Developing an export promotion strategy for the post-conflict reconstruction of Zimbabwe

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ABSTRACT

The study intended to investigate whether Zimbabwe possesses realistic potential export opportunities that can lead to the sustainable reconstruction of its economy. The study was initiated on the premise that Zimbabwe is a fragile state and a post-conflict country going through reconstruction. The study also premised itself on the foundation that the current recovery efforts by Zimbabwe - although they have yielded some positive results, have still fallen short of providing sustainable economic growth without meaningful deeper reforms. Hence, this study is an attempt to provide policy makers with an alternative researched export promotion strategy with a focus on realistic potential opportunities.

The study employed two techniques, namely survey of literature and empirical investigation. The survey of literature was achieved through theoretical literature on post-conflict reconstruction. Exports were identified in the various experiences of those countries that have gone through post-conflict reconstruction and still managed to use them in their recovery process. This necessitated a thorough investigation of literature to draw a theory upon which exports promotion could rely. The major theory that was surveyed in the literature is export-led growth (ELG). The theory is based on the premise that exports influence economic growth. Empirical evidence through literature was established in the studies carried out in different countries supporting the hypothesis. The theory was seen as superior to the import substitution strategy which led many developing countries to lag behind those which adopted export-led growth policies.

The other aspect of empirical investigation was carried out through the application of the Decision Support Model (DSM). This is a scientific model that is used as a method of market selection. The model's 4 filters were modified to include a 5th filter to specifically take into account the special circumstances of Zimbabwe. The 5th filter extension of the model provided a substantial contribution by this study to the model. A proxy of Zimbabwe's neighbours - namely Botswana, Mozambique, Namibia, South Africa and Zambia was used to reinforce Zimbabwe's competitiveness. This was based on the assumption that if Zimbabwe's neighbours under similar conditions can successfully penetrate certain markets, then Zimbabwe should not find it difficult to penetrate the same markets. This empirical investigation showed that Zimbabwe does possess realistic potential export opportunities. The results identified 344 realistic export opportunities (REOs) for Zimbabwe in 17 regions,

50 countries, 13 sectors and 112 product lines. The study observed that Zimbabwe is in fact not utilising much of the REOs.

In order to enable Zimbabwe to utilise the REOs, the study developed an appropriate export promotion strategy. The export promotion strategy is based on the results obtained from empirical investigation. The export promotion strategy has sub-strategies which respond to the specific needs of individual sectors and individual markets. The study established that instead of spending resources in an unfocused manner, the meagre resources can be applied to a more focused export promotion strategy. Based on the experiences of other countries that have gone through a similar post-conflict reconstruction process and have also used the theoretical conceptual framework of the export-led growth theory, the DSM results show there are realistic export opportunities (REOs) and these may contribute towards economic growth and recovery. The study further provided recommendations on how Zimbabwe could realise realistic potential export opportunities.

This study has made a three-fold contribution. Firstly, a contribution has been made to the literature on post-conflict reconstruction and export promotion. Secondly, a significant contribution has been made by extending the Decision Support Model with a 5[th]filter that also considers the supply side in the model. Finally, it has formulated an export promotion strategy, which can be applied by policy makers in Zimbabwe.

Key words: export, export promotion strategies, post-conflict reconstruction, Decision Support Model, Zimbabwe.

OPSOMMING

Hierdie studie het gepoog om te bepaal of Zimbabwe realistiese uitvoergeleenthede besit wat kan lei tot die volhoubare herkonstruksie van sy ekonomie. Die studie is gebaseer op die aanname dat Zimbabwe 'n kwesbare staat en 'n post-konflik-land is, wat deur 'n herkonstruksie gaan. Hierdie studie gaan ook van die veronderstelling uit dat die huidige herkonstruksie-pogings van Zimbabwe – hoewel sommige positiewe resultate opgelewer is – steeds daarin te kort skiet om volhoubare ekonomiese groei, sonder betekenisvolle dieper hervormings, te bied. Dus was hierdie studie 'n poging om aan beleidmakers 'n alternatiewe, nagevorsde uitvoerbevorderingstrategie, met 'n fokus op realistiese potensiële geleenthede, te bied.

Die studie het van twee tegnieke gebruik gemaak, naamlik 'n literatuuroorsig en 'n empiriese ondersoek. Die oorsig oor die literatuur is uitgevoer deur middel van 'n ondersoek na teoretiese literatuur oor post-konflik-herkonstruksie. Uitvoere is geïdentifiseer in die baie ervarings van daardie lande wat deur post-konflik-herkonstruksie gegaan het en steeds daarin geslaag het om dit in hul herstelproses te gebruik. Dit het daartoe gelei dat dit nodig geag is om 'n dieper ondersoek van stapel te stuur om 'n teorie af te lei waarop uitvoerbevordering kan staatmaak. Die hoofteorie wat in die literatuur ondersoek is, is uitvoer-begeleide groei (export-led growth (ELG)). Die ELG-hipotese dat 'n hoër uitvoer-groeikoers met 'n hoër BBP-groeikoers geassosieer is, is ondersoek. Empiriese bewyse deur die literatuur is vasgestel in die studies wat in verskillende lande uitgevoer is, en ondersteun die hipotese. Die teorie is gesien as superieur tot die invoer-substitusie-strategie, wat daartoe gelei het dat baie lande swak presteer het, terwyl dié wat 'n uitvoer-begeleide strategie aangeneem het, floreer het.

Die ander aspek van die empiriese ondersoek is uitgevoer deur middel van die toepassing van die Decision Support Model (DSM). Hierdie is 'n wetenskaplike model wat as metode van mark-seleksie gebruik word. Die model se vier filters is aangepas om 'n vyfde filter, om die spesifieke omstandighede van Zimbabwe in ag te neem, in te sluit. Die vyfde filter-uitbreiding van die model het 'n noemenswaardige bydrae tot die model bygevoeg. 'n Volmag van Zimbabwe se bure – Botswana, Mosambiek, Namibië, Suid-Afrika en Zambië – is gebruik om Zimbabwe se mededingendheid te versterk. Hierdie is gebaseer op die aanname dat, indien Zimbabwe se bure, onder soortgelyke omstandighede, sekere markte suksesvol

kan binnedring, dan behoort Zimbabwe dit nie moeilik te vind om dieselde markte binne te dring nie. Hierdie empiriese ondersoek het getoon dat Zimbabwe realistiese potensiële uitvoergeleenthede (REOs) besit. Daar is 344 realistiese potensiële uitvoergeleenthede (REOs) vir Zimbabwe in 17 streke, 50 lande, 13 sektore en 112 produklyne. Die studie het waargeneem dat Zimbabwe, om die waarheid te sê, nie baie van hierdie realistiese potensiële uitvoergeleenthede tot sy voordeel gebruik nie.

Om dit vir Zimbabwe moontlik te maak om gebruik te maak van die potensiële uitvoergeleenthede, het die studie 'n toepaslike uitvoerbevorderingstrategie ontwikkel. Die uitvoerbevorderingstrategie is gebaseer op die resultate verkry vanuit die empiriese ondersoek. Die uitvoerbevorderingstrategie het sub-strategieë wat reageer op die spesifieke behoeftes van individuele sektore en individuele markte. Die studie voorsien dat, in stede daarvan om hulpbronne te spandeer in 'n ongefokusde wyse, die karige hulpbronne op 'n meer gefokusde uitvoerbevorderingstrategie toegepas behoort te word. Gebaseer op die ervarings van ander lande, wat deur dieselfde post-konflik-herkonstruksieproses gegaan het, en ook van die teoretiese konseptuele raamwerk van die uitvoer-begeleide groeiteorie gebruik gemaak het, het die DSM-resultate getoon dat die Zimbabwiese ekonomie substansiële ekonomiese groei, sowel as 'n permanente herstel, kan ervaar. Die studie het verder aanbevelings verskaf waarop die realistiese potensiële uitvoergeleenthede deur Zimbabwe gerealiseer kan word.

Hierdie studie lewer 'n drie-ledige bydrae. Eerstens word 'n bydrae gelewer tot die literatuur rondom post-konflik-herkonstruksie en uitvoerbevordering. Tweedens is 'n beduidende bydrae gemaak in die uitbreiding van die Decision Support Model deur die byvoeging van 'n vyfde filter wat die aanbodkant in die model in ag neem. Die derde bydrae is die uitvoerbevorderingstrategie wat vir Zimbabwe geformuleer is – hierdie strategie kan deur beleidsmakers geïmplementeer word.

Sleutelwoorde: uitvoer, uitvoerbevorderingstrategieë, post-konflik-herkonstruksie, Decision Support Model, Zimbabwe.

ACRONYMS AND ABBREVIATIONS

ACP	African, Caribbean and Pacific Nations
ACP-EU	African, Caribbean, Pacific Nations – European Union
ADB	Asian Development Bank
AfDB	African Development Bank
ASEAN	South East Asian Nations
BACCOSSI	Basic Commodities Supply Side Intervention
BIPPA	Bilateral Investment Promotion and Protection Agreement
BOP	Balance of Payments
CAF	Country Assistance Framework
CAR	Central African Republic
CBZ	Commercial Bank of Zimbabwe
CCZ	Consumer Council of Zimbabwe
CET	Common External Tariff
CEO	Chief Executive Officer
CIA	Central Intelligence Agency
CM	Common Market
COMESA	Common Market for Eastern and Southern Africa
CPIA	Country Policy and Institutional Assessment
CU	Customs Union
CV	Critical Value
CZI	Confederation of Zimbabwe Industries

DAC	Economic Cooperation and Development
DR. CONGO	Democratic Republic of Congo
DSM	Decision Support Model
EAC	East African Community
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECOWAS	Economic Community of West African States
ELG	Export Led-Growth
EMDG	Export Market Development Grant
EPA	Export Promotion Agency
EPA	Economic Partnership Agreement
EPZ	Export Processing Zone
ESA	Eastern and Southern Africa
ESAP	Economic Structural Adjustment Programme
EU	European Union
FAO	Food Agriculture Organisation
FDI	Foreign Direct Investment
FRELIMO	*Frente de Libertacan Mocambique*
FTA	Free Trade Agreement
FTZ	Free Trade Zone
FY	Financial Year
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product

GGDO	Government Gold and Diamond Office
GNP	Gross National Product
GNU	Government of National Unity
GPA	Global Political Agreement
GSP	Generalised System of Preferences
HACCP	Hazard Analysis Critical Point
HHI	Herfindahl-Hirshmann-Index
HS	Harmonised System
ICSID	International Centre for the Settlement of Investment Disputes
IDA	International Development Association
IFC	International Finance Corporation
ILO	International Labour Organisation
IMF	International Monetary Fund
IMO	International Migration Office
IP	Intellectual Property
IS	Import Substitution
ISO	International Organisation for Standardisation
ITC	International Trade Centre
Kg	Kilogram
LICUS	Low Income Countries Under Stress
LOMACO	*Lonrho-Mozambique Montepuez*
MDC	Movement of Democratic Change
MDC (M)	Movement of Democratic Change (Mutambara)

MDC (T)	Movement of Democratic Change (Tsvangirai)
MDGs	Millenium Development Goals
MFN	Most Favoured Nations
MIGA	Multilateral Investment Guarantee Agency
MMCZ	Mineral Marketing Corporation of Zimbabwe
MMPZ	Media Monitoring Project of Zimbabwe
MTP	Medium Term Plan
MW	Million Watts (Megawatt)
NAFTA	North American Free Trade Agreement
NATO	North Atlantic Treaty Organisation
NGO	Non-Governmental Organisation
NIC	Newly Industrialised Countries
NPV	Net Present Value
NRZ	National Railways of Zimbabwe
OCHAO-UN	Office for the Coordination of Humanitarian Relief
OECD	Organisation for Economic Cooperation and Development
OECD DAC	Development Aid Committee for the Organisation for Economic Cooperation and Development
OGIL	Open General Import License
OHSMS	Occupational Health and Safety Management System
PCC	Post-Conflict Countries
PF ZAPU	Patriotic Front – Zimbabwe African People's Union
RCA	Revealed Comparative Advantage

REC	Regional Economic Communities
RENAMO	*Nacional de Mocambique*
REO	Realistic Export Opportunities
ROW	Rest of the World
SADC	Southern Africa Development Community
SAZ	Standard Association of Zimbabwe
SMEs	Small Medium Enterprises
SODAM	*Sodedade de Desenvolvimento Algodoero de Namialo*
SPS	Sanitary and Phytosanitry Regulation or Agreement
STERP I	Short Term Emergency Recovery Programme I
STERP II	Short Term Emergency Recovery Programme II
SWOT	Strengths, Weaknesses, Opportunities and Threats
TIMB	Tobacco Industry Marketing Board
TPO	Trade Promotion Organisation
UK	United Kingdom
UN	United Nations
UNCTAD	United Nations Conference on Trade Development
UNDP	United Nations Development Programme
UNDPKO	United Nations Department of Peace Keeping Operations
UNESCAP	United Nations Economic and Social Commisssion for Asia and the Pacific
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations International Children's Emergency Fund

UNIFEM	United Nations Development Fund for Women
US	United States
US$	United States Dollar
USA	United States of America
USAID	United States Agency for International Development
WB	World Bank
WFP	World Food Programme
WHO	World Health Organisation
WTO	World Trade Organisation
ZANU PF	Zimbabwe African National Union – Patriotic Front
ZESA	Zimbabwe Electricity Supply Authority
ZIDERA	Zimbabwe Democracy and Economic Recovery Act
ZIMC	Zimbabwe International Marketing Council
ZIMRA	Zimbabwe Revenue Authority
ZIMSTATS	Zimbabwe Statistics Agency
ZIMPREST	Zimbabwe Programme for Economic and Social Transformation
ZMDC	Zimbabwe Mining Development Company
ZSE	Zimbabwe Stock Exchange

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CHAPTER 1
INTRODUCTION

1.1   Background

Zimbabwe is both a fragile state and post-conflict country (Ali, 2009:29; Makochekanwa & Kwaramba, 2009:4; African Development Bank, 2010:1-8; World Bank, 2011a:1). A Global Political Agreement (GPA) was signed in September 2008 by the Zimbabwe African National Union – Patriotic Front (ZANU-PF) and two formations of the Movement of Democratic Change (MDC) resulting in the establishment of a Government of National Unity (GNU) on 11 February 2009 (African Development Bank, 2010:2; World Bank, 2011a:1). According to the African Development Bank (AfDB) (2010:2) and the World Bank (2011a:1), the formation of the GNU gave an impetus to begin the process of reconstruction/recovery through a Short Term Emergency Recovery Programme (STERP). Although the programme has managed to bring down the hyperinflation the country experienced during the period between 2001 and 2008 and achieved a positive economic growth of 4.7% in 2009, the recovery cannot be sustained without major reforms (African Development Bank, 2010:3; World Bank, 2011a:2). This study investigates how exports could help to effect deeper reforms by identifying products and markets with export potential. An export promotion strategy is developed that identifies specific sectors with realistic export opportunities.

The chapter is structured as follows: section 1.2 discusses post-conflict reconstruction in Africa; section 1.3 discusses the role of export promotion in economic growth; section 1.4 provides background on the Zimbabwean conflict; section 1.5 discusses the problem statement; section 1.6 contains the motivation for the study; section 1.7 outlines the research question; section 1.8 states the research objectives; section 1.9 provides the contribution of this study; section 1.10 discusses the method; section 1.11 discusses the data collection and section 1.12 gives the study outline.

1.2   Post-conflict reconstruction in Africa

Africa has been especially plagued by conflicts. The period from 1990 to 2000 was characterised by 19 armed conflicts in different parts of Africa and some of them were cross-

boundary civil wars (Obwona & Guloba, 2009:178). These include conflicts in Sierra Leone, Liberia, Mozambique, Angola, Burundi, Rwanda, Sudan, Somalia, Ethiopia, the Democratic Republic of the Congo, Uganda and Nigeria. Their reconstruction / recovery are of interest to the Zimbabwe situation. However, the interest is restricted to the recovery that was driven by exports, as it is the main focus of this study. This section briefly discusses post-conflict recovery of some African countries through exports.

According to Collier and Reinikka (2001:1), Uganda is considered a post-conflict success story. Uganda's success was achieved through embarking on a conventional liberalisation programme where exports were a major driver in the recovery of the economy. More specifically, the government liberalised coffee, which was a major export commodity. Mozambique is another country that recovered well through exports in the post-conflict process. The government entered joint ventures with private companies in cotton production and established export processing zones to boost exports (Pitcher, 1996:100; Michailof, Kostner & Devictor, 2002:9). The country further made brave decisions on liberalisation of exchange rates and the removal of import licenses and price controls. These reforms made it the most open trading country in Africa (Michailof *et al*., 2002:9). In Angola, high economic growth was achieved and sustained through oil and diamond exports (UNDP, 2008a; Collier, 2009:109). In DR Congo, the government liberalised diamond export activities, which lead to an increase in diamond exports (Mutungulu, 2004:97). Through introduction of the Kimberly Certification process in Sierra Leone, diamond exports increased significantly and helped the country to recover (Macomachie, 2008:24). The use of exports in economic recovery by the above countries highlights the importance of export promotion. The success stories demonstrate that countries can succeed in recovery through export promotion. This chapter discusses export promotion in greater detail in section 1.3.

1.3 The role of export promotion in economic growth

The role of export promotion in a country is to stimulate economic growth. Exports have the ability to spearhead sustained economic growth (Thomsen, 1999:28). Emphasis on increasing exports is essential in promoting economic development in Africa (International Training Centre, 2011:1). Export promotion policies show how governments are committed to stimulating exports. Export promotion is considered as a sound and superior alternative development strategy to import protection (Rankaduwa, 2001:1). Giles and Williams

(2000:2) acknowledge that despite the controversies that surround the issue of whether a country is in a better position to shape its policies towards export promotion or towards import substitution, there is clear evidence that African and Latin American countries have remained behind in economic development as a result of pursuing inward looking (import substitution) policies. On the one hand, the countries that followed outward looking (export promotion) policies, did experience development in their economies. Examples of such countries include Japan, Hong Kong, Singapore, Korea, Taiwan, Malaysia and Thailand (Giles & Williams, 2000:2). If one considers the Korean government as an example, at the time of their speedy economic growth, the government provided tax and financial incentives. It also established export promotion agencies. The policies followed by the government resulted in a substantial increase in exports to other countries (Mah, 2010:16).

Many countries have made steps of moving away from the inward import substitution strategy in favour of an outward looking strategy of export promotion. The focus is now on openness in both domestic and external markets resulting in efficient use of resources and realisation of higher productivity (Singh, 2011:1). The close relationship between exports and growth is credited to possible positive externalities which occur to the internal economy by virtue of exporting to world markets. These externalities include, resource reallocation, economies of scale and labour productivity (Medina-Smith, 2001:1).

Export promotion should, however, place emphasis on products and industries in which a medium-term comparative advantage can be realised and maintained and in which potential markets with growth can be identified (Nathan Associates, 2004:9). This is in line with the objectives of this study. In African countries, where the incidences of poverty are very high, investing in production of tradable goods (exports) makes a lot of sense. However, the major challenge is to isolate the constraints and focus on realisation of high export performance (Bacchetta, 2007:2).

Although this study has already highlighted some cases in Africa where exports were used in post-conflict reconstruction, there are also other crises where export promotion has been used. The recovery from financial crisis in Asia was through the promotion of exports (Chiarlone & Amighani, 2002:263; Hong & Tornwell, 2005:81). The use of export promotion is not restricted to economies in crisis. Peruvian firms experienced tremendous growth in their exports due to export promotion. As production of products increased so was the

expansion of markets realised (Martincus & Carballo, 2007:35). However, this study focuses on the use of export promotion in the context of a Zimbabwean economy in post-conflict reconstruction. It is therefore important to understand the Zimbabwean conflict and its impact on the economy which are discussed further in the next sections.

1.4 The Zimbabwean conflict

Understanding the causes of the conflict is essential for preventing its occurrence or recurrence. This helps to work out measures for intervening when it occurs. Rehabilitating and revitalising the social and economic systems after the crisis or conflict becomes easier during post-conflict or post-crisis development (Michailof *et al*., 2002:2; Mlambo, Kamara & Nyemba, 2009:154).

1.4.1   Causes of conflict in Zimbabwe

Prior to the most recent conflict, Zimbabwe had previously experienced conflicts which resulted in violence (this was before and after independence) (The Catholic Commission for Justice and Peace in Zimbabwe, 1997:157). However, the most recent conflict, according to the Catholic Commission for Justice and Peace in Zimbabwe (2001:122), began when violence erupted in June 2000 before and after Parliamentary elections. Approximately 24 people were killed, 7 of whom were white commercial farmers (Catholic Commission for Justice and Peace in Zimbabwe, 2001:122). The Media Monitoring Project of Zimbabwe (MMPZ) (2009:94) reports that in the 2000 election campaign, there were 1096 acts of violence and included 35 deaths and 90% of them were committed by elements sympathetic to the government. In the 2005 elections, Zimbabwe human rights watchdogs reported 1221 acts of violence (including one murder) that were reported to have been committed by ZANU PF activists and state security agents (MMPZ, 2009:94). In the 2008 harmonised elections, 8558 incidents of political violence were recorded and this included scores of murders, unlawful detention and arrests, harassments, abductions, assault, property destruction committed against mainly MDC supporters (MMPZ, 2009:94).

However, Timbe (2007:124) differs with the Catholic Commission for Justice and Peace in Zimbabwe (2001:122) and Media Monitoring Project Zimbabwe (2009:94) and states that conflict began with the backing of MDC by white commercial farmers which was seen as a

big challenge to Zimbabwe African National Union Patriotic Front (ZANU PF). ZANU PF saw it as an effort to prevent compulsory land acquisition (Timbe, 2007:124). According to Timbe (2007:124), this emanated from the rejected draft constitution. ZANU PF also saw another challenge, namely, the support that the MDC had received from the international community and interpretation of this as an effort by governments to enhance regime change (Timbe, 2007:124). The MDC and its constituencies, such as the civic organisation, white commercial farmers and western countries, envisaged that they would win the elections following the rejection of the referendum. ZANU PF began to mobilise itself to prevent an outcome of such nature (Timbe, 2007:124). Timbe (2007:124) further stresses that when the war veterans began the forcible occupations of white commercial farms, the ZANU PF government embraced this move as a means to turn around its political fortunes. The MDC, the United Kingdom (UK), the entire European Union and the United States condemned the government's occupation of white commercial farms (Timbe, 2007:124). The UK, European Union, the United States and some western countries imposed a travel ban on top officials from both government and ZANU PF to voice their displeasure (Timbe, 2007:124). There is no-one who disputes the need for expedited land redistribution, but the new methods used to acquire the land that involved violent take over left much to be desired (Parsons, 2007:8).

In the above paragraphs, there is a clear difference in the presentation of the cause of Zimbabwe's conflict. The Catholic Commission for Justice and Peace in Zimbabwe (2001:122), the MMPZ (2009:94) and Parsons (2007:8) have focused on violence (as being part of the cause not the effect), intimidation and denial of political participation as the causes of the most recent conflict. However, Timbe (2007:124) has focused on the sanctions that were meant to have derailed the land reform programme as the main cause of conflict. It is evident in Timbe (2007:124) that the conflict was not only confined to domestic politics but it also involves the behaviour of external governments such as the United Kingdom, the United States, and the European Union through their policy responses more specifically the imposition of sanctions.

The real cause of the economic crisis and conflict in Zimbabwe remains disputable. The government blames the sanctions as the cause of the economic meltdown of the economy, leading to the suffering of the people; however, the international community has blamed the government's ill-conceived policies as a direct cause of the economic meltdown. Therefore sanctions and policy responses to sanctions, politics, violence, land reform and many other

factors might have caused the crisis in Zimbabwe. This study does not dwell on the causes of the conflict in Zimbabwe but recognises that the country is already in a post-conflict era and that exports can help to bring appropriate reforms required to recover and sustain economic growth.

1.4.2 Effects of the conflict on the Zimbabwean economy

According to Anderson (2005:3) and Anderson, Christiansen and Putnam (2007:7), Zimbabwe obtained Low Income Countries Under Stress (LICUS) status in the financial years (FY) of 2003-2005. The crisis was illustrated in its abandonment of its own currency – the Zimbabwean dollar – in favour of a multi-currency regime (specifically the United States dollar and the South African rand). Countries have their national currencies as a form of identity and sovereignty and for a country like Zimbabwe to give up its currency sovereignty and loss of seigniorage (the art of printing money by the central bank) in favour of other ' currencies over which it has no control (as demonstrated by the shortages of coins and small denominations, often frustrating consumers who are forced by traders to buy useless things because of the problem of change and the shortage of the currencies themselves), illustrates the magnitude of the country's desperateness and the economic crisis as a result thereof (IMF, 2010:4).

The value of the Zimbabwean currency became less than that of the cheap paper it was printed on. To further illustrate the effects of the crisis on the Zimbabwean economy, the central bank's printing company, Fidelity Printers, became extremely busy, as billions and trillions of dollars were printed – often hard to distinguish by their colour (as the same colours were used for different denominations, sometimes with little variations, as the central bank had run out of coloured ink provided by the chemical industry) and this undermined security features and was prone to being counterfeited (Fundire, 2007:1). The country experienced high inflation rates and negative real GDP growth during the period of the crisis (European Commission, 2007:3).

According to the IMF (2007:17; 2010:1) Zimbabwe went through a decade of economic contraction and hyperinflation during the period 1998 to2008. ZIMSTATS started publishing inflation figures on an annual basis instead of quarterly with the hope that the economy would improve when publishing the next annual rate (Parsons, 2007:10). ZIMSTATS

recorded its highest inflation, of 10 digits, in 2008 (ZIMSTATS, 2011). Only a country in a crisis can attain inflation rates of that level. According to Parsons (2007:10), global experience suggests that runaway inflation usually comes packaged with many other policy mistakes, the accumulation of which contributes to a poor and often disastrous and miserable economic performance. The introduction of a multi-currency regime and the abandonment of the Zimbabwean dollar have significantly brought down inflation and prices have once stabilised (IMF, 2010:1).

There were strong parallel markets for foreign exchange, commodities and services. Even the established of formal financial institutions found themselves trading on the parallel market as their own exchange rates became unrealistic. Banks started demanding fuel coupons from clients as payment of services rendered. The so-called 'burning' allowed the seller of United States dollars or rands on the black market to receive huge sums of Zimbabwean dollars in his or her bank account from the buyer. This amount was multiplied many times over compared to the amount he or she could have received if he or she had demanded cash from the buyer on the spot. This was done using the banking system, and the fact that it was authorised by the central bank made it a purely black market phenomenon that did a lot of harm to the economy as individuals and organisations became involved in unethical economic practices in order to survive.

There were queues for bread, cooking oil, salt, rice, fuel, maize meal, as well as currency withdrawal. People and organisations made plans establishing networks to facilitate the purchase and acquisition of bread, rice, sugar, cooking oil, salt, or being in front of a queue to withdraw money in a bank (Gukurume, 2010:62, 66, 70). These things are atypical of an economic crisis. There were shortages of drugs in the hospitals.

A downturn in production also occurred. Production had decreased to 30% and in some industries to between 12 to 15% (European Commission, 2007:13). Some firms even closed down as they battled to obtain scarce foreign currency and raw material (European Commission, 2007:5). Services from public utilities were not available and if available, they were of a poor quality and frustration from consumers was rife (Moss & Patrick, 2005:5; Parsons, 2007:13; Government of Zimbabwe, 2009b:254). There was a mass exodus of the country's manpower (which is estimated at 3.4 million) and capital flight to other countries (Moss & Patrick, 2006:5-6; Parsons, 2007:13, 17). Formal employment failed to be

worthwhile as vegetable and fruit vendors and money changers on the streets earned higher incomes than some of the CEOs' (Gukurume, 2010:66).

Production on the farms has significantly decreased. Agriculture has declined and a country that was once a net exporter of food in fact became a net importer of food (Parsons, 2007:10). Zimbabwe, at one time a breadbasket of Southern Africa, is now a "basket case" and one of the fragile states in the world (African Development Bank, 2010:1). Challenges also became evident from the imposition of sanctions (which the European Union prefer calling them restrictive measures) by the United States, the European Union and other western countries that have money and technology to help Zimbabwe prosper. History has shown that sanctions have never been effective where they have been applied. The survival of some economies amidst sanctions is possible because those countries may have strategies of busting sanctions (i.e. circumventing sanctions) or economies that have built-in measures to resist external shocks or threats or in cases where their economies are large enough to contain the shocks. In South Africa, for example when 70 countries imposed economic sanctions on South Africa before independence, the impact was meagre (Starnberger Institute, 1989:34). The case of Zimbabwe shows that the economy is vulnerable to external shocks or threats and has been significantly affected. It also did not employ sanctions busting measures practiced elsewhere in similar circumstances and this worsened the situation. According to the Starnberger Institute (1989:54), Rhodesia weathered international sanctions for a number of years (1970-1979) and was even able to record an economic boom as a result of externally induced 'autarky', an import substitution strategy with the support of South Africa.

Zimbabwe's problems became more complicated with the implementation of strategies meant to cope with the problems. However, instead of solving the problems the strategies created other problems. The survival strategies were mainly implemented from the central bank. Even though the government did not have money, due to the contraction of the revenue base and sanctions imposed against it, the Reserve Bank of Zimbabwe printed money to ensure that the government continued to discharge its obligations. The central bank was involved in all aspects of the economy, including the distribution of food and other basic commodities under the programme known as Basic Commodities Supply Side Intervention (BACCOSSI). It had virtually taken over the functions of the Ministry of Finance and others (Parsons, 2007:11; UNDP, 2008b:63). This further fuelled inflation and distortion in the economy

through its quasi activities as well as incurring quasi losses which were estimated at 75% of GDP in 2006 (IMF, 2007:1; UNDP, 2008b:66).

The above mentioned indicators clearly show that conflict and an economic crisis in Zimbabwe had indeed taken place. The creation of a Government of National Unity (GNU) involving ZANU (PF) and two MDC formations also shows that the challenges facing Zimbabwe were not only economic, but were also political. The creation of the Ministry of National Healing, run by three Ministers of state (one from ZANU PF and the other two from the two MDC formations) responsible for healing and reconciliation, is proof that the conflict was not only an economic crisis, but also a political one where violence occurred. It is also proof of a positive step towards recovery and national reconciliation (Government of Zimbabwe, 2008:7).

1.4.3 Steps taken by Zimbabwe towards economic recovery

On 23 December 2009, the government unveiled a Short Term Emergency Recovery Programme (STERP) II. The programme aim is to provide a bridge between STERP I unveiled in March 2009 and the Medium Term Plan (MTP) launched in July 2011. The launch of STERP II clearly demonstrates that STERP I was not successful in meeting its targets, as it did not have clear strategies on how the targets were to be attained. It was also not supported by the donor community (as was the case in Uganda, which was supported by the World Bank) (Collier *et al.*, 2000:24). It needed more than US$9 billion to take off, but not even a third of that money was mobilised and as a result most of the targets remained unattained. If STERP I had been successful, the government would now have been concentrating on MTP or a possible Long-Term Plan (LTP). STERP II is basically an extension of the activities of STERP I, which did not attain their running goals. STERP II has an extended period from 2010 to 2012, almost turning it into a medium-term plan. Its objective is to move away from stabilisation to sustainable economic growth. It will focus on the recovery of the economy in terms of the GDP, employment creation, infrastructure, rehabilitation and development, sustainable utilisation of the country's natural endowment, and the achievement of a robust Balance of Payments (BOP). STERP II further indicates that the growth in output in the productive sector would be underpinned by implementation of market-friendly policies in areas of trade and export promotion, research science and technology development, and small and medium enterprise promotion. Government will,

during this period, develop a legal institutional and policy framework that is intended to create a conducive environment for the implementation of public-private partnership projects. The Minister of Finance reported that STERP I did not attain most of its objectives, there were only a few areas that recorded success. These included the taming of inflation and registering of a positive GDP growth of 4.7% (Government of Zimbabwe, 2009b:1). This is r supported by African Development Bank (2010:2) and World Bank (2011a:2) that assert that economic growth cannot be sustainable without major reform taking place.

The Medium Term Plan (MTP) covers a period spanning from 2011 to 2015. It was only launched on 7 July 2011, one year later than originally scheduled (Biti, 2011:1). According to the Government of Zimbabwe (2010:5), the theme of MTP is transforming the Zimbabwean economy into a globally competitive economy growing with jobs, equity, freedom and democracy. The objectives of MTP are *inter alia*: macroeconomic stability; good governance; maintenance of political stability; diversified economy with very high growth rates; access to social services by all; acceleration of rural development; equal opportunities for all; development and utilisation of modern science and technology; achieve vibrant and dynamic culture; and sustainable utilisation and management (Government of Zimbabwe, 2010:8-9). According to the Government of Zimbabwe (2010:9), it intends rebranding Zimbabwe by establishing Zimbabwe International Marketing Council (ZIMC) and the development of Brand Zimbabwe which is aimed at transforming how Zimbabwe is perceived domestically and internationally.

In conclusion, Zimbabwe is relevant in the study because the country's current economic strategy has brought some positive results which require major reform to sustain economic growth (African Development Bank, 2010:2; World Bank, 2011a:1-2). The results of this study can assist Zimbabwe to focus on reforms required to sustain economic growth. The fact that the major political parties in the country are demonstrating that they can work together for the common good of the country, points to the readiness to solve the economic challenges facing the country. However, it should be acknowledged that the issue of economic recovery is complicated. It needs much more political will than has already been demonstrated and it remains to be seen whether or not there is enough political will to bring Zimbabwe out of economic wilderness. Post–conflict reconstruction and development is complex. It is possible for a country and international donor community to fail in making a country recover. The failure may occur due to immense socio-economic financing needs required in post-conflict

which may not match the available resources and the country may not have the capacity to carry out the reconstruction process (Mlambo *et al.*, 2009:158). Revitalising or making Zimbabwe's economy work again will require many elements, typically associated with a strategy for post-conflict countries (Moss & Patrick, 2005:7).

1.5   Problem statement

Zimbabwe has begun the process of recovery. STERP I has managed to contain hyperinflation and has brought positive growth. However, the above achievements cannot be sustained for a long time without undertaking substantial reforms (African Development Bank, 2010:2; World Bank, 2011a:2). The Medium Term Plan which covers the period 2010 to 2015 was launched in July 2011. It has the same shortcomings as STERP I and II. The situation is further complicated because Zimbabwe does not have a distinct trade policy (Government of Zimbabwe, 2011:5). This study investigates how exports will help to effect deeper reforms which are required to sustain economic growth by identifying products/sectors and markets with export potential. This is reinforced by a need to formulate an export promotion strategy for Zimbabwe focusing on specific products and markets with export potential. Export sectors enjoy more efficient management and production techniques, thereby generating positive externalities on non-export sectors (Chiarlone & Amighini, 2002:254). Foster (2005:1058) concurs by stating that exports generate positive externalities on non-export sectors through more efficient management styles and improved production techniques, and it is assumed that a productivity differential exists in favour of the export sectors.

 According to Hong and Tonnell (2005:81), the most held belief in post-crisis growth hinges on the export sector. This suggests, that the export sector plays a very important role in recovery of an economy. Mexico's speedy recovery from the Tequila crisis, which took place in 1994, was achieved through exports (Hong & Tonnell 2005:81). The recovery in general, of Latin America from the debt crisis, is accredited to their increased exports to the United States of America. Asia's recovery from the currency crisis was due to high exports and this was consistent with what was happening before the advent of the crisis (Hong & Tornell, 2005:81). Uganda's exports grew at an annual rate of 15% and the value of non-coffee exports expanded five-fold when coffee exports earnings were invested in non-coffee entities and contributed to Uganda's growth and recovery in the post-conflict period (Collier &

Reinikka, 2001:39). According to Foster (2006:1068), research has revealed a positive relationship between export growth and output. Countries with a very high rate of export growth also show higher rates of growth in output. Growth in export can lead to an increase in output in the domestic economy.

1.6 Motivation

According to Collier and Reinikka (2001:21), exports were the major driver of recovery in Uganda. Uganda experienced spates of civil wars. Most of Africa's currently problematic economies will need to replicate Uganda's transition to rapid growth from the inheritance of social decay (Collier & Reinikka, 2001:1). Angola and the DRC experienced conflicts and have also used exports in their recovery process. Coffee, oil and diamonds were exported respectively. Uganda furthermore used non-coffee exports which occurred because of coffee export earnings for its recovery (Collier & Reinikka, 2001:39). Thailand's recovery from the Asian Financial Crisis was export-driven and the economy is now heavily oriented that way, strongly integrated with global production networks for auto parts and electronic components (Bell, 2009:23).

The purpose of this is to establish whether or not the current programmes that, have apparently brought positive results, can be sustained over a long period of time (African Development Bank, 2010:2; World Bank, 2011:1-2). To ensure the recovery of its economy, Zimbabwe will need reforms which can be attained through focusing on exports that will, in turn, revitalise other sectors.

Once products with export potential have been identified, policy makers can focus on the sectors which produce such products. If both products and sectors with potential are identified, policy and resources can be directed towards those sectors to help them produce more and compete in the international market. The export proceeds can be used to boost other non-exporting sectors. This may assist the economy to recover despite not being supported by the international donor community. The government has limited resources and it would be prudent to channel such resources to some specific targets of comparative advantage (Government of Zimbabwe, 2009a:38; Mzumara, 2011a:221). In this case it will be products or sectors identified as having export potential. Therefore, the identification of products and

sectors with export potential will help policy-makers to design and implement relevant export promotion policies that can boost economic recovery.

1.7   Research question

Does Zimbabwe possess realistic export opportunities that can lead to the sustainable reconstruction of the Zimbabwean economy?

1.8   Objectives

The main objective of this study is to formulate an export promotion strategy for Zimbabwe.

The specific objectives are to:
1. provide a review of post-conflict and reconstruction strategies
2. provide a review of export-led growth, export promotion, export development and international marketing
3. analyse the political, institutional and macroeconomic environment of Zimbabwe
4. analyse the trade environment of Zimbabwe
5. construct a Decision Support Model (DSM) for Zimbabwe
6. use the results of the DSM to identify products/sectors with realistic export potential
7. identify product-country combinations (products in which Zimbabwe has comparative advantage and the countries which have significant demand for them).

1.9   Contribution

Firstly, the study will help the Zimbabwe government with a strategy which it can consider adopting that may lead to export-led growth. Secondly, it will make a contribution to literature on how countries can use an export promotion strategy to recover during post-conflict process by identifying products/sectors with export potential. Thirdly, the study will also contribute to post-conflict reconstruction, export-led growth, export promotion, the formulation of an export strategy, export development and international marketing. The study has a major contribution to the Decision Support Model (DSM) literature through the extension of the model to include a 5th filter 5, which is an extension from the original 4 filters.

1.10 Methodology

The methodology that this study uses is two fold.

The first part consists of a literature review. The literature review is done in two parts. The first part comprises literature on post-conflict reconstruction with particular emphasis on Africa. This part also analyses strategies which have been used in post conflict reconstruction in various parts of the world which experienced conflicts. The second part of the literature review comprises of five major elements that include: literature on theory of export-led growth and empirical evidence; literature on the post-Asian financial crisis recovery with emphasis on export-led recovery. The study further examines literature on export promotion, export development and international marketing.

The study also provides a comprehensive analysis of the Zimbabwean economy, which includes the following topics: the political, institutional and macroeconomic environment and the trade environment. The political, institutional and macroeconomic environment are analysed from pre-independence to the most current status. The institutional environment is analysed in its three branches namely the executive, legislature and judiciary. The trade environment is also analysed from pre-independence to its present status. The analysis of the institutional, political and macroeconomic environments focuses on production whereas the analysis of the trade environment focuses on exports.

The second part of the study comprises of an empirical analysis. The study adapts the Decision Support Model (DSM) developed by Cuyvers, De Pelsmacker, Rayp and Roozen (1995:174) for Zimbabwe. The DSM has been applied to a number of countries. The first application was in Belgium, where it was used in the planning and assessment of export activities (Cuyvers *et al.,* 1995). The second application was for Thailand, where it was used to identify realistic export opportunities (Cuyvers, 1997; Cuyvers, 2004). The third application was for South Africa, where the model has been refined to suit the South African situation (Steenkamp, Rossouw, Viviers & Cuyvers, 2009:5-31).

The general model follows a filtering process that occurs in four stages. The first filter identifies preliminary market opportunities for the country in question. In filter 1.1, all the

countries of the world except the country the DSM is prepared for are screened on the basis of how they fare in terms of political stability and commercial risk (Cuyvers *et al.*, 1995:177; Steenkamp, Rossouw, Viviers & Cuyvers, 2010:4). Countries that survive the above screening process are analysed further in filter 1.2. In filter 1.2 the countries are screened on the basis of market size (in terms of the size of GNP or GNP per capita) and market growth (in terms of increase in GNP or GNP per capita) (Cuyvers, 2004:58). The results of filter 1 form a database from which the application of the DSM to any country is possible.

In the application for Zimbabwe, the filtering process continues as follows. Filter 2 involves the identification of product-country combinations based on acceptable import market size and growth (Cuyvers, 2004:257; Steenkamp *et al.*, 2010:6). There are two criterions which a country must satisfy in order for it to survive the screening process in this filter. The indicators used are import growth and import market size. Filter 3 involves locating probable and realistic opportunities. It involves all product-country combinations which have survived in filter 2. Filter 3 is subdivided into filter 3.1, which considers the degree of concentration in the export market and filter 3.2 which takes trade barriers to that market into account. The reasoning behind this is that it is not easy to penetrate a market which is highly concentrated (Cuyvers *et al.,* 1995:180). This filter involves analysing data on tariffs (ad valorem) at 6 digit-level for each of the countries that entered this filter. These tariffs are the tariffs levied on Zimbabwean products entering their markets. A cut-off value of 30% is used. That means if an importing country charges more than 30% on its tariffs, it implies that the country has high tariff barriers which makes it difficult for Zimbabwe to export to that country (ITC, 2011:12). Together with the tariffs, a proxy of Zimbabwe's neighbours' ability to export to those markets is also used. This proxy is called the 'revealed absence of barriers to trade' (Cuyvers *et al.,* 1995:181). That means that if at least one of Zimbabwe's neighbours has revealed absence of barriers to trade in exporting a particular product to a particular market, it is implied that Zimbabwe also can export that product to that market. In this study, Botswana, Mozambique, Namibia, South Africa and Zambia are used for the purpose.

Filter 4 involves establishing a market share of Zimbabwe in the countries which survive the screening process in filter 3 (Cuyvers *et al.*, 1995:181). In this filter the DSM classifies each market to one of the 20 cells which are used to develop an appropriate export promotion strategy (Cuyvers *et al.*, 1995:182-183; Cuyvers, 1997:15; Cuyvers, 2004:269).

This study extends the DSM to filter 5 (the original model has only 4 filters). This is done specifically for Zimbabwe to establish which of her production capabilities were affected by the crisis. In this regard, RCAs are calculated. The average RCAs are calculated for three periods namely the pre-crisis period (1993-1997), the period during the crisis (1998-2008) and a post-conflict period (2009-2010). Owing to the changes of production capacity utilisation in Zimbabwe, three period-acceptable RCA values are established. The value for the pre-crisis period is an RCA=1 or >1, the value for the period during the crisis is an RCA=0.5 or >0.5 and the value for the post-conflict period is an RCA=0.75 or > 0.75. Products which meet all the above three criterions are selected and matched with the results of filter 4 to give the final results with product-country combinations.

A comprehensive export promotion strategy is formulated based on the results presented from the Zimbabwean DSM. The export promotion strategy identifies products/sectors which have realistic export opportunities and are classified in priority sectors each with a specific export strategy to suit them.

1.11   The data

Data on exports by products was collected on both 4 digit-level and 6 digit-level. Export data for Zimbabwe from 2001, 2002, 2004-2009 on 6 digit-level was obtained from the International Trade Centre's (ITC's) Trademap database. Export data for Zimbabwe on 6 digit-level for 2003 and 2010 was obtained from ZIMSTATS (Zimbabwe National Statistics Agency). Export data on 4 digit-level for the period 1993-2000 was obtained from ZIMSTATS in Zimbabwe dollars. This data was converted to United States dollars using the average exchange rates for each period also obtained from ZIMSTATS. ITC's Trademap only has trade statistics from 2001 to 2010. Data, prior to this period, can be obtained from UNCOMTRADE. However, UNCOMTRADE does not have 4 digit-level and 6 digit-level export data for Zimbabwe and ITC's Trademap also does not have Zimbabwe's export data for 2003. The 2010 data on Trademap was mirror data so it has not been used. Instead, the study obtained data for 2003 and 2010 from ZIMSTATS.

World export data on 6 digit-level from 2001 to 2010 was obtained from ITC's Trademap. World exports for 1993-2000 on 4 digit-level was obtained from UNCOMTRADE. Data on

tariffs which other countries levy on Zimbabwean products imported into their markets for 2007[1] on 6 digit-level was obtained from ITC's Macmap.

1.12 Study outline

Chapter 1 serves as the introduction to the study.

Chapter 2 discusses part I of the literature review on post-conflict and reconstruction strategies.

Chapter 3 discusses part II of literature review on export-led growth, export promotion, export development and international marketing.

Chapter 4 provides a description and analysis of the political, institutional and macroeconomic environment of Zimbabwe.

Chapter 5 contains a descriptive analysis of the trade environment of Zimbabwe.

Chapter 6 discusses the methodology of the Decision Support Model (DSM).

Chapter 7 discusses the results and analyses findings from the Decision Support Model (DSM).

Chapter 8 contains the export promotion strategy.

Chapter 9 concludes and makes recommendations.

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[1] 2007 is the year for which HS 6-digits data on tariffs is available for all countries.

LITERATURE REVIEW ON POST CONFLICT RECONSTRUCTION AND STRATEGIES

2.1   Introduction

The countries in conflict as discussed in Chapter 1 eventually enter post-conflict reconstruction/recovery process. The aim of this chapter is to provide a theoretical and conceptual framework of fragile states and post-conflict countries and their strategies used to make economic recovery. The chapter is structured as follows, section 2.2 outlines the need for new strategies for conflict and state fragility, section 2.3 discusses the process of post-conflict reconstruction while section 2.4 provides a case of Africa in post-conflict reconstruction: section 2.5 provides strategies to achieve post-conflict reconstruction and section 2.6 provides a summary of the chapter and conclusion.

2.2   Need for new strategies for conflict and state fragility

The majority of conflicts around the world and effects of modern intra-state conflicts present challenges which need new strategies and adjustments in order for post-conflict reconstruction to occur (World Bank, 1998:2). Economic recovery is important for reversing and transforming the negative conditions associated with conflicts. This reduces the chances of recurrent violence (UNDP, 2008a: xvii, 3). Low income countries under stress (LICUS) have been referred to differently over the years. The World Bank has since replaced the initial definition of LICUS adopted in 2002 with its own definition of "*fragile states*" which refers to post-conflict countries (PCC)[2] (Guillaumount & Jeanneney, 2009:4). The Development Aid Committee (DAC) for the Organisation for Economic Cooperation and Development (OECD) defines a "*fragile state*" as a country which lacks political commitment and has inadequate capacity to formulate and implement pro-poor policies[3] (Guillaumount & Jeanneney, 2009:3). A state is fragile if it is not in a position to meet the expectations of its

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[2] The World Bank's Country Policy and Institutional Assessment (CPIA) has established a threshold of 3.2 that proves that the majority of the countries considered as fragile are indeed post-conflict countries (Guillaumount & Jeanneney, 2009:3-4).

[3] Pro-poor policies are those policies which benefit poor people in a country.

people or when it fails to manage changes in expectations through the political process (OECD DAC, 2008:18).

According to the World Bank, there are more than 50 countries that have gone through conflicts since 1980 (World Bank, 1998:2). From 1980 to 2001, the World Bank spent over 800% of the money available for lending (which amounts to over US$6.2 billion in lending to post-conflict countries (World Bank, 2001:1). Unfortunately more recent data of what the World Bank has spent on post-conflict countries has not been available. Tschirci (2002:26) observes that over 40 states were involved in armed conflicts after the end of the cold war. Additionally, the UNDP (2008a:7) provides a list of 35 countries that have experienced conflicts and have gone through or are still in the process of post-conflict reconstruction/recovery. From the above figures, it is clear that there is lack of consensus on the number of post-conflict countries. This can be attributed to different definitions used to describe a post-conflict country as well as the time span used by the three authors. Table 2.1 shows 31 countries and two territories that are in fragile situations.

Table 2.1: List of fragile[4] countries and territories

Country	WB[5] CPIA Score	ADB[6]/AfDB[7] CPIA Score	Harmonised Average	Peace-Building Missions	Peace-Keeping Missions
Afghanistan	2.800	2.725	2.763	Y	Y
Angola	2.783	3.175	2.979	-	-
Bosnia & Herzegovina	3.708	-	3.708	-	Y
Burundi	3.058	3.017	3.038	Y	-
CAR[8]	2.642	2.908	2.775	Y	Y
Chad	2.483	3.100	2.792	Y	Y

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[4] A fragile country has a harmonised CPIA country rating of 3.2 or less or the presence of United Nations or regional peace-keeping or peace building missions during the past 3 years (World Bank, 2010:1)
[5] World Bank
[6] Asian Development Bank
[7] African Development Bank
[8] Central Africa Republic

Table 2.1: List of fragile[4] countries and territories … continued

Country	WB[5] CPIA Score	ADB[6]/AfDB[7] CPIA Score	Harmonised Average	Peace-Building Missions	Peace-Keeping Missions
Comoros	2.500	2.492	2.496	Y	Y
Congo, Rep.	2.825	3.208	3.071	-	-
Cote d'ivoire	2.792	2.942	2.867	Y	Y
DRC[9]	2.667	2.850	2.758	Y	Y
Eritrea	2.208	2.368	2.283	-	-
Georgia	4.417	4.450	4.433	Y	Y
Guinea	2.817	3.142	2.979	Y	-
Guinea-Bissau	2.608	3.092	2.860	Y	-
Haiti	2.925	-	2.925	-	Y
Iraq	-	-	-	Y	-
Kosovo	3.433	-	3.433		Y
Kiribati	3.125	2.775	2.650	-	-
Liberia	2.825	3.638	3.232	Y	Y
Myanmar	-	-		-	-
Nepal	3.300	4.025	3.663	Y	-
Sao Tome & Principe	2.933	3.375	3.154	-	-
Sierra Leone	3.208	3.406	3.334	Y	-
Solomon Islands	2.758	3.175	2.967	Y	-
Somalia	-	1.217	-	Y	Y
Sudan	2.458	2.567	2.513		Y
Tajikistan	3.192	3.425	3.309	Y	-
Timor _Leste	2.917	2.950	2.933	-	Y
Togo	2.775	3.050	2.913	-	-
Yemen	3.150	-	3.150	-	-
Zimbabwe	1.858	1.920	1.889	-	-
Territories					
West Bank and Gaza	-	-	-	Y	-
Western Sahara	-	-	-	-	Y

Source: World Bank (2010:1).

Fragility may occur if a country has CPIA rating of 3.2 or if less or there have been a presence of the United Nations, regional peace-keeping or peace building missions, during the past 3 years (World Bank, 2010:1) as such, Zimbabwe is classified as a fragile state because it has a CPIA country rating of less than 3.2. The table as reveals that it has a

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[9] Democratic Republic of Congo

harmonised rating[10] of 1.889 (World Bank, 2010:1). Zimbabwe can be classified as both a fragile state and a post-conflict country (Ali, 2009:29; Makochekannwa & Kwaramba, 2009:4; African Development Bank, 2010:1-8; World Bank, 2011a:1).

The UNDP (2008a:3) classifies post-conflict countries into three categories. At the one extreme are the states where the violence was so significant that it caused the state to collapse. Countries that can be classified under in this category are Liberia, Bosnia and Herzegovina, the Democratic Republic of Congo (DR Congo), Sierra Leone and Somalia. At the other extreme end are states such as Guatemala, Sri Lanka, and the Former Yugoslav Republic of Macedonia that have emerged from conflict with their political and economic structures very much intact. Between these two extremes lies states such as Angola, Cote d'Ivoire, El Salvador, Mozambique, Burundi and Sudan where violence negatively impact a large part of the national territory and physical destruction is significant. However, in this category, the state and basic infrastructure did not collapse.

Hamre and Sullivan (2002:87) offer the following six policy options for dealing with failed states. Firstly, there can be no action to correct the situation. An example here is the case of Rwanda where the international community did not intervene at the onset of the conflict and as a result many people were killed before it did so. Secondly, isolate the failed state. For example, the United States of America patrolled the ocean to prevent terrorist groups from establishing themselves in Somalia after the international community had pulled out. Thirdly, dividing the failed state into two or more countries, for example Ethiopia was divided into two, Ethiopia and Eritrea. Fourthly, integrate it with a large state. For example East Germany (which was very poor) was integrated with the prosperous West Germany to become Germany. Fifthly, establish an international authority. This was done in Eastern Timor, Kosovo and Eastern Slovenia. Finally, institute a neighbourhood watch system. An example here is when West African countries under their regional economic grouping, Economic Community of West African States (ECOWAS), provided peace keeping forces in Liberia and Sierra Leone. This managed to stop the rival groups from fighting and they also monitored a truce. The other examples which can be used as illustrations include the military interventions of the Association of South East Asian Nations (ASEAN) in Cambodia, as well

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[10] It is an average of the World Bank CPIA score and Asian Development Bank/African Development Bank score.

as that of Angola and Zimbabwe under the auspices of the Southern African Development Community (SADC) in DR Congo, to bring the situations there under control.

2.3   Post-conflict reconstruction

This section focuses on the justification of post-conflict reconstruction. The UNDP (2005:3; 2008a:3) asserts that, by definition, a conflict involves diversion of resources from production to destruction and then the wholesale destruction of legitimate economic activity is replaced by shadow economies or illegal activities (UNDP, 2005:3; 2008a:3). These illegal activities such as foreign currency dealing, money laundering, drug trafficking, often favour war lords and guarantee some means of livelihood for their followers while the rest of the country is in decay (UNDP, 2005:3; 2008a:3). A conflict decreases the level of economic activity through two aspects. The first aspect is destruction. Destruction means the physical destruction of infrastructure and means of production. The second includes dissaving and capital flight (both human and physical) (Collier & Reinikka, 2001:19).

The rest of the section is structured as follows: section 2.3.1 discusses post-conflict reconstruction and section 2.3.2 discusses the key actors involved in post-conflict reconstruction.

2.3.1   What is post-conflict reconstruction?

Post-conflict reconstruction supports the transition from conflict to peace or the settlement of conflict in the affected state by building the social and economic framework for the society (World Bank, 1998:14). Post-conflict reconstruction has two major objectives: facilitating the transition from war or conflict to sustainable peace and supporting economic and social development. The first objective is attained by providing for peace making and peace keeping. The other objective requires that peacetime economy be re-build within the shortest time possible and that state-society relationship is regained (World Bank, 1998:24-25). However, countries in post-conflict are not expected to return to their original state through reconstruction. This is because conflicts, particularly the long lasting ones, transform societies hence it may not be possible or desirable to return to the original state (World Bank, 1998:14). Anderlini and El-bushra (2004:51) explain that the social and economic aspects of

reconstruction include the establishment of the working component of the society. This includes the restoration of internal security, developing administrative and governance capacities, repairing and replacing physical infrastructure, building financial infrastructure and restructuring the economy (Anderlini & El-bushra, 2004:51).

Economic restructuring includes the establishment of dependable banking and financial systems, fiscal planning and proper budgets and the restoration of a stable microeconomic environment (Anderlini & El-bushra, 2004:51). It further includes the building of a reputable and functional judicial system, a mechanism of drafting legislations and ensuring social wellbeing that includes health care delivery for the population (such as food and education) (Anderlini & El-bushra, 2004:51).

Collier, Hoeffler and Soderbon (2008:463) outlined six stages that can be followed to achieve reconstruction. The first stage involves a practice which begins while the conflict is on-going. It is aimed at reaching an amicable negotiated settlement without allowing the conflict to prolong. The second stage involves the actual act of negotiations and arriving at settlement. The third stage involves writing a Constitution which guarantees democracy. The fourth stage requires that the international community intervention leaves a light mark. In other words, the local authority (government) should dictate the pace of the reforms. The fifth stage is political legitimacy of the settlement through the post-conflict elections. The elections provide a mandate for settlement and authority of the government and minimise the recurrence of a conflict. The sixth and last stage involves the exit of the international peace keeping forces. Elections can be a measure for the exit to begin.

Anderlini and El-bushra (2004:51) also identify phases of reconstruction. These phases usually overlap. The first phase is the provision of emergency humanitarian assistance after the end of the violence. This phase focuses on creating stability and providing security with the UN deploying a peace keeping force. The second phase is the transition in which there is an emergence of local expertise with the goal to jump start the economy. This includes building infrastructure destroyed during the conflict as well as establishing governing structures and the revival of an independent judiciary system. In the second phase, it requires also the restoration of basic services such as social welfare e.g. health and education. Finally, consolidation of the recovery process, which means improving the implementation process in

order to prevent the recurrence of a conflict. In the final stage, the peace keeping forces begin to exit and normalcy returns for the society.

Mlambo, Kamara and Nyenda (2009:61) point out that when conflicts have prolonged for many years the post-conflict conditions become very complicated because institutions will have ceased to operate and the government may not have the mandate of the people to rule. Accordingly, they propose three areas which require attention in the post-conflict recovery process. These are: the reconstruction of the state and its important institutions; rebuilding the conflict devastated economy; and reconstructing and rebuilding society through provisions of health, education and other essential services (Mlambo *et al.*, 2009:61).

Hamre and Sullivan (2002:91) have also put forward four areas of focus during post-conflict reconstruction. The first area is security. There is a need to deal with the general security by ensuring a safe environment and establishing legitimate and functioning security institutions. The second area is justice and reconciliation. A mechanism must be created for dealing with past abuses and solving outstanding grievances through the establishment of a responsible legal system for the future. Most importantly, the rule of law, an open judiciary system and a human rights watchdog must be formed and established. The third area is social and economic wellbeing. In this area, the social and economic needs of the society are addressed. It includes immediate relief, provision of essential services (e.g. education and health) and ensuring that a stable economy and sustainable development agenda is built. The fourth area is governance and participation. This area involves the establishment of legitimate functioning political and administrative structures and participatory policies. These areas can only work if they are backed by appropriate policies (Hamre & Sullivan, 2002:91).

In summary reconstruction occurs in stages/phases. Areas of focus in economic reconstruction are aimed at ensuring that there is a conducive environment for a successful recovery. The reconstruction process is possible with the assistance of key actors. These are discussed in section 2.3.2.

2.3.2   Key actors in post-conflict reconstruction

Focus areas require involvement of both local and international key actors. According to the UNDP (2005: X1X- XX), international actors must recognise the existence of indigenous

drivers who are on the ground. These are local people in various capacities in the post-conflict settings who do not wait inactively for international actors to finance and direct certain activities (UNDP, 2005: XIX). National actors should take the lead in the recovery process (UNDP, 2005: XX). However, the national actors on their own may not have the capacity, hence the international actors need to complement their efforts (UNDP, 2005: XX). Key international actors in post-conflict reconstruction have specific areas where they provide support to countries in post-conflict processes. A list of international actors and their roles is presented in table 2.2 below.

Table 2.2: List of international actors

Institution	Areas of support
World Bank Group [11]	
International Development Association (IDA)	Provide free interest loans to 81 poorest countries
International Finance Corporation (IFC)	Supports Economic Development via private sector
Multilateral Investment Agency (MIGA)	Provide guarantees for losses arising from non commercial risks
International Centre for the Settlement of Investment Disputes (ICSID)	Investment promotion
Asian Development Bank (ADB)	Focuses on development in Asia and Pacific
European Bank for Reconstruction and Development (EBRD)	Focuses on development in Europe and the Balkans
African Development Bank (AfDB)	Focuses on development in Africa
Inter-American Development Group	Focuses on development in Latin America
Office for the Coordination of Humanitarian Relief (OCHAO-UN)	Agency dealing with humanitarian responses
United Nations Development Programme (UNDP)	Focuses on democratic governance, poverty reduction, crisis prevention and recovery
UN Development Fund for Women (UNIFEM)	Promotes women rights
United Nations High Commission for Refugees (UNHCR)	Responsible for the welfare of refugees and their repatriation
UN Department of Peace Keeping Operations (DPKO)	Responsible for Peace Keeping
International Labour Organizations (ILO)	Promoting labour, social justice and human rights
World Food Programme (WFP)	Hunger
Food Agriculture Organization (FAO)	Food security
UNICEF	Protection of children
United States Agency for International Development (USAID)	Relief, capacity building and development
European Commission (EC)	Relief, capacity building, trade and development

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[11] IDA, IFC, MIGA & ICSID are part of the World Bank Group.

Table 2.2: List of international actors … continued

Institution	Areas of support
International Migration Office (IMO)	Returning diasporas
International Monetary Fund	Economic recovery
International organizations	Relief and development
Regional organisation	Relief, capacity building political, development and fund raising
Governments of other countries	Bilateral aid, relief and development
Non Governmental Organizations (NGO)	Relief, capacity building and development
North Atlantic Treaty Organisation (NATO)	Peace -Keeping

Source: Compiled from World Bank (1998:19-20); World Bank (2001:1); Anderlini & El-bushra (2004:51-56); Manning & Malbrough (2010:143-163); Kreimer, Collier, Scott & Arnold (2000:28-29).

Of the 35 countries listed by the UNDP (2008a:7) as being post-conflict countries, 17 of them are in Africa. Similarly, of the 31 countries and two territories listed as fragile by the World Bank (2010:1), 17 countries and one territory are in Africa. That means the above actors are actively involved in post-conflict activities in Africa. Section 2.3 discusses the case of post conflict reconstruction in Africa.

2.4   The case of Africa in post-conflict reconstruction

Africa is saddled by conflicts. In addition to the post-conflict Africa countries mentioned in section 2.3.2 as being, Obwona and Guloba (2009:178) have also listed 19 countries in Africa that were in conflict between 1990 and 2000. However, the statistics used by Ali (2009:126) shows that there are 22 African countries in post-conflict situations. This clearly shows the magnitude of the problem on the continent.

According to Mlambo *et al.* (2009:156), the chronology of the conflicts on the African continent dates back from 1960s and have been caused by historical, economic and political factors. In terms of history, African conflicts were related to wars for independence from colonial masters, secessionist and military coups. In terms of economics, they were caused by a scramble over control of natural resources. Finally, in terms of politics they were motivated by the desire to centralise power or in other words, the desire to rule the country (Mlambo *et al.*, 2009:156).

In Africa, the long term causes of conflicts are anti-colonialism, an increase in the population, poverty, illiteracy and unemployment especially among the youth (Mlambo *et al.*, 2009:157). The past 40 years have witnessed unprecedented demographic changes through movements largely towards big cities and urban centres resulting in congestion and increasing pressure on availability of resources that may lead to conflict (Mlambo *et al.*, 2009;157). These factors assist rebel organisations in recruiting their manpower that is then deployed to engage in violence (Mlambo *et al.,* 2009:157). The long term causes of conflicts are mainly risk factors which, if managed well, do not automatically result in increasing conflicts (Mlambo *et al.,* 2009:158). Their transformation into conflicts largely depends on how such tensions are managed (Mlambo *et al.,* 2009:158). In contrast the short term causes are due to the policies that discriminate people and cause tensions: poor governance, failure of state to deal with corruption and economic failure which have a tendency of making institutions ineffective (Michailof *et al.*, 2002:4; Mlambo *et al.*, 2009:157-158). Poor governance and decline of the state result in corruption and poor economic performance which in turn weakens the institutional capacity and authority of the state in conflict to the extent where it loses administrative control of part of the country (Mlambo *et al.*, 2009:158).

Michailof *et al.* (2002:5) list the characteristics of African civil conflicts as follows: it was fought by rebels with no command structures; primitive in nature; it hits the civilian population; violence is targeted at particular strategic points; the issue is often the control of natural resources and finally, the conflict is self financing. In other words, the conflict itself generates funding. For example, warring parties in Sierra Leone funded their war effort through mining and selling diamonds in areas under their control (Maconachie, 2008:4).

The continent has suffered conflicts of various types: wars of independence (e.g. Namibia and Zimbabwe); secessionist such as Casa Manace (Senegal), Katanga (Republic of Congo) and Biafra (Nigeria); the rebellion of domestic guerrilla movements (Chad, Ethiopia and Uganda); inter-state (between countries) disputes (Burkina Faso and Mali, Chad and Libya; and Cameroon and Nigeria) (Michailof *et al.*, 2002:2).

In the past decade about 350 million people in Africa have been affected by conflicts, mostly women and children. Such people are disillusioned and traumatised and are at times displaced internally or end up in refugee camps in other countries (Mlambo *et al.*, 2009:159). Michailof

et al. (2002:5) state that the impact of the conflict in Africa includes the destruction of physical infrastructure, decline in economic activities such as agriculture and trade, the collapse of essential institutions and the failure to contain the spread of HIV/AIDS during the civil war. Conflicts increase income inequalities among individuals and lead to differences in poverty levels among regions, e.g. Northern Uganda's poverty differed from the rest of the country because the war was concentrated there (Obwona, 2009:195). Conflicts in Africa have led to the achievement of negative economic growth rates by virtue of the weakening and destruction of public and private institutions (Mlambo *et al.*, 2009:159). The most visible impact of conflicts is the damage or destruction it causes to infrastructure especially transport, energy, telecommunications and buildings (Mlambo *et al.*, 2009:160). According to Obwona and Guloba (2009:194), conflicts in Africa have resulted in human and material losses.

Nhema and Zeleza (2009:7) provide post-conflict strategies for Africa which include: the role of African regional groupings; multiparty elections; institutionalisation; demobilisation and resettlement of fighters; repatriation of refugees and internally displaced people; removing land mines and banning of military supplies from external countries/organisations; ensuring participation of civil society; reconstruction of local communities through democratic process; power sharing; equitable distribution of income and resources; establishment of institutions of accountability; promotion of human rights and the role of external donors. None of the strategies mentioned above can solve the multiple problems faced in post-conflict reconstruction in Africa on its own (Nhema & Zeleza, 2009:7). Anan (2000:1) advocates the inclusion of women in post-conflict reconstruction in Africa because women usually suffer significantly during the war and hence are also better equipped than their counterparts (men) in solving the conflict.

The above section discussed the number of countries in post-conflict situations in Africa, their chronology, long term and short term causes, their characteristics, types, their impact and strategies advocated. In section 2.5, the focus is on strategies that have been implemented in the world and in Africa, aimed at achieving post-conflict reconstruction.

2.5 Strategies to achieve post-conflict reconstruction

The previous section discussed inter alia, the causes of conflicts in Africa, their nature and chronology. In this section, discussion will focus on strategies to achieve post-conflict reconstruction. The section has been structured as follows: section 2.5.1 discusses general strategies used in different parts of the world in post-conflict reconstruction section 2.5.2 discusses exports as a strategy to achieve post-conflict reconstruction and section 2.6 summarises the chapter.

2.5.1 General strategies

In this part, the focus is on general strategies used by some countries in post-conflict reconstruction. It has been structured as follows: section 2.5.1.1 discusses the case of Uganda and section 2.5.1.2 discusses Mozambique (Uganda and Mozambique are discussed separately because they are considered as examples of countries whose recovery was very successful (Collier, 1999; Collier & Reinikka, 2001:1; Michailof *et al.*, 2002:9; Collier & Reinikka, 2006:1; Mcleod & Davalos, 2008:5). Section 2.5.1.3 explains strategies applied in other African countries, section 2.5.1.4 focuses on strategies used by countries in Asia, section 2.5.1.5 strategies used by countries in South America and section 2.5.1.6 strategies used by countries in Europe. Section 2.5.1.7 contains a summary of the country specific general strategies.

2.5.1.1 Uganda

Uganda experienced an armed conflict during the period 1979-1991 (UNDP, 2008a:7). According to Collier and Reinikka (2001:1), Uganda's economy, society and institutions virtually collapsed during the period 1971 to 1985 due to bad governance of Idi Amin and a string of other presidents (which also failed Ugandans) leading to a protracted civil war. It was only during Yoweri Museveni's rule that the post-conflict process began.

In Uganda, the recent government restored political rights which had been denied to Ugandans by the previous governments and was one of the causes of conflict (Collier & Reinikka, 2001:22). The UNDP (2008a:156) highlights that one of the strategies the Ugandan government embarked on was to give amnesty to rebels. This amnesty was restricted to rebels

without a criminal record while those with criminal records were liable to prosecution. In order to improve justice delivery and restore the rule of law in Uganda, which were essential in post-conflict reconstruction, foreign judges were recruited. Apart from speeding up justice delivery, this was also done to bring impartiality to the justice system (Collier & Reinikka, 2001:27). An accelerated learning programme was introduced in Uganda. This was aimed at shortening the period of learning of over-aged people who, because of the war, had not been able to go through the formal schooling (UNDP, 2008a:64).

On the economic front, a number of measures were taken. Military spending was reduced in order to cut the budget deficit so as to restore macroeconomic fundamentals (Collier & Reinikka, 2001:24). In order to improve economic efficiency in the reconstruction process, the Ugandan government embarked on the following measures: liberalised the financial sector in order to stabilise prices; reduced the number of the civil servants to bring efficiency and cut the wage bill; established a new tax collection service, the Uganda Revenue Authority to improve revenue generation and collection; hired international inspectors to improve revenue collection; removed subsidies to free tax payers money; privatised 62 firms and liquidated others, to bring in efficiency and improve production and reduce the budget deficit for subsidies given to parastatals (Collier & Reinikka, 2001:24, 27). In Uganda, to meet the basic essential needs of Ugandans, the government decentralised service delivery to the districts to improve service delivery (Collier & Reinikka, 2001:27).

Uganda and Mozambique share one thing: both have been declared successful post-conflict reconstruction countries. Both countries made significant policy reforms and were committed to them. Mozambique's strategies are discussed in section 2.5.1.2.

2.5.1.2 Mozambique

Mozambique was in a conflict during the period 1976-1992 (UNDP, 2008A:7). The Portuguese (after a coup in Portugal) handed over power to the Frente de Libertacan Mocambique (FRELIMO) led by Samora Machel in July 1975 without conducting any elections (Michailof *et al.*, 2002:9). The civil war in Mozambique was as a result of external interference initially by Rhodesia which created RENAMO (to counter the liberation movement that fought Rhodesian forces from Mozambique) that fought against FRELIMO and later RENAMO was supported by South Africa (Michailof *et al.*, 2002:9). When Samora

Machel (who followed Marxist policies) died, Joacqium Chissano took over and pursued post-conflict reconstruction (Michailof *et al.*, 2002:9).

On the economic front, the government embarked on a number of measures to help in economic recovery during post-conflict reconstruction. One of the important things the Mozambican government did was to switch from the Marxist central planning policies to a market based economy. Apart from the effects of the civil war on the economy, the Marxist policies introduced since independence from Portugal were damaging to the economy (Michailof *et al.*, 2002:9). Other measures taken by Mozambique included: carrying out initial reforms which provided foundation for tougher reforms which were to follow; downsizing the military in numbers and expenditure as a measure for fiscal discipline; removing import licenses and price controls (the country became one of the most open markets) and contracting Crowne Agents (an international private company that does customs inspection and runs transfer payment on behalf of governments for transparency) to build and operate a transfer system in order to improve government revenue collection (Michailof *et al.*, 2002:9; UNDP, 2008a:119, 125; Collier, 2009:9).

In the area of rehabilitation and peace building, the government integrated RENAMO ex-fighters and FRELIMO ex-soldiers into the civilian life and allowed the international community to pay stipends for their upkeep (Manning & Malbrough, 2010:157). This was done to avoid recurrence of war and also to prevent the ex-fighters and ex-soldiers from resorting to banditry which could undermine peace in post-conflict reconstruction (Manning & Malbrough, 2010:157). In order to build peace and restore confidence in government, the Mozambican government began to distribute food and provided health services in areas which were strongholds of RENAMO during the war (the government did not previously offer services to such areas) to reduce tensions (UNDP, 2008a:62). It further emphasised education as a peace and community building instrument (UNDP, 2008a:63).

Mozambique and Uganda are considered very successful post-conflict reconstruction countries in Africa. Other post-conflict African countries will be discussed as a group in section 2.5.1.3 below.

2.5.1.3   Strategies in other African countries

The information relied on in this section and subsequently section 2.5.1.4, section 2.5.1.5 and section 2.5.1.6 were mainly obtained from a single source, the UNDP (2008a). The UNDP has coordinated the activities of external actors in many countries which have undergone post-conflict reconstruction process. It is the only authority that has carried out a comprehensive study on strategies covering many countries. Collier and Reinikka (2001), Michailof *et al.* (2002) and others have covered strategies in selected countries. Hence in some countries, the study has relied only on the UNDP (2008a) because of the dearth of literature on general strategies adopted during post-conflict recovery. Countries discussed in this section are Sierra Leone, Rwanda, Eritrea, Somalia, Liberia, Sudan, DR Congo and Ethiopia.

Sierra Leone experienced war during the period 1991-1996 and then from 1997-2001 (UNDP, 2008a:7). According to Maconachie (2008:4), the civil war in Sierra Leone was caused by corruption and poor governance and fuelled by diamonds which each warring party used to fund the war.

The Government of Sierra Leone implemented a number of strategies in post-conflict reconstruction. It initiated some recovery in the areas which were under its control even when the war was still ongoing and this created a good foundation for recovery when the war was over (UNDP, 2008a:6). The UNDP (2008a:69) points out that the government, with the assistance of the United Nations High Commission for Refugees (UNHCR), repatriated and integrated 272 000 Sierra Leonean refugees who were living in Liberia and Guinea. The government established the National Commission for war-affected children to deal with the needs and concerns of these children (Baker & May, 2004:43). Special courts were established to try those responsible for war atrocities during the war and this ensured that the victims and their families received justice (Rakend, 2004:37). The government further established a Truth and Reconciliation Commission to deal with reconciliation and healing (Baker & May, 2004:49). The UNDP (2008a:72) lists the hosting of workshops as some of the government strategies. The workshops were organised to discuss demobilisation and integration within the environment of reconciliation. The workshops brought together different interest groups in the society and this helped with the reconciliation process. The government ensured that it employed ex-combatants in public projects that matured early to

project the changed role of the ex-combatants and also to demonstrate that the government was succeeding (UNDP, 2008a:75). The government further introduced accelerated learning programmes. These were meant to fast track individuals who had missed school during conflict years (UNDP, 2008a:64).

Rwanda was in civil conflict during the period 1990-1993, 1994, 1998-1999 and in 2003 (UNDP, 2008a:7). According to McDonough (2008:362), the war was caused by an ethnicised elite strategy by the Hutu majority who discriminated against the Tutsis. This led to the Tutsis organizing themselves and attacking the Rwandan Hutu government of General Habiyarimana in 1990, which resulted in the 1994 genocide. The majority Hutu slaughtered about one million Tutsis (Boudreaux, 2007:8).

In the post-conflict era, the government allowed political parties to operate with more freedom (Uvin, 2001:180). Rwanda experienced very high unemployment and also a shortage of resources. In order to address these problems they then employed labour-intensive methods of rebuilding infrastructure in order to cut costs and create employment (UNDP, 2008a:57). One of the important elements that the government did was to ensure that women participated in all the activities in the country so that they were empowered. To achieve this, the government enabled women to take active role in the post-conflict reconstruction/recovery in Parliament and in civil service (UNDP, 2008a:94). As a means of improving justice delivery and also to ensure that those who had committed genocide or indirectly assisted the same were punished, government established Gacaca courts. The Gacaca courts were meant to speed up the genocide trials and clear the backlog of untried cases (UNDP, 2008a:82).

In Eritrea, the conflict took place during the period 1974-1991. This was caused by Eritrea's desire to be independent from Ethiopia (UNDP, 2008a:7). During post-conflict reconstruction, the Eritrean government restricted technical assistance from the donor community that used foreign nationals insisting that they employ local people and procure goods and services within Eritrea. This was aimed at creating job opportunities at home and utilising local skills and resources (UNDP, 2008a:570). The construction industry deliberately employed more women than men. Women are normally not employed in this sector. By employing them, this was a way of empowering them and removing discrimination that women face (UNDP, 2008a:64). Just like in Timor Letse, the government used a

participatory approach in the post-conflict recovery. A participatory approach enabled the stakeholders to be involved and feel they owned the programmes (Kreimer, Erickson, Muscat & Scot, 1998:30; Kreimer *et al.*, 2000:39).

Somalia experienced conflict during the period 1988-1991 and there is still unresolved territorial status (UNDP, 2008a:7). In order to promote peace and recovery, the transitional government included long established clan networks in its activities (UNDP, 2008a:34). This strategy is similar to the one used by Timor Letse (Hohe, 2004:52). They also introduced alternative basic education relevant to post-conflict reconstruction. The basic conventional system was not appropriate to meet all the needs of Somalia because some people had missed formal schooling because of the war and needed a non-conventional system (UNDP, 2008a:156). This approach was similar to the one adopted by Sudan (UNDP, 2008a:60). Since the international community has not been forthcoming with financial aid to assist Somalia, it has relied on its diasporas' remittances to spearhead economic recovery (UNDP, 2008a:15).

Liberia went through conflict during the periods 1989-1990, 1992-1997 and 1999-2003 (UNDP, 2008a:7). The Liberian civil war was triggered by Charles Taylor's invasion of Liberia from Cote d'Ivoire on Christmas Eve in 1989 (McDonough, 2008:360). The major cause of the war was the state's collapse due to increasingly state decay (the failure of the state to function effectively) and institutional failure during the rule of Samuel Doe (1980-89) (McDonough, 2008:360). When Charles Taylor became President, he ruled with violence both in Liberia and in the region (e.g. in Sierra Leone where he fuelled the civil war) (Best, Jones, Kondo, Thakur, Wornyo & Yu, 2007:33).

In Liberia, the government of Charles Taylor used a strategy of undermining the agreements which were not favourable to it (UNDP, 2008a:39). The ex-fighters became part of the transitional government charged with overseeing both peace implementation and post-conflict economic recovery. Their involvement prevented them from returning to the bush and also from being involved in banditry activities (UNDP, 2008a:64). In order to stabilise prices from high inflationary pressure, they abandoned their currency and introduced a full dollarisation (UNDP, 2008a:123).

Sudan was in a protracted conflict from 1983-2002 (UNDP, 2008a:7). In Sudan, the notable strategy was the introduction of an alternative basic education relevant to the post-conflict situation. Sudan has a very large population of refugees and internally displaced people who missed their education because of the war. They moved from one place to the other hence lost years in the conventional system. By introducing an alternative educational system, the government intended to improve the quality of life of such people within a short period of time (UNDP, 2008a:60).

DR Congo experienced conflict from 1996-1997 and from 1998-2001 (UNDP, 2008a:7). According to Bello (2005:110), DR Congo was a battle ground of cross boundary civil wars. These involved mainly Angola, Burundi, Rwanda, Uganda and others. They came into the country under the pretence of chasing their rebels. However, both rebels and troops plundered resources in DR Congo. The behaviour of foreign elites in DR Congo war should therefore not be seen just in the context of preferred course among those in charge of direct affairs of the state, but to a greater extent as a consequence of state weakness and in a sense, a democratic deficit (Bello, 2005:110).

