said they are cancelling our debts that are maturing this year and we are in the process of finalising the debt instruments and calculating the debts," Minister Patrick Chinamasa said.

Chinamasa also announced that Zimbabwe will officially make the Chinese yuan legal tender as it seeks to increase trade with Beijing.

Zimbabwe abandoned its own dollar in 2009 after hyperinflation, which had peaked at around 500 billion percent, rendered it unusable.

It then started using a slew of foreign currencies, including the US dollar and the South African rand.

The yuan was later added to the basket of the foreign currencies, but its use had not been approved yet for public transactions in the market dominated by the greenback.

Use of the yuan "will be a function of trade between China and Zimbabwe and acceptability with customers in Zimbabwe," the minister said.

Zimbabwe's central bank chief John Mangudya was in negotiations with the People's Bank of China "to see whether we can enhance its usage here," said Chinamasa.

China is Zimbabwe's biggest trading partner following Zimbabwe's isolation by its former Western trading partners over Harare's human rights record.

In reaction veteran President Robert Mugabe adopted a "look East policy", forging new alliances with eastern Asian countries and buttressing existing ones. In early December, Chinese President Xi Jinping stopped over in Zimbabwe in a rare trip by a world leader to the country, and presided over the signing of various agreements, mainly to upgrade and rebuild Zimbabwe's infrastructure such as power stations.

Source: AFP

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