The Government of Joseph Kabila also appointed ministers to serve in the transitional government. The majority of them had at least a university degree. He appointed them in portfolios directly related to their professional training (Mutungulu, 2004:82). The Government of the DR Congo initiated a Country Assistance Framework (CAF) that brought 17 international partners in a common strategic approach for economic assistance in the post election period (McKchinie, 2007:15).

On the economic front, the government made the following measures: established tightly executed treasury plan under which the monthly expenditures would not exceed actual revenue and re-established a budget framework for public finance and management and it streamlined and reduced bulky customs payments to improve on customs revenue (Mutungulu, 2004:97, UNDP, 2008a:166). The reason why recovery was successful was because there was commitment at the highest level of government (Mutungulu, 2004:82).

The war in Ethiopia took place during the period 1974-1991 (UNDP, 2008a:7). Ethiopia fulfilled one of the policy options as given by Hamre and Sullivan (2002:87) of dividing the state into two, with Eritrea becoming independent. Ethiopia decided to decentralise her

administration in order to accord substantial autonomy to regional based religious groups, ethnic groups as well as nationalist groups. This was an effort to reduce control from the centre (Cohen, 1997:150).

Although Africa seems to have the majority of the countries in post-conflict, other continents such as Asia have their own share in conflicts. In section 2.5.1.4 the study discusses strategies used by countries in Asia.

2.5.1.4   Strategies used by countries in Asia

In this section the general strategies followed in Timor Letse, Cambodia, Afghanistan and Lebanon are discussed. This discussion again relies on the UNDP (2008a) as a major source of information on some countries due to the literature constraint on the issue in some countries.

The conflict in Timor Letse took place in 1975-1999 (UNDP, 2008a:7). Timor Letse was formerly ruled by Indonesia. The Transitional Authority in Timor Letse ensured that programmes which were introduced included the participation of traditional elders. Traditional elders in Timor Letse are highly regarded in their communities. To achieve this, they ensured that the programmes were done within the local social structures and beliefs. These could ensure success of the programmes. Those programmes which were implemented outside these structures were never successful (Hohe, 2004:52). In contrast to Rwanda and Cambodia (UNDP, 2008a:57), Timor Letse replaced labour intensive techniques in favour of equipment based techniques (UNDP, 2008a:58).

Cambodia went through a civil conflict during the periods 1970-1975 and 1978-1991. Currently, the country is enjoying peace (UNDP, 2008a:7). Cambodia, which had been devastated by the civil war, applied measures to achieve post-conflict reconstruction. It introduced market oriented reforms to replace central planning (Lee & Coe, 2006:1). It initiated a step by step approach to reforms which created a foundation for the major reforms which needed a lot of commitment on the part of authorities (UNDP, 2008a:119). The new government introduced a rectangular strategy reform programme which focused on building the agricultural sector, developing the private sector, building human capacity and rehabilitating physical infrastructure (Lee & Coe, 2006:2). In order to improve the business

environment (including the start-up of businesses), government initiated and encouraged making micro finance available in the post-conflict era (UNDP, 2008a:85). The government set up and introduced basic institutions and various laws, ranging from commercial contracts to accounting (Lee & Coe, 2006:2). The government also built up administrative capacity of customs and tax services to improve on revenue collection (Lee & Coe, 2006:2). It then dollarised its economy in order to control inflation and stabilise prices (Lee & Coe, 2006:7). It also introduced an ILO-run factory certification programme to create a very rapid increase in manufacturing employment particularly gender based (young women) (UNDP, 2008a:126). In addition to the above, in order to create employment, the government further employed labour intensive technology in rebuilding infrastructure. The immediate effects were cutting costs and the creation of jobs (UNDP, 2008a:57).

Afghanistan experienced conflict during the period 1978-1991, 1991-2002, and 2005 and there is still insurgency taking place (UNDP, 2008a:7). The Government of Afghanistan initiated the largest micro finance in the history of post-conflict reconstruction. The aim was to provide adequate funding to stimulate the economy (UNDP, 2008a:85). It further timely overhauled the monetary policy in order to reduce price instability and to promote growth (UNDP, 2008a:122)

Although Lebanon is in the Middle East, countries in that part are normally grouped in Asia. The conflict in Lebanon took place in the period 1975-1990 and there is still no comprehensive peace status (UNDP, 2008a:7). In Lebanon, the government disposed of a wide range of enterprises and public utilities to the private sector. This was meant to improve efficiency, increase production and reduce the budget deficit by getting rid of the loss making entities which were depending on treasury for their survival (UNDP, 2008a:121). Apart from Asia, there are some other continents such as South America which has also undergone post-conflict reconstruction. Countries in South America are discussed in section 2.5.1.5.

2.5.1.5 Strategies used by countries in South America

In this section the general strategies used in Guatemala, Nicaragua and El-Salvador are covered. As indicated in section 2.5.1.4 and the earlier sections, in some countries the major source relied upon is UNDP (2008a) due to literature constraints on the general strategies employed in post-conflict reconstruction in those countries. Guatemala went through conflict

during the period 1965-1995 and has since experienced peace (UNDP, 2008a:7). In Guatemala, the most notable general strategy was the recognition of the importance of education in post-conflict reconstruction. It is one of the measures to reduce the recurrence of civil wars by empowering the citizens. The government increased enrolment in primary school education as it was important to begin at grassroots level (UNDP, 2008a:31).

The conflict in Nicaragua took place in the periods 1978-1979 and 1979-1990 (UNDP, 2008a:7). The new Government of Nicaragua during post-conflict reconstruction embarked on the stabilisation and adjustment programme sponsored by IMF/World Bank. The objective of the programme was to reverse the effects of central planning which retarded growth. The government had to take those measures so as to correct the situation during post-conflict reconstruction (Kreimer *et al.,* 1998:11). Nicaragua further increased enrolment in primary school education. This was to ensure that as many people become educated and literate (UNDP, 2008a:31).

El-Salvador was in conflict during the period 1979-1991 (UNDP, 2008a:7). In El-Salvador the government carried out the Economic Structural Adjustment Programme (ESAP) with the assistance of the International Monetary Fund . This programme was aimed at helping the recovery process of the country (Kreimer *et al*., 198:35). The El-Salvador government reduced rural unemployment by a transfer of social funds into a system of cash transfer targeting women in the poor villages (UNDP, 2008a:26).

Apart from countries in Africa, Asia and South America there are also countries in Europe which have implemented general post-conflict reconstruction strategies. Strategies used by countries in Europe are discussed in section 2.5.1.6 below.

2.5.1.6   Strategies used by countries in Europe

This section, just like in the previous sections on general strategies, relied on information from the UNDP (2008a) as the only source in some countries, due to lack of literature on the same. This section covers the strategies used in Bosnia, Herzegovina, Tajikistan and Croatia.

Bosnia was in conflict during the period 1992-1995 (UNDP, 2008a:7). In Bosnia, the authorities split water resources between the Muslims and Bosnia Serb population centres in

order to ensure a peaceful recovery. The split was necessary to avoid further conflict between the two different ethnic groups (UNDP, 2008a:57). They further decentralised the control of education (UNDP, 2008a:62). Other measures were also implemented to help in the economic recovery. For example, the authorities partnered with MIGA to guarantee FDI with a view to create a favourable investment climate by guaranteeing investment from risks (MIGA, 1997:1). They also allowed micro credit organizations to open up commercial contracts, privatised state companies informally during the war, overhauled its monetary policy in order to reduce price instability and introduced a currency board to prevent the central bank from imprudent printing of money which was fuelling inflation (UNDP, 2008a:86, 121-123).

Herzegovina experienced conflict during the period 1992-1995. Herzegovina followed similar strategies as Bosnia. In order to improve on the economic front, they implemented several strategies. They partnered with MIGA to guarantee FDI in order to improve the investment climate and attract foreign investors during recovery (MIGA, 1997:1). They allowed micro credit organizations to open commercial contacts outside Herzegovina, privatised on a small scale during the war to improve on efficiency, overhauled monetary policy to bring down price instability and introduced a currency board to prevent the central bank from printing money which was causing high inflation (UNDP, 2008a:86,121-123).

Tajikistan experienced a conflict during the period 1992-1997 after which peace returned (UNDP, 2008a:7). In order to reduce inflation, the government of Tajikistan replaced its own currency in favour of the United State dollar. This was aimed at restoring price stability. (UNDP, 2008a:122). A similar move was made by Liberia (UNDP, 2008a:123).

Croatia experienced civil war during the period 1991-1993. In Croatia, the government undertook a timely overhaul of the monetary policy aimed at reducing price instability in the economy (UNDP, 2008a:122).

2.5.1.7 Summary of general strategies

The general strategies employed in various countries discussed above can be summarised in terms of their common objectives such as the restoration of the rule of law and improvement in justice delivery; provision of both conventional and non-conventional education;

restructuring and liberalisation; reduction of deficits and improvement in revenue collection; peace building; gender empowerment; price stability through dollarisation; decentralisation of power and community based participation, employment generation; investment promotion and general macroeconomic stability.

In section 2.5.1 the general strategies used in some countries in post-conflict reconstruction have been discussed. These general strategies did not directly or indirectly focus on exports as a strategy to achieve post-conflict reconstruction. Exports, however, have successfully been used as a strategy to achieve post-conflict reconstruction. This is discussed in section 2.5.2.

2.5.2 Exports as a strategy to achieve post-conflict reconstruction

In this section, countries which used exports to achieve post-conflict reconstruction are discussed. These are strategies that directly or indirectly boosted exports and helped the economies to recover during post-conflict reconstruction. The countries did not all recover at the same rate. The section is structured as follows: section 2.5.3.1 discusses Uganda and section 2.5.2.2 discusses Mozambique. Section 2.5.2.3 lists export strategies used by other African countries; section 2.5.2.4 discusses export strategies used by Asian countries, section 2.5.2.5 looks at export strategies used by countries in South America and section 2.5.2.6 lists export strategies used by countries in Europe. Section 2.5.2.7 provides a summary of the exports as a strategy to achieve post-conflict reconstruction.

2.5.2.1 Uganda

Uganda, like Mozambique, has been discussed separately because it is considered an example of a country whose recovery was very successful and impressive (Collier & Reinikka, 2001:1; Michailof *et al.*, 2002:9; Collier & Reinikka, 2006; Mcleod & Davalos, 2008:51).

Uganda's economic success is amongst the most noted in the world. The liberalisation programme transformed the post-conflict reconstruction in this country (Collier & Reinikka, 2001:2). The implementation of trade liberalisation had a tremendous impact on the growth of exports which grew at the annualized rate of 15% (Collier & Reinikka, 2001:39). Uganda, which is one of the major world producers of coffee, initiated a number of strategies to boost

both production and exports. For example, the government of Uganda returned property confiscated by the government of Idi Amin's indigenisation programme. The return of property mainly to their former Asian owners, gave a signal to the international investors that Uganda was a safe place for their investment and indeed investor confidence was restored in Uganda (Kreimer *et al.,* 2000:39; Collier & Reinikka, 2001:29). The government also simplified investment codes and removed most of the impediments which were preventing investment in Uganda (Collier & Reinikka, 2001:29).

Collier and Reinikka (2001:29) as well as the UNDP (2008a:155) also point out that the exchange rate in Uganda was made convertible, which had an effect of promoting exports by making them competitive. In Uganda, zero tariffs were introduced on capital goods and tariffs on intermediate goods were reduced to 7%. These were positive steps, as they allowed the import of equipment and intermediate goods which was used to produce and process coffee and other products (Collier & Reinikka, 2001:33).

Uganda also removed coffee tax. This tax was an inhibiting factor in coffee export and it resulted in the smuggling of coffee to neighbouring countries to avoid tax payment. The removal of the tax boosted the exports of coffee. Instead of the tax, the government introduced import tariffs aimed at protecting the domestic producer. This action also improved the exports of coffee (Collier & Reinikka, 2001:32). The Coffee Marketing Board, which had a monopoly on coffee, was converted into a public company to improve coffee production and exports (Collier *et al*., 2000:39; Collier & Reinikka, 2001:34). The government further established a new company, known as the Uganda Coffee Development Authority, whose primary role was to regulate the coffee sector as well as to ensure proper standard and quality, both critical to successful exports (Collier & Reinikka, 2001:35).

Collier and Reinikka (2001:35) reveal the changes which took place in the Bank of Uganda, which was the sole financier for coffee crops. This impacted heavily on the expansion of production and export. The removal of the crop financing monopoly which was previously exercised by the Bank of Uganda and the bringing in of commercial banks in crop financing boosted both production and export of coffee. Collier and Reinikka (2001:34) also point out that the government removed the monopoly that Uganda Railways had on the transportation of coffee, both inside and outside Uganda. By bringing in private operators, the efficiency in transporting coffee was improved and both farmers and traders were able to negotiate better

packages with private transporters. Costs were cut and export earnings were improved. Private investors and businesses were further allowed to establish coffee export processing facilities, run nurseries and provided high quality seedlings to farmers. This had an effect of improving production of coffee, processing and eventually lead to an increase in coffee exports (Collier & Reinikka, 2001:35). Ugandan coffee exporters also started to collect advance payment from foreign buyers and paid farmers in time. This, together with the introduction of higher coffee producer prices (by allowing private buyers) had a direct impact on both the production and export growth of coffee (Collier & Reinikka, 2001:35, 36).

Coffee export proceeds were used to invest in other sectors. This had a positive impact in post-conflict recovery where one sector was able to uplift other sectors (Collier & Reinikka, 2001:39). Coffee liberalisation in Uganda was very successful in spreading private sector development and reduction of poverty which is one of the MDGs (Collier & Reinikka, 2001:35). The coffee boom led to a peak when private investment increased by 40%, while its share of GDP increased from 9.9% to 12.4%. In the 1990s, export volumes increased (in constant terms) at an annualized rate of 15%. In terms of percentage share of GDP exports grew from 7.8% in 1990/91 to 15.8% in 1996/97 before it decreased to 12.7% in 1997/98. The value of non-coffee exports increased five times (this was due mainly to exports proceeds being invested in other sectors) between 1992 and 1999 (Collier & Reinikka, 2001:39).

Collier and Reinikka (2001:37) further point out that the Ugandan government made 93 divestitures of companies operating in industrial, commerce, agriculture and tourism. It further privatized 62 firms and liquidated others. These actions boosted efficiency, increased production and led to an increase in exports. Uganda also refrained from using its aid inflows to import more than it exported. This lead to a surplus in exports and improved the balance of payment (BOP) (UNDP, 2008a:134).

The UNDP (2008a:155) notes that Ugandan technocrats who had fled the country, convinced the World Bank and International Monetary Fund (IMF) to transfer resources and autonomy to policy makers in Kampala rather than disburse the same from Washington. By so doing, they enabled the government to have resources on time to implement trade liberalisation programmes resulting in its success.

In section 2.5.2.2 Mozambique's strategies are discussed in detail.

2.5.2.2   Mozambique

Mozambique, much like Uganda, during its post-conflict reconstruction, embarked on a number of strategies that boosted her exports and enabled her to recover economically (UNDP, 2008a:113).

Some of the strategies implemented include the government's entry into joint ventures with private companies in the cotton industry. Cotton is the second largest export earner in Mozambique. The joint ventures increased production and exports (Pitcher, 1996:10). The family sector is the key to farm production in Mozambique. It contributes 75% of the farm output and half of a million Mozambicans at one time were farming cotton and selling it to large enterprises. It was important that recovery first occurred in this sector and joint ventures were concentrated on farming (Pitcher, 1996:3). Some of the other measures were in the form of assistance, such as *Sodedade de Desenvolvimento Algodoeiro de Namialo* (SODAM) and *Lonrho-Mozambique-Montepuez* (LOMACO) received from the government. These two joint ventures with the government in the production of cotton were exempted from import duty on their equipment. The move helped them to modernise and improve production and brought increase in exports (Pitcher, 1996:11).

Other measures took the form of liberalisation of the exchange rate, a move that had a large impact in stimulating exports by making them competitive. This was achieved through the devaluation of the currency to instill competeness and thereby promote exports (Pitcher, 1996:10). Michailof *et al.* (2002:9) also point out that 1200 state owned companies were either restructured or privatised and this improved efficiency. Around 340 companies belonging to the state were sold to private investors to boost production and exports (Pitcher, 1996:4). The government strategically sold small and medium companies to local investors, while large companies were sold to investors from Britain, Portugal and South Africa. The foreign investors brought in technology, expertise and resources which improved production and exports (Pitcher, 1996:4; Michailof *et al.*, 2002:9). Finally, the government established export processing zones and the move significantly increased exports (Michailof *et al.*, 2002:9).

While Mozambique and Uganda have been discussed separately, the other countries in Africa (that also used strategies which boosted exports) are discussed under export strategies in other African countries. This is done in section 2.5.2.3

2.5.2.3 Export strategies used by other African countries

In this section, the remainder of African countries which used export strategies for their post-conflict reconstruction, beginning with Sierra Leone, are discussed. The UNDP (2008a) is in many cases again the only source of information owing to unavailability of data.

Through the introduction of the Kimberly Certification Process in Sierra Leone, diamond exports (via Government Gold and Diamond Office (GGDO)) increased significantly (Maconachie, 2008:24). The increase in diamond exports from the period 1998-2006 is shown below in table 2.3.

Table 2.3: Diamond exports from Sierra Leone, 1998-2006

Year	Carats	Value (US$)	Duty, 3% (US$)
1998	15818.04	1 780 287.41	53 408.22
1999	9320.32	12 444 825.34	37 344.76
2000	77372.39	10 066 920	302 007.62
2001	222519.83	26 022 492.27	780 674.77
2002	341859.23	41 732 130.29	1 251 964.71
2003	506723.37	75 969 753	2 193 385.84
2004	499242.43(A)	89 618 053	2 688 541.60
2004	58030.54(K)	11 172 434.79	335 173.04
2005	552044(A)	119 429 528	3 582 885.84
2005	116665(K)	22 510 716	675 321.48
2006	209762(A)	45 535 966	1 366 078.98
2006	30631(K)	6 984 425	209 532.75

Source: Strasser – King (2004:9) & Maconachie (2008:24).

The export of diamonds was at its peak in 2005 when the country realised US$141 940 244 (US$119 429 528 + US$22 510 716) followed by 2004 when US$100 790 487.79 (US$89 618 053 + US$11 172 434.79) was realised. The National Certification and the global certification system provided by the Kimberley Process and the United Nations ban on illegal diamond exports from Sierra Leone boosted official diamond exports in Sierra Leone (UNDP, 2008a:166). Diamonds were also recovered through the so-called 40% law, which became an incentive to encourage individuals to report illegal diamond mining. The informer

(whistle blower) received 40% of the value of illicit diamonds seized and the government 60%. This further boosted exports (Grant, 2005:453). Apart from the above, government gave prospecting rights to international prospecting minerals companies (Collier, 2009:1109).

There are also other countries, apart from Sierra Leone, which recovered through the export of diamonds. Two examples are Angola and DR Congo. The government of Angola created a conducive environment by encouraging prospecting by international firms that led to an increase in the production and export of diamonds. There was also a price effect which also led to high receipts of exports. The government also negotiated better terms with companies mining diamonds (Collier, 2009:1109). Angola also allowed foreign investors in the oil sector. This resulted in high exports and economic growth (UNDP, 2008a:114).

In DR Congo, the government liberalised diamond export activities which lead to an increase in diamond exports (Mutungulu, 2004:97). Another liberalisation took place in the foreign exchange and money market. The implementation of a sound monetary policy was also a boost in stimulating growth in production and made exports very competitive in DR Congo (Mutungulu, 2004:97). The result was a devaluation of DR Congo's currency by 530% and it led to a market based exchange rate which promoted exports (Mutungulu, 2004:97). Mutungulu (2004:97) further considered the reform that was initiated in the pricing system of petroleum products in DR Congo to enable growth in both production and exports of products which use petroleum products.

The export of primary commodities dominates exports in Africa. Through the export of commodities, post-conflict reconstruction can be achieved and examples where this has been the case includes Chad, Liberia and Rwanda. In Chad, the government allowed and attracted international investment in extraction of oil to boost exports of oil in the post-conflict recovery period (an aspect which could not be done during conflict) (Collier 2009:109). In Liberia, the government also initiated a programme of post-harvest handling facilities for cocoa, coffee and some other cash crops. The project was financed by the joint sponsorship of the European Commission and the World Bank. It boosted both production of the products and their exports (UNDP, 2008a:57). The Rwandan Government encouraged coffee plantations where the Hutus and Tutsis worked together to foster a good relationship between them. Although the action was initially meant to be peace building, it also boosted coffee production and exports (UNDP, 2008a:82). The government and donor community gave out

10 000 metric tons of maize and beans seeds, 700 000 hoes, vegetables and other seeds were handed out to 690 000 households (Tardif-Douglin, 1997:274).

2.5.2.4   Exports strategies used by Asian countries

The focus of this section is on Asian countries that used exports to recover in the post-conflict reconstruction. The countries discussed are Timor Leste, Afghanistan and Cambodia.

In Timor Leste, the transitional government after the departure of the Indonesian administration, allowed and attracted international investment in the extraction of offshore gas (Collier, 2009:1109). The government also removed the export tax on coffee and replaced it with a general income tax. This boosted coffee exports. The tax on coffee exports was a constraint on export growth in the recovery process (UNDP, 2008a:125). Also, the school year and agriculture cycle were coordinated to allow students to assist their parents on farms. This was an effort that was meant to boost production on the farms (UNDP, 2008a:64).

In Afghanistan, the United States donated in a lot of money through the Central Intelligence Agency (CIA) working with US commanders, as a strategy to buy support from the local people. The government of Afghanistan also implemented measures of controlling opium. The actions of the United States and the government of Afghanistan had an opposite effect, however, of boosting the production of opium and increasing opium exports. Opium accounted for 38% of non-drug[12] GDP or US$2.7 billion in Afghanistan in 2005 (Goodhand, 2008:410). Although opium is an illegal drug, whose economic significance can never be justified, its inclusion into this research remains important because the reality is that for the rural community of Afghanistan, opium production, in the absence of legitimate activities, remains important, as it contributes to approximately US$2.7 billion annually to the economy.

In Cambodia the government also entered a bilateral Agreement on Textile and Clothing with the United States that reduced the U.S. tariff rate for garments manufactured in Cambodia from 50% to70% (where 50% was minimum duty and 70% maximum duty) to 10%-20%

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[12] Non-medicinal drug.

(where 10% was minimum duty and 20% maximum duty) duty brackets. As a result, exports soared from almost nothing to more than US$1 billion (Lee & Coe, 2006:2). In Cambodia, the introduction of sound macro-economic policies saw a surge in apparel exports in five years after the end of the war (UNDP, 2008a:118).

2.5.2.5   Export strategies used by countries in South America

Few countries in South America employed export strategies in post-conflict reconstruction. Those who did, includes El Salvador and Guatemala. El Salvador used traditional stabiliser approaches to trade liberalisation and domestic deregulation in her recovery process during post-conflict reconstruction. The measures were meant to increase production (Boyce & Pastor, 1997:296). In Guatemala, as a measure to liberalise trade, the government prioritised the cutting of tariffs. During the war, tariffs were very high. In order to open up to allow competition, tariffs had to be reduced (UNDP, 2008a:125).

2.5.2.6   Export strategies used by countries in Europe

There are a few countries in Europe which used export strategies to achieve post-conflict reconstruction. Bosnia and Kosovo fall within this group. The Bosnian government approved a partnership between the Slovene Export Corporation and the Multilateral Investment Guarantee Agency (MIGA, 1997:1). MIGA guarantees international investment from losses arising from non-commercial risk (i.e. political and war risks). The action had an effect of attracting investment and boosting exports (MIGA, 1997:1). In Kosovo, the agreements that allowed the Albanians to market honey under a single multilingual label and supply milk to Serb cheese manufacturers, helped in growth of exports (UNDP, 2008a:82).

A summary of the cases where exports were used to achieve post-conflict reconstruction is provided in section 2.5.2.7

2.5.2.7   Exports as a strategy to achieve post-conflict reconstruction

In table 2.4 a summary of export strategies to achieve post-conflict reconstruction is provided.

Table 2.4: Summary of export strategies used in post-conflict reconstruction

COUNTRY	ITEM	EXPORT STRATEGY	SOURCE
UGANDA	1	Implemented trade liberalisation	Collier & Reinikka (2001:39)
	2	Government returned confiscated property under indigenisation to their Asian owners	Collier *et al.* (2009:39)
	3	Simplified investment codes and removed impediments	Collier & Reinikka (2001:29)
	4	Exchange rate made convertible	UNDP (2008a:155)
	5	Introduced zero tariffs on capital goods	Collier & Reinikka (2001:33)
	6	Reduced tariffs on intermediate goods to 7%	Collier & Reinikka (2001:33)
	7	Removed coffee tax	Collier & Reinikka (2001:32)
	8	Removed monopoly by Coffee Marketing Board	Collier et al. (2000:39)
	9	Established Uganda Coffee Development Authority to regulate coffee	Collier & Reinikka (2001:35)
	10	Removed monopoly by Bank of Uganda as a financier of coffee activities	Collier & Reinikka (2001:35)
	11	Removed monopoly on Uganda Railways in transporting coffee	Collier & Reinikka (2001:34)
	12	Private investors allowed to establish coffee processing facilities and nurseries	Collier & Reinikka (2001:35)
	13	Exporters collected advance payment for exports to pay farmers	Collier & Reinikka (2001:36)
	14	Introduced higher coffee producer price	Collier & Reinikka (2001:35)
	15	Coffee export earnings were invested in other sectors	Collier & Reinikka (2001:39)
	16	Made 93 divestitures	Collier & Reinikka (2001:37)
	17	Privatised 62 firms	Collier & Reinikka (2001:37)
	18	Control of resources was transferred to Uganda by IMF and World Bank	UNDP (2008a:155)
MOZAMBIQUE	1	Entered joint ventures with international firms in cotton production	Pitcher (1996:10)
	2	Liberalised exchange rate and devalued currency	Pitcher (1996:10)
	3	1200 state firms were re-structured	Michailof et al. (2002:9)
	4	SODAM and LOCOMO joint venture companies exempted from import duty	Pitcher (1996:11)
	5	340 companies sold to private sector	Pitcher (1996:4)
	6	Big companies sold to investors from Britain, Portugal and South Africa	Michailof et al. (2002:4); Pitcher (1996:4)

Table 2.4: Summary of export strategies used in post-conflict reconstruction … continued

COUNTRY	ITEM	EXPORT STRATEGY	SOURCE
SIERRA LEONE	1	Introduced Kimberley Certification Process	Maconachie (2008:24)
	2	Whistle blower given 40% of recovered diamonds	Grant (2005:453)
	3	Issued prospecting rights for minerals e.g. diamonds	Collier (2009:110)
ANGOLA	1	Created conducive environment for diamond export	Collier (2009:1109)
	2	Liberalised foreign exchange	Mutungulu (2004:97)
	3	Allowed investors in the oil sector	UNDP (2008a:114)
DR CONGO	1	Liberalised diamond trade	Mutungulu (2004:97)
	2	Liberalised foreign exchange	Mutungulu (2004:97)
	3	Initiated a better pricing system for petroleum products	Mutungulu (2004:97)
	4	Implemented a sound monetary policy	Mutungulu (2004:97)
	5	Devalued currency by 530%	Mutungulu (2004:97)
CHAD	1	Allowed international investors in extracting oil	UNDP (2008a:57)
LIBERIA	1	Initiated a programme of post-harvest handling facilities for cocoa, coffee, etc.	UNDP(2008a:57)
RWANDA	1	Encouraged Hutus and Tutsis to work together in coffee plantations	UNDP (2008a:82)
	2	10 000 metric tonnes of maize and beans seeds, 700 000 hoes, vegetable seeds and others were given to 690 000 households	Tardif-Douglin (1997:274)
TIMOR LESTE	1	Allowed international investment in extraction of off-shore gas	Collier (2009:1109)
	2	Removed tax on coffee	UNDP (2008a:64)
	3	School year and agriculture year were coordinated to allow the children to help their parents on farms	UNDP (2008a:64)
AFGHANISTAN	1	CIA of the United States and government efforts instead boosted production of opium (negative activity)	Goodhand (2008:410)
CAMBODIA	1	Entered Bilateral Agreement on textile and clothing at reduced US tariffs	Lee & Coe (2006:2)
EL SALVADOR	1	Implemented trade liberalisation	Boyce & Pastor (1997:296)
GUATEMALA	1	Implemented trade liberalisation	UNDP (2008a:125)
BOSNIA	1	Entered partnership between Sloven Export Corporation and MIGA to guarantee non-risk investment	MIGA (1997:1)
KOSOVO	1	Entered multilingual label and in addition supplied milk to Serb cheese manufacturers	UNDP (2008a:82)

Source: Compiled from various sources (Pitcher, 1996:4-11; Boyce & Pastor, 1997:296;

Tardif-Douglin, 1997:274; MIGA, 1997:1; Collier et al., 2000:39; Collier & Reinikka,

2001:1-39; Michailof et al., 2002:9; Mutungulu, 2004:97; Grant, 2005:453; Lee & Coe, 2006:2; Goodhand, 2008:410; Maconachie, 2008:24; UNDP, 2008a:57-155; Collier, 2009:1109).

The summary of export strategies used in post-conflict reconstruction leads to the summary of this chapter. The summary and conclusions of this chapter are given in section 2.6.

2.6   Summary and conclusions of the chapter

The chapter has provided a list of 31 countries and two territories which are fragile. The countries include Zimbabwe among others. It has further highlighted two objectives of post-conflict reconstruction namely facilitating transition to sustainable peace and supporting economic and social development. A list of key actors such as the World Bank, United Nations and others including their functions in post-conflict reconstruction has been provided. The causes of conflicts in Africa have been discussed. These are classified as historic, economic and political. The chapter has further discussed the general strategies used in post-conflict reconstruction in different countries. These strategies have focused on the restoration of the rule of law, peace building measures, local participation and general economic stability amongst others. The chapter also has highlighted exports as a strategy to enhance economic recovery. Countries which have used strategies that boosted exports have been discussed including their specific strategies. There was a speedy recovery in Uganda, Mozambique and other countries where exports were used in post-conflict reconstruction.

There is enough evidence to prove that countries can recover during post-conflict reconstruction by focusing on exports. The importance of exports originates from the export-led growth theory. This theory gives a foundation upon which export promotion is based. Chapter 3 discusses the literature reviewed on export-led growth theory, export promotion, export development and international marketing.

CHAPTER 3

LITERATURE REVIEW ON EXPORT- LED GROWTH, EXPORT PROMOTION, EXPORT DEVELOPMENT AND INTERNATIONAL MARKETING

3.1   Introduction

There are many strategies which have been used to achieve post-conflict reconstruction in various countries. Those strategies have been discussed in Chapter 2 which is part of the literature review. The last part of Chapter 2 discussed a number of countries in post-conflict reconstruction that used strategies which focused on exports. These countries successfully recovered economically. The most notable examples are Uganda and Mozambique. These two countries are considered to be the success stories of post-conflict reconstruction achieved through promotion of exports (Collier & Reinikka, 2001:1; Michailof *et al*., 2002:9; Collier & Reinikka, 2006; Mcleod & Davalos, 2008:51). This chapter focuses on export promotion which can be used in the economic recovery of Zimbabwe. To achieve this, the chapter also discusses the export-led growth theory (ELG), which is the foundation of export promotion. In addition, the chapter discusses export development and international marketing because their activities enhance export promotion. The overview of the structure of the chapter is as follows: section 3.2 discusses export-led growth, section 3.3 export promotion, section 3.4 export development, section 3.5 international marketing and section 3.6 provides the summary and conclusion of the chapter.

As Chiarlone and Amighini (2002:254) saw it, the export sectors enjoy more efficient management and production techniques, thereby generating positive externalities for non-export sectors. Foster (2005:1058) concurs by stating that exports generate positive externalities for non-export sectors through more efficient management styles and improved production techniques; and it is assumed that a productivity differential exists in favour of the exports sector.

According to Collier (2009:109), post-conflict conditions provide great opportunities for a primary export boom. He adds that the potential for growth of primary exports, can be seen from both angles of quantity and price effects at the onset of peace. The fact that during civil wars economies are damaged and many sectors collapse does not need emphasis. Collier,

Hoeffler and Söderbom (2008:461) argue that post-conflict reconstruction (recovery) becomes difficult because of the damage caused.

While most of the other strategies may be sector specific and do not transmit to the other sectors, export strategies overcome this because of their externalities which tend to stimulate non-exporting sectors (Foster, 2005:1058). For this reason, using exports as a driver of recovery makes sense. As Collier and Reinikka, (2001:39) assert, export proceeds generated can be used to revamp other sectors, thereby assisting them to also recover. In the long run, the economy of a country recovers.

3.2   Literature on export-led growth (ELG)

This section is structured as follows: section 3.2.1 discusses the theoretical literature on export-led growth, section 3.2.2 provides empirical evidence of export-led growth and section 3.2.3 discusses the problem of measurement using short span data.

3.2.1   Theoretical literature on export-led growth

For developing countries, the preference for export-led growth (ELG) over import substitution (IS) strategy was a result of economic problems experienced around the 1970s (Palley, 2003:1). Promotion of import substitution industries was seen as a way of developing a variety of domestic industries (Giles & Williams, 2000:3). Import substitution required the state to make a provision of tariff and quota protections. These were viewed by economists as measures which brought in economic distortions that made significant contribution to productive inefficiency coupled by rent seeking activities (Palley, 2003:1). Beginning in the 1950s and lasting almost three subsequent decades, many countries believed that the import substitution strategy was an important component for development; and protectionist policies were enacted in the developing countries to achieve that (Felipe, 2003:3). According to Felipe (2003:3), the policies enacted under import substitution were mostly meant to favour the protection of infant industries.

Although it was recognised that there would be a possibility of some inefficiencies due to protection, Felipe (2003:3-4) argues that the benefits from increasing domestic production and moving down the cost curve would more than offset the dangers posed by inefficiencies.

However, with time, the developing countries which at one time had very high growth rates suddenly experienced slowdown in growth. Consequently it was then felt that the import substitution strategy had outlived its usefulness and had become obsolete (Palley, 2003:1). Giles and William (2000:2) also emphasise that the neoclassical stand has been that growth of Hong Kong, Singapore, Korea, Taiwan, Malaysia and Thailand was propelled by ELG rather than import substitution. Felipe (2003:6) adds that Germany, China, Japan and Taipei are miracle countries which were able to expand output as well as employment through ELG. It would appear that China today represents the best example of a country which has been arguably very successful in its implementation of ELG policies (Felipe, 2003:6). According to Medina-Smith (2001:3), both strategies (import substitution and export-led growth) have been the subject of an extensive theoretical survey and that literature indicates that the relationship that exists between trade and growth has grown rapidly in the past decade with the impetus provided by the endogenous growth theory. Currently, import substitution strategy is now associated with state interventions and inefficiency (Felipe, 2003:4).

Giles and Williams (2000:2) point out that the major issue on ELG controversy revolves around whether or not a country can be better off by tailoring its trade policies towards export promotion or towards import substitution. Giles and Williams, (2000:2) argue that countries in Africa and Latin America mainly followed an import substitution strategy and it prevented them from attaining the status of newly industrialised countries (NICs).

Medina-Smith (2001:2-4) points out that proponents of the export-led growth strategy conclude that most of the developing countries (mostly in Latin America) performed miserably because they used the import substitution strategy. According to Medina-Smith (2001:2), export expansion promotes economies of scale and improves technology. Konya (2004:74) concurs that export promotion could lead to increased exports which in turn creates jobs, improves labour productivity, encourages efficient allocation of resources and eases the current account pressures for external capital goods. Konya further argues that this is achieved through both increases in foreign earnings and attraction of foreign direct investment (FDI), thereby, increasing economic growth. However, Konya (2004:74) adds that the growth driven export hypothesis shows a reverse relationship based on the premise that economic growth triggers trade flows and further creates comparative advantage in some sectors, thereby leading to specialisation which, in turn, facilitates exports. Musonda (2007:10) agrees with Medina-Smith (2001:2-4) that the export of goods and services is an

essential source of foreign currency that helps to ease the pressure on the balance of payment (BOP) and creates employment opportunities.

Meier (1995:361-363; 479-483) and Felipe (2003:4) provide six benefits of an ELG strategy over import substitution strategy. One, the local resource cost of acquiring a unit of foreign currency is normally less than the local resource cost of saving a unit of foreign currency. Two, ELG is based on external world demand that is, it is not constrained by domestic demand. Hence the sector can grow even though the domestic demand may be shrinking. Three, firms become efficient because they are subjected to global competition. Four, an ELG strategy can attract foreign direct investment. Five, ELG's impact on job creation is superior over IS and improves income distribution. Six, empirical evidence shows that a higher export growth rate is positively associated with a higher GDP growth rate. Konya (2004:74) concurs with the sixth point of Meir (1995:361-479) and Felipe (2003:4) that the export-led growth hypothesis tends to associate high export growth with rapid economic growth. Awokuse (2003:127) also supports ELG and observes that there is a strong correlation between export expansion and real GDP.

Proponents of ELG believe that exports can be the driver of growth (Medina-Smith, 2001:1; Ogbokor, 2005:77; Samad, 2011:92). ELG strategy involves promoting and providing assistance in producing the output for exports (Felipe, 2003:3). The essence is that trade becomes the engine of growth in that it can cause efficient allocation of resources within domestic economies and then transmit growth to other countries and regions (Felipe, 2003:3). For this reason, exports and policies that promote exports are seen as growth movers (Felipe, 2003:3). The growth in exports has a crucial role in growth activity encouraging demand, savings and capital accumulation. At the same time, exports enhance the supply in a country by providing the financial means to import (Thirlwall, 1994:365).

Giles and Williams (2000:3) point out that firstly, export growth is a proxy for an increase in demand for the production of a country and hence leads to an increase in real output. Secondly, broadening of exports encourages specialisation in the production of export oriented products and in turn improves productivity levels that lead to an increase in the skills level in the export sector. At times this may further lead to the reallocation of endowments from less efficient non-export sectors to the most efficient export sector (Giles & Williams, 2000:3). Mohadevan (2007:1071) also provides benefits which can be derived from export-

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led growth. Specifically, trade expansion leads to productivity via greater economies of scale in the export industries which, in turn, leads to reallocation of resources from inefficient industries to most efficient industries in the export sector. ELG helps a country to acquire or develop advanced technology and good management processes which may increase productivity benefits. Furthermore, earnings from exports reduce limitations on growth by improving the capacity to import more essential products, specifically intermediate and capital goods. Finally, it leads to an expansion of employment and increases real wages.

The ELG hypothesis states that expanding exports is the main determinant of economic growth and that the overall growth of countries can be harnessed not only by expanding the amount of labour and capital in a particular country but also through exports (Medina-Smith, 2001:1; Ogbokor, 2005:77). It can be argued that exports are an essential source of employment creation, foreign exchange earnings and economic growth. Developing countries need this because exports promote economic growth in three ways. Firstly, exports are an autonomous component of demand which is exogenously determined. Secondly, they finance imports. Thirdly, imports bought by using export earnings create higher levels of productivity. In view of the above, enacting export promotion policies is necessary for a small country as part of the national economic agenda (Caldentey, 2005:9). Zimbabwe could benefit from such export promotion policies

Yang (2008:6) explains the process which causes exports to grow faster than gross domestic product (GDP) or output. The process is based on the fact that technological improvement first takes place in the export sector (a sector that exports to other countries). Such technology enables the export sector to produce more of the exportable products. Through mass production, the export sector is able to enjoy comparative advantage (opportunity cost) when it sells its products on the international market. The international market then buys more from the sector, causing it to expand its production further. This causes exports to expand faster than output or (GDP) for the overall economy. The assumption is that the country is too small to influence world prices and therefore, the profit margin for producing the exportable product then simply rises. That means more exportable products will be produced by the existing producers and then new producers will find that it is beneficial to enter the export industry because of the potential export opportunities. This will result in resources such as labour and capital moving from the non-exporting sector to the exporting sector which makes the exportable production rise more than GDP itself.

Samad (2011:92) also explains the benefits derived from exports. Firstly, exports are part of the determinants of GDP. That means a rise in exports directly increases GDP or output, everything else remaining unchanged. In other words an increase in exports directly increases employment in exporting industries which in turn leads to a rise in output or GDP. Secondly, the reallocation of labour and capital and other resources to exporting industries, from less efficient industries enhances capacity utilisation. Consequently, export growth promotes GDP or output growth. Finally, exports support foreign exchange generation and in turn facilitate the importation of intermediate and capital goods which stimulate domestic growth.

According to Halicioglu (2007:2), the linkages between export performance and economic growth are established via the diffusion of technical knowledge, reduction in foreign exchange limitations (thereby enhancing positive economies of scale), increased competition and progressive trade liberalisation measurements. Al Mamun and Nath (2005:11) describe a progressive trade regime to be more efficient, allows competitiveness, leads to faster growth in the export sector, removes excessive regulations, controls and tariff rationalisation, has open market structures and increased private sector participation through the state's disinvestment in the public sector.

The other issue that needs to be discussed in this section is whether a country should focus on the export of manufactured goods or primary goods once it has adopted an export strategy. According to Razmi and Blecker (2004:1), many countries in the developing world have focused on increasing exports of manufactured goods, hence are reducing their dependence on primary commodities. One reason that leads them to take such measures is the perception that manufactured products have a better chance for export expansion without the danger of facing destabilising effects of price changes. Giles and Williams (2000:3) also assert that export development of certain products based on comparative advantage of a particular country may provide economies of scale which result in increased growth. They base their argument on the premise that a home market is not large enough to sustain optimal scale production, whereas a foreign market has a possibility of increasing returns to scale if the country ventures into it. They further equate ELG to be part of the product and industry cycle hypothesis. This, they explain, begins with exports of primary goods. Over a certain period, economic growth and knowledge tend to change the structure of the domestic economy and also change consumer demand. In turn, the change in consumer demand triggers the more

technology intensive home firm to export. As domestic demand shrinks, economic growth increases, the source being technologically advanced exports.

Felipe (2003:8) wonders why countries are interested more in export surpluses as a major tool for stimulating income than domestic investment. The author explains that trade surpluses are beneficial to a country because they help to solve the problem of effective demand. In accounting terms, a trade surplus is a proxy for foreign investment and has both employment and multiplier effects. Thus, a rise in the trade surplus due to rising exports does not reduce domestic investment. Instead, it ensures a conducive environment for raising domestic investment such as in Asian nations. Felipe (2003:8) further explains that ELG depends on the availability of a partner country willing to increase its demand, thereby allowing the other country to export more. When such a situation arises, acountry that exports experiences a real wage curve shifts upwards. The improvement in the export and import relationship on the economy leads to a gain in value of the exchange rate.

In support of the ELG hypothesis, a discussion on the Asian Financial Crisis and Latin American debt trap is included. Lan (2000:2) points out that the Asian Financial Crisis was caused by the float of baht by Thailand on the 2nd of July 1997. The fortunes of once very strong economies of South East Asia were reversed into a deep crisis. The crisis affected Indonesia, Malaysia, South Korea and Thailand. The economic crisis in Indonesia, in turn, precipitated a political crisis which ended Soeharto's authoritarian reign in May 1998 (Narjoko & Hill, 2007:345). The reduction in export growth was a contributing factor to current account disequilibrium and this negatively impacted on investor expectations and became a catalytic factor of the Asian economic crisis (Doraisami, 2004:715). The recovery of Asia from the economic crisis is attributed to high growth in exports share. Empirical evidence shows that the data is consistent, that the export sector had strong positive growth in the post crisis era (Hong &Tornell, 2005:81). The aggregate data for 1999 confirms that recovery in the Asian Economic Crisis was through exports of goods and services (Chiarlone & Amighini, 2002:263). It is believed that the export sector has a significant role to play in the post crisis era. The speedy recovery of Mexico from the Tequila Crisis in 1994 *vis-à-vis* the debt crisis which affected Latin America in the early 1980s is in most cases attributed to the growth in her exports to the USA (Hong & Tornell, 2005:81).

In summary, the export-led growth hypothesis states that expanding exports is the main cause of growth and that the overall growth of nations cannot be boosted by only expanding the amount of labour and capital but also by exports. Additionally, export-led growth is superior compared to an import substitution strategy. This theory is complimented by empirical evidence. The theoretical claims this section has just highlighted need to be supported by empirical evidence. This is therefore, done in section 3.2.2.

3.2.2 Empirical evidence of export-led growth

In the previous section, the theoretical basis of ELG was discussed. In this section the main focus is on the empirical evidence of the export-led strategy.

Figuera de la Barra and Latelier-Saavendra (1994:401-421) found that there is a correlation between exports and economic growth in Chile. Empirical facts show Japan to have succeeded through export-led growth after 25 years from the end of the World War II. The most recent economic success of Hong Kong, Taiwan, South Korea and Singapore including Malaysia and Thailand were also achieved through increase in exports (Giles & Williams, 2000:2, 15 &17; Palley, 2003:1).

Giles and Williams (2000:13) reviewed eleven studies on South Korea which followed aggregate production using annual data, eight of those studies showed significant positive correlation between exports and economic growth. The other three showed no significant relationship. The study further used quarterly data for Japan from the late 1950s to the late 1980s. In both South Korea and Japan, the authors concluded that expanding or contracting foreign trade can have an impact on growth and that the relationship between foreign trade and growth is somewhat varied and complex. Nevertheless, there is clear evidence that countries which followed an export-led strategy achieved much better exports, economic growth and employment than countries which followed an import substitution strategy (Medina-Smith, 2001:10).

Medina-Smith (2001:15, 34-35) tested the validity of export-led growth. Using Costa Rica's annual data of 1950-1997 (due to the fact that national accounts data before 1950 was unavailable), and found a long term relationship between GDP, investment, population and exports. It was concluded that, for Costa Rica, the export-led growth hypothesis was valid.

Palley (2003:12-13) also tested the evidence of the export displacement hypothesis. The hypothesis is that in exporting, countries displace one another. The study found that Mexico appeared to displace United States (US) imports from Japan, whereas China appeared to displace US imports from the four tigers (Hong Kong, Singapore, Korea and Taiwan). The study further found that the China effect is specifically ominous in terms of global development. The study concludes that this is because the export-led growth paradigm works in line with the hierarchical process. The developing countries which are entering international markets are displacing those countries which have been in the exporting business for a very long time. This is so because in such countries the surplus labour supplies have been exhausted and wages are increasing.

Awokuse (2003:131-132) in contrast, tested the validity of the export-led growth hypothesis with respect to Canada. The study used Canadian real GDP, real exports, and real terms of trade, manufacturing employment as a proxy for labour, gross capital formation as a proxy for capital and industrial production index for all industrialised countries as a proxy for foreign output shock. The data covered the period 1961-2000. The study found that there was strong statistically significant which suggests that real exports Granger caused real GDP in Canada at a 1% level of significance.

Razmi and Blecker (2004:21-49) conducted a study on the impact of introducing a constraint on the growth of manufactured exports in developing countries. The study used a sample of countries for which manufactured products made up at least 70% of their exports in 1980 and 1990. On that basis the study selected 18 developing countries namely: Bangladesh, China, Hong Kong, India, South Korea, Malaysia, Pakistan, Philippines, Singapore, Sri Lanka, Thailand, Turkey, Mexico, Dominican Republic, Jamaica, Mauritius and Tunisia. Some countries were removed for either instability or insignificance. The study revealed that out of the 12 countries that yielded stable estimates, nine of them namely, Bangladesh, China, the Dominican Republic, India, Jamaica, Sri Lanka, Pakistan, Singapore and Turkey yielded a positive and statistically significant coefficient for the relative price term with respect to other developing countries. The study further found out that only three countries, namely South Korea, Mexico and Taiwan yielded significant and correctly signed estimates for the relative export price relative to industrialised countries.

In terms of income elasticises, the study found that they were statistically significant and correctly assigned in almost all cases and had values that fell within the range suggested by the previous studies. The study observed that East and Southeast Asian countries appeared to have higher income elasticities than others. The estimated coefficients also suggested that most developing countries that reported significant price effects competed with other developing country exports and not manufacturers in the industrialised countries. That meant the competition of an individual developing country seemed to be more common and more intense with other developing countries. The study further revealed that cross-price patterns of competition suggested variation between regions. This was in spite of the study having used a small sample. It appeared that while the South Asian countries competed with other developing countries, those in East and South-East Asia, Africa and the Western Hemisphere showed a more variegated structure. While the estimates for China and Singapore in East and South-East Asia, indicate competition with other developing countries, those of South Korea and Taiwan suggested competition with industrialised country manufacturers (Razmi & Blecker, 2004:21-49).

The conclusion was that individual developing countries typically faced demand-side constraints on their growth. In other words, growth of industrial country demand for their products placed constraints on export growth because they produce relatively high substitutable manufactured products and hence are in active price competition with each other (Razmi & Blecker, 2004:21-49).

Al Mamun and Nath (2005:362) examined time series evidence of export-led growth in Bangladesh. Quarterly data was used on an industrial production index, exports of goods and services for the period from 1976:1 to 2003:3 were obtained from the IMF using 2000 as a base year. The study revealed a positive relationship between exports and industrial output. However, it did not find any evidence of a short run causal association between exports and industrial output. The long run causal relationship however, ran from exports to industrial output.

Bahmani-Osskooee *et al.* (2005:43&48) used panel data from 62 countries for the period 1960-1999. They applied a panel cointegration analysis to test a long run relationship among variables. The study found a long run positive relationship among the variables when exports were used as a dependent variable. However, the relationship vanished when output was the

dependable variable. The conclusion was that growth-oriented policies should increase exports in the long run.

Zuniga (2005:9, 94-102) also tested whether there was any relationship between exports and economic growth. The study used annual data for Honduras, Guatemala, El Salvador, Nicaragua and Costa Rica for the period 1970-2000. The study used the following variables: real GDP, real exports, real Gross Fixed Capital Formation, Labour Force, GDP, exports, and Gross Fixed Capital Formation. The year 1995 was used as the base year. The study found that in El Salvador, exports caused growth. In Guatemala, in the short run, exports caused economic growth. In Costa Rica, it was a converse relationship, economic growth triggered exports instead of exports triggering economic growth. This was consistent with the findings of Medina-Smith (2001:15, 34-35). The study found there was no evidence to support export-led growth hypothesis in Honduras and Nicaragua. Ogbokor (2005:77-80) also tested whether the foreign sector in Zimbabwe was linked with the rest of the economy. The study used macro data on Zimbabwe covering the period 1991-2003. The study found that the foreign export sector in Zimbabwe was weakly linked to the rest of the economy. Both exports and imports variables were found to be poor predictors of growth in respect of Zimbabwe. The results are consistent with Sinoha-Lopete's (2006:59) findings. Sinoha-Lopete (2006:59) found at 5% level of significance, Swaziland and Lesotho exports cause real GDP in the long run. The study found that in Botswana, Malawi, South Africa, Zambia and Zimbabwe exports had no impact on real GDP both in the short and long run. As a result, the ELG hypotheses for these countries, was not supported.

Mahadevan (2007:1080) also tested whether export growth and trade-adjusted GDP growth are mutually causative in respect of Malaysia. The study used the Toda and Yamamoto (1995) causality test and found that non-trade adjusted GDP growth support the internally generated growth hypothesis since exports are GDP growth driven. The study further found that import growth leads to GDP growth although the causation was not two-way. It was one sided. Finally the results indicated that the relationship of exports with labour productivity growth was bidirectional and labour productivity growth was import growth driven but the opposite was not true.

Maneschold (2008:293-302) also tested the validity of the export-led growth hypothesis in respect of Argentina, Brazil and Mexico using cointegration and causality techniques. The

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study used quarterly GDP at constant prices and exports of goods and services at constant prices too for Argentina, Brazil and Mexico which were obtained from EcoWin database. The data at 1993 constant prices for Argentina covered the period 1993:1-2006:1 with 53 observations. In contrast, Brazil's data was at 1990 constant prices covering the period from 1991:1 to 2006:1 with 61 observations. Finally Mexico's data was at 1993 constant prices and covered the period from 1980:1 to 2006:1 with 105 observations. The study found that test statistics of Mexico showed one cointegrating vector at the 5% level of significance for the pre-break period leading to the fourth quarter 1994 and another at the 1% level significance for the post-break period from the third quarter, 1995 upwards. The study revealed a closer relationship between exports and GDP in the post-break period as shown by an increased statistical significance. However, the study revealed that in respect of Argentina both GDP and exports cause each other at the 1% level of significance. Finally, with respect to Brazil, the study found a short run causality test that excluded the error-correction term. It revealed an unidirectional short run relationship from export to GDP but the Export-GDP nexus was by nature a relationship that was long run.

Halicioglu (2008:7) also tested whether the ELG hypothesis was valid for Turkey. The study used quarterly data over 1980I to 2005IV period to estimate the equation. The study found that from the bounds testing to cointegration that there existed only one-long-run relationship between the variables in which real industrial production index was the dependant variable. The study then applied the augmented Granger causality tests and found that changes in the real exports and terms of trade through the error-correction term preceded changes in real industrial index in the long run. The study found that in the short run there was unilateral causation running from changes in real exports industrial production index. The conclusion was that the results were consistent with the fundamental development policy changes and export promotion incentives policies pursued in Turkey in 1980.

Yang (2008:5,21) examined episodes which were used as a proxy for exports in driving growth and those used as a proxy of growth in driving exports. The study used data on 44 countries over the period 1958-2004. The study found that due to the absence of real exchange rate appreciation in most of the episodes in which GDP and exports both grew, it was doubtful that exports had influence over them. The author asserted that due to the problem of common data in the developing countries, the real exchange rate can serve as a good tool for distinguishing between episodes of exports driving growth and the growth

driving exports episodes. The study observed that exports grow in order to pay for the increased imports and that exports can grow faster than GDP if the income elasticity of demand for imports is quiet high. The study found that among the episodes that were characterised by high GDP growth, about half were supported by export-led hypothesis and most likely, the other half was likely led by productivity improvement in non-tradable sector.

Furthermore, Mah (2010:4&16) tested whether export promotion measures led to export expansion and used the export pattern of Korea since the 1960s and her export policies. The study found that during the period of rapid economic growth, the Korean authorities gave tax and financial incentives and established export promotion agencies (EPAs). As a result of conducive export promotion policies, export values rose significantly.

The mathematical formula for the expenditure approach to computation of GDP provides a further proof that exports are one of the determinants of GDP. According to Prenthall (2013) the expenditure approach involves the counting expenditures on goods and services by various interest groups in the domestic economy. The four major components include: consumption expenditure made by households (C); gross private investment spending mainly by firms (I); government purchases of goods and services (G); and net exports (exports-imports). The equation is GDP= C+I+G+ (EX-IM). This is concurred by Pilicymic 2013 which state that in order to determine GDP, one has to add up market value of all domestic expenditures spent on final goods and services in a given year. Such expenditures include: consumption; investment; government and net exports and all of them added together determine GDP. In order to put it in prespective, the Encyclopedia of Earth (2013) define economic growth as an increase in real gross domestic product, GDP (after accounting for inflation). The growth rate of real GDP is the percentage change which occurs in real GDP from one year to the other.

In summary, there is sufficient evidence from the above studies to prove that expansion of exports cause GDP growth. The above empirical studies generally support the Export-Led Growth (ELG) hypothesis. Incidences where authors rejected the hypothesis are less common. The long run relationship between exports and GDP growth is generally established in many countries. However, certain spans of data, especially short span, poses a problem in supporting the ELG hypothesis. The problem of short span data is covered in section 3.2.3 below.

3.2.3   The problem of using short-span data

Due to short span data, the results of both Ogbokor (2005:77-80) and Sinoha-Lopete (2006:59) are highly susceptible and subject to challenge. Ogbokor (2005:77-80) used macro data on Zimbabwe for the period 1991-2003. This is a very short span data for this kind of study to make any meaningful inference. Sinoha-Lopete's (2006:59) study also suffers from short span data. To be credible, this type of study requires data covering several decades, not just one or two. This challenge can be supported by literature, for example, by Bahman-Oskooee *et al*. (2005:48). They point out that those authors who reject the hypothesis mostly do so after using short span data in developing countries instead of long run span data. This is due to non-availability of long span data. With the long span data, the hypothesis can be accepted and results would be credible. It is difficult to establish causal relationship using short span data. Maneschiold (2008:48) also alludes to the problem of short span data in developing countries.

As seen from the literature review above, few researchers reject the ELG hypothesis, while the majority accept it. For this reason, ELG can be implemented through export promotion. Export promotion is, therefore, discussed in section 3.3 below.

3.3   Export promotion

In this section the focus is on export promotion. The section is structured as follows: section 3.3.1 provides a definition of export promotion, section 3.3.2 contains export measures, section 3.3.3 outlines export promotion strategy formulation, section 3.3.4 are export promotion policies; section 3.3.5 provides the role of export promotion, section 3.3.6 provides the contribution of Export Promotion Agencies (EPA) and finally section 3.3.7 outlines export market selection methods.

3.3.1   Definition

The United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) (2011:11-12) defines export promotion as a set of actions which seek to promote exports of a country's existing production. Its basic goal is to encourage increased sales of products which

are currently available for exports. Export promotion is an alternative development strategy that is much better than its counterpart, import substitution. On one hand, *import substitution* aims at developing infant industries. On the other, export, promotion enables a country to have access to international markets (Rankaduwa, 2001:1). Currently, countries have generally decided to abandon import substitution strategy in favour of export promotion. The emphasis is generally on the openness in both local and international markets. Such efforts have lead to efficient use of available resources and attainment of higher productivity levels (Singh, 2011:1).

3.3.2   Export measures

Export measures are discussed as general measures (section 3.3.2.1) and specific measures (section 3.3.2.1). The general measures are those that are broad in nature while specific measures are distinct to a specific country. The next section will discuss different export measures taken by different countries.

3.3.2.1   General measures

According to Thomas and Nash (1991:123), the most important pillar of export promotion success is macroeconomic stability assisted by a favourable exchange rate. For instance, such features have been the drivers in the expansion of manufactured exports in Hong Kong, Indonesia, Japan, Korea, Malaysia, Singapore, Taiwan and Thailand. The second important pillar of export promotion is possession of a highly efficient system which equips exporters with greater and dependable access to inputs at affordable prices that are less than duty free international prices. To achieve this, the import of raw material and other inputs required to produce exportable commodities require the removal of quantitative restrictions and non-tariff barriers, customs tariffs, import taxes and also indirect taxes. Exporters are also in a better position when consumables in the form of fuel and spare parts are made easily available to them.

It has been observed that the majority of manufactured exports originate from countries which provide a free trade environment to their exporters in respect to taxation and accessibility of inputs. One way in which countries have successfully promoted exports is by allowing exporters duty free access to imported raw material and other inputs by establishing

a policy of zero tariffs on all imported raw material and other inputs across the board. Hong Kong and Singapore are examples of free trade ports and this has promoted exports (Thomas & Nash, 1991:129). Giving an export award to exporters and assistance to participate in missions and trade fairs motivate exporters to export (McNiven, 1991:34-37).

3.3.2.2   Specific measures

Mah (2010:8-15) has formulated export promotion measures drawn from lessons learnt in Korea. These measures are tax incentives, financial measures, establishment of free trade zones and establishment of export promotion agencies. The tax exemption and Reduction Control Law gives export firms tax deduction measures. Export firms are permitted to depreciate their capital investment, for instance, machinery, 30% more than is permitted ordinarily. This helps them to retain a bigger amount from their profit without being taxed. This incentive is also applicable to research and development activities. The other incentive advocated by the author is the duty drawback. It allows the importer to get back the amount paid as duty. It is applied as a measure of export promotion by simply reducing the cost of production of exportable products. However, they have some social burden mainly borne by governments, commercial banks and exporting firms themselves. The costs may be too steep to promote exports. This is because it deprives the government an income and it will end up imposing tax elsewhere to meet its expenditure. The World Trade Organisation (WTO) permits duty drawbacks if they do not exceed the amount of duty imposed on the imported goods.

Financial incentives comprise policy loans, export finances and export insurance. Policy loans are given to strategic industries at subsidised interest rates and they have preferential treatment by obtaining preferential access to loans. Export finances are given to exporters in different stages of export related activities. For instance Korea currently offers export finance, which is available on capital goods in the form of industrial plant, machinery and ships. It provides lending up to 100% of the contract value as long as expected foreign exchange earnings ratio of the equipment is not below 25%. Export insurance schemes then assist exporters in boosting their exports by covering them from losses (Mah, 2010:8-15).

The other export measures include other policies and organizations that a country may have (Mah 2010:8-15). These are Free Trade Zones, exchange rate polices and export promotion

agencies. Free Trade Zones (FTZ) are exclusive places outside the border of a country which exempt customs duty under arrangement of the regional governments (Mah, 2010:8-15). The above measures are similar to the measures provided by the Common Market for Eastern and Southern African States (COMESA) and the Southern African Development Community (SADC) (see sections 5.3.3 and 5.3.4), where the products of Zimbabwean firms enjoy duty free status when exported to countries party to those agreements. At the same time, Zimbabwean firms importing from those countries enjoy duty free status. Firms operating in the FTZs face minimum import procedures and are normally exempted from import duty, Furthermore they are accorded tax relief. In terms of the exchange rate, Korea has used market rates to promote exports and seldom intervenes when there is a volatile exchange rate. Lastly, export promotion agencies assist firms to overcome export barriers, for example, the motivational, information asymmetric and operational/resource constraints (Mah, 2010:8-15).

Other experiences in export promotion come from the Chilean government. The Chilean government provides training to small medium enterprises (SMEs) by using modules on production capabilities, market research, logistics, marketing plans, banking, international law, searching for partners and export procedures. The sectoral promotion associations of Chile say that participation in trade activities is the most effective method of export promotion. These are sectoral-centred outgoing and incoming trade missions, trade shows and business meeting/conferences outside the country. The private sector firms also agree that the above are the most effective methods of export promotion in Chile (Nathan Associates, 2004:14, 19).

In Costa Rica, the government changed the *modus operandi* from assisting individual firms to assisting sectors. It thus encourages a Promotional Alliance concept in which firms in the same sector have come together to promote products in their sector. Furthermore, Costa Rica has a very generous subsidy which covers 70% of trade missions and trade fairs and 100% of the total cost of yearly incoming buyers' mission. However, the Costa Rican government is very selective in which firms participate in such activities and it imparts training only to the chosen firms (Nathan Associates, 2004:21).

In Colombia, only firms in agribusiness sectors qualify for individual co-financing for trade missions, trade fairs and such relevant events (Nathan Associates, 2004:33). According to Nathan Associates (2004:39), Proexports (Columbia's Export Promotion Agency) runs a

programme known as Programa Exportadores. It is a three year programme that enables the firms to prepare comprehensive development of export marketing strategies and business plans. The firms are trained and counselled how to take part in trade fairs and trade missions. The Export Promotion Agency gives a participating firm about US$10 000 to formulate and implement its plan. Proexport meets part of the cost for firms participating in trade missions. A group of firms are required to form a team to carry out the mission and formulate a proposal for Proexport that shows their profile as *bonafide* exporters capable of selling their products. This strengthens the export strategy of a country.

Australia has a very distinguished export promotion system. It offers some free services and fee based services to exporters. Specifically, services which assist "*intenders*" and "*new exporters*" to prepare themselves to export and choose a target market are provided free of charge. They are also not charged for initial market information. However, customised services which assist the firms in understanding and penetrating new export markets are available for a fee to the users. Financial help is offered via export market development grants (EMDG). It is a co-funding system that is structured to meet a number of costs. It is intended to avoid the integration of subsidies into special programmes, for example trade missions and trade shows (Nathan Associates, 2004:43). So if Zimbabwe adopted the same measures as these, the country may come out of the post-conflict reconstruction successfully.

In Canada, trade promotion is based on the existing trade patterns. Exports are concentrated within the North American Free Trade Agreement (NAFTA). Approximately 82% of the exports of the country are destined to the United States (U.S.), thereby translating to a two way trade between the two countries, amounting to an estimated US$1.5 billion[13] per day. Canada spends money to encourage small medium enterprises (SMEs) export to the U.S. market (Nathan Associates, 2004:45).

Thomsen (1999:6) is however against those measures which are specifically reserved to foreign investors. They create a dual economy which prevents enhancement of technological spillovers arising from foreign direct investment (FDI). Thomsen further advises that to avoid a narrow spillover of technology, FDI should be allowed to produce for both local and export

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[13] The figure is justified for example in 2008 alone, Canada exported merchandise to the United States amounting to US$363.8 billion. The United States exported merchandise amounting to US$260.7 billion to Canada during the same period (Trademap, 2012; Mzumara *et al.* (2012:111-112).

markets on the same conditions. That way, he argues, technological spillovers will be wider and more effective. Section 3.3.3 discusses export promotion strategy formulation.

3.3.3   Export promotion strategy formulation

Krueger (1980:288) attests that countries adopting an export-oriented strategy have in most cases grown rapidly and have seen expansion in traditional exports and non-traditional exports. Figure 3.1 below presents the export promotion strategy framework.

The export promotion strategy framework is aimed at increasing exports. It involves formulation of a list of export strategies. This involves an evaluation of all export markets. Thereafter, an export market is selected and finally a particular strategy for that market is devised.

Figure 3.1: Export promotion strategy framework
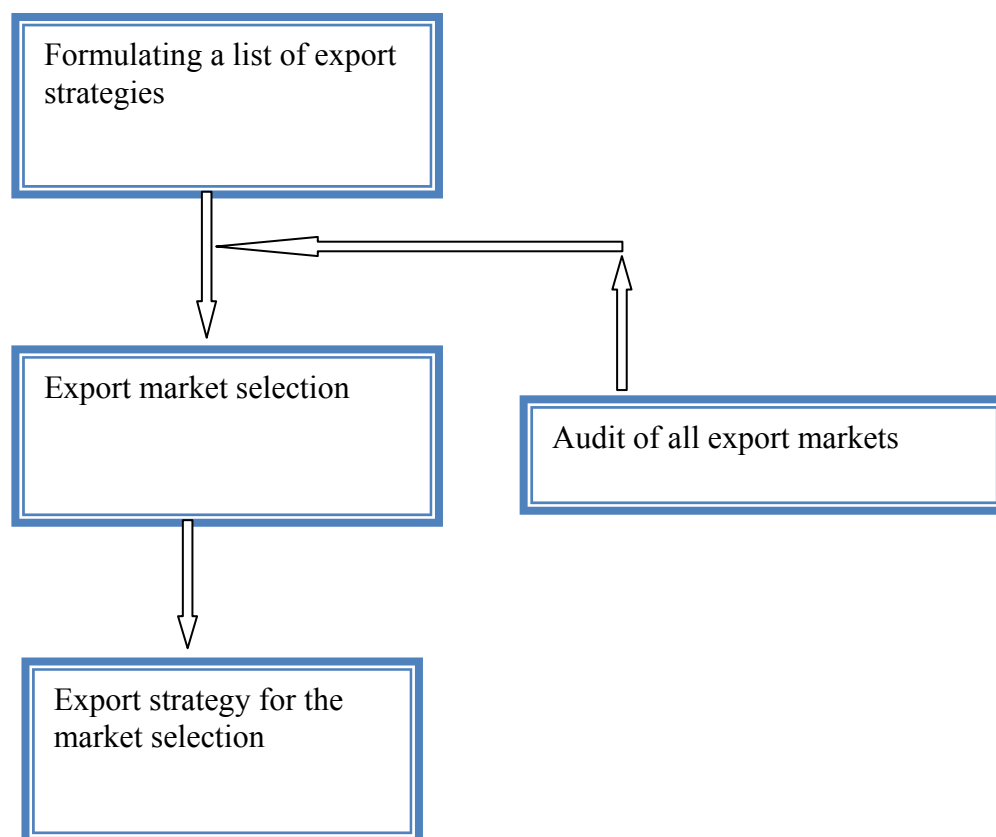
Source: Vesely (2005:158).

Export promotion strategies are part of trade promotion and should focus on firms, industry and country levels. At the same time, the strengths, weaknesses, opportunities and threats (SWOT) analysis can be used to outline a national export strategy (UNESCAP, 2011:19-23). An example of such a SWOT matrix that a trade promotion organisation of a country can adopt is illustrated in table 3.1.

Table 3.1: SWOT matrix illustration

	Opportunities	**Threats**
	Opportunities Asia crisis decreasing with resulting demand for commodities	**Threats** Russia and regional economy stagnating
Strength	**Strength** Ability to meet market demand	**Strength** Ability to diversify to other markets
Weakness	**Weakness** Lack of downstream expertise	**Weakness** Commodities are not price competitive compared to African competitors

Source: *Adapted from UNESCAP (2011:23).*

The above is an example of a SWOT matrix strategy for a trade promotion organisation (TPO) which a country can adopt when it intends to introduce export promotion activities that focus on expanding exports to a hypothetical region, in this illustration, being the Asian region. This can be achieved in conjunction with other stakeholders in order to upgrade the domestic food manufacturing industry (in this illustration) to meet external demand, promoting standards in the domestic products and exploring niche market for value added organic food products (UNESCAP, 2011:23). The analysis takes into account the strengths, weaknesses, opportunities and threats as illustrated in the matrix.

The International Trade Centre (ITC) (1999:1) states that current export promotion strategies should conform to the changing atmosphere of the international trade environment in order to make a meaningful contribution. An export promotion strategy should encompass the development of adequate export infrastructure, which developing countries lack (ITC, 1999:1). This involves establishing infrastructure such as export industrial estates, export processing zones and bonded production centres (ITC, 1999:1).

UNESCAP (2011:13) points out that government policy decisions which affect export trade, determine success in national export promotion. UNESCAP (2011:24) asserts that the formation and implementation of a national export strategy demand the following: a system

to coordinate policy formulation; vibrant participation and a sense of ownership by various entities and officials involved. For this to work, it is imperative that there be a consistent application of rules since frequent changes in the rules can cause failure of export promotion. In section 3.3.4, the study discusses the role of export promotion.

3.3.4   The role of export promotion

Export promotion can speed up economic growth over a long term period (Thomsen, 1999:28). According to Rankaduwa (2001:1), export promotion policies are seen as clear evidence that a particular government is committed to expanding its country's exports.

Many countries are in dire need to increase external trade in order to enable their economies to expand and develop. Increased export revenue allows such countries to make painless adjustments, lessens their debt burden and enables them to achieve very high growth rates, by giving them capacity to import. Expansion of exports and imports enables countries to reap benefits of external trade which include new ideas, latest technology, competition, economies of scale and the establishment of local industries to satisfy the new markets (Thomas & Nash, 1991:123).

Import protection negatively affects the ability to export in two ways. Firstly, it erodes local exporters' competitiveness in international markets by increasing the cost of raw material and other inputs used to produce exportable products. Secondly, it erodes the incentives which facilitate the production of exportable products in relation to imported products (Mah, 2010:2). Expanding exports via policy reforms in developing countries has remained a big challenge as they find the task to be difficult (Thomas & Nash, 1991:123). In African developing countries, a decision to invest in producing products for export markets is most welcomed due to its high potential. However, the biggest problem these countries encounter is identifying limitations which may affect improvement of export performance and then how to deal with such limitations (Bacchetta, 2007:2). In this case, there is need to find mechanisms of identifying these limitations so that export performance occurs within the links.

According to Bacchetta (2007:2), export constraints are divided into two groups. There are those referred to as demand-side constraints and those caused by the supply-side. Constraints

that limit access by African exporters to international markets could also be the drivers of the current evolution of African states' export performance. For the past two decades, African states have generally faced relatively less barriers to enter international markets compared to other developing states. There is therefore reasonable evidence that the miserable export performance of African states is due (to a small extent) to limited export supply response. This in turn prevents them from realising the full benefits of existing market access opportunities. These constraints are caused by market failures or the absence of conducive policies. Some of these prevent the expansion of current exports to existing markets whereas others limit geographical or product diversification. According to Ahmed, Chang and Messinis (2008:24), African states ought to design and implement their reforms with great care and take a more serious approach to enable them to integrate with the global economy, to promote their exports and of course to attract FDI. However, there are developing countries such as Peru where export promotion policies have assisted their firms to increase exports. Such countries have witnessed substantial increase in the number of the products they export as well as the number of markets they are able to access (Martincus & Carballo, 2007:35).

Thomsen (1999:6) advises that export promotion is the most viable development option that results in sustainable economic growth. This could be the answer to the Zimbabwean problem discussed in sections 1.1, 1.4 and 1.5. In other words, economic growth cannot be sustained without deep reforms. Hence the country can look at exports as an alternative development strategy. Developing states face unattained demands due to a small budget being apportioned for export promotion. An examination of the impact of publicly financed programmes, specifically those that are intended to have an important effect like export promotion in countries like Peru, is therefore indispensable to properly guide the distribution of meagre resources (Thomsen, 1996:6). Section 1.6 in this study highlighted that Zimbabwe currently has a meagre resource base. Hence, using some of the resources on promoting exports would be a wise policy. Section 3.3.5 discusses export market segmentation.

3.3.5 Export market segmentation

The issue of export market segmentation is also very important in export promotion. Markets need to be segmented according to their specific uniqueness so that each one can be served appropriately. The export market segmentation should be measurable in order to be evaluated in terms of purchasing power. In other words, the potential market under consideration has to be evaluated on the ability to buy accessibility to the export market and profitability and action-ability (this examines implementation of relevant and effective programmes to motivate firms which can supply to such segments by offering them incentives (Albaum, Duerr & Strandskov, 2005:164).

3.3.6 Contribution of Export Promotion Agencies

There is also a need to have an efficient national export promotion agency (EPA) in the process of promoting exports. EPAs are agencies which group promotional institutions like standards associations, customs authorities and investment centres that facilitate exports (Martincus & Carballon, 2007:3). The objective of an EPA is to assist exporters or potential exporters to identify markets for their products. In addition, an EPA helps them to obtain knowledge of product demand in various export markets. An EPA generally offers four groups of services. These groups are: country image building, export support services, marketing and market research and publications (Laderman, Olarreaga & Payton, 2006:2).

The first group is country image building, which includes advertising, promotional programmes and advocacy. The second group is export support services. This includes export training, technical assistance, capacity building, regulatory compliance, information on trade finance, logistics, customs, packaging and pricing. The third group is marketing. This comprises trade fairs, exporters' and importers' missions follow-up service by their representatives in other countries. The fourth group is market research and publications. This includes general, sector and company level information such as market surveys, on-line information on export markets, publications, motivating companies to export and provides importer and exporter contact information (Laderman *et al.*, 2006:2).

Table 3.2 below shows the functions of an EPA or what a country and others can offer in export promotion as described by Seringhaus and Rosson (1991:45-63), McNiven (1991:34-37) and Brooke and Frances (1991:95-112).

Table 3.2: Functions of an EPA or a country and others in export promotion

No.	Function	Description of a function
1	Trade information services	Provision of trade information.
2	Analysing foreign market opportunities	This involves analysing market opportunities in specific markets.
3	Preparation of market profile	This involves compiling a profile of the conditions and requirements of a specific market.
4	Product specific export promotion programme	These are promotional activities unique to particular products.
5	Complete market studies	These are comprehensive studies on a specific market.
6	Identification of export constraints	These are activities which help to identify the limitations in exporting which require attention.
7	Export supply side studies	These are studies which focus on supply-side capabilities.
8	Preparation of product profiles	This involves the compilation of information on specific products.
9	Selective dissemination information	This involves the provision of information to relevant firms.
10	Identification of export potential development	This involves identifying specific export areas which need development.
11	Participation in trade fairs	This involves participation in industrial trade affairs at different places around the world.
12	Organising buyer and seller missions, incoming and outgoing trade missions	These are missions to external (international) markets by local business people to meet potential importers / buyers in their own countries.
13	Representation in missions and offices abroad	This refers to a trade mission or embassy.
14	Appointment of honorary attaches	These are the country's unpaid representatives living abroad who assist in the promotional efforts.
15	Run Ambassador Programmes	Local business people who travel frequently can assist in export promotion.
16	Organize seminars, workshops and conferences	These focus on the "how to's" of exporting including specific issues / functions and particular markets.
17	Initial contact with customers	Making first contacts on behalf of local firms.
18	Information dissemination to exporters	This involves general information which affects all exporters.
19	Trade lead referral services	This service provides current and potential exporters with information on foreign markets.
20	Marketing	Involves promotion of the country's products.
21	Procedure and documentation	Involves educating the exporters and potential exporters of the required documentation in exporting.

Table 3.2: Functions of an EPA or a country and others in export promotion … continued

No.	Function	Description of a function
22	Product adaptation	Involves educating exporters and potential exporters on product adaptation.
23	Direct training to exporters	Provision of training to existing exporters and potential exporters.
24	Publicity	Involves media campaigns in foreign markets.
25	Legal matters	It involves assisting exporters to comply with legal [requirements] in foreign markets.
26	Costing and pricing	It involves assisting exporters and potential exporters [to acquire knowledge and skills] how to cost and price their products.
27	Transportation	It involves assisting exporters with transport logistics to the foreign markets.
28	Catalogue presentation	Products are advertised in this catalogue.
29	Export financing	These are assistances in the form of concessional loans to firms.
30	Free Trade Zones or Export Processing Zones (EPZ)	They are enclosed and political areas legally outside jurisdiction of customs administration.
31	Language banks	Involves arranging volunteer translation services where a resident is matched with a foreign speaking visitor in order to facilitate effective communication which can lead to export sales.
32	Publications	These are informative papers and directories on exports made available to exporters.
33	State University Cooperation	This involves state universities offering assistance to export promotion though research.
34	Export awards	Assists in raising the profile of successful exporters and encourages others to follow suit.

Source: adapted from Seringhaus and Rosson (1991:45-63);McNiven (1991:34-37); Brooke and Frances (1991:95-112).

The above table has been prepared by all the authors listed above to provide an indication of the tasks that are performed by EPAs. The functions of an export promotion agency involve collection of information and making the same information available to the firms. The information can also be disseminated to specific firms rather than all of them. This is done when the information in only relevant to specific firms.

Other functions involve conducting various studies such as market studies, market profile, analysis of markets and export supply-side studies. There are also functions which involve carrying out promotional activities such as trade fairs, buyer and seller meetings, incoming and outgoing trade missions, seminars, workshops, conferences, providing initial contacts, training and publicity. Then there are functions of providing legal advice to exporters,

transport logistics, costing and pricing. In countries where there is no representation, an EPA can appoint honorary attaches and even appoint non-paid ambassadors to help promote products abroad. According to McNiven (1991:34), export promotion functions are wide ranging: from providing assistance for a trade mission and securing exhibition space in a trade fair to universities providing intern programmes which promote exports. Such activities help the promotion of exports in a country (McNiven, 1991:34).

According to Martincus and Carballon (2007:11), Export Promotion Agencies (EPA) activities should focus on assisting firms to overcome conditions where they have inadequate information. These EPAs are expected to have a greater effect in those exporting activities for which inadequate information is most prevalent such as penetrating a new market, introducing a new product in an export market as opposed to increasing exports of existing product to an already saturated market. Firms meet many challenges when they penetrate export markets. For instance, asymmetric information is the most outstanding challenge they face. Different institutions both formal and informal have been established to ameliorate the implied costs. For effective delivery of service, it is imperative that an EPA establishes channels of communication with the firms. Table 3.3 below shows the channels of communication between an EPA and firms.

Table 3.3: Channels of communication between an EPA and firms

No.	Type of interaction
1	Direct visits
2	Associations e.g. Chamber of Commerce and Confederation
3	Surveys, workshops and seminars
4	Promotional activities
5	Indirect contact – telephone, letters, email, website etc.

Source: Seringhaus and Rosson (1991:45-63).

The channels of communication range from making direct contact through visiting the firms on their premises to communicating through the firms' associations. An EPA can also communicate through surveys, workshops and seminars. Communication can also be enhanced through promotional activities. Last, but not least, communication can be done through telephone, letters, emails and through the provision of a website. These interactions pay off, as shown in table 3.4.

Table 3.4: Benefits from interactions

No.	Benefit
1	Inputs for policy programme planning and design
2	Knowledge obtained of exporters needs and requirements
3	Improved service to exporters
4	Benefit of information exchange
5	As a way of resolving export problems

Source: Seringhaus and Rosson (1991:45-63).

The above table shows benefits which can accrue when an EPA engages firms as part of on-going export promotion activity. This provides the EPA with a chance to collect contributions from the firms which can be used in its planning and design. In the process of interaction, an EPA can learn what the firms need. This provides an opportunity to improve the services rendered to the firms. The interactions also provide an opportunity for an EPA and the firms to exchange information which can assist in making export promotion more effective. Outstanding issues or problems can also be settled through interaction.

If a country decides to adopt an export strategy, then it must also equip its export promotion agency. A study done by Lederman *et al*. (2006:2) shared that forevery US$1 spent on export promotion a US$300 increase in exports for an average EPA is yielded. UNESCAP (2011:25) refers to EPAs as trade promotion organisations (TPOs) and accordingly asserts that government should establish them in order to provide specialised assistance to producers to export their products and act as a catalyst for related services provided by other organisations in the public and private sector. Table 3.5 shows a framework of the programmes for different categories of exporters.

Table 3.5: The framework of the programmes for different categories of exporters

Capability level	Initiative	Target
Increasing awareness	The programmes increase awareness of the benefits associated with exporting and provide general understanding of the processes involved.	These programmes are meant for non-intenders so they can become intenders.
Building export readiness	Programmes provide learning opportunities to gain knowledge and skills.	Such programmes are for intenders so they can become new exporters.
Selecting target markets	The programmes are meant to assist in identifying the specific external market/sectors where their products or services have potential.	Intenders so can graduate to new exporters. The programmes are also meant for experienced exporters as they move to new markets.
Identifying sales opportunities	The programmes inform qualified clients and their needs, expose products to potential buyers and match potential exporters and potential buyers.	Intenders, new exporters and experienced exporters.
Closing export deals	These programmes assist with the interaction of prospective buyers, expansion of markets, present offers and complete contract. Follow-up services after sales are also included.	Intenders to become new exporters and experienced exporters expand markets.

Source: Nathan Associates (2004:4).[14]

Table 3.5 shows different frameworks of programmes that will have to be devised by an EPA to serve different categories of its clients in the economy to promote exports. Those who are currently not exporting need to be motivated so that they can also start exporting. Those who are exporting need to be assisted so that they can expand their markets. Purlys (2007:219) categorises firms into two groups, namely proactive and reactive. Proactive firms are motivated to pursue international trade, whereas reactive firms are forced (by factors such as shrinkage of the domestic market) to export. These are the factors beyond their control and are externally induced. Export promotion agencies use export market selection methods to design appropriate export promotion strategies that are used to assist exporters accordingly. Export market selection methods are discussed in section 3.3.7.

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[14]According to Nathan Associates (2004:3), an EPA can classify exporters and potential exporters into four classes: the non-intender (those not interested in exporting due to risks involved), the intender (currently not exporting but demonstrates interest), new exporters (those who have just began to export or have received an order) and experienced exporters (firms with established export markets). Once the classification has been done, the EPA then formulates programmes or initiatives targeting specific categories/classes as shown in table 3.5.

3.3.7 Export market selection methods to assign export promotion strategies

There are also methods which can be used by an EPA in export promotion to identify export markets and products with export potential. Steenkamp, Rossouw, Viviers and Cuyvers (2009:3) provide international market selection literature in the classification below. Figure 3.2 illustrates the classification of the international market selection literature.

Figure 3.2: Market selection literature
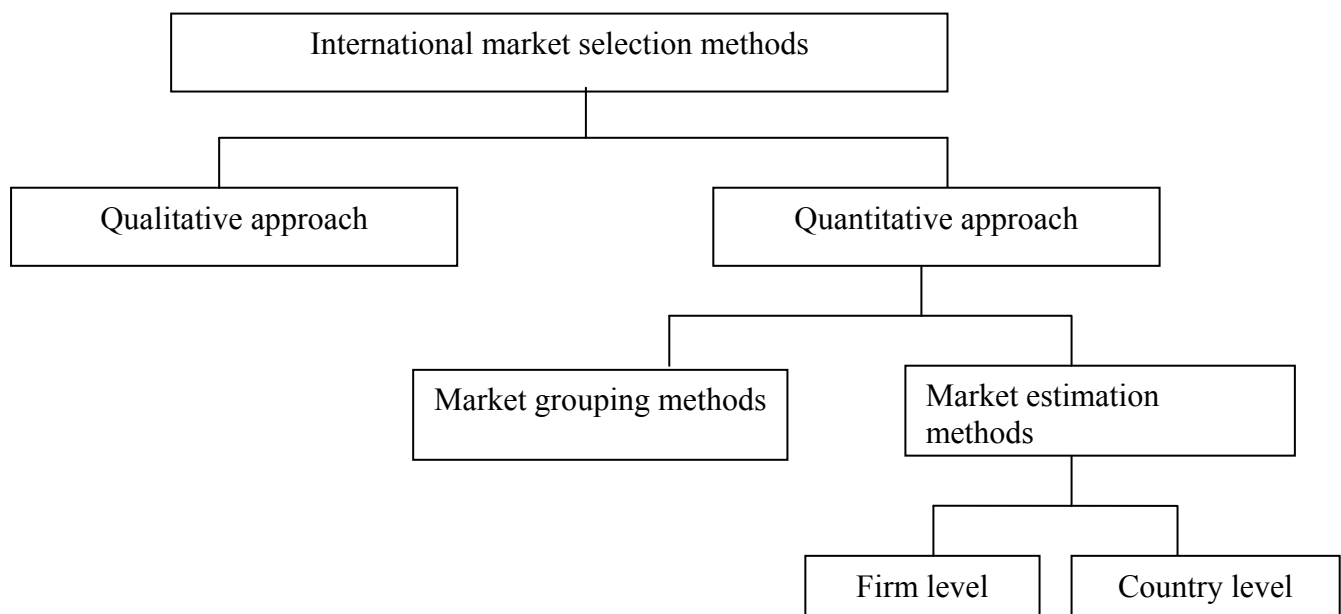
Source: Steenkamp et al. (2009:3).

This section is structured as follows: section 3.3.7.1 deals with the qualitative approach and section 3.3.7.2 deals with the quantitative approach.

3.3.7.1   Qualitative approach

The qualitative approaches are those approaches that are descriptive and do not employ numerical techniques. The qualitative approaches of international market selection methods begin with the identification of a small list of countries for further analysis. It involves establishing goals and constraints faced in the process of exporting a specific product to each country sampled in the list (Papadopoulos & Denis, 1988:39). Then there are other studies which emphasise more on the condition, usefulness and source of qualitative data that can be utilised in the international market selection process. Such sources include government

institutions, private sector associations, commercial banks, retailers, clients, international consultants and external market missions (Steenkamp *et al.*, 2009:3). According to Douglas, Craig and Keegan (1982:27), the big problem experienced in international market selection is the large number of countries which have to be considered and evaluated.

3.3.7.2   Quantitative approaches

These are approaches which have numerical components. The quantitative approaches are divided in two groups. These are market grouping methods (section 3.3.7.2.1) and market estimation methods (section 3.3.7.2.2).

3.3.7.2.1   Market grouping methods

Market grouping methods tend to group countries with similar features. The market grouping methods assume that the most profitable markets for an individual firm are the ones that are similar to the markets the firm is already exporting to (Papadopoulos & Denis, 1988:41). In other words, if a firm is already exporting to a particular market then it has made a breakthrough in the market and should not find any problem penetrating other markets with similar features. These methods assist firms to standardise their products, terms and strategies to suit markets with similarities (Steenkamp *et al.*, 2009:4).

3.3.7.2.2   Market estimation methods

Market estimation models use some criteria that tend to measure total market potential and profitability (Papadopoulos & Dean, 1988:4). A market estimation model analyses market potential on firm level or country level (Papadopoulos & Denis 1988:39).

a)   Firm-level market estimation methods

The firm level market estimation methods have three stages. Stage one involves a preliminary screening aimed at identifying the most attractive nations for further analysis based on their demography, political situation, economic statues and social conditions. The second stage involves detailed screening of market size and growth of product potential, competitors, market access and other market factors that can have an impact on the products. The final

stage involves an evaluation of the company's sales potential, profitability and adaptation to the firm's current product offerings (Cavalsgil, 1985:30-31).

b)   Country-level market estimation methods

The country level market estimate methods include: (i) Green and Allaways' shift share approach, (ii) the global screening model, (iii) the trade-off model, (iv) the International Trade Centre (ITC)'s multiple criteria methods, (v) assessment of export opportunities in emerging markets, (vi) the decision support model (DSM). These methods are discussed below.

i)   Green and Allaways' shift share approach

The shift share model involves the analysis and identification of growth differentials which have taken place in market shares for a given period of time. It uses the import data of countries under consideration of relevant products. An expected growth is computed for every country product combination, taking into account the average growth of all the combinations under consideration. Then, the difference is computed between the actual growth and expected growth. The difference is technically known as the net shift and must always be a positive for the markets which experience growth in their market share over the specified period. It must also be negative for all the markets which did not gain any market share. The net shift is therefore the difference between the actual performance and the performance of an individual market in relation to the average growth rate of the market being considered (Green & Allaways, 1985:85).

ii)   Rossouw and Okoroafo's global screening model

Rossouw and Okoroafo's global screening model involves six randomly selected products and covers 192 counties. It uses screening criteria which takes into account product-specific market size and growth, factors of production and economic development. It uses local production, imports, exports, shift-share of local production, shift-share of imports and shift-share of exports of particular products to measure market size and growth. The variables such as gross fixed capital formations, money supply, total international resources, total populations, unemployment rate, average hourly wages in manufacturing firms as a

percentage of GDP, and transportation and communication as a percentage of GDP are used to compute the cost of the factors of production. A principal components analysis is then employed to ascertain whether the 21 variables listed above have any association amongst themselves. On this basis, countries are then grouped in categories based on high, medium and low market potential (Rossouw & Okoroafo, 1996:55-58).

iii)   Trade-off Model

The trade-off model was developed by Papadopoulos *et al.* (2002). The international market selection theory advocates that both positive and negative factors of countries being considered as potential markets should be taken into account when making a sound and effective decision over them. The trade-offs are in the form of demand potential (positive factors) and trade barriers (negative factors) for all the nations under investigations (Papadopoulos *et al*. 2002:169). Figure 3.3 shows the framework of the trade-off model.[15]

Figure 3.3: Trade-off model framework
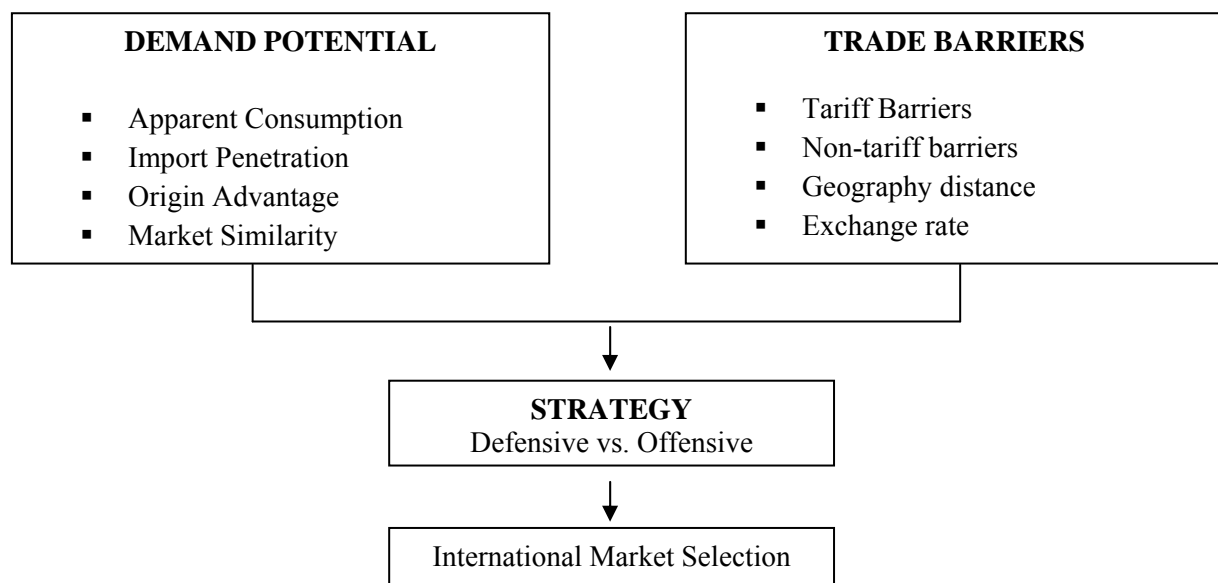
Source: Papadopoulos *et al*. (2002:170).

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[15] Trade-off model tends to balance positive and negative factors. In other words, both factors are taken into account.

iv) International Trade Centre (ITC) multiple criteria methods

This method measures the export potential of a particular product group (Fraudenberg & Paulmer, 2005:10-11). Three indices are computed. Index 1 is computed by evaluating the current export performance of the exporting country in terms of the export of the product in value, the world market share, the growth rates of export of the product, net export to all countries and the relative trade balance. Index 2 is calculated by evaluating the local supply capabilities in terms of the quality of products and efficiency of supporting firms. Index 3 is determined by evaluating the characteristics of the global condition in terms of growth and size of world demand and the country's (the model is being prepared for) accessibility to external markets. The variables are standardised through the following formula: 100 x (value 0 lower limit)/Upper limit – lower limit). The scores range from 0-100 where a value closer to 0 is interpreted as weak performance and closer to 100 is interpreted as stronger performance. Thereafter, the best performing 5% of products becomes a critical upper limit and the weakest 5% of products becomes a critical lower limit (Freudenberg & Paulmer, 2005: 10-11, 34).

v) Assessment of export opportunities in an emerging market

In this method, the international market framework involves three elements. The first is analysing long term market potential. The variables used are population and GDP. The second element is locating business potential. Here, companies are allowed to identify their own variables for analysing the demand of their product. The third element is estimating potential profits (profit which is possible if all resources used to produce products are utilised efficiently). This involves analysing data on demography (concentration of population both rural and urban), distribution of income, telecommunication, infrastructure, penetration of some important consumer durables such as televisions, telephones, cars and others. If customers are able to buy the products listed, then there is potential that they can also buy the products under consideration. The model utilises macro-level variables to evaluate market potential and then focuses on company level evaluation (Arnold & Quelsh, 1998:7-20).

vi) The Decision Support Model (DSM)

The Decision Support Model (DSM) was developed by Cuyvers *et al*. (1995:173-186). The DSM was initially developed to assist the Belgian government export promotion agencies to identify realistic export opportunities so they could focus their export activities in the face of meagre financial resources. The model was then further refined and applied to Thailand in 2004 (Cuyvers, 2004:253-278). In 2007 and 2009, the DSM was also applied to South Africa (Steenkamp, 2011:3).

 The DSM uses four filters. In filter one all 240 countries are assessed based on political instability and commercial risks. The countries which are politically unstable and have high commercial risks are eliminated (Cuyvers *et al*., 1995:177). Filter two involves identifying the market potential of each possible country-product combination. The aim of this filter is to screen out markets which do not demonstrate sufficient demand potential. The variables used in this filter are the growth rates of imports and the import size (Cuyvers *et al*., 1995:178).

In filter three trade restrictions and barriers to trade are used to filter countries. There are two categories of trade barriers namely market concentration and market accessibility (Cuyvers *et al*., 1995:179).The DSM in its fourth filter categorises product-country combinations in cells. There are 20 individual cells in the matrix (Cuyvers *et al*., 1995:181; Cuyvers *et al*., 2010:5). The DSM identifies potential export opportunities by assigning product-country combinations to specific cells and the objective is to enact a specific strategy for each cell relevant to it (Cuyvers *et al*., 2010:5-8). This will become more clear, later on in the study.

Once the export markets have been estimated using the above mentioned methods, export promotion strategies need to be compiled. The next section provides the various strategies that can be implemented by an EPA.

3.3.8   Export promotion strategies

The strategies in this section are divided into two groups. These are aggressive or offensive and defensive. Aggressive or offensive are strategies used where the country has small to non-existent market share. Defensive strategies are used where a country has a relatively large share of the market (Wilson & Gilligan, 2005:438; Hooley, Piercy & Nicouland,

2008:320). Section 3.3.8.1 discusses aggressive or offensive export promotion strategies; section 3.3.8.2 discusses defensive export promotion strategies and section 3.3.8.3 the role of trade fairs as an activity in export promotion strategies.

3.3.8.1   Aggressive or offensive export promotion strategies

Table 3.6 shows aggressive / offensive strategies and their description.

Table 3.6: Aggressive / offensive strategies and their description

Strategy	Description
Frontal attack	Attacking opponents territory
Flanking attack	Aggressor's strength over the competitor's weakness.
Encirclement attack or siege	Enveloping the competitor cutting them off from the route of supply in order to force into submission.
By-pass	Changing the battle ground with a view of avoiding competitors.
Guerrilla tactics	Spoiling activities to weaken competitors e.g. selecting price cuts, depositing promotion.

Source: Compiled from Drummond and Ensor (1999:100); Wilson and Gilligan (2005:438-443); Hooley et al. (2008).

Frontal attacks are based on a military style invasion. They involve a head on attack or frontal attack to dislodge an established competitor in the market. The country or firm that is attacking should have a minimum ratio of 3:1 advantage in "*fire power*" (strength advantage over the competitor). A country or firm can either use a pure frontal attack (involving matching the leader's product by product, price for price and so forth) or a limited frontal attack (involving attracting certain specific customers away from the established competitor in the market) (Wilson & Gilligan, 2005:454). The frontal attacks are known for their heavy force on the competitor's market niche (Hooley *et al*., 2008:320).

Flanking attacks focus on the aggressor's strengths over competitor's weaknesses. It involves attacking the geographic regions in which a competitor (defender) has weak market share or attacking the segments which are not fully served by a competitor (Hooley *et al*., 2008:321-322). According to Wilson and Gilligan (2005:455), a flanking attack involves an attack

where the leader in the market has geographical weak areas, weak market segments and does not have up-to-date technology.

Encirclement attacks involve staging attacks in several fronts in order to overpower the defences of the competitor. By doing so, the competitor's power to retaliate is weakened. Seiko used the strategy not only to increase the number of models of its watches (which changed regularly) but also through the acquisition of distribution rights of every watch outlet. The activity used by Seiko to implement the strategy involved constant advertising with focus on: fashion; appearance; user preferences; and anything which could entice a customer. The Japanese motor cycle, audio and hi-fi manufacturers, after graduating from using the flanking strategy, also adopted this strategy. They focused on product life cycle, launching new products on the market on a regular basis, offering a wide variety of products, price cutting, support of dealership and initiated successful racing programme in case of motor bike firms (Wilson & Gilligan, 2005:456). According to Hooley *et al.* (2008:322), this strategy involves two approaches. The first one involves separating the competitor from the heart of raw material it depends upon. The second approach involves producing higher quality products than what the competitor offers.

The by-passing strategy involves changing the battlefield in order to circumvent the competitor's areas where it has considerable strength. This is mostly attained through "*technological leapfrogging*" (Hooley *et al.,* 2008:322). According to Wilson and Gilligan (2005:457), the strategy does not involve an outright move against the current defender's product offering or markets. It instead focuses on "*unrelated*" products. For example, Sturm Ruger, a small gun maker in the United States, being aware in the 1950s that it had limited resources to compete against Colt, Remington and Browning (which were producing hunting guns) adopted this strategy. It focused on producing very limited range of high quality sport guns and in the process it became the best in the line it had chosen. Following this strategy, Sturm Ruger managed to capture 20% of the sporting gun market.

Guerrilla attacks can be used by countries or firms with a limited resource base. This strategy involves a series of hit and run activities meant to weaken competitors. The activities involve huge periodic price cuts, surprise and intensive media campaigns, product comparisons, damaging propaganda, poaching a competitor's key personnel, legislative manoeuvres and

campaigns in specific areas (Wilson & Gilligan, 2005:458). If conventional attacks fail to yield results, a country or a firm should adopt guerrilla moves (Hooley *et al.*, 2008:322-323).

3.3.8.2 Defensive export promotion strategies

Defensive strategies are meant to defend, not to attack. According to Cuyvers *et al.* (2010:6-7), export promotion agencies should not spend resources or involve themselves too much in defensive activities. This should be left to the firms to defend their markets in which they are well established. The markets which are already entered are meant to be defended from competitors. Table 3.7 shows defensive strategies and their description.

Table 3.7: Defensive strategies and their description

Strategy	Description
Position defence / Fortification	Creating barriers around the firm and its marketing offerings.
Flanking defence	The firm has to strengthen the flank and should not provide a weaker and more vulnerable target in certain areas.
Pre-emptiveness defence	Striking at the potential firm aggressor before it mounts the attack.
Counter-offense	Rapid counter attack to "*stifle at birth*".
Mobile defence	Creating flexible response capabilities to assist the defending firm to shift ground (market) which is being defended as a response to environmental or competitive threat.
Contraction defence or strategic withdrawal	A possibility of giving up untenable ground by the exporting firm to reduce over-stretching and allow focus on the core exports.

Source: Compiled from Drummond and Ensor (1999: 100); Wilson and Gilligan (2005:438-443); Hooley et al. (2008).

The above table shows assorted defensive strategies that can be used in export promotion. The position defence or fortress has a military background. For the attacker to run over the position of defence, they will choose an indirect approach instead of the head on attack that the defender is anticipating. A firm which has adopted this strategy will find itself retreating from every fortification and will end up with a small product market. The end result is the firm will be injured, ending up with outdated products and lost markets (Wilson & Gilligan, 2005:440). This position is established by instituting a hindrance to copy and / or entry (Hooley *et al.*, 2008:324).

Flanking defence involves the attacker using its strength over the limitations of the defender by using surprise attack to gain market share (Hooley *et al.*, 2008:325). According to Wilson and Gilligan (2005:441), the flank of the firm is not protected compared to other parts. This strategy entails the firm to strengthen its flank by not creating vulnerability that others can take advantage of (Hooley *et al.*, 2008:325).

Pre-emptive defence is the strategy used by the firm that is defending by striking the potential aggressor first. That way, the aggressor is not given any chance to strike back (Hooley *et al.*, 2008:327). It requires that the firm collects information on the potential attacker and then uses the information to build a competitive advantage. The instruments / activities involved include: broad range product development; extensive advertising; price cutting and "*competitive toughness*" (Wilson & Gilligan, 2005:442).

According to Hooley *et al.* (2008:326), counter offense is putting a barrier before the potential attack happens. For example Xerox, whose core business was photocopiers decided to branch into the mainframe computer market. International Business Machines (IBM) which was the leader in the computer market made a counter offensive by branching into the production of copiers, hurting Xerox. This is known as "*stifle at birth*". Xerox failed to capture the mainframe computer market and also lost market share in its core business.

Contraction defence allows the defender to strategically withdraw from certain areas or lines of products which have the potential of being attacked. This allows the firm to focus where it has strength (Wilson & Gilligan, 2005:441). Contraction defence is encouraged if the firm has introduced many products to the point that it has deviated from its core business (Hooley *et al.*, 2008:328). Finally, a mobile defence is attained through commitment to improve the firm's products on the market (Hooley *et al.*, 2008:327). According to Wilson and Gillagan (2005:440), the reason behind this strategy is to cover new areas which may in the distant or near future become a "*focal point*" for both an aggression and defence.

3.3.8.3   The role of trade fairs as an activity in export promotion strategies

Trade fairs are part of activities to pursue aggressive / offensive strategies in certain markets that have been discussed above. Seringhaus and Rosson (1991:173) illustrate the suitability of trade fairs to exporters in table 3.8.

Table 3.8: Exporter types and trade fairs

Exporter type	Key questions to resolve	Decisions to be made	Role played by trade fair
First – time exporter	Should exporting be initiated?	• Growth potential from exports vs. Domestic. • Problems to be overcome to tap export potential. • Likely cost / benefit of export involvement.	Trade fair not appropriate for these firms.
Expanding exporter	Which market (s) should be entered? What market entry method is the best?	• Determine market potential and barriers to entry. • Choose between feasible market entry options. • Selection of foreign market partner.	• Chance to present product to the market and test response before making entry decision. • Check out competitors. • Make useful future contacts with buyers and partners.
Continuing exporter	How can performance be maintained / improved?	• Need to adjust / change existing operations. • Decide what new initiatives look best.	• Vehicle to renew contacts and solidify position. • Chance to test new ideas to final decision. • Opportunity to scout for new partners.

Source: Seringhaus and Rosson (1991:173).

For first time exporters, a trade fair may not be an appropriate activity if the cost of exporting to a foreign market is very high compared to the cost of selling in the domestic market. The trade fair would be beneficial to expanding exporters because they may find a chance there to present their products and get feedback before entry into the market. It also helps them to find out who their competitors are and facilitates access to buyers and prospective partners because there is interaction. For continuing exporters, a trade fair provides a mechanism to cement positions, an opportunity to test new ideas and an opportunity to identify new partners (Seringhaus & Rosson, 1991:173).

Apart from aggressive / offensive and defence strategies, there are other export promotion strategies which can be used, as discussed in the next section.

3.3.9   Other export promotional strategies for new markets

Table 3.9 below shows six export promotional strategies that can be used for promotion of new markets. The strategies range from less intensive to more intensive. The first strategy is to keep the product and promotion the same worldwide. This strategy can be used if there are limited resources available. The second strategy is to adapt promotion only. In this case there is no adaption of a product. The method of promotion is the one that is adapted to accommodate the local culture in the targeted market. The third strategy is to adapt both product and promotion. It involves adapting both product and promotion to suit the local cultural and environmental concerns in the targeted market. This assists in meeting local legal requirements in the targeted market. The fourth strategy is to invent new products. This happens when existing products fail to meet stringent conditions of a certain targeted market. In that case, it becomes necessary to invent new products. The fifth strategy is export oriented economic policies. These are the policies which stimulate and enhance export expansion (Blythe, 2005:295).

Table 3.9: Export promotion strategies for new markets and their advantages

Strategy	Advantage
Keep product and promotion the same worldwide	The advantage is to reduce entry costs.
Adapt promotion only	The products remain the same. However, the promotion is adapted to local cultural norms.
Adapt product only	To allow a difference in local conditions for example the product with standing the weather in the targeted market.
Adapt both product and promotion	Sometimes it becomes essential to adapt both products and promotions.
Invent new products	In the event that existing products cannot meet conditions of a new market, a new product must be developed.
Export oriented economic policies	They are effective in stimulating export expansion.

Source: Compiled from Donges and Riedel (1997) and Blythe (2005:295).

Whereas table 3.9 showed export promotion strategies for new markets and their advantages, table 3.10 shows instruments for export promotion strategies for new markets.

Table 3.10: Instruments which can be used to enter international markets

Number	Instrument to use
1	Use exports agencies
2	Use export houses
3	Establishing sales office
4	Joint ventures
5	Piggy backing[16]
6	Licensing agreements
7	Franchising
8	Warehousing and distribution
9	Becoming multinational marketer

Source: Compiled from Blythe (2005:296).

The first instrument is the use of export agencies. Agencies can be appointed to assist in promotion. Agencies have tremendous influence in their territories hence producers can accept products through their recommendation. The second instrument is export houses. Export houses can also be established to help in the expansion of exports. Consumers normally visit export houses hence they may be able to buy the products. The third instrument is establishing sales offices. The sales offices can also be established in the targeted market. The sales office is established by the exporter and engages in direct sales to consumers in the targeted market. The fourth instrument is joint ventures. The joint ventures are entered with the local firms or individuals. This helps in the acceptability of the products in the local market thereby boost exports. The fifth instrument is piggy backing. This instrument is also used in export expansion. It helps boosting exports as the firm does not only market its own products but also products produced by other firms from the same country. In the end this boosts exports. The sixth instrument is licensing agreements. These agreements are entered with the local firms or individuals in the targeted market. This helps to boost exports as the local firms understand the market better. The seventh instrument is franchising. This is also an instrument to use in export promotion in new markets. This instrument allows products to be produced by the local firms in the targeted market. This boosts exports without physical goods being exported. The eighth instrument is establishing warehouses and distribution centres in the targeted markets. This is also an effective instrument in promotion of exports in new markets. The goods are in stock hence demand can easily be satisfied. The nineth instrument is a firm becoming a multinational marketer, like Coca-Cola, and enhances export promotion in new markets. It has an effective response rate that can boost exports (Blythe, 2005:296).

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[16]The firm agrees to market its own products alongside other firm's products (Blythe, 2005:296).

3.3.10 Export promotion strategies assigned by the Decision Support Model (DSM)

Table 3.11 shows specific strategies and their activities / instruments for the different cells that are generated by the DSM. It shows a specific strategy relevant to each particular cell and describes different import markets. The table also provides the main objective of strategy and various instruments / activities for a specific cell which can be used to utilise realistic export opportunities (REOs). These strategies are applied in chapter 8. The DSM is discussed in more details in chapter 6.

Table 3.11: Types of strategy for a product-country combination falling in a particular cell

Cell No.	Description of market	Type of strategy	Objective of the strategy	Instruments / activities to use
1, 6 and 11	It is a large market. The share of exporting country is small or does not exist at all	Aggressive / offensive	Breaking in	• Assist exporters to find a market niche. • Disseminate market information to potential exporters. • Convince potential exporters to join high profile trade mission to the target markets. • Support trade mission. • Use heavy media campaigns in the targeted markets.
2, 7 and 12	Import markets are growing both in the short and long run periods	Aggressive / offensive	Taking advantage of a growing market	• Assist exporters to exploit and maximise their presence in the market. • Provide financial support for development aid to the targeted market. • Improve the promotional material. • Improve the design of products. • Improve the quality of the product. • Conduct specific and comprehensive market research.
3, 8 and 13	Market imports large volumes / quantities. The market has experienced growth in imports in recent years. There is high demand for the products	Aggressive / offensive	Growing and consolidating	• Assist exporters to exploit and maximise their presence. • Give the targeted country (market) financial aid for development. • Improve the product design. • Improve the product quality. • Conduct comprehensive market research. • Establish embassies or trade mission offices. • Participate in targeted markets' trade fairs.

Table 3.6: Types of strategy for a product-country combination falling in a particular cell …

continued

Cell No.	Description of market	Type of strategy	Objective of the strategy	Instruments / activities to use
4, 9 and 14	The market future growth is uncertain	Aggressive / offensive	Leapfrogging	• EPA should design the export strategy that enables exporters to increase their sales in the specified / selected / targeted markets. • Provide official loans. • Provide development aid to the targeted country / market. Offer incentives to exporters to participate in specialised trade fairs and exhibitions. • Improve credit terms. • Provide sponsorship for synergy with other exporters. • Set up an office and representation in the target country. • Assist matching with other producers.
5, 10 and 15	The market imports large quantities of the products of this nature and the market experiences tremendous growth in the short and long runs.	Aggressive / offensive	Jumping on the band wagon	• Help with the dissemination of information on markets. • Encourage exporters to participate in high profile trade mission • Conduct media campaigns in the targeted market. • Provide financial assistance to exporters. • Provide development aid to the targeted country / market. • Match exporters of complementary products. • Provide incentives for piggy-back regimes. • Invite major importers and distributors in targeted countries. • Facilitate outgoing FDI to the targeted country.

Table 3.6: Types of strategy for a product-country combination falling in a particular cell … continued

Cell No.	Description of market	Type of strategy	Objective of the strategy	Instruments / activities to use
16, 17, 18, 19 and 20	Exporting country has made some inroads / or is well established	Defensive	Maintenance	• Customer care. • Follow-up. • Exporters themselves should directly implement defensive activities in the markets. • Government should only provide exporters with diplomatic support if exporters are renegotiating deals. • Quality products should be offered in the market.

Source: compiled from Cuyvers et al. (2010:6-10).

Cells 1, 6 and 11 relate to an export promotion strategy of "*breaking in*" into a very big market in which a country that is exporting does not hold any significant market share. The export promotion agencies (EPAs) have to adopt an offensive or aggressive market exploration. The instruments or activities that can be used include: providing market information; attracting potential exporters to join high level trade missions and initiating media campaigns in the targeted markets (Cuyvers *et al.*, 2010:7-8).

Cells 2, 7 and 12 relate to an export strategy of "*taking advantage of a growing market*". An offensive or aggressive market expansion has to be adopted. The instruments that can be used include: giving financial aid (this can be done by government) of a developmental nature to targeted markets; improving publicity material; encouraging firms to improve product design; and conducting market research (Cuyvers *et al.*,2010:7-9).

Cells 3, 8 and 13 relate to an export promotion strategy of "*growing and consolidating*". These are the markets which have recently imported a large volume of the product. The instruments that can be used include: assisting exporters to maximise their presence; providing aid for development; improving product design; improving the quality of product; conducting market research; participation in trade fairs and establishment of an embassy or trade mission (Cuyvers *et al.*, 2010:7-8).

Cells 4, 9 and 14 relate to an export promotion strategy of "*leapfrogging*". The activities for these cells include: helping exporters to increase sales; improving official loans and developmental aid to such markets; improving the provision of credit insurance; providing incentives to participate in specialised trade fairs and exhibitions; encouraging synergy with other exporters; helping the formation of joint ventures; establishing a representation office; assisting in match making; and encouraging piggy-back exporting (Cuyvers *et al*., 2010:8-9).

Cells 5, 10 and 15 relate to an export promotion strategy of "*jumping on the band wagon*". The markets import large volumes of the product and have significant growth potential in the short and long run. Offensive or aggressive market exploration is required. The instruments or activities that can be used include: the dissemination of information; participation of potential exporters in high profile trade missions; launching media campaigns; providing developmental aid to the targeted markets; improving provision of credit insurance; matchmaking with exporters of complementary goods; giving incentives for a piggy-back export mechanism; inviting importers and distributors to the exporting country; and encouraging outgoing FDI (Cuyvers *et al.*, 2010:8-9).

Cells 16 to 20 are market segments located where the country is already exporting to and exporters are well-established. These markets require maintenance. Therefore, the appropriate strategy is defensive. The export promotion agencies need not spend resources on such markets. They should be left to the firms themselves unless they need assistance in the renegotiation of deals (Cuyvers *et al*., 2010:6-7). Export promotion focuses on existing production whereas export development involves production of new products. Section 3.4 discusses export development.

3.4   Export development

Export development focuses on the production of new products and/or the penetration of new markets that were not accessible in the past. Its goal is to identify existing opportunities and encourage new firms or production facilities to be established to satisfy demand in the external (international) market (UNESCAP, 2011:12).

The East African Community (EAC) (2006:23-24) points out that export development involves export market development such as trade fairs, exhibitions and buyer and seller

missions. It also involves product development and adaptation. Product development and adaptation assists exporters to meet tastes and preferences of their customers, to diversify their exports and helps to create a strategy for encouraging entrepreneurship. Lastly, it involves trade information capacity building. Trade information capacity building in turn involves business guidance and capacity building initiatives and trade policy research (involves monitoring the changes which take place in the prospective markets). According to UNESCAP (2011:12-13), export development is not only desirable, but also necessary in some countries so that it can assist in enlarging a small export base. It helps countries especially in developing countries, to export a wider range of products which boost their export earnings.

It is important that export development programmes of a country be initiated together with appropriate economic instruments such as export promotion measures as they are critical to national trade performance (UNESCAP, 2011:12-13).

There are also two types of policies which affect foreign trade administration in general, and export development specifically. These are external trade policies and macroeconomic policies which may directly influence foreign trade and impact on the general performance of external trade (UNESCAP, 2011:12-13).

Many studies have however, shown that there are many theoretical and practical problems from the supply side that are yet to be solved in the field of export development (Purlys, 2007:218). Both existing production and new production including new market penetration require the decisions of firms which affect the marketing of their products outside the country through international marketing. In section 3.5, the focus is on international marketing.

3.5   International marketing

According to Dole and Lowe (2008:5), international marketing involves the firm making some marketing mix decision(s) abroad. At one extreme, it may involve a firm putting up a manufacturing or processing plant around the globe and coordinating marketing strategies around the world. On the other, it involves firms which enter international marketing for the mere reason of signing a distribution agreement with an external agent. This agent then shoulders the role of pricing promotion, distribution and market development. It may further

involve large transnational companies with integrated network of plants worldwide such as Ford Motors.

International marketing focuses on four types of attitudes or orientations in the process of internationalisation which are associated with every step in the evolution of international activities. These are ethnocentrism (a home country orientation), regiocentrism (a regional orientation), geocentrism (a global orientation) and polycentrism (host country orientation). Such attitudes are perceived to reflect the goals and philosophies of the firm with regard to its international activities (Wind, Douglas & Perlmutter, 1973:14). In general, the advantages and disadvantages of a specific orientation depend on the financial position, products involved and size of a market in question, of the firm (Wind *et al.*, 1973:14).

The difference between domestic marketing and international marketing is that international marketing has many dimensions and is very complex. This is because it involves many foreign country markets in which a firm may run its activities. Domestic marketing may not have many dimensions because it is perceived to be simple as it involves only the domestic market. The dimensions included in foreign marketing are social, cultural, legal systems, economic, environment, currency risks and political environment (Dole & Lowe, 2008:7-15).

According to Pita, Nielsen and Merrick (2007:15), literature shows that consumer perceptions of fair pricing and high quality are two important factors in successfully building a brand name. Firms that manage to establish a positive emotional bond with consumers or clients have a competitive advantage in their favour. Thus, marketers who are able to maintain such a bond can uphold their competitive advantage over a long period.

Dole and Lowe (2008:22-29) have also shown the importance of the planning process in international marketing. Management uses it to underline how they will achieve both current and future goals. It further encompasses situational analysis, marketing strategies, implementation of the marketing plan and control process. A situational analysis is the process the firm employs in order to understand an individual market. A marketing strategy is a set of goals for the firm. Implementation of the marketing plan refers to the execution of the overall agreed marketing strategy. Finally, the planning process is the establishment of an effective feedback system. In section 3.6, this study concludes the chapter by providing a summary and conclusion.

3.6 Summary and conclusion

There is evidence to support the export-led growth (ELG) hypothesis that exports cause economic growth. A number of studies confirm that exports stimulate economic growth. The new industrialised countries have achieved high growth rates through an export drive. Hong Kong, Singapore, Korea, Taiwan and Thailand achieved very high economic growth rates propelled by ELG. Added to this list are Germany, China, Japan and Taipei. China has arguably been the most successful in adopting ELG policies, resulting in very high growth rates. Countries which continued with inward looking strategies namely import substitution, have remained stagnant for a very long time. The conclusion is that ELG is superior to an import substitution strategy. Therefore, employing or adopting it would improve the economic growth of Zimbabwe.

Export promotion is able to speed up and sustain economic growth. Expansion of exports and imports enables countries to reap benefits of external trade which include new ideas, latest technology, competition, economies of scale and establishment of domestic industries to satisfy new markets. EPAs assist exporters or potential exporters in the identification of markets for their products. There are many methods used to select markets and one of them is the Decision Support Model (DSM). It is used in identifying realistic export opportunities of a country. The chapter also has discussed various export promotion strategies such as general strategies, DSM based strategies, other defensive strategies, other offensive strategies and similar entry strategies.. This study, from chapter 4 onwards, focuses on Zimbabwe. Chapter 4 analyses the political, institutional and macroeconomic environment of Zimbabwe.

CHAPTER 4

A DESCRIPTIVE ANALYSIS OF THE POLITICAL, INSTITUTIONAL AND MACROECONOMIC ENVIRONMENT OF ZIMBABWE

4.1   Introduction

The purpose of this chapter is to provide a descriptive analysis of the political, institutional and macroeconomic environment in Zimbabwe with a focus on production. These are looked at from the period starting in 1965 leading to independence from British rule in 1980, up to the 2000s. When the political, institutional and macroeconomic environment is not sound it causes state fragility and may have an impact on the post-conflict recovery process discussed in Chapter 2. In Chapter 2, the focus was on post-conflict reconstruction strategies which include both general strategies and those that boost exports. In chapter 3, the focus was on the use of the export-led growth strategy, specifically through the use of exports promotion, to achieve sustainable economic growth in the post-conflict reconstruction/recovery period. In order to implement such a strategy in Zimbabwe, it requires adequate production which in turn can be achieved through the establishment of a stable political, institutional and macroeconomic framework. Political stability is the criterion which is used in filter 1 in Chapter 6 in order to eliminate from the process, countries which are politically unstable for further analysis as potential export markets for Zimbabwe. To achieve the objective of this chapter, it is structured as follows: section 4.2 discusses the political and institutional environment, section 4.3 discusses the macroeconomic environment and section 4.4 provides a summary and conclusion of the chapter.

4.2   Political and institutional environment

The political environment relates to the political climate currently prevailing in Zimbabwe While the institutional environment looks at the three branches of government: the executive branch, legislature and judiciary. The section is structured as follows: section 4.2.1 discusses the political environment since 1980 and section 4.2.2 discusses the institutional environment.

4.2.1 The political environment since 1980

Zimbabwe gained its independence on 18 April 1980 and the picture of independence would be incomplete without mentioning Lancaster House deliberations. It was the outcome of those 1979 deliberations which resulted in the current Constitution of Zimbabwe which helped shaped the political landscape to what it is today. The current Constitution is important as it provides the protection of private property, an important element in attracting investment hence increasing production an important element for exports.

The original Lancaster House Constitution protected private property including that owned by minorities such as farms. In his reflection of the Lancaster Constitution Kagoro (2005:237) states that it was more of a compromise between the process of transferring power to the black nationalists on one hand and the protection of economic privileges of mainly the white community as well as international capital on the other. The Constitution adopted the Western Model of Parliamentary democracy which was forced on Zimbabwe by Britain at the Lancaster House settlement (Makumbe & Campagnon, 2000:33). It was this model which was used at independence in 1980 to elect Robert Gabriel Mugabe (ZANU PF) as the Prime Minister, while Canaan Banana became the ceremonial President (Herb, 1990:30-31).

After Zimbabwe's independence, ZANU PF did not attain control over a weak colonial state that had been quickly improved for the purpose of independence, as was the case with other African countries that got independence in the 1960s (Herb, 1990:30-31). In addition to this ZANU PF also did not implement its Marxist Leninist ideology which was in its manifesto and which helped it to come to power in 1980. Instead, the policies that the state has followed to correct past imbalances have been largely within the capitalist-centred policies and can therefore be referred to as social welfare policies (Dashwood, 2003:152).

Over the years the Lancaster House Constitution has been amended on several occasions. The first amendment was made between 1980 and 1985 and allowed the members of the House of Assembly and Senators to become Provincial Governors without losing their seats in Parliament (The Parliament of Zimbabwe, 2010:10). During the same period, the political environment in Zimbabwe was characterized by violence. During the same period, Zimbabwe experienced large-scale violence in the Matabeleland provinces and in the Midlands province.

It started with dissidents soon after independence. The state responded with a heavy hand that killed civilians. About 3750 civilians were either killed or went missing, 680 homesteads were destroyed, 10 000 people were detained and 2000 tortured (The Catholic Commission for Justice and Peace in Zimbabwe, 1997:157).

The second amendment of the Constitution was made in 1987 and it created the executive Presidency. The election of the executive President by voters through a universal franchise gave the President the same powers as the whole Parliament. The Constitution makes provision for this in that it gives power to the office of the President to the extent of not consulting or being advised by its Cabinet (Makumbe & Campagnon, 2000:33-34). It was during the same year that the violence which began immediately after independence, ended when the Unity Accord was signed on 22 December 1987, between ZANU PF and PF ZAPU. The accord was signed by Joshua Nkomo (leader of PF ZAPU) and Robert Mugabe (leader of ZANU PF). The unity accord brought some stability in the Matabeleland South, Matabeleland North and the Midlands provinces. This accord removed PF ZAPU in the short term as a stumbling block to ZANU PF's objective to a legislated a one-party state. On December 22 1989, PF ZAPU and ZANU PF merged into a single party known as ZANU–PF and committed themselves to the creation of a one-party state (Moyo, 1991:83).

The third amendment was to the Constitution made in 1990 and it abolished the Senate which was meant to protect the political rights of the minorities (Makumbe & Campagnon, 2000:33-34). The fourth amendment was made in 2000 and it gave the President further overwhelming powers over the Parliament (Venter, 2003:336). The President's extra-ordinary powers allow him to dissolve Parliament at his discretion (Makumbe & Campagnon, 2000:33-34). The fifth amendment (also made in 2000) made all land in Zimbabwe state owned land and regularized land invasions into the land reform programme. This action reduced Zimbabwe from a producer and exporter of food-stuff to being a net importer (African Development Bank, 2010:1-2; Mzumara, 2011a:200). These events surrounding land arose from the expiry of the protection thereof by the Constitution and, amongst other things, failure by the British and American governments to fulfil their promise. According to Kagoro (2005:237), the Lancaster House Constitution contained a provision which stipulated that for a period of ten years, the government could not compulsorily acquire land. During the period, government could acquire the land by adequately paying the owners by way of a willing-seller and willing-buyer arrangement. The British and American governments assured the Zimbabwe

National Union (ZANU PF) and the Zimbabwe African People's Union (PF ZAPU) (The two liberation movements) in 1979 that they would initiate an International Fund to pay for any land required for settlement. They further promised to provide them with US$2.5 billion during the first 10 years for that purpose. Those governments however, did not put their promise on a piece of paper and have not honoured that commitment (Kagoro, 2005:238).

In the 2000 Presidential election campaign, there were 1 096 acts of recorded violence which included 35 deaths. About 90% of them were committed by individuals or groups sympathetic to the government such as war veterans, militia, ZANU PF and government security agents (MMPZ, 2009:94). However, according to the Catholic Commission for Justice and Peace in Zimbabwe (2001:122), violence erupted during pre and post parliamentary elections and about 24 people were killed (7 of whom were white commercial farmers) and a significant number of others tortured.

The sixth amendment was made in 2005 and it led to the reintroduction of the Senate which had been abolished in 1990 (The Parliament of Zimbabwe, 2010:13). In the 2005 elections, Zimbabwe human rights watchdogs reported 1 221 acts of violence, in which one murder was reported to have been committed by ZANU PF activists and state security agents (MMPZ, 2009:94).

The seventh amendment was made in 2008 and it created the position of Prime Minister and the positions of two Deputy Prime Ministers (The Parliament of Zimbabwe, 2010:13). The amendment also included the job description of the Prime Minister who is also the Leader of Government's Business in Parliament (The Parliament of Zimbabwe, 2010:13). The amendment further accommodated one Deputy Prime Minister to be a Member of Parliament (the other Deputy Prime Minister had won a seat through an election). The amendment expanded the membership of the House of Assembly from 210 to 215 and that of the Senate from 93 to 99 (The Parliament of Zimbabwe, 2010:13). The seventh amendment was made under the Global Political Agreement (GPA) which created a Government of National Unity (GNU) after the 2008 harmonised election did not result in a Presidential winner (Government of Zimbabwe, 2008:16).

 According to Article XX of the GPA, there are 31 Ministers with ZANU PF able to nominate 15 candidates, Movement for Democratic Change, MDC (T) 13 and Movement for

Democratic Change, MDC (M) 3. It also provides for 15 Deputy Ministers with ZANU PF nominating 8 candidates, MDC (T) 6 and MDC (M) 1. The GPA has a life span of two years, during which a new Constitution is to be written leading to new elections (Government of Zimbabwe, 2008:13-17).

In the 2008 harmonised elections, 8 558 incidents of political violence were recorded and included scores of murders, unlawful detention and arrests, harassments, abductions, assaults, torture, property destruction committed against mainly MDC supporters (MMPZ, 2009:94). Political violence which had characterised the Zimbabwean political landscape is acknowledged in the Global Political Agreement and formation of the Government of National Unity through a provision of appointment of 3 Ministers, one from ZANU PF, MDC (T) and MDC (M), responsible for national healing and reconciliation of a nation that is divided on political affiliations (Government of Zimbabwe, 2008:12, 16).

According to NKC[17] (2012:3) Zimbabwe's political risk is still moderate and shows the signs of being very unstable and unpredictable. The major threat to business and investment comes from the possibility of early election before reforms through a new Constitution. Early elections may lead to disputable election results. A stable political environment can be shaped by a strong and effective institutional environment. At the same time a strong institutional environment can also shape a stable political environment. This creates interdependence and such environment can promote production. The institutional environment in Zimbabwe is discussed in section 4.2.2.

4.2.2 The institutional environment

The Constitution of Zimbabwe and the Global Political Agreement have provisions for the functioning of various institutions. The institutions in Zimbabwe comprise the executive, legislative and judicial branches of government.

The executive branch comprises the President, the Prime Minister, the two Vice Presidents, two Deputy Prime Ministers and Cabinet Ministers (Government of Zimbabwe, 2008:13). The power of executive authority is shared amongst the President, Prime Minister and

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[17] NKC are independent economists monitoring African sovereign risk.

Cabinet as provided for in the Constitution of Zimbabwe (Government of Zimbabwe, 2008:13).

The legislative branch is Bicameral Parliament consisting of Senate and the House of Assembly (NKC, 2012:10). The House of Assembly has 215 members and the Senate 99 members. Some of these members include non-constituency members appointed by the President and those accommodated under the GPA (Parliament of Zimbabwe, 2010:13).

Then there is a judicial branch. The legal system is based on English law. However, the system is not working properly (NKC, 2012:13). Makumbe and Compagnon (1995:42) point out that the main safeguard from excessive power is the judiciary which is more independent from the executive than Parliament. In practice however, it is possible to compromise that independence. Judicial independence is guaranteed by the Constitution and judges enjoy immunity from unwarranted removal from office although they are not protected from prosecution like the President. However, Goredema (2005:105-106) observes that previous governments and their ruling parties were in a habit of regarding themselves to be more important than the judiciary and decided on which of its decision to comply with. Such actions undermined the independence of the judiciary in Zimbabwe. High Court's and Magistrates Court's independence has been eroded and the court system has become unreliable (NKC, 2012:13).

This chapter has so far discussed the political and institutional environment. Both of them have an impact on the macroeconomic environment. A stable macroeconomic environment can also ensure a stable political and institutional environment. There is a triangular interdependent relationship which is also necessary to increase production. The macroeconomic environment is discussed in section 4.3.

4.3   The macroeconomic environment

A stable political environment with a working and independent judiciary can help to create a conducive macroeconomic environment. Any attempt to increase production can succeed, among other things, with a stable macroeconomic environment. The macroeconomic environment is discussed as follows: section 4.3.1 provides the policy overview, section 4.3.2

discusses the macroeconomic environment since 1965 and section 4.3.3 discusses the sectoral overview.

4.3.1   Policy overview

According to Parsons (2007:8), the economic seeds which later brought economic woes in Zimbabwe, were already planted in the 1980s. These included lack of fiscal discipline. Thus, in the 1990s, Zimbabwe experienced both fiscal and current account deficits which caused severe shortages of foreign currency. The situation then worsened in the 2000s. The latest Macroeconomic and Budget Framework is depicted in table 4.1.

Table 4.1: The 2010 Revised Macroeconomic and Budget Framework

	2009 Outturn	2010 Original Projections	2010 Revised Projections
Real GDP	5.7%	7.0%	5.4%
Annual average inflation	-7.7	5.1%	4.5%
Nominal GDP	US$5.22 billion	US$5.561 billion	US$5.517 billion
Revenues As a % of GDP	US$0.973 billion 18.6%	US$1.44 billion 26%	US$1.75 billion 31.7%
Total expenditures As a % of GDP	US$1.013 billion 19.4%	US$2.25 billion 40.5%	US$2.25 billion 40.75%
Overall budget deficit	(US$93 million)	(US$810 million)	(US$500 million)
Vote of Credit As a % of GDP	US$93 million 1.8%	US$810 million 14.6%	US$500 million 9.7%
Exports of goods and services As a % of GDP	US$1.591 billion 30.4%	US$2.018 billion 36.30%	US$1.929 billion 37.50%
Import of goods and services As a % of GDP	US$3.213 billion 61.5%	US$3.498 billion 62.9%	US$3.635 billion 65.9%

Source: Biti (2010:1-10). [18]

The table above shows that real GDP grew by 5.7% in 2009 and was projected to grow by 5.4% in 2010. NKC (2012:2) forecast real GDP growth of 2% in 2012 then project a rise to 2.5% in 2013. The GDP estimate by government of 9.4% in 2012 is unrealistic due to shortages of liquidity in the market and power supply. Zimbabwe's GDP per capita will remain very weak. It is estimated at US$211[19] for the period 2011-2013. Annual average inflation was -7.7 in 2009 and in 2010 increased to 4.5%. Average inflation for 2011 was

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[18] Biti (2010) represents a budget statement presented in Parliament by the Minister of Finance. The minister covers the economy extensively when presenting his budget hence it is a significant official source relating to the state of the economy and this study has relied heavily on this source.

[19] The figure was derived by using a measurement of 12 million people (being the population of Zimbabwe).

projected between 3.5% and 4.5% (Biti, 2011:2). The official inflation rate is estimated to average 5.5% in 2012 (NKC, 2012:9). Table 4.1 further shows nominal GDP was US$5.22 billion in 2009 and was also projected to US$5.517 billion in 2010. Revenues were US$1.013 billion in 2009 and these were projected at US$1.75 billion in 2010. During the same period total expenditure was US$1.013 billion and projected to US$ 2.25 billion. The overall budget deficit was US$93 million in 2009 and US$500 million in 2010. The budget deficits that have been experienced in the 1980s and 1990s are still persisting (see table 4.1) (Parsons, 2007:8).

The external sector performance was as follows: in 2009 exports of both goods and services amounted to US$1.591 billion; exports in 2010 were projected to be US$1.929; imports of goods and services were US$3.213 billion; and projected imports of goods and services amounted to US$3.635 billion in 2010. This gave a trade deficit of US$1.622 billion in 2009 and US$1.706 billion in 2010 respectively. In 2011 the trade and current account deficit was estimated at U$2 billion and in 2012 was projected to be US$1.7 billion. The overall balance of payments deficit was estimated at US$667.4 million in 2011 and projected to be US$610.5 million in 2012 (Biti, 2011:2). The trade deficits in the absence of foreign direct investment (FDI) inflow (see section 4.3.1.3) and others continue to result in foreign currency shortages. In table 4.2, GDP growth rates by industry at constant prices for the period 2001-2012 are shown.

Table 4.2 Gross Domestic Product by Industry at constant (1990) prices: Growth rates (2001-2012)

Industry	'01	'02	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12
Agriculture, Hunting Fishing	-2	14	-24	-15	-9	-5	-4	-7	-36	10	10	10	10
Mining & Quarrying	-7	-14	-2	-31	23	1	-6	-3	-30	2	40	17	15
Manufacturing	-11	-5	-13	-13	-10	4	-3	-5	-12	8	10	12	9
Electricity & Water	-1	10	6	1	8	-7	-4	-1	-9	1.9	3.4	4.5	5
Construction	-15	-35	-41	-10	-2	-2	-5	-3	-3	2.1	3.2	3.5	4.5
Finance & Insurance	1	-1	21	3	-4	-29	-8	-4	-24	4.5	5.5	6.5	8
Real Estate	5	4	4	2	1	1	-5	-3	-33	2	2.2	4.5	5.2
Distribution & Tourism	-9	-5	-5	-31	-20	-20	-2	2	9	6.5	10	7	7.5
Transport & Communication	-6	-4	-1	-8	-1	1	-1	-2	11	2.2	4	3.8	4.4
Public Administration	-6	5	2	2	6	6	-2	-4	0	2	3	3.2	2.5
Education	4	6	1	1	1	1	-3	-5	-1	2.8	3.2	2.3	3
Health	-8	18	-13	0	-1	-1	-1	-3	-2	3.2	4.1	3	4
Domestic Service	-5	6	2	0	-1	1	-1	-2	-2	2.2	2.3	1.3	2.7
Other Services	-2	-3	2	-7	-7	-7	-5	-3	-3	2.3	2.7	1.5	3.2
Less Financing Interest Service Indirectly measured	29	16	-12	-52	-35	-34	-4	-2	-24	-2.2	-2.8	-2.1	-
GDP at factor cost	-6	-1	-6	-8	-4	-5	-4	-4	-11	5.9	11.9	7.7	7.8
Net other taxes on production	-17	-24	-44	-72	-70	-60	0	0	0	-22.3	2	2	2
GDP at basic prices	-6	-1	-6	-8	-4	-5	-4	-4	-11	5.9	11.9	7.7	7.8
Net taxes on products	-24	7	0	1	1	6	-4	0	0	3.5	4	2.5	2.8
GDP at market price	-8.2	-0.2	-5.9	-7.4	-3.6	-4	-3.6	-3.3	-10	4.7	7	5.3	6.3

Source: ZIMSTATS (2010).

Agriculture, hunting and fishing registered negative growth rates from 2001 to 2008. The positive trend can only be observed from 2009 onwards. Projection of growth in the agriculture for 2012 was revised from 10% to 12% (Biti, 2011:1)[20]. The mining and quarry

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[20] Biti (2011) is also another budgetary statement by the Minister of Finance which covers the economy extensively and shows official data on the economy. This study has relied on it for the same reason of providing official figures. Both Biti (2010) and Biti (2011) are major source of data in Chapter 5. As the Minister of Finance, his statements are authoritative.

industry experienced negative growth rates from 2001 to 2002. Estimates of growth in the mining sector were revised for 2011 to 25.8% and projection of growth was revised to 15.9% for 2012 (Biti, 2011:1).

The country experienced positive growth rates in 2004 and 2005 then negative again from 2006 to 2008 before picking up in 2009 onwards. Although manufacturing growth rates were negative from 2001 to 2004, the sector registered positive growth rates in 2005 which were however marginal. Then, growth rates were again negative in the 2006 to 2008 period before picking up in 2009 onwards. Electricity and water experienced negative growth rates in 2001 then positive growth rates from 2002 to 2004 and then again negative rates from 2005 to 2008 before registering growth in 2009 onwards. Finance and insurance registered marginal growth in 2001, but then registered negative growth rates from 2002 to 2008 before picking up in 2009 onwards. Real estate experienced positive growth rates from 2001 to 2004 and then slid into negative growth trends from 2005 to 2008 before picking up again in 2009 onwards. Transport and communication experienced negative growth rates from 2001 to 2004 and then registered a positive growth rate in 2005 before sliding into negative rates from 2006 to 2007. The sector started picking up from 2008 onwards.

Public Administration growth rates were negative in 2001 but then turned positive from 2002 to 2005. The sector experienced negative growth from 2006 to 2008 before picking up in 2009 onwards. Education experienced positive growth rates from 2001 to 2005. It then experienced negative growth rates from 2006 to 2008 before picking up once again from 2009. Health registered negative rates from 2001 to 2008 before picking up in 2009 onwards. Domestic services were negative in 2001, then positive in 2002, then negative again from 2003 to 2004. In 2005 they took an upward turn before plunging in the 2006 to 2008 period. The rates picked up from 2009 onwards. Other services not classified above registered negative growth rates in 2001, picked up in 2002 and were negative from 2003 to 2008 before picking up again.

The trend in all industries is that the economy contracted due to the crisis experienced during the same period. For those industries which achieved some positive growth rates in some years, it was very marginal signifying the heavy impact of this crisis on those industries. Although the economy experienced growth in 2009 however this growth is not sustainable without substantial reforms being carried out (African Development Bank, 2010:3; World

Bank, 2011a:2). The performance of the economy is also linked to governance indicators. This includes investors who tend to look at such indicators before they make a decision to invest in a particular country. The governance indicators are shown in table 4.3.

Table 4.3: Governance indicators for Zimbabwe and Sub-Saharan Africa

Country / Region	Voice and accountability	Political stability	Government effectiveness	Regulatory quality	Rule of law	Control of corruption
Zimbabwe						
1996	29.2	24	45.5	21	28.1	49.5
2000	15.9	11.1	17.1	7.8	9	11.7
2005	6.3	6.3	7.1	0.0	2.4	4.9
2008	7.7	8.6	2.4	1.4	1.4	3.9
2010	7.0	63.2	3.8	2.4	0.9	2.4
Sub-Saharan Africa						
1996	33	34.0	29.2	29.1	27.2	30.7
2000	30.1	31.4	28	29.8	29.0	31.9
2005	30.9	33.9	26.0	27.4	27.8	29.3
2008	32.6	33.5	26.3	28.9	28.6	30.8
2010	31.3	34.1	25.5	29.0	28.4	37.1

Source: World Bank (2010).

World Bank governance indicators use percentile rank (0-100). A country with a higher score on the percentile rank is considered to be governed well. A country with lower scores is considered to be poorly governed (World Bank, 2010:1). The above table shows that Zimbabwe has scored poorly in the governance indicators namely: voice and accountability, political stability, government effectiveness, regulatory quality, rule of law and control of corruption as compared to the Sub-Saharan Africa average except for political stability in 2010. The countries with poor scores in the above mentioned indicators were negatively affected in receiving FDI and doing business with them (European Commission, 2007:9). In 1981, the government blocked FDI from the Bank of America for the takeover of the Zimbabwe Banking Corporation when Nedcor of South Africa had pulled out but then government chose to nationalise it instead of allowing the world's most financially sound bank to run it (UNDP, 2008b:212).

The governance indicators reflect the proper functioning of the economy. They affect the perception of outsiders who may want to do business with a particular country. They also indicate fiscal discipline as well as debt management. Where corruption exists, debt can balloon without benefiting the country but individuals. Fiscal policy and national debt are discussed in section 4.3.1.1.

4.3.1.1 Fiscal policy and national debt

The poor management of fiscal policy is believed to have contributed significantly to the poor performance of the Zimbabwean economy (UNDP, 2008b:37-38). Zimbabwe has exercised expansionary fiscal policy since the 1980s, right up to the 1990s, then to the crisis period in 2000s (Parsons, 2007:8). Zimbabwe's military involvement in DR Congo contributed significantly in the late 1990s to expansionary fiscal policy including the pay-out to war veterans (Parsons, 2007:9) discussed in section 4.3.2.4. Table 4.4 below shows Zimbabwean and Sub-Saharan Africa fiscal aggregates for the period 1985 to 2004.

Table 4.4: Zimbabwe and Sub-Saharan Africa fiscal aggregates 1985-2004

% of GDP	Zimbabwe	Sub-Saharan Africa (Average)
Revenues (excluding grants)	26.1	21.2
Taxation	22.7	16.5
Expenditure	32.2	24.9
Budget deficit	6.3	3.7
Capital expenditure	2.7	18.5
Wages and salaries	10.8	7.4
Interest	6.1	5.1

Source: UNDP (2008b:38).

Zimbabwe's budget deficit for the period 1985 to 2004 has averaged 6.3%, well above the average of Sub-Saharan Africa at 3.7%. This is an indicator that Zimbabwe is not living within its income. It keeps incurring a budget deficit. This trend continues. For example, in 2009 its budget deficit amounted to US$93 million and the projected deficit to US$500 million in 2010 (see table 4.1). It can also be observed that wages and salaries constituted 10.8% compared to the average of 7.4% for Sub-Saharan Africa. Taxation in Zimbabwe is high compared to the Sub-Saharan Africa average. It is considered to have a very punitive tax structure thereby collecting 22.7% of GDP in tax revenue whereas the average for low income states is only 12.9% and 16% for low-middle income states. Zimbabwe depends on direct taxation income that constitutes 47% of the overall government receipts (UNDP, 2008b:40).

Due to small revenue collected by the government, it has been difficult for it to use its fiscal receipts to help revitalise industries. The local banks have been unable to provide adequate

funding to industries also. The government therefore has been making loan arrangements with regional banks. Biti (2010:1-10), on the matter of loans, posited that through arrangements with Afreximbank, PTA Bank (a development bank owned by the Common Market for Eastern and Southern Africa) and others have disbursed US$195.92 million in 2009. In 2010, Afreximbank disbursed US$268.5 million. Table 4.5 below shows facilities approved and disbursement by foreign regional banks.

Table 4.5: Facilities approved and disbursement

Sector	Facilities approved (US$ million)	Disbursement (US$ million)
Agriculture	297.50	148.92
Manufacturing	115.00	13.00
Financial	76.00	19.00
Telecommunications	67.50	-
Mining	33.50	10.00
Tourism	11.10	-
Distribution	5.00	5.00
Total	605.63	195.92

Source: Biti (2010:1-10).

As seen in the table above, funding is a major constraint in revitalising the Zimbabwean economy. Almost all the sectors were negatively affected. Since the government revenue base is small, it has to rely on regional banks. The amounts shown above are insignificant to ensure effective recovery of the affected sectors. These sectors need substantial capital inflow for them to increase capacity utilisation. In 2011 however, the local banks increased their lending to productive sectors to the amount of U$2.59 billion. The sectors which benefitted, included agriculture 18%, manufacturing 20%, distribution 19% and mining 6% (Biti, 2011:2).

Zimbabwe is heavily indebted. Debt has similar effects like budget deficits in crowding out investment and hence can negatively impact on the ability to produce. The Zimbabwe Coalition on Debt and Development (2009:1-3) revealed that at independence in 1980, the Zimbabwe Government inherited the Smith regime's debt amounting to US$594 million; of which was private sector debt, US$94 million was bilateral debt, and US$5 million was owed to multilateral institutions. The amount needed by government to service the debt per year was US$65 million. Biti (2009:1) argued that as of December 31, 2008, Zimbabwe's external debt amounted to US$4.7 billion. Of this amount the government owes US$3.6

billion and US$1.1 billion was owed by parastatals and the private sector. The bulk of the debt was accumulated under the Economic Structural Adjustment Programme (ESAP) during 1991-1995 and it amounted to US$3.5 billion in new loans being spread over the three year period. As of December 2008, close to 65% of external obligations were in arrears.

According to IMF (2010a:1-7) and IMF (2010b:2) Zimbabwe's external debt rose to US$7.1 billion in 2009 and further increased to US$7.6 billion in 2010, representing an increase of 8%. The domestic debt is expected to increase to US$1 billion by the end of 2010. The per capita debt per person amounts to US$750[21]. The debt is equivalent to 162% of the GDP by the end of 2009 (IMF, 2010b:2). The debt presents a big threat to the economic reconstruction/recovery. The IMF (2010a:1-7) further projects that by 2011 the Net Present Value (NPV) of government external debt and the external debt that the country is a guarantor to will surpass 90%, while the NPV debt-export ratio would be in the region of 440% by 2026 and the debt-export ratio would hover around 1000%.

Policies (by themselves) cannot be sufficient for the sustainability of debt. Debt relief from multilateral and bilateral institutions must form part of the stabilising intervention (UNDP, 2008b:41). Biti (2010b:1) while addressing a meeting of the African Development Bank in 2010, acknowledged that Zimbabwe was in a serious debt trap. The GDP growth rate target for 2010 of 7% was not realistic and was being revised to 4.8% because of the difficulty of raising capital. According to Bimha (2009:1), the Zimbabwe government also owes its ambassadors and other diplomatic staff in its missions abroad US$30 million in salary arrears and benefits. The government also owes about US$58 million to local service providers.

4.3.1.2 Monetary and exchange rate policy

The monetary policy in Zimbabwe has been used in quasi-fiscal activities especially from December 2003. The central bank usurped the fiscal mandate of the Treasury by involving itself in quasi-fiscal operations (UNDP, 2008b:63). The central bank had the ability to finance them by printing money which in turn caused very high inflation (UNDP, 2008b:66). With the introduction of the multi-currencies regime, the policy has become increasingly less

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[21] The figure was arrived at by dividing the total external debt by 12 million (the population of Zimbabwe).

important and irrelevant. However, at its peak of importance, the central bank administered the quasi-fiscal activities, some of which are listed in table 4.6.

Table 4.6: Central bank programmes administered

Programme	Year of inception
Production sector facility	2004
Distressed companies fund	2005
National housing facility	2005
Medical professions fund	2005
Import substitution and value added facility	2005
Agriculture sector productivity enhancement facility	2005
Parastatals and local authorities reorientation programme	2005
Export support facility	2006
Small and medium enterprise facility	2006
Agriculture mechanisation programme	2007
National cattle herd rebuilding programme	2007
Basic commodities supply side interventions facility	2007
Women and youth facility	2007
Tourism development fund	2007

Source: Reserve Bank of Zimbabwe (2010).

The programmes financed by the Central Bank included amongst others, export support facility, import substitution, agricultural mechanization and production support facility. According to the IMF (2009:7), the Reserve Bank of Zimbabwe's quasi fiscal activities substantially increased in 2008 to US$1.1 billion being 36% of GDP from US$0.8 billion in 2007 being 23% of GDP. The quasi fiscal activities included expenses on election, transfers to parastatals, subsidised lending, below cost provision of equipment and fertilizers to farmers and allocation of foreign currency at subsidized exchange rates. These were generally financed through surrender requirements on export proceeds, the retention of foreign exchange earnings of the gold and agricultural sectors above mandatory requirements, the confiscation of most foreign currency deposits, external borrowing, purchases of foreign exchange at the black market (parallel market) and monetisation (IMF, 2011:7). With regard to foreign reserves, it is anticipated that there will not be room to build foreign reserves in Zimbabwe during the period 2012-2013 due to dwindling foreign investment and capital flight. Foreign currency reserves are projected to rise by 4% in 2012 and again by the same percentage in 2013. This will result in import cover remaining at the same rate of 1-2 months as was the case in 2009-2011 (NKC, 2012:3).

Gono (2004:1-5) presented a dual interest rate policy. The dual interest rate policy was aimed at curbing inflationary pressure by hiking interest rates relating to consumption while providing reduced interest rates for the productive sector. This was meant to assist the productive sector with inputs for production of exportable goods. However, 90% of the respondents to the Confederation of Zimbabwe (CZI) survey which was conducted on manufacturers said their problem was working capital. This signifies that the interest rates were not even favourable to the productive sector, especially manufacturing. As a result, they have been producing less output (European Commission, 2007:90).

Zimbabwe has been using a fixed exchange rate regime since the crisis period began from 1997 to 2008. However, according to Mzumara (2006:147), a fixed exchange rate regime has to be backed by reserves and this was not the case in Zimbabwe. As a result, a parallel market emerged, as the Zimbabwe dollar became overvalued, especially between the years 2000 to 2008. Zimbabwe also experimented on an auction rate in 2006 but this attempt also failedr. The fixed exchange rate severely crippled the economy thereby reducing production. The formal sector had no foreign exchange and those who had it were only interested in speculation (including the financial institutions themselves). Table 4.7 below shows the exchange rate of some selected major trading currencies from 1985 to 2006. The Zimbabwe dollar was strong in the 1980s and early 1990s. However, the exchange rate of the Zimbabwe dollar began to deteriorate in the late 1990s especially from 1997 when the Zimbabwe dollar crashed on 14 November 1997 (UNDP, 2008b: 9) (see section 4.3.2.4). In some years the exchange rate seemed to improve because the Central Bank used to intervene by reducing some zeros from the currency (for example in 2006, when the country had introduced billions and trillions in currency denominations and accounting became difficult because of the huge figures). Generally, the exchange rate of the Zimbabwe dollar against the other major currencies had weakened significantly since the late 1990s. The above were official exchange rates under the fixed exchange rate regime. The fixed exchange rate led to the Zimbabwe dollar being overvalued. A condition which then led to the emergence of a parallel market where the Zimbabwe dollar had significantly deteriorated in value against major currencies (European Commission, 2007:9). Zimbabwe implemented a fixed exchange rate regime when it had no adequate foreign currency reserves to enable it to intervene and crush the parallel market. For this reason, the parallel market thrived (European Commission, 2007:9).

Table 4.7: Selected Exchange rates

Year	Month	America US$	British P. Sterling	S. African Rand	Euro	Botswana Pula
1985	December	0.6093	0.4227	1.5777	1.4992	1.3134
1986	December	0.5959	0.4055	1.3144	1.1605	1.0962
1987	December	0.6013	0.3244	1.1611	0.9588	0.9447
1988	December	0.5147	0.2874	1.2238	0.9195	0.9963
1989	December	0.4405	0.2746	1.1172	0.7440	0.8225
1990	December	0.3793	0.1967	0.9726	0.5605	0.77128
1991	December	5.0511	9.4229	1.8413	3.3609	2.4318
1992	December	5.4815	8.2785	1.7854	3.3914	2.4318
1993	December	6.9354	10.2375	2.0404	3.9969	2.7081
1994	December	8.3871	13.0798	2.3640	5.4013	3.0885
1995	December	9.3109	14.4203	2.5618	6.4760	3.3021
1996	December	10.8389	18.3259	2.3172	6.9737	2.9725
1997	December	18.6081	30.8615	3.8096	10.4022	4.8874
1998	December	37.3692	62.2496	6.3535	22.2850	8.3688
1999	December	38.1388	61.7581	6.1969	19.1496	8.2388
2000	December	55.0660	82.1751	7.2790	26.1490	10.2643
2001	December	55.0357	88.2691	6.3698	24.8328	10.0660
2002	December	55.0357	88.2691	6.3699	24.8328	10.0660
2003	December	826.4462	1303.1404	103.7844	372.903	159.9586
2004	December	5696.0257	10990.1176	993.4496	7629.4795	-
2005	December	77964.5933	-	12248.8400	92509.0963	14143.5898
2006	December	250.0000	491.2506	35.7500	329.2300	41.4400

Source: ZIMSTATS (2010).

A good monetary and exchange rate policy must be able to stimulate foreign direct investment (FDI). This in turn can stimulate industry in the country. Industrial policy and foreign direct investment (FDI) are discussed in section 4.3.1.3.

4.3.1.3 Industrial policy and FDI

The introduction of the multi-currency regime was supposed to benefit the implementation of the industrial policy. The aim of the industrial policy is to change Zimbabwe from a primary goods producer to a producer of manufactured and processed goods to satisfy both the domestic and export markets (including SADC). This, however, still remains unattained (Government of Zimbabwe, 2004:3).

The Government of Zimbabwe (2004:4) gives the following strategies for the industrial development policy in Zimbabwe: provision of incentives for local production; encouragement of innovation, technology and value addition; provision of incentives for

industrial development; an assessment of the causes of dying industries and their recovery; provision of funding for the industrial sector; provision of industrial parks; provision of infrastructure support; encouraging of spatial development projects; harmonisation of regulations governing the sector; and establishment of a committee to promote industrialisation. The above strategies were meant to improve the performance of industries in Zimbabwe in terms of production. However, due to the crisis Zimbabwe was going through up to 2008, this policy was not really implemented. The industrial base can also be affected by foreign direct investment (FDI).

Zimbabwe, to date has not received much in terms of FDI and this has affected unemployment levels (European Commission, 2007:7; Mzumara, 2011b:362). Biti (2010:1-10) points out that in 2009, about US$852 million worth of projects were approved but so far only US$105 million was invested. According to NKC (2012:7) the Zimbabwe Investment Authority approved US$8.8 billion worth of projects between 2010 and 2012 but only 10.3% resulted in actual investment. Table 4.8 below shows FDI net inflows in Zimbabwe since 1970.

Table 4.8: FDI net flows in Zimbabwe

Year (1970 – 1992)	Net inflows (US$)	Year (1993 – 2011)	Net inflows (US$)
1970	18 670 000	1993	27 986 890.65
1971	21 840 000	1994	34 688 238.62
1973	30 490 000	1995	117 700 000
1974	33 350 000	1996	80 900 000
1975	28 870 000	1997	135 100 000
1976	29 090 000	1998	444 300 000
1977	-3 819 527.34	1999	59 000 000
1978	2 522 036.92	2000	23 200 000
1979	147 118.32	2001	3 800 000
1980	1 551 449.96	2002	25 900 000
1981	3 550 092.81	2003	3 800 000
1982	-842 240.69	2004	8 700 000
1983	-2 076 677.99	2005	102 800 000
1984	-2 491 023.55	2006	40 000 000
1985	2 851 844.94	2007	68 900 000
1986	7 453 585	2008	52 000 000
1987	-30 541 337.45	2009	152 000 000
1988	-18 054 106.94	2010	105 000 000
1989	-10 192 327.80	2011	125 000 000
1990	-12 219 712.90		
1991	2 793 655.71		
1992	14 966 881.70		

Source: World Bank (2010); Biti (2010:1-10); UNCTAD (2011); Mzumara (2011b:362).[22]

Foreign direct investment (FDI) inflow in Zimbabwe averaged the equivalent of 18% of GDP in the 1980s and 20% in the 1990s and was barely 1.1% from 2000 to 2009 (Biti, 2011:1). Zimbabwe had the largest net investment inflow in 1998 amounting to US$444 300 000 and the least in 1987 of US$-30 541 337.45 (negative). Investment is very sensitive to governance indicators (see table 4.3). Countries with poor governance indicators do not attract investment. The prospective foreign investors examine these indicators before they decide in which country to invest (Mzumara, 2011b:361). FDI is promoted when the macroeconomic environment of a country is relatively stable. The macroeconomic environment since 1965 is discussed in section 4.3.2.

4.3.2 Macroeconomic environment since 1965

The macroeconomic environment since 1965 is structured as follows: section 4.3.2.1 covers the period 1965 to 1979, section 4.3.2.2 covers the period 1980 to 1990, section 4.3.2.3 covers the period 1990 to 1996, section 4.3.2.4 covers the period 1997 to 2008 and section 4.3.2.5 covers the period 2009 onwards.

4.3.2.1 1965 to 1979

This is the period before Zimbabwe gained independence. Rhodesia, as the country was known then, was under sanctions imposed by the United Nations in response to the racial policies practiced by the government of the day. The sanctions mainly prevented the country from trading with others. During this period, the country embarked on an import substitution strategy, even though it was at a very high cost. The import substitution strategy became the industrial base of the economy (UNDP, 2008b:7). According to the Starnberger Institute (1989:54) Rhodesia was able to withstand the sanctions for a long time and in spite of the sanctions, the economy registered very high growth rates. This was achieved through an import substitution strategy and the assistance the country received from South Africa. The government employed a wider range of interventionist policies that included inward-looking and import substitution strategies that were aimed at encouraging local manufacturing and the

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[22] The table has been compiled by this study from the data obtained from the above sources . No single source provided all the information. Data was only available up to 2011.

attainment of autarky in a wide range of consumer goods. These were reinforced through the clear controls on prices, wages, interest rates and exchange rates (UNDP, 2008b:7).

The period from 1965 to 1973 was also characterised by very high economic growth rates. However, the growth was affected in 1974 due to the intensification of the liberation war and the global recession that were brought about by an oil shock (UNDP, 2008b:7). The slowing down of economic activity affected the economy during that year. The UDI economy was generally well-managed, prices were stable, savings rates were high and the currency was stable. There was a close partnership between government and the private sector (UNDP, 2008b:7).

4.3.2.2   1980 to 1990

At independence on 18 April 1980, the Zimbabwe government assumed a dual economy which had both a poor rural sector and a relatively developed modern sector (Institute of Development Studies, 2003:8). The economy at independence was a well-functioning one. The new government maintained the various controls used by the erstwhile racist regime. These were done in the context of a command economy. It expanded expenditure on health, education and other social services (UNDP, 2008b:8). Auret (1990:28) observes that the new government recorded very high achievements in education and health sectors. The country experienced high economic growth rates of 10.7% and 9.7% in 1980 and 1981 respectively and these high growth rates were attained as a result of exogenous growth (external factors), fiscal driven redistributive programmes and the return of access to external markets (UNDP, 2008b:8).

The growth in social sectors was unfortunately not matched with the growth in productive sectors. The demand for the country's products also declined. There was also a decline in investment and capital formation. Lastly, the country experienced severe shortages of foreign currency. The combination of the above factors brought in recession. The country then had no option but to settle for the International Monetary Fund (IMF) initiated Economic Structural Adjustment Programme (ESAP) (UNDP, 2008b:8).

4.3.2.3   1991 to 1996

The effects of growth in non-productive sectors had negatively affected productive sectors in the post-independence era and this needed to be corrected. The UNDP (2008b:8-9) points out that this was a period of economic liberalisation, which was meant to move the economy away from import substitution to an open market driven economy; implement monetary policy reforms which included market based interest rates and liberalisation of the financial sector; open a one-stop investment centre; commercialise parastatals and liberalise the labour market. The Economic Structural Adjustment Programme failed miserably and led to a decline in job security in the public sector and the winding up of some industries (Parsons, 2007:8). The government failed to meet the domestic logic (mechanisms necessary to achieve targets) of the reforms. For example, out of fear of becoming politically unpopular by reducing expenditure, the government failed to implement fiscal stabilisation as was needed. The drought experienced in the 1992 to 1993 season also complicated the situation. As a result, the budget deficit ballooned to 8% as compared to the target of 5% and GDP growth was marginal, at around 0.8% against the target of 5% (UNDP, 2008b:9).

The government abandoned the ESAP and formulated its own programme known as the Zimbabwe Programme for Economic and Social Transformation (ZIMPREST). It was short-lived due to its failure to have any impact. In addition, the international donors did not participate in it (Institute of Development Studies, 2003:37). ZIMPREST failed in the same way as ESAP due to government fiscal indiscipline - as a result of not conforming to macroeconomic fundamentals leading to high inflation, depleted foreign currency reserves, disequilibrium in the balance of payment (BOP) and declining economic growth (UNDP, 2008b:9). Madzova and Tekere (2001:6) attribute BOP disequilibrium experienced by Zimbabwe to poor export performance.

4.3.2.4   1997 to 2008

The combination of the failure of ESAP and ZIMPREST discussed in the previous section, and the events on 14 November 1997 and other policy misdirection led to an economic crisis. The UNDP (2008b:9) gives an account that the economic crisis began on what is known as 'Black Friday' when the domestic currency crashed on 14 November 1997. This was caused by an unplanned grant the government gave to ex-combatants (former freedom fighters) in

response to their demands. Each ex-combatant received about Z$50 000 which was not budgeted for in that financial year but was enough to cause the crash of the domestic currency. In addition, in 1998, Zimbabwe extended its hands by sending troops to the Democratic Republic of Congo. The involvement in DR Congo's conflict further increased the fiscal deficit. Madzova and Tekere (2001:6) concur that Zimbabwe's engagement of the military in DR Congo worsened deficits and her chances of IMF disbursement and the inflow of financial aid diminished. Thereafter, frequent interventions such as policy reversals by the government after the failure of both ESAP and ZIMPREST saw the deepening of the crisis (UNDP, 2008b:10). The above factors brought about instability in the economy. The UNDP (2008b:10) points out that since the onset of the crisis in 1997, GDP declined significantly from 0% in 1998 to -7.4% in 2000. It further declined to -10.4% in 2003.

The real GDP growth average was -5.9% between 2005 and 2007. According to the IMF (2011:4), Zimbabwe's economy was a roller-coaster between 1998 and 2008. Political turmoil and economic policy mismanagement led to large production losses and resulted in hyperinflation, followed by a humanitarian crisis in 2008.

The period from 2000 onwards, was the time during which the land reform programme was intensified. Initially, it began with the liberation-war veterans (ex-combatants) forcibly occupying white owned commercial farms. Then government, as a way to regain popularity after it lost the vote during Constitutional referendum in 2000, embraced the farm invasions as its own land reform programme (Timbe, 2007:124). Production on farms shrunk as the invaded farms remained unutilised or under-utilised (Parsons, 2007:10). As a result, Zimbabwe, hitherto described as the bread basket for Southern Africa became a net importer of food (Parsons, 2007: African Development Bank, 2010:1-8, 10; Mzumara, 2011b:1) and GDP growth rates were negatively affected as shown in figure 4.1 below.

Figure 4.1: GDP growth rates in agriculture 2000-2008
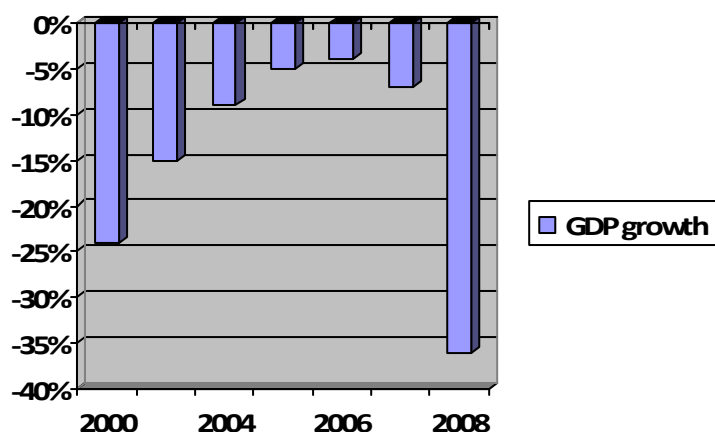
Source: ZIMSTATS (2010).

The GDP growth rate in agriculture, as a result of the land reform shared negative growth rates for the period 2000 to 2008. The lowest decline in the growth rate was in 2006 when it reached -5%. Similarly, the highest decline in the growth rate was in 2008 when it reached -36%. The above figure supports the findings of Parsons (2007:10), the African Development Bank (2010:1-8) and Mzumara (2011b:1) about declining food production and export in Zimbabwe. According to the Government of Zimbabwe (2008:6), article V of the Global Political Agreement provides for a transparent land audit to be carried without political affiliation, to take stock and get rid of multiple land ownership. Currently there are individuals who managed to get two or more farms under the programme and in some cases, they remain underutilised. Given such a situation, it is very hard to restore production at the farms.

The UNDP (2008b:11-12) further points out that Zimbabwe also experienced a very high rate of HIV/AIDS related deaths, thereby reducing life expectancy to 37 years for men and 34 years for women in 2007. It was further estimated that about 1.6 million adult Zimbabweans under 50 years were suffering from HIV/AIDS. This is a group of economically active people signifying a greater impact on the economy through reduction in productivity on the farms, factories and other economic activities. (UNDP, 2008b:12).

Inflation is one of the major indicators of stability of the economy. Inflationary pressure significantly affected Zimbabwe's economy, as it eroded the purchasing power of the

Zimbabwe dollar (Government of Zimbabwe, 2009c:18-19). Table 4.9 below shows the official annual inflation rates since 1980.

Table 4.9: Zimbabwe inflation rates (official)

Year	Rate
1980	7%
1981	14%
1982	15%
1983	19%
1984	10%
1985	10%
1986	15%
1987	10%
1988	8%
1989	14%
1990	17%
1991	48%
1992	40%
1993	20%
1994	25%
1995	28%
1996	16%
1997	20%
1998	48%
1999	56.9%
2000	55.22%
2001	112.1%
2002	198.93%
2003	598.75%
2004	132.75%
2005	585.84%
2006	1281.11%
2007	66212.3%
2008	2300000 000%[23]

Source: ZIMSTATS (2010).

In the table above, Zimbabwe had the lowest inflation in 1980 at 7% and the highest in 2008 at 2 300 000 000%. In 2009, inflation was tamed with the adoption of the multi-currency regime. The inflation in 2009 was -7.7% (see table 4.1). According to Biti (2010:1-10), the period up to June 2010, inflationary pressure increased. The year to year inflation was at 0.7% in January 2010, then rising to 1% in February; surging to 3.5% in March, to 4.8% in April 2010 and finally to 6.1% in May 2010. In 2011, annual inflation began at 3.5%, and

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[23] The inflation rate had reached very high level thereby leading to the abandonment of the Zimbabwean currency. 2008 was the peak of economic crisis in Zimbabwe. Inflation was tamed in 2009 because Zimbabwe adopted multi-currency regime.

then dropped to 2.5% in the second quarter of 2011. By the third quarter of 2011, inflation had risen to 3.3% in July, reaching 3.5% in August and 4.3% in September 2011. Month-on-month inflation also behaved in a similar pattern.

The major culprits (drivers) of inflation in 2011 were housing and rental costs, alcohol and foodstuffs (Biti, 2011:2). There were still constraints in local production of most of the basic commodities and the Minister of Finance continuously either extended duty rebate or included more products under the programme to ensure that there is less inflationary pressure by allowing individuals to import mainly from South Africa. However, on 24 November 2011 the Minister of Finance removed duty rebates on basic commodities (Biti, 2011:2). The official figures show consumer price index increased by 0.5% month on month and year on year went down to 4.3% in January 2012 from 4.9% year on year in December 2011 (NKC, 2012:9).

The section above shared that from 1991 onward Zimbabwe experienced very high inflation leading to instability in unemployment rates. According to Parsons (2007:8), many jobs were lost due to the failed Economic Structural Adjustment Programme (ESAP). Growth in employment decreased significantly to 1.5% in the period between the years 1996 to 1999 (Raftopolous, 2003:227). Table 4.10 below shows unemployment rates for the period, 2000 to 2009.

Table 4.10: Unemployment rates, (2000-2009)

Year	Unemployment rate (%)
2000	50
2001	50
2002	60
2003	70
2004	70
2005	70
2006	80
2007	80
2008	80
2009	80

Source: Index Mundi (2010).

The unemployment rate was 50% in 2000 and by 2002 the rate had risen by 10%. In 2003 the unemployment rate had risen to 70% and it maintained that level up to 2005. In 2006 this went up to 80% and remained at the same level up until 2009. The high unemployment rate

show the magnitude of the impact of the crisis experienced in Zimbabwe. The unemployment problem has also been worsened by the imposition of sanctions. The imposition of sanctions followed as a result of displeasure amongst some western governments with Zimbabwe's policies, legislation and conduct. The rejection of the draft Constitution in 2000 was seen by the MDC, its supporters and civic organisations as the defeat of ZANU (PF). However, it gave an opportunity to ZANU (PF) to examine its political programmes. When the war veterans (who almost all of them were ZANU (PF) supporters) began to invade commercial farms owned by white Zimbabweans, ZANU (PF) accepted these invasions as their own political programme, to regain the support lost in the Constitutional referendum. The international community (especially the USA, European Union and the United Kingdom) were unhappy with the government and ZANU (PF) for not stopping the land invasions. In order to demonstrate their displeasure, they imposed a travel ban on top ZANU (PF) and government leadership (Timbe, 2007:124-125).

The Government of George Busch (Jr.) crafted the Zimbabwe Democracy and Economic Recovery Act (ZIDERA) in 2001 and this Act can be seen as one of the worst international bans on Zimbabwe. The Zimbabwe Democracy and Economic Recovery Act of 2001 (Public Law 107-99) states that it is the policy of the United States of America to assist the people of Zimbabwe in their quest of peaceful struggle, democratic change, attainment of wider and equitable economic growth and restoration of the respect for law. The Act mandates the Secretary of the Treasury to direct the United States Directors in multilateral banks and financial institutions to deny any credit and financial relief to Zimbabwe. Under this Act, the country can only get credit or relief if the US President recommends to Congress that it has restored the rule of law, has held free and fair elections, has spear-headed equitable, legal and open reform, and has managed to place the country's security forces under the control of any elected civilian government (USA Congress, 2001:115). The United States of America has now introduced the Zimbabwe Transition and Economic Recovery Act of 2010. This Act seeks to amend the Zimbabwe Democracy and Economic Recovery Act of 2001 and it authorizes the US President to provide technical assistance to some ministries of the transitional government not controlled by ZANU (PF) and to the Parliament of Zimbabwe to secure economic, political and sectoral reforms (USA Congress, 2010:1).

According to the Parliament of Zimbabwe (2007:80), the Indigenisation and Economic Empowerment Act (Chapter 14:33) seeks to provide support measures for the economic

empowerment of indigenous Zimbabweans. The objectives of the Act are to, *inter alia*, assure that at least 51% of the shares of every public company or any other private company or business shall be owned by indigenous Zimbabweans; no sub-dividing of existing company or demerger of two or more companies shall be allowed, if their value of any such company formed after subdividing or demerger or restructured entity be allowed unless indigenous Zimbabweans have 51% shareholding in it; no merger or restructuring of the shareholding of two or more related or associated businesses or acquisition by a person of controlling interest in a business be allowed, if the value of a business is beyond threshold; no project or proposed investment in reserved areas shall be denied to local or external investors as long as indigenous Zimbabweans are in control; that all central government purchases shall be conducted according to the Procurement Act (Chapter 22:14) and that where indigenous Zimbabweans do not have controlling interest in the company that has won the tender, it has to subcontract some work to businesses in which indigenous Zimbabweans have a controlling interest.

The Act defines an '*indigenous Zimbabwean*' as any person who, before the 18th April 1980, was disadvantaged by unfair discrimination on reasons or grounds of that person's race. The Act also includes descendants of such individual and extends to any company, association, syndicate or partnership of which Indigenous Zimbabweans have controlling interest (Parliament of Zimbabwe, 2007:80). The export-led growth (ELG) hinges on the inflow of investment such as FDI but the Act does not promote such investment. The Act also does not create a favourable environment for successful post-conflict reconstruction, again due to its impact on investment.

4.3.2.5 2009 onwards

 2009 onwards can be classified by the Government of National Unity that was formed by the three parties, ZANU PF, MDC (T) and MDC (M) . It is here government started abandoning the Zimbabwean dollar, in favour of a multi-currency regime consisting of the United States dollar and South African rand and, to a lesser extent, the Botswana pula (these are the three currencies that are used for transactions in most parts of the country) it also tamed the hyperinflation which Zimbabwean dollar gave rise to during its legal tender in Zimbabwe (African Development Bank, 2010:3; World Bank, 2011a:2).

The Short Term Emergency Recovery Programme (STERP I and II) which is were previously discussed were also launched during this period. STERP I was launched in March 2009 and according to the Government of Zimbabwe (2009b:9), aim was: at growth driven recovery, restoration of the value of the domestic currency and its stability, increasing capacity utilisation in all sectors of the economy, adequate availability of basic commodities, revamping of collapsed social, health and education sectors and provision of water supply. STERP I's life span was nine months. Although there are signs of some achievements, STERP 1 did not achieve all its objectives due to limited funding (Government of Zimbabwe, 2009c:5). STERP I was replaced by STERP II.

STERP II was launched by the government of Zimbabwe on 23 December 2009 as a response to the failure of STERP I. It was implemented as a three year macroeconomic policy and budget framework whose life span ranged from 2010-2012. According to the Government of Zimbabwe (2009c:5), STERP I managed to attain some macro-economic stability but there are many other challenges such as sustainability and funding which STERP I did not achieve, hence the launching of STERP II became necessary. STERP II is silent on the cause of STERP I's failure to achieve its goals. The success of STERP I was based on the expectation that donors would have supported the programme after the signing of the Global Political Agreement that would subsequently have formed the Government of National Unity. Instead, the international donor community developed a wait and see attitude towards the inclusive government and aa results have not invested necessary money that could have been used for the implementation of STERP I.

According to the Government of Zimbabwe (2009c:22-30), STERP II was intended to turn around the agriculture sector which continuously recorded negative growth between 2000 and 2009. In conjuction with this programme, the government also pledged to conduct a land audit and solve the problem of security of tenure by preveningt new farm disruptions. Finally, it wants to attain growth of up to 20% in the sector. The objective in manufacturing is to increase capacity utilisation from almost below 10% to above 60% by the expiry of the programme. In the mining sector, the programme intends to remove surrender requirements[24], beneficiation added value[25], exploration, enacting new regulations for mining rights, reform

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[24] A requirement where mining companies had to surrender their foreign curreny to the central bank for local currency which they could not use to procure machinery or make additional investment.
[25] Encourage mining firms to export their products after adding value rather than exporting in primary form.

the pricing of minerals and so on. In the energy sector, it will emphasize the generation of enough and reliable energy supplies to enable industries and mines and other productive sectors to improve on capacity utilisation. In the transport sector, it is expected that there will be rehabilitation for both rural and urban networks. In addition to sectoral development, the Government of Zimbabwe (2009c:184) asserts that it will use STERP II, formulate to and implement a national trade policy, which will include a national export and development strategy. The strategy aims at increasing production of exportable products and increasing Zimbabwe's share in the traditional markets and penetrating new markets. STERP II is not clear how it will attain these objectives. Since its launch, very little implementation have been taking place. The programme faces the same fate as STERP I because it is also being shunned by international donors. STERP II will therefore overlap into a Medium Term Plan (MTP).

The Medium Term Plan (MTP) has been prepared by the Ministry of Economic Planning and Investment Promotion (Government of Zimbabwe, 2009c:11; Government of Zimbabwe, 2010:6). MTP extends over a period of 4 years from 2011 to 2015 and was launched on 7 July 2011 (Biti, 2011:1). According to the Government of Zimbabwe (2010:5), the theme of the MTP is transforming and making the economy globally competitive. Such an economy will provide jobs and provide equity, freedom and democracy. The objectives of the MTP are, *inter alia, to ensure:* macroeconomic stability; good governance, maintenance of political stability; diversified economy with very high growth rates; access to social services by all; acceleration of rural development; equal opportunities for all; development and utilisation of modern science and technology; achievement of a vibrant and dynamic culture; and sustainable utilisation and management (Government of Zimbabwe, 2010:8-9). According to the Government of Zimbabwe (2010:95), the plan aims at restoring the viability of tobacco to its 1990s levels when tobacco crop accounted for 33% of exports and contributed 12% to GDP. The programmes discussed above are meant to assist the Zimbabwean economy to recover. However, as the African Development Bank and World Bank have pointed out, these programmes are not adequate to sustain economic growth. The sectors have performed badly, especially during the crisis period when production declined substantially. In section 4.3.3 an analysis of a sectorial overview is provided.

4.3.3 Sector overview

The sector discussion begins with agriculture one of the major sectors in Zimbabwe (Government of Zimbabwe, 2009c:22-36) Table 4.11 below provides an overview of crop production. One can see that the production of most of the crops decreased from 2000 onward due to the impact of the crisis. The sector performed well in the 1980s and in most of 1990s, despite some significant fluctuations. However, according to NKC (2012:6), the Tobacco Industry Marketing Board (TIMB) forecasted that tobacco production will rise by 14.15% to 150 000 tonnes in 2012. This will bring it closer to the 236 000 tonnes produced in 2000. Please note, these figures differ from the ones given in the table 4.11below because another source was used.

Table 4.11: Crop production, 1980-2010

Year	Maize Tons	Wheat Tons	G/nuts Tons	Cotton Tons	Tobacco Tons	Soya beans Tons	Sunflower Tons
1980	1510700	155000	77675	157533	-[26]	97403	10792
1981	2833400	183500	118797	170594	-	72881	12676
1982	1808400	191900	111377	134886	-	91596	8952
1983	909800	124200	31652	146521	-	80626	3373
1984	1348500	99000	24914	221746	-	89733	8770
1985	2711000	207200	67938	274186	-	87217	18106
1986	2412000	248300	60710	251162	-	73560	18360
1987	1083700	215000	79060	280016	-	94795	26028
1988	2253000	260000	135270	338953	-	120410	64713
1989	1931200	285000	100875	270225	-	126115	60814
1990	1993800	325000	118815	205241	-	110313	63990
1991	1585800	300000	107040	261051	-	97295	63963
1992	361000	70000	34032	76232	-	51125	19503
1993	2063003	250000	55550	214300	-	70520	67650
1994	2109283	221811	91050	194269	177039	110758	39775
1995	884962	238578	45675	98411	178652	96555	17421
1996	2065347	205000	67562	233979	177884	96948	28180
1997	1552703	250000	123633	195212	171191	97063	18863
1998	1195929	242121	46148	179347	197222	116327	14227
1999	1606588	260909	80240	197259	175282	120685	12308
2000	1619651	229775	124117	241964	190242	135417	9224
2001	1526328	197526	168749	280254	159853	140793	30393
2002	604758	19500	56378	134189	113635	84441	4631
2003	1058786	122427	86494	159497	93574	41197	16923
2004	1686151	247048	64157	364266	78312	85827	20239
2005	915366	229089	57754	196300	8330	56230	7419
2006	1484839	241924	83170	207912	44451	70273	16742
2007	952600		125000	235000	79000	112300	25700

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[26] - No figures were available

Table 4.11: Crop production, 1980-2010 … continued

Year	Maize Tons	Wheat Tons	G/nuts Tons	Cotton Tons	Tobacco Tons	Soya beans Tons	Sunflower Tons
2008	435160	-	13536	226435	69791	48320	5461
2009	1242566	-	216619	246757	63600	115817	39098
2010	1322572	-	186214	172129	85045	70256	13960
2011 est[27].	1451000	40000	-	250000	133000	84000	-
2012proj[28]	1800000	40000	-	286000	160000	100000	-

Source: Ministry of Agriculture (2011).

Table 4.12 below shows the production of sugar, coffee, horticulture and beef from 2002 to 2010.

Table 4.12: Production of sugar, coffee, horticulture and beef

Year	Sugar (Tons)	Coffee (Tons)	Horticulture (Tons)	Beef (Tons)
2002	-	10 000	-	-
2005	430 000	2 500	60 000	90 000
2006	447 000	-	64 000	90 000
2007	442 000	-	66 000	95 000
2008	298 000	-	60 000	90 000
2009	259000	-	35 000	93 000
2010	333 000	300	43 000	95 000
2011est[29]	370 000	-	45 000	-
2012proj[30]	400 000	-	51 000	-

Source: Ministry of Agriculture (2011).[31]

Coffee production has also declined from 10 000 tonnes in 2002 to 2 500 tonnes in 2005with the production of coffee by April 2010, below 300 tonnes. According to Biti (2010a), the national grain requirement of Zimbabwe is 1.95 million tonnes. The cereal production in 2010 stood at 1.52 million tonnes leaving a deficit of 432 540. Sugar production has decreased substantially from 447 000 tonnes in 2006 to 298 000 000 tonnes in 2008 and this decreased even further to 259 000 tonnes in 2009 and then increased to 333 000 tonnes in 2010. Beef has seen a marginal increase, from 90 000 tonnes in 2005 to 95 000 tonnes in 2007 and it decreased again to 90 000 tonnes in 2008 and picked up a little in 2009 when it amounted to 93 000 then back to the 2007 level in 2010. Horticulture production in 2005 was

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[27] Figures are estimates
[28] Figures are projections
[29] Figures are estimates
[30] Figures are projections
[31] No figures were given by the Ministry of Agriculture for some of the years.

60 000 tonnes then it fluctuated to 35 000 tonnes in 2009 after which it picked up to 43 000 tonnes in 2010. Another sector which is important in generating exports and which was also affected by the crisis is the mining and quarrying sector.

In spite of Zimbabwe having very large mineral deposits, this sector performed very badly over the last few years**.** Table 4.13 provides an overview of some of the best known mineral deposits in Zimbabwe and the number of years it will take to exhaust them

Table 4.13 Mineral deposits in Zimbabwe, 2007

Mineral	Reserves	Current annual extraction rate	Future years of extraction at current production levels
Gold	13 million tonnes	20 tonnes	650 thousand years
Platinum	2.8 billion ounces	2.4 million ounces	1 200 years
Chromite	930 million tonnes	700 000 tonnes	1 300 years
Nickel	761 000 tonnes	9 000 tonnes	500 years
Diamonds	16.5 million tones	Infancy	300 years
Iron ore	30 billion tonnes	300 000 tonnes	100 years
Copper	5.2 million tonnes	-	-
Coal-bed methane	The largest known reserves in Sub-Saharan Africa (no figures were supplied)	-	-

Source: European Commission (2007:18).

Gold reserves will take 650 000 years to exhaust at current extraction rates. Chromite will take about 1 300 years while platinum will be exhausted after 1200 years. Zimbabwe has the largest known coal-bed methane in Sub-Saharan Africa. Table 4.14 below shows mineral production in Zimbabwe for the period 1996-2005.

Table 4.14: Mineral production, 1996-2005

Year	Asbestos Tons	Chrome Tons	Coal Tons	Copper Tons	Gold Kg	Iron Ore Tons	Iron Pyrite Tons	Nickel Tons
1996	169 487	658 416	475 707	9 028	24 699	323 942	59 831	9 694
1997	162 444	669 757	4 749 790	4 993	24 156	479 032	48 101	10 300
1998	123 295	605 405	4 574 604	2 941	25 175	371 589	52 908	10 135
1999	115 221	653 079	4 575 802	4 977	27 114	598 650	55 472	9 594
2000	145 000	668 043	3 807 827	558	22 069	438495	69 119	360
2001	138 751	780 150	40 64 497	2 056	18 049	360 862	98 037	371
2002	167 954	749 339	3 721 112	2 502	15 469	271 812	87 592	1 943
2003	147 209	725 822	2 871 962	2 767	12 564	366 737	93 010	3 449
2004	104 457	668 391	33 23 356	2 383	21 330	228731	100 940	3564
2005	122 041	667 199	23 70 826	2 570	14 024	363 048	59 693	3 879

Source: Chamber of Mines (2007).

Production of asbestos was at its highest peak in 1996 with 169 487 tonnes but then it began to fluctuate with the year 2000 recording the lowest levels at 104 457. Madzova and Tekere (2001:8) attribute the decline of asbestos production to the asbestos ban in some countries, which have shown to be anenvironmental and health hazard that caused cancer. Chrome was at its highest production peak in 2001 when production amounted to 780 150 tonnes. This was followed by fluctuations. Coal production has been declining since 1998. Copper production declined significantly since 1996, mainly due to closure of mines. The Zimbabwe Mining Development Company (ZMDC), a company wholly owned by the government, took over many mines after independence. It closed some mines owing mainly to fall in prices on the world market and the mines not being viable enough to sustain themselves. Both iron ore and iron pyrite production has been fluctuating significantly. Nickel dropped from 10 300 tonnes in 1996 to 341 tonnes in 2001 before picking up but its no where near the 1996 level.

The Zimbabwe mining sector is substantially integrated into the world market system via trade and performance and it is subject to various world mineral prices (Madzova & Tekere, 2001:6). It is important to note that the overall trend in the mineral sector is that of a decrease in production. This trend is consistent with the trends experienced in other sectors where production decreased. The trend is also consistent with the years of the crisis, signifying the impact of the crisis on individual sectors such as mining in this case. Table 4.15a and table 4.15b below provide an overview of mineral production for the period 2000-2012.

Table 4.15a: Mineral production, (2000-2012)

Year	White matte (Ounces)	Perm concentrates (Tons)	Nickel (Tons)	Chrome (Tons)	Chrysotile (Tons)	Black Granite (Tons)
2000	-	11 005	7 364	-	-	180 732.83
2001	-	9 655	8 109	-	108 148.30	175 398.60
2002	118 977	11 957	4 866.14	-	148 686.98	166 668.91
2003	117 854	40 557	11 350.94	-	175 025.23	153 406.87
2004	189 067	41 518	11 163	-	81 736.16	168 696.28
2005	208 116	49 959	8 933	1 092	105 617.54	191 736.64
2006	192 904	52 052	8 428	4 455	109 558.70	193 300.31
2007	181 874	57 070	6 536	67 431	76 408.70	225 436.44
2008	203 431	52 358	4 598	110 394	18 885.21	162 000.93
2009	272 527	61 295	2 693	89 570	5 280	162 412.81
2010	-	-	6 133	516 776	-	169 318
2011 Revised figures	-	-	7 700	700 000	-	168 000
2012 projected figures	-	-	8 800	750 000	-	170 811

Source: Compiled using the data from Chamber of Mines (2007); Biti (2010a:1-10); Ministry

of Mines and Mining Development (2010); Biti (2011:1).

Table 4.15b: Mineral production, (2000-2012)

Year	Coal (Tons)	Diamond (Carats)	Coke (Tons)	Gold (Tons)	Platinum (Tons)	Asbestos (Tons)
2000	15 067.05	27 932.47	184 824.59	-	-	-
2001	26 261.50	-	191 584.19	-	-	-
2002	44 242.77	-	166 664.00	-	-	-
2003	83 078.96	26 844.26	141 502.71	-	-	-
2004	86 181.43	6 408.40	88 627.58	-	-	-
2005	49 042.80	132 766.44	147 190.12	13.45	4.56	123.15
2006	98 907.10	287 479.14	86 533.29	10.80	5.19	110
2007	90 588.01	469 775.78	114 336.58	6.80	5.30	115
2008	10 0347.8	383 273.85	156 891.24	3.07	5.50	11.49
2009	86 311.03	1 305 629.88	93 552.65	4.97	6.86	5.50
2010	2 668 183	-	-	9 620	8 639	-
2011 Revised figures	3 000 000	-	-	13 000	10 500	-
2012 projectected figures	3 500 000	-	-	15 000	12 000	-

White matte production which fluctuated significantly from 2003 it was at its highest in 2009, with the production of 272 527 ounces. Perm concentrates fluctuated in 2001, before picking up in 2002 when 11 095 tonnes were produced. Since then, production has been rising reaching 61 295 tonnes in 2009. The production of nickel differs in the two tables above although the information was obtained from the same source but at different times this suggests that one section of the table was the estimated figures while the other the actual. However, both tables, shows the fluctuation in the production of nickel. Production of gold has been declining due to leakages. Madzova and Tekere (2001:7) attribute the decline in the demand of gold to decisions made by the IMF, Bank of England and the Swiss Bank, namely, to reduce gold reserves. Chrystile also shows fluctuating production patterns. Chrome production also shows different 2005 figures when the two tables are compared. Production of black granite and coal has also been fluctuating and the general trend seems to be that mineral production has decreased. This trend is quite evident and is consistent with the decline in production experienced in other sectors in Zimbabwe over the same period. All of this resulted because of the impact of the crisis that Zimbabwe experienced.

Diamonds and the diamond industry only became evident in 2000. Prior to that, there was no recorded production. According to Mpofu (2010:1) Zimbabwe has about 6 million carats of diamonds ready for sale. Biti (2010a:1-10) has proposed a bill that all deposits of alluvial diamonds in Zimbabwe become state property. On 1 November 2011, the Kimberly Process Certification Scheme meeting in Kinshasa, DR Congo reached a compromise and allowed the sale of diamonds from Marange. The implication of this is that Zimbabwe can now produce and sell its diamonds like any other diamond producing country. To also boost this industry, government has also been assured by its joint venture partners that a minimum of US$600 million in revenue will be accrued to the government in 2012. The diamond industry is significant to Zimbabwe. It becomes evident when taking into account that in 2011, the Ministry of Finance received a dividend of US$122 256 491 from diamonds (Biti, 2011:2).

Another important sector which has been affected by the crisis in Zimbabwe is manufacturing. The manufacturing sector was the largest contributor to GDP from 1980 to 1990, accounting for 22% of total GDP ahead of agriculture which accounted for 14%.

Estimates reveal that agriculture contributes to over 63% to manufacturing's inputs (Confederation of Zimbabwe Industries (CZI), 2009:6). In an input-output relationship 40% of manufacturing output is used in the mining and agriculture sectors (CZI, 2009:6). However, due to supply constraints arising from capacity utilisation, and foreign currency shortages, the contribution of the manufacturing sector to GDP decreased from 24% in 1991 to 16% in 2007 (CZI, 2009:6). Table 4.16 below shows the capacity utilisation.

Table 4.16: Capacity utilisation distribution

Capacity	2005	2006	2007	2009
< 30%	14	13	38	45
< 50%	48	49	78	82
> 49%	55	51	24	18
> 74%	13	97	4	6
100%	3	0	0	0

Source: CZI (2009:11).

In 2005 only 3% of the companies were producing with full capacity utilisation of 100%. However, from 2006 to 2009 none of the companies were producing at 100% capacity utilisation. In 2009, about 82% of companies were operating at less than 50% capacity utilisation. The manufacturing sector improved its capacity utilisation and in the first half of 2009 it increased to 32.3% from less than 10% in 2008 (CZI, 2009:11). Table 4.17 shows capacity utilisation of high performers subsectors in the manufacturing sector.

Table 4.17: Capacity utilisation: High performers

Sub-sector	2010	2011	2012
Foodstuffs	38%	50%	57%
Drink, tobacco and beverages	85%	93%	95%
Wood and furniture	53%	69%	77%
Metals and metal products	52%	56%	65%
Non-metallic mineral products	47%	57%	83%

Source: Biti (2011:1).

In the high performing manufacturing sub-sectors of the Zimbabwean economy, drink, tobacco and beverages capacity utilisation significantly increased to almost maximum capacity levels. During the first half of 2011 the average capacity utilisation in manufacturing increased to about 57.%, from 43% in 2010 (Biti, 2011:1). Table 4.18 shows capacity utilisation in the low performing sub-sectors of manufacturing.

Table 4.18: Capacity utilisation: Low performers

Subsector	2010	2011	2012
Chemical and petroleum products	37%	43%	44%
Clothing and footwear	30%	25%	25%
Textile and ginning	23%	20%	19%
Paper printing and publishing	32%	25%	25%
Transport equipment	22%	27%	30%

Source: Biti (2011:1).

The table above shows that there is generally low capacity utilisation in low performing sub-sectors. Capacity utilisation in sub-sectors such as clothing, textile and printing is expected to remain low namely, at about 20% (Biti, 2011:1). Table 4.19 provides reasons for manufacturing failing to fully utilise capacity. It should be noted that, these reasons were given before Zimbabwe adopted the multi-currency regime.

Table 4.19: Reasons for manufacturing failing to operate at full capacity

Reason	Percentage
Foreign currency shortage	80
Raw material shortages	71.8
Working capital problems	90
Low domestic demand	42.3
Power cuts	6.4
Fuel shortages	9.0
Exchange rate policy	3.8

Source: CZI (2005).

The table above was compiled by Confederation of Zimbabwe Industries in 2005. The survey provided reasons why the stakeholders in the manufacturing sector are failing to operate at full capacity. Working capital was said to be the biggest problem, followed by foreign currency shortages (80%) which led to the manufacturing sector operating below capacity for most of the crisis period (the current multi-currency regime overcomes this problem). Raw material was reported to be the third reason by 71.8% and the reason was because of low domestic demand emarked to only 42.3%. It is important to note that, low capacity utilisation is consistent with that which were highlighted in the other sectors' of production namely that production declined as a result of the impact of the crisis in Zimbabwe. Other problems experienced by the manufacturing sector include limited electricity and water supplies.

Electricity and water are important in increasing production of exportable goods. Zimbabwe is currently experiencing an acute shortage of both electricity and water which has affected

the manufacturing and other sectors. The Zimbabwe Electricity Supply Authority (ZESA) is currently enforcing load-shedding. This has affected manufacturing, mining, agriculture and other sectors of production negatively. The recovery of capacity utilisation has been significantly affected due to the erratic power supply. There has been no significant investment in this sector and as a result the current problems continue (Biti, 2010:1-10; Government of Zimbabwe, 2010:44-47). Table 4.20 shows electricity capacity.

Table 4.20: Electricity capacities

Power Station	Type	Installed capacity	Current output	Current output %	Cost of production US$/KWH
Kariba	Hydro	750 MW	750 MW	100%	2.39
Hwange	Thermal	920 MW	300 MW	33%	6.04
Harare	Thermal	100 MW	0	0%	13.04
Bulawayo	Thermal	90 MW	0	0%	13.04
Munyati	Thermal	100 MW	0	0%	13.04
Total	-	1960 MW	1050 MW	54%	-

Source: Government of Zimbabwe (2010:45).

The country is currently only producing 1050 MW of electricity from two stations, Kariba and Hwange. This is equivalent to 54% of their capacity and this is far too little for the national requirement of between 2000 MW and 2200 MW (Government of Zimbabwe, 2010:45). This leaves a deficit of between 950 MW and 1150 MW that needs to be filled through importation. Unfortunately, due to lack of funds, the utility company is unable to import all the required powe,r hence, there is constant load-shedding which is affecting production in the mining, manufacturing and agricultural sectors. The current water capacity utilisation is 63% of the installed capacity and the major users are agriculture, the urban and industrial sectors, conservation and mining (Government of Zimbabwe, 2010:61). Electricity generation increased marginally from 952MW in 2010 to 1105MW in 2011 and in 2012 electricity output was projected at 1244MW a 4.5% growth (Biti, 2011:1).

Water infrastructure has deteriorated and government has made no significant investment in water infrastructure. Before the crisis, 100% of urban households had and 75 % of rural households had access to water resources. However, now, fewer households (in both the urban and rural areas) have access to regular water (Government of Zimbabwe, 2009b:254).

Another sector which is also important in production (and exports) is finance and insurance.

The central bank has set new minimum capital requirements to improve on viability and prevent bank failure. During the crisis, a number of banks such as the Time Bank, and Barbican Bank were closed. Due to the crisis the country was going through, banks were forced to implement survival policies which often hurt them (Government of Zimbabwe, 2009b:67). Below, table 4.21 shows the minimum capital requirements for commercial banks.

Table 4.21: Minimum capital requirements for the banks

Type of institution	Minimum capital requirement (US$) as at 30th September 2009 (in million)	Minimum capital requirement (US$) as at 31 March 2010 (in million)
Commercial banks	6.25	12.5
Merchant banks	5.0	10
Building societies	5.0	10
Finance houses	3.75	7.5
Discount houses	3.75	7.5

Source: Government of Zimbabwe (2009b:67).

According to Gono (2010:1-5), 17 out of the 24 banks in Zimbabwe as at June 30, 2010 have complied with minimum capital thresholds. The remaining 7 banks were given a grace period of up to 31 December 2010 to raise the minimum capital requirement. With regard to insurance, the Ministry of Finance set a minimum capital requirement due to some insurance companies failing to honour claims (Biti, 2010a:1-10). These minimum requirements are shown in the table 4.22 below.

Table 4.22: Minimum capital requirement of insurance firms

Type of insurance firm	Minimum capital requirement (in US$)
Funeral Assurance companies	500 000
Reinsurance firms	400 000
Insurance firms	300 000

Source: Biti (2010a:1-10).

The table above shows the minimum capital requirement is US$ 500 000 for Funeral Assurance firms and the lowest being US$ 300 000 for insurance firms. Table 4.23 below shows companies which have complied and those which have not complied with minimum capital requirement in this industry.

Table 4.23: Minimum capital requirements of the insurance industry

Types of business	Number of Companies	Number of companies complied	% of compliance
Life Assurance	9	8	89
Life re-assurers	3	2	67
Short term insurance	31	23	74
Short term re-insurers	10	8	80
Funeral Assurers	14	6	43

Source: Biti (2010:1-10)

Some of the companies which have not raised the minimum capital have closed. The banking institutions however, have not been making profit. Table 4.24 below shows comparative commercial banks results for the half year ending on 31 December 2009.

Table 4.24: Comparative commercial banks results for half year ended 31 December 2009

US$	Kingdom	CBZ	Stanbic	NMB	Metropolitan	Barclays	FBC
Non-interest income	4488264	10358855	4662000	802922	56047	1151169	5199100
Non funded income	8 994 990	23622901	21715000	749336	5359026	1637 780	8291954
Total income	1388 254	33981756	26377000	8299258	5415073	17524949	13491064
Total operating costs	-15288415	-19063367	-16237000	-7357808	-3425498	-17238048	-12164476
Working profit	-1405161	14918389	10140000	941450	1989975	286901	1316588
Impairment charges	-912074	-3199296	-1125000	-92887	0	324480	-149430
Trading profit	-2317235	11719093	9015000	848563	1989975	611381	1177158
Taxation	671 989	-3822392	-2282000	1395178	-334497	850814	-205607
Profit after tax	-1645246	7896701	6733000	2243741	1655478	1462195	971551

Source: Business Digest (2010).[32]

In the above table, it is clear that the banks in Zimbabwe are not making enough profit. There are also others which are making losses. The banks were not spared by the impact of the crisis in Zimbabwe. The impact of the crisis severely crippled their operations as their client base shrunk significantly. This brings us to the problem of liquidity. According to the IMF (2011:19), Zimbabwe's banking sector faces a liquidity crunch because fundamentally, there is no lender of the last resort in Zimbabwe to support the sector. There were 8 banks which included a very large bank. These banks had a liquidity ratio of less than 20% at the end of

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[32] The table was obtained from secondary source not the original source.

February 2011 (IMF, 2011:19). The Reserve Bank of Zimbabwe has not been performing its mandate of the lender of last resort since the country abandoned the Zimbabwe dollar for a multi-currency regime.

During the crisis period the central bank had an advantage of wantonly printing money without self-restraint hence it was able to perform its mandate as a lender of last resort. However, from 2009 (after abandoning the Zimbabwe dollar), the Reserve Bank cannot print anymore and has to rely on foreign currency to intervene - which the central bank does not have. The replacement of the Zimbabwe dollar also rendered the monetary policy ineffective and the central bank has lost authority to supervise commercial banks. The records show that banks advanced US$600 million in loans out of total deposits of US$1.3 billion in 2009.

In view of the above challenges, the IMF (2009:13; 2010c:15) recommended the following to the government of Zimbabwe: firstly, that the government should make a choice of monetary regime. That is, the government should consider adopting the South African rand instead of the multi-currency regime (which consists of the United States dollar, the South African rand and other currencies). Secondly, the IMF (2010c:15) advised Zimbabwe to join the rand Common Monetary Area so it can benefit from financial integration and seigniorage (that can be done within rand Common Monetary Area) and hence restore credibility with a functioning monetary authority to prepare itself for the return of the Zimbabwe dollar. The IMF further said Zimbabwe should come up with a debt reduction plan and methods to improve the public sector capital budget (IMF, 2011:24).

However, there have been some changes in the banking sector lately. Deposits base now is estimated at US$3.3 billion by end of September 2011. It is also estimated that about US$2 billion is outside the banking system due to lack of confidence in the same. In 2012, the deposits base is projected at US$3.8 billion. Of this amount, it is projected that 80% will be available for lending (Biti, 2011:2). However, interest rates still remained very high in 2011 at about 15% to 30% against interest on deposits of only 0.2%. This is what depositors get for depositing money in the commercial bank (Biti, 2011:2). According to NKC (2012:5) there have been signs of improvement in confidence in the banking sector. The deposits have improved from US$1.4 billion in 2009 to US$3.3 billion by December 2011. In another development in 2011, the Commercial Bank of Zimbabwe (CBZ) in conjunction with Afreximbank floated a 3 year Zimbabwe Economic Revival Bond aimed at raising money

from Zimbabweans in the Diaspora. The facility has so far raised US$42.5 million. This has benefitted some government parastatals such as Net One and Zimbabwe Electricity Supply Authority (ZESA) (Biti, 2011:2).

A look at the Zimbabwe Stock Exchange (ZSE) shows that the ZSE retracted significantly to a 14-month low in the third week of December 2011. This was due to the threat of nationwide strike by civil servants; Air Zimbabwe's cancellation of flights to countries such as South Africa (a key trading partner) and failure to observe rule of law. ZSE has further declined by 4.9% to a 15-month low on 27 January 2012. This was due to the current push of elections (NKC, 2012:5).

In addition to the banking and finance sector, other sectors such as transport and communication have also not been spared from the impact of the crisis experienced in the country. Efficient transport is necessary for the movement of products and the availability of transport and communication is a key to the sustainability of these production sectors. An overview of the transport sector in Zimbabwe has showed that the road network in Zimbabwe currently covers 88 300 km. There are 15 000 km of roads which are paved. 56 000 km are tarmac roads (Government of Zimbabwe, 2010:53). The remainder is earth roads. Their condition has deteriorated significantly due to a lack of maintenance and investment by government (Government of Zimbabwe, 2010:53). The crisis has affected the maintenance and construction of new roads by government. The rail network has also not been spared in terms of deterioration of equipment and service (Government of Zimbabwe, 2010:54-57). Table 4.25 below shows capacity utilisation by National Railways of Zimbabwe (NRZ).

Table 4.25: Capacity utilisation

Tonnage (in millions)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Design capacity	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0
Tonnage moved	9.5	8.9	8.1	6.3	4.9	3.7	5.4	5.0	3.7	2.7
Capacity utilisation %	53%	49%	45%	36%	27%	21%	30%	28%	21%	15%

Source: Government of Zimbabwe (2010:56).

Table 4.25 shows that capacity utilisation has been decreasing. It was 53% in 2000 and by 2009 it had decreased to 15%. The trend is similar with what has been happening in the manufacturing and other areas as a result of the impact of the crisis in Zimbabwe. However, there was a marginal increase in tonnage movement in 2011 to 3.79 million tonnes from 3.54

million tonnes in 2010 due to an injection of US$2 million for rehabilitation and upgrading infrastructure by the government (Biti, 2011:2). Table 4.26 below shows the rolling stock.

Table 4.26: Rolling stock

Asset	Total number of asset	Functional assets	Functional as a %
Locomotive	168	55	33
Wagons	8 682	4 646	54
Coaches	315	117	37

Source: Government of Zimbabwe (2010:57).

The table above shows that out of a total of 168 locomotives in Zimbabwe, only 55 are currently working. Thus only about half (54%) of the wagons and 37% of the coaches are working. National Railways of Zimbabwe (NRZ) is severely crippled and needs a massive investment to restore its viability, either from its own resources or from government. Due to the crisis, both government and NRZ have not made any meaningful investment.

Air transport is also experiencing challenges. Air Zimbabwe, a state-owned carrier of both passengers and cargo, currently has only eight aircrafts. These include five Boeings with an average age of more than 20 years (this is beyond the acceptable age of 15 years). Then it has three MA 60s aircrafts and of all of them, only one is working (Government of Zimbabwe, 2010:59). Apart from other factors, the crisis in Zimbabwe significantly contributed to the problems, in the airlines industry of Zimbabwe.

Finally, according to NKC (2012:3) Zimbabwe is rated "C" indicating a stable economic outlook. The following factors prevent the country earning a higher rate of B and A (contribute to poor rating): fragile political climate; little foreign exchange reserves; massive international debt; Indigenisation and Empowerment Act; lack of fiscal discipline; dwindling donor support; rule of law violations; shortages of food; and a collapsed banking system.

4.4   Summary and conclusion

The chapter provides a descriptive analysis of the political, institutional and macroeconomic environment in Zimbabwe, focusing on production. The Lancaster House Constitution shaped the political landscape of Zimbabwe. The Constitution originally protected minority interest as well as private property. The Constitution has been amended a number of times. The sixth

amendment in 2005 reintroduced the Senate. Violence also erupted during the elections in 2005. The seventh amendment in 2008 created the positions of the Prime Minister and two Deputy Prime Ministers and further expanded the House of Assembly and Senate under the Global Political Agreement (GPA) for the formation of government of national unity (GNU). The GPA was borne by the lack of a winner in the 2008 presidential elections. The inclusive government comprising ZANU PF, MDC (T) and MDC (M) was formed. The institutions in Zimbabwe comprise the three branches of government – the executive, legislative and judicial branches, with specific mandates.

In terms of macroeconomics, Zimbabwe has experienced both fiscal and current account deficits due to poor management of fiscal policy. Growth rates of various sectors showed negative growth for the period 2001 to 2008. Production had significantly declined due to the crisis. Zimbabwe has very poor governance indicators, lower than average Sub-Saharan Africa. Zimbabwe had the highest FDI inflow in 1998 amounting to US$400.3 million. However, in the 2000s, FDI dwindled, for example in 2004, Zimbabwe had an inflow of US$8.7 million as the investors shunned the battered economy. In 1980 and 1981, the country experienced high economic growth rates also of 10.7% and 9.7% respectively. The growth in social services however did not match with growth in productive sectors. The demand for the country's products declined as well as investment and capital formation. Their combination brought in recession. The government then accepted IMF initiated ESAP. In 1990 to 1996, the government implemented ESAP but the programme was not successful and it led to decline in job security. The government abandoned ESAP and formulated its own programme known as ZIMPREST which was short lived as international donors did not support it.

The period 1997 to 2008 highlighted the crisis period. First, the Zimbabwe dollar crashed on 14 November 1997. This was followed by Zimbabwe's military involvement in DR Congo which increased the budget deficit. The deficit diminished chances of getting IMF's disbursement and any other inflow of financial aid. The GDP growth rate declined from 0% in 1998 to -7.4% in 2000 and further declining to -10.4% in 2003. The real GDP growth average was -5.9% between 2005 and 2007. The period from 2000 onwards was the time of land reform which initially began as land invasions. Production on the farms shrank as a result of disruption on farms.

The economy was further hit by inflationary pressure. In 2008, the economy experienced the highest official inflation rate of 2 300 000 000%. The unemployment rate was 80% up to 2009. Western governments imposed sanctions initially as displeasure for failure by the government to stop land invasions. The period 2009 onwards is the period in which Zimbabwe abandoned its own currency in favour of a multi-currency regime. It is also the period in which it formulated STERP I, STERP, II and MTP. Even though STERP I made some achievements, it largely failed. Through a sectoral overview, it is evident that the trend of production in all sectors showed a decline. There is no sector which was spared by the impact of the crisis.

In conclusion, production in all sectors declined specifically from the period 1998 to 2008 due to the impact of the crisis that Zimbabwe was experiencing. Production has picked up from 2009. However, this will not be sustainable without deeper reforms being carried out. The focus in this chapter has been on production. In Chapter 5, the focus shifts to exports.

CHAPTER 5

A DESCRIPTIVE ANALYSIS OF THE TRADE ENVIRONMENT OF ZIMBABWE

5.1   Introduction

The focus in the previous chapter was on increasing production. In the 1970s, the government of Rhodesia in the face of sanctions adopted an import substitution strategy to boost production. This inward looking trade policy was also continued by the new government of Zimbabwe from 1980 (UNDP, 2008b:7). The demand for Zimbabwean exports however decreased substantially in the 1980s (UNDP, 2008b:8). This continued even in the 1990s. According to Madzova and Tekere (2001:6), Zimbabwean exports in all sectors (agriculture, mining and manufacturing) performed poorly in the 1990s. Furthermore, prices of her exports in the world market went down significantly. Table 5.1 shows world commodity prices for Zimbabwe's major exports between 1980 and 1997.

Table 5.1: World Commodity prices for Zimbabwe's major exports

Commodity	1980	1985	1990	1991	1992	1993	1994	1995	1996	1997
Cotton (c/kg)	284	192	182	164	200	120	160	179	156	162
Tobacco $/mt	3161	3807	3392	3424	3236	2536	2399	2214	2671	3277
Coffee (mild)c/kg	481	471	197	183	132	146	300	279	235	386
Tea	250	264	205	168	160	158	143	128	148	195
Maize	174	164	109	105	98	96	98	104	145	109
Beef c/kg	383	314	-	261	230	246	-	160	-	-
Sugar EU (c/kg)	68	51	58	60	59	58	56	58	60	58
Sugar world (c/kg)	88	13	28	19	19	21	24	25	23	23
Iron ore (c/DMTU)	39	39	31	33	30	27	23	22	25	27
Nickel ($/mt)	9034	7146	8864	7980	657	4980	5753	6903	6568	6431
Copper ($/mt)	3061	2080	2662	2289	2199	1792	2093.8	24628	2010.0	2113.6
Sugar (US)	92	65	51	47	44	45	44	43	43	45
Asbestos	-	-	-	-	-	-	-	730	728	728

Source: Madzova and Tekere (2001:9).

The table above shows the deterioration of the world prices of primary commodities in Zimbabwe upon which Zimbabwe depends heavily on the production of primary commodities (Madzova & Tekere, 2001:7; Mzumara, 2011a:200).

In this chapter, the major focus will be on exports. This will form the basis of the formulation of an export strategy discussed in Chapter 8. In order to achieve such a goal, it is necessary to provide a descriptive analysis of the trade environment in Zimbabwe. The chapter is

structured as follows: section 5.2 discusses trade liberalisation; section 5.3 discusses market access; section 5.4 discusses trade relations; section 5.5 discusses composition of trade and trade statistics; section 5.6 discusses terms of trade; section 5.7 discusses trade facilitation and infrastructure; and section 5.8 provides a summary and conclusion.

5.2   Trade liberalisation

The aim of this section is to illustrate trade openness in Zimbabwe. According to Tekere (2001:5), the goals of trade liberalisation policies implemented by Zimbabwe in 1991 to 1998, were to remove quantitative restrictions, tariff harmonisation and tariff reduction. The specific goals included: the abolition of exports incentives, the removal of import licensing regime, the removal of foreign currency controls, the reduction of tariffs and the elimination of surtax.

Almost all goods were placed on an open general import licence (OGIL) with the exception of a few products which were placed on a negative list. A negative list either meant that the products and their importation were prohibited or it required a special import license. This meant that goods could be imported into Zimbabwe without a previous requirement of a licence. They only required the importer to pay the tariff amount. In addition, the importer was required to register with the Reserve Bank of Zimbabwe (Wiemann, Arlinghaus, Hess, Radke, Schickinger & Suhr, 1998:21).

Zimbabwe achieved high export growth mainly in the agriculture sector as a result of trade liberalisation. The export growth occurred mostly in horticulture products (39%) and maize (34%). In manufacturing, growth was experienced in refined sugar and honey (1635%), beverages (336%), jewellery (202%), furniture (43%) and grain milled products by 66% (Madzova & Tekere, 2001:6-7). However, the mining sector's performance during trade liberalisation was weak. Although trade liberalisation had enabled the mining firms to obtain capital and access new technology, the sector was largely affected by falling world commodity prices, the Asian Financial Crisis (a major destination of Zimbabwe's mineral exports), rising input prices due to devaluation of the Zimbabwe dollar and increasing interest rates (Madzova & Tekere, 2001:7).

According to African Connexion (1993:120-121), export oriented investment in 1993 was given priority with regard to accessing foreign exchange used to buy imports via export incentives regimes. The regimes included an export revolving fund whose objective was to ensure that manufacturing firms producing for exports obtained foreign exchange that could be used to finance imported inputs; bonus schemes (this entitled exporters who fulfilled their targets to a bonus allocation to the tune of 30% of real increase in such exports); an export retention scheme that entitled exporters to retain part of their earnings from exports in foreign currency without surrendering to the central bank.

Competition became stiff during the implementation of trade liberalisation in the first half of the 1990s. However, firms were able to access imported inputs that enabled them to export (Wiemann *et al.*, 1998:21). The general performance of the economy, before and after trade liberalisation, is given in table 5.2 below.

Table 5.2: Trade liberalisation and economic performance

	Before trade liberalisation 1985-1991	**After liberalisation 1992-1997**
Real GDP growth	5.3%	3.2%
Agriculture	6.6%	10.0%
Manufacturing	8.9	-0.7%
Mining	4.5%	2.3%

Source: Tekere (2001:7).

With the exception of the agriculture sector which showed increased growth, other sectors shrunk during the implementation of trade liberalisation. Manufacturing was a highly protected sector before trade liberalisation. The reason being that, during the implementation of trade liberalisation, most of the goods could be imported into the country thereby subjecting local manufacturers to stiff competition. The result was that some firms (which could not compete) closing down, thereby leading to de-industrialisation. Manufacturing share of GDP in 1997/98 fell to less than 16% compared to an average of 25% during the 1970-1980s (Tekere, 2001:10).

The International Monetary Fund (IMF) evaluated Zimbabwe in 1997 and concluded that the country's macroeconomic policy was inconsistent in dealing with the country's economic challenges. The IMF non the less gave a positive evaluation in respect to liberalisation of prices, reforms of the labour market, monetary policy and trade deregulation (Wiemann *et al.*,

1998:121). After 1998, Zimbabwe abandoned its trade liberalisation programme and began to follow a tariff structure under the SADC Trade Protocol and reversed the measures introduced under the trade liberalisation programme (Tekere, 2001:6). SADC and other aspects of market access are discussed in section 5.3 below.

5.3   Market access

The aim of this section is to assess whether Zimbabwe has access to markets outside its borders. Zimbabwe is a member of multilateral and regional organisations which give her access to regional and international markets. Market access is achieved by Zimbabwe through the signing and ratifying of multilateral trade agreements. Such trade agreements assist Zimbabwe to access markets specified in the agreements and this allows the country's products to enter duty free or at substantially reduced duties into the multilateral organisations of member states. These arrangements make Zimbabwe a competitive supplier. The market access section is structured as follows: section 5.3.1 discusses Zimbabwe's membership of the World Trade Organisation (WTO), section 5.3.2 discusses Zimbabwe's membership as an African, Caribbean and Pacific (ACP) country, section 5.3.3 discusses Zimbabwe's membership in the Common Market for Eastern and Southern Africa (COMESA), section 5.3.4 discusses Zimbabwe's membership in Southern African Development Community (SADC); section 5.3.5 discusses Zimbabwe's role in the Generalised System of Preferences (GSP); and section 5.3.6 discusses the COMESA-EAC-SADC Tripartite Free Trade Agreement.

5.3.1   Zimbabwe's membership in the World Trade Organisation (WTO)

Zimbabwe has been a member of the World Trade Organisation (WTO) since 5 March 1995 (WTO, 2011:1). Before this, Zimbabwe was a member of the General Agreement on Tariffs and Trade (GATT), which became operational in 1948. The WTO succeeded GATT in 1995 (Tekere, 2001:35). The major goal of the WTO is to ensure liberalisation of trade in goods, services and intellectual property without discrimination and it ensures transparency, predictability and contractility (Tekere, 2001:35). By being a member of the WTO, Zimbabwe has access for both imports and exports in 152 countries.

The establishment of the WTO in 1995 also marked the end of Zimbabwe's economic reforms which included trade liberalisation. So, when the WTO came into effect, Zimbabwe already had a liberal trade policy (Tekere, 2001:35). The WTO policies have not been very conducive to poor or developing countries because it requires reciprocity (Ndyeshobola, 2004:3).

Another multilateral organisation to which Zimbabwe is a member is the African, Caribbean and Pacific (ACP) nation which also allows Zimbabwe market access. The ACP is discussed in section 5.3.2.

5.3.2 Zimbabwe's membership in African, Caribbean and Pacific (ACP) nations

Zimbabwe is also a member of the African, Caribbean and Pacific (ACP) nations. There are currently 79 countries in this group of countries (including Zimbabwe). The ACP nations comprise of 48 African countries, 16 Caribbean and 15 Pacific nations. The organisation was established through the Georgetown Agreement of 1975 (ACP, 2011:1). According to Ndyeshobola (2004:3), the most important programme in the ACP is the Economic Partnership Agreements (EPAs) under the African, Caribbean and Pacific – European Union (ACP-EU) agreement which was established on 27 September 2002. In addition, the fundamental principles and objectives of the EPAs are enshrined in the Cotonou Agreement of June 2000. The objectives of EPA include poverty reduction, sustainable development in ACP nations and smooth integration in the world market. The specific objectives include economic diversification of the ACP nations in context of regional integration; increasing production and supply capacities of the ACP nations; promoting structural processes and enhancement of sustainable growth. The EPAs were to be negotiated in two phases. The first phase involved negotiations by the two multilateral organisations namely, the African, Caribbean and Pacific nations and the European Union. In this phase it involved reaching agreement on development dynamics of EPAs, specifically agriculture and fisheries t, legal matters, market access and trade related matters. The second phase was supposed to be carried out at the level of the ACP region, featuring specific commitments (Ndyeshobola, 2004:3).

There is a variation in the interpretation of the Cotonou Agreement. The European Union (EU) interprets the EPAs as being on a reciprocal between an individual ACP country and the

EU, the equivalent of a Free Trade Agreement (FTA) in line with the requirement of WTO. The ACP countries however, interpret the Cotonou Agreement as referring to the objectives outlined above (Ndyeshobola, 2004:3). The new EPAs are envisaged to replace the Cotonou Agreement.

Zimbabwe negotiated an EPA within the Eastern and Southern Africa (ESA)[33] region. This was the second phase referred to earlier. Zimbabwe signed an interim agreement on the EPA with the European Union on 29 August 2009. The other countries which also signed are Comoros, Madagascar, Mauritius and Zambia (ZimTrade, 2010a:12). The final EPAs are still being negotiated. The EPA has an element of reciprocity and non-discrimination in order to be compatible with WTO provisions. WTO rules forbid non-reciprocity on free trade agreements. However, the ACP countries will have to comply to liberalise gradually (ZimTrade, 2010a:12). The EPA agreement allows Zimbabwe to have duty free market access to the European Union except for rice and sugar (which has a transitional period). Zimbabwe will be expected to reciprocate, by eliminating duty on 80% of imports from the European Union by 2022. It is further expected to have eliminated duties on 45% of its imports from the European Union by 2012 and by 2022 thereby making 80% of imports from the European Union into Zimbabwe have to be duty free (ZimTrade, 2010a:12). Zimbabwe has taken measures by negotiating a protective package of its key products (ZimTrade, 2010a:12).

Zimbabwe in the short term and medium term, was expected to benefit from the EPA agreement without reciprocating; however, in the long term the country has to provide duty free market access status to the European Union as per the timetable agreed upon (ZimTrade, 2010a:12). The timetable will be enforced in 2012 and Zimbabwe is obligated to give all 45% imports from the EU duty free status. This will reduce the benefits she wished to gain from the EPA agreement as there will be a price to pay in the form of a loss in duty revenue and also subjecting domestic suppliers to competition from the EU. By 2022, the price to pay by Zimbabwe under the EPA agreement will have increased with the granting of duty free status to the remaining 35% of Zimbabwe's imports from the EU. CZI (2009:11) has highlighted

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[33] The countries in this region are, Burundi, Comoros, DR Congo, Djibouti, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Uganda, Zambia and Zimbabwe. Zimbabwe was their spokes person on trade in services, while Kenya on market access, etc.

that capacity utilisation in manufacturing is still low. European Commission[34] (2007:90) indicated that most of manufacturers claimed working capital as reason for low capacity utilisation and the African Development Bank (2010:3) and the World Bank (2011a:2) said that Zimbabwe is currently in post-conflict reconstruction with problems to sustain growth. Zimbabwe is producing below capacity. The economic problems that the country has been going through including the 'sanctions' have affected the productive capacities (European Commission, 2007:90; CZI, 2009:11). There has been no meaningful FDI coming into the country especially from 2000s (see table 4.8 in Chapter 4). This has affected competitiveness in the Zimbabwean industries. FDI has the ability of bringing the latest technology to the host country which can improve its methods of production. Zimbabwe may not be competitive due to the fact that it still relies on less efficient methods of production especially producing below capacity utilisation (CZI, 2009:11). The problem is complicated by the fact that most of the firms are facing liquidity problems and many companies are closing down. Ncube (2010:1)[35] announced that 19 clothing and textile firms, 63 firms in the motor industry and 3 in the construction industry have closed down due to liquidity problems arising out of the use of a multi-currency. With this problem, the firms are failing to modernise hence cannot produce competitively. It then remains to be seen how ready the Zimbabwean firms will be for a competition onslaught from the EU as 2012 approaches and beyond.

There is a need to critically analyse the EPA agreement in respect of Zimbabwe and the European Union. In the first place, it has been stated in chapter 3 that the European Union has not imposed any trade embargo on Zimbabwe. The EPA agreement Zimbabwe signed with the European Union supports their views on sanctions. There is nothing that prevents Zimbabwe of having duty free market access into the European market except for the two commodities - rice and sugar. In light of this agreement there are no trade sanctions on Zimbabwe as Zimbabwe will have access to the EU market like any other ACP member. In table 5.3 below, the study highlights the obstacles the exporters face in accessing the European Union market.

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[34] The European Commission in 2007 in conjunction with the Government of Zimbabwe undertook a comprehensive study of Zimbabwe's trade sector. This study will rely on the European Commission study as source of reference. The study involved all stakeholders at the time when Zimbabwe was in a crisis. The study was supposed to be used in talks between the European Commission and the Government of Zimbabwe to normalise their relationship. It is a reference document on Zimbabwe's trade sector.
[35] Welshman Ncube – is the Minister of Industry and Commerce.

Table 5.3: Obstacles to export to the European Union- Ranking of the obstacles

Problems	Prohibitive obstacle		Serious obstacle		Moderate obstacle		Unimportant problems	
	Count	%	Count	%	Count	%	Count	%
Lack of incentives	25	86.2	2	6.9	2	6.9	0	0
Dumping	15	51.7	7	24.1	0	0	7	24.1
Transportation	12	41.4	9	31.0	5	17.2	3	10.39
Rules of origin	12	41.4	6	20.7	2	6.9	9	31.0
Lack of demand	6	20.7	4	14.8	5	17.2	14	48.2
EU subsidies	5	17.2	7	24.7	2	6.9	15	51.7
Quality demands	3	10.3	4	13.8	6	20.7	16	55.2
Non-tariff barriers	1	3.5	6	20.7	5	17.2	7	58.0

Source: Tekere (2000:29).

The table above highlights the problems experienced by Zimbabwean exporters to access the European Union market. These problems were ranked (as prohibitive, serious, moderate and unimportant) by exporters. 86.2% ranked lack of incentives (no rewards and assistance from government to encourage exporters to export) as prohibitive obstacle, 51.7% ranked dumping (these are regulations which prohibit selling products at below cost in the European Union) as being prohibitive obstacles and 41% ranked transport as prohibitive obstacle. Zimbabwe is a landlocked country and transport is a major obstacle to increasing trade with overseas markets. The transport challenges experienced by firms when exporting to the EU include: long distance to sea ports, poor road infrastructure and toll gates levies (Tekere, 2000:30).

Apart from Zimbabwe's membership in the WTO and ACP, it is also a member of a regional grouping known as the Common Market for Eastern and Southern Africa (COMESA) which gives her access to that market. COMESA is discussed under section 5.3.3.

5.3.3 Zimbabwe's membership in the Common Market for Eastern and Southern Africa (COMESA)

In addition to having market access through her membership in the WTO and the ACP nations, Zimbabwe is a member of the Common Market for Eastern and Southern Africa (COMESA). COMESA has a membership of the following countries: Burundi, Comoros, DR Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe. COMESA has a total population of 430 million people (COMESA, 2011:1). COMESA gives Zimbabwe an

access to the markets of 18 other COMESA countries. In terms of population, Zimbabwe has access to markets comprising 418 million (excluding its own 12 million). COMESA has an import bill of US152 billion (in 2008 figures) (COMESA, 2011:1). Table 5.4 shows Zimbabwe's top COMESA export destinations.

Table 5.4: Zimbabwe's top COMESA export partners, 2001-2007 value US$ million

Rank	Partner	2001	2002	2003	2004	2005	2006	2007
1	Zambia	7.22	112.90	58.38	63.46	87.20	53.52	103.54
2	Malawi	7.55	68.34	43.56	44.74	47.93	16.96	54.36
3	DR Congo	1.60	14.59	9.15	10.74	16.21	7.57	41.48
4	Kenya	2.47	5.03	6.11	3.54	5.77	0.96	30.08
5	Egypt	14.34	2.09	1.09	4.56	1.23	1.54	10.07
6	Swaziland	0.03	0.56	0.12	0.17	0.85	0.10	8.54
7	Ethiopia	0.12	0.13	0.05	0.43	1.55	0.38	3.39
8	Mauritius	0.16	3.67	1.82	1.63	2.06	1.26	2.79
9	Uganda	0.19	0.78	0.23	0.84	1.58	0.23	1.64
10	Madagascar	0.01	0.34	0.06	0.08	0.02	0.02	1.12
11	Sudan	1.10	2.61	0.98	0.39	0.09	0.26	0.61
12	Rwanda	0.0	0.06	0.04	0.30	0.70	0.06	0.47
13	Burundi	0.23	0.20	0.19	0.16	0.18	0.10	0.33
14	Others	0.03	1.22	0.16	0.50	0.69	0.32	0.19
	Total	**35.04**	**215.51**	**121.95**	**131.54**	**166.07**	**83.30**	**258.59**

Source: COMSTAT[36] (2011).

Generally, Zimbabwe's exports to COMESA have been fluctuating, as can be seen in table 5.4 above that shows the available data at COMESA. Zambia was the highest ranked destination of Zimbabwe's exports to COMESA countries. It was followed by Malawi. Burundi imported the least of Zimbabwe's exports within COMESA. In 2007, Zimbabwe exported US$258.59 million to COMESA. In figure 5.1 Zimbabwe's top COMESA export destinations of 2007 is shown in a pie chart.

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[36] COMSTAT database has not been updated. However, the data still provides the picture of the destinations of Zimbabwe's exports in COMESA.

Figure 5.1: Zimbabwe's top COMESA export market, 2007
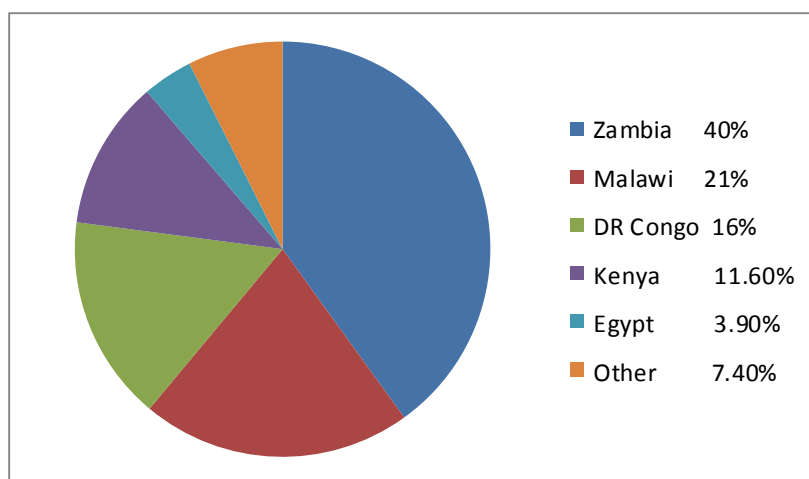
Source: COMSTAT (2011)

The bulk of Zimbabwe's COMESA exports went to Zambia in 2007. Zambia accounted for 40% of Zimbabwe's COMESA exports. The other major destination was Malawi and it accounted for 21% of all exports to COMESA in 2007. The two countries accounted for 61% of all exports to COMESA in 2007. The third top destination of Zimbabwe's COMESA exports in 2007 was DR Congo which accounted for 16%. Figure 5.2 below illustrates Zimbabwe's export market share.

Figure 5.2: Zimbabwe's COMESA export market share, 2007
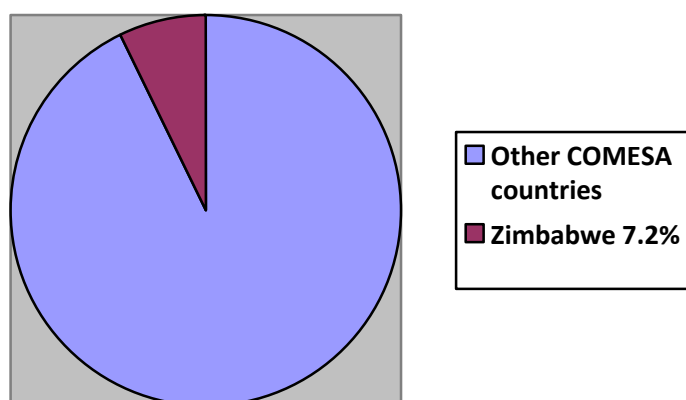
Source: COMSTAT (2011).

Zimbabwe's share in total intra-COMESA exports in 2007 amounted to only 7.2%. This share is not much when taking into consideration that COMESA has launched a customs

union which means Zimbabwe's exports to COMESA countries enter duty free and other suppliers from non-COMESA will face a common external tariff (CET). Table 5.5 below shows Zimbabwe's top exports to COMESA in 2007.

Table 5.5: Zimbabwe's top export products to COMESA, 2007 value US$ million

Rank	HS code	Product description	Value US$	% of total exports to COMESA
1	481910	Cartons, boxes, cases, bags and other packing containers of paper	22.79	9%
2	940360	Other furniture and parts thereof, other wooden furniture	18.95	7%
3	551110	Yarn (other than sewing thread) of man-made staple fibres put up for retail sale	18.90	7%
4	870323	Motor cars and other motor vehicles principally designed for the transport of persons	15.52	6%
5	060319	Cut flowers and flower buds of a kind suitable for banquets or for ornamental purposes	15.31	6%
6	240220	Cigars, charoots cigarillos and cigarettes, of tobacco or of tobacco substitutes	12.26	5%
7	270400	Coke and semi-coke of coal, of lignite or of peat whether or not agglomerated; retort carbon	11.55	4%
8	040700	Birds' eggs, in shell, fresh, preserved or cooked	11.36	4%
9	252329	Portland cement aluminous cement, slag cement, supersulphate cement and similar hydraulic	11.06	4%
10	240120	Unmanufactured tobacco; tobacco refuse; tobacco, partly or wholly stemmed/stripped	9.51	4%

Source: COMSTAT (2011).[37]

Cartons, boxes, cases, bags and other packing containers were the products that accounted for 9% of Zimbabwe's total exports to COMESA. The top products Zimbabwe exported to COMESA in 2007 ranged from agricultural (including horticulture) products to manufacturing products. Table 5.6 below shows destination of Zimbabwe's extra-COMESA[38] exports.

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[37] COMSTAT database not updated beyond 2007.
[38] Extra-COMESA as used in this study means outside COMESA. COMSTAT Database includes member states' data on trade with other countries other than member states. The data is included because it shows the true status in COMESA that intra-COMESA trade (trade within COMESA) is very low. This study also wants to highlight that although there are opportunities in COMESA, Zimbabwe's markets are in fact outside COMESA. This picture is important as the study has developed an export strategy in Chapter 8.

Table 5.6: Zimbabwe's top extra-COMESA export trading partners, 2001-2007 value in US$ million

	Partner	2001	2002	2003	2004	2005	2006	2007
1	South Africa	117.35	326.62	1374.40	592.37	290.33	401.39	1218.62
2	Mozambique	3.28	29.49	17.43	22.49	46.54	35.97	430.66
3	United Kingdom	198.26	183.76	110.24	122.16	26.00	21.08	244.48
4	Botswana	10.12	37.19	66.53	48.61	56.22	242.18	200.01
5	Netherlands	25.74	49.15	38.26	27.63	37.96	12.09	153.14
6	Switzerland	11.65	164.26	80.46	126.42	14.64	33.65	119.09
7	United States	61.95	80.90	39.84	38.01	23.85	161.52	75.32
8	China	104.98	29.60	566.81	98.45	8.13	42.99	63.77
9	Russian Federation	12.96	14.94	2.49	6.98	3.35	4.69	48.58
10	Germany	155.56	174.14	189.22	83.86	23.81	13.7	38.95
11	Tanzania	1.91	5.81	2.5	3.08	4.25	2.35	31.23
12	Belgium	12.92	16.39	7.39	6.79	1.67	26.91	28.19
13	Italy	41.78	49.42	57.09	50.03	34.61	11.01	26.58
14	Singapore	4.80	8.83	3.88	7.08	8.73	9.14	25.66
15	United Arab Emirates	2.69	4.41	10.11	6.27	13..97	16.51	21.88
16	Spain	35.78	114.19	25.74	29.28	7.74	2.44	18.80
17	Congo	0.26	1.87	6.60	0.55	3.07	1.26	15.70
18	Namibia	9.35	17.99	29.54	13.44	23.13	10.22	14.81
19	Thailand	22.00	24.29	31.32	21.56	11.33	6.72	8.91

Source: COMSTAT (2011).

Zimbabwe's extra-COMESA exports have been fluctuating. The country exports much more outside of COMESA than within COMESA. South Africa is Zimbabwe's major trading partner. Zimbabwe's exports to South Africa in 2007 alone were 5 times higher than its total exports to COMESA countries in the same year. Other major destinations are Mozambique, United Kingdom, Botswana, Netherlands, Switzerland, United States and China. Table 5.7[39] below shows Zimbabwe's top 10 extra-COMESA export products.

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[39] Table 5.7 has been included to show the actual products which Zimbabwe exports most to other countries other than COMESA countries. This study has developed an export strategy in Chapter 8 and such information is useful as it shows Zimbabwe's strength in exports in particular products in the context of COMESA.

Table 5.7: Zimbabwe's top 10 extra-COMESA export products, 2007 value in US$ million

Rank	HS code	Product description	Value, US$	% of total exports to third countries
1	720241	Ferro-alloys-containing by weight more than 4% carbon	399.27	14%
2	490700	Unused postage, revenue or similar stamps of current or new issue in the country	368.29	13%
3	260400	Nickel ores and concentrates	209.26	7%
4	750110	Nickel mattes, nickel oxide sinters and other intermediate products of nickel metallurgy	199.72	7%
5	240120	Unmanufactured tobacco; tobacco refuse,-Tobacco, partly or wholly stemmed/stripped	194.04	7%
6	750210	Unwrought nickel-nickel, not alloyed	165.92	6%
7	710813	Gold (including gold plated with platinum) unwrought or in semi-manufactured forms	120.31	4%
8	071080	Vegetables (uncooked or cooked by steaming or boiling in water), frozen	104.88	4%
9	060311	Cut flowers and flower buds of a kind suitable for bouquets or ornamental purposes	104.47	4%
10	940360	Other furniture and parts thereof –Other wooden furniture	93.34	3%

Source: COMSTAT (2011).

Ferro-alloys topped the list with a value of US$399.27 million representing 14% of Zimbabwe's total exports to third countries in 2007. This was followed by unused postage, revenue or similar stamps of current or new issue amounting to US$368.29 million. Primary commodities dominated the top 10 products Zimbabwe exported to extra-COMESA countries in 2007. As shown in table 5.5, Zimbabwe's single biggest product line to intra-COMESA export were cartons, boxes, cases, bags and other packaging containers of paper but only amounted to US$22.79 million. This product line was followed by furniture amounting to US18.95 million, which Zimbabwe exported to COMESA countries. Furniture, motor vehicles (transport), cut flowers and flower buds, cement and unmanufactured tobacco were Zimbabwean products in common demand in both markets (intra-COMESA and extra-COMESA). Table 5.8 below shows Zimbabwe's top extra-COMESA exports by country of destination.

Table 5.8[40]: Zimbabwe's top extra-COMESA exports by country of destination, 2007 value US$ million

HS	Product Description	Value US$	Countries of destination
720241	Ferro-alloys containing by weight more than 4%	386.9	Mozambique
490700	Unused postage, revenue or similar stamps of current or new issue	251.7	South Africa
260400	Nickel ores and concentrates	208.7	South Africa
750110	Nickel mattes, nickel oxide sinters and other intermediate products of nickel	199.7	South Africa
710813	Gold including gold plated with platinum unwrought or in semi-manufactured	120.3	South Africa
490700	Unused postage, revenue or similar stamps of current or new issue	116.6	United Kingdom
060311	Cut flowers and flower buds of a kind suitable for banquets or for ornament.	94.9	Netherlands
071080	Vegetables (uncooked or cooked by steaming or boiling in water) frozen	83.4	United Kingdom
750210	Unwrought nickel-nickel, not alloyed	73.3	South Africa
240120	Unmanufactured tobacco; tobacco refuse- tobacco	53.4	China
870333	Motor cars and other motor vehicles principally designed for the transport	50.8	Botswana
870323	Motor cars and other motor vehicles designed for transport	45.8	Botswana
880330	Parts of goods of heading 88.01 or 88.02. Other parts of aeroplanes	43.5	United States of America
880230	Other aircraft (for example helicopters, aeroplanes) spacecraft	39.9	Botswana
940360	Other furniture and parts thereof; other wooden furniture	38.1	South Africa
060390	Cut flowers and flower buds of a kind suitable for banquets	34.4	South Africa
520100	Cotton, not carded or combed	34.2	South Africa
240120	Unmanufactured tobacco; tobacco refuse-tobacco	26.7	South Africa
870190	Tractor (other than tractors of heading 87.09)-Other	26.1	Tanzania
070990	Other vegetables, fresh or chilled. Other	23.1	United Kingdom
630239	Bed linen, table linen, toilet linen- of other textile materials	21.1	Russia Federation

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[40] It is also important to know the countries which import COMESA's products outside the grouping. This analysis is provided here within the context of low intra-regional market versus extra-regional markets.

Table 5.8: Zimbabwe's top extra-COMESA exports by country of destination, 2007 value US$ million …continued

HS	Product Description	Value US$	Countries of destination
060319	Cut flowers and flowers of a kind suitable for bouquets	18.0	Netherlands
283324	Sulphates; alums; peroxosulphates (per sulphates) – nickel	16.6	Switzerland
170111	Cane or beet sugar and chemically pure sucrose, in solid form-cane sugar	16.3	Mozambique
071080	Vegetables (uncooked or cooked by steaming or boiling in water)	16.1	Netherlands
630900	Worn clothing and other articles	15.6	South Africa
060319	Cut flowers and flower bud of a kind suitable for bouquets	15.6	South Africa
240120	Unmanufactured tobacco; tobacco refuse-tobacco	13.7	Belgium
240120	Unmanufactured tobacco; tobacco refuse-tobacco	13.7	Russian Federation
940360	Other furniture and parts thereof. Other wooden furniture	13.6	United States of America
710210	Diamonds, whether or not worked, but not mounted or set-unsorted	13.1	Belgium
230610	Oil-cake and other solid residue whether or not ground or in the form	13.0	South Africa
240120	Unmanufactured tobacco; tobacco refuse- tobacco	12.7	Germany
970500	Collections and collections' pieces of zoological, botanical, mineralogical	12.14	Spain
240120	Unmanufactured tobacco; tobacco refuse- tobacco	11.7	Singapore
252239	Portland cement, aluminous cement, slag cement, super sulphate cement	11.2	Botswana
240120	Unmanufactured tobacco; tobacco refuse- tobacco	10.8	United Arab Emirates
170191	Cane or beet sugar and chemically pure sucrose, in solid form	10.2	Namibia
870323	Motor cars and other motor vehicles principally designed for the transport	10.1	South Africa
251612	Granite, porphyry, basalt, sandstone and other monumental or building stone	9.7	Italy
060311	Cut flowers and flower buds of a kind suitable for bouquets	9.5	South Africa
4407010	Wood sawn or chipped lengthwise sheeded or peeled, whether or not planned	9.0	South Africa
520100	Cotton, not carded or combed	8.8	Thailand
060390	Cut flowers and flower buds of a kind suitable for bouquets	8.7	Netherlands
030429	Fish fillets and other fish meat (whether or not minced), fresh, chilled or frozen	8.6	Russian Federation
720241	Ferro-alloy-containing by weight more than 4% of carbon	8.3	Italy
520100	Cotton, not carded or combed	7.9	Singapore
240120	Unmanufactured tobacco; tobacco refuse- tobacco	7.5	Turkey
070990	Other vegetables, fresh or chilled-Other	7.4	Netherlands

Source: COMSTAT (2011).

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The bulk of Zimbabwe's ferro-alloys exports amounting to US$386.9 million out of US$399.27 million (see table 5.7) were exported to Mozambique. The second largest single product line, was unused postage, revenue or similar stamps amounting to US$251.7 million out of US$368.29 million (see table 5.7) were exported to South Africa. A number of products were exported to South Africa. The products ranged from primary products to manufactured products. However, primary products dominated the exports which went outside COMESA.

Goods that qualify under COMESA origin rules must have the following: they should be wholly produced or sourced in a member state; are produce of a member wholly or partially from materials sourced outside COMESA by a process of production resulting in substantial transformation such that, the CIF value of those imported materials is within 60% of the cost of the material used in the production of the goods, or the value added arising from the process of production constitutes at least 35% of ex-factory cost of the goods, or the goods are classified under a tariff heading under which they were sourced outside of COMESA; are produce of the member states and designated by Council of Ministers to be goods essential to COMESA members and have a value addition of 25% or more; and cumulative of origin of raw material or semi-finished goods originating in any COMESA state and have undergone processing in one or two COMESA states to produce a finished product (ZimTrade, 2010a:11).

COMESA launched a Customs Union on 7-8 June 2009. COMESA member states agreed to submit to the COMESA Secretariat a list of their products with tariff rates similar to the common external tariff (CET) (0%, 10%, 25%). The common external tariff (CET) is the tariff which member states of a Customs Union impose or charge on imports from third party countries. The transitional period of the implementation of the Customs Union is three years (ZimTrade, 2010a:11). Karingi *et al.* (2002:174) have done a study on cost-benefit analysis of COMESA customs union. This study looked into trade creation, diversion and expansion effects of COMESA as a Customs Union and it covered Malawi, Tanzania, Zambia, Zimbabwe and Uganda. The results are presented in table 5.9.

Table 5.9: Trade creation, diversion and expansion effects of COMESA Customs Union

	Short run[41]		(US$ million)	Long Run[42]		(US$ million)
	Trade Creation	Trade Diversion	Trade Expansion	Trade creation	Trade Diversion	Trade Expansion
Malawi	21.7	17.5	39.2	22.8	14.5	37.3
Tanzania	23.6	-32.8	-9.2	24.6	-21.2	3.4
Zambia	12.4	9.6	22	13.9	20.7	34.6
Zimbabwe	69.3	8	77.3	72.5	2	74.5
Uganda	1.8	0	1.8	1.9	-1.8	0.1
Total	128.8	2.3	131.1	135.7	14.2	149.9

Source: Karingi et al. (2002:174).

The table above shows the results of the study done by Karingi *et al*. (2002:174). The results demonstrate that Zimbabwe will benefit from the COMESA customs union. The benefits are evident in both the short run and the long run. Trade expansion in the short run was the highest for Zimbabwe at US$77.3 million followed by trade facilitation in the long run at US$72.5 million. Trade diversion was the least in the long run. Trade creation means that members of the customs union replace an inefficient producer outside the customs union with an efficient producer within the customs union. Trade diversion refers to the replacement of an efficient producer from outside the customs union with an inefficient producer within the customs union. In the above table, Zimbabwe will experience more trade creation (US$69.3 million) than trade diversion (US$8 million).

Apart from COMESA, Zimbabwe is also a member of the Southern African Development Community (SADC). SADC is discussed in section 5.3.4.

5.3.4 Zimbabwe's membership in the Southern African Development Community (SADC)

Although Zimbabwe is a member of COMESA, it is also a member of the Southern African Development Community (SADC). SADC is made up of the following countries: Angola, Botswana, DR Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe. The SADC protocol on trade gives Zimbabwe access to a market of 14 countries (one of them, South Africa being

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[41] Short run period is within 5 years.
[42] Long run period is more than 5 years.

relatively developed). In terms of the population, Zimbabwe has access to a market with 257 million people. Their combined GDP totals US$471.1 billion (SADC, 2010:1).

SADC began to implement a Free Trade Area in 2009. SADC initial goals was that it wished to be a Customs Union (CU) by 2010, Common Market (CM) by 2015, a Monetary Union (MU) by 2016 and a single currency by 2018 (Behar & Edward, 2011:13). The full attainment of free trade poses a substantial challenge for SADC due to its members being very diverse economically. However, SADC countries did succeed in the removal of tariff and non-tariff barriers amongst the countries (SADC, 2007:1).

According to SADC (2011:1), in the SADC trade protocol Annex 1, a product needs to meet SADC rules of origin criteria to benefit from preferential tariffs. It must meet the following criteria: must be wholly produced (minerals – extracted from the ground or sea bed; vegetable products harvested locally; live animals born and raised locally; products obtained by hunting or fishing done locally); goods produced in a SADC state wholly or partially from material imported from SADC states or of undetermined origin by a process of production which affect such that CIF value of those material does not exceed 60%, the value added resulting from the process of production accounts for at least 35% of ex-factory cost of goods; there is a change in the tariff heading arising from a processing carried out in the non-originating material. Table 5.10 below shows Zimbabwe's share of top 10 harmonised 6-digit export products by value to SADC.

Table 5.10 Description and share of top 10 Harmonised 6-digit export products by value to SADC by Zimbabwe, 2008

Product description	% Share in Zimbabwe's total intra-SADC export
Nickel mattes	13.68
Nickel ores and concentrates	12.18
Unused postage, revenue stamps, cheque forms, banknotes, bond certificates, etc	5.80
Diesel powered trucks < 5 tonnes	4.88
Parts and accessories for automatic regulating or controlling instruments and appliances	4.88
Cotton yarn	4.30
Liquid dielectric transformers	3.69
Men's or boys' suit of textile materials knitted or crocheted	3.63
Cut flowers and flower buds for bouquets or ornamental purpose, ex fresh	3.36
Polymers of vinyl acetate, vinyl esters	2.54
Trade value (US$ million) (Zimbabwe's total intra-SADC exports)	1089.5
Share of the top 10	59.12

Source: Behar and Edwards (2011:11).

The above table shows nickel mattes accounted for the biggest share of Zimbabwe's intra-SADC exports in 2008. This was followed by nickel ores and concentrates. The top 10 exports accounted for 59.12% of Zimbabwe's total intra-SADC export in 2008 and their value amounted to US$1 089 500 000. Compared with the total Zimbabwe intra-COMESA export as shown in table 5.4 (US$258.9 million) and the value of Zimbabwe's total export to SADC (as shown in table 5.10 above) Zimbabwe's exports to SADC is 5 times more. Zimbabwe's biggest and most important trading partner in SADC is South Africa. Zimbabwe's exports to SADC are huge (in terms of both volume and percentage) of Zimbabwe's global exports because of her exports to South Africa (SADC, 2007:139). Zimbabwe's biggest and most important trading partner in SADC is South Africa (SADC, 2007:139).

Zimbabwe's top 10 export products to countries outside of SADC included both primary and manufactured products however; primary commodities as seen in table 5.10, dominated the value of this composition. Table 5.11[43] below shows Zimbabwe's top 10 export products to the rest of the world (ROW).

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[43] It is important to show regional figures and those outside the SADC in order to appreciate Zimbabwe's status in exports.

Table 5.11: Description and share of top 10 harmonised 6-digits export products by value to the rest of the world (ROW) (extra – SADC) by Zimbabwe, 2008

Product description	% share of Zimbabwe's top 10 products in total rest of the world (ROW) (extra-SADC) exports
Cut flowers and flower buds of a kind suitable for bouquets	24.6
Unmanufactured tobacco, tobacco refuse-tobacco partly or wholly stemmed/stripped	13.3
Cotton not carded or combed	11.6
Ferro-chromium	5.9
Collectors items of botanic, Zoo, mineral, historical, etc	4.8
Peas shelled or unshelled, fresh or chilled	4.1
Peel of citrus fruit/melons (water melons) fresh, frozen, dried	3.0
Citrus fruit, fresh or dried	2.6
Electrical appliance for switching/protecting electric circuits, exceed 1000	2.6
Tobacco unmanufactured, not stemmed or stripped	2.2
Trade value (US$ billion) (Zimbabwe's total extra-SADC exports)	0.6034
Share of top 10	74.2

Source: Behar and Edwards (2011:11).

The table 5.11 above shows that cut flowers and flower buds was the biggest product line Zimbabwe exported to the rest of the world (extra-SADC) in 2008. This was followed by tobacco. The products included horticultural products, agricultural products, minerals and manufactured products. The top 10 products constituted 74.2% of Zimbabwe's extra-SADC exports and their value amounted to US$603 400 000. The tables 5.10 and 5.11 show that Zimbabwe's products are mainly exported within the SADC region[44]. This shows Zimbabwe is benefiting a lot by being a member of SADC as the bulk of its exports go to SADC member states. However, this is unlike the case in COMESA where the bulk of Zimbabwe's exports are destined for non-COMESA countries, as shown previously in tables 5.4, 5.5 and 5.6[45]. The inclusion of South Africa in SADC gives advantage both to SADC and Zimbabwe. The inclusion also of Zimbabwe in SADC gives advantage to SADC and South Africa. South Africa is Zimbabwe's largest global trading partner while Zimbabwe, despite economic woes,

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[44] Zimbabwe's total exports amounted to US$1 693 339 000 in 2008 (see table 5.21). Table 5.10 shows total Zimbabwe's exports to SADC in 2008 amounted to US$1.0895 billion. Table 5.11 shows Zimbabwe's total exports outside SADC amounted to US$0.6034 billion. The inference that Zimbabwe exports more within SADC is therefore supported by trade data.

[45] Total Zimbabwe's exports to COMESA amounted to US$258.59 million in 2007. Table 5.6 shows Zimbabwe's exports to South Africa alone amounted to US$1.219 billion in 2007. It is therefore very clear that Zimbabwe exports much more within SADC than extra-SADC (see footnote no.40) whereas it exports less within COMESA than extra-COMESA.

remains a key trading partner for South Africa (SADC, 2007:139). The table 5.12 below shows export thickness measure for SADC countries.

Table 5.12: Export-thickness measures for SADC countries, 2008 (Total products to World, SADC and ROW)

Exporter	World	SADC	ROW	Average to each SADC country
Madagascar	1937(37)[46]	752(14)	1821(35)	89(2)
Malawi	1122(21)	1008(19)	435(8)	171(3)
Mauritius	2564(49)	2057(39)	1831(35)	216(4)
Mozambique	1507(29)	1137(22)	952(18)	148(3)
Namibia	3448(66)	3272(63)	1703(33)	611(12)
Seychelles	511(10)	182(3)	440(8)	19(0)
South Africa	4667(89)	4477(86)	4286(82)	2737(52)
Tanzania	2183(42)	1404(27)	1672(32)	214(4)
Zambia	2216(42)	2127(41)	538(10)	353(7)
Zimbabwe	1768(34)	1545(30)	760(15)	290(6)
SADC combined	4823(92)	4704(90)	4482(86)	2965(6)

Source: Behar and Edward (2011:12).

The table above shows that many SADC member states export a wide range ora diversified range of products to otherSADC members (SADC region) and intra-SADC trade out performs extra-SADC trade (rest of the world). The exceptions to this are Madagascar, Seychelles and Tanzania. This is a clear indicator of the regionalisation nature of SADC trade (Behar & Edward, 2011:12). For example Malawi exported a wider range of distinct harmonised 6-digit products totalling 1008 (see column 3) to otherSADC countries than to ROW (see column 4) which totalled to 435 (Behar & Edward, 2011:12). In the case of Zimbabwe, 1545 (see column 3) distinct products were exported to SADC countries while only 760 products (see column 4) were exported to the rest of the world. The table also shows that countries such as Mauritius, Mozambique, Namibia, South Africa and Zambia exported a wider variety of products to SADC states than to the rest of the world. Furthermore, only Madagascar and Seychelles show a narrow range of commodities they export to SADC region while their exports to the rest of the world (ROW) are more diversified.

Although the above table shows a good position of SADC member states in terms of the variety of products they export to each other, non-tariff barriers hamper smooth flow of trade. The table 5.13 below shows time delays and trade costs within SADC member states.

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[46] The numbers in the brackets represent the number of products each country exports.

Table 5:13: Time delay and trade costs in SADC

Country	Documents to export (number)	Time to export (days)	Cost to export (US$ per container)
Angola	11	65	2250
Botswana	6	30	2810
DR Congo	8	44	2607
Lesotho	6	44	1549
Madagascar	4	21	1279
Malawi	11	41	1713
Mauritius	5	14	737
Mozambique	7	23	1100
Namibia	11	29	1686
South Africa	8	30	1531
Swaziland	9	21	2184
Tanzania	5	24	1262
Zambia	6	53	2664
Zimbabwe	7	53	3280
SADC	7.4	35.1	1903.7

Source: Behar and Edward (2011:17).[47]

In the table above, only Mauritius and Tanzania have fewer documents required to be filled by an exporter numbering 5 each. The highest are Angola, Malawi and Namibia which have 11 documents each to be filled by exporters. In terms of the time it takes to export, Mauritius has the least delays (it takes 14 days to export). Angola tops in delays (65 days) yet it has access to the sea. In terms of the cost to export per container, Zimbabwe tops of having a very high cost of US$3280 per container. However, Botswana, DR Congo, Malawi and Zambia which are also landlocked like Zimbabwe have lower costs than Zimbabwe. Zimbabwe also does not do well as well as others as it has 7 documents required to be filled by exporters and it takes 53 days just like Zambia to export. Mauritius is the best in all 3 indicators showing non-tariff barriers. In table 5.14 below the study shows of diversification and concentration of exports indices for SADC countries.

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[47] The table is relevant as it shows how Zimbabwe fairs within SADC in terms of non-tariff barriers to trade. Zimbabwe's trade environment cannot be discussed without including such information on how the country is fairing regionally in terms of non-tariff barriers to export. Zimbabwe's economy is not faring well and that affects her ability to export and competiveness. The cost per container is very high for Zimbabwe and it has therefore an implication on her competiveness.

Table 5:14 Diversification and concentration of exports indices for SADC countries for 2009 and 2010

Country	2009 Absolute value	2009 concentration index	2009 diversification Index	2010 absolute value	2010 concentration Index	2010 diversification Index
Angola	75	0.961	0.830	73	0.970	0.829
Botswana	254	0.617	0.859	153	0.672	0.577
DR Congo	215	0.339	0.817	205	0.372	0.805
Lesotho	35	0.498	0.856	35	0.482	0.859
Malawi	111	0.622	0.808	110	0.537	0.796
Mauritius	170	0.260	0.707	191	0.235	0.745
Mozambique	237	0.317	0.721	226	0.484	0.846
Namibia	170	0.290	0.858	188	0.257	0.856
Seychelles	77	0.451	0.811	73	0.445	0.818
South Africa	260	0.143	0.587	260	0.155	0.587
Swaziland	189	0.212	0.697	182	0.230	0.757
Tanzania	257	0.209	0.742	254	0.198	0.753
Zambia	249	0.654	0.860	247	0.737	0.884
Zimbabwe	168	0.198	0.766	199	0.169	0.741

Source: UNCTAD (2011).[48]

The purpose of the table above is to show concentration and diversification of exports of Zimbabwe in relation to other SADC countries. Concentration refers to a country exporting large value out of a few products. Diversification refers to exports comprising of a very large number of products. In 2009, Zimbabwe was ranked number two as its exports being less concentrated after South Africa. In terms of diversification for the same period, Zimbabwe was ranked number six. South Africa was the most diversified economy. In 2010 in terms of concentration index, Zimbabwe again was number two as being less concentrated and again followed after South Africa. In 2010 in terms of diversification, Zimbabwe moved to the third position. The first and second positions were occupied by South Africa and Botswana respectively.

Apart from being a member of WTO, ACP, COMESA and SADC, Zimbabwe has market access through the Generalised System of Preference (GSP) Scheme. The GSP is discussed in section 5.3.5

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[48] The table here is used to compare Zimbabwe with her fellow member states how she is faring in terms of concentration and diversification of the economy.

5.3.5 Generalised System of Preference (GSP)

In this section, the objective is to demonstrate how schemes such as the GSP provide Zimbabwe with access to markets. In the same way that Zimbabwe has access to markets through her membership in organisations such as the WTO, the ACP nations, COMESA and SADC, it also gains market access through the Generalised System of Preference (GSP) scheme. Industrialised countries extend the GSP scheme to developing countries as one of the ways of their contribution towards reduction of poverty in the recipient countries. They also extend the scheme to developing countries in order to encourage sustainable economic growth and good governance (ZimTrade, 2010a:14). According to ZimTrade (2010a:14), the GSP is a scheme meant to promote growth in developing countries by providing them market access through preferential duty entry. The GSP scheme does not impose a reciprocity requirement on the part of recipients. The scheme was established in 1968 by the United Nations Conference on Trade and Development (UNCTAD). It advocated the establishment of GSP of tariff preferences in which industrialised countries would extend trade preference to every developing or least developed country.

The European Union was the first economic block to accord the GSP to non-industrialised or developing countries in 1971. The European Union has the most extensive GSP scheme which gives preferential access to about 176 developing countries, covering about 6200 tariff lines (ZimTrade, 2010a:14). However, there is a condition imposed by the European Union namely, that each individual country's performance is rated by them. If a country over a period of 3 years exceeds or fails to attain the established threshold of exports, the EU suspends or re-establishes the preferential tariff (ZimTrade, 2010a:15).

Zimbabwe is a recipient of the GSP scheme granted to it by the European Union, the United States of America, Canada, Japan, New Zealand, Norway, Russian Federation, Switzerland and Turkey (ZimTrade, 2010a:16) and Zimbabwe could use this scheme to gain market access for the products which will be identified by this study as having export potential.

5.3.6 The COMESA-EAC-SADC Tripartite Free Trade Agreement

In summary, the issue of duplication and multiple memberships in regional organisations has recently been addressed at by the Heads of State, of the three regional groupings namely

COMESA, East African Community (EAC) and SADC. A country such as Zimbabwe has a membership in both COMESA and SADC and this poses a problem because both organisations aim for deeper integration, and they wish to achieve this through Customs Unions (CU) and other integrations.

The COMESA-EAC-SADC Free Trade Area was launched on 12 June 2011. Three pillars of integration were identified namely, infrastructure development, industrial development and market (Trade Marks of Southern Africa, 2013:1). The first stage of negotiation process will deal with tariff liberalisation, rules of origin, customs cooperation and customs related matters, non-tariff barriers, sanitary and phytosanitary measures, technical barriers to trade, trade remidies and dispute settlement mechanisms. In the second stage, the issues will include: negotiating trade in services and trade related issues including intellectual property rights, competition policy and trade development and competitiveness. Parallel to the first stage will be negotiations to facilitate movement of business people in the region. The first stage of negotiations was expected to take 36 months (Trade Mark of Southern Africa, 2013:1). According to COMESA (2013:1) the second COMESA-EAC-SADC Tripartite Trade Negotiating Forum agreed to harmonise the Free Trade negotiations to avoid duplication specifically on issues involving customs.

5.4   Bilateral trade relations

The aim of this section is to assess Zimbabwe's trade relations which also provide Zimbabwe with market access in those countries it has trade relations with. This study only focuses on preferential bilateral trade agreements as they provide preferential treatment as opposed to MFN agreements.

5.4.1   Preferential bilateral trade agreements

The preferential bilateral trade agreement provides preference to the two countries which have entered the agreement. These agreements can be duty free or just reduced duty. Zimbabwe has entered preferential bilateral agreements which will be discussed in the following structure: section 5.4.1.1 discusses the Zimbabwe–Botswana bilateral trade agreement, section 5.4.1.2 discusses the Zimbabwe–Malawi bilateral agreement, section 5.4.1.3 discusses the Zimbabwe–Mozambique bilateral agreement, section 5.4.1.4 discusses

the Zimbabwe–Namibia bilateral agreement, section 5.4.1.5 discusses the Zimbabwe–DR Congo bilateral agreement and section 5.4.1.6 discusses the Zimbabwe–South Africa trade agreement.

5.4.1.1   The Zimbabwe–Botswana bilateral agreement

The Zimbabwe–Botswana trade agreement is one of the preferential bilateral trade agreements entered into by Zimbabwe. It became operational in 1988. The agreement is duty free and calls for reciprocity with both parties (ZimTrade, 2010a:8). For the product to qualify under this agreement it must be grown, wholly manufactured or produced wholly in any of both countries or from imported material, subject to 25% local content (ZimTrade, 2010a:8). In order to assess the performance of this agreement, a good measure is the value of trade between the two countries. Table 5.15 below shows both Zimbabwe's exports and imports to and from Botswana.

Table 5.15: Zimbabwe's exports and imports to and from Botswana 2005-2009, value in US$

	2004	2005	2006	2007	2008	2009
Exports	48248000	29597000	299411 000	200886000	157027000	36910000
Imports	88921000	104625000	212053000	409034000	214848000	198599000

Source: Trademap (2011).

Zimbabwe has experienced a trade deficit with Botswana in 2004, 2005, 2007, 2008 and 2009 except for in 2006. The deficits amounted to US$ 40 637 000 in 2004, US$65 028 000 in 2005, US$208 174 000 in 2007, US$57 821 000 in 2008 and US$161 689 000 in 2009. Zimbabwe's exports to Botswana have been fluctuating. The least was recorded in 2005 and the second least 2009. In terms of overall value of trade, it was the highest in 2007 when it reached US$609 920 000.

The trade statistics indicate that trade has been beneficial for both sides. Zimbabwe exported goods worth US$299 411 000 in 2006 to Botswana. The figure was quite high considering the performance by Zimbabwe globally. Its total exports in 2006 amounted to US$6 427 357 000. Zimbabwe imported goods from Botswana worth US$409 034 000 in 2007 when Zimbabwe's total global imports amounted to US$3 441 651 000 for the same period. Generally the agreement has been utilised by both parties.

The trade relations between Zimbabwe and Botswana under the agreement are good. They are even fostering their relationship in other sectors. For example on 21 March 2011, Zimbabwe signed with Botswana a Bilateral Investment Promotion and Protection Agreement (BIPPA). Botswana has earmarked a facility for Zimbabwean firms amounting to P500 million (US$70 million) (Confederation of Zimbabwe Industries, 2011:6). This facility will help Zimbabwean firms to increase production and then increase exports.

Zimbabwe also has a zero tariff agreement with Malawi. Although the volumes are not as high as in the agreement with Botswana, it has been beneficial. The Zimbabwe – Malawi agreement is discussed in section 5.4.1.2.

5.4.1.2 The Zimbabwe-Malawi bilateral agreement

In addition to the Zimbabwe–Botswana duty free agreement, Zimbabwe has another similar agreement with Malawi. The agreement has been operational since 1995. It is a reciprocal duty free agreement and requires a local content of 25% (ZimTrade, 2010a:8). The same measure applied above to evaluate its performance in terms of value of trade will be used. Table 5.16 below shows Zimbabwe's exports and imports to and from Malawi.

Table 5.16: Zimbabwe's exports and imports to and from Malawi, 2005-2009 value US$

	2005	2006	2007	2008	2009
Exports	25 807 000	43 363 000	57 727 000	72 695 000	29 924 000
Imports	2 905 000	17 917 000	171 572 000	24 334 000	6 666 000

Source: Trademap (2011)

Zimbabwe's exports to Malawi have been fluctuating. However, Zimbabwe had a trade surplus amounting to US$22 902 000 in 2005, US$15 446 000 in 2006, US$48 361 000 in 2008 and US$23 258 000 in 2009. Zimbabwe, however, experienced a trade deficit with Malawi in 2007 amounting to US$113 845 000. The deficit was so big that it almost reduced the surpluses Zimbabwe enjoyed in the previous years.

Zimbabwe has another preferential agreement with Mozambique. The Zimbabwe–Mozambique bilateral agreement is discussed in section 5.4.1.3.

5.4.1.3 The Zimbabwe–Mozambique agreement

In addition to the Zimbabwe–Malawi bilateral agreement, Zimbabwe also has a preferential bilateral trade agreement with Mozambique. The agreement was signed in January 2004 and became operational in March 2005. The agreement similar to Zimbabwe's other two bilaterals is duty free for products with 25% local content and excludes refined and unrefined sugar, cigarettes, Coca-Cola/Schweppes soft drinks, soft drinks, motor vehicles, firearms, ammunition and explosives (ZimTrade, 2010a:8). Table 5.17 below shows Zimbabwe's exports and imports to and from Mozambique.

Table 5.17: Zimbabwe's exports and imports to and from Mozambique, 2005-2009 value in US$

	2005	**2006**	**2007**	**2008**	**2009**
Exports	39 225 000	366 512 000	431 407 000	41 956 000	98 204 000
Imports	204 543 000	198 266 000	124 973 000	81 678 000	145 065 000

Source: Trademap (2011).

Zimbabwe's exports to Mozambique have been fluctuating. In 2007, Zimbabwe exported goods worth US$431 407 000 then the following year, exports went down to US$41 956 000. Zimbabwe enjoyed trade surpluses amounting to US$168 246 000 in 2006 and US$206 434 000 in 2007. Zimbabwe suffered trade deficits amounting to US$165 318 000 in 2005, US$39 722 000 in 2008 and US$46 861 000 in 2009. Zimbabwe and Mozambique experienced a high two way trade amounting to US$564 778 000 in 2006 and US$503 434 000 in 2007. Statistics have shown that there is potential for Zimbabwe to increase exports to Mozambique.

In addition to the Zimbabwe-Mozambique trade agreement, Zimbabwe has an older agreement with Namibia which is not being fully utilised in terms of volumes of trade. The Zimbabwe–Namibia bilateral agreement is discussed in section 5.4.1.4.

5.4.1.4   The Zimbabwe–Namibia bilateral agreement

The Zimbabwe and Namibia bilateral agreement came in to force much earlier than the Zimbabwe-Mozambique trade agreement which seems to be beneficial in terms of increased value of trade. The Zimbabwe–Namibia agreement became operational in 1992. It is a reciprocal agreement which requires 25% local content. The other goods eligible under the agreement include mineral and vegetable products, live animals and their products (ZimTrade, 2010a:8). Table 5.18 below shows Zimbabwe's exports and imports to and from Namibia.

Table 5.18: Zimbabwe's exports and imports to and from Namibia 2005-2009 value in US$

	2005	2006	2007	2008	2009
Exports	11 351 000	16 922 000	14 865 000	10 110 000	3 647 000
Imports	827 000	3 878 000	3 662 000	6 221 000	3 408 000

Source: Trademap (2011).

Zimbabwe's exports to Namibia are small and fluctuating as compared to other countries where Zimbabwe has a similar agreement. Zimbabwe also enjoyed insignificant trade surpluses amounting to US$10 524 000 in 2005, US$13 044 000 in 2006, US$11 203 000 in 2007, US$3 889 000 in 2008 and US$239 000 in 2009. Of all the agreements discussed above, this is the least performing trade agreement in terms of trade value as demonstrated by the above table. Zimbabwe and Namibia share a common border as a result transport may not be a barrier to trade. Moreover, the two countries have a preferential trade agreement which is expected to be boosting trade.

The Zimbabwe–DR Congo agreement is performing much better than this older agreement between Zimbabwe–Namibia. The Zimbabwe–DR Congo bilateral agreement is discussed in section 5.4.1.5.

5.4.1.5   The Zimbabwe–DR Congo bilateral agreement

The Zimbabwe–DR Congo bilateral agreement is performing much better than the Zimbabwe- Namibia trade bilateral agreement in terms of volume of trade. The Zimbabwe–DR Congo bilateral agreement became operational in 2003. It is a reciprocal zero tariff

agreement. It covers all products grown or wholly produced or manufactured wholly or those made from imported material fulfilling 25% local content (ZimTrade, 2010a:9). The performance of this agreement in terms of value of trade is much better than the figures for Zimbabwe-Namibia trade agreement. Table 5.19 below shows Zimbabwe's exports and imports to and from DR Congo.

Table 5.19: Zimbabwe's exports and imports to and from DR Congo, 2005-2009 value in US$

	2005	**2006**	**2007**	**2008**	**2009**
Exports	7 156 000	948 310 000	84 050 000	14 832 000	14 748 000
Imports	7 677 000	1 613 000	725 000	86 000	14 372 000

Source: Trademap (2011).

Zimbabwe's exports to the DR Congo have been fluctuating. Zimbabwe has enjoyed trade surpluses amounting to US$946 697 000 in 2006, US$83 325 000 in 2007, US$14 746 000 in 2008 and US$376 000 in 2009. However, Zimbabwe suffered a trade deficit in 2005 amounting to US$521 000.

In 2006, Zimbabwe's exports to DR Congo were quite high at US$948 310 000 thereby increasing total exports receipts to US$6 427 357 000. However, the problem was that it was a once off event. Zimbabwe's exports to DR Congo under the Zimbabwe–DR Congo trade agreement were higher in 2006 compared to Zimbabwe's exports to South Africa in during 2005, 2008 and 2009 (see tables 5.19 and 5.20). The Zimbabwe–South Africa bilateral agreement is discussed in section 5.4.1.6.

5.4.1.6   The Zimbabwe–South Africa bilateral agreement

The Zimbabwe–South Africa Trade Agreement was signed in August 1996. It is a zero tariff agreement. However, there is a quota on some products such as dairy products, potatoes, birds and eggs. Fabrics such as cotton attract reduced tariff rates if they meet 75% local content (ZimTrade, 2010a:9). The performance of this trade agreement can be judged by its trade value. Table 5.20 below shows Zimbabwe's exports and imports to and from South Africa.

Table 5.20: Zimbabwe's exports and imports to and from South Africa, 2005-2009 value in US$

	2005	2006	2007	2008	2009
Exports	578 173 000	1 109 305 000	1 239 093 000	711 267 000	119 2175 000
Imports	310 104 000	1 172 110 000	1 534 228 000	1 758 936 000	2 132 187 000

Source: Trademap (2011).

The table above shows that Zimbabwe's exports to South Africa have also been fluctuating. However, the amounts of exports are relatively large. Zimbabwe only had a trade surplus of US$268 069 000 in 2005. For rest of the periods, Zimbabwe suffered trade deficits in the amount of US$62 805 000 in 2006, US$245 135 000 in 2007, US$1 047 669 000 in 2008 and US$940 012 000 in 2009.

South Africa is the largest single trading partner of Zimbabwe (SADC, 2007:139). Zimbabwe's exports to South Africa in 2007 were 37% of the total of Zimbabwe's exports (computed using table 5.22) and imports from South Africa in 2009 amounted to 60% of all Zimbabwe's imports (computed using table 5.24). Zimbabwe is also a major trading partner for South Africa. South Africa is a big market for Zimbabwe's products. There is no doubt therefore that South Africa and Zimbabwe are key trading partners despite economic challenges faced by Zimbabwe (SADC, 2007:139).

South Africa entered a free trade agreement with the European Union (Hess, Maasdorp, Holders & Thurlow, and 2001:6). The model constructed by Hess *et al*. (2001:6-7) showed that Zimbabwe could experience significant losses arising from the trade pact between South Africa and the European Union.

It should also be noted that apart from Zimbabwe having trade agreements with Botswana, Malawi, Mozambique, Namibia, DR Congo and South Africa, all these countries including Zimbabwe are either members of SADC or COMESA. That means they have access to each other's markets under the multilateral arrangements of the two regional organisations. As a result the trade figures covered in the respective preferential agreements cannot be isolated from the benefits Zimbabwe enjoys from being members of COMESA or SADC or both.

So far, selected trade statistics have been used to examine the preferential trade agreements which Zimbabwe has entered into with other countries. However, there is a need to look at

Zimbabwe's overall trade composition and statistics. In order to provide a better picture of Zimbabwe's overall trade (world trade) and how it relates to trade under its bilateral agreements. Trade composition and statistics are discussed in section 5.5.

5.5 Trade composition and statistics

The aim of this section is to analyse Zimbabwe's exports and imports. This section is structured as follows: section 5.5.1 presents exports by country (destination), section 5.5.2 presents average exports, section 5.5.3 presents import by product and section 5.5.4 presents import by country (destination).

5.5.1 Exports by country (destination)

In the above section exports by products have been presented and analysed. In this section Zimbabwean export destinations are analysed. In table 5.21 a list of markets (countries) for Zimbabwe's exports is shown.

Table 5.21: List of importing markets for a product exported by Zimbabwe (Unit in US Dollar thousand)

Country	2008	2009
World	1 693 339	2 268 398
South Africa	711 267	1 192 175
Netherlands	169 341	187 810
Switzerland	33 221	169 568
Mozambique	41 056	98 264
Zambia	70 135	82 659
Belgium	37 050	61 023
United Kingdom	57 833	56 664
China	37 464	54 204
Italy	48 253	46 528
Botswana	157 027	36 510
Malawi	72 695	29 924
DR Congo	14 932	14 748
USA	20 784	9 983
Germany	6 365	8 615

Source: Trademap (2011).

Zimbabwe's exports have also been presented in table 5.6 under COMESA. In that table it is presented as Zimbabwe's top extra-COMESA export trading partners for the period 2001-

2007. In order to avoid repetition in the above table, only 2008-2009 is covered. Zimbabwe exported to many countries but the amounts were small for most of them. South Africa remains a major trading partner of Zimbabwe. Zimbabwe's exports to South Africa amounted to US$711 267 000 in 2008 then picked up to US$1 192 175 000 in 2009. The Netherlands was another major export destination of Zimbabwean exports followed by Botswana.

In Africa, Zimbabwe's exports destinations included Mozambique, Zambia, Botswana, Malawi and DR Congo andZimbabwe has duty free bilateral trade agreements with all these countries. In addition, these countries including Zimbabwe are members of the Southern African Development Community (SADC) and there are various programmes in place which are stimulating trade. Zimbabwe, Zambia and Malawi are also members of the Common Market for Eastern and Southern Africa (COMESA) and are enjoying various programmes facilitating trade. Namibia which has a zero tariff bilateral agreement with Zimbabwe was not among the top 14 destinations of Zimbabwe's exports. The main markets of Zimbabwean exports, 2009-2011, were South Africa (50%), China (6%), United Arab Emirates, Mozambique, Switzerland and Zambia each importing 3%. (Biti, 2011:2). According to NKC (2012:2), Zimbabwe's exports in 2012 are forecasted at US$3 billion. The country is expected to earn about US$400 million from tobacco exports alone.

The two sections above have covered exports by product and exports by destination. In section 5.5.2 the study covers average exports.

5.5.2 Average exports

The purpose of presenting average exports is to show which period, on average, Zimbabwe fared better in exports. Figure 5.3 below shows average exports.

Figure 5.3: Average exports for 1993-1998, 1999-2004 and 2005-2010
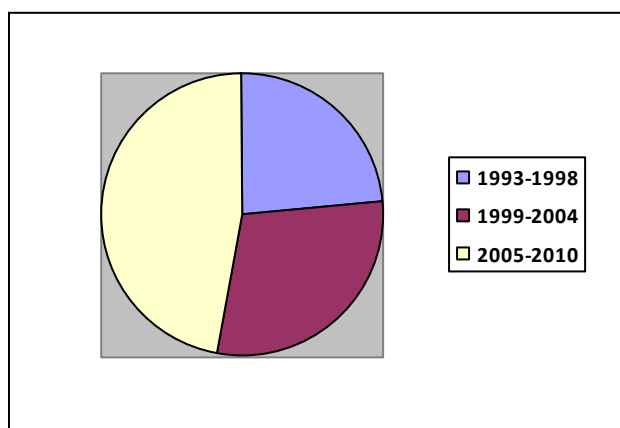
Source: Compiled using data from ZIMSTAT (2011), ZimTrade (2011), UNCOMTRADE (2011).[49]

The table above shows average exports which amounted to US$1 532 338 503 in the period 1993-1998, US$1 875 685 190 in the period 1999-2004 and US$3 061 481 069 in the period 2005-2010. Average exports were higher for the period 2005-2010 in absolute terms. This was followed by average exports for 1999-2004. Although average exports were higher in 2005-2010, the same period had the highest average inflation at 385 011 347% (computed using figures from table 4.9 in chapter 4).

The study has so far discussed average exports. In section 5.5.3 the study looks at imports. In section 5.5.3 and section 5.5.4 the focus is on imports. That is import by product and import by destination.

5.5.3   Import by product

Import by product analyses the import in terms of the products which were imported. In table 5.22 selected products which were imported by Zimbabwe are shown.

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[49] All the three sources were used in the figure.

Table 5.22: List of selected products imported by Zimbabwe, (Unit in US$ thousand)

Products	2005	2006	2007	2008	2009
All products	2072259	2576556	3441651	2831314	3526780
Petroleum oils	118 447	528 772	559 232	266 076	334 768
Trucks, motor vehicles for goods	47 972	77 664	151 930	200 385	269 482
Cars	23 216	73 340	88 615	97 526	138 971
Nickel matte nickel oxide sinters	6	4 052	42 922	107 884	138 621
Maize (Corn)	30 605	94 581	150 347	169 932	104 394
Electric energy	185 878	20 026	6 605	25 821	99 465
Electric appliances	5 215	5 942	1 923	23 677	97 597
Sun flower, Cotton seeds	524	185 143	12 595	33 283	95 973
Wheat & Meslin	6 169	6 099	18 749	0	64 528
Breakfast cereals	730	16 649	16 335	48 626	57 818
Soap, Organic surface	1 572	6 678	14 482	27 431	57 700
Medicament mixture	17 085	21 513	56 284	40 339	57 580
Tractors	7 548	31 407	139 126	74 218	21 767
Structures of iron & steel	6 064	2 756	8 231	39 254	51 106
Mixture of nitrogen, fertilizer	12 999	42 765	65 631	164 622	50 941
Cereal gouts, meal & pellets	363	7 544	9 112	24 110	50 296
Wheat or Meslin flour	1 997	1 403	4 107	7 609	38 447
Tobacco unmanufactured	66 770	42 500	50 183	33 423	32 902
Self-propelled bulldozer, grader etc.	5 136	16 647	112 593	35 058	31 986
Meat edible offal of poultry meat	29	207	246	1 420	29 240
Electric instantaneous water heater	1 369	2 514	4 128	2 216	28 884
Dried vegetables	2 279	13 386	12 715	22 039	27 900

Source: Trademap (2012).

The bulk of Zimbabwe's imports are petroleum oils. These are the products which are used in the production or transportation of many other products. They are sourced generally from outside Zimbabwe. They were followed by transport trucks. Transport trucks are commonly used in Zimbabwe to transport goods within Zimbabwe, to other countries and to the ports (since Zimbabwe is a landlocked country). It is not clear why Zimbabwe imported nickel matte, nickel oxide sinters when it exported the same (see table 5.11 and table 5.12). Import growth is forecast to decline from 23.3% in 2011 to 6.8% in 2012. In absolute value this will translate to US$6.4 billion in 2011 and US$6.8 billion in 2012. On this account trade and current account deficit of US$2 billion in 2011 and US$1.7 billion in 2012 is expected to occur (Biti, 2011:2). According to NKC (2012:12) Zimbabwe's imports in 2012 are forecast to rise to US$4.35 billion. With the expected increase in exports (see section 3.6.4), a trade deficit of US$1.35 billion is anticipated. The deficit will be the smallest in 3 years. Another reduction in trade deficit is projected for 2013, the result of this reduction will bring the current account deficit to equivalent of 13.9% of the GDP.

The discussion above has centred on the products which were imported without showing the countries where they came from. Section 5.5.4 shows the countries where the imports originated.

5.5.4   Imports by country

South Africa is the major source of Zimbabwe's imports. However in 2005 alone, Zimbabwe imported more from Zambia than any other country, including South Africa. In spite of the government's Look East Policy (Government of Zimbabwe, 2005:7), imports from China were just average. The Look East Policy (Government of Zimbabwe, 2005:7) has not translated into huge volumes of trade except in 2005 (see table 5.5 and table 5.6). In fact, Zimbabwe imported more from the United States of America than from China. Imports from Zambia in 2005 were quite high and it amounted to US$846 801 000. Zimbabwe also imported from Kuwait, India, United Kingdom, Germany, Japan, Switzerland and United Arab Emirates. Zimbabwe's imports from DR Congo were significant only in 2005 when it amounted to US$77 677 000 while imports from Malawi were significant in 2007 at US$171 572 000. Zimbabwe also imported from many other countries but the amounts were very small. However, when added up together they are substantial. The main import sources in the period 2009-2010 were South Africa (52%), USA (11%), Kuwait (6%) and China (5%) (Biti, 2011:2). Table 5.23 presents Zimbabwe's imports from country of origin.

Table 5.23: Zimbabwe's imports from selected countries (Unit US$ thousand)

Country	2005	2006	2007	2008	2009
World	2 072 259	2 576 556	3 441 651	2 831 814	3 526 780
South Africa	310 104	1 172 110	1 534 228	1 758 936	2 132 187
USA	29 434	240 742	123 251	113 582	275 056
Botswana	104 625	212 053	408 989	214 848	198 599
Mozambique	204 543	198 266	124 973	81 678	145 665
China	50 643	105 458	215 895	138 061	128 760
Zambia	846 801	45 289	199 784	61 944	91 336
Kuwait	83 224	97 000	167 852	11 077	80 532
United Kingdom	344 111	91 574	106 579	67 403	70 731
Germany	46 727	60 749	43 947	52 300	38 665
India	35 132	31 370	40 007	33 422	27 014
Japan	27 482	10 985	31 624	30 582	30 172
United Arab Emirates	27 537	24 349	29 991	23 321	19 661
Switzerland	12 036	57 299	19 722	16 903	17 540
DR Congo	77 677	1 613	725	86	14 372
Malawi	2 905	17 917	171 572	24 334	6 666

Source: Trademap (2011).

In the above sections, the focus has been on exports and imports. In the next section the study considers how the exports and imports translate into the terms of trade. The terms of trade are discussed in section 5.6.

5.6   Terms of trade

This section is meant to show whether or not the terms of trade are favourable to Zimbabwe. The terms of trade is defined as the ratio of exports to imports. In other words, it is what US$1 worth of exports brings in terms of imports (European Commission, 2007:11). Zimbabwe's terms of trade were favourable in 1980s and 1990s. This is no longer the case. The economic problems which have affected the country caused its terms of trade to deteriorate in the late 1990s and after 2000 (European Commission, 2007:33). The structure of Zimbabwe's imports and exports is one of the causes of macroeconomic challenges and is worsening its terms of trade (Tekere, 2001:8).

One of the ways a country can improve its terms of trade is through FDI brought in by transnational companies. These companies can bring in superior management and technology which can help a country benefit from economies of scale. These in turn can help a country improve its terms of trade (Lipsey & Chrystal, 1995:181, 315-316,658). However, as it was discussed in Chapter 4, Zimbabwe did not receive any substantial FDI investment. FDI has the ability to alter a country's comparative advantage (Lipsey & Chrystal, 1995:659).

The terms of trade can also be improved by trade facilitation and infrastructure. Trade facilitation and infrastructure are discussed in section 5.7.

5.7   Trade facilitation and infrastructure

The aim of this section is to assess whether or not there exists trade facilitation measures and trade infrastructure which can enable Zimbabwe to increase exports. Trade facilitation is a wider term and involves the activities, measures and legislation which facilitate trade to take place and includes infrastructure (European Commission, 2007:53). This section is structured as follows: section 5.7.1 discusses export promotion strategy, section 5.7.2 discusses Export Promotion Agencies (EPAs), section 5.7.3 discusses institutions regulating trade, section

5.7.4 discusses trade facilitation measures and facilities, section 5.7.5 discusses transport infrastructure and section 5.7.6 discusses trade financing and export incentive schemes.

5.7.1   National Export Strategy

Zimbabwe's National Export Strategy which had a life span from 2006 – 2010 never really took off. The objective of the strategy was to increase exports by more than 40% per year for the period 2006-2010 (the period of its life). It aimed at making Zimbabwe a major exporter of value added tradable products and become self-reliant in foreign currency through exports (Government of Zimbabwe, 2005:12). The National Export Strategy was not well funded to achieve its objectives. (European Commission, 2007:100). The National Exports Strategy also served as Zimbabwe's trade policy. A trade policy is supposed to be more comprehensive than a National Export Strategy (European Commission, 2007:62, 81). Zimbabwe needs a proper comprehensive trade policy to define (i) its relation with other countries and (ii) what Zimbabwe aims at achieving from trade. The lack of a comprehensive trade policy undermined trade (European Commission, 2007:62, 81).

The government has accepted the recommendation of the European Commission (2007:62, 81) that Zimbabwe needs to have a comprehensive trade policy. In its Short Term Emergency Recovery Programme (STERP II) (Government of Zimbabwe, 2009c:184), the government indicated that it will formulate a National Trade Policy which will encompass a National Export Promotion and Development Strategy. It will be formulated during the life span of STERP II (2010-2012). However, Zimbabwe currently does not have the National Trade Policy nor the National Export Strategy (Government of Zimbabwe, 2011:5). This study has formulated Zimbabwe's Export Promotion Strategy in Chapter 8 that the government can consider to effect the necessary reforms alluded to by the African Development Bank and World Bank (that Zimbabwe's current economic performance is not sustainable without deep reforms being undertaken) (African Development Bank, 2010:3; World Bank, 2011a:2).

A National Export Strategy needs efficient Export Promotion Agencies (EPAs). Export Promotion Agencies are discussed in section 5.7.2

5.7.2   Export Promotion Agency (EPA)

The objective of an EPA is to assist potential exporters to have access to markets outside their country for their products (Lederman *et al*., 2006:1). Most countries worldwide have established EPAs which they recognize have a role to play in increasing exports. The economic importance of an EPA is justified by the theory of asymmetric information and market failure. According to the theory, the private sector or private firms will not invest in information gathering because the same information can be available to their rivals. Hence only the government (public sector) can invest in EPAs (Lederman *et al*., 2006:2). Lederman *et al*. (2006:1) conclude that for a well-funded EPA, every 1 US$ it spends on export promotion leads to US$300 worth of orders.

In light of the theory of asymmetric information and market failure, the Zimbabwean government established its own EPAs known as ZimTrade and Mineral Marketing Corporation of Zimbabwe. These are discussed in section 5.7.2.1 and section 5.7.2.2 respectively.

5.7.2.1   ZimTrade

ZimTrade is an official Export Promotion Agency (EPA) established by the Zimbabwe government in 1991 (ZimTrade, 2010b:1). Its objectives include the following: gathering and dissemination of trade information; assisting in increasing capacity utilisation in manufacturing and horticulture sectors; identifying emerging potential exporters and training them; managing trade promotion and facilitating activities; enhancing and improving understanding of trade related issues such as SADC Free Trade Area; lobbying for a conducive export market; developing and managing trade advisory services; and fostering increased export activity (ZimTrade, 2010b:1).

The major activities provided by ZimTrade include providing an information library, a trade database which includes a local company database containing profiles of exporters and importers as well as international trade statistics databases, publications such as Zimbabwe exports and services directories, weekly bulletins, monthly newsletters, trade user guides and a website (ZimTrade, 2010b:1). The major activities in capacity building include the formulation of export business plans; providing export promotion strategies that include,

negotiation skills and closing sales techniques; assisting with export product development and packaging; providing information technology; providing standards and good housekeeping skills; assisting with export documentation and trade agreements; conducting export market research; and helping with export costing and terms of payment (ZimTrade, 2010b:1). ZimTrade also organises seminars and workshops on specific topics related to exports (ZimTrade, 2010b:1).

In export development, ZimTrade assists new exporters and updates traditional exporters on trade developments and opportunities related to international markets. This is in line with the role of an Export Promotion Agencies discussed under export promotion in Chapter 3. ZimTrade is currently assisting the following sectors: building and construction; furniture; processed foods and beverages; clothing and textiles; horticulture; household electrical goods; leather and footwear; women and youth in business; agriculture inputs and implements; pharmaceuticals; jewellery; packaging; motor vehicle; componentry; arts and crafts; and services (ZimTrade, 2010b:1)

ZimTrade is International Organisation for Standardisation (ISO) Certified 9001:2008 (ZimTrade, 2010b:1). This makes the services of ZimTrade recognised worldwide. It also shows that the organisation is competent. It is important fort an EPA to be ISO certified in order for it to be credible (ZimTrade, 2010b:1).

If the country is serious about increasing exports, it has to increase the budget provision for ZimTrade to enable it to operate efficiently and effectively. The budget increase would help ZimTrade acquire the computer hardware, subscribe to sources of trade information, enable it to attend most of trade fairs worldwide, and offer free workshops to the business community (European Commission 2007:63). ZimTrade levies 0.1% on all exports (except minerals) and all imports into Zimbabwe meant to finance its activities (Wiemann *et al.,* 1998:21).

The other EPA apart from ZimTrade is the Mineral Marketing Corporation of Zimbabwe. The Mineral Marketing Corporation of Zimbabwe (MMCZ) is discussed in section 5.7.2.2.

5.7.2.2   Mineral Marketing Corporation of Zimbabwe (MMCZ)

The Mineral Marketing Corporation of Zimbabwe (MMCZ) was established through an Act of Parliament (no longer available in government publication stores) on June 1982. MMCZ started its operations in March 1983 as a sole agent for the selling and marketing of all minerals produced within the borders of Zimbabwe, except gold and silver (Mineral Marketing Corporation of Zimbabwe, 2011:1). MMCZ is wholly owned by the government of Zimbabwe and is supervised by the Ministry of Mines and Mining Development (Mineral Marketing Corporation of Zimbabwe, 2011:1). The government established MMCZ as a parastatal for the following reasons: to control and carry out sales and exports of all minerals produced within Zimbabwe; to control stock piling; to minimize underhand and dishonest pricing; under invoicing and related problems; and centrally coordinate all marketing, intelligence, monitor international affairs and technological changes (Mineral Marketing Corporation of Zimbabwe, 2011:1). MMCZ provides services in the following areas: product information; market information; contract negotiations; drafting and authorisation; mineral identification; gemstone evaluation; issuing of Kimberly processing certificates; and logistics and product distribution (Mineral Marketing Corporation of Zimbabwe, 2011:1). MMCZ categorises the minerals it sells into three different groups. These are: metals – high carbon ferrochrome, platinum group metals, nickel and steel; non-metals- diamond, emerald, petalite, vermiculite and aquamarine; and chrysofile – white asbestos (Mineral Marketing Corporation of Zimbabwe, 2011:1). MMCZ is also the main marketer of all diamonds produced in Zimbabwe (Mineral Marketing Corporation of Zimbabwe, 2011:1).

Apart from the EPAs there are other institutions which facilitate trade such as institutions that regulate trade. Institutions regulating trade are discussed in section 5.7.3.

5.7.3   Institutions regulating trade in Zimbabwe

This section discusses institutions regulating trade in Zimbabwe. These institutions are relevant as they offer services related to exports. Their conduct of business can either facilitate or be a hindrance to exporting. These are structured as follows: section 5.7.3.1 discusses Zimbabwe Revenue Authority (ZIMRA) and section 5.7.3.2 discusses the Standard Association of Zimbabwe (SAZ).

5.7.3.1   Zimbabwe Revenue Authority (ZIMRA)

Zimbabwe Revenue Authority (ZIMRA) was established by the ACT of Parliament (Chapter 23:11) (Parliament of Zimbabwe, 1999:247). ZIMRA was established through a merger of the former Department of Taxes and former Department of Customs and Excise (Zimbabwe Revenue Authority, 2011:1). According to the Parliament of Zimbabwe (1999:248), ZIMRA has the following functions: to act as agent of the state in assessing, collecting and enforcing the payment of all revenue; to advise the Minister of Finance on matters relating to the raising and collection of revenues; and to perform any other function that may be conferred or imposed on the Authority in terms of the Act and any other enactment (Parliament of Zimbabwe, 1999:248). Through this Act, ZIMRA administers the country's borders and collects tariffs duty on imports and exports tax and inspects shipments of goods into and out of Zimbabwe. ZIMRA is a strategic institution in trade facilitation. It faces challenges in that it does not have adequate scanners. As a result, it takes several days to inspect export goods (European Commission, 2007:63).

According to Biti (2011:5) corruption at border posts by ZIMRA officials, clearing agents and members of the public heavily impacts on government revenue and administration at the border posts. These leakages include under declaration, abuse of certificate of origin, use of undesignated entry and exit, abuse of business partnerships numbers and travellers rebate. Non-tariff barriers also exist in the importation of inputs to be used to produce exportable products. Zimbabwean firms reported that they consult on average 19 different officials in order to obtain an approval to import the inputs they need. They further reported that such approvals can take up to 3 months. This has an impact on the ability to produce and export (SADC, 2007:141). Transporters transiting Zimbabwe also complain of administrative non-tariff barrier costs (SADC, 2007:141).

Another institution apart from ZIMRA which facilitates trade is the Standard Association of Zimbabwe (SAZ). SAZ is discussed in section 5.7.3.2.

5.7.3.2   Standard Association of Zimbabwe (SAZ)

Standard Association of Zimbabwe (SAZ) is a national institution which is responsible for publishing national standards. It operates with technical committees. These committees

include representatives of manufactures, trade associations, and educational research, and government departments, professional and testing institutions. They also include representatives of private consumers through the Consumer Council of Zimbabwe (CCZ) (Standard Association of Zimbabwe, 2011:1). SAZ's core business is to spearhead and coordinate the development of national standards and to publish national standards. The institution has published 1440 Zimbabwean standards (Standard Association of Zimbabwe, 2011:1). SAZ is the signatory to the World Trade Organization (WTO) code of good practice. SAZ as a member abides by the code and this is achieved through principles of openness and balance of interest. SAZ also adopts international/regional standards for the purpose of fostering international trade (Standard Association of Zimbabwe, 2011:1).

SAZ also works with the International Organization for Standardization (ISO). ISO defines a standard as a document prepared through consensus and approved by a mandated (recognised) body that provides for common and repeated use rules, guidelines or characteristics for activities or their outcomes aimed at the attainment of the highest degree or order. These are in regard to types of standards, technology symbols, classification, test methods, specifications and codes of practice (Standard Association of Zimbabwe, 2011:1). SAZ as a member of ISO has established a very comprehensive collection of standards information in its centres throughout Zimbabwe. The centres are capable of providing information and services on national, foreign national, regional and international standards (Standard Association of Zimbabwe, 2011:1). SAZ's collection includes Australian, British standards, IEC, ISO, Malaysian, South African, ASTM standards, etc. These standards are made available to users through sale or loan (Standard Association of Zimbabwe, 2011:1).

SAZ provides technical services through its laboratories and also accepts samples from external customers. SAZ also provides quality assurance through certification process to SAZ's ISO 9001, 14001, 22000 and OHSAS 18001, other Zimbabwean Standards and any other standards (Standard Association of Zimbabwe, 2011:1). SAZ also offers other services such as training in the following courses: ISO 9001, IS0 2008 (QMS) awareness, development and implementation and internal auditing; ISO 1409 (EMS) – awareness, development and implementation and internal auditing; guidelines how to handle complaints and customer care; basic food hygiene and Hazard Analysis Critical Point (HACCP); Occupational Health and Safety Management System (OHSMS); Information Security Management; quality assurance part1 and 2; 17025 Laboratory Management Systems; ISO

22000 Food Safety Management; and Risk Management (Standard Association of Zimbabwe, 2011:1).

SAZ as an organization is critical in ensuring that exports meet international standards and quality. However, the organization faces challenges of modernising its laboratory equipment for testing and has few utility vehicles to facilitate inspection (European Commission, 2007:63).

In addition to standards set by SAZ there are other measures which facilitate trade. These measures are discussed in section 5.7.4.

5.7.4   Trade facilitation measures and facilities

The trade facilitation measures and facilities are discussed here due to their importance in facilitating exports. The discussions on the trade facilitation measures have been structured as follows; section 5.7.4.1 discusses simplification and harmonisation of customs procedures, section 5.7.4.2 discusses border posts, section 5.7.4.3 discusses international trade standards and section 5.7.4.4 discusses intellectual property rights.

5.7.4.1   Simplification and harmonisation of customs procedures

Zimbabwe became party to the Kyoto Convention on the simplification and harmonisation of customs procedures in September 1998. Zimbabwe was the first country in Africa and South of the Sahara to adopt the Harmonised System (HS) and it has since migrated from HS 2002 to HS 2007. The system involves having uniform classification and a common trade language (European Commission, 2007:53).

Simplification and harmonisation of customs procedures should be augmented by efficient border posts. Border posts are discussed in Section 5.7.4.2.

5.7.4.2   Border posts

Efficient border posts are necessary to facilitate the movement of goods and people. In order to reduce congestion at the border posts, Zimbabwe opened new borders at Maitengwa,

Mukumbura, Kanyemba and Mphoengs (European Commission, 2007:55). Corruption, as discussed under ZIMRA, is a cause of concern at the border posts in administering exports and imports and this impedes trade.

Apart from the problems associated with the borders for the smooth movement of goods, there are problems of conforming to international standards. International standards are discussed in section 5.7.4.3.

5.7.4.3   International standards

It is important that Zimbabwean's firms meet international standards. The standards include Healthy and Phytosanitry Regulations (SPS). These issues have been affecting intra-regional trade both under COMESA and SADC. The products which are generally affected are meat products, dairy products, seeds and fruits. One good example was when foot and mouth disease and avian flu, which occurred in South Africa in 2006, forced Zimbabwean authorities to deny meat and chicken products entry from South Africa (European Commission, 2007:52).

Zimbabwe also lost a quota of beef exports when the European Union suspended imports of beef from Zimbabwe due to foot and mouth disease. The country further lost a horticulture market in EU for the same reason. The EU is known for their unique standards which they notify to the WTO (European Commission, 2007:56).

Standards are just part of the issues which affect trade. There are others such as intellectual property rights. Intellectual property rights are discussed in section 5.7.4.4.

5.7.4.4   Intellectual Property Rights

According to the European Commission (2007:39), intellectual property rights are meant to foster innovations and prevent those who can copy the same. They assist those with patents to be able to recoup their expenses in developing a particular innovation. Intellectual property rights are protected in Zimbabwe through a provision in the Constitution on private property. The WTO, COMESA and SADC to which Zimbabwe is a member also have provisions protecting intellectual property rights (European Commission, 2007:39). One of the major

challenges of the TRIPS agreement under the WHO relates to securing relevant legislation domestically to safeguard intellectual property (IP). This would mean the payment of some fees to the innovator for a certain period before the IP is freely available in the public domain. In the context of being a responsible citizen, members of the public, prospective users of technology should have the ability to negotiate with the owners on the use of innovations. Some concessionary permits then can be issued for the use of IP in the interest of fostering development and trade. The dependence on imported IP is mostly expensive (European Commission, 2007:39-40).

Apart from intellectual property rights, exports are also facilitated by physical infrastructure such as transport infrastructure. Transport infrastructure facilitates the movement of goods and people and is discussed in section 5.7.5.

5.7.5   Transport infrastructure

Transport infrastructure facilitates the movement of goods and people (Government of Zimbabwe, 2010:53). The road network in Zimbabwe began to deteriorate from late 1990s. There has been no recent major investment on roads (Government of Zimbabwe, 2009c:55). Although Zimbabwe recently introduced toll fees, the state of the roads remains bad. So far the government is collecting US$350 000 a week on average (Government of Zimbabwe, 2009c:56). Some roads which are very busy such as the Harare–Beitbridge road needs to be widened to cater for the smooth movement of traffic. The National Railways of Zimbabwe is operating below capacity because the railway infrastructure has decayed. There is a need for new investment in the railway system. It is one of the cheapest ways of transporting goods but currently is not working efficiently hence it is impeding trade (Government of Zimbabwe, 2010:56).

Air transport to and out of Zimbabwe is also not efficient. Currently there are no cargo planes to revive the horticulture trade if Zimbabwe is to benefit from markets such as the EU. The passenger air transport is also not efficient and air Zimbabwe is very unreliable due to the aging of its fleet and high operational costs (Government of Zimbabwe, 2010:59). An efficient transport network is essential to move those goods from and to sea- ports.

Apart from transport infrastructure, it is essential to have trade financing and export incentives schemes to consolidate the facilitation of trade in Zimbabwe. Trade financing and export incentives schemes are discussed in section 5.7.6.

5.7.6   Trade financing and export incentives schemes

Trade financing schemes and export incentives schemes are necessary in boosting exports. Trade financing and export incentives schemes have been structured as follows: section 5.7.6.1 discusses trade financing schemes and section 5.7.6.2 discusses export incentive schemes.

5.7.6.1   Trade financing schemes

Trade financing schemes are relevant in facilitating exports. The banks in Zimbabwe are currently experiencing severe liquidity problems (IMF, 2011:19). Biti (2010:1-10) restored the Reserve Bank of Zimbabwe as a lender of last resort by appropriating to it US$7 million. However, this amount is too small for the Reserve Bank of Zimbabwe to use it in exercising the mandate of being a lender of last resort. According to Biti (2010:1-10), PTA Bank and Afrexibank have been providing pre and post shipment financing. In 2010, PTA Bank disbursed US$195.92 million while Afreximbank has already disbursed US$ 268.5 million.

Trade financing and export incentives work hand in hand to boost exports. Exports incentive schemes are discussed in section 5.7.6.2.

5.7.6.2   Exports incentive schemes

The importance of export incentive schemes is to encourage exporters to export. Zimbabwe has in the past used export revolving funds that ensured availability of foreign exchange to manufacturers to import inputs. It further used a bonus scheme that rewarded exporters who met their targets and export retention scheme (African Connexion, 1993:120-121). Export

incentives were removed during the implementation of trade liberalisation but were restored when Zimbabwe abandoned the programme (Tekere, 2011:6)[50].

The export incentive schemes discussion above leads to the summary and conclusion of this chapter. The summary and conclusion is presented in section 5.8.

5.8   Summary and conclusions

Zimbabwe has been a member of the WTO since 5 March 1995. The WTO deals with rules governing trade amongst its members. It gives the country access to the markets of 152 countries. Zimbabwe is also a member of the African, Caribbean and Pacific (ACP) organisation. The most important programme run by ACP is economic partnership agreements (EPAs) under ACP-EU. The objective of EPAs includes poverty reduction, sustainable development in ACP countries and smooth integration in the world market. The specific objectives include: economic diversification in the context of regional integration, increasing production and supply capacities of the ACP countries, promotion of structural processes and enhancement of growth and sustainable growth. The EU interprets EPAs as being based on the principle of reciprocity while ACP members interpret EPAs as alluded to in the above objectives. Zimbabwe negotiated EPA in the Eastern and Southern Africa (ESA) region and signed an interim agreement on 29 October 2009. Zimbabwe will be expected to reciprocate by eliminating duty on 80% of imports from EU by 2022. It is further expected to have eliminated duty on 45% of imports from the EU by 2012 and the balance over the period up to 2022. Zimbabwe has zero duty access to the EU in all products except sugar and rice. Zimbabwe is in addition a member of COMESA. This gives the country market access to 18 countries and a population of 418 million. Trade among member states is free trade and COMESA launched a customs union. However, Zimbabwe will have to make a decision in future as to which customs union it will belong to because it is a member of SADC. SADC is in the process of establishing its own customs union. Zimbabwe's membership in SADC gives her market access to a market of 14 countries with a population of 257.7 million people with a combined GDP of US$471.1 billion. Zimbabwe is also a beneficiary of the generalised system of preference (GSP) granted by the United States of

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[50] The incentives such as export retention schemes are no longer relevant because of multi-currencies regime. Before the regime, exporters could retain certain percentage of their export earnings without converting to Zimbabwe dollars.

America, Canada, Japan, New Zealand, Norway, Russian Federation, Switzerland and Turkey. It allows Zimbabwe's goods to enter those markets at preferential rates without being required to reciprocate.

Zimbabwe has bilateral trade relations through preferential bilateral trade agreements. The country has preferential bilateral trade agreements with Botswana, Malawi, Mozambique, Namibia, DR Congo and South Africa. They are performing well especially the one with South Africa. The only exception is Namibia. The value of trade between Zimbabwe and Namibia is very low.

The country exports amounted to US$1 393 602 000 in 2005, US$6 427 337 000 in 2006, US$3 308 364 000 in 2007, US$1 693 339 000 in 2008 and US$2 268 398 000 in 2009. The exports included: unused stamps, cheques, forms, bank notes and bond certificates; cut flowers and flower buds; nickel matte and nickel oxide sinters; unmanufactured tobacco; nickel ores and concentrates; cotton; gold; sugar; ferro-alloys; coke; unwrought nickel; furniture and parts; coal; frozen vegetables; air crafts parts; cars; and glazier putty. These were exported to countries such as South Africa, Netherlands, Mozambique, Zambia, Belgium, United Kingdom, China, Italy, Botswana, Malawi, DR Congo, USA, Germany, and many others.

Zimbabwe imported goods amounting to US$2 072 259 000 in 2005, US$2 576 556 000 in 2006, US$3 441 651 000 in 2007, US$2 831 314 000 in 2008 and US$3 526 780 000 in 2009. The products imported included *inter alia*: petroleum oils; truck; cars; nickel matte and nickel oxide sinters; maize; electric energy; electric appliances; sun flower and cotton seeds; wheat mestin; breakfast cereals; soaps and organic surface; medicament mixture; tractors; structures of iron and steel; fertilizers; wheat flour; unmanufactured tobacco; self propelled bulldozer; meat edible offal of poultry; electric instantaneous water heater; and dried vegetables. The imports were largely sourced from South Africa, USA, Botswana, Mozambique, China, Zambia, Kuwait, United Kingdom, Germany, India, Japan, United Arab Emirates, Switzerland, DR Congo, Malawi, etc. South Africa is the major source of Zimbabwe's imports as well as a major destination of Zimbabwe's exports. Zimbabwe's terms of trade have deteriorated over the years largely because there has been no influx of transnational corporations coming to operate in Zimbabwe.

The national export strategy was meant to increase exports to more than 40% per year for the period 2006-2010. The export promotion strategy has not really taken off due to lack of funding and therefore has not been able to achieve its targets. The government accepted a recommendation to formulate a Trade Policy. In the Short Term Emergency Recovery Programme (STERP) II, the government intends to formulate a National Trade Policy which will encompass a National Export Promotion and Development Strategy. There are two Export Promotion Agencies (EPAs) in Zimbabwe namely ZimTrade and MCCZ. However, they lack sufficient funding to efficiently execute their programmes. There are also two institutions which regulate trade in Zimbabwe. These are ZIMRA and SAZ. Zimbabwe became a party to the Kyoto Convention on the simplification and harmonisation of customs procedures in September 1998. Zimbabwe is a member of the World Customs Organisation (WCO). It is involved in a framework which provides standards to secure and enhance world trade. The country opened new border posts to enhance the movement of goods and people. However, corruption at the border by ZIMRA officials, clearing agents and members of the public hampers the proper administration of exports and imports. The health and phytosanitary regulations (SPS) issues have affected intra-regional trade as well as Zimbabwe's trade with the EU. Zimbabwe is a signatory to conventions and treaties such as SADC and COMESA treaties which protect intellectual property rights. Transport infrastructure has deteriorated in the country. There is little funding to fund trade financing schemes. There are currently no real export incentives schemes in Zimbabwe.

It is concluded that Zimbabwe is currently not exporting much to the world. The agreements that Zimbabwe maintains with other countries and multilateral organisations have potential to give Zimbabwe access to markets once potential export products and industries are identified and deliberate policy is put in place to *inter alia* increase production. These pieces of agreements will be used to enhance Zimbabwe's exports. There is a need to continue maintaining a cordial trade and economic relationship with South Africa. South Africa is the major trading partner of Zimbabwe. There is also the need to examine what is causing trade between Zimbabwe and Namibia to be very low in spite of the existence of a zero tariff agreement between the two countries. There will be implications once Zimbabwe implements duty free tariffs (under reciprocity of EPA agreement with EU) on imports from the European Union on 80% of their products considering that Zimbabwe's industries have not modernised to withstand competition. The European Union market is a big and lucrative one. This study advocates the use of exports in the post-conflict reconstruction / recovery of

Zimbabwe. With the EPA agreement, Zimbabwe already has a big known market which allows its products duty free except sugar and rice. Once products which have export potential are identified by this study, Zimbabwe can increase their production and then it can export them to the European Union. The existence of a free trade agreement with the European Union does not mean Zimbabwe has an advantage and that it can compete in the European market. Hence there is a need through this study to identify products which Zimbabwe has advantage in and is competitive. The study will therefore help Zimbabwe to be selective of what products it will devote its efforts to export to the European Union so it can benefit from this EPA. In the next chapter (Chapter 6), the study identifies products/sectors in which Zimbabwe has export potential through the application of a Decision Support Model (DSM).

CHAPTER 6
DECISION SUPPORT MODEL (DSM)

6.1   Introduction

Chapter 1 has established that Zimbabwe is both a fragile and post-conflict country which needs deeper reforms to sustain growth. In Chapter 2 the main focus is the theory of post-conflict countries and reconstruction strategies. Chapter 3 focuses on the theory relating to export-led growth and empirical evidence of the same, export promotion, export development and international marketing. Chapter 4 includes an analysis of the political, institutional and macroeconomic environment of Zimbabwe. Chapter 5 focuses on Zimbabwe's export performance and analyses the trade environment of Zimbabwe.

In this chapter, the Decision Support Model (DSM) methodology and the specific application thereof for Zimbabwe is discussed. The purpose of applying the Decision Support Model for Zimbabwe is to identify product-country combinations in which Zimbabwe has export potential. This chapter is structured as follows: section 6.2 discusses the origin of and justification for using the Decision Support Model; section 6.3 includes the methodology of the original Decision Support Model; and section 6.4 focuses more specifically on the application of the Decision Support Model for Zimbabwe.

6.2   Origin and justification focusing the Decision Support Model (DSM)

The Decision Support Model (DSM) applied in this study for Zimbabwe was originally developed by Cuyvers *et al*. (1995) and was specifically designed to assist government export promotion institutions in Belgium, in the planning and assessment of export promotion activities (1995:173). Cuyvers (1996; 1997; 2004) also applied the DSM to identify realistic export opportunities for Thailand. The DSM was also applied for South Africa in 2007 (Viviers & Pearson, 2007) and again in 2009 (Steenkamp *et al*., 2009; Viviers, Rossouw & Steenkamp, 2009). Between 2010 and 2011, the DSM was again refined and applied for South Africa on a more detailed product level (HS 6-digits) (Viviers, Steenkamp & Rossouw, 2010; Steenkamp, 2011). The South African government is now using the results of the DSM to appropriately allocate meagre export promotion resources and assist its exporters to identify markets for their products. This study settled on the choice of this methodology,

based on its strength over other methodologies of international market selection. Steenkamp (2011:37) concluded after reviewing the literature on various methodologies on international market selection that the DSM is the only methodology which considers all possible world-wide product-country combinations as a starting point in its analysis. The DSM methodology was also specifically designed to be used by export promotion agencies (EPAs) to effectively direct their export promotional activities. The DSM's original purpose was therefore that it can be used in the planning and assessment of export promotion programmes by governments and their export promotion agencies.

In this regard the application of the DSM for Zimbabwe in this study will assist in addressing the issues raised in the problem statement (see section 1.5). These issues include helping in effecting deeper reforms required to sustain economic growth. The African Development Bank (AfDB) and the World Bank have declared that although there is some recovery in Zimbabwe, it is not going to be sustainable without the country effecting deeper reforms (see sections 1.1, 1.4.2 and 1.5). This study is providing a possible solution to this problem by providing a focus on export promotion as a way to economic recovery. The motivation was obtained through a literature review on post-conflict reconstruction in which countries such as Uganda and Mozambique successfully recovered through promotion of exports (see sections 2.5.2.1 and 2.5.2.2). This study has used the DSM so it can identify regions, sectors, products and markets with export potential. The application will also assist in the attainment of the major objective of this study (as outlined in section 1.8 of Chapter 1), which is to formulate an export promotion strategy for Zimbabwe. In section 6.3 the methodology of the original DSM is discussed.

6.3   The methodology of the original DSM

The methodology of the original DSM, as outlined in Cuyvers *et al*. (1995), follows a four filter process. This process is illustrated in figure 6.1 below.

Figure 6.1: The DSM sequential filtering process

Filter 1

Filter 1.1
Country risk of all countries (commercial and political risks scores)

Filter 1.2
Country macro-economic characteristics (GDP and GDP per capita and growth)

Filter 2
Size and growth of the import market: (international country import statistics at disaggregated product level).

Filter 3

Filter 3.1
Import market concentration at disaggregated product level

Filer 3.2
Import market accessibility at disaggregated product level

Filter 4
Categorisation of realistic export opportunities according to relative market share of exporting country and import markets characteristic

Source: Cuyvers, Viviers, Sithole and Muller (2010:4).

Each of the four filters is discussed in detail in sections 6.3.1 to 6.3.4.

6.3.1   Filter 1: Locating preliminary market opportunities

The purpose of filter 1 of the DSM is to identify preliminary market opportunities for the country for which the DSM is being prepared. This filter marks the starting point, whereby every country of the world is given an opportunity to be evaluated as a possible market for the exporting country's products.

Filter 1 consists of two parts (see figure 6.1). Filter 1.1 considers the political and commercial risk that the exporting country would face in each country world-wide, while filter 1.2 evaluates the macroeconomic size and growth of those countries.

6.3.1.1   Filter 1.1: Political and commercial risk assessment

In filter 1.1 the political and commercial risk of each country world-wide is considered. Countries are eliminated based on being politically unstable and / or for demonstrating high commercial risk (Cuyvers *et al*., 1995:177). The ONDD (2012) defines political risk as any occurrence abroad which involves *force majeure* for the insured or for the one who owes, specifically such as wars, uprisings, acts of God, non-availability of currency and government actions.   Commercial risk is defined as risk which occurs due to worsening financial condition of the debtor (importer) enhancing the probability of not being able to pay the debt. The ONDD assesses both political and commercial risks of 240 countries. Each country is analysed based on its political and financial conditions. ONDD obtains its information from the International Monetary Fund, the World Bank, the Institute of International Finance, the Economist Intelligent Unit and the *Wiener Institut fur Internationale Wirtschattsvergieihe*. The information is analysed and the countries are rated. The information can be used by anyone, including insurance companies and, those who may want to do business with a particular country and want to know the risk they face (ONND, 2012).

It is in practice difficult to export to a country which is politically unstable and, countries with high commercial risk will most probably not pay for the products they import (Viviers *et al*., 2010:4). ONDD rates political risk on scale of a 1 to 7 with 1 depicting the lowest political risk and 7 the highest political risk. There are three components of rating under political risk. These are short term, medium / long term and special transactions. Commercial

risks are rated on the scale A to C: A being the best and inhibiting no commercial risks, and C being the poorest and inhibiting high commercial risks. For example Zimbabwe is rated as follows: political risk – 7 short term, 7 – medium / long term and 7 – special transactions. This rating indicates that Zimbabwe has a high political risk. On commercial risk, Zimbabwe is rated C indicating that it is inhibiting high commercial risk (ONDD, 2012). The cut-off values were established as follows: short term political risk 6; medium / long term political risk 6; special transactions 6; and commercial risk C. There is, therefore, no point in further considering such countries as potential markets. They are, therefore, eliminated at this stage of the filtering process (Cuyvers *et al.*, 1995:177; Cuyvers, 2004:258).

6.3.1.2   Filter 1.2: Macroeconomic size and growth

The countries which survived the preliminary elimination process in filter 1.1 are subjected to further analysis and screening in filter 1.2. The purpose of filter 1.2 is to show that, although the countries have survived filter 1.1, some, in fact, do not make economic sense as possible markets by virtue of being too small in size.

The elimination of countries in filter 1.2 is based on their macro-economic size. The indicators that are used to assess macro-economic size are GNP and GNP per capita (Cuyvers, 1997:4, 9; Cuyvers, 2004:5). Only those countries which survive the critical values defined for GNP and GNP per capita, can enter filter 2 (Cuyvers, 2004:258). According to Cuyvers (2004:258), the critical value (CV) for GNP and GNP per capita is computed using the following formula:

$$CV = \overline{X} - \alpha \sigma_X$$

With $\overline{X}$ denoting average of X (GNP or GNP per capita); σ_X denoting the standard deviation of X; and α denoting a factor (alpha-value) which is increased by increments of 0.001 between 0 and 1.

The alpha value that is chosen for the cut-off value is determined where there is a clear break in the number of countries eliminated (Cuyvers, 2004:256). Countries are selected when they satisfy $X_j \geq CV$ for at least two years of the most recent three-year period for which the data can be sourced (Cuyvers, 2004:258), with X_j being the GNP or GNP per capita for country *j*.

A country is therefore considered to show general export potential if it demonstrates, within a certain percentage of the standard deviation, above average GNP or GNP per capita values for at least two consecutive years of the most recent three-year period.

In the application of the DSM for South Africa GDP and GDP per capita values were used instead of GNP and GNP per capita values (Viviers & Pearson, 2007; Viviers *et al.*, 2009, Viviers *et al.*, 2010; Steenkamp, 2011). GDP and GDP per capita growth rates were also used as additional criteria for selection in filter 1.2. These criteria were added to accommodate countries which achieved above average GDP and GDP per capita growth for three consecutive years, even if they were not adequate in size. A country succeeded to filter 2 in the event of qualifying by GDP, or GDP per capita, *or* GDP growth and GDP per capita growth values (Viviers & Pearson, 2007; Viviers *et al.*, 2009).

6.3.2   Filter 2: Locating possible export opportunities

The purpose of filter 2 is to subject the countries which survived the screening process in filter 1 (both filter 1.1 and filter 1.2) to a further screening in order to identify possible export opportunities. This involves identifying product-country combinations (possible markets) based on acceptable import size and growth (Cuyvers, 2004:25).

The variables which are used to evaluate every product-country combination include *short-term import growth, long-term import growth* and *import market size. Short-term import growth* is the simple annual growth rate in imports for the most recent year that data is available. *The long-term growth* is found by computing the compounded annual percentage growth in imports over the most recent five year period. Finally, the *import size* is found by computing the ratio of imports of country *i* for products in category *j* and the total world imports of product category *j* (Cuyvers *et al.*, 1995:178; Cuyvers, 2004:259-260).

The cut-off values for short- and long-term import growth are defined as follows (Cuyvers, 1997:5; 2004:260):

$$g_{ij} \geq G_j \,;$$

With $g_{i,j}$ denoting the import growth rate of product category *j* by country *i*; and

$$G_j = g_{W,j}s_j, if\ g_{W,j} > 0\ ; or$$

$$G_j = g_{W,j}/s_j, if\ g_{W,j} < 0$$

With:

$g_{W,j}$ denoting the total world imports of product category j; and

$$s_j = 0.8 + \frac{1}{(RCA_j + 0.85)\exp^{(RCA_j - 0.01)}}$$

Where (Balassa, 1965):

$$RCA = \left(\frac{X_{i,j}}{X_{W,j}}\right) / \left(\frac{X_{i,tot}}{X_{W,tot}}\right)$$

With:

$X_{i,j}$ denoting country i's exports of product j;

$X_{i,tot}$ denoting country i's total exports;

$X_{w,j}$ denoting the world's (all countries) export of product j; and

$X_{w,tot}$ denoting total exports in the world.

An RCA of equal and greater than 1 demonstrates that the country has Revealed Comparative Advantage. In other words, the exporting country for which the model is applied is relatively specialised in producing and exporting the product line under consideration. An RCA closer to 0 demonstrates that the country has a lower Revealed Comparative Advantage and is not specialised in the product line (Balassa, 1965; Krugell & Matthee, 2009:461).

These cut-off values therefore imply that if the exporting country for which the model is applied is not specialised in exporting product j (RCA < 1), the importing country's (country i) short- or long-term import growth rate of the product must be higher than and up to two times (if RCA = 0) the world import growth rate for product j. If however, the exporting country for which the DSM is applied specialises in exporting the product (RCA > 1), the importing country i's import growth rate of product j is allowed to be a bit lower than the world import growth rate of product j.

If the cut-off criteria are met by a particular product-country combination, a "1" is assigned in the short-term and/or long-term import growth columns of table 6.1. A "0" is assigned in the case where the criteria are not met.

The cut-off value for the relative import market size of country i for product category j was defined as (Cuyvers, 1997:6; 2004:260):

$$M_{i,j} \geq S_j$$

where $M_{i,j}$ is the import market size of country i for product category j; and

$$S_j = 0.02 M_{W,j}, \text{if } RCA_j \geq 1; \text{ or}$$

$$S_j = [(3 - RCA_j)/100] M_{W,j}, \text{if } RCA_j \triangleleft 1.$$

with $M_{W,j}$ being the total world imports for product category j.

These cut-off values imply that if the exporting country for which the model is applied is not specialised in exporting product j (RCA < 1), the importing country's (country i) imports of product j must be above 2% and up to 3% (if RCA = 0) of total world imports of product j. If the exporting country for which the DSM is applied specialises in exporting the product (RCA > 1), the importing country i's imports of product j is allowed to be 2% of total world imports of the product.

Again, each product-country combination is assigned a "0" or a "1" in the relative import market size column of table 6.1, based on whether the cut-off value is fulfilled or not. Table 6.1 shows how product-country combinations are categorised in filter 2 in order to arrive at a selection of markets.

Table 6.1: Categorisation of product-country combinations in filter 2

Category	Short-term market growth	Long-term market growth	Relative market size
0	0	0	0
1	1	0	0
2	0	1	0
3	0	0	1
4	1	1	0
5	1	0	1
6	0	1	1
7	1	1	1

Source: Cuyvers (2004:261).

Product-country combinations which fall in categories 3 to 7 illustrated in table 6.1 above, are selected to enter filter 3. Product-country combinations in categories 0 to 2 are eliminated. This implies that only markets which are considered relatively large (category 3), growing in the short and long term (category 4) or growing in the short and/or long term and are considered large markets (categories 5, 6 and 7) are selected to enter filter 3.

6.3.3   Filter 3: Locating probable and realistic opportunities

In this filter, all product-country combinations which have passed filter 2 are subjected to further screening. The purpose here is to locate probable and realistic opportunities (Cuyvers *et al*., 1995:179*)*. The product-country combinations which have survived in filter 2 may have shown growth in imports as well as sufficient import size. A country, however, for which the DSM is being prepared, cannot assume that it will be easy to penetrate these markets because of the existence of trade barriers.

The barriers considered in this filter are the degree of concentration (filter 3.1) and trade restrictions (filter 3.2) (Cuyvers *et al*., 1995:179; Steenkamp *et al*., 2009:13; Viviers *et al*., 2010:8). The country for which the DSM is being prepared, may find it hard to push its products into a market regarded as highly concentrated. This is because it is difficult to dislodge countries which have already established considerable market share in that market (Cuyvers *et al*., 1995:180; Viviers *et al*., 2010:8-9). Furthermore, trade barriers may prevent exports into that market.

6.3.3.1 Filter 3.1: Degree of market concentration

According to Cuyvers (1995:180), the degree of market concentration is found by applying the Herfindahl-Hirshmann-Index (HHI). The index is computed as follows (Hirshmann, 1964):

$$HHI_{ij} = \sum \left(\frac{X_{k,ij}}{M_{tot,ij}} \right)^2$$

With:

$HHI_{i,j}$ denoting the Herfindahl-Hirshmann-Index for product category j in country i;

$X_{k,i,j}$ denoting exports of a country k to country i for product category j;

$M_{tot,ij}$ denoting total imports of country i for product category j; and

HHI=1 denoting there is a monopolistic country supplier to the market.

Cuyvers (1997:8) defines cut off points for filter 3.1 as follows:

$$h_k \geq HHI_{ij}$$

with:

$$h_k = \overline{x_h} - 0.05\alpha\sigma_h, \, for \, category \, 3$$

$$h_k = \overline{x_h} + 0.05\alpha\sigma_h, \, for \, category \, 4, 5, and \, 6$$

$$h_k = \overline{x_h} + 0.15\alpha\sigma_h, \, for \, category \, 7$$

with:

$\overline{x_h}$ denoting the average of the HHI-values of all product-country combinations under investigation; and

σ_h denoting the standard deviation of the HHI-values of all product-country combinations under investigation.

From these cut-off values, it is clear that for larger, growing markets, a larger degree of concentration is allowed (Cuyvers, 1997:8; 2004:262). According to Cuyvers *et al.* (1995:180), concentration poses a major problem in markets which are not growing because for an exporting country to gain market share, it has to win over the market share of those

who are already present in the market. Concentration is therefore a lesser problem in growing and large markets. The cut-off value therefore depends on how the markets were categorised in filter 2. An alpha-value is selected where there is a clear break in the number of product-country combinations selected (Cuyvers, 1997:8; 2004:262).

6.3.3.2 Filter 3.2: Barriers to trade

Cuyvers *et al*. (1995:181) used a proxy they called the "*revealed absence of barriers to trade*" in the second part of filter 3 because data on trade barriers was not available to cover all countries which were being considered. The rationale behind using this proxy is that if the neighbours of the country the DSM is prepared for are able to establish a relatively strong market position in a certain market, then the country the DSM is being prepared for will not find it difficult to export to such a market (Cuyvers *et al*., 1995:181; Cuyvers, 1997:7-8 and 2004:262).

The proxy was calculated as follows:

$$M_{ij} = \frac{\dfrac{X_{Neighbour1,i,j}}{X_{Neighbour1,j}} + \dfrac{X_{Neighbour2,i,j}}{X_{Neighbour2,j}} + \dfrac{X_{Neighbour3,i,j}}{X_{Neighbour3,j}} + ...}{\dfrac{X_{World,i,j}}{X_{World,j}}}$$

With

M_{ij} denoting a corrected market share of a country's neighbours in the imports of country for product category;

$X_{Neighbouri,j}$ denoting each neighbouring country's exports of product category *j* to country *i*; and

$X_{worldi,j}$ denoting total world exports of product category *j* to country *i*.

Again, a cut-off point needed to be defined. It is important to establish a cut-off point based on the assumption that a larger relative market share, M_{ij}, demonstrates a revealed absence of barriers to trade (Cuyvers *et al*., 1995:181; Cuyvers, 1997:8-9). Cuyvers (1997:8; 2004:263) defined a cut-off value in the form of a rule of thumb:

$M_{i,j} \geq 0.95$

This implies that with a margin error of 5%, a country for which the DSM is being prepared has no "*reaveled barriers to trade*" in a particular market if any one of the country's neighbours has a "*revealed comparative advantage*" in that market (Cuyvers, 1997:8; 2004:263).

Product-country combinations were selected in filter 3 if they are not heavily concentrated *and* inhibit no apparent ("*revealed*") trade barriers (Cuyvers *et al.*, 1995:181).

6.3.4   Filter 4: Final analysis of export opportunities

This filter includes the final analysis of realistic export opportunities identified in filters 1 to 3. In this filter, there is no further screening or elimination of countries. The purpose is to establish the market share of the country (which has entered filter 4) for which the DSM is being prepared in each market relative to the market characteristics established in filter 2. It therefore involves a categorisation of the realistic export opportunities identified in filters 1 to 3 (Cuyvers *et al.*, 1995:181).

In order to determine the strength of the exporting country the DSM is being prepared for (country *n*) in each of the markets which have entered filter 4, it is necessary to apply the following formula as used in Cuyvers *et al.* (1995:182) and Cuyvers (1997:14; 2004:267):

$$\mu_{n,ij} = \left(\frac{X_{n,ij}}{X_{W,ij}} \right) / \left(\frac{X_{n,j}}{X_{W,j}} \right)$$

With:

$\mu_{n,ij}$ denoting relative market share of the exporting country;

$X_{n,ij}$ denoting country *n*'s exports of product *j* to country *i*;

$X_{n,j}$ denoting country *n*'s total exports of products *j*; and

$X_{w,j}$ denoting world exports (all countries) of product category *j*.

The country's Revealed Comparative Advantage (RCA) is therefore computed for each product-country combination which has entered filter 4 by using export data. A $\mu_{six,ij}$-value, the average relative market share of the six main competitors in every market (product-

country combination), is also computed by using the above-mentioned formula. The difference between the country n's (the country for which the DSM is being prepared) relative market share and the average market share of six major exporters in each market is computed to establish the country's relative market share or market importance in each market (Cuyvers, 1997:14; Cuyvers, 2004:267).

The following categories of market importance are identified (Cuyvers, 1997:14; 2004:267):

$\mu_{SIX,ij} - \mu_{n,ij} > 3$:   denoting that the relative market share of country n is relatively small;

$1.5 < \mu_{SIX,ij} - \mu_{n,ij} \leq 3$:   denoting that the relative market share of country n is intermediately small;

$0 < \mu_{SIX,ij} - \mu_{n,ij} \leq 1.5$:   denoting that the relative market of country n is intermediately high; and

$\mu_{SIX,ij} - \mu_{n,ij} \leq 0$:   denoting that the relative market share of country n is relatively high.

The above process has resulted in a matrix of final outcomes similar to table 6.2 below.

Table 6.2: Categorisation of a country's realistic export opportunities

Size and growth of importing market	Market share of exporting country relatively small	Market share of exporting country intermediately small	Market share of exporting country intermediately high	Market share of the exporting country relatively high
Large markets	Cell 1	Cell 6	Cell 11	Cell 16
Smaller markets growing in both the short- and long term	Cell 2	Cell 7	Cell 12	Cell 17
Large markets growing in the short term	Cell 3	Cell 8	Cell 13	Cell 18
Large markets growing in the long term	Cell 4	Cell 9	Cell 14	Cell 19
Large markets growing in the short and long term	Cell 5	Cell 10	Cell 15	Cell 20

Source: Cuyvers (1997:17).

There are therefore 20 distinctive categories or cells in which the markets which have entered filter 4 are classified. Each of these product-country combinations have been categorised into a specific cell in the DSM and hence a specific export promotion strategy can be formulated for a particular market (Cuyvers *et al.*, 1995:182-183; Cuyvers, 1997:15; Cuyvers, 2004:269; see section 8.5.2). It can be demonstrated that if a particular market is classified into cell 4, for example, this means that import demand is large and growing sufficiently in the long term, while the exporting country for which the DSM is being prepared is utilising a very small share of such a market, compared to the top six competitors in that market. In cell 4 the export promotion strategy to be followed should be "*leapfrogging*". The instruments for this strategy include; designing a strategy that allows exporters to increase their sales; giving developmental aid to targeted market; giving incentives for participating in specialised trade

fairs and exhibitions; match-making; and establishing representation office (Cuyvers *et al.*, 2010:9). A more detailed description of the export promotion strategy recommended for each cell is outlined in section 3.3.10 and is also provided in Chapter 8.

Steenkamp (2011) extended the methodology of filter 4 by computing a potential export value for each identified export opportunity. The action enabled the ranking of the realistic export opportunities identified in order to prioritise between the opportunities. The potential export opportunities value for every product-country combination identified as an export opportunity was computed as follows (Steenkamp, 2011):

$$\text{Potential export value} = \frac{\text{The total imports of country i of product j}}{\text{Number of countries that contributes 80\% of these imports} + 1.}$$

The potential export value takes into consideration the size of the import demand for every product-country combination. It also takes into account a possible inclusion of the country for which the DSM was prepared to the group of countries which accounts 80% of imports of product *j* to country *i*.

This concludes the discussion of the basic DSM methodology. In section 6.4 the refinements to this methodology for the specific application to Zimbabwe in this study is outlined.

6.4   Application of the Decision Support Model (DSM) to Zimbabwe

The DSM was applied to Zimbabwe in this study. The results up until filter 3.1 were obtained from Viviers *et al.* (2010) and Steenkamp (2011), since this was the latest application of the DSM. The authors of these studies slightly adapted the methodology of filter 2 so that irrespective of the exporting country, the results of the DSM up until filter 3.1 would be the same. Therefore, for such universal outcomes, it was not necessary to repeat them for the purposes of this study. For the application of the DSM to Zimbabwe, filter 3.2 had to be applied from a Zimbabwean point of view. An additional filter (filter 5), unique to the Zimbabwean application, was also added in order to take into consideration Zimbabwe's pre-crisis, during crisis and post-crisis production capacity. The methodology followed in filters 3.2 and 5 of the Zimbabwean application of the DSM follows in sections 6.4.1 and 6.4.2.

6.4.1 Filter 3.2: Barriers to trade

6.4.1.1 Filter 3.2a: Revealed barriers to trade

As indicated in section 6.3.3.2 a proxy for revealed barriers to trade was used in the original DSM by Cuyvers *et al*. (1995). This proxy is also used in the application of the DSM for Zimbabwe in this study.

The same formula for the revealed absence of barriers to trade as in Cuyvers *et al* (1995:181), Cuyvers (1997:7) and Cuyvers (2004:262) also used in section 6.3.3.2 is used.

$$M_{ij} = \frac{\dfrac{X_{Neighbour1,i,j}}{X_{Neighbour1,j}} + \dfrac{X_{Neighbour2,i,j}}{X_{Neighbour2,j}} + \dfrac{X_{Neighbour3,i,j}}{X_{Neighbour3,j}} + ...}{\dfrac{X_{World,i,j}}{X_{World,j}}}$$

With

M_{ij} denoting a corrected market share of a country's neighbours in the imports of country for product category;

$X_{Neighbouri,j}$ denoting each neighbouring country's exports of product category *j* to country *i*; and

$X_{worldi,j}$ denoting total world exports of product category *j* to country *i*.

Zimbabwe's neighbours which have been used in the proxy are Botswana, Mozambique, Namibia, South Africa and Zambia. These are the countries which share borders with Zimbabwe. It is argued that if these countries are able to establish a relatively strong market position in a certain market, Zimbabwe can do likewise. Zimbabwe has common characteristics with its neighbours hence it is assumed that the country will also be able to penetrate the markets in which its neighbours have succeeded to do so (see section 6.3.3.2).

The cut-off point identified by Cuyvers *et al*. (1995:181) and Cuyvers (1997:8-9) for this criterion is that the corrected market share of Zimbabwe's neighbours in country *i*'s imports of product category *j* (M_{ij}) should be higher or equal to 0.95 (see section 6.3.3.2). The above cut-off point implies that within a margin error of 5% if at least one of Zimbabwe's neighbouring countries (specifically, Botswana, Mozambique, Namibia, South Africa and

Zambia) has a "*revealed comparative advantage*" in penetrating and exporting to a particular market, it is assumed that there are no "*revealed barriers to trade*" for Zimbabwe in the same market, one where neighbours are successfully exporting. This is consistent with Cuyvers (1997:8) and Cuyvers (2004:263).

6.4.1.2   Filter 3.2b: *Ad valorem* tariffs

In addition to the proxy for barriers to trade, this study introduced a new criterion based on the *ad valorem* tariff that Zimbabwe would face for each product-country combination that entered filter 3. *Ad valorem* tariff data was extracted from the International Trade Centre's MacMap (MacMap, 2011) for all the product-country combinations that entered filter 3. The data is on a HS 6-digit level. An *ad valorem* equivalent (AVE) tariff is a tariff expressed as a percentage of the value of the products as cleared through customs. It converts specific tariff rates based on unit quantities such as mass, number or volume (e.g. a duty of US$1 per ton) into a percentage of the value of the goods. The *ad valorem* tariff equivalent for each specific tariff in the MacMap database is computed by dividing the specific tariff on each unit by value of the good for each unit (Macmap, 2012). According to the IMF (2005:14), Market Access Map (Macmap) contains a very large database with bilateral tariffs and surcharges for 169 countries. It has accounts for many preferential, regional and bilateral systems. Furthermore, the ITC has made significant effort in computing *ad valorem* equivalents for products with specific and mixed duty rates, taking into account anti-dumping levies and agricultural tariff rate quotas.

The cut-off value for the tariff criterion has been established as 30%. This cut-off value is consistent with the one used by the International Trade Centre in their market attractiveness analyses (ITC, 2011:12). This implies that if Zimbabwe faces a tariff equal or higher than 30%, this market is considered very difficult to penetrate.

In the Zimbabwean application of filter 3, the conditions for market concentration (filter 3.1), revealed barriers to trade (filter 3.2a) *as well as* tariff barriers (filter 3.2b) should be met for a product-country combination to be selected as a realistic export opportunity that may enter filters 4 and 5.

6.4.2 Filter 5: Zimbabwe's pre-conflict, during conflict and post-conflict revealed comparative advantage

The DSM is mainly a demand side model and identifies markets which show high import demand that are relatively accessible to the exporting country (in this case Zimbabwe). In order to take into account the production capacity of Zimbabwe (the supply side), this study has added a fifth filter to the DSM. This is unique to the application of the DSM for Zimbabwe. The revealed comparative advantage (RCA) of Zimbabwe for each product under consideration is used as an indication of Zimbabwe's production capacity. The following formula is used to compute RCAs for Zimbabwe:

$$RCA_{Zim,\,j} = \frac{X_{Zim,j}}{X_{W,j}} \quad / \quad \frac{X_{Zim,tot}}{X_{W,tot}}$$

With:

$X_{zim\,j}$ denoting Zimbabwe's exports of commodity j;

$X_{zim.tot}$ denoting Zimbabwe's total exports;

X_{wj} denoting the world's (all countries) export of product j; and

$X_{w.tot}$ denoting total exports in the world.

An $RCA_{Zim,j}$ equal and greater than 1 demonstrates that Zimbabwe is relatively specialised in producing and exporting the product line in question. An $RCA_{Zim,j}$ closer to 0 demonstrates that Zimbabwe is not specialised in the product line. The method used here was developed by Balassa (1965). Krugell and Matthee (2009:461-465) have also used RCA-values to measure the export capabilities of the South Africa regions. The index can be used to measure both the relative competiveness of the same product in various countries and the relative competiveness of various products within the same country (Wu & Chen, 2004:511).

In determining whether Zimbabwe has the production capacity to supply the markets identified as realistic export opportunities in filters 1 to 4, the fact that the Zimbabwean economy went into a period of crisis from 1998 to 2010 (see Chapters 1 and 4) needs to be taken into consideration. In the period prior to 1998 the capacity utilisation was relatively high (see Chapters 1 and 4). The years 2009 and 2010 are periods of post-conflict

reconstruction, when capacity utilisation was still low (see Chapter 4). It therefore becomes necessary to compute three RCA-values:

(i)   an average RCA for the pre-crisis period (1993 to 1997);

(ii)   an average RCA for the crisis period (1998 to 2008); and finally

(iii)   an average RCA for the post-conflict period (2009 to 2010).

For the purposes of this study, Zimbabwe is considered to have sufficient production capacity for a particular product if:

(i)   Zimbabwe specialised in producing and exporting the product before the crisis (average RCA greater than or equal to 1); and

(ii)   Zimbabwe's RCA was greater than or equal to 0.5 during the crisis period when capacity utilisation had significantly gone down; and

(iii)   Zimbabwe's RCA recovered after the crisis period to at least 0.75 since capacity utilisation had marginally improved (see Chapter 4) but was still below the levels experienced in the pre-crisis period.

Export data for Zimbabwe for 1993 to 2000 was not available on a HS 6-digit level and therefore the study has used HS 4-digit data for this period and HS 6-digit data for the period 2001 to 2010. In order for a Zimbabwe produced product to be finally selected as having production capacity to supply the identified markets, it should meet all three set criteria described above.

After considering the supply side in filter 5, the results of filter 4 are matched with the products in which Zimbabwe has sufficient production capacity. A new list of realistic export opportunities (product-country combinations) as final results of the model can therefore be compiled.

6.5   Summary

In this chapter, the origin and justification for using the DSM in this study has been discussed together with a description of the methodology of the original DSM. The adaptations made

to this model for the application of the DSM for Zimbabwe in this study has also been described and motivated.

These adaptations include the following. In filter 3.2a, the cumulative revealed comparative advantage of Botswana, Mozambique, Namibia, South Africa and Zambia in the product-country combinations under consideration, have been used as a proxy for the "*revealed absence of barriers*". The study has also introduced a new criterion in filter 3.2b based on *ad valorem* tariffs that Zimbabwe would face for each product-country combination. The DSM has further been extended to include filter 5 that has taken into account the production capacity (the supply side) of Zimbabwe. In determining Zimbabwe's production capacity, the country's crisis has been taken into account.

In Chapter 7, the study presents the results which have arisen from the application of the DSM for Zimbabwe. The results are presented by filter, region, country, sector, product and product-country combinations.

CHAPTER 7

A DECISION SUPPORT MODEL FOR ZIMBABWE: RESULTS AND ANALYSIS OF FINDINGS

7.1   Introduction

This chapter presents the findings obtained through applying the Decision Support Model (DSM) to Zimbabwe as outlined in section 1.10. The full discussion of the methodology of the DSM is in Chapter 6. It has already been stated that the DSM is a demand side model interested in identifying markets which demonstrate high import demand and are reasonably accessible by the exporting country (in this case, Zimbabwe) (see section 6.4.2). It comprises of a four-filter sequential elimination process. This study contributes knowledge by adding an additional filter (filter 5) to the original model. This entails that the supply side is considered by taking into account the production capabilities of Zimbabwe.

The outline of this chapter is as follows: section 7.2 presents the results of the different filters of the DSM applied for Zimbabwe; section 7.3 regional results; section 7.4 country level results; section 7.5 sector-level (HS2-digit level) results; section 7.6 product-level results and section 7.7 the results by product-country combinations. In addition, section 7.8 analyses the findings of this study in relation to the research question: *"Does Zimbabwe possess realistic export opportunities that can lead to sustainable reconstruction of the Zimbabwean economy?"* Finally*,* section 7.9 summarises the results and the analysis.

7.2   Results of the filters of the DSM applied for Zimbabwe

This section presents the results of applying the DSM to Zimbabwe based on the various filter criteria. The criteria are: political and commercial risks (filter 1); GDP and GDP per capita size and growth, import size and growth of potential markets in the short and long terms (filter 2); market concentration (filter 3) and barriers to trade (filter 3); Zimbabwe's market share in each market compared to that of the top six competitors (filter 4) and Zimbabwe's pre-, during- and post- crisis production capabilities (filter 5).

More specifically, this section is structured as follows: section 7.2.1 presents the results of filters 1, 2 and 3.1; section 7.2.2 presents filter 3.2: Zimbabwe's barriers to trade; section

7.2.3 presents the results of filter 4: analysis of Zimbabwe's realistic export opportunities (REOs); section 7.2.4 presents filter 5: Zimbabwe's pre-, during and post-conflict revealed comparative advantage; and section 7.2.5 summarises the results of the filters of the DSM applied to Zimbabwe.

7.2.1 Results of filters 1, 2 and 3.1

As mentioned in section 6.4, the results from filter 1 up to filter 3.1 were obtained from the authors of Viviers *et al.* (2010) and Steenkamp (2011). These authors slightly modified the methodology relating to filter 2 in such a manner that irrespective of which country the DSM is being prepared for, the results from filter 1 up to filter 3.1 will be the same. Such universal outcomes make it not necessary for this study to repeat the processes in filters 1, 2 and 3.1, since this would have added no value. Therefore, this study adopted those results without any modification. However, from filter 3.2 this study reports its own original findings.

A total of 241 countries entered filter 1 as a preliminary screening process. Of these, 32 countries were eliminated for showing too high political and commercial risks (see section 6.3.1.1). Zimbabwe was not entered in the screen process because the DSM was prepared for it. Only countries which were potential importers of Zimbabwean exports were entered. Therefore, 209 countries entered the second stage of filter 1 (filter 1.2).

On the basis of their GDP, GDP per capita, GDP growth and GDP per capita growth values (see section 6.3.1.2), 102 countries were eliminated and 107 countries were selected. Of the 107 selected, six countries did not have trade data, leaving 101 countries which entered filter 2 (Steenkamp, 2011:76-77).

Filter 2 eliminated 363 667 product-country combinations and selected 182 036 product-country combinations for entry into filter 3. A total of 545 703[51] product-country combinations were analysed. In this filter only markets that are large and / or growing in the short and long terms are selected as possible export opportunities (see section 6.3.2).

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[51] This number is obtained by multiplying the number of HS 6-digit product categories (being 5 403) by the number of the countries (in this case 101) which entered filter 2.

In filter 3.1, some 121 748 product-country combinations were selected on the basis of adequately low levels of concentration (see section 6.3.3.1). Concentration of the 182 036 product-country combinations which entered filter 3 was assessed. In total, 60 288 product-country combinations were eliminated on the basis of high levels of concentration.

Sections 7.2.2 to 7.2.4 report on the results of filters 3.2, 4 and 5.

7.2.2   Filter 3.2: Zimbabwe's barriers to trade

Trade barriers would prevent Zimbabwe from entering certain markets. Following Cuyvers *et al*. (1995:181) and Cuyvers (1997:8-9, 2004:263) a proxy[52] called the "*revealed absence of trade barriers*" was used in this study to take these barriers to trade into account. It is argued that if Zimbabwe's neighbours (Botswana, Mozambique, Namibia, South Africa and Zambia) are able to establish a relatively strong position in a certain market, Zimbabwe can do likewise without facing too high barriers to trade. Zimbabwe has common characteristics with its neighbours. As such, it can be assumed that the country will also be able to penetrate the markets in which its neighbours have succeeded (see sections 6.3.3.2 and 6.4.1).

Filter 3.1 and filter 3.2 do not follow each other. They are parallel processes (see Figure 6.1). The requirement is that the 182 036 combinations selected in filter 2 (see section 7.2.1) must meet all three criteria in filter 3, namely concentration (filter 3.1) (see section 7.2.1), proxy of barriers (filter 3.2a) and tariff barriers (filter 3.2b).

Based on the proxy for revealed absence of trade barriers in filter 3.2a, a total of 11 781 product-country combinations were selected. Filter 3.2b added that tariffs faced by Zimbabwe in the product-country combinations which entered filter 3 should not exceed 30% of the value of the product. If the tariff charged on a specific product exceeds 30%, the import market would be considered prohibitive, hence posing too high a barrier for Zimbabwe to export to such markets (see sections 6.3.3.2 and 6.4.1). High tariffs would negatively affect the price competiveness of Zimbabwean products in the import market, which justifies the elimination of these markets as export opportunities.

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[52]The South African studies highlighted in section 6.2 used other barriers such as distance, cost, time and logistic instead of a proxy of the "*revealed absence of trade barriers*".

Table 7.1 shows the 25 product-country combinations where Zimbabwe would face the highest tariffs.

Table 7.1: Top 25 tariff rates faced by Zimbabwe in certain product – country combinations

| Country	Product code	Product description	Tariff levied on Zimbabwe in %
Bermuda	240220	Cigarettes containing tobacco	787
Bermuda	220710	Undenatured ethyl alcohol > 80% by volume	527
Japan	040410	Whey	367
Japan	040510	Butter	337
Japan	040590	Other milk fats and oils	324
South Korea	040900	Honey, natural	298
Mexico	020900	Pig and poultry fat, unrendered	254
Mexico	020736	Poultry cuts &offal, frozen	254
Mexico	020711	Fowls, domestic, not cut	254
Mexico	020712	Fowls, domestic, not cut	254
Mexico	020713	Fowls, cuts & offal	254
Turkey	020110	Bovine carcasses and half carcasses, fresh / chilled	225
Turkey	020120	Bovine cuts bone in, fresh or chilled	225
Turkey	020130	Bovine cuts boneless, fresh or chilled	225
Turkey	020210	Bovine carcasses and half carcasses, frozen	225
Israel	030240	Herring, fresh or chilled, whole	185
Mexico	020714	Fowls, cuts & offal	184
Switzerland	010392	Swine, live except pure-bred breeding > 50 kg	176
South Korea	040610	Fresh cheese, unfermented whey cheese, curd	159
Israel	040610	Fresh cheese, unfermented whey cheese, curd	159
Bermuda	220429	Grape wines, alcoholic grape must nes	152
Israel	010599	Poultry, live except domestic fowls, > 185 grams	150
Switzerland	010290	Bovine animals, live, except pure-bred breeding	144
Bermuda	220890	Alcoholic liqueurs nes	136
Bermuda	220850	Gin and Geneva	125

Source: Macmap (2011).

Table 7.1 shows some high tariffs levied on goods originating from Zimbabwe. Cigarettes containing tobacco and undenatured ethyl alcohol attract the highest tariffs in Bermuda

amounting to 787% and 527% of the value of the product, respectively. These are followed by whey which attracts a 367% tariff in Japan. These tariffs are above the set tariff of 30% acceptable for a particular market to be considered accessible. The above combinations were therefore all eliminated by the DSM because they were too prohibitive to allow profitable business.

A total of 178 281 product-country combinations were selected in filter 3.2b. To be selected as a realistic export opportunity that may enter filters 4 and 5, the conditions in filter 3.1, 3.2a, 3.2b for market concentration, revealed barriers to trade, as well as tariff barriers should be met (see section 6.4.1). The overall selection in filter 3 was 8 418 product-country combinations. Figure 7.1 shows the process from filter 2 leading to filter 4.

Figure 7.1: Process from filter 2 to filter 4
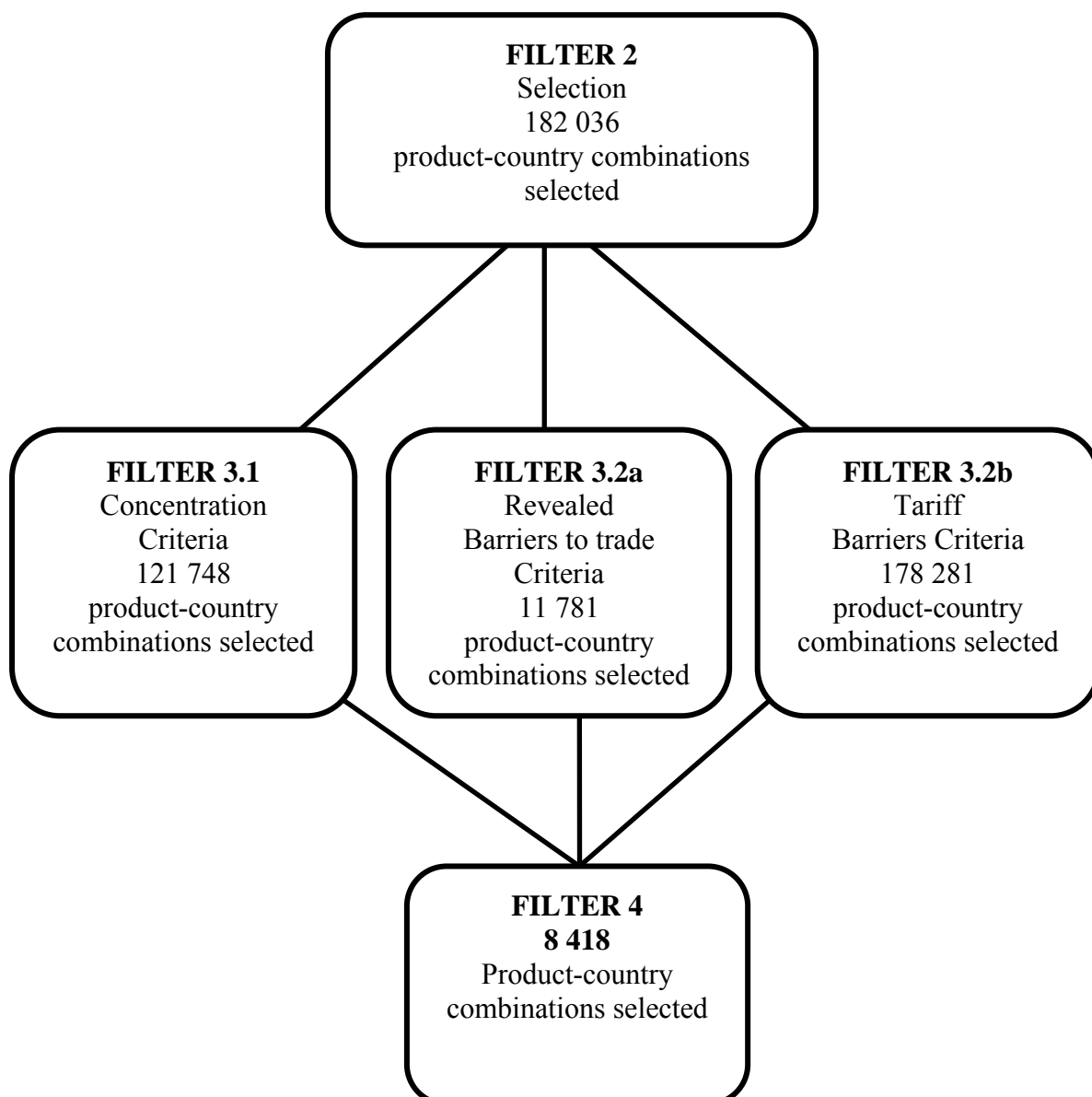
Figure 7.1 shows the criteria in filters 3.1, 3.2a and 3.2b that had to be met in order for a product-country combination to be selected to enter filter 4. There were 8 418 product-country combinations which were selected after meeting all three criteria of filter 3.

7.2.3   Filter 4: Analysis of Zimbabwe's realistic export opportunities

The selected 8 418 product-combinations were categorised into different cells in filter 4. The purpose of filter 4 is to establish the market share of Zimbabwe compared to the top six competitors in each market which has entered filter 4 (columns of table 7.2); relative to the market characteristics established in filter 2 (rows of table 7.2) (see section 6.3.4). Table 7.2 shows the categorisation of realistic export opportunities (REOs) in numbers.

Table 7.2: Categorisation of Zimbabwe's realistic export opportunities in terms of number of opportunities

Size and growth of importing market	Market share of Zimbabwe relatively small	Market share of Zimbabwe intermediately small	Market share of Zimbabwe intermediately high	Market share of Zimbabwe relatively high	Total
Large markets	Cell 1 745 (8.85%)	Cell 6 2 (0.02%)	Cell 11 0 (0.00%)	Cell 16 17 (0.20%)	764 (9.07%)
Smaller markets growing in both short and long terms	Cell 2 4964 (58.97%)	Cell 7 7 (0.08%)	Cell 12 13 (0.15%)	Cell 17 224 (2.66%)	5208 (61.16%)
Large markets growing in the short term	Cell 3 463 (5.50%)	Cell 8 1 (0.01%)	Cell 13 3 (0.04%)	Cell 18 12 (0.14%)	479 (5.69%)
Large markets growing in the long term	Cell 4 516 (6.13%)	Cell 9 1 (0.01%)	Cell 14 5 (0.06%)	Cell 19 10 (0.12%)	532 (6.32%)
Large markets growing in the short and long terms	Cell 5 1392 (16.54%)	Cell 10 5 (0.06%)	Cell 15 10 (0.12%)	Cell 20 28 (0.55%)	1435 (17.05%)
Total	8080 (95.99%)	16 (0.18%)	31 (0.37%)	291 (3.45%)	**8418 (100%)**

Source: results from the DSM application.

The majority of product-country combinations are assigned by the DSM to cell 2. There are 4964 realistic export opportunities (REOs) in cell 2, representing 58.97% of the total number of REOs. These markets are small but growing in the short and long terms. However, Zimbabwe's market share is very small compared to the six top competitors in these markets.

In table 7.2 above, the sum of the number of REO's in cells 1, 2, 3, 4 and 5 is 8 080, representing 95.99% of the total number of REOs identified for Zimbabwe. Zimbabwe's market share in these markets is relatively small.

In cells 16, 17, 18 and 20 there are a total of 291 REOs or 3.45% of the total REOs in which Zimbabwe's market share are high compared to the top six suppliers in those markets. It can

therefore be concluded that, in terms of numbers of opportunities, Zimbabwe is only utilising 3.45% of the opportunities identified as having high export potential, while 95.99% of these opportunities are underutilised. Table 7.3 shows realistic export opportunities in terms of export potential values.

Table 7.3: Categorisation of Zimbabwe's realistic export opportunities in terms of potential export value[53] (in US$ thousand)

Size and growth of importing market	Market share of Zimbabwe relatively small	Market share of Zimbabwe intermediately small	Market share of Zimbabwe intermediately high	Market share of Zimbabwe relatively high	Total
Large markets	Cell 1 39453057 (21.16%)	Cell 6 6325594 (3.39%)	Cell 11 0 (0.00%)	Cell16 1949604 (1.05%)	47728255 (25.6%)
Small markets growing both in the short and long terms	Cell 2 15724634 (8.44%)	Cell 7 243990 (0.13%)	Cell 12 353355 (0.19%)	Cell 17 2470956 (1.33%)	18792939 (10.09%)
Large markets growing in the short term	Cell 3 20159051 (10.81%)	Cell 8 296010 (0.16%)	Cell 13 114367 (0.06%)	Cell 18 533008 (0.29%)	21102436 (11.32%)
Large markets growing in the long term	Cell 4 21728983 (11.60%)	Cell 9 8634 (0.00%)	Cell 14 214527 (0.12%)	Cell 19 690210 (0.37%)	22642354 (12.09)
Large markets growing in the short and long terms	Cell 5 71636384 (38.43%)	Cell 10 217908 (0.12%)	Cell 15 544049 (0.29%)	Cell 20 3756970 (2.02%)	76155311 (40.86%)
Total	168700109 (90.44%)	7092136 (3.8%)	1226298 (0.66%)	9430748 (5.06%)	**186421295 (100%)**

Source: results from the DSM application.

It can be seen in table 7.3 above that US$168.70 billion or 90.44% of the total export potential for Zimbabwe are located in the markets in which Zimbabwe has a small share of the market compared to the top six suppliers in those markets (cells 1 to 5). Although cell 2 accounted for 58.9% of the total number of opportunities, it has a significantly smaller share

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[53] These values are derived using the formula given in section 6.3.4.

of 8.44% in terms of export value. This signifies that the markets involved are relatively small and it illustrates the usefulness of calculating potential export values in order to prioritise between markets.

About 5.06% or US$9.43 billion worth of realistic export opportunities (REOs) are located in the markets in which Zimbabwe has relatively high share of the market compared to the top six suppliers in those markets (cells 16 to 20).

The above findings also show that for most of the markets identified as export opportunities for Zimbabwe, the country has a relatively small market share and is not utilising the export potential.

7.2.4 Filter 5: Zimbabwe's pre-, during and post-conflict revealed comparative advantage

It has already been stated that the DSM is a demand side model interested in identifying markets which demonstrate high import demand and are reasonably accessible by the exporting country (in this case, Zimbabwe) (see section 6.4.2). This study has added filter 5 to the DSM model. This is an extension of the DSM unique to this study and its essence is adding the supply side of Zimbabwe. Specifically, filter 5 deals with the capability of Zimbabwe to produce and export (see section 6.4.2) the products identified as export opportunities.

Filter 5 is unique as it relates to an extension of the DSM specifically in the context of Zimbabwe. Perhaps it is appropriate at this point to explain again that, owing to the fact that Zimbabwe experienced a downturn in its economy during 1998 to 2008, three revealed comparative advantage (RCA) values were computed for the country. This was aimed at establishing its production capabilities (measured by Zimbabwe's RCA for each product) before, during and after the crisis (see section 6.4.2). The products in which Zimbabwe showed acceptable RCA values throughout these periods were selected and these were matched with the results of filter 4 to obtain specific export opportunities (product-country combinations) with high demand potential in which Zimbabwe would most probably be able to supply.

From the 8 418 product-country combinations which entered the fourth filter, 344 product-country combinations were selected in filter 5. Table 7.4 shows the categorisation of Zimbabwe's number of export opportunities after filter 5.

Table 7.4: Categorisation of Zimbabwe's realistic export opportunities in terms of number of opportunities (after taking production capability into account)

Size and growth of the importing market	Market share of Zimbabwe relatively small	Market share of Zimbabwe intermediately small	Market share of Zimbabwe intermediately high	Market share of Zimbabwe relatively high	Total
Large markets	Cell 1 33 (9.59%)	Cell 6 0 (0.00%)	Cell 11 0 (0.00%)	Cell 16 4 (1.16%)	37 (10.76%)
Growing markets in short and long terms	Cell 2 144 (41.86%)	Cell 7 0 (0.00%)	Cell 12 2 (0.58%)	Cell 17 16 (4.65%)	162 (47.1%)
Large markets with short term growth	Cell 3 23 (6.69%)	Cell 8 0 (0.00%)	Cell 13 2 (0.58%)	Cell 18 2 (0.58%)	162 (47.1%)
Large markets with long term growth	Cell 4 23 (6.69%)	Cell 9 1 (0.3%)	Cell 14 4 (1.16%)	Cell 19 5 (1.45%)	27 (7.58%)
Large markets with short and long terms growth	Cell 5 68 (19.77%)	Cell 10 5 (1.45%)	Cell 15 4 (1.16%)	Cell 20 8 (2.33%)	85 (24.71%)
Total	291 (84.59%)	6 (1.74%)	12 (3.49%)	35 (10.17%)	**344 (100%)**

Source: results from the DSM application.

After taking into consideration the production capacity of Zimbabwe in filter 5, there are still 84.59% of the export opportunities identified for Zimbabwe in cells 1 to 5 in which Zimbabwe has a relatively small market share. This percentage decreased from filter 4 (95.99% to 84.59%, see table 7.2), but is still very high.

The number of export opportunities in cells 16 to 20, in which Zimbabwe has a relatively large market share, has increased to 10.17% in table 7.4 compared to 3.45% in table 7.2. This means that the percentage of the number of export opportunities in which Zimbabwe has a relatively large market share, has increased. This is due to the fact that in filter 5 the

production and export specialisation of Zimbabwe is taken into consideration. Despite this increase, almost 85% of the number of export opportunities are still underutilised by Zimbabwe (cells 1 to 5). Table 7.5 shows realistic export opportunities for Zimbabwe by potential export value[54] after taking into account production capability in filter 5.

Table 7.5: Categorisation of Zimbabwe's realistic export opportunities in terms of potential export value (in US$ thousands) (after taking production capability into account)

Size and growth of the importing market	Market share of Zimbabwe relatively small	Market share of Zimbabwe intermediately small	Market share of Zimbabwe intermediately high	Market share of Zimbabwe relatively high	Total
Large markets	Cell 1 1 239 137 (20.32%)	Cell 6 0 (0.00%)	Cell 11 0 (0.00%)	Cell 16 135 798 (2.23%)	1 374 935 (22.55%)
Growing markets in short and long terms	Cell 2 314 874 (5.16%)	Cell 7 0 (0.00%)	Cell 12 19 007 (0.31%)	Cell 17 52 645 (0.86%)	386 526 (6.33%)
Large markets with short term growth	Cell 3 207 884 (3.41%)	Cell 8 0 (0.00%)	Cell 13 17 281 (0.28%)	Cell 18 19 496 (0.32%)	244 661 (4.01%)
Large markets with long term growth	Cell 4 1 464 881 (22.38%)	Cell 9 8 634 (0.15%)	Cell 14 64 890 (1.06%)	Cell 19 550 884 (9.03%)	1 989 289 (32.62%)
Large markets with short and long terms growth	Cell 5 1 190 154 (19.52%)	Cell 10 217 908 (3.57%)	Cell 15 112 645 (1.86)	Cell 20 582 220 (9.55%)	2 102 927 (34.49%)
Total	4 316 930 (70.79%)	226 542 (3.72%)	213 823 (3.5%)	1 341 043 (21.99%)	**6 098 338** **(100%)**

Source: results from the DSM application.

In total, 70.79% of the potential export value for the export opportunities identified for Zimbabwe in filter 5 fall into cells 1 to 5 in which Zimbabwe has a relatively small market share. Although this percentage decreased from 90.44% in filter 4 in table 7.3 to 70.79% in table 7.5, it is still relatively high. This indicates an underutilisation of the export potential despite Zimbabwe's production and export capabilities in these products. In cells 6 to 8 the DSM did no assign any potential export value hence they have each 0%. In cells 9 to 18 the

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[54] These values are derived using the formula given in section 6.3.4.

DSM assigned relatively small potential export values. Cell 19 has 9.03% and cell 20 has 9.55% of the total potential export value, however, these are the markets in which Zimbabwe's share is relatively high.

If compared to table 7.3, the percentage of the number of export opportunities in cells 16 to 20, in which Zimbabwe has a relatively large market share, has increased from 5.06% to 21.99%. This is due to the fact that in filter 5 the production capacity of Zimbabwe is taken into consideration. Consequently the percentage of export opportunities in which Zimbabwe has a relative large market share, increased. Despite this increase, almost 71% of export opportunities are still underutilised by Zimbabwe (cells 1 to 5).

When the results in table 7.5 (potential export values of export opportunities) are compared to table 7.4 (number of export opportunities), the picture changes substantially. In terms of number of opportunities (see table 7.4), cell 2 holds the largest share of the total number of the opportunities accounting for 41.86%. This percentage changes to 5.16% when potential export values are taken into account, which is an indication that these are markets with relatively small import demand. Cell 4 only accounted for 6.69% of the total number of export opportunities, despite representing 22.38% of the total potential export value. One of the reasons why a cell which has the largest number of REOs ends up with a small potential export value of the same is that such products are of low value (e.g. ball point pens). The main reason why the cells which have fewer opportunities in numbers end up with higher export values is due to the fact that such products are of high value (e.g. diamonds). Another reason why a country may have higher potential export values is that the country is importing larger volumes of a given product than others.

From the analysis of the cell classifications of the REOs identified for Zimbabwe in tables 7.2, 7.3, 7.4 and 7.5 it can be concluded that, for most of the markets identified as export opportunities for Zimbabwe, the country has a relatively small market share, even when Zimbabwe's production capacity is taken into consideration. This indicates that Zimbabwe is not currently exporting enough to the markets with the highest export potential. The results of this study would therefore assist export promotion organisations to focus their efforts on markets with the highest potential resulting in more efficient export promotion and ultimately higher exports which would help the Zimbabwean economy to recover and grow.

7.2.5   Summary of the results

Table 7.6 summarises the results of the different filters of the DSM applied for Zimbabwe.

Table 7.6: Summary of the results in the filters

Filter	Product-country combinations or countries entered	Product-country combinations or countries selected
Filter 1	241 countries	107 countries
Filter 2	545 7033 product-country combinations	182 096 product-country combinations
Filter 3	182 096 product-country combinations	8 418 product-country combinations
Filter 4	8 418product-country combinations	8 418 product-country combinations
Filter 5	8 418 product-country combinations	344 product-country combinations

Source: compiled fromViviers et al. (2010); Steenkamp (2011); *results from the DSM application.*

In sections 7.3 to 7.7 the results of the DSM applied for Zimbabwe are analysed at different levels.

7.3   Regional results of the DSM applied for Zimbabwe

The regional classification of countries used in this analysis of the DSM results, is based on the regional demarcation of the United Nations (United Nations, 2012). Table 7.7 shows the total potential export value of the realistic export opportunities (REOs) identified in each region, compared to the degree this potential is utilised by Zimbabwe in actual exports.

Table 7.7: Distribution of regional realistic export opportunities by potential export value and the amount Zimbabwe has realised

Region	Total potential export value of REOs for Zimbabwe (US$ thousand)	Amount in export value utilised by Zimbabwe (US$ thousand)	% of utilisation by Zimbabwe
Eastern Asia	2 274 337	81 020	3.56
Western Europe	1 244 509	30 765	2.47
Northern Europe	849 465	119 853	14.11
Southern Europe	570 044	36 152	6.34
South Eastern Asia	352 318	19 482	5.53
North America	323 947	0	0
Eastern Europe	233 561	15 211	6.51
Western Asia	87 876	556	0.65
Middle Africa	40 050	0	0
Northern Africa	33 490	7 933	23.69
Southern Africa	27 425	13 895	50.67
Eastern Africa	20 564	1 106	5.38
Western Africa	18 433	505	2.74
South Central Asia	16 994	1 046	6.16
Oceania	3 417	0	0
Central America	1 527	0	0
South America	344	0	0
Caribbean	37	0	0

Note 1: If Zimbabwe is not utilising REOs at all and has a zero, it does not mean Zimbabwe is not exporting anything to the particular region, rather, it could be exporting other products than the ones identified as realistic export opportunities.

Source: results from the DSM application.

Figure 7.2 shows the distribution of realistic export opportunities for Zimbabwe in the different world regions.

Figure 7.2: The regional distribution of realistic export opportunities (REOs) for Zimbabwe in total potential export value
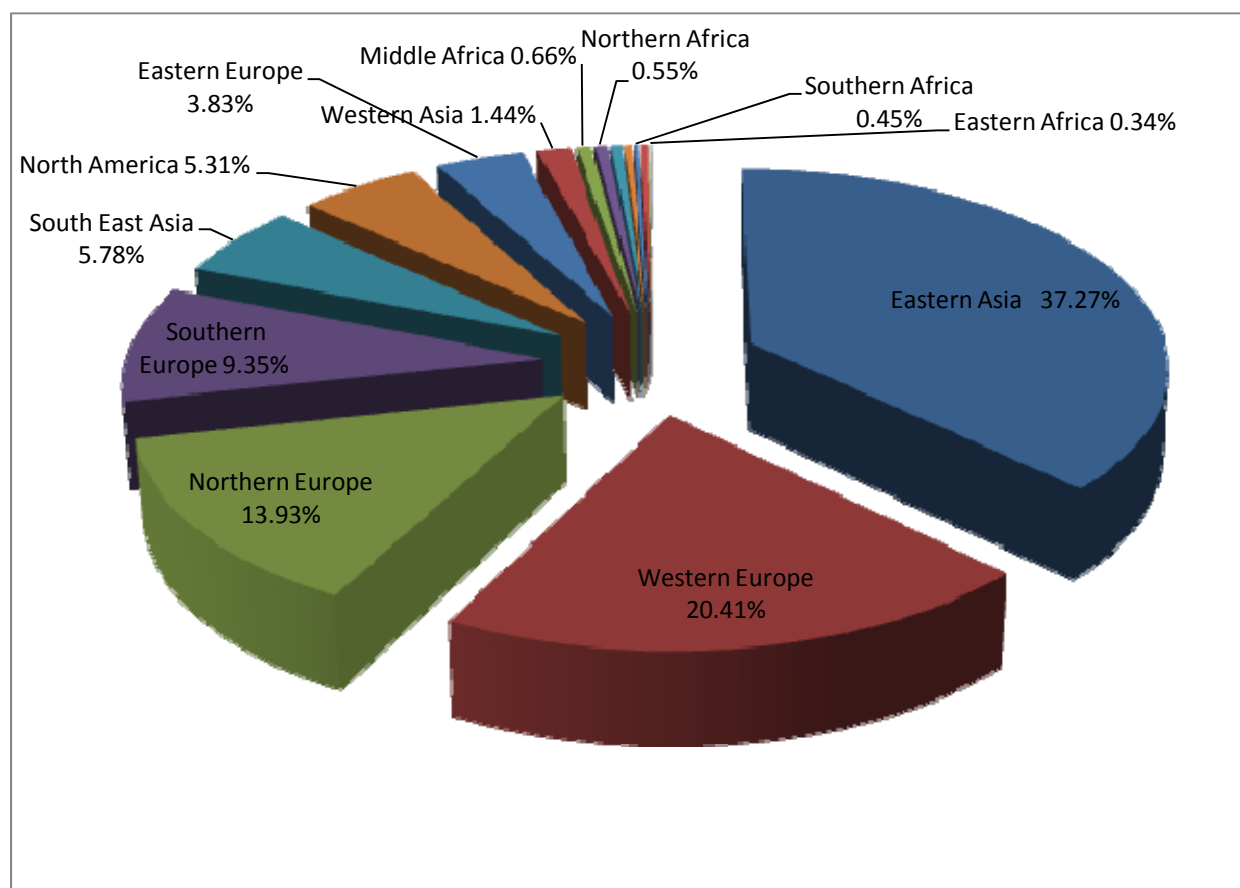
Source: results from the DSM application.

Both table 7.7 and figure 7.2 show that Eastern Asia holds the largest potential export value of REOs amounting to US$2.27 billion[55] (37.27% of the total potential export value of REOs). It is followed by Western Europe and Northern Europe, having a total potential export value of US$1.24 billion (20.41%) and US$8.49 million (13.93%) respectively. The top three regions collectively constitute 71.61% of the total potential export value of the REOs identified for Zimbabwe.

In terms of the degree to which Zimbabwe utilises the export potential in the different world regions, it is clear from table 7.11 that Zimbabwe is underutilising its REOs. The country on

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[55]It should be noted that the potential export value for each region, country, sector, product, or product-country combination referred to throughout this chapter should not be interpreted as a target export value. It is estimated values based on the size of the import demand in each market and was intended to be used to prioritise between different regions, countries, sectors, products and product-country combinations.

average is utilising only 5.8% of regionally based REOs. The only exception is in the Southern African region where Zimbabwe is utilising 50% of REOs based there.

The country-level results of the DSM applied for Zimbabwe is subsequently discussed in section 7.4.

7.4   Country–level results of the DSM applied for Zimbabwe

The country–level results of the DSM applied for Zimbabwe are illustrated in table 7.8 showing top 21 countries with the highest export potential for Zimbabwe.

Table 7.8: Top 21 countries with the highest export potential for Zimbabwe

Rank	Country	Potential export value (in US$ thousand)	Actual value of export realised[56] (in US$ thousand)	% of potential export value utilised in actual export
1.	China	1 268 117	60 493	4.8
2.	United Kingdom	821 380	119 797	14.58
3.	Japan	803 723	13 758	1.71
4.	Germany	636 882	13 594	4.6
5.	Italy	312 175	23 696	7.6
6.	United States	307 183	0	0
7.	Spain	248 598	12 467	5
8.	France	211 053	15	0
9.	Hong Kong	202 497	1 904	0.94
10.	Belgium	178 414	13 957	0.1
11.	Russia	172 215	13 675	7.67
12.	Netherlands	154 227	0	0
13.	Indonesia	143 160	1 282	0.9
14.	Thailand	95 475	8 763	9.2
15.	Singapore	81 043	9 437	11.6
16.	Switzerland	63 933	3 199	5
17.	Poland	61 038	1 536	2.5
18.	Saudi Arabia	58 790	554	0.01
19.	Angola	36 554	0	0
20.	Egypt	33 490	7 933	23.69
21	South Africa	27430	13 900	50.67
Total / Average		**5 917 377**	**319960**	**5.41**

Source: results from the DSM application.

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[56] If Zimbabwe is not utilising REOs at all and has a zero.It does not mean Zimbabwe is not exporting anything to that market, rather it could be exporting other products than the ones identified as realistic export opportunities.

China has the highest export potential for Zimbabwe amounting to 20.79% of the total potential export value of the REOs identified for Zimbabwe. It is followed by the United Kingdom (13.47%), Japan (13.18%), and Germany (10.44%). These four countries collectively account for almost 58% of the country's identified total potential export value of REOs.

It can again be observed from table 7.5 that Zimbabwe is utilising very little (5.2% on average) of the identified REOs in the 20 countries with the country's highest total potential export value.

It should be pointed out that South Africa, which is arguably Zimbabwe's largest trading partner (see section 5.4.1.6), is in fact ranked number 21 with REOs for Zimbabwe amounting to US$27.43 million in potential export value. Zimbabwe is utilising US$13.90 million[57] giving a utilisation rate of 50.67%. Hence the country has a higher utilisation rate in South Africa than in any of the top 20 countries.

It should be noted that countries which have imposed sanctions on Zimbabwe (although there is on-going trade, see sections 1.4.1 and 4.3.2.4), collectively have a large export potential for Zimbabwe. These countries include: the United Kingdom, Germany, United States, Spain; France, Belgium, Netherlands and Switzerland. They collectively account for 42.98% of Zimbabwe's REOs.

Zimbabwe enjoys duty free market access in the European Union (EU)[58] under the ACP-EU Economic Partnership Agreements (EPA) (see section 5.3.2). Furthermore, Zimbabwe has market access by being the recipient of the Generalised System of Preferences (GSP) scheme granted by, amongst others, the European Union, the United States, Japan, Switzerland and Russia (see section 5.3.5).

In Africa, only Angola and Egypt made it in the 20 countries with the highest export values of Zimbabwe's REOs. In the case of Angola, Zimbabwe is not utilising those export opportunities at all. This, however, does not mean that Zimbabwe is not exporting to Angola

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[57]This does not mean Zimbabwe is not exporting much to South Africa but the country is exporting other products than the ones it has a revealed comparative advantage in.
[58] Zimbabwe enjoys duty free market access in the European Union (EU) except in two products, namely rice and sugar.

at all. It only indicates that Zimbabwe is not exporting to Angola the products identified as export opportunities. There is therefore a need for Zimbabwe to start exporting the products identified as export opportunities to Angola. In Egypt, Zimbabwe is utilising 23.69% of the total REOs. Angola is a member of the Southern African Development Community (SADC) while Egypt is a member of the Common Market for Eastern and Southern Africa (COMESA). Zimbabwe is member of both SADC and COMESA. These trading blocs have substantially removed tariffs and non-tariff barriers within their member states with the latter even launching a customs union (see sections 5.3.3 and 5.3.4). Zimbabwe should therefore not find it difficult to fully utilise these export opportunities.

The 20 countries with the highest export potential values represent 96.6% of the total potential export value of Zimbabwe's REOs. The remaining 30 countries (Zimbabwe's REOs are in 50 countries. See Appendix A) account for only 3.4% of the total potential export value of Zimbabwe's REOs.

7.5 Sector–level (HS 2-digit level) results of the DSM applied for Zimbabwe

In this section the DSM results for Zimbabwe are presented on a sectoral level. Figure 7.3 shows comparisons of potential export values in various sectors.

Figure 7.3: Comparison of potential export values per sector worldwide (US$ in thousand)
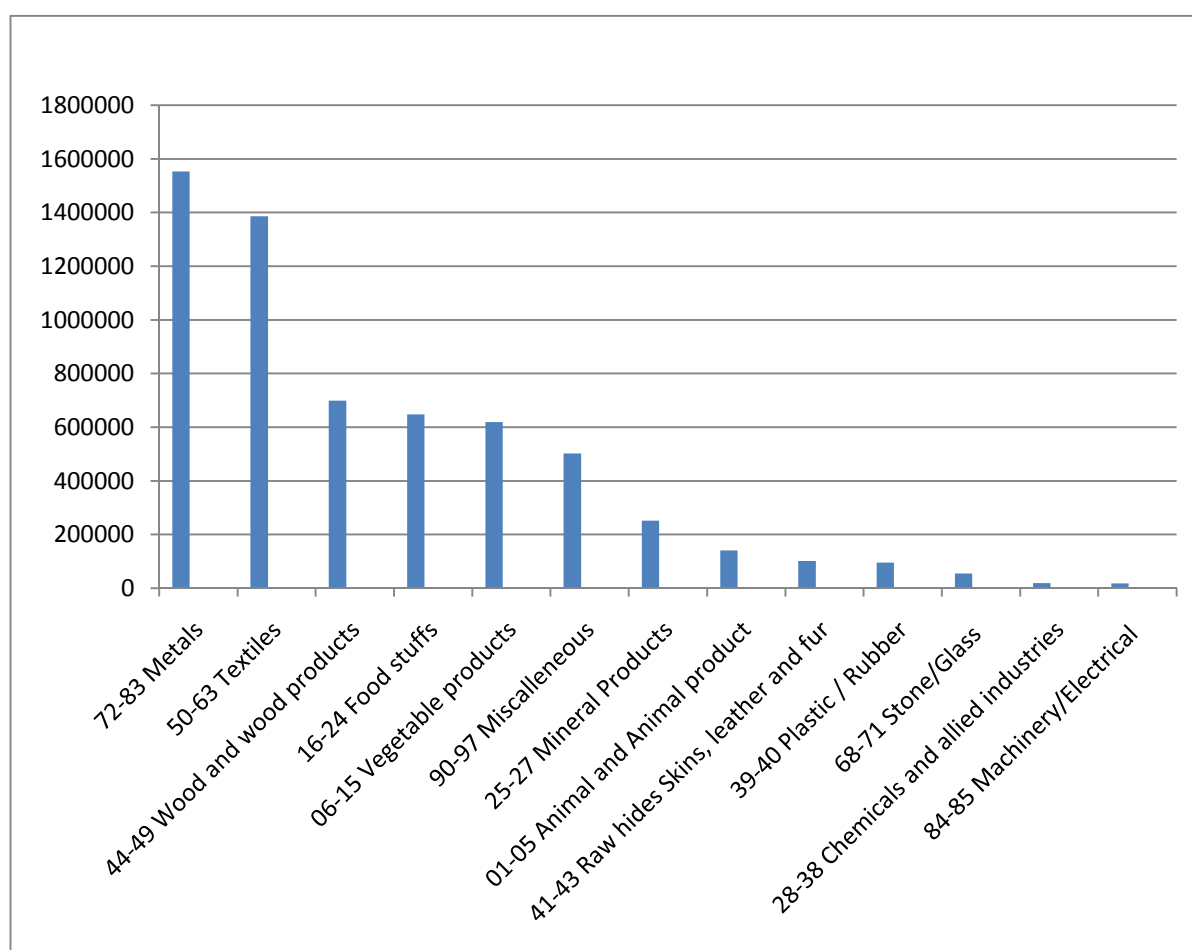
Source: results from the DSM application.

Metals have the highest export potential value amounting to 25.63% of the total potential export value of Zimbabwe's REOs. This is followed by textiles (22.73%), wood and wood products (11.47%), foodstuffs (10.16%), vegetable products (10.17%) and miscellaneous (8.24%). The miscellaneous sector includes, amongst others, sculptures, collections and collectors pieces and wooden bedroom furniture. The top six of the 13 sectors account for 88.84% of the potential export value of Zimbabwe's REOs. The remaining 7 sectors account for only 11.16% of total potential export value of Zimbabwe's REOs. Table 7.9 shows the top 5 regions with their top sectors in which export opportunities are concentrated.

Table 7.9: Top 5 regions with their top sectors in terms of Zimbabwe's REOs

Region	Region's potential export value (US$ in thousand)	Region's top sector	Sector's potential export value within region (US$ in thousand)
Eastern Asia	2 274 337	Textiles	919 826
Western Europe	1 244 509	Wood and wood products	286 292
Northern Europe	849 465	Miscellaneous	325 468
Southern Europe	570 040	Metals	259 088
South Eastern Asia	352 318	Textiles	200 174

Source: results from the DSM application.

In Eastern Asia, the textile sector accounts for 40.44% of the total potential export value of Zimbabwe's REOs located in this region. The sector with the highest export potential in Western Europe, which is the second largest region in terms of potential export value, is wood and wood products. The sector accounts for 23% of the total potential export value of Zimbabwe's REOs in the region.

In Northern Europe, the leading sector in terms of its import demand is the miscellaneous sector which includes products such as collection and collectors pieces, sculptures and wooden bed room furniture. It accounts for 38.31% of the total potential export value of REOs available to Zimbabwe in this region. In Southern Europe, 45.5% of the REOs available to Zimbabwe are located in the metals sector. In South Eastern Asia, 56.82% of potential import demand is in the textiles sector. Section 7.6 presents product–level results.

7.6   Product–level results of the DSM applied for Zimbabwe

The results of the DSM applied for Zimbabwe is presented on a product-level in this section. Table 7.10 shows the top 50 products with the highest potential export values for Zimbabwe.

Table 7.10: Top 50 products with the highest potential export for Zimbabwe

	Product description	Potential export value (US $ '000)	% of potential export value realised in actual exports
1	520100 - Cotton, not carded or combed	1115946	3.08
2	720241 - Ferro-chromium containing by weight >4% carbon	732 915	1.13
3	750210 - Nickel unwrought, not alloyed	715 549	1.92
4	240120 - Tobacco, unmanufactured, partly or wholly stemmed	489 597	22.03
5	440710 - Lumber, coniferous (softwood) thickness < 6 mm	433 169	0
6	080510 - Oranges, fresh or dried	350 088	0.17
7	970300 - Original sculptures and statuary, in any material	306 488	0.27
8	251611 - Granite, crude or roughly trimmed	146 521	0
9	940350 - Bedroom furniture, wooden, not elsewhere specified	135 402	1.01
10	620342 - Mens/boys trousers & shorts, of cotton, not knitted	126 010	3.80
11	441119 - Fibreboard >0.8 g/cm2 worked/surface covered	97 804	0
12	020890 - Meat and edible offal nes fresh, chilled or frozen	86 655	0.61
13	441199 - Fibreboard nes(= or >0.35g/cm^2)	86 229	0
14	720429 - Waste & scrap, of alloy steel, other than stainless	79 465	0
15	240220 - Cigarettes containing tobacco	76 877	11.12
16	080540 - Grapefruit, fresh or dried	76 247	0.04
17	120740 - Sesamum seeds whether or not broken	63 318	0
18	410419 - Hides & skins of bovine including buffalo or equine	62 974	0.89
19	710399 – Precious/semi-precious stones, n.e.s	54 617	0
20	040210 - Milk powder < 1.5% fat	47 532	0
21	392310 - Boxes, cases, crates etc. of plastic	46 853	0
22	630900 - Worn clothing & other worn articles	45 262	3.79
23	253090 - Mineral substances, n.e.s	44 837	0
24	970500 - Collections and collectors pieces	40 525	32.08
25	392329 - Sacks& bags(including cones) of plastics, n.e.s	33 648	0
26	170111 - Raw sugar, cane	30 933	0
27	090240 - Tea, black (fermented or partly) in packages > 3 kg	30 809	0.63
28	620349 – Mens/boys trousers & shorts of other textile material	29 872	0.41
29	441119 - Fibreboard >0.8 g/cm2 worked/surface covered	25 559	0
30	090220 - Tea, green (unfermented) in packages > 3 kg	21 149	0
31	481910 - Cartons, boxes & cases, of corrugated paper or board	20 482	0
32	960810 - Ball point pens	20 148	0
33	240310 – Smoking tobacco	19 333	4.42
34	081040 - Cranberries, bilberries &other fruits, fresh	18 680	0
35	261000 - Chromium ores and concentrates	17 344	0
36	847890 - Parts of machinery for preparing or making up tobacco	14 994	0
37	070810 - Peas, shelled or unshelled, fresh or chilled	14 964	0.06
38	430230 - Tanned or dressed whole furskins and pieces	14 646	0

Table 7.10: **Top 50 products with the highest potential export for Zimbabwe …**
continued

	Product description	Potential export value (US $ '000)	% of potential export value realised in actual exports
39	520912 - Twill weave cotton,fabric >85% >200g/m2, unbleached	14 133	0
40	441820 – Doors & their frames & thresholds, of wood	13 210	0.30
41	090240 - Tea, black (fermented or partly) in packages > 3 kg	12 957	0.18
42	220710 - Undenatured ethyl alcohol of strength>= 80% by volume	12 570	0
43	490700 – Unused postage, revenue stamps; cheques, banknotes, etc.	11 457	100.00
44	250410 - Natural graphite in powder or flakes	11 445	0
45	520541 - Cotton yarn >85% multiple combed >714 dtex,not retail	11 109	0
46	410320 - Reptile skins, raw	10 745	18.84
47	320120 - Wattle tanning extract	10 085	10.37
48	253010 - Vermiculite, perlite and chlorites, unexpanded	9 654	0
49	120929 - Seeds,offorage plants, except beet seeds, for sowing, nes	9 332	0
50	120210 - Ground-nuts in shell not roasted or cooked	8 842	0

Source: results from the DSM application.

Cotton, not carded or combed, has the highest potential export value for Zimbabwe. It amounts to 18.30% of the total potential export value of the REOs identified for Zimbabwe. This product is followed by ferro–chromium (12.02% of the total potential export value) and unwrought, not alloyed nickel (11.74%). These three products collectively account for 42.06% of the total potential export value of the REOs identified for Zimbabwe but are all primary products (without any value addition).

Generally speaking, for all the products listed in the above table, Zimbabwe is utilising very little of the export potential despite the fact that it has been proven that the country specialises in producing and exporting these products. There should therefore be no supply constrains for Zimbabwe to tap such markets. For products showing a zero actual export value, it indicates that although Zimbabwe specialises in producing and exporting these products, it is not exporting to the markets with the highest demand potential. These products are therefore exported to countries other than those identified by the DSM as having high export potential. The results do not include diamonds. Section 7.6.1 briefly explains the status of diamonds in Zimbabwe.

7.6.1 The status of diamonds in Zimbabwe

In this study, Zimbabwe was found to have no comparative advantage in the production of diamonds purely because of the criteria that was used included the pre-crisis period 1993-1997 (see section 6.4.2.). A product had to meet all the threecriteria as shown in section 6.4.2 in order to be selected. The diamonds begun to be produced in Zimbabwe from 2000 hence they did not meet the criteria of pre-crisis period (1993-1997), crisis period (1998-2008) and post-crisis period (2009-2010). However, this does not mean that in fact Zimbabwe does not have a revealed comparative advantage in the production of diamonds. The diamonds have become very significant to Zimbabwean economy. Further, the problem which was there on Kimberlery certification has been resolved. The Zimbabwe Government was assured a dividend of US600 million in 2012, an evidence of positive impact on the economy. Diamond deposits are estimated at 16.5 million tonnes and will last 300 years (4.3.3). Section 7.7 identifies the product-country combinations with the largest export potential for Zimbabwe.

7.7 The 50 product-country combinations with the largest export potential for Zimbabwe

Table 7.11 shows the 50 product-country combinations with the largest export potential for Zimbabwe.

Table 7.11: The 50 product-country combinations with the largest export potential for Zimbabwe

Country	Product	Potential export value (US$ thousand)	% of potential export value realised
China	520100 - Cotton, not carded or combed	869247	0.82
Japan	720241 - Ferro-chromium containing by weight, >4%	421050	0
Japan	750210 - Nickel unwrought, not alloyed	322101	4.27
United Kingdom	970300 - Original sculptures and statuary, in any material	217561	0.27
United Kingdom	750210 - Nickel unwrought, not alloyed	182729	0
Germany	720241 - Ferro-chromium containing by weight>4% carbon	177315	0
China	240120 - Tobacco, unmanufactured, stemmed or stripped	156069	34.22
Spain	750210 - Nickel unwrought, not alloyed	141171	0
China	440710 - Lumber, coniferous (softwood) thickness < 6 mm	128870	0
Germany	440710 - Lumber, coniferous (softwood) thickness < 6 mm	118114	0
Italy	720241 - Ferro-chromium containing by weight >4% carbon	117917	7.01
United Kingdom	620342 - Mens, boys trousers & shorts, of cotton, not knit	112198	0
United Kingdom	940350 - Bedroom furniture, wooden, nes	107907	0.80
France	440710 - Lumber, coniferous (softwood) thickness < 6 mm	104258	0
Indonesia	520100 - Cotton, not carded or combed	100013	1.28
United States	441119 - Fibreboard >0.8 g/cm2 worked/surface covered	97804	0
Germany	240120 - Tobacco, unmanufactured, stemmed or stripped	87666	14.50
United States	441199 - Fibreboard nes (0.35 g/cm2 & less)	86229	0
Thailand	520100 - Cotton, not carded or combed	76606	11.44
Italy	251611 - Granite, crude or roughly trimmed	76533	0
Russia	080510 - Oranges, fresh or dried	75032	0
Russia	240120 - Tobacco, unmanufactured, stemmed or stripped	73885	18.51
Hong Kong	240220 - Cigarettes containing tobacco	70228	0
Singapore	750210 - Nickel unwrought, not alloyed	69548	0
Belgium	440710 - Lumber, coniferous (softwood) thickness < 6 mm	62184	0
Netherlands	080510 - Oranges, fresh or dried	59325	0
Saudi Arabia	080510 - Oranges, fresh or dried	58790	0.94

Table 7.11: The 50 product-country combinations with the largest export potential for Zimbabwe … continued

Country	Product	Potential export value (US$ thousand)	% of potential export value realised
Netherlands	240120 - Tobacco, unmanufactured, stemmed or stripped	53086	0
Japan	520100 - Cotton, not carded or combed	49992	0.82
China	040210 - Milk powder not exceeding 1.5% fat	47532	0
Germany	020890 - Meat and edible offal nes fresh, chilled or frozen	46106	0.54
Spain	080510 - Oranges, fresh or dried	43535	0.04
Indonesia	720429 - Waste or scrap, of alloy steel, other than stainless	43147	0
Hong Kong	080510 - Oranges, fresh or dried	42435	0
Hong Kong	710399 - Precious & semi-precious stones, worked, not set	36739	0
United States	253090 - Mineral substances, nes	36482	0
Switzerland	240120 - Tobacco, unmanufactured, stemmed or stripped	36363	8.72
Italy	410419 - Tanned/crust hides & skins of bovine	34339	1.64
China	120740 - Sesamum seeds, whether or not broken	33775	0
Germany	970300 - Original sculptures and statuary, in any material	29878	0.35
Germany	970500 - Collections and collectors pieces	29812	1.24
Poland	240120 - Tobacco, unmanufactured, stemmed or stripped	29620	4.83
Germany	392310 - Boxes, cases, crates etc. of plastic	28673	0
France	970300 - Original sculptures and statuary, in any material	27409	0.05
United Kingdom	080510 - Oranges, fresh or dried	25804	0.02
United States	441129 - Fibreboard 0.5 - 0.8 g/cm2 worked/surface covered	25559	0
Poland	251611 - Granite, crude or roughly trimmed	24418	0
Hong Kong	410419 - Tanned/crust hides & skins of bovine	24299	0
France	170111 - Raw sugar, cane	23876	0
Belgium	020890 - Meat and edible offal nes fresh, chilled or frozen	22964	1.09

Note 2: There are a number of countries which are included here but have imposed sanctions on Zimbabwe. These include: United Kingdom, Germany, Italy, Spain, Belgium, Netherland, France and the United States. Their inclusion is based on the fact that certain firms and individuals in Zimbabwe are not specified (targeted) by sanctions hence are trading with these countries although they cannot access loans from these countries. Further, highlighting potential export values for Zimbabwe in these countries provides justification to Zimbabwean authorities to double their effort in opening up dialogue to end sanctions. This recommendation has been made in Chapter 9. It was also necessary to include such countries because sanctions will not remain indefinitely. These are temporal measures which can be lifted any at time.

Source: results from the DSM application.

Cotton not carded or combed to China has the highest potential export value of all the REOs identified for Zimbabwe. It amounts to 14.25% of the country's identified total potential export value of the REOs. Other product-country combinations with high export potential include: ferro-chromium in Japan, Germany and Italy; nickel in Japan, the United Kingdom and Spain; sculptures in the United Kingdom, Germany and France; tobacco in China and Germany; and lumber in China, Germany and France.

In these results, it can be observed that Zimbabwe is underutilising most of its REOs. There are also a lot of opportunities amongst the top 50 product-country combinations with the highest export potential which Zimbabwe has not utilised at all. Export promotion organisations should look into the reasons for this, since the products are produced and exported by Zimbabwe but are not exported to the markets identified as having the highest import demand for these products.

In section 7.8, the study analyses the results in relation to the research question.

7.8 Analysis of the results in relation to the research question: *Does Zimbabwe possess realistic export opportunities that can lead to sustainable reconstruction of the Zimbabwean economy*?

In this section, the results are analysed as to whether they answer the research question raised in section 1.7. That research question is re-stated in this section as follows:

Does Zimbabwe possess realistic export opportunities (REOs) that can lead to sustainable reconstruction of the Zimbabwean economy?

The DSM in filter 4 identified 8 418 realistic export opportunities (REOs) for Zimbabwe. In filter 5, which is unique to the application of the DSM for Zimbabwe, the production capabilities of Zimbabwe were taken into account. The results reported in this chapter show that Zimbabwe has 344 realistic export opportunities (REOs). These represent 112 product lines which Zimbabwe specialises in producing and exporting (in other words, Zimbabwe has a revealed comparative advantage in exporting these products). The REOs have been identified in 17 regions worldwide in 13 sectors.

If these REOs are utilised, they can have an impact on GDP as well as economic growth in Zimbabwe. Sections 3.2.1 and 3.2.2 confirm that exports influence economic growth.

With the above analysis and the presentation of the results in this chapter, the research question posed in section 1.7 has been extensively answered in the affirmative that Zimbabwe indeed possesses realistic export opportunities (REOs) that can lead to the sustainable reconstruction of the Zimbabwean economy. Furthermore, this study is developing a specific export promotion strategy based on these results for Zimbabwe in chapter 8. This will aid export promotion organisations in Zimbabwe on how the identified export potential can be realised.

7.9 Summary

In this chapter the results of the application of the DSM for Zimbabwe has been reported. From approximately 1.3 million[59] product-country combinations that entered the model, 545703 entered filter 2 and 182036 entered filter 3. The 8 418 product-country combinations selected in filter 3 have been categorised into different cells in filter 4. In filter 5, which took into account the supply side of Zimbabwe, 344 REOs were identified for Zimbabwe amounting to US$6.10 billion in potential export value. It is evident from the analysis of the cell classification in filter 4 that Zimbabwe has a relatively small market share in most of the identified markets. This picture is also reflected when Zimbabwe's production capacity is taken into account in filter 5. This indicates that Zimbabwe is not currently exporting enough to the markets with the highest export potential. The results of this study would therefore assist export promotion organisations to focus their efforts on markets with the highest potential resulting in more efficient export promotion and ultimately higher exports to enable recovery and grow the Zimbabwean economy.

In terms of regional results of the DSM applied for Zimbabwe, Eastern Asia has the highest export potential for Zimbabwe, followed by Western Europe and Northern Europe. These three regions collectively constitute 71.61% of the total potential export value of the REOs identified for Zimbabwe.

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[59]241 countries multiplied by 5403 HS 6-digit product lines.

At country-level, China, the United Kingdom, Japan and Germany hold the highest export potential for Zimbabwe, collectively constituting almost 58% of the total potential export value of REOs identified for Zimbabwe.

The sector with the highest export potential for Zimbabwe is metals which accounts to 25.63% of the total potential export value for Zimbabwe. The top six sectors account for 88.84% of the total potential export value. These sectors are metals, textiles, wood and wood products, foodstuffs, vegetable products and miscellaneous. In Eastern Asia the textile sector represents 40.44% of total potential export value, while wood and wood products is the leading sector in Western Europe amounting to 23% of total potential export value in the region. In Southern Europe, 45.5% of the REOs available to Zimbabwe are located in the metals sector and in South Eastern Asia, 56.82% of potential import demand is in the textiles sector.

On a product-level, cotton not carded or combed has the highest total potential export value for Zimbabwe and is followed by ferro-chromium, nickel, tobacco and lumber. In terms of product-country combinations, cotton in China has the highest export potential representing, on its own, 14.25% of the total potential export value of the REOs identified for Zimbabwe. Other product-country combinations with high export potential include: ferro-chromium in Japan, Germany and Italy; nickel in Japan, the United Kingdom and Spain; sculptures in the United Kingdom, Germany and France; tobacco in China and Germany; and lumber in China, Germany and France.

There are other important observations that were made from the results. First, even when Zimbabwe's production and export specialisation is taken into consideration, for most of the markets identified as export opportunities for Zimbabwe, the country has a small relative market share. This indicates that Zimbabwe is not currently exporting enough to the markets with the highest export potential. Therefore, Zimbabwe is utilising very little of the identified export potential despite the assurance that there are no supply constraints for Zimbabwe to tap this potential. Second, amongst the export opportunities with the highest export potential there are markets in which Zimbabwe has a zero actual export value. This indicates that although Zimbabwe has sufficient production capacity, the country is not exporting to the markets with the highest demand potential.

It can be concluded, that in general, Zimbabwe is underutilising its export potential. The results of this study would therefore assist export promotion organisations to focus their efforts on markets with the highest potential resulting in more efficient export promotion and ultimately higher exports which will lead to the recovery and growth of the Zimbabwean economy.

In Chapter 8, the study develops an export promotion strategy for Zimbabwe by using the results reported in this chapter. Specifically analysing the cell classification reported in tables 7.4 and 7.5 in more detail.

CHAPTER 8
EXPORT PROMOTION STRATEGY

8.1 Introduction

Exports play a significant role for a country in post-conflict reconstruction. In chapter 1 (see section 1.1), it was pointed out that economic recovery in Zimbabwe cannot be sustained without deep reforms. In section 1.8, the objective outlined was to formulate an export promotion strategy for Zimbabwe. The export-led growth theory has provided both a theoretical framework and empirical evidence that export promotion can influence economic growth and sustain it (see sections 3.2.1 and 3.2.2). Section 3.3.3 looked at the framework of preparing an export promotion strategy and section 3.3.7.2.2 discussed the market estimation methods. In chapter 6, a Decision Support Model (DSM) was applied to Zimbabwe to identify product-country combinations in which Zimbabwe has realistic export opportunities (REOs). In chapter 7, the study reported the results comprising the 13 sectors (see section 7.5), which contained 344 product-country combinations (see section 7.7). Furthermore, 112 products were identified in which Zimbabwe has a revealed comparative advantage (see section 7.8). With the above foundation, a great deal of groundwork has been done to now dedicate this chapter to formulate an export promotion strategy for Zimbabwe, based on the results alluded to in Chapter 7.

This chapter is structured as follows: section 8.2 discusses the rationale; section 8.3 discusses the export sector: key challenges; section 8.4 discusses the vision and objectives; section 8.5 discusses the method and analysis of the results; section 8.6 discusses strategies for each specific cell; section 8.7 discusses sectoral strategies / recommendations; section 8.8 discusses cross-cutting issues; section 8.9 discusses the implementation framework and actions; and section 8.10 provides the conclusion.

8.2   Rationale

Zimbabwe currently does not have an export promotion strategy or a comprehensive trade policy (see sections 1.5 and 5.7.1). In STERP II, the Government of Zimbabwe has expressed its intention to have a trade policy that will encompass an export

promotion strategy (see section 5.7.1). In sections 1.1 and 1.5, it has been acknowledged that Zimbabwe has put in place STERP I and II and MTP with a view that the economy can recover. However, in the same sections, the authoritative assessment of the African Development Bank and the World Bank have showed that in the present circumstances economic growth is unsustainable, unless Zimbabwe acts and implements deeper reforms. This authoritative assessment means that STERP I and II and the MTP cannot to be used as the vehicles that will lead Zimbabwe to sustainable economic growth.

All of this is worsened by the evidence of non-sustainability which is manifesting itself through liquidity problems that the country and its firms are facing (see sections 4.3.1 and 5.3.2). This is serious because the country can no longer use seigniorage (the art of printing money) to resolve the problem, since the country is using other countries' currencies (specifically the United States dollar and South African rand) over which it has no control (see section 1.4.2). These currencies act as Zimbabwe's foreign currency as well as its domestic currency and that puts pressure on liquidity. This justifies the reasoning that for Zimbabwe to overcome liquidity problems, it must export. By exporting, the country can ensure that there is liquidity in the economy. Therefore, STERP I and II and the MTP have not resolved the recurrent problem of liquidity.

In chapter 3, it was demonstrated that exports influence economic growth. This hypothesis is supported by empirical evidence obtained from studies that have been carried out in many countries (see sections 3.2.1 and 3.2.2). There is therefore a basis that by promoting and focusing on exports, Zimbabwe can be in a position to make an economic recovery. In Chapter 4 of this study, it has been highlighted that Zimbabwe received very little in terms of financial assistance from the donors. STERP I failed to attain its objectives partly because some programmes did not kick off because they were based on the anticipation that donors would provide funding. However, donors developed a wait-and-see attitude. In Chapter 4, this study showed that Zimbabwe has persistently incurred budget deficits (see section 4.3.1).

This export promotion strategy is being promoted as one of the answers to the above problem. It is a focused strategy that takes into account that Zimbabwe has meagre

resources. Therefore, there is a need to have limited activities that, when implemented, can have a tremendous impact on the rest of the economy. In this study, it has been shown that, through exports, other non-exporting sectors can be positively influenced (see section 2.5.2.1). The study has identified many countries that used exports in their economic recovery as part of their post-conflict reconstruction. The most successful countries were Uganda and Mozambique (see section 2.5.2). Their strategies are outlined in Chapter 2 of this study.

This export promotion strategy is prepared after a scientific identification of products and sectors that shared to have ha potential export opportunities. Zimbabwean firms also have the capabilities to produce these products. The identification of the products and sectors was done through the application of a Decision Support Model (DSM) in chapter 6. The results of the Decision Support Model that followed the process of elimination of countries through various processes and indicators were reported in Chapter 7. The remaining part of this study will now formulates an export promotion strategy based on the scientific results obtained in Chapter 7. In table 8.1, the potential export values from this export promotion strategy are shown.

Table 8.1: Potential export values from this export promotion strategy

Sector	Potential export values (Values in US$)
Metals	1 563 000
Textiles	1 385 979
Wood and wood products	699 245
Foodstuffs	647 430
Vegetable products	619 322
Miscellaneous	502 563
Mineral products	251 774
Animal and animal products	140 374
Raw hides, skins, leather and fur	101 183
Plastic/rubber	95 190
Stone/Glass	55 173
Chemicals and allied industries	19 405
Machinery/Electrical	17 599
Total	**6 098 338**[60]

Source: results from the DSM application.

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[60] The potential export values are not the amount that Zimbabwe should be targeting. It is used here to prioritise the export promotion programme by giving intra-sectoral ranking for prioritised programmes.

The above revenue values were generated by the DSM through the formula given in section 6.3.4. These are potential export values of the realistic export opportunities (REOs) for Zimbabwe. Zimbabwe has a revealed comparative advantage in the products that are categorised in the above sectors (see sections 6.4.2 and 7.8). One of the objectives of this this study is to identify an export promotion strategy that would fully utilise all the REOs that exist for Zimbabwe. If the opportunities are utilised, then exports from Zimbabwe could increase which would contribute to the economy. These opportunities could provide sustainable export growth for the various sectors.

Given the above mentioned background, the rationale of this export promotion strategy is therefore to:

i)   provide a mechanism for the government and ZimTrade to use their limited resources, without relying too heavily on international donors' support. This can be achieved by focusing on the priority sectors that were identified scientifically through the application of the DSM, which can result in a moderate expenditure;

ii)   provide a mechanism and framework for stakeholders, both in the public and private sectors, to work towards a common goal of helping the economy recover and then to ensure the sustained recovery; and

iii)   highlight the importance of exports in revitalising Zimbabwe's economy and its recovery and its contribution to increased incomes, liquidity, employment generation, poverty reduction and global market participation. It will also assist Zimbabwe in participating in regional and multilateral trading arrangements with a more focused agenda.

8.3   Export sector: challenges

The export sector can play a significant role in the macro-economic environment of Zimbabwe by increasing the economic growth rate and sustaining it (see sections 1.3 and 3.3.1). Zimbabwe is in a post-conflict reconstruction phase and like any other country in similar conditions, economic recovery is important to bring peace (see section 2.3.1). The current efforts in Zimbabwe are not sufficient to ensure the sustainability of economic growth (see sections 1.1 and 1.5). The export sector is being promoted here as one of the answers to Zimbabwe's economic recovery.

Exports have been used by other countries in similar circumstances and those countries were able to recover from their crises (see sections 2.5.2.1 and 2.5.2.2).

Given the expected role of this sector, it is important to highlight some of the challenges it faces. Zimbabwe's political and institutional environment remains very fragile (see sections 4.2.1 and 4.2.2), which has an impact on production and the producers' ability to export. The promotion of exports requires a stable political environment and proper working institutions. The poor governance indicators hinder investment that can boost exports if they are improved (see section 4.3.1). The dwindling FDI inflows pose a challenge to the sector (see section 4.3.1.3). Legislations that are not investor friendly affect the growth of the sector (see section 4.3.2.4).

The indebtedness of the country to the amount of 162% of GDP is a threat to the export sector's sustainability, as funds meant for reinvestment and trade facilitation are channelled into servicing external debt (see section 4.3.1.1). Capacity underutilisation hinders the growth of the sector (see section 4.3.3). Fluctuations in agricultural output hinder the sustainability of exports (see section 4.3.3). Power and water shortages pose a problem in production and therefore affect the export sector (see section 4.3.3). Decayed and inefficient transport infrastructure (both land and air) affects the movements of goods to the ports and to their markets (see section 4.3.3). The regular fall in commodity prices on the international markets affects earnings. This is due to an over-reliance on commodity exports (see section 5.1). High and recurring trade deficits put pressure on the sector to perform better (see section 5.5.3).

The terms of trade are also unfavourable to Zimbabwe. This has an effect on the overall benefits derived from exports (see section 5.6). A lack of adequate funding of ZimTrade affects its ability as an export promotion agency entrusted with the promotion of exports to execute its mandate; therefore, it has a negative impact on the growth of the sector (5.7.2.1). A lack of incentives to entice exporters to export and trade financing schemes hinder the growth of the export sector (see section 5.7.6). Non-compliance of the international standards such as Health and Phytosanitry Regulations (SPS) affects the expansion of the sector through the failure to meet the stringent requirements of certain markets such as the European Union (see section

5.7.4.3). Corruption by the Zimbabwe Revenue Authority (ZIMRA) personnel, clearing agents and others at the border posts affects the proper facilitation of exports and adds to their delay and costs (section 5.7.3.1). There are too many documents required to process exports. The cost to ship a container from Zimbabwe is very high (see section 5.3.4). The imposition of sanctions by some western governments and some multilateral institutions also affects the expansion of the sector. These sanctions are on individuals and companies with major stakes in the export sector, for example the Mineral Marketing Corporation of Zimbabwe, which is in charge of marketing and selling the country's minerals, is under sanctions (section 4.3.2.4). The mass exodus of key manpower to other countries has created a void in certain industries (see section 1.4.2). The closure of some firms in 2010 due to a lack of liquidity to sustain production is a challenge faced by the export sector. The challenge is to have those firms resume their operations in order to boost production (see section 5.3.2).

8.4   Vision and objectives

The vision of this export promotion strategy is **"Sustainable economic growth and post-conflict recovery through exports"**. In chapter 1, it was suggested that in the present circumstances, Zimbabwe cannot have sustainable economic growth. This vision provides Zimbabwe an opportunity of hope through the promotion of exports. It is anticipated that exports will have a positive effect on economic recovery. In Chapters 1, 4 and 5, various indicators have shown the extent to which the Zimbabwean economy has deteriorated.

The main objective of this export promotion strategy is to identify realistic export opportunities (REOs) for Zimbabwe, as produced by the Decision Support Model. These opportunities are in various countries and regions of the world, and they offer a means to achieve sustainable post-conflict economic recovery. The objectives of this export promotion strategy are therefore to:

i)   Increase production and obtain a market share in new markets by focusing on priority sectors using the meagre resources that ZimTrade has.

ii)   establish export processing zones (EPZ) in all provinces of the country as part of export promotion.[61]

iii)   add value to products in which Zimbabwe has a revealed comparative advantage.

iv)   eventually attain sustainable growth in exports averaging 50% per year. This is slightly above the target of 40% in the Government of Zimbabwe's Export Strategy (2006-2010), which has expired.

v)   alleviate and reduce the incidences of poverty in Zimbabwe through employment creation.

vi)   redirect some export earnings through investment in non-exporting sectors by offering incentives.

8.5   Method and analysis of the results

This section discusses the method and analysis of the results. It is structured as follows: section 8.5.1 describes the method and section 8.5.2 analyses the results.

8.5.1   Method

In section 7.9, it was highlighted that the interpretation of the cells in filter 5's results in which the DSM had assigned each product-country combination was deferred to this chapter. This chapter continues to interpret the results of the DSM. It also formulates a specific strategy for each sector's product-country combinations for Zimbabwe's realistic export opportunities as selected in filter 5. The study formulates a specific strategy for each priority sector based on the cell in which the product-country combinations were assigned to by the DSM.

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[61] The importance of an export processing zone was highlighted in section 2.5.2.2 as one of the strategies which boosted exports in Mozambique and made it a success story in post-conflict reconstruction. In section 3.3.3 it was asserted that an export promotion strategy should include infrastructure and that this lacks in developing countries. The infrastructural development should include export processing zones. In section 3.3.6 table 3.2 the export processing zones were also highlighted. Further this study has proposed incentives which will exclude other firms hence such schemes can be properly administered through an export processing zone.To have export processing zones in every province, the objective is to create jobs through out Zimbabwe. In section 4.3.2.4, the study highlighted unemployment rate of 80%. With such high unemployment rate, an intervention policy should not be centralized but decentralized. In Chaper 4, it was highlighted of shortages of water and electricity hence concentrated export expansion can overstretch infrastructure which is lready inadequate.

8.5.2   Analysis of the results

The results being analysed in this section relate to filter 5. Filter 5 is the extension of the application of the DSM that this study focused on. Filter 5 took into account the supply-side of Zimbabwe in the three different periods mentioned below. Three different averages of RCAs were computed following the set criteria (see section 6.4.2). For a product to be selected, it needed to satisfy all three criteria based on three periods, namely the pre-crisis period (1993-1997), the period during the crisis (1998-2008) and post-conflict period (2009-2010) (see section 6.4.2). The products that were selected by the above criteria were matched with the results of filter 4. 8418 product-country combinations entered filter 5. The results of filter 5 narrowed the product-country combinations to 344. The latter combinations represent 344 realistic export opportunities (REOs) for Zimbabwe. Table 8.2 shows the categorisation of Zimbabwe's market share and its import characteristics.

Table 8.2: Categorisation of Zimbabwe's market share and its import characteristics

	Market share of Zimbabwe relatively small	Market share of Zimbabwe intermediately small	Market share of Zimbabwe intermediately high	Market share of Zimbabwe relatively high	Total
Large product/market	Cell 1 33	Cell 6 0	Cell 11 0	Cell 16 4	37
Growing (long- and short-term) product/market	Cell 2 144	Cell 7 0	Cell 12 2	Cell 17 16	162
Large product/market short-term growth	Cell 3 23	Cell 8 0	Cell 13 2	Cell 18 2	27
Large product/market long-term growth	Cell 4 23	Cell 9 1	Cell 14 4	Cell 19 5	38
Large product/market short- and long-term growth	Cell 5 68	Cell 10 5	Cell 15 4	Cell 20 8	85
Total	291	6	12	35	**344**

Source: results from the DSM application.

The above table shows Zimbabwe's market share in the different types of markets. Cells 1 to 10 show that Zimbabwe has a low market share in the markets identified by the model. Cells 11 to 15 show that Zimbabwe has a relatively medium to large market share in these markets. These markets are large and growing. Cells 16 to 20 show that Zimbabwe is well established in the identified markets and has acquired a high market share in them.

In the table, there are 344 REOs. Cell 1 has the third largest number of REOs (totalling 33). This cell represents large markets with uncertain future growth. Zimbabwe has a relatively small market share in these markets. Cell 2 was assigned 144 REOs by the DSM. These are small markets that are growing and Zimbabwe has relatively small shares in these markets. Cell 3 and cell 4 each has 23 REOs. Cell 3 represents markets that are large with short-term import demand growth potential. However, the market share of Zimbabwe in these markets is relatively small. Cell 4 represents large markets where import demand is growing in the long run. Again, Zimbabwe's market share in these markets is relatively small. Cell 5 has 68 REOs. This cell represents large markets whose import demand is growing both in the short and long-run. Zimbabwe, however, has a relatively small market share in these markets.

The DSM did not assign REOs for Zimbabwe in cells 6, 7 and 8, and therefore these will not be interpreted. Cell 9 has the fewest REOs for Zimbabwe. This cell represents a large market with long-term growth and Zimbabwe's market share is intermediately small. Cell 10 has five REOs for Zimbabwe. These markets are large and are experiencing short- and long-term growth in their import demand. The DSM also did not assign REOs in cell 11, and therefore no interpretation will be given. Cell 12 and cell 13 both have two REOs for Zimbabwe. Cell 13 represents markets that are large and only experience short- and long-term growth in their import demand. Zimbabwe's market share in these markets is intermediately high. Cells 14, 15 and 16 were each assigned four REOs. Cell 14 represents large markets that have long-term import growth. Zimbabwe's market share in these markets is intermediately high.

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Cell 15 represents large markets with imports growing in the short- and long term. Zimbabwe's market share in these markets is intermediately high. Cell 16 represents markets that are large with uncertain future growth. Zimbabwe's market share in such markets is relatively high. Cell 17 has 16 REOs. These markets are small and will grow over both the long-and short-term. Here, Zimbabwe's market share is relatively high. Cell 18 has two REOs. These are large markets with short-term growth in imports. Zimbabwe's market share is relatively high. Cell 19 has five REOs. This cell represents large markets with long-term import growth. Zimbabwe's market share in such markets is relatively high. Cell 20 contains eight REOs. This cell represents large markets whose import demand is growing in the short- and long term. However, Zimbabwe's market share in these markets is relatively high, indicating that Zimbabwean firms are well established. Their products have been widely accepted by the consumers.

The 344 REOs that have just been presented were selected by the DSM and based on the hypothesis that Zimbabwean firms are capable of producing such products. In other words, Zimbabwe has a comparative advantage in them. It is for these products' REOs that this study is developing a strategy. These 344 REOs have been further analysed and represent 112 distinct product lines and fall into 13 identified sectors. Specific strategies have been developed that meet the needs of each of the 13 sectors and the products that fall into these sectors. Section 8.6 contains the strategies for each cell.

8.6   Strategy for each specific cell (cells1-20)

In section 1.8, the study set out the main objective, i.e. formulating an export promotion strategy for Zimbabwe. This main objective was also buttressed by one of the specific objectives, which is to use the results of the DSM to identify products/sectors with realistic export potential. The DSM was applied in Chapter 6 and the results reported in Chapter 7 and section 8.5; 344 product-country combinations (REOs) were identified. For each of these REOs, Zimbabwe has a revealed comparative advantage in the products involved. These products have been analysed using the international product classification (i.e. the Harmonised System) 6-digit level that allows isolating the first two digits of the 6-digit product code. The two

digits isolated from the main product code represent the sector in which the product falls. Using this technique, the study has grouped the products selected by the DSM to individual sectors. This allowed the formulation of a priority list of sectors for Zimbabwe and for this export promotion strategy.

The following 13 sectors were identified as priority sectors for Zimbabwe (they were scientifically determined in Chapter 7): metals; textiles; wood and wood products, foodstuffs; vegetable products; miscellaneous; mineral products; animal and animal products; raw hides, skins, leather and fur; plastic/rubber; stone/glass; chemicals and allied industries; and machinery/electrical. (They are listed in order of importance based on the export values of REOs; also see table 8.1). The country-product combinations listed in the cells below fall in or are classified in each of the sectors outline here.

In this section, the strategies are based on the cells the DSM had assigned to each product-country combination. There are 20 cells in total and 344 product-country combinations. In some cells, the DSM did not assign any product-country combinations (i.e. for cells 6, 7, 8 and 11). Product-country combinations that fall in a particular cell will have its own unique strategy. Sections 8.6.1 to 8.6.16 discuss export strategies for the product-country combinations in cell 1 to cell 20.

8.6.1 Export strategies for product-country combinations in cell 1

In this section, the study provides strategies for combinations that fall in cell 1. Table 8.3 shows the product-country combinations and export values of REOs in cell 1.

Table 8.3: Product-country combinations, export values of REOs and sectors in cell 1

Country	Product[62]	Potential export value (US$ in thousand)	% of potential export value realised	Sector
Japan	Ferro-chromium	421 050	0	Metals
Germany	Ferro-chromium	177 315	0	Metals
USA	Fibreboard	97 804	0	Wood[63]
Thailand	Cotton	76 606	88.6	Textiles
Italy	Granite	76 533	0	Mineral products
Hong Kong	Cigarettes	70 228	0	Foodstuffs
Netherlands	Tobacco[64]	53 086	0	Foodstuffs
Hong Kong	Oranges	42 435	0	Vegetable products
USA	Mineral substance	36 482	0	Mineral products
Spain	Granite	20 521	0	Mineral products
Malaysia	Worn clothing	19 674	0	Textiles
Germany	Chromium	17 344	0	Mineral products
France	Ferro-chromium	16 633	0	Metals
Italy	Cotton	16 207	69.2	Textiles
USA	Parts –machinery	14 072	0	Machinery/Electrical
Belgium	Grapefruit	12 961	0	Vegetable products
Germany	Cotton – woven	12 684	0	Textiles
United Kingdom	Grape fruit	11 499	0	Vegetable products
Italy	Cotton	10 485	0	Textiles
Italy	Grapefruit	8 623	0	Vegetable products
Japan	Seed	7 377	0	Vegetable products
United Arab Emirate	Trousers (men/boys)	5 113	0	Textiles
Belgium	Bed linen	4 920	0	Textiles
Germany	Furskin	4 182	0	Raw hides, skins, leather and fur
Germany	Emery	1 630	0	Mineral products
USA	Cotton –Weave	1 449	0	Textiles
Germany	Seed	788	0	Vegetable products
Mexico	Wire	623	0	Metals
United Kingdom	Blankets	401	0	Textiles
Netherlands	Meat	210	0	Animal and animal products
United Arab Emirate	Flour	118	0	Vegetable products
United Arab Emirates	Dolomite	76	0	Mineral products
Sweden	Jams	8	0	Foodstuffs

Source: results from the DSM application.

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[62] Product code and full description are contained in Appendix B
[63] Wood and wood product sector
[64] Tobacco – unmanufactured

Cell 1(in which all the combinations in table 8.3 fall) represents large markets in which Zimbabwe's market share is very small. ZimTrade (for all products other than minerals) and Mineral Marketing Corporation of Zimbabwe (for all mineral products) should adopt aggressive/offensive strategies for all the product-country combinations identified in cell 1 (Table 8.3). The competitors are well established in these markets, and therefore Zimbabwe will have to penetrate those markets through an aggressive/offensive export promotion strategy (see sections 3.3.8.1 and 3.3.10). ZimTrade and MMCZ should also use frontal and flanking attacks on these markets. The instruments that ZimTrade can use include the following:

- assist exporters to find market niches;
- disseminate market information to potential exporters;
- convince potential exporters to join high profile trade missions to the targeted markets;
- support trade missions;
- use extensive media campaigns in these markets;
- establish embassy or consulate in these markets; and
- participate in these markets' trade fairs (see section 3.3.10).

8.6.2 Export strategies for product-country combinations in cell 2

The import markets are growing both over the short-run and the long-run. Zimbabwe's market share is very small or it does not exist at all. Table 8.4 shows product-country combinations, export values of REOs and sectors in cell 2.

Table 8.4: Product-country combinations, export values of REOs and sectors in cell 2

Country	Product	Potential export value (US$ in thousand)	% of potential export value realised	Sector
Singapore	Nickel	69 548	0	Metals
France	Sugar	23 876	0	Foodstuff
Hong Kong	Tobacco	20 582	90.9	Foodstuffs
Vietnam	Softwood	10 843	0	Wood and wood products
Thailand	Waste/Scrap	9969	0	Metals
Thailand	Softwood	8 900	0	Wood and wood products
Greece	Oranges	8 242	99.6	Vegetable products
Tanzania	Clinkers	7 691	0	Mineral products
Switzerland	Sacks	7 599	0	Plastic/Rubber
Ghana	Ethyl alcohol	7 372	0	Foodstuffs
Germany	Sugar	7 057	0	Foodstuffs
Spain	Grapefruit	6 664	0	Vegetable products
Canada	Substances	5 404	0	Mineral products
Ireland	Oranges	5 199	99.9	Vegetable products
Angola	Ethyl alcohol	5 198	0	Foodstuffs
Italy	Furniture	4 781	0	Miscellaneous
Angola	Doors	4 576	0	Wood and wood products
Angola	Sacks	4 404	0	Plastics/Rubber
Canada	Tea	3 958	99.0	Vegetable products
South Africa	Cigarettes	3 906	78.1	Foodstuffs
Singapore	Cotton	3 881	100.0	Textiles
Qatar	Furniture	3 609	0	Miscellaneous
Italy	Collections	3 548	96.1	Miscellaneous
Angola	Chewing gums	3 496	0	Foodstuffs
Switzerland	Granite	3 046	0	Mineral products
Angola	Tables	2 889	0	Metals
Denmark	Tanned/Crust hides	2 784	0	Raw hides, skins, leather and fur
Lithuania	Cigarettes	2 743	0	Foodstuffs
Tanzania	Tobacco	2 496	0	Vegetable products
Germany	Worn clothing	2 402	99.0	Textiles
Hong Kong	Vegetables	2 052	0	Vegetable products
Zambia	Salt	2 038	99.1	Mineral products
India	Paper	1 891	0	Woods and wood products

Table 8.4: Product-country combinations, export values of REOs and sectors in cell 2…continued

Country	Product	Potential export value (US$ in thousand)	% of potential export value realised	Sector
Switzerland	Soap	1 857	0	Chemicals[65]
France	Precious stones	1 744	0	Stone/Glass
United Kingdom	Table/Kitchen ware	1 574	0	Metals
Ghana	Paper	1 568	0	Wood and wood products
Vietnam	Waste/Scrap	1 548	0	Metals
Sweden	Tanned/crust hides	1 540	0	Raw hides, skins, leather and fur
Tanzania	Cement	1 507	0	Mineral products
Angola	Salt	1 494	0	Mineral products
Qatar	Oranges	1 458	99.7	Vegetable products
Switzerland	Salt	1 399	0	Mineral products
Angola	Trousers (men/boys)	1 380	0	Textiles
China	Tea	1 328	0	Vegetable products
Denmark	Furs	1 303	0	Raw hides, skins, leather and fur
Belgium	Cotton(plain weaved)	1 199	0	Textiles
India	Table/Kitchen wares	1 179	0	Metals
Angola	Boxes	1 130	0	Plastic/Rubber
Zambia	Converter belt	1 100		Plastic/Rubber
New Zealand	Table/Kitchen wares	1 050	0	Metals
Kazakhstan	Trousers (men/boys)	1 042	100.0	Textiles
South Africa	Coniferous wood	931	100.0	Wood and wood products
Belgium	Sesamum seeds	927	0	Vegetable products
Angola	Wood (construction)	915	0	Wood and wood products
Panama	Unused stamps	883	0	Wood and wood products
Lithuania	Grapefruit	831	0	Vegetable products
Angola	Harrows	824	0	Machinery/ Electrical
South Africa	Seeds	805	0	Vegetable products

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[65] Chemicals and allied industries sector

Table 8.4: Product-country combinations, export values of REOs and sectors in cell 2…continued

Country	Product	Potential export value (US$ in thousand)	% of potential export value realised	Sector
Ghana	Furniture	500	100.0	Miscellaneous
Tanzania	Table/Kitchen wares	792	0	Metals
India	Coniferous wood	758	0	Wood and wood products
Greece	Grapefruit	716	0	Vegetable products
China	Tea	688	0	Vegetable products
New Zealand	Cereal flour	668	0	Vegetable products
Switzerland	Cotton yarn	624	0	Textiles
Angola	Wire	600	0	Metals
China	Sacks & bags	587	0	Textiles
Malaysia	Tea	575	0	Vegetable products
Ghana	Sacks & bags	530	0	Textiles
Switzerland	Sesamum seeds	521	0	Vegetable products
Denmark	Precious stones	474	0	Stone/Glass
Tanzania	Rollers	454	98.0	Machinery/ Electrical
Tanzania	Furniture	445	0	Miscellaneous
Switzerland	Furskins	396	0	Raw hides, skins, leather and fur
Sweden	Tea	395	0	Vegetable products
Ireland	Table/Kitchen wares	388	0	Metals
India	Granite	375	0	Mineral products
Ghana	Trousers (men/boys)	374	0	Textiles
Sweden	Blankets	368	0	Textiles
Poland	Seed	362	0	Vegetable products
Norway	Collections	354	0	Miscellaneous
Israel	Chains	353	0	Metals
Zambia	Trousers (men/boys)	351	99.4	Textiles
Tanzania	Sacks & bags	340	0	Plastics/Rubber
Greece	Raw hides	313	0	Raw Hides
Czech Republic	Precious stones	308	0	Stone/Glass
South Africa	Salt	301	0	Mineral products
New Zealand	Trousers (men/boys)	299	0	Textiles
Qatar	Vegetables	290	0	Vegetable products
South Africa	Blankets	260	99.6	Textiles
Tanzania	Parts machine cultiv.	248	91.1	Machinery/ Electrical
Switzerland	Seeds	246	0	Vegetables products

Table 8.4: Product-country combinations, export values of REOs and sectors in cell 2… continued

Country	Product	Potential export value (US$ in thousand)	% of potential export value realised	Sector
Sweden	Cotton (plain weave)	245	0	Textiles
China	Tea	235	0	Vegetable products
New Zealand	Chains	233	0	Metals
Norway	Table/Kitchen wares	226	0	Metals
Uruguay	Pens	221	0	Miscellaneous
New Zealand	Cotton (plain weave)	212	0	Textiles
Zambia	Chains	178	77.5	Metals
India	Raw hides	176	0	Raw hides, skins, leather and fur
Spain	Raw hides	164	0	Raw hides, skins, leather and fur
Norway	Coffee	151	0	Vegetable products
Norway	Raw Hides	150	0	Vegetable products
Russia	Furskins	143	0	Raw hides,skins, leather and fur
South Africa	Ceramic goods	143	0	Stones/Glass
Angola	Chains	126	0	Metals
Argentina	Cereal flour	123	0	Vegetable products
Ghana	Sacks & bags	111	0	Plastic/Rubber
Poland	Seed	102	0	Vegetable products
Tanzania	Trousers (men/boys)	98	88.7	Textiles
Angola	Mineral substance	92	0	Mineral products
Ghana	Blankets	90	0	Textiles
Tanzania	Collections	87	0	Miscellaneous
Denmark	Tea	81	0	Vegetable products
Ghana	Trousers (men/boys)	81	0	Textiles
Ireland	Blanket	80	0	Textiles
Zambia	Bed linen	75	0	Textiles
Tanzania	Ceramic goods	75	0	Stone/Glass
Sweden	Furskins	71	0	Raw hides, skins, leather and fur
Tanzania	Bed linen	66	0	Textiles
Spain	Citrus fruit	62	0	Vegetable products
Finland	Worn clothing	56	0	Textiles
Tanzania	Seeders	56	0	Machinery/ Electricals

Table 8.4: Product-country combinations, export values of REOs and sectors in cell 2… continued

Country	Product	Potential export value (US$ in thousand)	% of potential export value realised	Sector
Tanzania	Tables	44	0	Metals
Ghana	Tea	49	0	Vegetable products
Zambia	Granite	42	13.0	Mineral products
Qatar	Sacks & bags	37	0	Textiles
Dominican Republic	Sculptures	37	0	Miscellaneous
Belgium	Furskins	34	0	Raw hides, skins, leather and fur
Spain	Bones	28	0	Animal and animal products
Jordan	Flowers	23	0	Vegetable products
Kazakhstan	Sculptures	23	100.0	Miscellaneous
Mexico	Furskins	21		Raw hides, skins, leather and fur
Angola	Sacks & bags	20	0	Textiles
France	Cotton (plain weave)	18	0	Textiles
Tanzania	Vegetables	16	0	Vegetable products
Spain	Furskins	13	0	Raw hides, skins, leather and fur
New Zealand	Hides	12	0	Raw hides, skins, leather and fur
Unite Kingdom	Mate	11	0	Vegetable products
Angola	Yarn	10	0	Chemicals and allied industries
China	Sack & bags	8	0	Textiles
Estonia	Jams	6	0	Foodstuffs
Finland	Bones	0	0	Animal and Animal products

Source: Source: results from the DSM application.

ZimTrade and MMCZ should adopt aggressive/offensive strategies that should also include encirclement attack and guerrilla tactics. The strategies are meant to "*take advantage of the growing market*" (see sections 3.3.8.1 and 3.3.10). ZimTrade and MMCZ should use the following instruments for product-country combinations falling in this cell:

- Assist exporters to exploit and maximise their presence in the market;

- Improve promotional material;

- Encourage firms to improve the quality of the product;
- Conduct specific comprehensive market research in the target market on the identified product;
- Establish embassy or trade mission office in the target market;
- Participate in targeted markets' trade fairs;
- Offer products at lower prices than competitors; and
- Use constant advertising (see sections 3.3.8.1 and 3.3.10).

8.6.3   Export strategies for product-country combinations in cell 3

These markets import large volumes/quantities. They have experienced growth in imports in recent years. Therefore, a large demand for the identified products exists. Zimbabwe's market share is very small or almost does not exist (see section 3.3.10). Table 8.5 shows the product-country combinations, export values of REOs and sectors in cell 3.

ZimTrade and MMCZ should use aggressive/offensive strategies. These are meant for "*growing and consolidating*" in the market. ZimTrade and MMCZ should mount frontal attacks and bypass where competition is very severe (see section 3.3.8.1). ZimTrade and MMCZ should use the following instruments for product-country combinations falling in this cell:
- Assist exporters to exploit and maximise their presence;
- Encourage firms to improve the design of the product;
- Conduct comprehensive market research in the target market for the identified product;
- Establish an embassy or trade office; and
- Participate in the markets' trade fairs (section 3.3.10).

Table 8.5: Product-country combinations, export values of REOs and sectors in cell 3

Country	Product	Potential export value (US$ in thousand)	% of potential export value realised	Sector
Japan	Cotton	49 992	91.2	Textiles
Poland	Granite	24 418	0	Mineral products
Hong Kong	Hides	24 299	0	Raw hides, skins, leather and fur
Italy	Oranges	22 536	0	Vegetable products
Belgium	Granite	20 112	0	Mineral products
China	Sacks & bags	14 076	0	Plastics/Rubber
Belgium	Granite	11 819	0	Mineral products
Ghana	Worn clothing	7 758	0	Textiles
Belgium	Oranges	7 732	0	Vegetable products
Germany	Furs	6 783	0	Raw hides, skins, leather and fur
Hong Kong	Hides	3 784	0	Raw hides, skins, leather and fur
Canada	Vermiculite	3 230	0	Mineral products
United Kingdom	Cotton (plain weave)	2 037	0	Textiles
Netherlands	Vermiculite	1 958	0	Mineral products
Germany	Coniferous wood	1 736	0	Wood & Wood products
China	Seed	1 404	0	Vegetable products
Germany	Cotton (plain weave)	1 204	0	Textiles
Italy	Spools	946	0	Plastics/Rubber
Sweden	Blankets	377	0	Textiles
France	Flour	68	0	Vegetable products
United Kingdom	Harrows	24	0	Machinery/Electricals
Germany	Furskin	18	0	Raw hides, skins, leather and fur

Source: results from the DSM application.

8.6.4 Export strategies for product-country combinations in cell 4

Cell 4 represents markets that are large and there is long-term import growth. Zimbabwe has a very small share relative to other top suppliers in the markets. Table 8.6 shows the product-country combinations, export values of REOs and sectors in cell 4.

ZimTrade and MMCZ should adopt aggressive/offensive promotion strategies including guerrilla tactics. These strategies are described as "*leapfrogging*" in the market (see sections 3.3.8.1 and 3.3.10). ZimTrade and MMCZ should use the following instruments for product-country combinations falling in this cell:

- Design activities that enable exporters to increase their sales in the specified/selected/targeted markets;

- Provide official loans;

- Offer incentives to exporters to participate in specialised trade fairs and exhibitions;

- Improve credit terms offered to importers;

- Provide sponsorship synergy with other exporters (that is various exporters working together to exploit the market);

- Set up an office and representation in the targeted market; and

- Assist with matching with other producers (that is grouping producers of the same product together in penetrating the market) (see section 3.3.10).

Table 8.6: Product-country combinations, export values of REOs and sectors in cell 4

Country	Product	Potential export value (US$ in thousand)	% of potential export value realised	Sector
China	Cotton	869 247	0	Textiles
Spain	Nickel	141 171	0	Metals
Germany	Softwood	118 114	0	Wood and wood products
Russia	Oranges	75 032	0	Vegetable products
China	Sesamum seeds	33 775	0	Vegetable products
Netherlands	Grapefruit	20 453	0	Vegetable products
France	Scrap	12 982	0	Metals
Angola	Worn clothing	12 896	0	Textiles
United Kingdom	Soap	6 510	0	Chemicals and allied industries
United Kingdom	Table/Kitchen wares	6 119	0	Metals
United Kingdom	Charcoal	5 427	0	Wood and wood products
Russia	Jams	3 461	0	Foodstuffs
United Kingdom	Coffee	1 847	0	Metals
Netherlands	Table/Kitchen	1 547	0	Metals

Table 8.6: Product-country combinations, export values of REOs and sectors in cell 4... continued

Country	Product	Potential export value (US$ in thousand))	% of potential export value realised	Sector
Netherlands	Citrus fruits	854	0	Vegetable products
United Kingdom	Cotton (plain weave)	769	0	Textiles
Denmark	Furskins	745	0	Raw hides, skins,leather and fur
The Netherlands	Vegetables	702	0	Vegetable products
Spain	Sacks & bags	592	0	Textiles
Spain	Furskins	133	0	Raw hides, skins. leather and fur

Source: results from the DSM application.

8.6.5 Export strategies for product-country combinations in cell 5

These markets import large quantities of the identified product and they will experience tremendous growth in the short- and long-run periods (see section 3.3.10). Zimbabwe's market share is very small. Table 8.7 shows the product-country combinations, export values and sectors in cell 5.

Table 8.7: Product-country combinations, export values of REOs and sectors in cell 5

Country	Product	Potential export value (US$ in thousand)	% of potential export value realised	Sector
United Kingdom	Nickel	182 729	0	Metals
China	Softwood	128 870	0	Wood and wood products
France	Softwood	104 258	0	Wood and wood products
Indonesia	Cotton	100 013	98.7	Textiles
USA	Fibreboard	86 229	0	Wood and wood products
Belgium	Softwood	62 184	0	Wood and wood products
Netherlands	Oranges	59 325		Vegetable products
Indonesia	Soap	43 147	0	Chemical and allied products
Hong Kong	Precious stones	36 739	0	Stone/Glass
Germany	Boxes	28 673	0	Plastic/Rubber
USA	Fibreboard (0.5-0.8g)	25 559	0	Wood and wood products
USA	Tea	20 784	0	Vegetable products
United Kingdom	Cartons	20 482	0	Wood and wood products
France	Pens	19 927	0	Miscellaneous
Egypt	Cigarettes	19 338	0	Foodstuffs
United Kingdom	Cranberries	18 680	0	Vegetable products
Spain	Furniture	18 160	0	Miscellaneous
Turkey	Sesamum seeds	18 009	0	Vegetable products
United Kingdom	Boxes	17 050	0	Plastic/Rubber
Russia	Grapefruits	14 190	0	Vegetable products
Germany	Sesamum seeds	10 086	0	Vegetable products
Germany	Groundnuts	8 842	0	Vegetable products
USA	Graphite	8 798	0	Mineral products
India	Precious stones	8 331	0	Stone/Glass
United Kingdom	Iron	7 872	0	Metals
Belgium	Sacks & bags	7 118	0	Plastics/Rubber
USA	Molasses	7 066	0	Foodstuffs
Germany	Precious stones	7 021	0	Stone/Glass
China	Wattle	6 866	0	Chemicals
Netherlands	Meat	5 703	0	Animal and animal products
USA	Transmission belts	5 509	0	Plastic/Rubber
Germany	Tea	5 153	0	Vegetable products
United Kingdom	Sacks & bags	5 092	0	Textiles
Netherlands	Tea	5 080	0	Vegetable products
United Kingdom	Tea	5 045	99.5	Vegetable products

Table 8.7: Product-country combinations, export values of REOs and sectors in cell 5… continued

Country	Product	Potential export value (US$ in thousand)	% of potential export value realised	Sector
Russia	Furs	4 656	0	Raw hides, skins, leather and fur
United Kingdom	Vermiculite	4 466	0	Raw hides, skins, leather and fur
Germany	Spools	4 130	0	Plastic/Rubber
Germany	Cotton (woven)	4 013	0	Textiles
Germany	Cotton(Twill weave)	3 508	0	Textiles
France	Table/Kitchen wares	3 058	0	Metals
Italy	Eggs	2 902	0	Animaland animal products
Netherlands	Mineral substance	2 859	0	Mineral products
USA	Beans	2 609	0	Vegetable products
China	Hide	2 475	0	Raw hides, skins, leather and fur
Spain	Furs	1 904	0	Raw hides, skins, leather and fur
Hong Kong	Cotton yarn	1 831	0	Textiles
United Kingdom	Wire	1 601	0	Metals
The Netherlands	Tea	1 496	0	Vegetable products
Belgium	Tobacco refuse	1 101	99.1	Foodstuffs
Poland	Spools	1 048	0	Plastic/Rubber
Australia	Yarn	943	0	Chemicals and allied industries
Netherlands	Flowers	927	0	Vegetable products
United Kingdom	Parts of hacer mach.	922	0	Machinery/Electrical
Norway	Blankets	876	0	Textiles
Russia	Blankets	848	0	Textiles
Italy	Sacks & bags	839	0	Textiles
USA	Cotton yarn	822	0	Textiles
France	Citrus fruits	786	0	Vegetable products
Germany	Blankets	702	0	Textiles
Canada	Blankets	526	0	Textiles
France	Blankets	294	0	Textiles

Table 8.7: Product-country combinations, export values of REOs and sectors in cell 5… continued

Country	Product	Potential export value (US$ in thousand)	% of potential export value realised	Sector
Italy	Bones	129	0	Animal and animal products
Japan	Ivory	72	0	Animal and animal products
United Kingdom	Jams	56	0	Foodstuffs
United Kingdom	Sugar beet	0	0	Vegetable products

Source: results from the DSM application.

ZimTrade and MMCZ should adopt aggressive/offensive strategies, including frontal and flanking attack strategies. The strategies are meant to be "*jumping on the band wagon*" (see sections 3.3.8.1 and 3.3.10). ZimTrade and MMCZ should use the following instruments for product-country combinations falling in this cell:

- Provide information dissemination on markets;
- Participate in high profile trade missions;
- Use media campaigns in the targeted markets;
- Provide financial assistance to exporters;
- Assist in matching with exporters of complementary products (because the same importers can import these products and the complementary products);
- Provide incentives for piggy-back export regimes;
- Invite major importers and distributors in targeted country; and
- Establish an embassy/trade mission office (see section 3.3.10).

8.6.6 Export strategies for product-country combinations in cell 9

The markets in cell 9 are large with long-term growth potential. Zimbabwe's market share is intermediately small (see section 3.3.10). Table 8.8 shows the product-country combinations, export values of REOs and sectors in cell 9.

Table 8.8: Product-country combinations, export values of REOs and sectors in cell 9

Country	Product	Potential export value (US$ in thousand)	% of potential export value realised	Sector
Ireland	Doors	8 634	99.5	Wood and wood products

Source: results from the DSM application.

ZimTrade should adopt an aggressive/offensive strategy (see section 3.3.10). ZimTrade should use the following instruments for product-country combinations falling in this cell:

- Design the export strategy that enables exporting firms to increase their sales in the targeted market;
- Provide incentives to exporters to participate in specialised trade fairs and exhibitions;
- Offer improved credit terms to importers;
- Sponsor synergy between exporters of wood products;
- Assist in matching with other producers of the same product for a joint strategy of entering a market; and
- Facilitate access to transport logistics for transporting doors to Ireland (see section 3.3.10).

8.6.7   Export strategies for product-country combinations in cell 10

The markets are large and will experience growth in import demand in both the short- and long run. Zimbabwe's market share in these markets is intermediately small (see section 3.3.10). Table 8.9 shows the product-country combinations, export values of REOs and sectors in cell 10.

Table 8.9: Product-country combinations, export values of REOs and sectors in cell 10

Country	Product	Potential export value (US$ in thousand)	% of potential export value realised	Sector
United Kingdom	Trousers (men/boys) cotton	112 198	100.0	Textiles
Spain	Oranges	43 535	99.9	Vegetable products
Switzerland	Tobacco	36 363	91.3	Foodstuffs
United Kingdom	Trousers (men/boys) of material not knit	22 166	100.0	Textiles
Canada	Collections	3 646	96.9	Miscellaneous

Source: results from the DSM application.

ZimTrade should use an aggressive/offensive strategy. ZimTrade should use the following instruments for product-country combinations falling in this cell:

- Assist in the dissemination of information to relevant firms, e.g. the existence of the United Kingdom market for trousers for men and boys both of cotton and of material not knit;

- Encourage exporters to participate in high level trade missions;

- Conduct media campaigns in all the targeted markets;

- Provide financial support to exporters;

- Provide matching with exporters of complementary products (as the importers may be the same and therefore a unified strategy can be used);

- Provide incentives of piggy-back regimes;

- Invite major importers and distributors in the targeted markets to Zimbabwe; and

- Urge government to resolve the issue of sanctions that four of the five countries identified in cell 10 have imposed on Zimbabwe (see sections 3.3.10 and 9.3).

8.6.8 Export strategies for product-country combinations in cell 12

The markets in cell 12 are growing in both the short and long-term. Zimbabwe's market share in these markets is intermediately high (see section 3.3.10). Table 8.10

shows the product-country combinations, export values of REOs and sectors in cell 12.

Table 8.10: Product-country combinations, export values of REOs and sectors in cell 12

Country	Product	Potential export value (US$ in thousand)	% of potential export value realised	Sector
Belgium	Sculptures	9 665	99.8	Miscellaneous
Italy	Sculptures	9 342	99.9	Miscellaneous

Source: results from the DSM application.

ZimTrade should use an aggressive/offensive export promotion strategy in this market. ZimTrade should use the following instruments for product-country combinations falling in this cell:

- Assist exporters to exploit and maximise their presence in Belgium and Italy;
- Improve promotional material for sculptures;
- Encourage exporters to improve their artworks' design and inspiration;
- Encourage exporters to improve the quality of the material they use;
- Conduct specific and comprehensive market research in Belgium and Italy on sculptures (see section 3.3.10);
- Provide transport and security logistics for the sculptures; and
- Urge government to mend relationships with those countries which have imposed sanctions on Zimbabwe (see sections 1.4.1, 4.3.2.4 and 9.3).

8.6.9   Export strategies for product-country combinations in cell 13

These markets are large and have short-term import growth potential for these products. Zimbabwe's market share is intermediately high (see section 3.3.10). Table 8.11 shows the product-country combinations, export values of REOs and sectors in cell 13.

Table 8.11: Product-country combinations, export values of REOs and sectors in cell 13

Country	Product	Potential export value (US$ in thousand)	% of potential export value realised	Sector
Belgium	Tobacco	15 678	12.8	Foodstuffs
Germany	Granite	1 603	97.1	Mineral products

Source: results from the DSM application.

An aggressive/offensive strategy should be adopted by ZimTrade and MMCZ. ZimTrade and MMCZ should use the following instruments for product-country combinations falling in this cell:

- Encourage exporters to improve the quality of their products;
- Conduct comprehensive market research on these two markets (section 3.3.10);
- Adhere to the regulations regarding the promotional material of tobacco in Belgium;
- Participate in trade fairs in Belgium and Germany (section 3.3.10); and
- Urge government to mend the relationships with Belgium and Germany for the removal of sanctions (see sections 1.4.1, 4.3.2.4 and 9.3).

8.6.10 Export strategies for product-country combinations in cell 14

These markets are large and will experience long-term growth in the import of the products identified in cell 14. Zimbabwe's market share in these markets is intermediately high (see section 3.3.10). Table 8.12 shows the product-country combinations, export values of REOs and sectors in cell 14.

Table 8.12: Product-country combinations, export values of REOs and sectors in cell 14

Country	Product	Potential export value (US$ in thousand)	% of potential export value realised	Sector
Germany	Sculptures	29 878	99.6	Miscellaneous
United Kingdom	Peas	14 964	99.9	Vegetable products
Germany	Tea	14 560	99.6	Vegetable products
Poland	Tea	5 488	98.1	Vegetable products

Source: results from the DSM application.

ZimTrade should adopt an aggressive/offensive strategy (see section 3.3.10). ZimTrade should use the following instruments for product-country combinations falling in this cell:

- Urge government to provide higher producer prices to the producers of peas and tea;

- Offer incentives to exporters of peas and tea to participate in specialised trade fairs and exhibitions (see section 3.3.10);

- Provide synergy with other exporters of the same products for a possible joint strategy to penetrate the market (see section 3.3.10);

- Assist in matching with other producers in entering the market (see section 3.3.10); and

- Urge government to initiate the removal of sanctions through dialogue with the United Kingdom and Germany (see sections 1.4.1, 4.3.2.4 and 9.3).

8.6.11 Export strategies for product-country combinations in cell 15

These are large markets that will experience growth in the import of these products in both the short- and long run (see section 3.3.10). Table 8.13 shows the product-country combinations, export values of REOs and sectors in cell 15.

Table 8.13: Product-country combinations, export values of REOs and sectors in cell 15

Country	Product	Potential export value (US$ in thousand)	% of potential export value realised	Sector
Germany	Collection	29 812	98.8	Miscellaneous
Poland	Tobacco	29 620	95.2	Foodstuffs
France	Sculptures	27 409	99.9	Miscellaneous
United Kingdom	Oranges	25 804	100.0	Vegetable products

Source: results from the DSM application.

ZimTrade should adopt an aggressive/offensive strategy for the product-country combinations in cell 15 (see section 3.3.10). ZimTrade should use the following instruments for product-country combinations falling in this cell:

- Disseminate information on the foreign markets to the exporting firms and individuals;

- Provide incentives to encourage exporters to participate in high profile trade missions;

- Match exporters of complementary goods so joint strategies can be used;

- Provide incentives for piggy-back export regimes;

- Invite major importers and distributors in Germany, Poland, France and the United Kingdom to the Zimbabwean firms;

- Facilitate outgoing FDI to the targeted country (see section 3.3.10);

- Adhere to regulations with regard to the promotion of tobacco in the target markets; and

- Urge the government to initiate dialogue to facilitate the removal of sanctions in respect of Germany, France, United Kingdom and the European Union (see sections 1.4.1, 4.3.2.4 and 9.3).

8.6.12 Export strategies for product-country combinations in cell 16

The markets identified are large potential markets for the products. Zimbabwe's market share in them is relatively high. There is therefore no point for ZimTrade to spend resources in these markets as the firms are very much established (see section

3.3.10). Table 8.14 shows the product-country combinations, export values of REOs and sectors in cell 16.

Table 8.14: Product-country combinations, export values of REOs and sectors in cell 16

Country	Product	Potential export value (US$ in thousand)	% of potential export value realised	Sector
Germany	Tobacco	87 666	85.5	Foodstuffs
Italy	Hides	34 339	98.4	Raw hides, skins, leather and fur
United Kingdom	Unused stamps	10 574	100.0	Wood and wood products
India	Wattle	3 219	67.5	Chemicals and allied industries

Source: results from the DSM application.

The strategy to be followed here by Zimbabwean firms in Germany, Italy, United Kingdom and India is defensive in order to maintain their market share in these markets (see section 3.3.10). Firms should use the following instruments for product-country combinations falling in this cell:

- Provide customer care;
- Follow-up after sales;
- Improve the quality of the products (see section 3.3.10);
- Strengthen their flanks (see section 3.3.8.2); and
- Urge the government to engage with the countries that have imposed sanctions on Zimbabwe (see sections 1.4.1, 4.3.2.4 and 9.3).

8.6.13 Export strategies for product-country combinations in cell 17

These markets are growing in both the short- and long run. Zimbabwean firms have a relatively large share in them (see section 3.3.10). Table 8.15 shows the product-country combinations, export values of REOs and sectors in cell 17.

Table 8.15: Product-country combinations, export values of REOs and sectors in cell 17

Country	Product	Potential export value (US$ in thousand)	% of potential export value realised	Sector
Egypt	Tobacco	14 152	43.0	Foodstuffs
Spain	Sculptures	12 573	94.3	Miscellaneous
South Africa	Trousers (men/boys)of cotton	10 918	56.3	Textiles
United Kingdom	Worn clothing	2 476	31.5	Textiles
South Africa	Conveyor belts	1 956	99.9	Plastic/Rubber
South Africa	Trousers (men/boys)not knit	1 862	93.7	Textiles
South Africa	Table/kitchen wares of iron and steel iron	1 622	20.9	Metals
South Africa	Chains	1 527	88.7	Metals
South Africa	Table/kitchen/househ-old	1 451	81.0	Metals
Tanzania	Ploughs	999	71.1	Machinery/Electrical
South Africa	Granite	739	100.0	Mineral products
South Africa	Chewing gums	694	77.5	Foodstuffs
Zambia	Chewing gum	654	17.3	Foodstuffs
Zambia	Blankets	374	92.8	Textiles
Zambia	Ceramic goods	338	65.1	Stone/Glass
South Africa	Grapefruit	310	91.3	Vegetable products

Source: results from the DSM application.

The concerned firms need to use defensive strategies to maintain their market shares (see section 3.3.10). The firms can also use pre-emptive defence strategies (see section 3.3.8.2). Firms should use the following instruments for product-country combinations falling in this cell:

- Maintain good customer relationships (see section 3.3.10);
- Establish sales offices to handle complaints against the products (see section 3.3.9);
- Gather information about potential competitors and use information to build the competitive advantage required to maintain markets (see section 3.3.8.2);
- Improve the quality of products to ensure that the markets are not lost to other competitors;
- Use extensive advertising to maintain the loyalty of customers;

- Use price cutting to put off competition; and
- Initiate a broad range product development strategy (see section 3.3.8.2).

8.6.14 Export strategies for product-country combinations in cell 18

These markets are large and show import growth potential of these products in the short run. Zimbabwe's market share is relatively high. Table 8.16 shows the product-country combinations, export values of REOs and sectors in cell 18.

Table 8.16: Product-country combinations, export values of REOs and sectors in cell 18

Country	Product	Potential export value (US$ in thousand)	% of potential export value realised	Sector
Switzerland	Meat	11 882	99.8	Animal and animal products
Singapore	Reptile skins	7 614	79.4	Raw hides,skins, leather and fur

Source: results from the DSM application.

The firms will have to employ defensive strategies in order to maintain their market shares since they are already established in these markets (see section 3.3.10). The firms should also use counter offence as a strategy of defence (3.3.8.2). The activities/instruments that can be used include:

- the intensification of customer care;
- the improvement of the quality of their export products (see section 3.3.10);
- the design of unique features to avoid competitors easily imitating the products;
- the branching to competitors' products before they strike (this is known as "*stifling at birth*", see section 3.3.8.2); and
- the improvement of transport logistics for meat.

8.6.15 Export strategies for product-country combinations in cell 19

These are larger markets with long-term growth in the imports of these products. Zimbabwean firms have a relatively high market share in the markets (see section 3.3.10). Table 8.17 shows the product-country combinations, export values of REOs and sectors in cell 19.

Table 8.17: Product-country combinations, export values of REOs and sectors in cell 19

Country	Product	Potential export value (US$ in thousand)	% of potential export value realised	Sector
China	Tobacco	156 069	65.8	Foodstuffs
Italy	Ferro-chromium	117 917	93.0	Metals
Saudi Arabia	Oranges	58 790	99.1	Vegetable products
Hong Kong	Meat	547	96.2	Animal and animal products

Source: results from the DSM application.

Firms should adopt defensive strategies to maintain their markets (see section 3.3.10). The firms can also adopt a mobile defence strategy (see section 3.3.8.2). The firms could use the following activities/instruments:

- Improve the quality of their products in the market;
- Introduce a "*focal point*" for future aggression and defence (see section 3.3.8.2);
- Improve customer care (see section 3.3.10);
- Improve transport logistics for oranges and meat; and
- Maintain the health standards required for fruits and meat.

8.6.16 Export strategies for product-country combinations in cell 20

The markets are large and have both short- and long-term growth potential. Zimbabwe's market share in these markets is relatively very high. Table 8.18 shows the product-country combinations, export values of REOs and sectors in cell 20.

Table 8.18: Product-country combinations, export values of REOs and sectors in cell 20

Country	Product	Potential export value (US$ in thousand)	% of potential export value realised	Sector
Japan	Nickel	322 101	95.7	Metals
United Kingdom	Furniture	107 907	99.2	Miscellaneous
Russia	Tobacco	73 885	81.5	Foodstuffs
Germany	Meat	46 106	99.5	Animal and animal products
Belgium	Meat	22 964	81.5	Animal and animal products
Japan	Reptile skins	3 131	99.5	Raw hides, skins, leather and fur
Spain	Collections	3 078	100.0	Miscellaneous
Italy	Granite	3 048	100.0	Mineral products

Source: results from the DSM application.

The firms in these markets are well established and should therefore not expect ZimTrade and MMCZ to spend resources on the promotion of their products. Official support will only be extended if they are renegotiating deals. In that case, the embassy can provide its support. The firms here will use defensive strategies to maintain their markets from competitors who will be employing every strategy they have to dislodge the firms. These firms can also adopt contraction defence or a withdrawal strategy if they have introduced too many products and want to focus on their core products in which they can apply the appropriate defence (see section 3.3.8.2). The activities/instruments that the firms can use include:

- Improve customer care;
- Continue improving the quality of their products in the export market (see section 3.3.10);
- Implement a strategic withdrawal if they have introduced many non-core products in the markets and when they are facing a threat from competitors (see section 3.3.8.2);
- Establish warehousing and distribution centres to effectively serve the markets (see section 3.3.9); and
- Provide a mechanism of recalling defective products from the market whenever it is necessary.

8.7   Sectoral strategies and recommendations

In this section, the study summarises the cells and provides sectoral strategies for the 13 sectors. Table 8.19 provides a summary of the sectoral strategies.

Table 8.19: Summary of sectoral strategies

Sector	Cell
Animal and animal products	1, 2, 4, 5, 18, 19 and 20
Vegetable products	1, 2, 3, 4, 5, 10, 14, 15, 17 and 19
Foodstuffs	1, 2, 3, 4, 5, 10, 13, 15, 16, 17, 19 and 20
Mineral products	1, 2, 3, 4, 5, 13, 17 and 20
Chemicals and allied industries	2, 4, 5 and 16
Plastics/Rubber	2, 3, 5 and 17
Raw hides, skins, leather, and furs	1, 2, 3, 4, 5, 16, 18 and 20
Wood and wood products	1, 2, 3, 4, 5, 9 and 16
Textiles	1, 2, 3, 4, 5, 10 and 17
Stone/Glass	2, 5 and 17
Metals	1, 2, 3, 4,5,17, 19 and 20
Machinery/Electrical	1, 2,3 5 and 17
Miscellaneous	2, 5, 10, 12, 14, 15, 17, 19 and 20

Source: Compiled from this study.

It is recommended that the above sectors constitute priority sectors for Zimbabwe. Each sector should use the combinations of strategies and instruments/activities described in the cells in which their products fall. For example, in the case of stone/glass, its products fall in cells 2, 5 and 17. This means that, for this sector, ZimTrade/government/firms will have to use combinations of the strategies and activities/instruments described for the three cells. In addition, the study provides the following sectoral recommendations in table 8.20.

Table 8.20: Sectoral recommendations

Sector	In this sector, the study recommends the the following:
Metals	• adding value to the products; and • providing protection of the environment while exploiting resources.
Textiles	• implementing a policy to protect textile firms from closure; • providing high producer prices to cotton farmers to improve production; and • researching improved varieties and high yield cotton.
Wood and wood products	• emphasising the responsible exploitation of the resources taking into account the environment; and • prioritising transport logistics for these types of products.
Foodstuffs	• adhering to health and safety measures; • providing high producer prices to the growers to improve production; and • prioritising issues concerning transportation.
Vegetable products	• providing efficient air transport to move some of the products of this sector to the markets, because they are perishable; • developing packaging for some of the products of this sector; • building a distribution centre with cold rooms in the large markets; and • implementing value addition instead of exporting the raw products.
Miscellaneous	• providing financial assistance to the artists who create sculptures to expand their ventures on commercial scale; and • providing a policy that helps the growth of the various products in this sector.
Mineral products	• prioritising issues dealing with transport logistics; and • encouraging value addition.
Animal and animal products	• priority be given to meet health and phytosanitry regulations (SPS) through the control of animal diseases; • ensure efficient air transport is available to move some of the products from this sector to their markets; and • higher producer prices are paid to the farmers, as it may improve production.
Raw hides, skins, leather, and furs	• encouraging value addition.
Plastic/Rubber	• encouraging valued addition; and • exploring how other lines of products can be produced from the material.
Stone/Glass	• providing protection of the environment while exploiting the resources.
Chemicals and allied industries	• prioritising health and safety measures; • adhering to the appropriate packing requirements; and • complying with international standards.
Machinery/ Electrical	• encouraging continuous product design and development; and • ensuring products have safety and user-friendly features.

Source: Compiled from this study.

8.8   Cross-cutting issues

In this section, the study discusses issues (arising from this export promotion strategy) that affect all the sectors and the rest of the economy. It is structured as follows: section 8.8.1 discusses the trade environment; section 8.8.2 discusses the business environment; section 8.8.3 discusses sustainable development; 8.8.4 discusses competiveness and technology; section 8.8.5 discusses quality and standards issues; section 8.8.6 discusses trade financing and other schemes; section 8.8.7 discusses trade information and customs; and section 8.8.8 discusses infrastructure.

8.8.1   Trade environment

A conducive trade environment is important in increasing exports. However, currently the environment is not conducive to the promotion of exports. Sanctions that have been imposed by some western governments and multilateral institutions are a hindrance in creating a favourable trade environment and lead to restrictive market access of certain individuals and companies that have been specified by the governments and institutions that have imposed sanctions. For example, the Mineral Marketing Corporation of Zimbabwe (MMCZ), which is responsible for marketing and selling Zimbabwe's minerals, is specified by the USA government. This makes it difficult to receive payment from any part of the world as most of the payments worldwide eventually pass through the Federal Reserve Bank of New York. Furthermore, Zimbabwe cannot get a line of credit from any bank and multilateral institution in which the USA government has a stake (see section 4.3.2.4). The government should take an initiative to engage those governments and institutions that have imposed sanctions with a view of lifting them. Some REOs are located in the countries and regions that have imposed sanctions on Zimbabwe. The country should continue to effectively participate in multilateral trading arrangements and should initiate bilateral trade agreements in order to provide a conducive trade environment and market access.

8.8.2 Business environment

The business environment should be such that it is easy to transact business in the country. This entails streamlining procedures that hamper the smooth operations of business. This includes the approval of projects and investment. The issue of corruption is of great concern, especially at Zimbabwe's border posts (see section 5.7.4.2). Zimbabwe's scores on the World Bank indicators on the rule of law, regulatory quality, control of corruption and other indicators that affect doing business with it are very poor (see section 4.3.1). Government should take an active role in stamping out corruption, improving on all poor scores of the rest of the indicators that affect business and streamlining the procedures of doing business.

8.8.3 Sustainable development

Increased production, which is critical in expanding exports, comes with a price often of environmental degradation including pollution. There will be a need for the government to strengthen the capacity of the Environmental Protection Agency so that it is able to ensure that the exploitation of the resources does not lead to environmental degradation. This will ensure that the exploitation of resources is done without causing excessive damage to the environment and its inhabitants.

8.8.4 Competitiveness and technology

Zimbabwe has demonstrated that it has a revealed comparative advantage in 112 product lines (see section 8.5.2). However, this is a small base. Zimbabwe lost its comparative advantage in some products due to the economic meltdown. There is therefore a need for government policy that will help firms to restore competiveness where it was lost due to capacity underutilisation (see section 4.3.3) and other factors such as a lack of liquidity to source raw material and a general harsh macro-economic environment that reduced production. The government should also assist firms to modernise and encourage technology transfer through FDI. The FDI can be the answer to improving the terms of trade (see section 5.6).

8.8.5 Quality and standards issues

In order for Zimbabwe to penetrate international markets, there is a need to improve the quality of its products. This is a key also in retaining existing markets. The export promotion strategy cannot work if there are no products with acceptable quality in the international market. The government should improve the capacity (through adequate funding and training of personnel) of the Standard Association of Zimbabwe so it can be in a position to provide efficient service and prepare exporters to meet the standards of the individual markets. In order to compete, Zimbabwean firms should be able to meet international standards.

8.8.6 Trade financing and other incentives schemes

The provision of incentives is critical to induce exporters to produce and export. Currently, there are no incentives either to induce exporters to export or in fact to facilitate them to export. These were removed by the government (see section 5.7.6.1). This export promotion strategy proposes the restoration of incentives so that exporters can be encouraged to export. The incentives should include: pre-shipment financing; post-shipment financing; zero tariff rates for inputs (raw material); zero tariff rates for capital goods; zero tariff rates for intermediate goods; tax holidays; and assistance to the firms to participate in trade missions, trade fairs, as well as meetings between sellers and buyers. Other incentives should include: export awards to exporters who achieve certain targets; concession rates for electricity and water; and the assurance of no load-shedding of power. The firms can also be granted a status of being located in an export processing zone. The export processing zones should be located in all the provinces of Zimbabwe for the products in which the firms have a comparative advantage.

8.8.7 Trade information and customs

In order for exporters to respond and export, there is a need that they are supplied with information at the right time. This calls for the continuous gathering of information at government level or its trade promotion organisation, in this case ZimTrade. With this comes the need for the adequate funding of ZimTrade, which

will enable it to assist exporters to find markets. In this regard, the study proposes increasing ZimTrade's statutory levy to 2% from its current 0.01%. This will be levied on all exports and imports originating from and coming into Zimbabwe, including other budgetary assistance to help it carry its mandate of assisting the exporters to export. It also calls for the rationalisation of services so that there is no duplication of the services of ZimTrade and the Minerals Marketing Corporation of Zimbabwe (MMCZ). As part of rationalisation, this study proposes that the two merge and operate under ZimTrade, where the activities of MCCZ will be taken over by ZimTrade. MMCZ will operate as a department within ZimTrade. By doing so, resources can be used to promote all the products produced by Zimbabwe using the same resources. Currently, it is costly for Zimbabwe, as the two organisations promote different products instead of using the resources to promote the priority offers Zimbabwe has. Howver, this study has not specifically examined the case for or against such a merger/takeover hence this is just a mere suggestion.

Improved channels of communication are proposed. The study encourages ZimTrade to use all forms of communications such as visiting the firms directly or through their associations such as the Zimbabwe National Chamber of Commerce and the Confederation of Zimbabwe Industries, surveys, workshops, seminars, promotional activities and indirect contacts (phones, letters, emails and websites). ZimTrade, in return, will benefit from the interaction through the inputs from the firms, which can enhance programme planning and design. Knowledge from the interaction with exporters can reveal their needs. It will also enable the sharing of essential information as well as resolving issues that affect ZimTrade and the firms (see section 3.3.6).

8.8.8   Infrastructure

Infrastructure facilitates exports (see section 5.7). Infrastructure in Zimbabwe has significantly deteriorated. The discussion on infrastructure is as follows: section 8.8.8.1 discusses road transport; section 8.8.8.2 discusses railway transport; section 8.8.8.3 discusses air transport; section 8.8.8.4 discusses communication; section 8.8.8.5 discusses electricity; and section 8.8.8.6 discusses water.

8.8.8.1   Road transport

The condition of roads in Zimbabwe has deteriorated due to a lack of maintenance and new investment (see section 4.3.3). Efficient transport is necessary to facilitate the movement of people and goods. There is a need to rehabilitate existing roads and also to construct new roads. Such efforts will help in the facilitation of the movement of exports and inputs.

8.8.8.2   Railway transport

Railway transport is the most cost effective means of transport. The railway network in Zimbabwe has significantly deteriorated. Approximately 54% of the wagons are functional, 37% of coaches are functional and 33% of the locomotives are operational. Wagons, coaches and locomotives affect capacity utilisation (see section 4.3.3). There is a need to rehabilitate the wagons, coaches, locomotives and rolling stock. New investment in the railway transport will help to facilitate exports.

8.8.8.3   Air transport

Efficient air transport is necessary to move products that are perishable to the overseas markets. Products such as flowers, fruits and beef require efficient transport, especially to the EU market. Air Zimbabwe, a state-owned carrier of both goods and passengers, has not been operating recently. It has a very old fleet of eight aircrafts. Air Zimbabwe pilots have been on strike due to non-payment of salaries. The airline is also suffering from debts (see section 4.3.3). It is recommended that government finds a strategic partner and makes further investment to improve on the airline's operations. The current failure by Air Zimbabwe is affecting the promotion of exports.

8.8.8.4   Communication

Communication networks such as phones, cell phones and Internet connectivity are important in the promotion of exports. There is a need to improve the efficiency,

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especially Internet connectivity. Regulatory measures that improve services are recommended.

8.8.8.5   Electricity

Electricity is important in manufacturing and agricultural production. Zimbabwe is currently experiencing an acute shortage of electricity with a current deficit of 950MW. The national requirement is between 2000MW and 2200MW (see section 4.3.3). In order to implement this export promotion strategy, it will require an efficient and uninterrupted power supply. It is recommended that the power station be rehabilitated and new investments made in power generation. The importation of electricity supply should be used over a short-term period only. Payment to suppliers is essential to avoid a disruption of the power supply.

8.8.8.6   Water

Zimbabwe is experiencing an acute shortage of water, which is also affecting production in both the manufacturing and agricultural sectors. This has an impact on production and affects the overall performance of the export sector (see section 4.3.3). It is recommended that the water infrastructure be rehabilitated and new investments made to improve the service delivery of this resource.

8.9   Implementation framework and action

The implementation of this export promotion strategy will firstly involve the presentation of these results to the Ministry of Industry and Commerce, Ministry of Mines and Mining Development, ZimTrade and MMCZ by this researcher and by explaining the benefits and uniqueness of this strategy to them. If they find the results and this strategy useful to them, then the implementation process that can occur is shown in table 8.21.

The table below represents an implementation framework of this export promotion strategy. It provides a roadmap of the implementation process of this export promotion strategy. It involves an acceptance of the results and the export promotion

strategy in principle. Then the next step will be to hold a meeting with stakeholders to discuss both the findings and the proposed export promotion strategy. The framework also shows the key stakeholders and their roles in the process. It provides the organisation responsible for the implementation of the programme and the stakeholder in charge of evaluation.

Table 8.21: The implementation framework and action

	Action	Institution (s) responsible
1	Acceptance of this export promotion strategy	Ministry of Industry and Commerce and ZimTrade
2	Consultation with stakeholders	Ministry of Industry and Commerce and ZimTrade
3	Final draft with inputs from stakeholders	Ministry of Industry and Commerce and ZimTrade
4	Approval of the export promotion strategy	Cabinet through the motion of the Minister of Industry and Commerce
5	Legislation into law	Senate and Parliament
6	Establishment of export processing zone and its authority	Ministry of Finance and Ministry of Industry and Commerce
7	Merger of Minerals Marketing Corporation of Zimbabwe with ZimTrade	Ministry of Industry and Commerce and Ministry of Mines and Mining Development
8	Appointment of an Export Promotion Council comprising senior government officials and representatives of businesses, academic institutions and other stakeholders to monitor the implementation and policy guidelines	Minister of Industry and Commerce
9	Announcements of exporters incentives	Chairperson of Export Promotion Council
10	Implementers	ZimTrade – Lead and Export Promotion Zone Authority
12	Evaluation	Government of Zimbabwe

Source: Compiled from this study.

The rest of the section is structured as follows: section 8.9.1 discusses the role and function of the organisations involved; section 8.9.2 discusses support networks; and section 8.9.3 discusses funding.

8.9.1 Roles and functions of organisations involved

There are various stakeholders in export promotion. They play different roles in facilitating export promotion. Table 8.22 shows organisations and their roles in export promotion.

Table 8.22: Organisations and their roles in export promotion

Name of the organisation	Major role
Ministry of Industry and Commerce	Provide policy direction for export promotion.
Ministry of Mines and Mining Development	Provide policy and negotiatiates Kimberley diamond certification.
Export Promotion Council	A committee responsible for overseeing the implementation of the export promotion strategy. Supervising both ZimTrade and Export Promotion Zone Authority.
ZimTrade	Primary implementer reporting to the Export Promotion Council. The roles of ZimTrade are in Appendix C.
Mineral Marketing Corporation of Zimbabwe (MMCZ)	Promotion and marketing of mineral products.
Export Promotion Zone Authority (to be established)	Administration and licensing of Export Processing Zones firms in priority sectors. Reporting to Export Promotion Council.
Zimbabwe Revenue Authority ZIMRA	Monitoring duty-free incentives and licensing of Export Processing Zones firms ensuring minimum delay of export and imports. Monitoring tariff based incentives.
Zimbabwe Investment Authority (ZIA)	Licensing and promotion of investment in non-priority sectors.
Standard Association of Zimbabwe (SAZ)	Quality assurance and international standards.
Universities in Zimbabwe	Research that assists producers and exporters.
Zimbabwe National Chamber of Commerce	Consultation with ZimTrade on incentives and other issues affecting exporters, such as participation in trade fairs. Lobbying government, for example removal of sanctions.
Confederation of Zimbabwe Industries	Consultation with ZimTrade on incentives and other issues affecting exporters, such as participation in trade fairs. Lobbying government, for example removal of sanctions.
Tobacco Industry Marketing Board	Lobbying government support for the industry.
Department of Immigration	Work and resident permits of investors and critical manpower.

Table 8.22: Organisations and their roles in export promotion...continued

Name of the organisation	Major role
City Councils	Land, local approvals and water.
Zimbabwe Electricity Supply Authority	Provision of power for production.
Commercial Banks	Disbursement of financial incentives.
Ministry of Finance	Budgetary allocations.
Ministry of Transport	Addressing transport constrains.
Ministry of Energy	Provision of power.
Ministry of Water	Provision of water.
Local authorities	Provision of industrial stands in Export Processing Zones in their jurisdictions.
Ministry of Communications	Provision of efficient and fast internet access.

Source: Compiled from this study.

The table above shows various government departments that are involved in the promotion of exports. It includes the Ministry of Industry and Commerce, which has an overall responsibility of promoting Zimbabwean products through ZimTrade. The table also includes other ministries such as the Ministry of Finance, which is responsible for the distribution of funds that help to promote exporters and others involved in licensing investors and so on. The table also provides local authorities that have jurisdiction in their areas and provide land and other utilities to the firms. It also involves two major private sector organisations, namely the Zimbabwe National Chamber of Commerce and the Confederation of Zimbabwe Industries. Section 8.8.2 discusses support networks.

8.9.2 Support networks

These are networks in various sectors of the economy that help in export promotion. These include the Confederation of Zimbabwe Industries (CZI), the Zimbabwe National Chamber of Commerce, the Horticulture Council of Zimbabwe, the Leather and leather industry, the Cross Border Trader's Association, the Zimbabwe Congress of Trade Unions, the Commercial Farmers Union, and the Zimbabwe Farmers Union. The Confederation of Zimbabwe Industries is an organisation that provides a forum for industries in Zimbabwe. The Zimbabwe National Chamber of Commerce provides a forum for commerce such as banks and shipping firms. The Horticulture Council of

Zimbabwe is an umbrella body for horticulture producers. The Leather and leather industry is a forum of leather product producers. The Cross Border Trader's Association represents traders who buy things from neighbouring countries for resale in Zimbabwe and also sell Zimbabwean products in neighbouring countries. The Zimbabwe Congress of Trade Unions is an umbrella body for workers in Zimbabwe. The Commercial Farmers Union is an association of commercial farmers; whereas the Zimbabwe Farmers Union is an association for indigenous farmers. Section 8.9.3 discusses funding.

8.9.3   Funding

With this comprehensive export promotion strategy comes the challenge of financing. This export promotion strategy should be locally driven. This is the main difference from the other programmes, which were based on the expectations of international donor support. This programme will be wholly funded from domestic resources.

ZimTrade shall be empowered to levy 3%[66] on all exports originating from Zimbabwe and imports coming into Zimbabwe. This will ensure that ZimTrade has enough resources to discharge its mandate. In 2012, the dividends[67] from diamondjoint ventures are estimated to amount to US$600 million (see section 4.3.3). This will be the seed money to jumpstart the programme. All workers in Zimbabwe contribute by law to the National Social Security Agency[68]. These resources will be used to provide concession loans for firms operating in the export processing zone in the priority sectors, as identified in this export promotion strategy. Then other resources will have to come from the national budget.

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[66] Currently, ZimTrade is levying 0.01% on all exports other than minerals and all imports. The amount is not enough to run its activities. In the past, it was supported by the European Union, but sanctions removed the support. Therefore, ZimTrade needs a lot of funding to enable it to participate in trade fairs and provide incentives to exporters.
[67] The Government has entered into joint ventures with foreign companies through its parastatal Zimbabwe Mining Development Corporation in mining diamonds. Therefore, the government is receiving dividends directly.
[68] Currently, these funds are loanable as per the guidelines of the Ministry of Finance. This study is recommending that these funds be used to give credit to the firms that will be operating in the export processing zones under this export promotion strategy.

8.9.4   Monitoring and evaluation

The Export Promotion Council shall monitor the implementation of this export promotion strategy. The Export Promotion Council shall report to the government through the Ministry of Industry and Commerce. The evaluation shall be conducted by the government either by using professional evaluators or as it will deem fit. The exercise shall be done every two years. The following shall be indicators that will be used to evaluate the performance of the strategy within the context of the objectives. These indicators and objectives are shown in table 8.23.

Table 8.23: Objectives and indicators to be used to evaluate performance of the strategy

	Objective	Indicators to use to evaluate
1	Main objective – Realise realistic export opportunities	Export earnings from the countries where the REOs are located above from the previous years before the implementation of the export promotion strategy will be used to evaluate this objective.
2	Increasing production and penetrating new markets	Production figures from firms. Exports value in new market.
3	Establish export processing zones (EPZ) in all provinces	The physical establishment of export processing zones in the provinces.
4	Adding value to production	Through product code changes of a particular product previously exported under another code.
5	Achieving average 50% rate of growth of export	Through actual trade statistics by comparing with the base year.
6	Reduce incidences of poverty through employment creation	Job created through returns from exporting firms and others during the programme.
7	To direct some export earnings through investment in non-exporting sectors	Through exporting firms claiming their incentives for investing in non-exporting sectors and proof thereof.

Source: Compiled from this study.

8.10   Conclusion

An export promotion strategy has been prepared, which gives priority to 13 sectors that have products Zimbabwe has a revealed comparative advantage in. Zimbabwe was found to have 112 products that satisfied the criteria of maintaining a revealed comparative advantage in pre-crisis (1993-1997), during crisis (1998-2008) and post-conflict (2009-2010). Zimbabwe has realistic export opportunities (REOs) totalling

344 in number, located in 17 regions and in 50 countries. The REOs have the export value of US$6 098 338 000. If these opportunites are utilised, then Zimbabwe's exports could grow and benefit the economy. The study has prepared a specific strategy for each cell. Sectoral strategies are combinations of individual cells in which the product in each sector falls. The strategies range from aggressive/offensive to defensive depending on the market share that Zimbabwe has.

This export promotion strategy, if implemented, has the potential to help Zimbabwe recover economically and sustain growth. The researcher intends to canvas to the Government of Zimbabwe to adopt the strategy in totality or adopt some portions.

In Chapter 9, the study summarises all the chapters and makes conclusions and recommendations.

CHAPTER 9
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

9.1   Introduction

The purpose of this chapter is to summarise the findings of this study including the attainment of the objectives which were outlined in Chapter 1 (section 1.8). This chapter begins by summarising all the previous chapters after which conclusions are made. The chapter concludes by proffering some recommendations. The following is the exact structure of this chapter: section 9.2 provides the summary of the previous chapters; section 9.3 contains the conclusions arising from the study; in section 9.4 recommendations are made. Section 9.5 highlights the contribution of the study; section 9.6 addresses the limitations of the study; while section 9.7 concerns future research and section 9.8 contains the final remarks.

9.2   Summary

In Chapter 1, it was recognised that Zimbabwe is a fragile state which is in a post-conflict reconstruction process (section 1.1). The section was included so that it could provide a background of the status of Zimbabwe. Zimbabwe had come to such a status due to the fact that a conflict had erupted in the country. Section 1.4.1 outlined the causes of the conflict in Zimbabwe. Identifying the causes of the conflict was important for this this study to a possible solution. The conflict had a negative impact on the economy. Section 1.4.2 described the impact of the crisis on the economy. This section provided a picture of how various interest groups and sectors were negatively affected and how it became the order of conduct of business in Zimbabwe. The government then began to take corrective measures. Sections 1.4.2 and 1.5 both highlighted the efforts by the government to get the economy working again through various programmes such as the Short Term Emergency Programme (STERP) I and II and the Medium Term Plan (MTP). Although there were some achievements, authoritative sources of the World Bank and African Development Bank asserted that the recovery was not sustainable without Zimbabwe undertaking drastic reforms. The inclusion of these sections was necessary to provide the government's response to the crisis and the external evaluation of government's efforts and political will. It was

therefore necessary to have them followed with a problem statement aligning them to it for a possible sustainable solution. Section 1.5 further outlined the problem statement of this study which meant to investigate how exports could help to effect deeper reforms which are necessary to sustain economic growth through identification of products/sectors with export potential. Such investigation led to the formulation of a research question. Section 1.7 posed the following research question: does Zimbabwe possess realistic export opportunities that can lead to the sustainable reconstruction of the Zimbabwean economy? The research question was important in assisting the setting of the study's objectives.

Section 1.8, set the main objective of formulating an export promotion strategy for Zimbabwe. Specific objectives were also outlined. The latter included the following:

1. A review of post-conflict and reconstruction strategies;
2. A review of export-led growth, export promotion, export development and international marketing;
3. An analysis of the political, institutional and macroeconomic environment of Zimbabwe;
4. Analysis of the trade environment of Zimbabwe;
5. A construction of a Decision Support Model (DSM) for Zimbabwe;
6. From the results of the DSM, identify products/sectors with realistic export potential; and
7. The identification of product-country combinations.

The following paragraphs summarise the chapters and how they achieved the objective and sub-objectives as outlined above.

Chapter 2 contains a comprehensive literature overview on post-conflict reconstruction strategies. The aim of this chapter was to achieve the first sub-objective. In section 2.2, the study identified all the countries which are considered as fragile states or post-conflict countries. Policy options of dealing with the failed states were analysed in the same section. It was necessary to include this section so as to identify the actual countries considered as fragile states or /post-conflict and analyse the policy options in dealing with them. Once these had been done, it was necessary

to outline the objectives of post-conflict reconstruction. In section 2.3.1 the theory of post-conflict reconstruction was analysed and two major objectives were identified, namely facilitating the transition from war or conflict to sustainable peace and supporting economic and social development. The section further identified six stages which can be followed in the attainment of reconstruction. Four areas of focus during post-conflict reconstruction were also identified (section 2.3.1). The section was important as it provided an overview of the objectives a country has to pursue in post-conflict reconstruction. In section 2.3.2 the study identified key actors involved in post-conflict reconstruction and defined their roles in the process. These are mainly international organisations which assist in various tasks of recovery. It was important to include this section so that any country which is in conflict can know who to approach and for what tasks in the post-conflict reconstruction. Then once the key actors were identified the study looked at where their services would be required most.

Section 2.4 provided an overview of the many conflicts in Africa. The study identified 19 armed conflicts in Africa and outlined the major causes of conflicts/wars on the continent. This section was necessary to include in order to highlight the magnitude of the problem on the continent including their causes and that Zimbabwe, which is the focus in the other chapters is also in Africa. Once Africa had been dealt with and a large geographical context had been provided, it was important to look at the strategies which have been used by various countries in the continent and beyond.

The study in sections 2.5.1 and 2.5.2 identified two broader strategies which have been employed by countries in post-conflict reconstruction. These strategies were classified into two categories. The first category included all the general strategies used to achieve post-conflict reconstruction and the second focused on promoting exports specifically as a strategy to achieve post-conflict reconstruction. The general strategies focused on restoration of the rule of law and improvement in justice delivery; provision of both formal and informal education; peace building, gender empowerment; price stability through dollarisation, investment promotion and general macroeconomic stability. The export promotion strategies were used to boost exports which in turn helped countries to recover. These strategies include liberalisation of trade, incentives to producers and exporters, commercialisation of parastatals, joint

ventures, liberalisation of exchange rates, privatisation, proper pricing, investment and bilateral agreements. The study identified two countries, namely Uganda and Mozambique, as being highly successful in post-conflict reconstruction. These countries followed the appropriate policies and demonstrated commitment to promoting exports at the highest level of government. Sections 2.5.1 and 2.5.2 were included in order to provide specific strategies countries which have gone through post-conflict reconstruction have used and countries going through the same process may also adopt them. The use of exports in some countries during post-conflict reconstruction justified the need for further investigation of the theory upon which export promotion strategy relies. This was achieved in Chapter 3.

Chapter 3 sought to provide a literature overview of export-led growth, export promotion, export development and international marketing. The chapter achieved the second sub-objective namely to analyse the theory of export-led growth on which export promotion is based. Two theories were identified in the section, i.e. export-led growth (ELG) and import substitution strategy (IS). The section provided a background of the import substitution strategy that was used from 1950s up to early 1980s through provision of tariff and quota protection as a way of developing a variety of domestic industries. Countries embraced the theory as an important component for development and protectionist policies were enacted. The study identified the shortcomings of the import substitution strategy in that the countries which pursued it lagged behind those which did not. This resulted in slow growth rates. The failure of suchimport substitution strategy brought about the emergence of the export-led growth theory. Countries such as Hong Kong, Singapore, South Korea, Taiwan, Malaysia, Germany, China, Japan and Taiwan, which followed ELG, experienced comparatively higher growth rates.

The last part of section 3.2.1 illuminated six benefits derived from the theory. The section further identified the mechanism that results in exports growing faster than economic output. The section was included so it could provide a conceptual framework in support of export promotion. However, empirical evidence was necessary to back-up the export-led growth theory. This was provided in Section 3.2.2. This section summarised empirical evidence that showed a positive relationship between exports and economic growth. A number of studies carried out in a variety

countries confirm that exports cause growth in GDP. The section also identified a problem experienced in the use of short span data to determine this link. When short span data is used, it has a tendency to reject the hypothesis that exports cause growth in GDP. However, long-span data is consistent with the provisions of the hypothesis. This section was included so as to prove the claims made by the export-led growth theory and highlight the problem encountered in using short-term data in distorting the results. It was therefore necessary to look at export measures.

Section 3.3.2.1 identified general measures used in the promotion of exports. One of the measures identified is equipping exporters with greater and dependable access to inputs at affordable prices that does not exceed duty free international prices. The section further showed how this can be achieved by the importation of raw material and other inputs required for producing exportable commodities. This requires the removal of quantitative restrictions and non-tariff barriers, customs tariffs, import taxes and also indirect taxes. This section was included in order to provide general measures which can support export promotion. These can be augmented with the use of specific measures.

Section 3.3.2.2 identified specific measures which have been applied in other countries. The section also identified certain governments which have supported their exporters through market research, logistics and marketing plans. Sectoral-centred, outgoing and incoming trade missions, participation in trade shows and business meetings / conferences were identified as the most effective methods of export promotion. The inclusion of this section was important in identifying specific measures which can be used in export promotion. Once these measures were identified, an export promotion strategy was devised.

Section 3.3.3 involved the illustration of the steps taken in export promotion strategy formulation including the SWOT matrix illustration are of the methods used for export promotion. The inclusion of this section helped to give an outline of the steps of an export promotion strategy as well as providing an analysis of the strengths and weaknesses of an export promotion strategy. Such activities are done by export promotion agencies.

Section 3.3.6 highlighted various functions of the export promotion agencies. The services which they offer to exporters include image building, export support services, marketing (trade fairs, exporters and importers missions) and market research and publications. The importance of EPAs was quantified by the example that for every US$1 spent on export promotion activities, a US$300 increase in exports is yielded (for an average export promotion agency). This section was included in order to highlight the role of export promotion agencies in the export promotion.

Export promotion agencies are also involved in market selection methods which are covered in Section 3.3.7. These included qualitative and quantitative methods of market selection. The DSM applied in this study falls under quantitative methods. The section was included so as to highlight various methods available that export promotion agencies can use to select markets. The market selection methods can lead to export promotion strategies.

Section 3.3.8 involved identifying appropriate export promotion strategies such as aggressive, offensive and defensive. These strategies were seen as supportive to those assigned by the DSM. Section 3.3.10 outlined export promotion strategies assigned by the DSM. It outlined specific strategies for each cell from cell 1 to cell 20. The cells represent specific markets according to their import demand. DSM strategies are cell specific. These are the strategies which were used to develop the export promotion strategy for Zimbabwe in Chapter 8. This section was included so as to discuss in the literature specific strategies assigned by the DSM before utilising them in Chapter 8.

Export promotion cannot be achieved without export development therefore section 3.4 involved the export development process which entails the production of new products and/or the penetration of new markets that were in the past not accessible. The inclusion of this section was necessary so that the export promotion is not restricted to the existing production but should take into account future product expansion. Whether the production will be in the near future or currently existing in as far as the products are concerned require international marketing. Section 3.5 involved the international marketing mix. It includes locating a manufacturing and processing plant abroad and entering distribution agreements with agents abroad. This

section was included because a meaningful export promotion cannot be discussed without the inclusion of international marketing.

From chapter 4 onwards, the focus was on Zimbabwe. The aim of Chapter 4 was to achieve the third sub-objective, namely to analyse the political, institutional and macroeconomic environment in Zimbabwe. The chapter started off with an analysis of the political and institutional environment. Section 4.2.1 outlined a number of amendments that were made to the Constitution. Such amendments provided the framework of the Global Political Agreement which led to the establishment of the government of national unity (GNU) comprising three political parties. The Global Political Agreement (GPA) brought some stability in Zimbabwe and have led to moving away from the conflict to post-conflict reconstruction phase. This section was included to show the political situation in Zimbabwe. A discussion of the Constitution would be incomplete without a discussion on the institutions enshrined in it which is what Section 4.2.2 attempted. This section gave an outline of the three branches of government in Zimbabwe. These branches are the executive, the legislative and the judiciary branch. They each have a specific mandate as provided for by the Constitution. The section helped gauge the level of order and stability necessary to provide macroeconomic stability.

The macroeconomic analysis contained in section 4.3.1 onwards was aimed at providing indicators, policies and programmes which helped describe the macroeconomic environment in Zimbabwe. The purpose of section 4.3.1 was to highlight economic performance through national accounts, governance indicators, national budget and provision of financial support to firms. Section 4.3.1 specifically outlined that Zimbabwe's real GDP growth rates (both sectoral and overall) were negative from 1999 to 2008 before reverting to positive from 2009 to 2011. The projection for overall real GDP growth in 2013 is an increase to 2.5% from the growth of 2% estimated for 2012. The section also stipulated that between 1996 and 2006, the Zimbabwean governance indicators were less than the averages for Sub-Saharan Africa. The indicators include voice and accountability, political stability, government effectiveness, regulatory quality, rule of law and corruption. Only political stability improved tremendously in 2010 due to the establishment of the Government of National Unity. These indicators have an impact on inward FDI. The other identified

indicators which have affected the performance of the economy were the budget deficits.

In the macroeconomic analysis it became evident that Zimbabwe's budget deficit averaged 6.3% during the period 1998-2004 against 3.7% of Sub Saharan Africa. The trend has continued to such an extent that in 2009 the budget deficit amounted to US$93 million before rising to US$500 million in 2010. Both government and local banks experienced problems in offering financial support to production sectors. Some disbursements were done in 2009 and 2010 through the PTA Bank (a COMESA Bank) and Afrexibank (another regional bank). However, in 2011 the local banks (those based in Zimbabwe) have become active in advancing loans through the disbursement of US$2.159 billion due to improvement in deposits by individuals and organisations. The Zimbabwean government is limited in providing required financial support because it is already indebted. Zimbabwe's heavy debt was highlighted in section 4.3.1.1. The country's debt rose to US$7.1 billion in 2009 and increased to US$7.6 billion in 2010. In 2011, the net present value (NPV) of external debt to which the government is a guarantor, was expected to surpass 90% while the NPV debt-export ratio is expected to be in the region of 440% by 2026 and the debt-export ratio around 1000%. The section was included to highlight the magnitude of Zimbabwe's indebtedness. The failure to manage the external debt also led to mismanagement at the central bank.

In section 4.3.1.2 it was shown that the Central Bank engaged in quasi fiscal activities which should have been exercised by the Treasury. Zimbabwe's exchange rate was very stable from independence to mid-1990s. However, after this period the exchange rate deteriorated up until 2008, partly due to these quasi activities. The section was included to illustrate how the Central Bank's quasi activities also worsened the macroeconomic environment in Zimbabwe. The loss in value of the national currency and other factors which were summarised earlier, such as governance indicators have led to significant decrease in FDI. It was also shown in section 4.3.1.3 that FDI inflows deteriorated significantly from 1999 onward.

In order to make an appropriate comparison of macroeconomic environment of Zimbabwe, the study illustrated that the economy was very strong during the period

1965-1979. This was highlighted in section 4.3.2.2. The section also highlighted the period from independence specifically 1980 and 1981 which saw a significant growth of sectors such as Health and Education. However, by mid to late 1980s the import substitution strategy had outlived its usefulness and was no longer working. There was low demand for Zimbabwean goods. Unemployment increased. All the aforementioned problems led the government to initiate discussion with the International Monetary Fund (IMF) for a possible Economic Structural Adjustment Programme (ESAP). The period 1990-1996 as outlined in section 4.3.2.3 saw the implementation of the Economic Structural Adjustment Programme to correct imbalances. It had a component of trade liberalisation. However, ESAP failed and was replaced by the home grown Zimbabwe Programme for Economic and Social Transformation (ZIMPREST) which also failed. Section 4.3.2.4 covered the period 1997-2008 in which the domestic currency crashed on 14 November 1997 due to government's disbursement of grants to war veterans which was not budgeted for. The action caused considerable instability in the economy. Furthermore, Zimbabwe's participation in the war in DR Congo during this period, worsened fiscal indiscipline. The unplanned land reform spearheaded by war veterans in the form of farm invasions considerably affected production on the farms resulting in persistent food shortages. It is also the period in which the USA, United Kingdom, the European Union and some other western governments imposed travel bans on government and ZANU PF senior officials including financial sanctions which prevent Zimbabwe from getting loans and certain individuals and firms from trading with them. The study identified inflation to have been one of the causes of instability in the economy with 2008 experiencing a 10 digits rate. Unemployment also severely affected the economy. The unemployment rate increased from 50% in 2000 to 80% in 2006 and remained unchanged up to 2009. Capacity utilisation decreased considerably in all the sectors. The study also indicated that the Zimbabwe Democracy and Economic Recovery Act (ZIDERA) by the USA (sanctions) considerably affected the ability of Zimbabwe to raise external funding from multilateral organisations aligned to the USA government. The study also noted that the Indigenisation and Economic Empowerment Act had a negative effect on FDI.

In section 4.3.2.5, it was shown that the year 2009 was the one during which the government of national unity came into force and a number of programmes such as

STERP I and II and MTP were initiated to establish post-conflict reconstruction. Although they have brought some positive results, it was found that the economy needs deeper reforms to sustain growth.

After a discussion on the macro-economy, the focus was on the various sectors in the Zimbabwean economy. In section 4.3.3, it was shown that from the period 1980 to 1999, the agricultural sector was very vibrant. In the period from 2000 to 2008, production of maize, wheat, groundnuts, cotton, tobacco, soya beans, sun flowers, sugar, coffee, horticulture and beef was considerably reduced. The study highlighted that Zimbabwe has large deposits of gold, platinum, chromite, nickel, diamonds, iron ore, copper and coal-bed methane. Production of asbestos, chrome, coal, copper, gold, iron ore, iron pyrite and nickel white matters perm concentrates, chrysoile and black granite considerably went down and fluctuated. Production of diamonds has increased. However, diamond production did not enhance Zimbabwe's comparative advantage because as it was not produced during the pre-crisis period[69] so it never met the criteria set by the study. The study identified the period 1980-1990 as the period where the manufacturing sector made on average, the largest contribution to the GDP accounting for 22%.

 Capacity utilisation during the crisis period also decreased. Although there has been some remarkable improvement during the post-conflict period, the situation is not yet back to the pre-crisis level. There are many factors which caused capacity under-ulisation. Two of them are power and water shortages. The study showed that electricity and water shortages undermine production on farms and factories and electricity is being generated below the national requirement.

In the banking and financial sector, several banks had to closedown due to bank failures. Although the government has taken steps and increased capital requirements for banks, building societies, finance houses, discount houses and insurance companies the study has shown that liquidity as a major problem when it comes to the

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[69]Pre-crisis is the period before 1998 while crisis period is from 1998 to 2008 and post-conflict is the period from 2009. In Chapter 7, filter 5, the study included the supply side capabilities of Zimbabwe hence it set three criteria for the above periods. In order for a product to be selected, it should have maintained a revealed comparative advantage in all the three periods. Unfortunately, the diamonds began to be mined only in 2005 hence failed to meet the requirement of the three criteria.

banking sub-sector. None the less, deposits have increased from US$1.4 billion in 2009 to US$3.3 billion up to December 2011. The stock exchange has considerably been affected by civil servants nationwide strike and the current push for general elections.

Transport infrastructure has also decayed and this undermines economic recovery. The state of the roads has deteriorated and capacity utilisation of the National Railways of Zimbabwe has gone down and Air Zimbabwe's ability to operate has been compromised.

The aim of Chapter 5 was to achieve the fourth sub-objective, which was to analyse Zimbabwe's trade environment. Section 5.2 explained that Zimbabwe implemented trade liberalisation which was geared at opening up the economy. Export processing zones were established but they failed to have impact mainly due to the government's failure to fulfil incentives as promised. Trade liberalisation was abandoned in favour of SADC trade protocol programme. This section was included for the purpose of assessing the openness of the economy. The openness of an economy is an ingredient of market access.

In section 5.3, Zimbabwe's market access was identified through her membership in the WTO, ACP, COMESA, SADC and the GSP schemes. Zimbabwe signed an Economic Partnership Agreement (EPA) with the European Union under the ACP-EU arrangements. The section further highlighted that Zimbabwe exports less to COMESA than to other regions. Most of its exports are destined to countries outside of COMESA while intra-COMESA trade is rather low. With regard to SADC, it was shown that Zimbabwe exports more to SADC countries than to the rest of the world. Within SADC, the majority of Zimbabwe's exports go to South Africa. Zimbabwe's exports to SADC comprise of a wide range of products in comparison to the type of exports destined to the rest of the world. In terms of export performance and ability to export, Zimbabwe lags behind other SADC countries. Areas where the country performs less than average when compared to other SADC countries include the delays caused by the time it takes to export, the large number of documents required to export and the high cost of exporting each container. The section also identified the GSP as a scheme that provides Zimbabwe access to the European Union, USA,

Canada, Japan, New Zealand, Norway, Russian Federation, Switzerland and Turkey. The aim of this section was to identify market access for Zimbabwe through multilateral organisations and programmes. This is only one way of having market access. The other way is through preferential bilateral trade agreements.

Section 5.4.1 listed the countries with which Zimbabwe has preferential bilateral trade agreements. Zimbabwe has market access through the Zimbabwe–Botswana, Zimbabwe–Malawi, Zimbabwe–Mozambique, Zimbabwe–Namibia, Zimbabwe–DR Congo and the Zimbabwe–South Africa bilateral trade agreements. The section also highlighted very low two way trade statistics in respect of Zimbabwe and Namibia. This section was intended to identify markets that Zimbabwe already has access to so that they can also be used to increase exports. Once this had been done, it was important to analyse the overall trade data for Zimbabwe.

In terms of trade values, it was shown in section 5.5.3 that Zimbabwe's exports were significantly affected during the crisis, but recently have improved. The projection for 2012 is that the export value will be US$3 billion (tobacco will account for US$400 million). Zimbabwe's import bill has also been increasing. Imports are forecast to increase to US$4.35 billion in 2012. A trade deficit of US$1.35 billion is therefore anticipated, which is smaller than it has been in three years. The section further explained that another reduction in trade deficit is projected in 2013 and this will contribute in reducing the current account deficit to the equivalent of 13.9% of the GDP. This section was aimed at providing a trade outlook of Zimbabwe.

This outlook amongst other factors depends on the existing terms of trade. Section 5.6 highlighted that Zimbabwe's terms of trade ratio has deteriorated. This section was included in order to show whether or not terms of trade are favourable to Zimbabwe since they have an impact on the gains to Zimbabwe from international trade. One way to improve terms of trade is by devising an appropriate national export strategy. In section 5.7.1 it was stated that the National Export Strategy expired. Before its expiration, it did not have a major impact on the economy as shown by the poor export performance for the period during its lifespan. The government is in the process of formulating a new Export Promotion Strategy. This section was included so as to highlight the existing effort in Zimbabwe to promote exports.

In many countries export promotion agencies prepare export promotion strategies. Section 5.7.2 identified two export promotion agencies in Zimbabwe namely ZimTrade and the Minerals Marketing Corporation of Zimbabwe (MMCZ). ZimTrade offers exporters a wide range of services such as gathering and dissemination of trade information, trade advisory services and capacity building, but is currently underfunded. The MMCZ also offers a wide range of services including product information, market information, contract negotiation, gemstone evaluation and the issuing of Kimberly processing certificates, but only to the exporters of minerals. This section was important because it proves that Zimbabwe does have export promotion agencies responsible for export promotion. In addition to export promotion agencies, other agencies also facilitate exports. Section 5.7.3.1 identified ZIMRA as an essential organisation that assists in the facilitation of exports and imports. However, its role is undermined by corruption. Sections 5.7.3.1 through section 5.7.3.2 were meant to highlight other institutions other than export promotion agencies which facilitate exports. Another organisation that facilitates exports was identified in section 5.7.3.2 as the Standard Association of Zimbabwe which is an important organisation in the quest for increasing exports through provision of internationally recognised standards. Besides export facilitation institutions, there are export facilitating measures and facilities used in the process of increasing export. Section 5.7.4 was meant to identify export facilitating measures and facilities in Zimbabwe which are useful in promoting exports. The section identified border posts as limiting the movements of goods and people. This was followed by measures relating to health.

The section identified one of the major areas Zimbabwean firms need to improve namely complying to health and phytosanitary regulations (SPS). The sectioalso showed that in order for the firms to incur additional costs of improving their products to meet health and phytosanitary requirements, they need a guarantee that the state will not take over their firms or others will not immediately imitate their products. The section also looked into intellectual property rights and highlighted that Zimbabwe has a provision in its constitution which safeguards private property. Apart from measures and facilities which promote export, there are also incentives which also promote exports. Section 5.7.6 noted that there are no existing export incentive

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schemes, as the previous schemes are no longer relevant. This section was included because export incentives have a major role to play in enticing firms and individuals to export.

The aim of Chapter 6 was to provide the methodology of how the Decision Support Model (DSM) was applied to the Zimbabwean case. This was done to achieve the fifth sub-objective. The application followed the original four filter process. This was done in section 6.3. The purpose of this section was to ensure that the original process of the model was adhered to. In order to adapt the original model a proxy of neighbours was used in the Zimbabwean case in section 6.4.1. The purpose of this section was used so as to identify the "*revealed absence of trade barriers*". That is, if Zimbabwe's neighbours can export to a particular market then it would not be difficult for Zimbabwe to penetrate the same markets. The neighbours used are Botswana, Mozambique, Namibia, South Africa and Zambia. The DSM is basically a demand-side model and adapting this model to the Zimbabwean context entailed extending the model.

 Section 6.4.2 extended the four filters of the Decision Support Model (DSM) by adding an extra filter, namely filter 5 which is unique to the Zimbabwean application. The filter extended the model from being just a demand-side in order to include a supply-side by taking into account Zimbabwe's supply-side capabilities. The action made substantial contribution by this study. The rest of the extension process was done as follows: Zimbabwe's RCAs were computed for the period 1993-2010. Three criterions were set to determine Zimbabwe's actual production capabilities. The study classified the period 1993-1997 as the pre-crisis period and the RCA value was fixed to 1 or greater for Zimbabwe to have a revealed comparative advantage. A second average RCA value was computed for 1998-2008 (dubbed as the crisis period). Owing to low capacity utilisation, the RCA value was fixed as equal to or greater than 0.5. Zimbabwe was set to have a revealed comparative advantage if a product had an RCA of 0.5 or greater. The third average RCA value was computed for the period 2009-2010 (i.e. the post-conflict reconstruction period). During this time, capacity utilisation had increased but was still below what it was during the pre-crisis period. The RCA value was fixed at 0.75 or greater in order to show if Zimbabwe had a revealed comparative advantage during this period.

Chapter 7 contained the results of the DSM and was discussed in detail in order to achieve the sixth and seventh sub-objectives. Section 7.2.3 reported the results of filter 4. The aim of this section was meant to provide results as in the original model. Filter 4's results showed 58.97% in terms of the number of realistic export opportunities were assigned in cell 2. This was followed by cell 5 which had 16.54%. In terms of the potential export value of realistic export opportunities (REOs), cell 5 had the highest amounting to 38.43% followed by cell 1 with 21.16%.

The results were presented on four levels, namely regional, country, sector and product. Section 7.3 presented the results at regional level. The aim here was to show the distribution of Zimbabwe's REOs amongst the region. Western Europe holds the highest number of Zimbabwe's REOs in terms of numbers. It accounts for 22.97% of the total REOs. In terms of potential export values, Eastern Asia holds the highest REOs of Zimbabwe and it accounts for 37.27% of the total potential export value. The results were then presented at country level in section 7.4. The purpose of this section was to show the distribution of Zimbabwe's REOs at a country level. China is leading with potential export value (REOs) amounting to 20.79% of the total potential export value of the REOs identified for Zimbabwe. It is followed by the United Kingdom with potential export value amounting to 13.47% and then followed by Japan with potential export value amounting to 13.18%. Section 7.5 presented the results at sectoral level. The aim of this section was to show the distribution of Zimbabwe's REOs among sectors. The metals sector is first followed by the textile sector which is followed by the wood and wood products sector. Section 7.6 presented the results at product level. The purpose of this section was to identify which products are in demand. The results show that cotton is a leading product in terms of potential export value. It accounted for 18.30% of the total potential export value of the REOs identified for Zimbabwe. It is followed by ferro-chromium with 12.02% of the total potential export value. The third product is nickel with 11.74% of the total potential export value. Section 7.6.1 noted that although diamonds were not one of the products selected due to the strict criteria followed in this study, they have become significant to the Zimbabwean economy from 2000 onwards.

Finally, the results were then presented according to the product-country combinations in section 7.7. The purpose here was to show distribution of Zimbabwe's REOs based on product-country combinations. The cotton-China combination has the highest potential export value amounting to 14.25% of the total potential export value of the REOs identified for Zimbabwe. Other product-country combinations with highest potential export value include ferro-chromium in Japan, Germany and Italy; nickel in Japan, the United Kingdom and Spain; sculptures in the United Kingdom, Germany and France; tobacco in China and Germany; and lumber in China, Germany and France. It then became necessary to answer the research question.

In order to conclude the empirical work, section 7.8 answered the research question. The purpose of this section was to answer the research question posed in section 1.7. The section answered the question in the affirmative- Zimbabwe indeed possesses realistic export opportunities to enable it to sustain economic growth. A final conclusion from this chapter was that Zimbabwe is not utilising much of its REOs, which pointed to Chapter 8 where the export promotion strategy was designed for Zimbabwe to help it utilise its REOs.

The aim of Chapter 8 was to achieve the main objective and the sixth and seventh sub-objectives. Section 8.2 provided the rationale for preparing the export promotion strategy. The section was meant to provide justification of the export promotion strategy. The section also provided the potential export values, which was followed by sector challenges listed in section 8.3. The section aimed at identifying the challenges which affect the export sector. Several challenges were identified namely: the fragility of the political environment in Zimbabwe, poor governance indicators which affect investment, decayed and inefficient infrastructure, trade deficits, lack of adequate funding for ZimTrade, lack of incentives and corruption. Once the challenges had been identified, a vision and objectives were set out in section 8.4. This section was necessary so as to provide the goals of this export promotion strategy which will   be measured for evaluation purposes in the future.

The objectives included: increasing production, establishing export processing zones, value addition in production, achieving a 50% average export growth rate, alleviation

and reduction of poverty, and re-directing the proceeds from exports to investment in non-export sectors. Once the objectives had been set a methodology was outlined.

Section 8.5 provided the method and analysis of the results. The purpose of this section was to analyse the results of filter 5 which were used in developing strategies. The results of filter 5 were categorised according to the markets' import demand and Zimbabwe's market share. 344 REOs were identified for Zimbabwe and assigned the 20 cells. Once the REOs were categorised, strategies were formulated for each cell.

Sections 8.6.1 to 8.6.16 provided export strategies for the product-country combinations assigned in cell 1 to cell 20. Cells 1 to 15 represented the markets in which Zimbabwe has gained very little or no market share at all. The strategy for cells 1 to 15 was generally offensive / aggressive. That meant that ZimTrade and MMCZ were supposed to implement an offensive/aggressive strategy in each of cells 1 to 15. In order to implement an appropriate offensive/aggressive strategy, each cell had specific instruments/activities to be carried out. Cells 16 to 20 represented markets in which Zimbabwe has a very high market share. This meant that Zimbabwean firms were very much established in those markets hence it is not appropriate for ZimTrade and MMCZ to spend public resources in such markets. The firms themselves are supposed to maintain their markets by defending them from possible competitors. The strategy was therefore defensive and each cell had its own specific instruments / activities to be implemented by the firms themselves. Once the strategies for product-country combinations were complete sectoral strategies / recommendations followed.

Section 8.7 provided sectoral strategies / recommendations. The aim of this section was to provide further specific strategies for the sector and their recommendations. This involved grouping all individual products to their sector and adopting strategies combinations which they got from the cells. The recommendations can be summarised as follows:
- Metals- adding value to the product and protection of the environment.
- Textiles – implementing policies to prevent firms from closure.
- Wood and wood products – emphasizing responsible exploitation of the resources.

- Foodstuffs – adhering to health and safety measures.
- Vegetable products require the provision of efficient air transport and necessary packaging.
- Mineral product – prioritising issues dealing with transport and value addition.
- For animal and animal products, priority should be given to meet health and phytosanitry regulations.
- Raw hides, skins, leather and furs – encouraging value addition.
- Plastic/rubber – encouraging value addition.
- Stone/Glass – providing protection of the environment.
- Chemicals and allied industries – prioritising health and safety measures and complying with international standards.
- Machinery/electrical – encouraging continuous improvement on product design.

Once specific issues had been addressed, general issues had to be tackled. Section 8.8 listed the cross-cutting issues. The purpose of this section was to highlight and bring to the attention of policy makers issues which are not sectoral specific but will have an impact on the implementation of this export promotion strategy. They included trade environment, business environment, sustainable development, competitiveness and technology, quality and standards issues, trade financing and other incentive schemes, trade information as well as customs and infrastructure. Once the cross-cutting issues had been exhausted, there was a need to draw a roadmap for the implementation of the export promotion strategy.

Section 8.9 outlined the implementation framework and plan of action. The purpose of this section was to ensure that the export promotion is implemented in a structured manner. Stakeholders were assigned tasks. Each stakeholder was matched with a role in the export promotion plan. Support networks were also identified. The funding of the export promotion strategy is proposed to come from local resources. ZimTrade should levy 2% on all exports originating from Zimbabwe and on all imports entering Zimbabwe. Further funding could come from diamond dividends from the joint ventures the government has. Funds could also come from Social Security Fund and from the national budget. In terms of monitoring and evaluation, the Export

Promotion Council shall monitor the implementation while government, through the Ministry of Industry and Commerce, shall evaluate the export promotion strategy every two years against the set objectives.

9.3   Conclusions

The conclusions have been formulated in line with the research question and objectives of this study and other findings in the study.

Research question

The basic research question was whether or not Zimbabwe possesses realistic export opportunities that can lead to the sustainable reconstruction of the Zimbabwean economy. The conclusion drawn is that Zimbabwe indeed possesses realistic export opportunities that can lead to the sustainable reconstruction of the Zimbabwean economy. 344 realistic export opportunities (REOs) were found. These opportunities are located worldwide in 17 regions and 50 countries. The REOs are in 112 products that fall in 13 different sectors. The REOs are currently under-utilised by Zimbabwe. The export promotion strategy developed in Chapter 8 provides a mechanism how the country can tap them and increase utilisation.

Research objectives

The main research objective and sub-objectives were set by this study in Chapter 1. At the onset, no one could assume that all the objectives could be attained. The conclusion from this study is that the main objective is possible to attain. It has also been possible to attain all the sub-objectives through Chapters 2, 3, 4, 5, 6 and 7.

Formulating an export promotion strategy for Zimbabwe

The gap that the study found was that Zimbabwe did not have an adequate export strategy. The conclusion is that an appropriate strategy arising from the result of the DSM is possible and this has been developed in Chapter 8. Zimbabwe's realistic export opportunities (REOs) fall in 13 different sectors and these have been prioritised

by this study. The sector with the highest REOs in terms of export value is metals. It has REOs with potential export value amounting to 25.63% of the total potential export value of Zimbabwe's REOs. This is followed by textiles with 22.73% and wood and wood products occupy the third place with 11.47%. There are 344 product-country combinations for which sectoral strategies have been developed.

A review of post-conflict and reconstruction strategies

The conclusions drawn are that Zimbabwe is still in post-conflict reconstruction and needs deeper reforms to move out of the situation. That only when there is commitment at the highest level of government does the strategy work.

A review of export-led growth, export promotion, export development and international marketing

The conclusion drawn is that export-led growth (ELG) is superior to import substitution and it has been tested and proven that exports influence GDP growth rates. That means that export promotion can be used to assist Zimbabwe recover and sustain economic growth. This therefore strengthens the empirical findings of this study.

Analysis of the political and institutional, and macroeconomic environment

The conclusion from this study is that the political climate in Zimbabwe is still fragile. The institutional framework exists, but there are still problems of the independency of the judiciary system due to interference. The conclusion from macroeconomic environment is that the economy is still fragile. The economy slowed down for a very long time thereby affecting all the important indicators, hence it will take time to recover and that the country will never return to pre-crisis levels again but can recover with appropriate reforms.

Analysis of the trade environment

The conclusion drawn is that Zimbabwe's export capabilities were largely constrained and that Zimbabwe suffers persistent trade deficits. The announced incentives were never fulfilled by the government and policy reversal was frequent and created loss of confidence in the sector. Prioritising resources and implementing the scientifically arrived export promotion strategy in Chapter 8 can lead Zimbabwe to sustainable recovery. The conclusion drawn is that the export promotion strategy can boost exports and ultimately economic growth.

Construction of a Decision Support Model for Zimbabwe

The conclusion is that the DSM for Zimbabwe has led to identification of realistic export opportunities for Zimbabwe for the first time. These have enabled a development of an appropriate export promotion strategy for Zimbabwe to help in post-conflict recovery. The study has made a major contribution to the DSM by extending the filters from 4 filters to 5 filters. If the Government of Zimbabwe accepts the results and the export promotion strategy developed in this study, it will have a chance of using similar technique as used in Belgium, Thailand and South Africa where similar studies have been conducted using this scientific method of market selection which can be utilised even with meagre resources. Zimbabwe can use its meagre resources by focusing on the sectors, products and markets identified by the DSM by prioritising them rather than prioritising sectors using non-scientific methods.

Identification of products/sectors with realistic export opportunities

The conclusions drawn are that Zimbabwe has realistic export opportunities in 112 product codes. Cotton has the highest REOs for Zimbabwe with potential export value amounting to 18.30% of the total potential export value of the REOs identified for Zimbabwe. Other products include ferro-chromium and nickel. Zimbabwe has REOs in 13 sectors. Metals is the highest accounting for 25.63% of the total potential export value of REOs identified for Zimbabwe followed by textiles and the third being wood and wood products.

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Identification of product-country combinations

The conclusion drawn is that Zimbabwe has potential/realistic export opportunities. From the results, 344 product-country combinations were identified. Cotton-China combination is the highest accounting for 14.25% of the total potential export value of REOs identified for Zimbabwe. This was followed by ferro-chromium-Japan combination and the third place was occupied by a nickel-Japan combination.

Sanctions

The conclusion drawn is that the countries which have imposed targeted sanctions on Zimbabwe have many REOs for Zimbabwe located in their countries and regions and that the sanctions are hurting the economy.

Legislations

The conclusion drawn is that certain legislations such as Indigenisation and Economic Empowerment Act can have an impact on discouraging FDI.

Governance indicators

Zimbabwe's scores on governance indicators are poorer than Sub Saharan averages. These have impact on FDI and on doing business with the country. Countries with poor governance indicators are normally shunned by business people when deciding to invest or doing business.

9.4   Recommendations

In line with the conclusions and findings of this study, a number of recommendations are made and mainly directed to policy makers (government). These are listed below.

- Government should consider adopting the export promotion strategy formulated in Chapter 8 in its totality and the findings of this study in formulating its own export strategy or trade policy based on this scientific outcome of identifying priority sectors, product lines and locating markets based on high imports demand.

- Government should focus on product-country combinations within the sectors identified by this study. Any export promotion programmes, should aim at utilising realistic export opportunities (REOs) identified by the DSM for Zimbabwe. Government should take into account the need to promote exports when arriving at the decision to open new embassies or missions. New embassies or missions may be opened in countries where Zimbabwe has realistic export opportunities based on the results of the DSM. That ZimTrade staff should be posted in the embassies to spearhead exports in addition to the other government officials already situated in the embassies.

- That the government, in consultation with ZimTrade, should appoint honorary ambassadors and attaches to assist in the promotion of exports abroad. Honorary ambassadors are not paid and can be appointed from the business community. In particular, those frequently travel abroad so they can also promote Zimbabwe's exports. Honorary attaches are also not paid and can be appointed from Zimbabweans living abroad in strategic places (where some REOs are located) and there is no embassy so they too can help in promoting Zimbabwe's products identified by the DSM.

- That the government does not wait for the donors to jump-start this strategy. The government can use its dividends from diamonds, its national budgetary allocations and funds of National Social Security Agency to provide incentives and loans to boost production and facilitate exports.

- That the government considers engaging countries and organisations which have imposed sanctions with a view of lifting them as some countries that have imposed them have high potential export opportunities for Zimbabwe. Normalising such relationships can boost exports.

- Government should improve its governance indicators as well as policies on investment. Currently these are hurting the image of the country and discourage those who want to do business with Zimbabwe.

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- Government should move with caution on legislation which has the impact of causing investors to shun the country at a time when the country needs investment to reduce a very high unemployment rate which is estimated at 80%.

- It should also allow ZimTrade to levy 2% on all exports and imports. The actions will allow the pulling together of adequate resources and ZimTrade's ability to promote products identified by the DSM under one roof on the same budget. This reduces cost and enhances coordination and effectiveness

- Government should consider re-establishing export processing zones and its authority and avoid the pitfalls of the past which made them to fail due to non-delivery of announced incentives. This time, export processing zones will have to be established in all 10 provinces of Zimbabwe.

- Government should be committed at the highest level in promoting exports.

- Government should consider adopting a defensive strategy in the South African market because it is Zimbabwe's largest trading partner and Zimbabwean firms which export to South Africa are established hence they must maintain that market from competitors who may wish to dislodge them.

9.5   Suggestions

These are mere suggestions. They are listed here as follows:

- Government should merge ZimTrade and the Mineral Marketing Corporation of Zimbabwe (MMCZ) into a new company to be known as ZimTrade where the functions of MMCZ will be a department in ZimTrade. The action will allow the pulling together of adequate resources and ZimTrade's ability to promote products identified by the DSM under one roof on the same budget. This reduces cost and enhances coordination and effectiveness.

- Government should enquire how other countries such as Belgium, Thailand and South Africa (the Department of Trade and Industry –DTI) are benefiting from the results of the Decision Support Model (DSM) in helping their exporters.

9.6   Contribution of the study

This study has made a significant contribution to literature on post-conflict reconstruction and export promotion. The extension to filter 5 of the DSM is the major contribution of this study to the relevance of this model and to market selection methods. The DSM by nature is demand driven, interested in identifying markets which demonstrate high import demand. The extension of filter 5 added a supply-side dimension to the model. This was achieved by establishing Zimbabwe's supply-side capabilities. Hence the contribution of this study removes the serious limitation of the DSM that was there of being only demand oriented into a model that considers both demand and supply conditions. This makes the model marketable and relevant to those who advocate for a supply-side model also.

The formulation of an export promotion strategy for Zimbabwe in Chapter 8 is another major contribution to literature on export promotion in the sense that it applies the results of the DSM in product-country combinations to formulate specific strategies that can enable the country to improve the utilisation rate of identified REOs.

The export promotion strategy is also a contribution to policy makers in Zimbabwe that can be used in formulating a government initiated export promotion strategy. This will make them move away from the traditional way of preparing an export promotion strategy not based on a scientific process such as the DSM. That is when non-focused programmes often spend resources on non relevant markets with no benefits thereof accruing to a nation. This happens due to selecting markets and products arbitrarily and using the same strategy for all markets. The DSM is unique and requires a specific strategy suitable to each market and markets are prioritised resulting in cost saving. Furthermore the traditional export promotion strategy does not distinguish between the markets in which a country has relatively high market share and those where it has a small market share. This study has shown that policy makers in Zimbabwe and ZimTrade should not spend the meagre resources on markets in which the firms have a relatively higher market share. As a result of this study, the responsibility for maintaining such markets shifts to the firms themselves thereby freeing public resources to be used elsewhere where there are REOs for Zimbabwe.

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The policy makers in Zimbabwe can use both the results of this DSM and the export promotion strategy in arriving at the decision of opening new embassies with a new concept based on focusing on realistic export opportunities rather than making such decision arbitrarily, often with no economic benefit to the nation.

9.7 Limitations of the study

This study followed a stringent procedure to eliminate some countries. This reduced Zimbabwe's opportunities. Specifically many countries in Africa were eliminated by the DSM except Angola, Ghana, Egypt, South Africa, Tanzania and Zambia. Furthermore, the criteria followed that a product required to have revealed comparative advantage in the pre-crisis period, during crisis period and in post-conflict period to be selected prevented the selection of many products. This happened because some products may have attained revealed comparative advantage in only one (especially in post-conflict period) or two periods hence did not meet the selection criteria.

9.8 Recommendations for future research

It is hereby suggested that there is room for further study for the DSM for Zimbabwe focusing on the African continent with more relaxed rules than the ones adopted by this study.

9.9 Final remarks

Conflicts are inherent in human beings and may give rise to conflicts in countries. What is important is that appropriate strategies should be used in conflict recovery.

Table A.1: DSM Filter 5 final results

Country	Products	filter 2	filter 3	filter 4	Cells	Values	CurrentZim	Difference	RCA selection
Angola	170410	4	XX	1	2	3496	0	3496	X
Angola	220710	4	XX	1	2	5198	0	5198	X
Angola	250100	4	XX	1	2	1494	0	1494	X
Angola	253090	4	XX	1	2	92	0	92	X
Angola	330620	4	XX	1	2	10	0	10	X
Angola	392310	4	XX	1	2	1130	0	1130	X
Angola	392329	4	XX	1	2	4404	0	4404	X
Angola	441820	4	XX	1	2	4576	0	4576	X
Angola	441840	4	XX	1	2	915	0	915	X
Angola	620342	4	XX	1	2	1380	0	1380	X
Angola	630539	4	XX	1	2	20	0	20	X
Angola	630900	6	XX	1	4	12896	0	12896	X
Angola	731300	4	XX	1	2	600	0	600	X
Angola	731512	4	XX	1	2	126	0	126	X
Angola	761519	4	XX	1	2	2889	0	2889	X
Angola	843221	4	XX	1	2	824	0	824	X
Argentina	110290	4	XX	1	2	123	0	123	X
Australia	330620	7	XX	1	5	943	0	943	X
Belgium	20890	7	XX	4	20	22964	250	22714	X
Belgium	80510	5	XX	1	3	7732	0	7732	X
Belgium	80540	3	XX	1	1	12961	0	12961	X
Belgium	120740	4	XX	1	2	927	0	927	X
Belgium	240120	5	XX	3	13	15678	13677	2001	X
Belgium	240130	7	XX	1	5	1101	10	1091	X
Belgium	251611	5	XX	1	3	20112	0	20112	X
Belgium	392329	7	XX	1	5	7118	0	7118	X
Belgium	430230	4	XX	1	2	34	0	34	X
Belgium	440710	7	XX	1	5	62184	0	62184	X
Belgium	520931	4	XX	1	2	1199	0	1199	X
Belgium	630210	3	XX	1	1	4920	0	4920	X
Belgium	720429	5	XX	1	3	11819	0	11819	X
Belgium	970300	4	XX	3	12	9665	20	9645	X
Canada	90240	4	XX	1	2	3958	36	3922	X
Canada	253010	5	XX	1	3	3230	0	3230	X
Canada	253090	4	XX	1	2	5404	0	5404	X
Canada	630120	7	XX	1	5	526	0	526	X
Canada	970500	7	XX	2	10	3646	112	3534	X
China	40210	6	XX	1	4	47532	0	47532	X
China	90220	4	XX	1	2	235	0	235	X
China	90230	4	XX	1	2	688	0	688	X
China	90240	4	XX	1	2	1328	0	1328	X
China	120740	6	XX	1	4	33775	0	33775	X
China	120999	5	XX	1	3	1404	0	1404	X
China	240120	6	XX	4	19	156069	53403	102666	X
China	320120	7	XX	1	5	6866	0	6866	X

Table A.1: DSM Filter 5 final results …continued

Country	Products	filter 2	filter 3	filter 4	Cells	Values	CurrentZim	Difference	RCA selection
China	392329	5	XX	1	3	14076	0	14076	X
China	410390	7	XX	1	5	2475	0	2475	X
China	440710	7	XX	1	5	128870	0	128870	X
China	520100	6	XX	1	4	869247	7090	862157	X
China	520210	7	XX	1	5	4957	0	4957	X
China	630510	4	XX	1	2	8	0	8	X
China	630533	4	XX	1	2	587	0	587	X
Czech Republic	710399	4	XX	1	2	308	0	308	X
Denmark	90220	4	XX	1	2	81	0	81	X
Denmark	410419	4	XX	1	2	2784	0	2784	X
Denmark	430219	4	XX	1	2	1303	0	1303	X
Denmark	430230	6	XX	1	4	745	0	745	X
Denmark	710399	4	XX	1	2	474	0	474	X
Dominican Republic	970300	4	XX	1	2	37	0	37	X
Egypt	240120	4	XX	4	17	14152	7933	6219	X
Egypt	240310	7	XX	1	5	19338	0	19338	X
Estonia	200710	4	XX	1	2	6	0	6	X
Finland	50690	4	XX	1	2	0	0	0	X
Finland	630900	4	XX	1	2	56	0	56	X
France	80590	7	XX	1	5	786	0	786	X
France	110610	5	XX	1	3	68	0	68	X
France	170111	4	XX	1	2	23876	0	23876	X
France	440710	7	XX	1	5	104258	0	104258	X
France	521051	4	XX	1	2	18	0	18	X
France	630120	7	XX	1	5	294	0	294	X
France	710399	4	XX	1	2	1744	0	1744	X
France	720241	3	XX	1	1	16633	0	16633	X
France	720429	6	XX	1	4	12982	0	12982	X
France	732392	7	XX	1	5	3058	0	3058	X
France	960810	7	XX	1	5	19927	0	19927	X
France	970300	7	XX	3	15	27409	15	27394	X
Germany	20890	7	XX	4	20	46106	251	45855	X
Germany	50690	6	XX	1	4	2299	0	2299	X
Germany	90230	7	XX	1	5	5153	0	5153	X
Germany	90240	6	XX	3	14	14560	51	14509	X
Germany	120210	7	XX	1	5	8842	0	8842	X
Germany	120740	7	XX	1	5	10086	0	10086	X
Germany	120929	3	XX	1	1	788	0	788	X
Germany	170111	4	XX	1	2	7057	0	7057	X
Germany	240120	3	XX	4	16	87666	12708	74958	X
Germany	240130	5	XX	1	3	1573	44	1529	X
Germany	251320	3	XX	1	1	1630	0	1630	X
Germany	251612	5	XX	3	13	1603	46	1557	X
Germany	261000	3	XX	1	1	17344	0	17344	X
Germany	392310	7	XX	1	5	28673	0	28673	X
Germany	392340	7	XX	1	5	4130	0	4130	X
Germany	430219	5	XX	1	3	6783	0	6783	X
Germany	430220	5	XX	1	3	18	0	18	X
Germany	430230	3	XX	1	1	4182	0	4182	X
Germany	440710	6	XX	1	4	118114	0	118114	X
Germany	520931	5	XX	1	3	1204	0	1204	X

Table A.1: DSM Filter 5 final results …continued

Country	Products	filter 2	filter 3	filter 4	Cells	Values	CurrentZim	Difference	RCA selection
Germany	520932	7	XX	1	5	3508	0	3508	X
Germany	630120	7	XX	1	5	702	0	702	X
Germany	630900	4	XX	1	2	2402	20	2382	X
Germany	710399	7	XX	1	5	7021	0	7021	X
Germany	720241	3	XX	1	1	177315	0	177315	X
Germany	970300	6	XX	3	14	29878	105	29773	X
Germany	970500	7	XX	3	15	29812	369	29443	X
Ghana	90220	4	XX	1	2	49	0	49	X
Ghana	220710	4	XX	1	2	7372	0	7372	X
Ghana	392329	4	XX	1	2	111	0	111	X
Ghana	480511	4	XX	1	2	1568	0	1568	X
Ghana	620342	4	XX	1	2	374	0	374	X
Ghana	620349	4	XX	1	2	81	0	81	X
Ghana	630190	4	XX	1	2	90	0	90	X
Ghana	630533	4	XX	1	2	530	0	530	X
Ghana	630900	5	XX	1	3	7758	0	7758	X
Ghana	940350	4	XX	1	2	500	505	-5	X
Greece	80510	4	XX	1	2	8242	29	8213	X
Greece	80540	4	XX	1	2	716	0	716	X
Greece	410390	4	XX	1	2	313	0	313	X
Hong Kong	20850	6	XX	4	19	547	21	526	X
Hong Kong	71090	4	XX	1	2	2052	0	2052	X
Hong Kong	80510	3	XX	1	1	42435	0	42435	X
Hong Kong	240120	4	XX	1	2	20582	1883	18699	X
Hong Kong	240220	3	XX	1	1	70228	0	70228	X
Hong Kong	410390	5	XX	1	3	3784	0	3784	X
Hong Kong	410419	5	XX	1	3	24299	0	24299	X
Hong Kong	520210	7	XX	1	5	1831	0	1831	X
Hong Kong	710399	7	XX	1	5	36739	0	36739	X
India	251611	4	XX	1	2	1891	0	1891	X
India	251612	4	XX	1	2	375	0	375	X
India	320120	3	XX	4	16	3219	1046	2173	X
India	410390	4	XX	1	2	176	0	176	X
India	440910	4	XX	1	2	758	0	758	X
India	710399	7	XX	1	5	8331	0	8331	X
India	761519	4	XX	1	2	1179	0	1179	X
Indonesia	520100	7	XX	1	5	100013	1282	98731	X
Indonesia	720429	7	XX	1	5	43147	0	43147	X
Ireland	80510	4	XX	1	2	5199	3	5196	X
Ireland	441820	6	XX	2	9	8634	40	8594	X
Ireland	630120	4	XX	1	2	80	0	80	X
Ireland	761519	4	XX	1	2	388	0	388	X
Israel	731512	4	XX	1	2	353	0	353	X
Italy	40700	7	XX	1	5	2902	0	2902	X
Italy	50690	7	XX	1	5	129	0	129	X
Italy	80510	5	XX	1	3	22536	0	22536	X
Italy	80540	3	XX	1	1	8623	0	8623	X
Italy	251611	3	XX	1	1	76533	0	76533	X
Italy	251612	7	XX	4	20	3048	9722	-6674	X
Italy	392340	5	XX	1	3	946	0	946	X
Italy	410419	3	XX	4	16	34339	563	33776	X
Italy	520100	3	XX	1	1	16207	4988	11219	X
Italy	520512	3	XX	1	1	10485	0	10485	X

Table A.1: DSM Filter 5 final results …continued

Country	Products	filter 2	filter 3	filter 4	Cells	Values	CurrentZim	Difference	RCA selection
Italy	630510	7	XX	1	5	839	0	839	X
Italy	720241	6	XX	4	19	117917	8273	109644	X
Italy	940350	4	XX	1	2	4781	0	4781	X
Italy	970300	4	XX	3	12	9342	10	9332	X
Italy	970500	4	XX	1	2	3548	140	3408	X
Japan	50710	7	XX	1	5	72	0	72	X
Japan	120929	3	XX	1	1	7377	0	7377	X
Japan	410320	7	XX	4	20	3131	455	2676	X
Japan	520100	5	XX	1	3	49992	4410	45582	X
Japan	720241	3	XX	1	1	421050	0	421050	X
Japan	750210	7	XX	4	20	322101	13758	308343	X
Jordan	60390	4	XX	1	2	23	0	23	X
Kazakhstan	620342	4	XX	1	2	1042	0	1042	X
Kazakhstan	970300	4	XX	1	2	23	0	23	X
Lithuania	80540	4	XX	1	2	831	0	831	X
Lithuania	240220	4	XX	1	2	2743	0	2743	X
Malaysia	90230	4	XX	1	2	575	0	575	X
Malaysia	630900	3	XX	1	1	19674	0	19674	X
Mexico	430230	4	XX	1	2	21	0	21	X
Mexico	731300	3	XX	1	1	623	0	623	X
Netherlands	20850	3	XX	1	1	210	0	210	X
Netherlands	20890	7	XX	1	5	5703	0	5703	X
Netherlands	60390	7	XX	1	5	927	0	927	X
Netherlands	71090	6	XX	1	4	702	0	702	X
Netherlands	80510	7	XX	1	5	59325	0	59325	X
Netherlands	80540	6	XX	1	4	20453	0	20453	X
Netherlands	80590	6	XX	1	4	854	0	854	X
Netherlands	90230	7	XX	1	5	1496	0	1496	X
Netherlands	90240	7	XX	1	5	5080	0	5080	X
Netherlands	240120	3	XX	1	1	53086	0	53086	X
Netherlands	253010	5	XX	1	3	1958	0	1958	X
Netherlands	253090	7	XX	1	5	2859	0	2859	X
Netherlands	732392	6	XX	1	4	1574	0	1574	X
New Zealand	110290	4	XX	1	2	668	0	668	X
New Zealand	410419	4	XX	1	2	12	0	12	X
New Zealand	520931	4	XX	1	2	212	0	212	X
New Zealand	620349	4	XX	1	2	299	0	299	X
New Zealand	731512	4	XX	1	2	233	0	233	X
New Zealand	761519	4	XX	1	2	1050	0	1050	X
Norway	90122	4	XX	1	2	151	0	151	X
Norway	410390	4	XX	1	2	150	0	150	X
Norway	630120	7	XX	1	5	876	0	876	X
Norway	732394	4	XX	1	2	226	0	226	X
Norway	970500	4	XX	1	2	354	16	338	X
Panama	490700	4	XX	1	2	883	0	883	X
Poland	90240	6	XX	3	14	5488	106	5382	X
Poland	120929	4	XX	1	2	362	0	362	X
Poland	120999	4	XX	1	2	102	0	102	X
Poland	240120	7	XX	3	15	29620	1430	28190	X
Poland	251611	5	XX	1	3	24418	0	24418	X
Poland	392340	7	XX	1	5	1048	0	1048	X

Table A.1: DSM Filter 5 final results …continued

Country	Products	filter 2	filter 3	filter 4	Cells	Values	CurrentZim	Difference	RCA selection
Qatar	71090	4	XX	1	2	290	0	290	X
Qatar	80510	4	XX	1	2	1458	2	1456	X
Qatar	630510	4	XX	1	2	37	0	37	X
Qatar	940350	4	XX	1	2	3609	0	3609	X
Russia	80510	6	XX	1	4	75032	0	75032	X
Russia	80540	7	XX	1	5	14190	0	14190	X
Russia	200710	6	XX	1	4	3461	0	3461	X
Russia	240120	7	XX	4	20	73885	13675	60210	X
Russia	430219	7	XX	1	5	4656	0	4656	X
Russia	430230	4	XX	1	2	143	0	143	X
Russia	630120	7	XX	1	5	848	0	848	X
Saudi Arabia	80510	6	XX	4	19	58790	554	58236	X
Singapore	410320	5	XX	4	18	7614	1569	6045	X
Singapore	520100	4	XX	1	2	3881	7868	-3987	X
Singapore	750210	4	XX	1	2	69548	0	69548	X
South Africa	80540	4	XX	4	17	310	27	283	X
South Africa	120929	4	XX	1	2	805	0	805	X
South Africa	170410	4	XX	4	17	694	156	538	X
South Africa	240220	4	XX	1	2	3906	855	3051	X
South Africa	250100	4	XX	1	2	301	0	301	X
South Africa	251612	4	XX	4	17	739	2387	-1648	X
South Africa	401019	4	XX	4	17	1956	1	1955	X
South Africa	440910	4	XX	1	2	931	3852	-2921	X
South Africa	620342	4	XX	4	17	10918	4768	6150	X
South Africa	620349	4	XX	4	17	1862	118	1744	X
South Africa	630190	4	XX	1	2	260	1	259	X
South Africa	690100	4	XX	1	2	143	0	143	X
South Africa	731512	4	XX	4	17	1527	172	1355	X
South Africa	732394	4	XX	4	17	1622	1283	339	X
South Africa	761519	4	XX	4	17	1451	275	1176	X
Spain	50690	4	XX	1	2	28	0	28	X
Spain	80510	7	XX	2	10	43535	18	43517	X
Spain	80540	4	XX	1	2	6664	0	6664	X
Spain	80590	4	XX	1	2	62	0	62	X
Spain	251611	3	XX	1	1	20521	0	20521	X
Spain	410390	4	XX	1	2	164	0	164	X
Spain	430219	7	XX	1	5	1904	0	1904	X
Spain	430220	4	XX	1	2	13	0	13	X
Spain	430230	6	XX	1	4	133	0	133	X
Spain	630510	6	XX	1	4	592	0	592	X
Spain	750210	6	XX	1	4	141171	0	141171	X
Spain	940350	7	XX	1	5	18160	0	18160	X
Spain	970300	4	XX	4	17	12573	82	12491	X
Spain	970500	7	XX	4	20	3078	12367	-9289	X
Sweden	90240	4	XX	1	2	395	0	395	X
Sweden	200710	3	XX	1	1	8	0	8	X
Sweden	410419	4	XX	1	2	1540	0	1540	X
Sweden	430230	4	XX	1	2	71	0	71	X
Sweden	520931	4	XX	1	2	245	0	245	X
Sweden	630120	5	XX	1	3	377	0	377	X
Sweden	630190	4	XX	1	2	368	0	368	X

Table A.1: DSM Filter 5 final results …continued

Country	Products	filter 2	filter 3	filter 4	Cells	Values	CurrentZim	Difference	RCA selection
Switzerland	20890	5	XX	4	18	11882	27	11855	X
Switzerland	120740	4	XX	1	2	521	0	521	X
Switzerland	120999	4	XX	1	2	246	0	246	X
Switzerland	240120	7	XX	2	10	36363	3172	33191	X
Switzerland	250100	4	XX	1	2	1399	0	1399	X
Switzerland	251611	4	XX	1	2	3046	0	3046	X
Switzerland	340120	4	XX	1	2	1857	0	1857	X
Switzerland	392329	4	XX	1	2	7599	0	7599	X
Switzerland	430230	4	XX	1	2	396	0	396	X
Switzerland	520512	4	XX	1	2	624	0	624	X
Tanzania	71090	4	XX	1	2	16	0	16	X
Tanzania	240120	4	XX	1	2	2496	0	2496	X
Tanzania	252310	4	XX	1	2	7691	0	7691	X
Tanzania	252329	4	XX	1	2	1507	0	1507	X
Tanzania	392329	4	XX	1	2	340	0	340	X
Tanzania	620342	4	XX	1	2	98	13	85	X
Tanzania	630210	4	XX	1	2	66	0	66	X
Tanzania	690100	4	XX	1	2	75	0	75	X
Tanzania	732392	4	XX	1	2	44	0	44	X
Tanzania	761519	4	XX	1	2	792	0	792	X
Tanzania	843210	4	XX	4	17	999	289	710	X
Tanzania	843230	4	XX	1	2	56	0	56	X
Tanzania	843280	4	XX	1	2	454	7	447	X
Tanzania	843290	4	XX	1	2	248	22	226	X
Tanzania	940350	4	XX	1	2	445	0	445	X
Tanzania	970500	4	XX	1	2	87	0	87	X
Thailand	440710	4	XX	1	2	8900	0	8900	X
Thailand	520100	3	XX	1	1	76606	8763	67843	X
Thailand	720429	4	XX	1	2	9969	0	9969	X
Turkey	120740	7	XX	1	5	18009	0	18009	X
UAE	110610	3	XX	1	1	118	0	118	X
UAE	251830	3	XX	1	1	76	0	76	X
UAE	620349	3	XX	1	1	5113	0	5113	X
United Kingdom	70810	6	XX	3	14	14964	9	14955	X
United Kingdom	80510	7	XX	3	15	25804	6	25798	X
United Kingdom	80540	3	XX	1	1	11499	0	11499	X
United Kingdom	81040	7	XX	1	5	18680	0	18680	X
United Kingdom	90122	6	XX	1	4	1847	0	1847	X
United Kingdom	90230	7	XX	1	5	5045	23	5022	X
United Kingdom	90300	4	XX	1	2	11	0	11	X
United Kingdom	120910	7	XX	1	5	0	0	0	X
United Kingdom	200710	7	XX	1	5	56	0	56	X
United Kingdom	250410	6	XX	1	4	2647	0	2647	X
United Kingdom	253010	7	XX	1	5	4466	0	4466	X
United Kingdom	340120	6	XX	1	4	6510	0	6510	X
United Kingdom	392310	7	XX	1	5	17050	0	17050	X
United Kingdom	440200	6	XX	1	4	5427	0	5427	X
United Kingdom	481910	7	XX	1	5	20482	0	20482	X

Table A.1: DSM Filter 5 final results …continued

Country	Products	filter 2	filter 3	filter 4	Cells	Values	CurrentZim	Difference	RCA selection
United Kingdom	490700	3	XX	4	16	10574	116603	-106029	X
United Kingdom	520921	6	XX	1	4	769	0	769	X
United Kingdom	520931	5	XX	1	3	2037	0	2037	X
United Kingdom	620342	7	XX	2	10	112198	2	112196	X
United Kingdom	620349	7	XX	2	10	22166	1	22165	X
United Kingdom	630120	3	XX	1	1	401	0	401	X
United Kingdom	630190	7	XX	1	5	4870	0	4870	X
United Kingdom	630510	7	XX	1	5	5092	0	5092	X
United Kingdom	630900	4	XX	4	17	2476	1696	780	X
United Kingdom	720690	7	XX	1	5	7872	0	7872	X
United Kingdom	731300	7	XX	1	5	1601	0	1601	X
United Kingdom	732391	4	XX	1	2	1574	0	1574	X
United Kingdom	732394	6	XX	1	4	6119	0	6119	X
United Kingdom	750210	7	XX	1	5	182729	0	182729	X
United Kingdom	843221	5	XX	1	3	24	0	24	X
United Kingdom	847890	7	XX	1	5	922	0	922	X
United Kingdom	940350	7	XX	4	20	107907	868	107039	X
United Kingdom	970300	6	XX	4	19	217561	589	216972	X
United States	71332	7	XX	1	5	2609	0	2609	X
United States	90220	7	XX	1	5	20784	0	20784	X
United States	170390	7	XX	1	5	7066	0	7066	X
United States	250410	7	XX	1	5	8798	0	8798	X
United States	253090	3	XX	1	1	36482	0	36482	X
United States	401034	7	XX	1	5	5509	0	5509	X
United States	441119	3	XX	1	1	97804	0	97804	X
United States	441129	7	XX	1	5	25559	0	25559	X
United States	441199	7	XX	1	5	86229	0	86229	X
United States	520541	7	XX	1	5	822	0	822	X
United States	520912	3	XX	1	1	1449	0	1449	X
United States	847890	3	XX	1	1	14072	0	14072	X
Uruguay	960810	4	XX	1	2	221	0	221	X
Vietnam	440710	4	XX	1	2	10843	0	10843	X
Vietnam	720429	4	XX	1	2	1548	0	1548	X
Zambia	170410	4	XX	4	17	654	541	113	X
Zambia	250100	4	XX	1	2	2038	18	2020	X
Zambia	251612	4	XX	1	2	42	29	13	X
Zambia	401019	4	XX	1	2	1100	0	1100	X
Zambia	620349	4	XX	1	2	351	2	349	X
Zambia	630190	4	XX	4	17	374	27	347	X
Zambia	630210	4	XX	1	2	75	0	75	X
Zambia	690100	4	XX	4	17	338	118	220	X
Zambia	731512	4	XX	1	2	178	40	138	X

Table B.1: Product Description

HS-6 digit product code	Product Description
020850	Meat & edible offal of reptiles, incl. snakes & turtles, fresh/chilled/frozen
020890	Meat and edible offal nes fresh, chilled or frozen
040210	Milk powder < 1.5% fat
040700	Birds eggs, in shell, fresh, preserved or cooked
050690	Bones and horn-cores unworked or simply worked nes
050710	Ivory, unworked or simply prepared, powder and waste
060390	Cut flowers and flower buds for bouquets, dried, etc.
070810	Peas, shelled or unshelled, fresh or chilled
071090	Frozen vegetable mixtures, uncooked, boiled or steame
071332	Beans, small red (Adzuki) dried, shelled
080510	Oranges, fresh or dried
080540	Grapefruit, fresh or dried
080590	Citrus fruits, fresh or dried, nes
081040	Cranberries, bilberries, similar fruits, fresh
090122	Coffee, roasted, decaffeinated
090220	Tea, green (unfermented) in packages > 3 kg
090230	Tea, black (fermented or partly) in packages < 3 kg
090240	Tea, black (fermented or partly) in packages > 3 kg
090300	Mate
110290	Cereal flour except wheat, meslin, rye, maize, rice
110610	Flour or meal of dried legumes
120210	Ground-nuts in shell not roasted or cooked
120740	Sesamum seeds
120910	Sugar beet seed, of a kind used for sowing
120929	Seed, forage plants, for sowing nes
120999	Seed, fruits and spores for sowing, nes
170111	Raw sugar, cane
170390	Molasses, except cane molasses
170410	Chewing gum containing sugar, except medicinal
200710	Homogenised jams, jellies, etc
220710	Undenatured ethyl alcohol > 80% by volume
240120	Tobacco, unmanufactured, stemmed or stripped
240130	Tobacco refuse
240220	Cigarettes containing tobacco
240310	Cigarette or pipe tobacco and tobacco substitute mixe
250100	Salt (sodium chloride) including solution, salt water
250410	Natural graphite in powder or flakes
251320	Emery, natural corundum,
251611	Granite, crude or roughly trimmed
251612	Granite, merely cut into blocks etc
251830	Agglomerated dolomite (including tarred dolomite)
252310	Cement clinkers
252329	Portland cement, other than white cement
253010	Vermiculite, perlite and chlorites, unexpanded

Table B.1: Product Description …continued

HS-6 digit product code	Product Description
253090	Mineral substances, nes
261000	Chromium ores and concentrates
320120	Wattle tanning extract
330620	Yarn u to clean bt teeth
340120	Soaps nes
392310	Boxes, cases, crates etc. of plastic
392329	Plastic sacks, bags, cone except of ethylene polymers
392340	Plastic spools, cops, bobbins and similar supports
401019	Conveyor belts nes
401034	Endless transmission belts of trapezoidal cross-section (V-belts), other th ...
410320	Reptile skins, raw
410390	Raw hide/skins except bovine/equine/sheep/goat/reptil
410419	Tanned/crust hides & skins of bovine (incl. buffalo)/equine animals, withou ...
430219	Tanned,dressed whole furs except lamb/mink/rabbit/har
430220	Tanned or dressed furskin pieces (heads, tails, paws)
430230	Tanned or dressed whole furskins and pieces, assemble
440200	Wood charcoal (including shell or nut charcoal)
440710	Lumber, coniferous (softwood) thickness < 6 mm
440910	Coniferous wood continuously shaped along any edges
441119	Fibreboard >0.8 g/cm2 worked/surface covered
441129	Fibreboard 0.5 - 0.8 g/cm2 worked/surface covered
441199	Fibreboard nes, worked or surface covered
441820	Doors, frames and thresholds, of wood
441840	Shuttering for concrete constructional work, of wood
480511	Semi-chem.fluting paper,uncoated, in rolls/sheets, not further worked than/ ...
481910	Cartons, boxes & cases, of corrugated paper or board
490700	Documents of title (bonds etc), unused stamps etc
520100	Cotton, not carded or combed
520210	Cotton yarn waste (including thread waste)
520512	Cotton yarn >85% single uncombed 714-232 dtex,not ret
520541	Cotton yarn >85% multiple combed >714 dtex,not retail
520912	Twill weave cotton, >85% >200g/m2, unbleached
520919	Woven cotton nes, >85% >200g/m2, unbleached, nes
520921	Plain weave cotton, >85% >200g/m2, bleached
520931	Plain weave cotton, >85% >200g/m2, dyed
520932	Twill weave cotton, >85% >200g/m2, dyed
521051	Plain weave cotton, <85% +manmade fibre, <200g print
620342	Mens, boys trousers & shorts, of cotton, not knit
620349	Mens, boys trousers & shorts, material nes, not knit
630120	Blankets (non-electric) & travelling rug, wool or hai
630190	Blankets (except electric) & travel rugs, material ne
630210	Bed linen, of textile knit or crochet materials
630510	Sacks & bags, packing, of jute or other bast fibres
630533	Sacks&bags,f/pckg polyet
630539	Sacks & bags, packing, of other manmade yarn
630900	Worn clothing and other worn articles
690100	Bricks, blocks and ceramic goods of siliceous earths
710399	Precious & semi-precious stones, nes, worked, not set
720241	Ferro-chromium, >4% carbon

Table B.1: Product Description …continued

HS-6 digit product code	Product Description
720429	Waste or scrap, of alloy steel, other than stainless
720690	Iron or non-alloy steel, primary nes, <99.94% iron
731300	Wire for fencing, including barbed wire
731512	Chain, articulated link, iron or steel, except roller
732391	Table/kitchen articles, parts, unenamelled cast iron
732392	Table/kitchen articles, parts, enamelled cast iron
732394	Table/kitchen articles, parts, enamelled iron or stee
750210	Nickel unwrought, not alloyed
761519	Table,kitchen&household
843210	Ploughs
843221	Disc harrows
843230	Seeders, planters and transplanters
843280	Rollers, soil preparation, cultivation machinery, nes
843290	Parts for soil preparation or cultivation machinery
847890	Parts of machinery for preparing tobacco
940350	Bedroom furniture, wooden, nes
960810	Ball point pens
970300	Original sculptures and statuary, in any material
970500	Collections and collectors pieces

C.1:The new role of ZimTrade

No.	Description of role
1	Trade information services
2	Analyzing foreign market opportunities
3	Preparation of market profile
4	Product specific export promotion programme
5	Complete market studies
6	Identification of export constraints
7	Export supply side studies
8	Preparation of product profiles
9	Selective dissemination information
10	Identification of export potential development
11	Participation in trade fairs
12	Organising buyer and seller missions, organising trade fair, incoming and outgoing trade missions.
13	Representation in missions and offices abroad
14	Appointment of honary attaches (without being paid of Zimbabweans stationed abroad to help promote Zimbabwean products)
15	Run Ambassador Programme (local business people who travel frequently abroad to help with export promotion)
16	Organise seminars, workshops and conferences
17	Initial contact with customers
18	Information dissemination to exporters
19	Trade lead referral services
20	Liaison with Zimbabwe National Chamber of Commerce and the Confederation of Zimbabwe Industries
21	Marketing
22	Procedure and documentation
23	Product adaptation
24	Direct training to exports
25	Publicity
26	Legal matters
27	Costing and pricing
28	Transportation
29	The functions of the Mineral Marketing Corporation of Zimbabwe

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